

# Stonehage Fleming Law US

## US Internal Revenue Service announcement



NOW AND FOR FUTURE GENERATIONS

On September 28, 2023, the US Internal Revenue Service announced a new “sweeping, historic effort to restore fairness in tax compliance by shifting more attention onto high-income earners, partnerships, large corporations and promoters abusing the nation's tax laws.” One area of focus will be high-income taxpayers who use foreign bank accounts to avoid disclosure and related taxes.

It is perfectly legal for a US taxpayer to possess a financial interest or signing authority in a foreign bank or financial account. In fact, it may be necessary, for taxpayers who have international business interests or who reside or have resided overseas. However, if the combined value of all such accounts exceeds \$10,000 at any time during the year, the accounts have to be reported on a special form called “Report of Foreign Bank and Financial Accounts (FBAR)” or “Financial Crimes Enforcement Network (FinCEN) Form 114”. Regardless of the value, a disclosure has to be made on Schedule B, Part III of the taxpayer’s tax return. Under the regulations, the terms “financial interest”, “signing authority” and “foreign bank or financial account” can encompass more than is apparent from the ordinary meaning of these terms, sweeping into the reporting net a wide range of accounts and financial products including those held in structures.

The penalties for not timely and accurately filing Form 114 can be punitive. US taxpayers should be judicious in their use of such accounts and vigilant in complying with their disclosure obligations concerning such accounts. It is not always obvious to a layman whether and when these and other reporting obligations related to foreign assets and income apply to them. Therefore, they should seek appropriate advice from a US tax adviser or tax preparer who is experienced in such matters.

For more information, see here: [IRS announces sweeping effort to restore fairness to tax system with Inflation Reduction Act funding; new compliance efforts focused on increasing scrutiny on high-income, partnerships, corporations and promoters abusing tax rules on the books | Internal Revenue Service](#)

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