

Foreign Account Tax Compliance Act (FATCA)

Affects US taxpayers/citizens invested in STANLIB

What is the Foreign Account Tax Compliance Act (FATCA)?

FATCA is a US tax law which was designed to:

- Prevent US taxpayers (who are taxed on their worldwide income) from avoiding US tax by investing through non-US financial institutions and offshore investment vehicles
- Ensure that US taxpayers declare all income received outside of the US
- Increase transparency for the United States Internal Revenue Service (IRS) with respect to US persons that may be investing and earning income through non-US institutions

FATCA was enacted in March 2010 and is effective 1 July 2014, with staggered implementation dates.

Who is impacted by FATCA?

FATCA regulations will impact all Foreign Financial Institutions (FFIs) and their customers worldwide. A Foreign Financial Institution refers to all non-US financial institutions (foreign to the US).

An entity is a Foreign Financial Institution (FFI) and within the scope of FATCA if it:

- Accepts deposits in the ordinary course of a banking or similar business (depository institutions)
- Holds financial assets for the account of others as a substantial portion of its business (custodial institutions)
- Is an investment entity that is primarily engaged in the business of, or operations for and behalf of a customer, related to trading in securities, portfolio management, or investing, administering, or managing funds, money, or financial assets on behalf of other persons (investment entity)
- Is an insurance company or the holding company of an insurance company that issues or is obligated to make payments with respect to a cash value insurance or annuity contract
- Is an entity that is a holding company (holds outstanding stock of one or more members of its expanded affiliated group) or treasury centre (enters into investments, hedging and financing transactions with or for members of its group)

What is impacted by FATCA?

Products where Fixed or Determinable Annual Period (FDAP) income can be earned are deemed in scope for FATCA. STANLIB collective investments (unit trusts) and the Classic Investment Plan are impacted.

FDAP income categories consist of interest, dividends, rents, annuities, compensations, remunerations and other "passive" type income.

What is the process for compliance?

At country level, governments can enter an agreement with the USA Inland Revenue Services (IRS). Such an agreement is known as an "Inter-governmental agreement" (IGA). Under this agreement, FFIs will be required to report information on US accountholders directly to their national tax authorities.

At FFI level, FFIs who register with the IRS under the IGA (known as "Participating FFIs") commit to comply with a number of FATCA obligations. These obligations include:

- Identifying US persons who hold assets with the FFI
- Identifying the status of entity customers and counterparties in terms of FATCA
- Reporting US person's assets to the national tax authorities

At FFI level, FFIs who do not register with the IRS under the inter-governmental agreement are referred to as "Non-Participating FFIs" (NPF).

Why would FFIs, including STANLIB, want to comply with FATCA?

The US is the largest recipient of inward investments in the world. It is very difficult for any international financial institution to operate without investing directly or indirectly into the US or dealing with financial institutions that invest in the US.

Non-compliance with FATCA in the market place is likely to reduce business opportunities and compliant firms may be reluctant to deal with non-compliant firms.

Furthermore there is a threat of withholding 30% on all payments due to Foreign Financial Institutions derived from US investments.

Example:

A US paying agent (example XYZ Bank) is making a payment to Asset Manager Co X (an FFI), who is a FFI not complying with FATCA; XYZ Bank will withhold 30% of the payment. This will continue to occur when payments are made to Asset Manager Co X (an FFI) until such time that they comply. The 30% lost while non-compliant and non-participating will not be refunded at point of compliance.



Impact of FATCA on South Africa

South Africa and the US government signed an IGA on 9 June 2014. This means that all required reporting will be done through SARS.

SARS has extended the scope of FATCA to include information regarding ALL non-residents, and not only US persons.

How does this impact STANLIB?

STANLIB is impacted by FATCA.

As a participating FFI, we will comply with four main elements:

- Identification of new and existing foreign persons
- Identification of new and existing entities
- Identify foreign substantial owners/controllers persons (persons who hold 25% or more voting shareholding in the entity)
- Report on US persons to SARS

What has changed in the on-boarding/application process?

New business using application forms

We added new fields to our application forms to determine if the investor is a foreign national.

Foreign nationals need to complete the following FATCA annexure/s and submit it with the new business application form (available on our website www.stanlib.com):

- 1. Tax Information for Foreign Individuals** – This is applicable for all foreign national individual applicants
 - 2. Tax Information for Entities** – Exempt Beneficial Owners and Deemed Compliant Financial Institutions
 - 3. Tax Information for Entities** – Other Entities
- 2 and 3 are applicable to ALL entities.

New business using STANLIB Online

We have created a new screen to help classify foreign nationals according to FATCA regulations. For definitions and FATCA classification categories please refer to the FATCA annexures, available on our website www.stanlib.com.

CLIENT DETAILS: NATURAL PERSON	
INVESTMENT PROPOSAL NUMBER	<input type="text"/>
TITLE	<input type="text"/>
NAME/S	<input type="text"/>
SURNAME	<input type="text"/>
ID/PASSPORT NUMBER	<input type="text"/>
DATE OF BIRTH	<input type="text"/> - <input type="text"/> - <input type="text"/> D D M M Y Y Y Y
NATIONALITY (IF COUNTRY OF BIRTH IS NOT YOUR COUNTRY OF NATIONALITY)	<input type="text"/>
DO YOU HAVE DUAL CITIZENSHIP	<input type="checkbox"/> YES <input type="checkbox"/> NO
COUNTRY OF BIRTH	<input type="text"/>

CLIENT DETAILS: OTHER ENTITY TYPES	
All partnerships must complete the annexure available on www.stanlib.com and submit the completed form with the application form.	
INVESTMENT PROPOSAL NUMBER	<input type="text"/>
NAME OF ENTITY	<input type="text"/>
TRADE NAME	<input type="text"/>
DATE OF INCEPTION	<input type="text"/> - <input type="text"/> - <input type="text"/> D D M M Y Y Y Y
REGISTRATION NUMBER	<input type="text"/>
INCOME TAX NUMBER	<input type="text"/>
All entities are required to complete the Tax information for entities annexure. This annexure is available on our website, www.stanlib.com	

More information

For more information on FATCA, please speak to your STANLIB Consultant.
You may also call our Broker Support line on **0860 104 418**.

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