FATCA

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Both hubs apply the United States Foreign Account Tax Compliance Act through intergovernmental agreements. Singapore has a Model 1 IGA, signed in 2014 and replaced by a reciprocal Model 1 IGA signed on 13 November 2018, under which Singapore financial institutions report US account holders to IRAS, which transmits the data to the Internal Revenue Service.[1] Switzerland has operated a Model 2 IGA since 2014, under which Swiss institutions report directly to the IRS with consent and group requests cover the rest. It signed a Model 1 agreement on 27 June 2024 that is expected to take effect from 2027 after ratification.[2]

For digital-asset businesses FATCA matters because the United States is not a CARF participant in the ordinary sense. It has announced that it will implement its own broker reporting under section 6045 of the Internal Revenue Code and exchange on a reciprocal basis only with jurisdictions that meet its conditions. A Singapore or Swiss exchange with US customers is therefore within FATCA as a financial institution to the extent its services fit the FATCA definitions. For custodial institutions holding crypto that raises the same definitional problem as the CRS. The exchange must in any event comply with the US broker rules if it is a broker for US persons. Most Singapore and Swiss exchanges have resolved the problem by refusing US customers. The AML onboarding described in Part L, Chapter II screens for US indicia for that reason.

Notes

1. Agreement between the Government of the Republic of Singapore and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA, signed 13 November 2018 (reciprocal Model 1), in force 1 January 2021; Income Tax (International Tax Compliance Agreements) (United States of America) Regulations 2020.
2. Agreement between Switzerland and the United States on cooperation to facilitate the implementation of FATCA (Model 1), signed 27 June 2024; Federal Council dispatch for ratification.

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