Mauritius
Axis Fiduciary

FATCA: a positive challenge

For some time now, the US has been under pressure to regulate and enforce laws on offshore accounts. The biggest gun in the government's arsenal against undeclared offshore accounts came in the form of the Foreign Account Tax Compliance Act (FATCA), originally passed in 2010, that will take effect in July 2014. This new provision would require foreign financial institutions to report information about their US account holders to the Internal Revenue Service (IRS).

In August 2013, representatives of the governments of Mauritius and the United States concluded their negotiations and initialed a model 1 intergovernmental agreement (IGA), and new tax information exchange agreement. The agreements pave the way for the automatic exchange of information under the US Foreign Account Tax Compliance Act (FATCA) provisions.

The main recommendations have been as follows:

- To enter into a Tax Information Exchange Agreement (TIEA) and to sign a model 1 IGA with the United States to facilitate the compliance of financial institutions (FFIs) in Mauritius with FATCA reporting rules.
- That Mauritius's IGA with the United States should contain a most favoured nation clause, which provides that any more favourable terms negotiated under another country's IGA will automatically be applicable to Mauritius.
- That a Collective Investment Scheme (CIS) should be exempt from the reporting obligations where all the investors in the CIS are FATCA compliant.

Mauritius FFIs will be required to report information directly to the Mauritius Revenue Authority, which then automatically exchanges the information with the US according to an income tax treaty or exchange of information agreement. While both governments are completing the necessary procedures to sign the agreements, the technical committee will now work on the legal framework needed for the implementation of the IGA in Mauritius.

The global wealth management landscape is well under way to be remolded by the application of the new FATCA regulations. While FATCA poses significant regulatory challenges to Mauritian financial organisations, if implemented properly, it can be a driver for positive change. Being FATCA compliant will create a significant competitive edge as opposed to other offshore jurisdictions, allowing local organisations to stay at the forefront of business leadership and innovation.

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