



Timelines for Closure of financial accounts under Rule 114H (8) of the Income-tax Rules, 1962 under alternative procedure of FATCA

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The Inter-Governmental Agreement (IGA) with USA for implementation of FATCA entered into force on 31st August 2015. Under the alternative procedure provided in Rule 114H(8) of the Income-tax Rules, 1962, the financial institutions need to obtain self-certification and carry out due diligence in respect of all individual and entity accounts opened from 1st July 2014 to 31st August 2015. Such self-certification and documentation was required to be obtained by the financial institutions by 31st August 2016, otherwise they were required to close the accounts and report the same if found to be a "reportable account" as per the prescribed due diligence procedure for pre-existing account.

In view of the difficulties highlighted by stakeholders in following the provision for "closure" of financial accounts, it was informed vide Press Release dated 31st August 2016 that the financial institutions may not close the accounts by 31st August 2016 in respect of which self-certifications have not been obtained under the alternative procedure and a revised time line shall be notified in due course. The financial institutions were also advised to continue to work on completing the required due diligence, including obtaining self-certifications.

Queries are being received from the financial institutions regarding the revised time lines for completion of due diligence. The financial institutions are advised that all efforts should be made by the financial institutions to obtain the self-certification. The account holders may be informed that, in case self-certifications are not provided till 30 April 2017, the accounts would be blocked, which would mean that the financial institution would prohibit the account holder from effecting any transaction with respect to such accounts. The transactions by the account holder in such blocked accounts may, thereafter, be permitted once the self-certification is obtained and due diligence completed.

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