

U.S. Suspends FATCA Talks With Russia

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Talks have stalled between the U.S. and Russia about cooperating on a tax information exchange.

The U.S. government has practically stopped talks with Russia on the exchange of tax information about U.S. residents' accounts in foreign banks under the Foreign Account Tax Compliance Act, or FATCA, Vedomosti reported on Tuesday.

A government official and a person close to the Kremlin told the newspaper that the U.S. had put the talks on hold following the annexation of Crimea and discontent over the policy of Russia in Ukraine. "They are keeping silent at the moment," said one of Vedomosti's sources, referring to the U.S..

The government official also added that there was going to be a pause in talks. President Vladimir Putin's spokesman Dmitry Peskov said he did not know anything about the U.S. decision to pull out of the FATCA talks.

The FATCA is a law that regulates the taxation of foreign accounts of U.S. residents and it is supposed to come into effect on July 1, 2014. Under this act all banks and financial

organizations around the world will have to share information on U.S. citizens' accounts, connecting to the system of the U.S. Internal Revenues Service, or IRS, or face financial sanctions.

If the Russian government and the U.S. sign a bilateral agreement this will simplify the procedure.

The banks will send the information first to Russia's Federal Tax Service, which then will contact the IRS. Without this agreement each bank will have to sign a separate memorandum with the IRS. However, Russian legislation does not allow banks to send the data of their clients to foreign taxation services, which makes the whole procedure undoable. "The banks would either have to violate local legislation, or FATCA," said a top manager of a Russian branch of a big international bank, Vedomosti reported.

Last week Russian authorities were almost ready to sign a memorandum on exchanging information with the U.S., three government officials told Vedomosti. However, even then there was fear the U.S. government could drag the negotiations out as an informal retaliation for Crimea.

Russia still keeps hope to continue talks about FATCA in the nearest future. Finance Minister Anton Siluanov said he planned to discuss the exchange of information about taxes during a visit to Washington scheduled for April 9 to 11 and coinciding with the annual meeting of the World Bank and the International Monetary Fund.

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