

## THE AUSTRALIAN

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# ATO hands over bank details to US Internal Revenue Service



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**BEN BUTLER** THE AUSTRALIAN 12:00AM September 24, 2015

The Australian Taxation Office has handed the US Internal Revenue Service details of more than 30,000 bank accounts containing more than \$5 billion in the first transfer of information under America's Foreign Account Tax Compliance Act.

FATCA is part of a network of international arrangements under which revenue departments around the world have agreed to swap information about each other's taxpayers.

The ATO said that in return for supplying the FATCA data, the IRS will give it information about Australians with US accounts that will be used to root out undeclared offshore income.

Its figures imply the accounts, revealed to the IRS in the first tranche of data, have an average balance of more than \$160,000.

From 2017, almost 100 countries have agreed to swap information under a common reporting standard set up by the Paris-based Organisation for Economic Co-operation and Development.

FATCA, which brought Australian banks accounts into its net last July, is designed to root out undisclosed accounts held by Americans around the world.

It was part of a suite of laws introduced in 2010 in response to the global financial crisis.

The law imposes a steep penalty on institutions anywhere in the world that fail to give over information in the shape of a 30 per cent withholding tax on payments to

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members that come from the US. Australia's financial sector complained bitterly about the increased compliance costs imposed by FATCA, estimated by former Treasurer Joe Hockey to be as high as \$1bn over 10 years, unless the government passed legislation easing their load.

This was because the American reporting requirements contravened Australian privacy law and because FATCA generally requires each account to be directly reported to the IRS.

However, Australia's usually powerful banking sector found itself impotent in the face of the US's unilateral action.

Last April, Australia signed a deal with the US under which Australian banks weren't required to directly deal with the IRS but instead hand information over to the ATO — a move that then-Financial Services Council chief executive John Brogden said would “save hundreds of millions of dollars in compliance costs”.

The FSC has also expressed concern about increased compliance costs under the OECD common reporting standard, but yesterday the ATO said it was committed to the program and “ensuring that taxpayers are disclosing their offshore income”.

While Australia's tax information exchange agreements have come under challenge in some jurisdictions, most notably the Cayman Islands, the ATO said that last financial year it used them to raise tax bills of \$255m.