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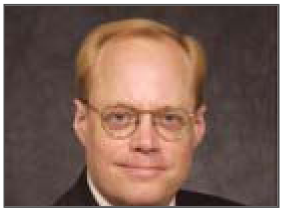

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Gibraltar--A Tax Haven--Sues ABC For Calling It A Tax Haven

According to news reports, Gibraltar's government isn't going to take being called a 'tax haven' lying down. The little British Overseas Territory at the tip of Spain is suing ABC—not the TV network, the Spanish newspaper—for defamation. Gibraltarians may live in what many call a tax haven, but their government claims it isn't. As a result, the rocky haven is suing Spain's ABC newspaper for calling it a bad name. Going on the offensive in a lawsuit sounds like a peculiarly American solution.

The Rock of Gibraltar famously features in the Prudential Insurance logo, said to be one of the most recognized corporate symbols in the world. Its use by Pru dates to the 1890s. Yet some Spaniards say the *real* rock is an iceberg of dirty money. An ABC article called Gibraltar a tax haven, alleging it was also home to 15 organized crime gangs connected to drug smuggling, money laundering and the Russian mafia.

A defamation claim by the government suggests these allegations are inaccurate and damaging to Gibraltar's reputation. Of course, the ABC paper isn't the only one calling Gibraltar bad names. One publisher here says Gibraltar scored as very secretive and uncooperative in 2013, findings the Gibraltar government failed to dispute. For examples of some not so nice allegations about Gibraltar see here, here, here, and here.

But Gibraltar has gone to great efforts to clean up its image, and those efforts appear to be quite real. It now counts rigorous compliance with OECD and FATCA standards, and that is not a small feat. Gibraltar signed a FATCA intergovernmental agreement with the U.S. FATCA, the Foreign Account Tax Compliance Act, is America's global tax reporting law. Never before has an American tax law attempted such an astounding reach. It got off to a slow start after passing into law in 2010.

It took effect in 2014, and has swept the globe. FATCA requires foreign banks to disclose the identity and details of Americans with foreign accounts over $50,000. Non-compliant institutions worldwide could be frozen out of U.S. markets, so everyone is complying. The IRS announced the opening of the International Data Exchange Service (IDES). Financial institutions and host country tax authorities will use IDES to securely send information reports on financial accounts held by U.S. persons to the IRS.

So far, over 145,000 financial institutions have registered through the IRS FATCA Registration System. Financial institutions and host country tax authorities will use IDES to provide the IRS information reports on financial accounts held by U.S. persons. If you think this means you should get your accounts in order and make sure they are disclosed and properly reported, you're right.

The exchange underscores just how big FATCA has become. FATCA grew out of a controversial rule. America taxes its citizens and permanent residents on their worldwide income regardless of where they live. FATCA cuts off companies from access to critical U.S. financial markets if they fail to pass along American data. More than 100 nations—including all that matter—have agreed to the law. Countries must agree to the law or face dire repercussions. Tax havens have joined up, as have Russia and China, even the Vatican.

The IRS has a searchable list of financial institutions. See FFI List Search and Download Tool and a User Guide. Countries on board are collect at this FATCA Archive. Foreign financial institutions must withhold a 30% tax if the recipient isn't providing information about U.S. account holders.

Foreign financial institutions must report account numbers, balances, names, addresses, and U.S. identification numbers. For U.S.-owned foreign entities, they must report the name, address, and U.S. TIN of each substantial U.S. owner. And in what is a kind of global witch hunt, American indicia will likely mean a letter. If you receive a FATCA letter, don't delay considering what to do.

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