

Common Reporting Standard & Foreign Account Tax Compliance Act Frequently Asked Questions

What is CRS (Common Reporting Standard)?

CRS is a set of standards set out by the OECD (Organisation for Economic Co-operation and Development) to share certain financial information related to clients with revenue authorities.

The aim of CRS is to overcome offshore tax evasion by any person that have tax obligations, tax liabilities or are tax resident outside of South Africa. CRS is a global version of FATCA.

Financial institutions are required to determine which of their clients have tax liabilities, tax obligations or tax residencies outside of South Africa.

What is FATCA (Foreign Account Tax Compliance Act)?

FATCA was enacted by the US Congress to overcome tax evasion by US taxpayers using foreign accounts.

There is an intergovernmental agreement (IGA) between SARS (South African Revenue Service) and the IRS (US Internal Revenue Service) whereby both SARS and the IRS agreed to transfer accountholder information.

Do CRS regulations replace FATCA?

No, CRS operates alongside FATCA. FATCA applies to Americans only, CRS applies to all entities or persons who are not South African nationals.

Who does CRS apply to?

- CRS applies to all clients invested in a Wealthport Discretionary Portfolio and /or the Wealthport Market Linked Endowment.
- This includes entities that are incorporated or organised or have a place of effective management outside SA and whether they or any of their controlling person(s) have tax obligations, tax liabilities or tax residencies outside South Africa.

What is self-certification?

Self-certification is a statement provided by clients declaring their tax residency.

In the case of an entity, it is a statement declaring the tax residency of the entity, entity classification and the tax residencies of the controlling persons of the entity.

- **What is a “Controlling person”?**

- ✓ Any natural person(s) who exercises control over an Entity. A natural person generally has control over an entity when such a person has a controlling ownership interest in the entity.
- ✓ “Control” over an entity is exercised by any natural person(s) or other legal entity who has a controlling ownership interest in the entity depending on the entities’ ownership structure. (For example, any person(s) owning more than 25% of the entity).
- ✓ Where there is no natural person(s) who has controlling ownership interest over the entity the “Controlling persons” will be the natural persons who exercise control through other means such as person(s) holding the position of senior managing official.
- ✓ The “Controlling persons” of a trust refers to the trustee(s), settlor(s), protector(s), beneficiaries and any other natural person(s) exercising effective control over the trust.

If a client has US ties, a self-certification must be provided together with the applicable IRS W-8 or W-9 form and proof of renunciation of citizenship where applicable.

- **What is a W-8 form?**

The W-8 form is used to indicate a client’s classification and tax for FATCA US reporting.

It is recommended that clients consult the IRS website (www.irs.gov) or a tax specialist if they are unsure which form is applicable to them.

- **What is a W-9 form?**

A W-9 form is completed by US citizens, US entities or residents to confirm their US registration status with the IRS.

The certification will also confirm whether a US entity is exempt from FATCA reporting.

Why do I need to submit a self-certification if I already completed my tax residency on the application form?

Although you might have indicated your tax residency on a Wealthport application form already, the self-certification form is required to attain more detailed information on all clients to enable Wealthport to fulfil its reporting duties as per regulations. The signed self-certification form is also confirmation of the client's latest tax status as to ensure our records are up to date.

What happens if I don't complete a self-certification?

Wealthport (Pty) Ltd is a financial institution in a country that is obliged to report in terms of FATCA and CRS to SARS.

Wealthport (Pty) Ltd is obliged to report on all account holders who fail to confirm whether they, as individuals, have tax obligations, tax liabilities or tax residencies outside SA.

What information will be reported to SARS?

Client:

- Name
- Address
- County of tax residence
- Tax identification number
- Account number
- Account balance
- Income credited to the account holder's accounts
- Date of birth

Where can I get more information?

To Learn more about CRS refer to:

- www.oecd.org/tax/automatic-exchange/

To learn more about FATCA refer to:

- www.irs.gov

Disclaimer

The information contained herein are for informational purposes only. It does not constitute tax advice and is not intended to address the circumstances of any particular individual or entity. Please consult with a tax advisor for specific tax advice.