

FATCA: WHAT INVESTORS NEED TO KNOW

This fact sheet primarily addresses personal accounts. For implications to non-personal accounts, such as trusts and corporations and other entities, please contact your advisor. We strongly recommend that you consult a qualified tax advisor if you believe that you may be a U.S. person.

WHAT IS FATCA?

The objective of the Foreign Account Tax Compliance Act ("FATCA") is to identify U.S. persons who may evade taxes by investing through foreign (non-U.S.) financial accounts – either directly or indirectly through foreign entities such as corporations and trusts.

In its original form, FATCA would have required non-U.S. financial institutions to either:

- Enter into agreements with the Internal Revenue Service (IRS) and report information about financial accounts held by U.S. persons – or held by foreign entities in which U.S. persons hold an ownership interest – directly to the IRS, or
- Face punitive U.S. withholding tax on U.S.-source payments

To address privacy and regulatory concerns related to FATCA, many countries, including Canada, have negotiated intergovernmental agreements (IGAs) with the U.S. Canada entered into a Model 1 IGA, meaning that RBC will report information to the local tax authority (CRA), which will then exchange this information with the IRS.

HOW WILL I KNOW IF I AM A "U.S. PERSON"?

The IRS¹ defines a "United States Person" or "U.S. Person" for U.S. tax purposes as:

- A citizen or resident of the United States
- A domestic (U.S.) partnership or corporation
- An estate other than a foreign (non-U.S.) estate
- A trust, if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.
- Any other person that is not a foreign (non-U.S.) person

A citizen of the U.S. (including an individual born in the U.S.) who is a resident in another country for tax purposes can still be a U.S. person if they have not formally renounced U.S. Citizenship.

A resident of the U.S. includes a lawful resident of the U.S. (including a U.S. green card holder); and a person who spends a certain number of days in the U.S. each year (substantial presence

generally means a person spending over 183 days in the U.S. in the last three years, excludes exempt categories of persons such as students).

WHAT ARE THE REQUIREMENTS OF FATCA?

Individuals may be asked to provide additional information or documentation to establish whether they are a U.S. or non-U.S. person. This may include the completion of an IRS Form W-8BEN (certification of non-U.S. status) or W-9 (certification of U.S. status). If you are required to submit one of these forms and do not provide it as required, you will be considered a U.S. Reportable Account and details of your account will be reported to the CRA.

KEY DATES

- July 1, 2014: New individual accountholders must complete and submit a W-8BEN Form or W-9
- 2014 – 2016: Additional documentation may be requested from existing individual accountholders which could include a W-8BEN Form or W-9

¹Source: <http://www.irs.gov/Individuals/International-Taxpayers/Classification-of-Taxpayers-for-U.S.-Tax-Purposes>



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