



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



JOINT MEDIA STATEMENT

(NATIONAL TREASURY AND THE SOUTH AFRICAN REVENUE SERVICE)

SOUTH AFRICA AND UNITED STATES OF AMERICA OPENING NEGOTIATIONS ON FOREIGN ACCOUNT TAX COMPLIANCE ACT INTER-GOVERNMENTAL AGREEMENT

National Treasury and the South African Revenue Service (SARS) are opening negotiations with the US Department of the Treasury with a view to concluding an inter-governmental agreement with respect to the USA's Foreign Account Tax Compliance Act (FATCA). An agreement of this nature would significantly reduce South African financial institutions' compliance costs with respect to FATCA. This would be achieved through the exchange of information between South Africa and the USA on a reciprocal basis in terms of the existing double taxation agreement between the two countries.

In 2010 the USA enacted FATCA, which aims to obtain information on accounts held by US citizens with Foreign Financial Institutions (FFIs) on an automatic basis. Beginning in 2014, FATCA imposes a 30% withholding tax on all forms of investment income earned directly or indirectly from US assets by FFIs, which include South African banks, asset managers, private equity funds, long-term insurers and other participants in the financial sector. The withholding tax is, however, waived if FFIs individually enter into disclosure agreements with the US Internal Revenue Service (IRS). In July 2012, the USA released a model for an inter-governmental approach to the automatic exchange of information between governments, as an alternative to individual FFI agreements. In November 2012, the USA released a model for an inter-governmental approach to business-to-IRS reporting.

Automatic exchange of information between jurisdictions assists in combating tax evasion and is a common feature of double taxation agreements. It is also a feature of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters that South Africa signed in 2011. National Treasury and SARS have met with representative bodies for the affected financial institutions to discuss the impact of FATCA. These bodies expressed strong support for an inter-governmental agreement for the automatic exchange of information between South Africa and the USA.

South Africa joins a growing number of jurisdictions that have either concluded or opened a dialogue with the USA, with a view to concluding an inter-governmental agreement.

The emerging prospect of further co-operation between these jurisdictions for the automatic exchange of information between them is an exciting development, which South Africa will be exploring.

Comments and proposals with respect to the negotiation of an inter-governmental agreement with the USA should be sent by 28 February 2013 to Ms Shelley-Anne Carreira (sacarreira@sars.gov.za) of SARS and Mr Lutando Mvovo (lutando.mvovo@treasury.gov.za) of National Treasury.

For further media enquiries, please contact the following officials —

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