

FATCA: IRS Extends Transitional Rules

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On September 18, 2015, the IRS announced its intention to amend the U.S. FATCA regulations to extend the effectiveness of certain transitional rules, including:

- Withholding on gross proceeds from the sale or disposition of any property that can produce income that is subject to FATCA withholding will not begin until **January 1, 2019** (*previously, the relevant date was January 1, 2017*).
 - ▶ Accordingly, between now and December 31, 2018, “withholdable payments” for purposes of FATCA will be limited to payments of U.S.-source fixed or determinable annual or periodical income (e.g., interest, dividends, rents, royalties).
- Sponsored entities do not need to register with the IRS to obtain separate GIINs until **December 31, 2016** (*the previous deadline was December 31, 2015*).
 - ▶ Accordingly, between now and December 31, 2016, sponsored entities may continue to use (and withholding agents may continue to rely on) the GIINs of the sponsoring entities for purposes of FATCA due diligence, reporting and withholding.
- The IRS also announced that it will extend the use of limited branches and limited foreign financial institutions through **December 31, 2016** (*previously, these FATCA classifications were scheduled to expire on December 31, 2015*), and that it will amend certain rules relating to the treatment of collateral that secures “grandfathered obligations” in order to ease the FATCA compliance obligations of withholding agents that hold such collateral as a secured party.

Prior to the issuance of the amended regulations, taxpayers may rely on the provisions of the IRS notice (Notice 2015-66).

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