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Ministry Lambasts Extraterritorial U.S. Tax Compliance Act

By The Moscow Times

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The U.S. Foreign Account Tax Compliance Act, which forces foreign banks to comply with the U.S. law, goes against generally accepted international norms, the Foreign Ministry said.

"Our position is well known," a statement on the Ministry's website said. "This law is extraterritorial and goes against the principles of sovereign equality ... We do not intend to take on one-sided responsibilities but will work towards a mutual and balanced exchange of tax information."

From July next year, the U.S. law, known as FATCA, will oblige foreign financial institutions to track the activities of their American clients in order to avoid penalties by U.S. authorities.

Aimed at uncovering tax evasion in the U.S., the law resulted in an international outcry, with governments unwilling to subjugate their citizens to foreign law. Many nations, including Britain, Germany, and Spain chose to sign bilateral agreements with the U.S., rather than join

FATCA.

Russia is likely to follow suit. However, the Finance Ministry insists that the bilateral information exchange agreement must be independent from and have no reference to FATCA, Vedomosti reported Tuesday.

The Central Bank supports the proposed agreement in principle, but wants to postpone it until 2016, to buy extra time for Russian banks and finance companies to develop compliance procedures.

American financial institutions are also concerned that such a major country as Russia has not yet signed on to FATCA, an executive of a U.S. bank told Vedomosti. So far the U.S. has only signed agreements with nine countries, and if the law goes into effect before most countries join FATCA, it will cause serious economic problems for all, he said.

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