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## FATCA Implementation Timelines Extended

The IRS has issued Announcement 2012-42 extending several important implementation dates for the Foreign Account Tax Compliance Act, FATCA.

Previous guidance had established a July 1, 2013 deadline for foreign financial institutions (FFIs) wishing to apply to the IRS for "participating" FFI status - essentially, an agreement to implement internal FATCA procedures in exchange for an exemption from FATCA's 30% withholding - to do so. That deadline has now been extended to January 1, 2014. Furthermore, "gross proceeds" withholding on payments subject to FATCA (generally, payments on sales or dispositions of property that produce fixed or determinable annual or periodic income (FDAP) has been delayed two years - from January 1, 2015 to January 1, 2017. Withholding on FDAP itself, e.g., interest and dividends, is still slated to become effective in 2014.

In countries with FATCA Intergovernmental Agreements (IGAs), those FFIs will thus have an additional six months to consider whether to comply with the IGA or to seek participating FFI approval. The first IGA with the UK contained fairly broad exemptions for tax-favored employer and individual pension arrangements in the UK. Each country that enters into an IGA will have country-specific pension exemptions negotiated by its government. For non-US pension plans, particularly those in countries without IGAs, it will be important to continue to monitor the development of the various pension exemptions included in the proposed FATCA regulations issued in February of this year. The final regulations under FATCA are expected to be issued by the end of 2012.

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