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## FATCA Reporting for U.S. Taxpayers

The Foreign Account Tax Compliance Act (FATCA) is an important development in U.S. efforts to combat tax evasion by U.S. persons holding accounts and other financial assets offshore. Under FATCA, certain U.S. taxpayers, holding specific financial assets outside the United States and meeting the reporting threshold, must report those assets to the IRS on Form 8938, Statement of Specified Foreign Financial Assets.

### 1. Definition of Certain U.S. Taxpayers

You are a U.S. taxpayers regulated by FATCA if you are one of the following:

- (1) Specified individuals include U.S citizens, resident aliens, and certain non-resident aliens.
- (2) Specified domestic entities include certain domestic corporations, partnerships, and trusts.

### 2. Specific Foreign Financial Assets

Specified foreign financial assets include foreign financial accounts and foreign non-account assets held for investment (as opposed to held for use in a trade or business), such as foreign stock and securities, foreign financial instruments, contracts with non-U.S. persons, and interests in foreign entities.

There is no need to report the foreign financial assets on Form 8938 if they are not considered specific foreign financial assets (for example, an interest in a social security), or they are reported on other forms.

### 3. Reporting Thresholds

Reporting thresholds vary based on filing status of the annual income tax return and physical location.

- (1) Specified individuals living in the US:
  - (a) Unmarried individual (or married filing separately): Total value of assets was more than \$50,000 on the last day of the tax year, or more than \$75,000 at any time during the year.
  - (b) Married individual filing jointly: Total value of assets was more than \$100,000 on the last day of the tax year, or more than \$150,000 at any time during the year.
  
- (2) Specified individuals living outside the US:
  - (a) Unmarried individual (or married filing separately): Total value of assets was more than \$200,000 on the last day of the tax year, or more than \$300,000 at any time during the year.
  - (b) Married individual filing jointly: Total value of assets was more than \$400,000 on the last day of the tax year, or more than \$600,000 at any time during the year.
  
- (3) Specified domestic entities:

Total value of assets was more than \$50,000 on the last day of the tax year, or more than \$50,000 at any time during the tax year.

#### **4. Compliance with Form 8938 Reporting Requirements**

Form 8938 is due with your annual income tax return and filed with the applicable IRS service center. U.S. taxpayers who do not have to file an income tax return for the tax year do not have to file Form 8938, regardless of the value of their specified foreign financial assets.

Failure to report foreign financial assets on Form 8938 may result in a penalty of \$10,000 (and a penalty up to \$50,000 for continued failure after IRS notification). Criminal penalties may also apply.

No penalty will be imposed if you fail to file Form 8938 or to disclose one or more specified foreign financial assets on Form 8938 and the failure is due to reasonable cause and not to willful neglect. You must affirmatively show the facts that support a reasonable cause claim.

The determination of whether a failure to disclose a specified foreign financial asset on Form 8938 was due to reasonable cause and not due to willful neglect will be determined on a case-by-case basis, taking into account all pertinent facts and circumstances.



*If you wish to obtain more information or assistance, please visit our official website at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following means:*

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