

FATCA COMPLIANCE- CRS

The Foreign Fiscal Account Compliance Act (FATCA) implemented by the United States of America, and the Common Reporting Standard (CRS) implemented by the Organization for Economic Cooperation and Development (OECD), are initiatives created to promote fiscal cooperation, increase the transparency of the countries and improve communication between the states.

Many of the countries of the world have adopted these regulations which require, in a practical manner, that the financial institutions report information on the financial accounts of the obligated account holders, to the jurisdiction in which they have declared to have tax obligations.

FATCA

The main objective of the FATCA regulation is to report the information on the financial accounts abroad held by the US taxpayers after applying the rules set forth by the regulation. A US Person is defined as a person who is a United States citizen or a permanent resident of the United States, as well as an entity registered or incorporated in the United States or a foreign non-financial passive entity to the United States that declares that it is controlled by persons considered US Person.

The Republic of Panama signed the Intergovernmental Agreement (IGA) with the United States of America on April 27, 2016, and by means of Law 47 of October 24, 2016 it was published as a law of the Republic. The financial institutions subject to reporting began their implementation as of July 1, 2014 because Panama was among the countries with IGA in substance and that condition obliged us to begin the due diligence.

Banco General, S.A. and subsidiaries were registered with the Internal Revenue Service of the United States of America (IRS) to comply with the provisions of the FATCA regulation.

CRS

The Common Reporting Standard (CRS) is the global standard for the Automatic Exchange of Information on Financial Accounts (AEOI) prepared by the OECD.

It includes detailed due diligence procedures aimed at determining the tax residence (country where taxes are declared) of the clients, whether new or pre-existing in the bank.

Additionally, it defines rules for Financial Institutions to identify the persons subject to the report and inform the competent local authority. In Panama this is conducted by the General Directorate of Income (DGI in Spanish Language).

The standard requires a self-certification of the tax residence that must be executed by the account holders.

The procedures for identifying and classifying clients are, mostly similar, except for a fundamental difference, CRS is based on tax residency instead of nationality or citizenship that is considered for purposes of FATCA.

By means of Law 51 of October 27, 2016, the Republic of Panama legalized the guidelines so that Financial Institutions would apply due diligence procedures as of January 1, 2017 and in 2018 make the report of financial account information.

Note: The above is for information purposes and does not constitute nor should be considered as advice in tax matters or in legal matters for which Banco General and its subsidiaries recommend that if you have questions or doubts, you must seek an expert in the matter.

For more information:

FATCA: <https://www.irs.gov/businesses/corporations/fatca>

CRS: <http://www.oecd.org/tax/exchange-of-tax-information>

Law 47 of October 24, 2016:

https://www.gacetaoficial.gob.pa/pdfTemp/28145_A/GacetaNo_28145a_20161024.pdf

Law 51 of October 27, 2016:

https://www.gacetaoficial.gob.pa/pdfTemp/28145_A/GacetaNo_28145a_20161024.pdf