

FATCA

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In parallel with the investigations, the United States adopted a law that would make the exchange of information automatic. The Foreign Account Tax Compliance Act, FATCA, enacted in 2010, requires foreign financial institutions to identify accounts held by American persons and to report them to the Internal Revenue Service, under threat of a withholding tax of thirty per cent on payments from American sources. Since no financial institution can afford to be excluded from the American market, FATCA forced banks throughout the world to report their American clients.¹

Switzerland concluded an intergovernmental agreement with the United States on the implementation of FATCA in 2013, which entered into force in 2014. Under the Swiss model, known as Model 2, Swiss financial institutions report directly to the Internal Revenue Service the accounts of American clients who consent to the reporting, while the American authorities can obtain the data of non-consenting clients through group requests under the double taxation convention. Switzerland later negotiated a transition to Model 1, under which Swiss institutions report to the Swiss tax administration, which exchanges the information automatically with the United States.²

1 Notes

1. On the Foreign Account Tax Compliance Act (FATCA), enacted on 18 March 2010 as part of the HIRE Act, and its 30 per cent withholding tax on US-source payments to non-participating foreign financial institutions, see the US legislation and IRS publications. To be verified.



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2. On the FATCA agreement between Switzerland and the United States of 14 February 2013 (Model 2), in force since 2 June 2014, and the negotiations for a transition to Model 1 (agreement signed in 2024), see the publications of the State Secretariat for International Finance. Status to be verified. ↩

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