

What Is FATCA?



At a Glance

The Foreign Account Tax Compliance Act ("FATCA") is a United States law aimed at ensuring income and assets held by US persons¹ in offshore accounts or indirectly through ownership of foreign entities are reported to the US tax authorities (Internal Revenue Service ["IRS"]). This new information reporting requirement is enforced by withholding imposed on foreign financial institutions ("FFI") and other foreign entities that are required to report or disclose information about financial accounts held by US persons, or held by foreign entities in which US persons hold a substantial ownership interest.

What Types of Transaction Activity Will Give Rise to Withholding or Reporting Obligations under FATCA?

FATCA withholding and reporting requirements apply to certain "Withholdable Payments" and potentially to "Foreign Passthru Payments." Although the definitions are complex, the following illustrates the concepts:

- Withholdable Payments include many types of US source payments such as interest, dividends, and annuity payments. It also includes gross proceeds from the sale or other disposition of US source interest or dividend-producing securities.
 - US rules for determining the source of income are complex. For example, interest and dividends, which are two of the most common types of income, are generally sourced by reference to the residence of the issuer/obligor. Specifically, dividends are generally treated as US source income when paid on stock issued by a US corporation, and interest is generally treated as US source income when paid on debt issued by a US borrower. Various exceptions to these general rules may apply.
- Foreign Passthru Payments are Withholdable Payments or payments attributable to a withholdable payment paid by a FFI.

Will this Increase the Amount of Tax I Have to Pay? If so, by How Much?

No. FATCA is designed to enhance the reporting of income earned, and assets held by US persons. It is NOT a new tax

or an increase in tax rates. US taxpayers who have met their US tax and financial reporting obligations should not owe any additional or back taxes as a result of FATCA.

Does FATCA Apply to All Financial Institutions or just those in the US?

All financial institutions, both US institutions and FFIs, are subject to the provisions of FATCA. Whether FATCA applies in any given situation will generally be based on (1) who the account holders are, and (2) what types of income they receive. For example, if a US person owns an account or a foreign entity holds US securities, payments to those respective accounts will be subject to FATCA (or Form 1099) reporting (and withholding if appropriate documentation has not been provided) regardless of whether the account is held at a US financial institution or a FFI.

How Will this Impact Me if:

- I am not a US person?

FATCA should have little or no impact on non-US persons. In order to support your status as a non-US person, additional documentation may be required if certain indicators of US status (such as a US address) are present in Citi's client files. A non-US person could also be impacted if he or she holds an interest in, or an account with, an FFI that does not comply with FATCA (referred to as a "non-participating FFI").
- I am a US Person and have both US and non-US accounts?

FATCA should have the same impact for US persons holding accounts with a non-US office of a *US-based* financial institution (e.g., Citibank N.A.) or a non-US based financial institution (e.g., a Swiss bank). The determining factor is whether the financial institution is participating or non-participating. The withholding tax implications for non-participating FFIs could be severe.

Am I Liable for any Back Taxes on Prior Activity?

If a US taxpayer has under-reported income, they may be subject to additional US taxes, interest and penalties and risk further actions by the IRS. Clients should engage independent tax counsel as necessary.

¹ A US person is defined to be a US citizen or US income tax resident. Income tax residence can be a complicated tax concept that is beyond the scope of this document. Please consult with your tax advisor to determine if you are a US income tax resident.

What Additional Forms Will I Need to Complete? By when? What Will this Information Be Used for?

Where information indicates that an account holder may be a US person, they may be asked to complete IRS Form W-9 and a waiver of foreign bank secrecy laws if they have not already done so. Non-US persons may be asked to supply an IRS Form W-8 (W-8BEN, W-8BEN-E, W-8ECI, W-8EXP, W-8IMY) and other documentary evidence (e.g., passport or other documentation to establish tax residency).

The documentation will be used for two primary purposes. First, it will be used by Citi to properly identify an account holder as a US or non-US person for FATCA purposes. Second, it will be used to report the identifying information to the IRS, when required.

Ultimately, for US persons, a participating FFI (unless the participating FFI elects or is required to report on Forms 1099) will need to provide the following information to the IRS:

- The name, address, and Taxpayer Identification Number (TIN) of each account holder which is a specified US person and, in the case of any account holder which is a US owned foreign entity, the name, address, and TIN of each substantial US owner of such entity
- The account number
- The account balance or value at year end
- Gross dividends, interest and other income paid or credited to the account

What Happens if I Do Not Complete these Forms?

Where the requisite documentation is not provided, FATCA would generally consider the account holder to be non-compliant and may be required to impose a 30% withholding tax on Withholdable Payments made to the account.

Citi Private Bank is a business of Citigroup Inc. ("Citigroup"), which provides its clients access to a broad array of products and services available through bank and non-bank affiliates of Citigroup. Not all products and services are provided by all affiliates or are available at all locations.

Citigroup Inc. and its affiliates do not provide tax or legal advice. You should seek advice based on your particular circumstances from an independent tax advisor. To the extent that this material or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

Citibank N.A., London Branch (registered branch number BR001018), Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The contact number for Citibank N.A., London Branch is +44 (0)20 7508 8000.

Citibank Europe plc is regulated by the Central Bank of Ireland. It is authorised by the Central Bank of Ireland and by the Prudential Regulation Authority. It is subject to supervision by the Central Bank of Ireland, and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. Citibank Europe plc, UK Branch is registered as a branch in the register of companies for England and Wales with registered branch number BR017844. Its registered address is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. VAT No.: GB 429 6256 29. Citibank Europe plc is registered in Ireland with number 132781, with its registered office at 1 North Wall Quay, Dublin 1. Citibank Europe plc is regulated by the Central Bank of Ireland. Ultimately owned by Citigroup Inc., New York, USA.

In Jersey, this document is communicated by Citibank N.A., Jersey Branch which has its registered address at PO Box 104, 38 Esplanade, St Helier, Jersey JE4 8QB. Citibank N.A., Jersey Branch is regulated by the Jersey Financial Services Commission. Citibank N.A. Jersey Branch is a participant in the Jersey Bank Depositors Compensation Scheme. The Scheme offers protection for eligible deposits of up to £50,000. The maximum total amount of compensation is capped at £100,000,000 in any 5 year period. Full details of the Scheme and banking groups covered are available on the States of Jersey website www.gov.je/dcs, or on request.

Citi and Citi with Arc Design are registered service marks of Citigroup Inc. or its affiliates.

© 2015 Citigroup Inc., All Rights Reserved

Citibank, N.A. Member FDIC

How is Citi Uniquely Positioned to Help Me with FATCA Requirements while Helping Me Meet My Personal Financial Objectives?

Citi is experienced in complying with US information reporting requirements and is committed to becoming globally compliant with FATCA. The Private Bank will continue to provide you with our comprehensive suite of products and services to meet your individual financial objectives.

How Will Citi Ensure that Data Privacy Regulations in Countries like Switzerland Will Not Be Compromised? (i.e., Will the US Government Be Receiving any additional Information that Will Breach these Local Laws?)

Citi Private Bank values your privacy and will comply with privacy regulations as mandated by law. This may require you to consent or waive local bank secrecy or privacy protection that would otherwise prohibit reporting to the US IRS.

When Will FATCA Become Effective?

Required withholding on withholdable payments is phased in beginning July 1, 2014. Withholding on gross proceeds from the sale of assets that generate US source dividends or interest begins on January 1, 2017. Withholding on Foreign Passthru Payments will begin no earlier than January 1, 2017.

Is there Someone I Can Call if I Have Questions?

Please contact your Private Banker with any questions you may have.