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FATCA Before the CJEU: A Turning Point for EU–US Financial Data Transfers?



Introduction

The Court of Justice of the European Union (CJEU) has registered Case C-804/25 following a reference from the Brussels Court of Appeal. The case raises fundamental questions concerning the compatibility of FATCA-based financial data transfers to the United States with the EU General Data Protection Regulation (GDPR).

The forthcoming ruling may significantly affect how EU Member States implement FATCA intergovernmental agreements and could reshape the legal framework governing systematic transfers of financial data to third countries.

FATCA and the EU Framework

The United States' Foreign Account Tax Compliance Act (FATCA) requires foreign financial institutions to identify and report accounts held by 'US persons' to the US Internal Revenue Service (IRS). In the EU, this obligation is implemented through bilateral intergovernmental agreements (IGAs) between Member States and the United States.

These arrangements involve the annual, automatic transmission of personal and financial data, including names, tax identification numbers, account balances and income details.



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Key Legal Issues Before the CJEU

- Whether pre-GDPR international agreements benefit from protection under Article 96 GDPR.
- Whether FATCA-related reporting complies with core GDPR principles, including proportionality, purpose limitation and data minimisation.
- Whether systematic transfers to the United States satisfy Chapter V GDPR requirements on third-country data transfers.
- The extent to which EU fundamental rights (Articles 7 and 8 of the Charter of Fundamental Rights) constrain international tax transparency regimes.

Broader Legal Context

The case follows the CJEU's robust jurisprudence on international data transfers, including Schrems I and Schrems II, where the Court emphasised strict scrutiny of third-country safeguards and the primacy of EU fundamental rights.

The pending proceedings may clarify whether automatic tax information exchange frameworks are subject to the same intensity of review as commercial data transfer mechanisms.

Practical Implications for Financial Institutions

A ruling that restricts or conditions FATCA data transfers could require Member States to reassess their implementing legislation and compliance mechanisms.

Financial institutions may face increased scrutiny regarding data governance practices, transparency towards affected clients, and the legal bases relied upon for international transfers.



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Outlook

A judgment is not expected before 2027. However, the case signals a potentially pivotal moment in the intersection between international tax cooperation and EU data protection law.

We will continue to monitor developments and assess the implications for cross-border financial reporting frameworks.

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