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IRS Gets Tax Data From India As Black Money Hunt Hits Americans Too

Indian Prime Minister Narendra Modi promised to bring home millions of dollars of illicit money stashed abroad. Indians call undisclosed money 'black money,' and how much there is remains unclear. But it isn't just billions. It could be hundreds of billions to more than \$1 trillion. It isn't merely offshore either.

Many transactions are done on the books for one figure, while in reality, the total money changing hands is far larger. Amazingly, numerous land transactions across India are still done in cash, either wholly or partially. Land closings for some 'white' money and some black are common, as are many other kinds of transactions. It may be unrealistic to think that it will all stop shortly.

Indians are supposed to step forward by September 30 to pay taxes and penalties, but so far, few seem to be doing so, despite new risks of jail. As the deadline approaches, many naysayers are complaining. Some say the hunt for new places to stash the loot. Some Indians now send their family members abroad for 182 days. That makes them non-residents so family members can send them money to stash.



Indian Prime Minister Narendra Modi gestures as he speaks during the inauguration of a conference on Financial Inclusion in Mumbai on April 2, 2015. The conference was organised on the occasion of completion of 80 years of the Reserve Bank of India (Photo by Punit Paranjpe/AFP/Getty Images)

Americans doing business with or in India may already have reporting difficulties because of black money. Now, India and the United States have signed a tax information sharing agreement under [FATCA](#), the Foreign Account Tax Compliance Act. India will help the IRS and the Justice Department root out Americans holding foreign accounts everywhere. It isn't illegal to have offshore accounts, but they must be fully disclosed on money laundering forms known as FBARs. America taxes its citizens and permanent residents on their [worldwide income](#) regardless of where they live.

Accounts must be reported on U.S. tax returns. Any interest, dividends or other income anywhere must be reported on U.S. tax returns too. India may have its own agenda, apart from helping the U.S. root out tax cheats. India has huge problems with its own nationals keeping money offshore as well as undercutting sales and revenue figures with the rampant black money vs. white money dichotomy. Indians without U.S. connections may have more time to get their tax affairs in order. However, the template of global financial transparency is already being charted.

Before [FATCA](#), no American tax law has attempted such an astounding reach. FATCA requires foreign banks to reveal Americans with accounts over

\$50,000. Non-compliant institutions are frozen out of U.S. markets, so there is little choice but to comply. FATCA cuts off companies from access to critical U.S. financial markets if they fail to pass along American data. More than 100 nations have agreed to the law. Countries must agree to the law or face dire repercussions. Even tax havens have joined up.

The IRS has a searchable financial institution [list and download tool](#) and a [user guide](#). Countries on board are at [FATCA – Archive](#). FATCA's 30% tax and exclusion from U.S. markets would be so catastrophic that everyone has opted to comply. Foreign financial institutions must withhold a 30% tax if the recipient isn't providing information about U.S. account holders. The choice is simple, and that's why everyone is complying.

Foreign Financial Institutions must report account numbers, balances, names, addresses, and U.S. identification numbers. For U.S.-owned foreign entities, they must report the name, address, and U.S. [TIN](#) of each substantial U.S. owner. And in what is a kind of global witch hunt, American indicia will likely mean a letter.

FBARs are still required. FATCA just *adds* to the burden, including Form 8938. These forms are serious, and so are the criminal and civil penalties for failing to file them. In some cases, even civil [penalties can exceed the offshore account balance](#). U.S. account holders who aren't compliant can enter the [Offshore Voluntary Disclosure Program](#). But for those not willing to pay the 27.5% penalty—which rose to 50% August 4, 2014 for some banks—the new IRS's [Streamlined Program](#) can be a good option for those who qualify.

As for India's reporting deadline, there is already speculation that the Sept. 30 deadline may be extended. Ironically, Americans doing business with or in India might have simpler reporting issues if India's preoccupation with black money went away. But given how deeply rooted the two-tiered money system is in India, it seems unlikely to happen overnight.

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