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U.S. – Cyprus Agreement to Improve International Tax Compliance and to Implement FATCA

On 02 December 2014 the Government of Cyprus and the Government of the USA entered into an intergovernmental agreement (the “**Cyprus IGA**”) to improve international tax compliance through mutual assistance in tax matters and to implement the Foreign Account Tax Compliance Act (“**FATCA**”). FATCA was enacted by the US Congress in 2010 to target non-compliance by U.S. tax payers using foreign accounts. It requires foreign financial institutions to report to the U.S. Internal Revenue Service information about financial accounts held by U.S. taxpayers, or by foreign entities which are controlled by U.S. taxpayers.

In accordance with the provisions of the Cyprus IGA, both governments must obtain specific information in relation to reportable accounts and annually exchange this information with each other on an automatic basis.

In the case of Cyprus, reportable accounts are defined as financial accounts held by a U.S. person or a non-US entity which is controlled by a U.S. person (e.g. a U.S. trustee, settlor or beneficiary of a trust) and maintained by a reporting Cyprus financial institution (e.g. a Cypriot bank or a branch of a foreign bank which is located in Cyprus). Cyprus should obtain and exchange with the USA specific information with respect to such accounts, including the name, address, and U.S. TIN of the U.S. person that holds such account or the U.S. person that controls the non-U.S. entity, the account number and the account balance.

It should be noted that the term “U.S. person” is broadly defined in the Cyprus IGA and includes not only a U.S. citizen but also a U.S. resident.

If you have any specific questions/queries please do not hesitate to contact us.