

FATCA or Foreign Account Tax Compliance Act is a law of the USA. FATCA requires that US Citizens have to yearly report their non-US financial accounts to the US. This act is also applicable to US citizens who are living outside of US.

India entered into a FATCA agreement with the US government and this agreement is effective 30th September 2015.

FATCA requires that all non-US financial institutions search their records for US citizens and share this information with US. Do note that the term used here is 'US Citizens' therefore this act applies to individuals who hold the US citizenship, irrespective of where they currently reside. It is also applicable to US Citizens who may be tax residents of another country.

A US citizen is always taxable in the US, whether or not they are tax residents elsewhere and have already paid tax on their income.

In view of the ongoing partnership between US & India regarding tax compliance, certain amendments have been made in Indian tax laws to accommodate compliance with FATCA.

A new rule 114F has been inserted in the income tax act of India.

- This rule lays down actions to be taken by financial institutions in India regarding reporting of financial accounts and assets held by US citizens in India.
- Under this rule Indian financial institutions shall request self-certification from account holders and asset owners in India (who are US citizens or have US reportable accounts) and will also report these to the US govt.
- This is applicable to new accounts opened after 1st July 2014 but before the date of FATCA agreement between India and US (30th September 2015).
- Each institution must report the name, address, tax identification number, account number and account balance of each account holder that is a specified U.S. person.
- Where the financial institution has not been able to obtain self-certification, FATCA requires that it closes the account.

If you are a citizen of the USA, even though you have paid your taxes in India and are resident in India, you may receive a request for certification of your accounts or other financial assets held in India. Do note that non-compliance has harsh penalties laid down within FATCA as well as US laws.