Financial Services Commission
Mauritius

FSC Mauritius hosts ATMC Workshop on FATCA
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Mr. Karl Lee, Director of KPMG U.S Tax Practice, Europe

Industry Representatives

Ladies and Gentleman

Good afternoon

I am pleased to welcome you all to the FSC House for this joint FSC-ATMC event - Workshop on FATCA.

We usually invite you here to talk about a new Mauritian law we are implementing for FSC licensees. However, today we are here to talk about a foreign law which is also a law that has made many people unhappy all over the world, and yet is being adhered to by many jurisdictions, as collaboration between jurisdictions and also presented as being beneficial in public interest.

What is FATCA?

FATCA was enacted by the United States of America (USA) in March 2010 as part of the Hiring Incentives to Restore Employment Act.

According to laws of the USA, the United States (US) taxpayers are liable for tax on their global income. The purpose of the Foreign Account Tax Compliance Act (FATCA) is to cause US citizens living and working outside of the US to report on their assets to the US Inland Revenue Service

(IRS). It seeks to identify US taxpayers who hold financial assets in non-US financial institutions and other offshore accounts, so that they cannot avoid their US tax obligations.

FATCA Agreement

The Government of the Republic of Mauritius and the Government of the United States of America signed a Tax Information Exchange Agreement (TIEA) and an Inter-Governmental Agreement (IGA), for the implementation of FATCA on 27 December 2013.

Under the IGA, the Competent Authorities, the Mauritius Revenue Authority and the US Inland Revenue Service, shall obtain information required on all reportable accounts and shall annually exchange this information on an automatic basis.

Agreements, whether bilateral or multilateral, which facilitate exchange of information within well-defined parameters known to all, strengthen the good repute of the Mauritius IFC.

The FSC Mauritius is committed to adhering to international best practices on transparency and disclosure of information.

The FSC Mauritius has signed 3 Multilateral Memorandum of Understanding (MMoUs) – IOSCO, IAIS and CISNA, 2 regional MOUs and MoUs with 23 EU countries (relating to the supervision of AIFMD entities) and MOUs with 19 Foreign Authorities and 6 Local Authorities for effective supervision and exchange of information in accordance with international standards.

What does compliance with FATCA involve?

The FATCA provides that unless a Foreign Financial Institution (FFI) has an FFI agreement with the US IRS or is located in a jurisdiction that has an Inter-Governmental Agreement (IGA) with the US, a 30 percent withholding tax will be applied to payments of certain US-sourced income such as interests, dividends and insurance premiums made to the FFI.

Thus, had Mauritius not negotiated and signed this agreement, financial institutions in Mauritius would have faced an even greater compliance burden of directly reporting to the IRS certain information about their US accounts, including accounts of certain foreign entities with substantial US owners or be hit with the 30 per cent withholding tax.

I am sure many Management Companies and Financial Institutions, within the Global Business sector where the US is an important partner jurisdiction, welcome this agreement since it reduces administrative burden.

Mauritius – a clean and transparent jurisdiction

The agreement Mauritius and the US signed introduces reporting requirements for U.S. financial institutions with respect to certain accounts held by Mauritians in the US as well. The reciprocal nature of this agreement underscores the shared efforts of both countries to combat tax evasion – This objective will mutually benefit both countries and discourage tax abuses through increased transparency and enhanced reporting.

With this agreement, Mauritius is also able to demonstrate its commitment and efforts to be a "clean and transparent" jurisdiction.

Conclusion

Given the impact of FATCA and the anxiety it has created in the industry, this ATMC Workshop on FATCA, hosted by FSC Mauritius, will help to point the way forward by helping our financial institutions to gain an in-depth understanding of this piece of legislation.

Let me commend the ATMC and KMPG for this initiative and Mr. Karl Lee, our expert who advises a variety of financial institutions, and other financial entities including banks, brokers and investment funds on FATCA.

I wish you a successful session and thank you all for your attention and for being here with us.

Clairette Ah-Hen
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