



FATCA and its Impact on The Arab Americans..

What you should know



US Financial Advisory & Audit Firm



Index

The Foreign Account Tax Compliance Act (FATCA)	4
U.S. Tax Return	6
What is FBAR?	7
What is the IRS 8938 Form?	8
Streamlined Procedures (SLP)	9
What if you don't comply?	12
U.S. Tax Penalties	13
FBAR & 8938 Penalties	15
Editorial	17
Contact us	18



The Foreign Account Tax Compliance Act (FATCA)

FATCA is designed to improve tax compliance involving foreign **financial assets*** and offshore accounts. Penalties for non-compliance are potentially severe. Under FATCA, U.S. taxpayers with specified foreign financial assets that exceed certain thresholds must report those assets to the IRS on Form 8938. In addition, FATCA will require foreign financial institutions to report directly to the IRS information about financial accounts held by U.S. taxpayers, or held by foreign entities in which U.S. taxpayers hold a substantial ownership interest.

* Financial Assets Includes:

- Checking Accounts
- Saving Accounts
- Time Accounts
- Mutual Funds
- Annuities
- Stocks
- Bonds

Does not include real estate assets and companies



**What are my
obligations to the IRS &
Department of Treasury?**



U.S. Tax Return

According to the Internal Revenue Code (IRC) the ***U.S. Person** is required to file an annual U.S. tax return (1040, 1040EZ) with the related schedules (Schedule A, E, C, D, etc...) for the year ended December 31 to report his/her worldwide income. The filing must be done on/or before April 15th for the U.S. person living in the USA, and June 15 for the U.S. person living abroad. Please note that extension request for all U.S. tax payers must be filed on/or before April 15, with the estimated tax liabilities payment if any.

*** US Person Includes:**

- A Citizen of USA
- A Resident Alien of USA
- A US Entity

Apr.15

- 1040 deadline if you live in USA
- Extention request due date

Jun.15

- 1040 deadline if you live aboard

Oct.15

- 1040 due date with extention
- FBAR due date



What is FBAR?

Report of Foreign Bank and Financial Accounts (FBAR) – FinCEN Form 114

Who Must File?

U.S. persons, which include U.S. citizens, resident aliens, trusts, estates, and domestic entities that have an interest in foreign financial accounts and meet the reporting threshold.

What is Reported?

Maximum value of financial accounts maintained by a financial institution physically located in a foreign country.

Reporting Threshold (Total Value of Assets)

Aggregate value of financial accounts exceeds \$10,000 at any time during the calendar year.

When is it Due?

Received by October 15 (no extensions of time granted).

What is the IRS 8938 Form?

Statement of Specified Foreign Financial Assets – IRS Form 8938

Who Must File?

You must file Form 8938 if you are a specified person, either a specified individual (US citizen or resident alien) or a specified domestic entity that has an interest in specified foreign financial assets and the value of those assets is more than the applicable reporting threshold.

What is Reported?

Maximum value of specified foreign financial assets, which include financial accounts with foreign financial institutions and certain other foreign non-account investment assets.

When is it Due?

Form is attached to your annual return and due on the date of that return, including any applicable extensions.

Dec. 31

365



\$ 200,000.00

\$ 300,000.00



\$ 400,000.00

\$ 600,000.00

Streamlined Procedure (SLP) Valid for:

- Filing delinquent returns.
- Filing amended returns.
- Resolving U.S. person tax filling and penalties.

Streamlined Procedures (SLP)

Streamlined Procedures to Get Current with Your Filing Obligation

If you are a non-resident U.S. taxpayer who wishes to come into compliance with the U.S. filing obligations, you may be eligible for special IRS procedures. On June 26, 2012, the IRS announced new streamlined filing compliance procedures for non-resident U.S. taxpayers. These procedures recognize that some U.S. taxpayers living abroad have failed to timely file U.S. federal income tax returns or FBARs, but have recently become aware of their filing obligations and now seek to come into compliance with the law. These new procedures are for non-residents including, but not limited to, dual citizens who have not filed U.S. income tax and information returns.

Please note:

That the Foreign Financial Institution (FFI) have a different threshold to reports FBAR than the US Person. For personal bank accounts the threshold is \$50,000 and \$250,000 for the business bank accounts. The US person threshold to report FBAR is \$50,000 for the personal bank accounts and \$50,000 for the business bank accounts.



Internal
Revenue
Service
Building

DON'T PAY IT!



**What are the penalties
for non-compliance
to the IRS &
Department of Treasury?**

What if you do not comply

U.S. Tax and FBAR **Penalties**



To
simplify it and
ensure a full
understanding and awareness
of the US Taxes, FBAR, and 8938
penalties we included the source of
the related US Tax laws for your
reference.
The information provided will help
and ensure to stay in compliance
with the revenue code.





U.S. Tax Penalties

Title 26 USC § 7201 – Attempt to evade or defeat tax

Any person who willfully attempts in any manner to evade or defeat any tax imposed by this title or the payment thereof shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than \$100,000 (\$500,000 in the case of a corporation), or imprisoned not more than 5 years, or both, together with the costs of prosecution.

Source: <https://www.gpo.gov/fdsys/granule/USCODE-2011-title26/USCODE-2011-title26-subtitleF-chap75-subchapA-partI-sec7201/content-detail.html>

Title 26 USC § 7202 Willful failure to collect or pay over tax

Any person required under this title to collect, account for, and pay over any tax imposed by this title who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, together with the costs of prosecution.

Source: <https://www.gpo.gov/fdsys/granule/USCODE-2010-title26/USCODE-2010-title26-subtitleF-chap75-subchapA-partI-sec7202/content-detail.html>

Title 26 USC § 7203 Willful failure to file return, supply information, or pay tax

Any person required under this title to pay any estimated tax or tax, or required by this title or by regulations made under authority thereof to make a return, keep any records, or supply any information, who willfully fails to pay such estimated tax or tax, make such return, keep such records, or supply such information, at the time or times required by law or regulations, shall, in addition to other penalties provided by law, be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$25,000 (\$100,000 in the case of a corporation), or imprisoned not more than 1 year, or both, together with the costs of prosecution.

Source: <https://www.justice.gov/tax/criminal-tax-manual-1000-failure-file-supply-information-or-pay-tax>



U.S. Tax Penalties

Title 26 USC § 7206(1) Fraud and false statements

Willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony and, upon conviction thereof, shall be fined not more than \$100,000 (\$500,000 in the case of a corporation), or imprisoned not more than 3 years, or both, together with the costs of prosecution.

Source: <https://www.gpo.gov/fdsys/granule/USCODE-2011-title26/USCODE-2011-title26-subtitleF-chap75-subchapA-partI-sec7206>

26 U.S. Code § 7207 – Fraudulent returns, statements, or other documents

Any person who willfully delivers or discloses to the Secretary any list, return, account, statement, or other document, known by him to be fraudulent or to be false as to any material matter, shall be fined not more than \$10,000 (\$50,000 in the case of a corporation), or imprisoned not more than 1 year, or both.

Source: <https://www.justice.gov/tax/criminal-tax-manual-1600-fraudulent-returns-statements-or-other-documents>

FBAR & 8938

Penalties

FBAR Penalties

Penalties if non-willful, up to \$10,000; if willful, up to the greater of \$100,000 or 50 percent of account balances; criminal penalties may also apply

Those required to file an FBAR who fail to properly file a complete and correct FBAR may be subject to a civil penalty not to exceed \$10,000 per violation for no willful violations that are not due to reasonable cause.

For willful violations, the penalty may be the greater of \$100,000 or 50 percent of the balance in the account at the time of the violation, for each violation.

Source:

<https://www.irs.gov/businesses/corporations/summary-of-fatca-reporting-for-u-s-taxpayers>

Non-Compliance with Form 8938 Reporting Requirements

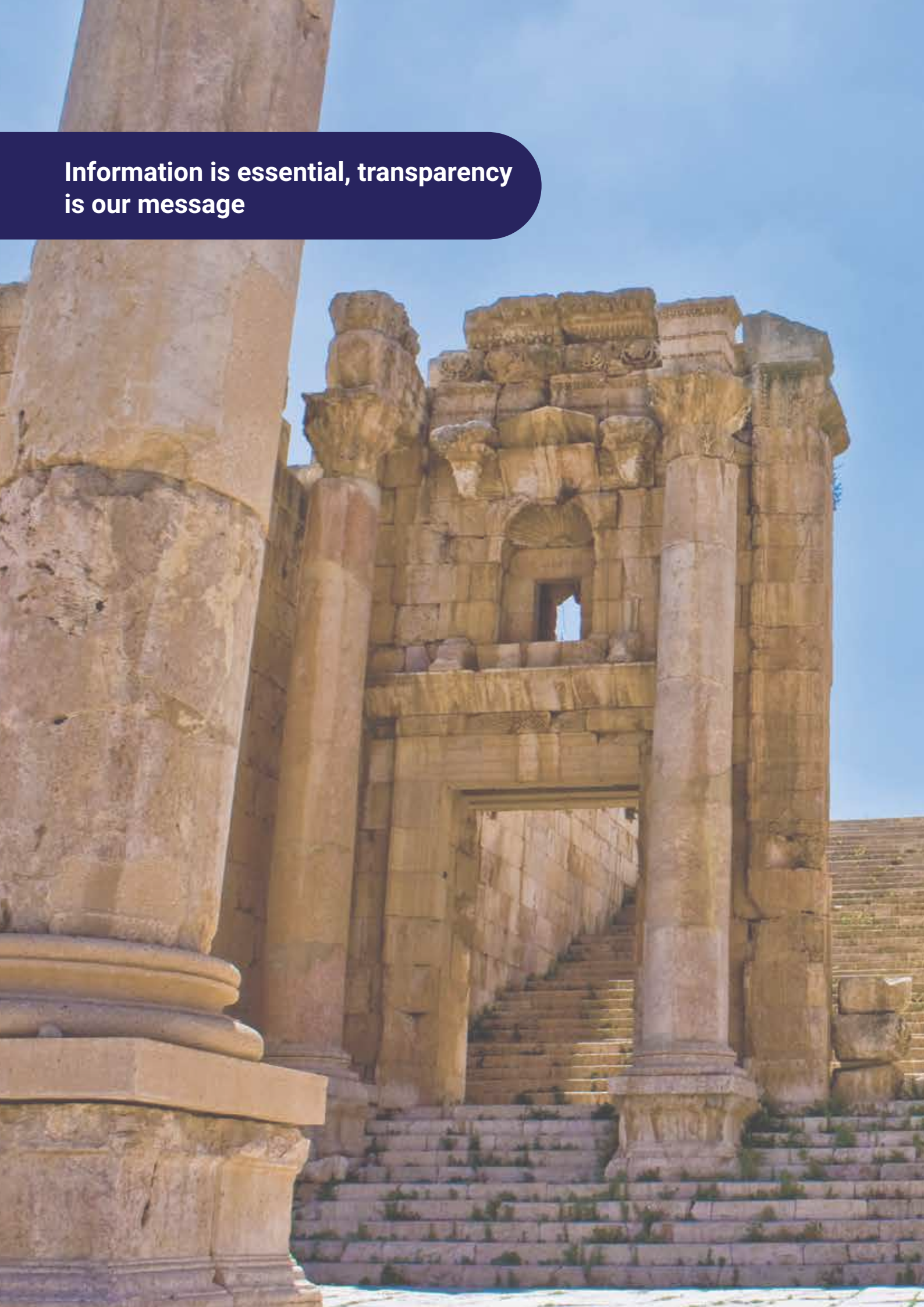
Penalties up to \$10,000 for failure to disclose and an additional \$10,000 for each 30 days of non-filing after IRS notice of a failure to disclose, for a potential maximum penalty of \$60,000; criminal penalties may also apply.

An additional penalty of up to \$50,000 for continued failure to file after IRS notification, and a 40 percent penalty on an understatement of tax attributable to non-disclosed assets.

Source:

<https://www.irs.gov/businesses/corporations/summary-of-fatca-reporting-for-u-s-taxpayers>

**Information is essential, transparency
is our message**



Editorial

We are pleased to present this FATCA report for Middle East Clients – a simple guide to help you keep abreast of obligations and filing requirement for a U.S. Person to stay in compliance with the U.S. Internal Revenue Service as well as the U.S. Department of Treasury.

Preparedness is essential for adapting to US Tax regulatory change. U.S. Persons need to understand the obligation they have, as well as put a strategic framework in place to ensure they create long-term compliance with the related agencies in this new tax regulation and to avoid all related criminal and financial penalties. At present, we continue to carefully monitor these changes in regulation and tax updates to help you better manage your personal and business obligation.

Thanks

Who are The Editor's?



Ossama Eldahshoury, CPA, MBA
Managing Partner – MENA

o.eldahshoury@usfaaf.com
+1 917 373 1123

"I've always admired the engineering innovation of THE BRIDGE, from its initial simple form to today's masterpieces. It brings together points close enough to see, but which appear beyond our reach. Like many of the problems that we face in our business and personal lives, the bridge is the solution that allows us to overcome our obstacles and reach our destination."

Ossama graduated from Cairo University with a Bachelor of Science in Accounting and Business Administration, and he holds a Master in Business Administration (MBA) in Management from Hamline University USA. Ossama is a member of the American Institute of Certified Public Accountants (AICPA), the Institute for Management Consultants (IMC U.S.A.), and The Institute of Internal Auditors (IIA).



Ahmed Mohamed, CPA, MBA, CGMA
Managing Partner – MENA

a.mohamed@usfaaf.com
+ 1 917 355 7181

"I've always admired JIGSAW PUZZLES because they force the mind to search for missing pieces. Early jigsaw puzzles didn't include pictures to guide you. Pieces didn't always interlock and were cut along color lines, so you really needed to envision the big picture to solve the puzzle. Audit and advisory work is a lot like that. It takes vision and logic."

Ahmed is a graduate of Winona State University with a BS in Accounting, and holds a CPA license. Also, Ahmed is a member of the American Institute of Certified Public Accountants (AICPA), the Institute for Management Consultants (IMC U.S.A.), and The Institute of Internal Auditors (IIA).



It's our pleasure to serve you through all our branches

Middle East

Dubai

1303 Latifa Tower, 36 Sheikh Zayed Rd., Dubai, U.A.E.

Tel: +971 4 352 4030 - 800 FATCA

Jeddah

Suite 308, NV Furniture Building, Al Rawda Street, Al Rawda District, Jeddah, KSA 23432

+966 12 663 4639 - +966 92 000 9020

Riyadh

6321 Olaya Street, Al Sahafah, Riyadh, KSA

+966 11 487 7943 - +966 92 000 9020

Cairo

8 Moharram Shawqi, El-Montaza, Heliopolis, Cairo, Egypt

+20 2 2291 3200 - +20 2 2291 3400

Amman

Office 121, Tharwat Alhassan Princess Street, Behind Zain Head Office Co., Amman, Jordan

+962 6 585 9051 - +962 6 585 9053

United States

Chicago

233 S. Wacker Dr. 84th Floor, Chicago IL 60606

Tel: +1 312 324 0414

New York

48 Wall Street, Suite 1100, New York, NY 10005

+1 646 403 3388

Minneapolis

7300 Metro Blvd, STE 635, Minneapolis, MN 55439

Tel: +1 952 831 2272

▶ Free Consultation

**We help you as an investor & shareholder
in making informative business decisions**



