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Are Irish Eyes Smiling On FATCA?

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Ireland evidently doesn't want to be left out of the Foreign Account Tax Compliance Act (FATCA) party dreamt up by the U.S. and five European Nations. Sure, FATCA is strictly a U.S. creation. But earlier this year, the IRS and Treasury Department announced a joint deal with France, Germany, Italy, Spain and the U.K. establishing a framework for implementing FATCA through bilateral agreements. See 5 Nations Join U.S. In Tax Evasion Crackdown.

That was comforting news to U.S. lawmakers, at least some of whom were already talking of repeal. After all, FATCA rankled many in the international community. In effect, FATCA orders foreign banks how to behave, forcing foreign institutions to do the IRS's dirty work. See Expats Call For FATCA Repeal and Are Expats Derailing The FATCA Express?

FATCA takes effect in earnest in January 2013, and foreign financial institutions (FFIs) are gearing up to cope. When five key nations joined the U.S., FATCA sounded less unreasonable. The U.S. is willing to exchange data on an automatic basis. See IRS: Expect Even More Transparent Foreign Accounts.

Curiously, Israel could rely on the precedent established when the U.S. entered into its deals with France, Germany, Italy, Spain and the U.K.

See Dual Citizens Worry: Will Israel Get A Special FATCA Deal? Israel has a major U.S. presence. Meanwhile, the Association of Banks in Israel has asked Israel's central Bank of Israel for guidance. Some expect the Bank of Israel to ask the country's cabinet to strike a deal with the U.S. to minimize the substantial disruption FATCA is already causing.

Ireland? Representatives of Irish investment funds now advocate a bilateral approach to reduce compliance costs. After all, Ireland and the U.S. already share information. Ireland also does not have bank secrecy laws. That makes a good chance for a bilateral agreement between Ireland and the U.S. See U.S. tax talks could boost financial firms here.

If Ireland can strike a deal, one presumes the deal would be similar to that for the five nations that paved the way. The U.S. will ease up on FFIs and not require separate agreements. The two conditions would be that FFIs must be registered (or exempt), and that the U.S. must be getting the information from the foreign governments. It's a win-win. See Will IRS Get Fat Off FATCA?

The U.S. may still not have elevated FATCA to the ranks of the most popular laws. See FATCA Carries Fat Price Tag. However, the joint announcement with five European nations was a huge U.S. win. More nations will clearly follow.

For more, see:

Wealthy Americans Queue to Give Up Passports in Swiss Capital

FATCA Creating A Compliance Gold Rush

Dual Citizens Worry: Will Israel Get A Special FATCA Deal?

FBARS & FATCA Form 8938: Maddening Duplication?

Would Carlos Slim Trim FATCA? Fat Chance

FATCA Makes Banks Shut Out Americans

Despite FATCA, FBAR Penalties Still Under Fire

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