

# THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) AND COMPUTERSHARE

NOVEMBER 2012

The Foreign Account Tax Compliance Act (FATCA) was signed into law on March 18, 2010, as part of the Hiring Incentives to Restore Employment Act of 2010 in the US. FATCA legislation creates a new layer of IRS withholding tax, reporting and holder documentation that sits above existing IRS non-resident tax requirements.

## FATCA OVERVIEW

The legislation requires withholding agents, such as Computershare, to document certain US taxpayers that may be the beneficial owners of securities-related income or assets held through an intermediary based outside the US or held through certain US taxpayer-owned interests in privately held foreign domiciled entities.

The FATCA requirement to withhold tax deductions from holder payments is set to take effect on January 1, 2014. The final regulations are expected to be released in the coming months and Computershare is well along in its preparations.

## IMPLICATIONS FOR COMPUTERSHARE CLIENTS

To comply with FATCA, Computershare will be required to subject securityholders to an additional level of scrutiny. This will include a thorough review of existing holder accounts beginning January 1, 2014, as well as the integration of revised due diligence requirements for establishing new holder accounts thereafter.

Commencing January 1, 2014, US taxpayers will be subject to additional due diligence and documentation procedures, as well as withholding tax and tax reporting requirements. These additional due diligence and documentation requirements include:

1. The introduction of more robust US taxpayer forms W-8 and W-9 and tax reporting requirements, including additional reporting to the IRS of certain US owners of privately held non-US entity securities.
2. A flat 30 percent withholding tax on all US-sourced payments, including gross proceeds paid to accounts that are not fully documented as per point 1.

## KEY EFFECTIVE DATES FOR FATCA REQUIREMENTS\*

*\*Dates noted in this document are based on information obtained prior to the release of Final Regulations.*

- January 1, 2013 - effective date of the Act.
- January 1, 2014 - effective date for FATCA withholding on US-sourced payments of dividends, interest and original issue discount.
- January 1, 2017 - effective date for additional withholding on gross proceeds from the sale of US securities that generate, interest or dividends paid to certain foreign-entity accounts not exempt from FATCA withholding.

### FUNCTIONAL IMPACT REVIEW

We are currently performing an analysis to identify data, technology and operational processes that need to be enhanced to meet the data classification, collection, maintenance, governance, reporting and withholding requirements of FATCA.

Computershare is closely monitoring the Act and will continue to track forthcoming guidance in the form of final regulations released by the US Department of Treasury and the associated form revisions and instructions released by the IRS.

### IMPLEMENTATION ROADMAP

We can assure you that the necessary steps are being taken to ensure that Computershare, as a withholding agent, will be compliant with the Act's provisions as they relate to the administration of your records and the servicing of your holders/plan participants.

We have established dedicated internal teams for each global region as well as a global steering committee coordinating all Computershare activities related to FATCA compliance. We are consulting with Ernst & Young on a global level and ensuring consistency amongst Canadian transfer agents through our participation in STAC (Securities Transfer Association of Canada).

Please feel free to reach out to your Relationship Manager or Trust Officer if you have any questions or concerns regarding the Act or Computershare's preparedness to comply with any of its provisions.