

TECHNICAL

Direct Tax

LHDNM ANNOUNCEMENT ON FOREIGN ACCOUNT TAX COMPLIANCE ACT

The Inland Revenue Board of Malaysia (LHDNM) issued an announcement relating to the USA's Foreign Account Tax Compliance Act (FATCA) on 13 March 2015.

Briefly, the Announcement seeks to inform the Malaysian public of the following:

- **Background** – FATCA aims at reducing tax evasion by US persons and affects Financial Institutions (FIs) worldwide. FIs outside the US are required to provide information regarding their customers who are US persons to the US Inland Revenue Service (US IRS). The US has developed *Intergovernmental Agreement* (IGA) models as tools to facilitate FI's compliance with FATCA. They comprise:
 - Model 1 (information reported to the FI's domestic authority which in turn provides the information to the US IRS) and;
 - Model 2 (information reported directly to the US IRS, supplemented by information exchange upon request between the US IRS and its relevant government counterpart).
- **Malaysia-US IGA** – Malaysia has reached agreement with the US on 30/6/2014 on a Model 1 IGA, which is expected to be finalized before 30/6/2015. Under the agreement, *Reporting Malaysia-based Financial Institutions* (MYFIs) will provide LHDNM with account information of US persons. IRBM will then exchange the information with the US IRS.
- **Overview of FATCA Filing Process** – A platform called *International Data Exchange Service* (IDES) has been developed by the US IRS for the purpose of FATCA reporting. Reporting MYFIs will submit their FATCA reporting data to the LHDNM via IDES. LHDNM will authorize the onward transmission of such data to the US IRS. The actions required to be taken by reporting MYFIs to prepare for FATCA data reporting are listed.
- **Guidance Notes** – The LHDNM has drafted "Guidance Notes on Compliance Requirements for Malaysia-US IGA". The draft is open for **public comments** from **15 March 2015 – 15 April 2015**.

The Announcement also provides links to the following:

- [IRS FATCA webpage](#);
- [IDES User Guide](#)
- [Draft Guidance Notes on Compliance Requirements for Malaysia-US IGA](#);
- [Public Consultation on the above Draft Guidance Notes \(invitation for comments\)](#).

Members may read the announcement and attachments in full on the [Institute's website](#) or [LHDNM official website](#).

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