



THE U.S. CONSULATE GENERAL

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United States and Bermuda Sign Agreement to Share Tax Information

On December 19, 2013, U.S. Consul General to Bermuda Robert Settje and Bermuda Minister of Finance the Hon. E.T. "Bob" Richards signed an intergovernmental agreement to implement the Foreign Account Tax Compliance Act (FATCA) to promote transparency on tax matters. The agreement underscores growing international cooperation to end tax evasion everywhere.

The United States and Bermuda have a longstanding and close relationship that has endured for more than 400 years. That friendship extends to mutual assistance in tax matters and includes a desire to improve international tax compliance. This FATCA agreement builds on the 1988 bilateral tax information exchange agreement.

U.S. Consul General Settje, who signed on behalf of the United States, stated, "I would like to thank the Government of Bermuda for cooperating with the United States in implementing FATCA. Doing so continues the long tradition of friendship and collaboration that marks the United States-Bermuda relationship. Together we can improve international tax transparency and compliance by further building on that relationship."

The United States enacted FATCA in 2010 to obtain information on accounts held by U.S. taxpayers in other countries. The Bermuda FATCA agreement calls for foreign financial institutions (FFIs) to identify and annually report key information about U.S. account holders directly to the U.S. Internal Revenue Service. FFIs that do not provide the FATCA information will become subject to a 30 percent withholding tax on certain U.S. source payments, such as interest payments.

Bermuda has chosen the type of FATCA agreement that requires FFIs to report the specified information about U.S. account holders directly to the U.S. Internal Revenue Service, rather than indirectly through the Bermuda authorities.



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Minister of Finance

Press Statement

at the signing of the US FATCA IGA Model 2

Hamilton Bermuda – Thursday 19th, December 2013

Distinguished guests today I am pleased to welcome my good friend the Honourable Mr. Robert Settje, (a distinguished career diplomat in the United States of America Foreign Service and currently the U.S. Consul General in Bermuda). We are here to sign the Foreign Account Compliance Act Regulations (aka, FATCA) agreement between the Government of the United States of America and the Government of Bermuda.

On this occasion I recall the statement made by US Treasury official Mr. Robert Stack following the completion of the FATCA negotiations earlier this year when he said:

“We welcome the conclusion of negotiations with Bermuda on a Model 2 Intergovernmental Agreement to implement FATCA and join our efforts to curtail tax evasion. We are particularly pleased to build upon our decades-old Tax Information Exchange Agreement relationship with Bermuda and the recent Mutual Legal Assistance Treaty. (AND)

“We appreciate Bermuda’s role as a leader in global tax transparency as well as their role serving alongside the US on the Steering Group of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes”

The average Bermudian may well ask “What is the FATCA all about, and what does it mean to me?”

The US Treasury enacted provisions commonly known as the Foreign Account Tax Compliance Act Regulations or “FATCA”, which introduced a reporting system for financial institutions to report to the US IRS, certain accounts involving US persons.

In order to further assist financial institutions around the World with FATCA reporting, the US Treasury created intergovernmental agreements commonly referred to as IGAs.

It is every country’s sovereign right, to design or adjust their tax collection system. Bermuda’s responsibility, as a responsible and respected international financial center in the global financial system, is to respect that right: the as we expect others to respect our tax system ...a system which is over 100 years old. Ours is primarily a consumption based tax collection system.

This historic tax agreement builds upon a rich history of cooperation and friendship Bermuda has had with the United States of America from the beginning.

Our first ‘agreement’, albeit quite unofficial, was made by Bermudians for the purpose of protecting cross border trade relations with our American neighbours, the agreement

made in 1775, by some Bermudian businessmen to provide gunpowder to General George Washington of the Continental Congress in his time of need. In the 20th Century the *Destroyers for Bases Agreement* in 1940 between President Roosevelt and Prime Minister Churchill that saw Bermudians give up significant portions of our small Island home to facilitate the USA air force base at Kindley Field, and the US Navy base at what is now Morgan's Point. However, those bases which closed in the 1990's, were the single most important factor that propelled the living standards of Bermudians to first world ranking.

To underscore the importance of our friendship, the US Congress in the early 1980s moved to recognize Bermuda as a friendly nation when agreeing to extend to Bermuda the Caribbean basin initiative which laid the foundation for the 1986 tax treaty with the US to be signed.

The 1986 Tax Treaty was built upon that long established friendship and was the first tax agreement between our countries, signed on the 11th of July 1986, by Bermuda's then Premier the Honourable Sir John W. Swan and John C. Whitehead, the then US Deputy Secretary of State in President Ronald Reagan's administration under the Secretary of State George Shultz. The 1986 tax treaty facilitated Bermuda developing the twin pillars of our economy you see today, international business and tourism.

Consul General Settje, Bermuda is now among the leading small jurisdictions in the area of international cooperation on tax matters, with over 60 tax transparency agreements when counting Bermuda's 41 bilateral transparency agreements (TIEAS) and our new multilateral tax transparency agreement partners.