

## **FAQs for Account Holders**

(First issued on 17 Nov 2015)

**Important Note:** This document seeks to address common questions that IRAS receives on FATCA and self-certifications required by financial institutions.

### **A. General**

#### **1. How will individuals and businesses be affected by FATCA?**

Financial institutions (“FIs”) will be liable for reporting on financial accounts held by US persons. Generally, accounts holders who are Singapore Citizens, Singapore Permanent Residents and businesses that have no US tax liabilities will not be reported on. As FATCA requires foreign FIs (“FFIs”) to implement procedures to identify accounts belonging to US persons and report them to US IRS (through IRAS), FIs may obtain additional information and documentation, such self-certification forms, from their existing and new customers to verify their US tax residency status. Individuals or businesses that require advice on their US tax residency for FATCA purposes should seek professional tax/legal advice.

#### **2. I have been asked to complete a self certification form. Can IRAS assist me with filling up the form?**

FIs may adopt different approaches and measures to obtain and review the information required under FATCA. You should contact the issuer of the self certification to seek assistance on completing the form.

General information on FATCA is available at IRAS’ [FATCA webpage](#). You can also email IRAS at [FATCA@iras.gov.sg](mailto:FATCA@iras.gov.sg) if you have questions on FATCA requirements.

#### **3. What will happen if I do not provide documentation or self-certification which my FI has asked for under FATCA?**

If you do not provide the requested documentation or self-certification, your FI may need to report your account information to the IRAS, refuse to open new accounts for you or, in certain cases, close your existing account(s).

### **B. Individual account holders**

#### **1. My financial institution has asked if I am a US person for US tax purposes. What does that mean?**

In general, you are a US person for US tax purposes if you are a US tax resident or US citizen. You may refer to relevant US government websites or resources, such as the [IRS website](#) for more information on US tax residency. Please seek professional tax/legal advice if you are unsure of your US tax residency status.

**2. I am not a US tax resident and yet my FI has asked that I fill up a self-certification to confirm my US tax residency status. Am I required to complete the self-certification?**

FIs may obtain additional information and documentation, such as self-certifications, from their customers in order to determine their US or non-US tax residency status from time to time. You should complete and return the self-certification when requested by your FI to do so.

Circumstances where the FI will ask for a self-certification include:

- (i) Your FI has information in its records that shows that you may be a US citizen or a US tax resident;
- (ii) You are opening a new account with the FI; and
- (iii) The balance in your account has exceeded the exemption threshold for review and reporting.

Please refer to Section 9 of the IRAS [FATCA e-Tax Guide](#) for more details on the due diligence procedures that FIs are required to undertake under the Singapore-US IGA.

**3. My FI has informed that it will\may close my account(s) if I do not provide the requested documentation or self-certification under FATCA. Is the FI allowed to take such actions?**

There are certain scenarios where FATCA requires FIs to close the customer's account(s). For example, where a Reporting Singaporean FI ("RSGFI") has adopted the Alternative Procedures, as provided for in paragraph G(2)(c) of Section VI of Annex I to the Singapore-US IGA, and the RSGFI is unable to collect the required documentation or self-certification for a new individual account that was opened between 1 July 2014 and 16 March 2015.

While there are limited situations under FATCA where FIs would be required to close a customer's account(s), certain FIs may, as a matter of internal policy, close an account when the customer does not provide the requested documentation or self-certification.

**4. If I have been given a tax identification number by the US government, do I have to provide it to my financial institution?**

Yes. FATCA requires FIs to collect and report the US federal taxpayer identification number (TIN) of their account holders who are US persons for US tax purposes.

## **C. Entity account holders**

### **1. How do FIs identify entity accounts for FATCA reporting?**

With respect to entity accounts that are not held by an FI, there are 2 main steps for FIs to identify the entity accounts that are subject to FATCA reporting:

- (i) The FI must establish if the entity itself is a US person. If so, the account may be subject to FATCA reporting;
- (ii) For certain entity account holders, known as Passive Non-Financial Foreign Entities (“NFFEs”), the FI must establish whether the entity is controlled by individuals who are US citizens or US tax residents. If this is the case, the account is subject to FATCA reporting.

Hence, FIs will need to find out the tax residence of the entity and whether the entity is a Passive NFFE. If the entity is a Passive NFFE, the FI may ask for documentation to determine whether any of the controlling persons of the entity are US citizens or US tax residents.

## 2. How do I determine if my business is an Active NFFE or Passive NFFE?

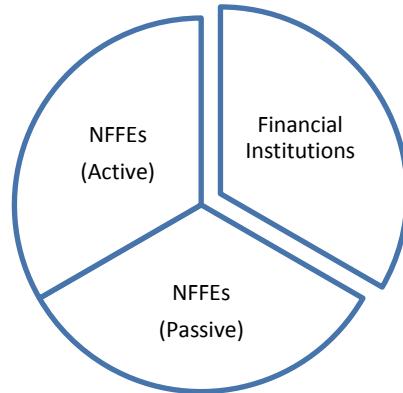
Broadly,

A NFFE is:

- a non-US entity; and
- not a Financial Institution

(i) An Active NFFE\* is a NFFE where:

- less than 50% of its gross income in the preceding calendar year is passive income; and
- less than 50% of its assets held during the preceding year are for the production of passive income



For example, a company that is exclusively in the business of running a food & beverage outlet would generally qualify as an Active NFFE.

(ii) A Passive NFFE is any NFFE that is not:

- an Active NFFE; or
- a withholding foreign partnership or withholding foreign trust as defined under the US Treasury Regulations

\*Details of the other criteria that would qualify an NFFE as an active NFFE are listed in Section 6.3 of the IRAS [FATCA e-Tax Guide](#). An active NFFE would refer to any NFFE that meets any one of the criteria listed.