

JULY 2023

### **Can 7IM open and maintain accounts for US clients?**

Yes. However, 7IM can only open and maintain accounts for US clients who are:

- US citizens or individuals otherwise subject to US tax on non-US income and gains, provided that they reside outside of the US; and
- certain Trusts where one or more of their beneficiaries are US citizens or individuals otherwise subject to US tax on non-US income and gains.

Under no circumstances can we open or maintain a 7IM account where an individual client, or the trustee of a trust client, has a US permanent residence or even a mailing (C/O or P.O. Box) address. We cannot open or maintain accounts for individuals who meet either the green card test or the substantial presence test as defined by the IRS for the calendar year.

If an existing client, trustee or Bare Trust beneficiary of an existing client, becomes a resident of the US, their account at 7IM must be closed, regardless of whether they are a US citizen or not. If you receive any indication that a client, beneficiary or trustee may have moved to the US (for example, they provide a US address, US bank account details, details of US property ownership or a US phone number), we will need to seek further information from the client to determine whether the client, beneficiary or trustee is residing in the US. If so, action will be required to close the account. Please check with the Head of Operations before initiating actions to close any such accounts.

### **Can a US account holder have a 7IM SIPP account?**

Yes, 7IM may open and maintain a 7IM SIPP account for US account holders, however, the individual must be a resident outside of the US.

### **Can a US account holder have a third party SIPP account?**

Yes, 7IM may open and maintain a third party SIPP account for individual clients who are either:

- US resident, or
- US citizen residing outside of the US.

### **Are there any restrictions in place for account holders who are US clients?**

Yes:

- Account opening and maintenance restrictions for: US resident individuals, trustees of a trust or executors of an estate, US Corporations/Partnerships. Currently we are also not allowing account opening (and will have to close any accounts already opened) for joint accounts where only one of the account holders is a US citizen or subject to US tax on non-US income and gains due to the complexity of tax reporting.
- Investment restrictions: US clients will only be permitted to invest in 7IM Funds and direct equities (excluding ETFs). Investments in other funds will only be permitted after review on a case by case basis requiring sign-off from the Head of Operations. Note, this is not applicable to SIPPs as the relevant account holder is the SIPP trustee.

### **Are there any additional considerations US account holders have to take into account when investing in 7IM funds?**

Yes. US account holders must take into consideration whether there are any US tax implications of their investments. For example, 7IM Funds fall under the classification of Passive Foreign Investment Companies (PFICs) under US Internal Revenue Code. US Persons who are direct or indirect shareholders of a PFIC are likely to have information return obligations depending on individual circumstances and exceptions may apply. **7IM cannot provide any tax advice.** US Account Holders will have sole responsibility for the management of their own tax affairs, and they should obtain their own independent tax advice, tailored to their particular circumstances.

### **Are tax obligations the same for all US clients?**

While certain tax rules and regulations apply to all US Persons in general, tax obligations are mostly driven by individual circumstances (e.g. classification, tax status, residency/tax treaty, source of income, investments, etc.). 7IM cannot provide any tax advice. Therefore, US Account Holders will have sole responsibility for the management of their own tax affairs, and they should obtain their own independent tax advice, tailored to their particular circumstances.

### **What are the tax reporting responsibilities of Seven Investment Management LLP regarding US clients?**

As per its Qualified Intermediary Agreement with the IRS, Seven Investment Management LLP has documentation (W-9 Form), 1099 reporting and withholding/backup withholding obligations for the accounts it opens and maintains for US Persons. Under the United States Foreign Account Tax Compliance Act – FATCA, which is part of UK Legislation, it has documentation (Self-Certification), due diligence and financial account information reporting obligations as a United Kingdom registered deemed-compliant (reporting Model 1) Foreign Financial Institution.

For these US tax reporting purposes, a “United States person” means:

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

### **How is a “US citizen” defined?**

- An individual born in the United States.
- An individual whose parent is a US citizen.
- A former alien who has been naturalized as a US citizen.
- An individual born in Puerto Rico.
- An individual born in Guam.
- An individual born in the US Virgin Islands.

### **What happens if an account holder has renounced their US Citizenship?**

The following documentary evidence is required: a self-certification that the account holder is neither a US citizen nor a US resident for tax purposes, a non-US passport or other government-issued identification evidencing the Account holder's citizenship or nationality in a country other than the United States, and a copy of the account holder's Certificate of Loss of Nationality of the United States.

### **Who is considered to be subject to US tax on non-US income and gains?**

#### *US citizens and US residents:*

Generally, all US citizens and US residents will be subject to tax on non-US income and gains. As a reminder, we cannot open or maintain accounts for any US residents or individuals who meet the green card test or the substantial presence test.

#### *US green card holders:*

US Green card holders are generally required to file a US income tax return and report worldwide income no matter where they live, and are therefore subject to US tax on non-US income and gains.

#### *Resident and Non-Resident Aliens:*

US tax law also refers to **‘resident aliens’** and **‘non-resident aliens’**, who are not US citizens. Resident aliens are taxed in the same manner as US citizens on their worldwide income, and are therefore subject to US tax on non-US income and gains.

Non-resident aliens, on the other hand, are not subject to US tax on non-US income and gains, but rather are generally taxed in the US (with certain narrowly defined exceptions) on income which is derived from sources within the United States and/or income that is effectively connected with a US trade or business. 7IM can open and maintain accounts for non-resident aliens. However, any identified non-resident aliens should be notified to the Head of Operations and provide a valid W-8BEN form.

### **What are the responsibilities of green card holders if they have been absent from the United States?**

Green card holders are generally required to file a US income tax return and report worldwide income no matter where they live. However, if they surrender their green cards or the US Citizen & Immigration Service determines that they have abandoned their green cards and takes their cards away from them, their requirements for filing are likely to change. 7IM cannot open or maintain accounts for green card holders.

### **Can an account holder who surrendered their green card or renounced US citizenship still have US tax filing obligations?**

Depending on personal circumstances, individuals might be subject to expatriation tax. In general, the expatriation tax provisions apply to US citizens who have renounced their citizenship and long-term residents who have ended their residency. The rules that apply are based on the dates of expatriation. 7IM may need additional information for reporting purposes.

### **Are there additional documentary requirements for US clients to open a 7IM account?**

Yes. 7IM can only open and maintain accounts for US clients who have completed and signed a valid W-9 Form and the Declaration for US Clients.

### **What are the minimum requirements on a W-9 form?**

Full Name as shown on the income tax return/as the individual is known to the IRS; federal tax classification; full address; valid Taxpayer Identification Number (TIN), signature, date.

### **What is a “TIN” and what structure does it have?**

A Taxpayer Identification Number (TIN) is an identification number used by the Internal Revenue Service (IRS) in the administration of tax laws. It is issued either by the Social Security Administration (SSA) or by the IRS. A Social Security number (SSN) is issued by the SSA whereas all other TINs are issued by the IRS. A TIN consists of nine digits.

Individuals are generally issued with either a Social Security number (SSN) or an Individual Taxpayer Identification Number (ITIN). ITIN is issued to individuals who are required to have a US taxpayer identification number but who do not have and are not eligible to obtain an SSN. An SSN is in the following format: xxx-xx-xxxx. The first three digits have geographical significance, the next two digits have no real significance and are issued sequentially, and the last four digits are random. An ITIN is a nine-digit number that always begins with the number 9 and is in the following format: 9xx-xx-xxxx.

### **Are there any consequences for providing invalid/false information on a W-9 form?**

The W-9 Form is signed under penalties of perjury. Individuals might be subject to US criminal penalties including fines and/or imprisonment.

### **What happens if the account holder's information and/or circumstances change?**

If any change in account holder's information and/or circumstances indicates that the US client may have become a resident of the US, this must be reported to the Head of Operations and Client Static Data team immediately. 7IM cannot maintain accounts for residents of the US.

It is important that changes to account holder's information/circumstances, including but not limited to changes in name, address (especially country), citizenship, bank details and tax status, are reported to the Head of Operations and Client Static Data team as soon as possible, so that information sent to HMRC and the IRS are maintained correctly and in a timely manner. Depending on the nature of the change, further information or documentation might be requested from the account holder.

### **What happens if the account holder does not inform 7IM about change in information and/or circumstances?**

It is possible that incorrect account holder information will be reported to HMRC and the IRS, resulting in the relevant tax authorities contacting both the account holder and 7IM, also incurring penalties. Additionally, 7IM must not open or maintain accounts for residents of the US to avoid US registration requirements, and therefore it is important that US Account Holders inform us of any changes in their information and/or circumstances.

### **What type of information gets reported to HMRC and the IRS on an annual basis?**

For GIA accounts, the following client account information is reportable to HMRC under US FATCA: name, address, US TIN, account number or functional equivalent, account balance or value, total gross amount of interest, total gross amount of dividends, total gross amount of other income paid or credited to the account, the total gross proceeds from the sale or redemption of property paid or credited to the account.

For ISA accounts, the following client information is reportable to the IRS on the relevant 1099 Form: name, address, US TIN, account number or functional equivalent, amount of US source dividends and distributions paid or credited to the account, proceeds for broker transactions effected inside the United States during the US tax year (01 January – 31 December).

There is no US Persons specific reporting requirement for SIPP accounts.

### **What makes an account holder reportable under US FATCA; what is considered indicia of US status?**

- Identification of the Account Holder as a US citizen or resident;
- US place of birth;
- US mailing or residence address (including a US PO box);
- US telephone number;
- Standing instructions to transfer funds to an account maintained in the United States;
- Currently effective power of attorney or signatory authority granted to a person with a US address; or
- An “in-care-of” or “hold mail” address that is the sole address 7IM has on file for the account holder.

### **What happens under FATCA if the account holder closes the account during the year?**

Closed accounts are also reportable. In case an account closed or transferred in its entirety by an account holder during a calendar year the reportable information shall be:

- The payments and income paid or credited to the account during the calendar year up to the point of closure or transfer; and
- The amount or value withdrawn or transferred from the account in connection with the closure or transfer of the account.