The European countries finalise a model agreement for applying FATCA

Spain, the UK, Germany, Italy and France, joined by the USA, reinforce the struggle against tax evasion

- The model agreement, adopted jointly by the leading European countries and the USA, moves towards a global automatic information exchange system which will combat international fiscal fraud effectively

- Spanish financial institutions will be able to avoid a 30% withholding on payments they receive from U.S. sources in return for an exchange of information between tax authorities

- The Minister for Finance and Public Administrations, Cristóbal Montoro, highlights the progress made toward discovering concealed assets and income located abroad

26 July 2012. The Spanish and US governments have successfully concluded their negotiations on a model intergovernmental agreement to improve compliance with tax obligations and combat international tax evasion. The agreement was negotiated jointly with France, Germany, Italy and the UK, and enables application of the US Foreign Account Tax Compliance Act, known as FATCA.

This model will serve as a base for the bilateral agreements these five European countries will soon sign with the USA, and also with other countries or jurisdictions joining the process at a later date. Under these agreements, financial institutions must give their respective fiscal authorities information on the financial accounts of taxpayers from other signatory countries. Later, this information will be automatically exchanged between tax authorities using a standardised procedure. For example, the USA will automatically transmit to Spain the information provided by its financial entities on the dividends earned by Spanish taxpayers.

Compliance with FATCA rules will give Spanish financial entities more favourable treatment than that generally established in US tax regulations in force since 2010, thus further simplifying compliance with procedures. These advantages include a waiver of the 30% withholding on payments received by banks from US sources, bypassing the need to sign a bilateral agreement with the US tax authority.

Spain, like its neighbouring countries, has made a firm commitment to establish a global automatic information exchange system, key to efficiently combating and preventing international tax evasion, and this model is a decisive step towards that goal.

CORRALLING CONCEALED INCOME

The Minister for Finance and Public Administrations, Cristóbal Montoro, welcomed the model agreement, published today in Spain, Germany, the UK, France and Italy. "By developing and subsequently signing this model agreement with the US, Spain, in keeping with its international strategy, is again at the forefront of the fight against tax evasion. The model will contribute to establishing a global automatic information exchange system which will uncover undeclared assets and income located abroad," he said.

The commitment to FATCA comes a month after Spain and the USA announced the signing of a new agreement to avoid double taxation between both countries, which will help encourage US firms to invest in Spain, and vice versa. The existing agreement in force dated from February 1990.

Together with this press release, a joint communiqué was issued by Spain, France, Germany, Italy, the UK and the USA (in English and Spanish), and published today along with the model intergovernmental agreement.

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