

AUTOMATIC EXCHANGE OF INFORMATION (INCLUDING FATCA, CRS, CDOT AND DAC) FREQUENTLY ASKED QUESTIONS

SEVEN 
Investment Management

SEPTEMBER 2016

What is the Automatic Exchange of Information (AEOI)?

AEOI is about improving transparency in the fight against tax evasion and in so doing protecting the integrity of the tax systems of the participating jurisdictions. The UK is party to a number of international agreements designed to provide tax administrations with details of financial accounts and assets, owned by individuals and entities that are resident for tax purposes in their jurisdiction.

The UK now has legislation in place for AEOI under four different regimes:

1. the United States Foreign Account Tax Compliance Act (FATCA)
2. the Common Reporting Standard (CRS) developed by the Organisation for Economic Co-operation and Development (OECD);
3. the Crown Dependencies and Gibraltar Regulations (CDOT); and
4. the EU Directive on Administrative Cooperation in Tax Matters (DAC), which incorporates the CRS, and requires the collection, maintenance and reporting of information for the exchange of information between EU Member States.

All the regimes have significant common requirements.

What is FATCA?

FATCA stands for Foreign Account Tax Compliance Act and is a United States Federal Law. It has been designed to ensure all US persons living inside and outside of the US report their financial accounts to the US Internal Revenue Service (IRS). It also requires foreign financial institutions such as Seven Investment Management LLP (7IM) to report to their local tax authorities about their US clients. In our case this is HM Revenue & Customs (HMRC).

What is the CRS?

The Common Reporting Standard (CRS) is a global standard for the automatic exchange of relevant account information between financial institutions and tax authorities.

CRS requires financial institutions in participating jurisdictions, including the UK, such as 7IM, to obtain and report certain information relating to clients and their accounts to their local tax authorities on an annual basis. In our case this is HMRC.

Further information on CRS can be found on the OECD website available here:
www.oecd.org/tax/automatic-exchange/.

Which jurisdictions are participating jurisdictions?

For FATCA, the relevant jurisdiction is the United States of America (including the District of Columbia).

For CRS, over 100 jurisdictions (including the UK) have currently committed to the automatic exchange of information. The list of current jurisdictions can be accessed on the OECD website at www.oecd.org/tax/transparency/AEOI-commitments.pdf.

For CDOT, the UK has entered into reciprocal agreements for the exchange of information with each of the Crown Dependencies (Jersey, Guernsey and the Isle of Man) and Gibraltar. CDOT is expected to be fully superseded by CRS from 2018.

The DAC makes automatic exchange of financial account information mandatory between EU Member States.

When does AEOI take effect?

FATCA and CDOT are already in effect with annual reporting required.

CRS (including its incorporation in DAC) took effect for all early adopters, which includes the UK, from 1 January 2016, with the first reporting by financial institutions being due by May 2017.

What is a reportable account?

A reportable account includes a financial account held by:

- one or more individuals or entities (which includes trusts, companies and foundations) resident in a participating jurisdiction for tax purposes; or
- a passive non-financial entity with one or more controlling persons that is resident in a participating jurisdiction for tax purposes.

However, reportable accounts do not include pension accounts established under a UK registered pension scheme or certain tax-favoured accounts such as ISAs or JISAs.

What is a Passive Non-Financial Entity (NFE)

A Non-Financial Entity (NFE) is determined as any entity which is not a Financial Institution. An NFE is an Active NFE if it meets at least one of the criteria for being an NFE. A full list of the criteria can be found in the notes section of the Entity Self Certification Form. A Passive Non-Financial Entity (NFE) is any NFE that is not an Active NFE. There are a number of categories listed in the Entity Self Certification Form. If your organisation does not fall into one of the other categories, you will need to consider whether you are an Active or Passive NFE. If you are still unsure, you should consult your tax adviser for guidance.

How does AEOI affect existing individual 7IM account holders?

In addition to any new accounts, AEOI requires that financial institutions carry out ongoing due diligence on all existing accounts:

- For FATCA and CDOT, held as at 30 June 2014;
- For CRS and DAC, held as at 31 December 2015,

in order to identify accounts which they will have to report to HMRC.

We may contact you to complete the relevant Self Certification form providing us with details of your tax status, including your tax residency and tax reference number details, even if you have closed your account. For UK individual clients, this will be your National Insurance number. We may also need you to provide additional information and/or documents.

If we are unable to obtain this information from you we may need to report your account details to HMRC on an annual basis.

Will 7IM provide me with all of the forms I need to complete?

Yes. If we need further information from you, your Relationship Manager, Financial Adviser or the Self Invest Team will send you the relevant forms. If you hold a Joint account with us we will require both account holders to each complete the relevant form.

Why am I being asked for my Tax Residency?

Under AEOI financial institutions such as 7IM are required to collect information about their clients' tax status in order to identify which accounts need to be reported to HMRC. We may need you to complete a self certification and provide additional information and/or documents, even if you have closed your account.

How do I know where I am Tax Resident?

This will depend on where you live and your circumstances. 7IM cannot give tax advice. Please contact a professional tax advisor or your local tax authority for more information on how to determine your tax residency.

I live in the same country as I pay tax, do I still need to give you these details?

Yes, we are legally required to establish the tax residency status of all of our clients, even if you are only tax resident in the same country as you live. However, your details will not typically be reportable to HMRC for AEOI purposes if you are an individual only tax resident in the UK.

I live in a non-UK participating jurisdiction but I have a home elsewhere how does this impact me?

A residence or mailing address in a participating jurisdiction is one of the criteria that may require us to

obtain further documentation from you to establish whether you are a reportable person.

What does AEOI mean for me if I am only tax resident in the UK?

For individual investors who are only UK tax resident, we will still require you to complete a self certification to establish your tax residency.

What happens if a joint account is held by a reportable person and a non-reportable person?

A joint account which has one reportable owner is treated as a reportable account and therefore the entire account is subject to AEOI.

Which entity client accounts are impacted by AEOI?

The tax status of all new and existing entity clients will be reviewed to determine whether any entity account is reportable for a participating jurisdiction. This includes trusts, partnerships, foundations, and companies.

An entity may be required to self-certify and provide supporting documentation regarding their tax status, even after the entity has closed its account. If the entity is a passive non-financial entity, we will also require certain information regarding the entity's controlling persons.

How are Trust accounts affected by AEOI?

Trust accounts will need to complete an Entity Self Certification and select the appropriate classification under applicable tax regulations. Due to the complex and unique structure of Trusts, we recommend that you contact your professional tax advisor to discuss the classification of the Trust under AEOI.

Does AEOI only impact trustees, settlors and beneficiaries of a non-UK tax resident trust?

No. AEOI impacts all trusts not just non-UK tax resident trusts.

As the trustee, settlor or beneficiary of a Trust will I need to supply 7IM with any additional information and / or documents?

The Trust will need to complete the Entity Self Certification in order to establish the status of the Trust under AEOI. Additional documentation may be required depending on the AEOI classification you select.

If I consider that my Trust is a Passive Non-Financial entity, what type of information and/or documents will I need to supply 7IM?

We will need you to complete the appropriate Controlling Persons Self Certification form(s) in order to establish the tax status of each controlling person under AEOI.

In the case of a Trust, "Controlling Person" refers to the settlor, the trustees, the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the Trust. If the Trust is designated by characteristics or

by class, Controlling Persons Self Certifications should be completed, in respect of beneficiaries, at the time of payout or when the beneficiaries intend to exercise vested rights.

What if there is a change of circumstance which adds non-UK participating jurisdiction details to my account?

Clients will need to advise us of any change of circumstance on their account such as a change of address or change of bank information immediately. Should a change of circumstance give rise to non-UK participating jurisdiction details on your account, we may need further documentation regarding your tax residency or status.

How often will I need to provide information to 7IM for AEOI purposes?

AEOI is a continual tax monitoring process and we are required to monitor accounts on an annual basis.

If your circumstances or any information on your account changes, we may need to contact you to obtain additional information and/or documents. This will allow us to update your account classification under AEOI. If your circumstances change please do let us know immediately.

Is everyone requesting the same level of information and are all firms doing this?

Yes, all financial institutions in participant jurisdictions are required to be compliant with the AEOI regimes.

Why is 7IM providing HMRC with my details?

The legal requirements introduced by countries participating in the AEOI mean that we, along with other financial institutions must, collect information about our clients' account and tax status. Where our client is tax resident in a participating country other than the UK, we are required to report details of the account to HMRC.

I have provided you with my details. Why are you asking me for supporting documents?

There are a number of instances where we are required to review or obtain documentary evidence in determining whether or not an account holder is a reportable person. We might ask you for a copy of your passport to verify your identity or for some other documentation of your tax residency or status.

What information will be reported to tax authorities?

AEOI requires us to report certain information for each reportable account including:

- name and address of account holder
- jurisdiction(s) where resident for tax purposes and associated tax reference number(s)
- 7IM account number
- Account balance or value at the end of the calendar year or other appropriate period (for example, at closure)
- Amount paid/credited to the account holder by 7IM (including any gross interest, dividends, other income and proceeds from sales)
- If the reportable account is held by a passive non-financial entity, certain information about controlling persons will also need to be reported

For CDOT and CRS, we must also report date of birth of individuals.

For CRS, we may also report place of birth of individuals.

This information will need to be reported on an annual basis to HMRC, who will in turn share that information with the relevant authority.

Where can I find further information and advice?

For further information and advice, please contact your tax adviser or local tax authority.

Does AEOI allow for a Self Certification to be provided by a third party on the basis of a Power of Attorney?

Yes. However, this is only acceptable in the instances where the third party has a Power of Attorney in place.

What will happen to my account(s) with 7IM if I do not or am unable to provide the information required under AEOI?

7IM is committed to being fully AEOI compliant. We may not open new accounts or offer additional products and services to clients who choose not to or cannot comply with our requests for documentation to establish a client's status under AEOI. We may also need to report information to HMRC about clients who do not provide the required documentation to us.

In addition, we may also be required to withhold tax on certain US source payments coming into your account.

The following frequently asked questions relate to FATCA only:

I have a US Passport, but have resided in the UK for a number of years and have no intention of returning to the US.

A US citizen is considered to be resident in the United States for tax purposes, even if the account holder is also a tax resident of another country. Any renunciation of the citizenship must be evidenced by a "Certificate of Loss of Nationality" from the US Department of State or a letter confirming the renunciation from a US embassy.

What does FATCA mean for me if I am not a US person?

Even if you are not a US person, we will still require you to complete a self-certification to establish your tax residency.

If we find evidence of US criteria on your account, then we are required to collect additional documentation from you to meet our obligations under the legislation. We will contact you and provide you with the relevant forms to confirm your tax residency status.

Is 7IM providing an 'Owner documented' approach?

We have not adopted an 'Owner documented' approach and we recommend that each entity establish their status in connection with FATCA and decide if they need to register with the IRS.

Is 7IM providing a 'Sponsored' approach?

We have not adopted a 'Sponsored' approach for any client. We recommend that each entity establish their FATCA status and decide if they need to register with the IRS.

Is 7IM a registered Foreign Financial institution?

7IM are registered under FATCA with the IRS as a Foreign Financial Institution (reporting Model 1) and we will report all reportable accounts which are held within our systems.

Our Global Intermediary Identification Number (GIIN) is **NTI62J.99999.SL.826**.

7IM will be reporting all reportable accounts to HMRC, who will in turn report to the IRS.