

2015 Tax Policy

Frequently Asked Questions

What is FATCA? Foreign Account Tax Compliance Act (FATCA) is U.S. tax legislation enacted on March 18, 2010. The primary objective of the new law is to reduce U.S. tax evasion by U.S. taxpayers who invest directly in offshore accounts or indirectly through the ownership of non-U.S. entities. Among other things, FATCA requires Citi to adopt enhanced account on-boarding procedures to determine whether an account is a U.S. account or a foreign account, conduct a due diligence review of certain preexisting accounts, impose FATCA withholding on actual or presumed nonparticipating foreign financial institutions when required, and to report information directly or indirectly to the Internal Revenue System (IRS) on certain U.S. accounts.

What is changing? Effective January 1, 2015, Citibank Europe plc, Dublin - Romania Branch (Citi Romania) will require IRS Form W-8 to be submitted by non-U.S. account holders upon account opening globally. Prior to January 1, 2015, Citi Romania required non-U.S. account holders, with certain exceptions, to submit a Form W-8 only when an account was opened in the U.S. and generated U.S.-source interest income.

Why are we making this change? The global tax policy for the Cash business is being revised to fully implement due diligence, withholding and reporting provisions of FATCA, as well as certain new IRS regulations designed to coordinate FACTA with Form 1099 reporting and back-up withholding requirements. To effectively comply with these new rules, Citi Romania will require that tax forms be collected in many cases where none were previously required.

When does FATCA withholding apply? FATCA withholding at a rate of 30 percent applies to U.S.-source interest paid on depository accounts, unless the FATCA status of the account holder has been documented. Interest is U.S.-source income when paid on a deposit account maintained in the United States. In addition, FATCA expands the meaning of U.S.-source income to include interest paid by branches of a U.S. bank located outside the United States. However, transition relief from FATCA withholding is available for offshore payments made before January 1, 2017. Thereafter, FATCA withholding may be applied in the absence of a Form W-8 or W-9. A permanent exception from FATCA withholding is available for interest on deposit obligations with a fixed term of 183 days or less (e.g., an overnight sweep).

How does FATCA affect general account terms and conditions? Effective August 25, 2014, the Master Account and Service Terms (MAST) and Confidentiality and Data Privacy Conditions (CDPC) serve as the new terms and conditions for new accounts, replacing our previous bank account agreement, the General Account Conditions (GAC).

The MAST and CDPC reflect the changes in the legal, regulatory and technological landscape that have occurred since the GAC was first introduced more than ten years ago. The legal and regulatory changes of particular note concern data privacy and tax regulations, including FATCA.

I am an existing client opening a new account; will a tax form be required?

If you have not previously provided a tax form, a tax form will be required for another account opened in the same name or an account opened in the name of an affiliate. A separate form must be supplied for each bank legal vehicle in which an account is opened. Under certain conditions, tax forms provided for accounts held in one jurisdiction may be used for account opening processes under other jurisdictions, but a determination will be made separately for each case and communicated to Account Services.

Generally speaking, the rule of thumb is one form per legal entity account holder (accounts held in the same right and capacity) per bank legal vehicle or booking vehicle. If a form can be shared across legal vehicles, you will be so informed during the onboarding process. If you are a bank, you will be required to furnish a different tax form for each location/branch of the bank that opens an account, because each branch can have a different FATCA status.

I need to update an address on existing accounts; will a tax form be required?

For Form W-9, a change of address ordinarily does not trigger a requirement for a new tax form. However, any other change that renders the existing tax form as incorrect will necessitate that a new Form W-9 or Form W-8 be provided. You should inform your Account Manager of any such changes within 30 days of when the change becomes effective and provide a new tax form that contains the new information and/or certifications.

For Forms W-8, any change to account information, including name of account owner, address, place of organization, or U.S. tax classification may require a new tax form. You must inform your Account Manager within 30 days of a change in circumstances that affects your FATCA status and makes any information or representation on an existing Form W-8 incorrect, incomplete or unreliable.

Are there any exceptions to providing a U.S. Tax Form when opening an account?

For accounts opened for a U.S. legal entity, Citi tax policy generally does not provide any exception from the Form W-9 requirement, regardless of whether the account is interest-bearing or non-interest-bearing or whether the account holder can be identified as an exempt recipient.

For accounts opened in the U.S., there are exceptions to the Form W-8 requirement. A Form W-8 is not required where a non-interest-bearing account is opened for a non-U.S. entity provided that the entity has furnished its formation document.

For accounts opened at a branch of Citibank N.A. located outside the U.S., if the account is opened at a branch in a non-IGA country or a Model 2 IGA country, and the account holder can be identified as an exempt recipient, then a Form W-8 will not be required. See below for an explanation of what is an IGA and which countries are Model 2 IGA countries.

What is an exempt recipient?

An exempt recipient is a payee that is exempt from information reporting on Form 1099. An account holder or payee will be treated as an exempt recipient, in the absence of a tax form, if the client's legal entity name contains unambiguous indication that it is a U.S. corporation, an insurance company, a bank or a "per se" foreign corporation. At the time of account opening, Account Services will inform you whether you are an exempt recipient for which no Form W-8 is required.

**What is an Intergovernmental Agreement (IGA)?
What is the difference between a Model 1 and a Model 2 IGA?**

IGAs are formal partnerships between the U.S. Department of Treasury and a foreign country to improve international tax compliance, establish uniform reporting standards and an automatic information exchange, eliminate local legal obstacles to FATCA compliance, and implement FATCA in a manner that will reduce compliance burdens and costs.

IGAs modify the FATCA compliance obligations of financial institutions located in the IGA country from that otherwise required by the U.S. Treasury Regulations.

There are two primary types of IGAs: Model 1 and Model 2. Both models suspend the requirement to withhold on or close recalcitrant accounts, provided that the information reporting requirements are met. Under Model 1, FATCA information returns are to be filed with local tax authorities, while under Model 2, these returns are to be filed directly with the IRS.

The current list of countries identified as Model 1 or Model 2 can be found at the following web site: <http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA-Archive.aspx>

Why is a tax form required for depository accounts in some cases even when the account holder is either an exempt recipient and/or not investing in an income-generating product?

FATCA generally requires Citi to presume a non-U.S. entity to be a non-participating foreign financial institution (NPFPI) unless the entity certifies to its FATCA status. Entities that are exempt from information reporting on Form 1099 are not exempt from certifying their FATCA status. In the absence of a required U.S. tax form, the client may suffer a 30 percent FATCA tax on U.S.-source interest income. If no interest is paid on the account, the account balance may be required to be reported directly or indirectly to the U.S. government.

How will tax forms be validated?

Citi Romania is required to perform certain tax due diligence procedures to determine whether or not a tax form is complete and reliable in accordance with standards set forth in the U.S. Treasury Regulations and/or the IGAs. This process includes a review of information gathered pursuant to Citi's know-your-customer and anti-money laundering procedures for consistency with the tax form. Citi Romania has largely centralized its tax form due diligence and validation process. In addition, it employs an automated tax form validation system to insure consistency in the results.

What happens if the tax form is completed incorrectly?

Your Citi Representative will inform you if the tax form is incomplete or invalid. Additional or different documentation may be required to cure the invalid form. However, withholding on interest paid before a valid tax form is provided to Citi may be subject to withholding.

Does Citi Romania tax policy apply retroactively?

Yes. The IRS has provided for a transition period through June 2016 for financial institutions to review their entity accounts opened before January 1, 2015 (pre-existing accounts) and document their FATCA status. A separate due diligence effort will be initiated in 2015 across the entire TTS client base. Please note that if the account holder has been identified as a prima facie FFI, due diligence on pre-existing accounts must be completed by January 1, 2015, instead of July 1, 2016.

Who should I contact if I have questions on FATCA, this policy, and/or need to request a Form W-8 or W-9 from a Citi legal entity for FATCA compliance purposes?

Questions should be directed to your Account Manager who will direct inquiries to the appropriate internal partners at Citi.

Links to W-8 and W-9 forms.

W-8: www.irs.gov/pub/irs-pdf/fw8bene.pdf
W-9: www.irs.gov/pub/irs-pdf/fw9.pdf