

Frequently Asked Questions

What is the tax relief via EDS opportunity for Canada?

The Elective Dividend Service (EDS) program provides relief at source on Canadian sourced income to U.S. residents, non-U.S. residents, and defined Canadian residents. It is available to beneficial owners who are non-residents of the U.S. who are resident in treaty jurisdictions where the applicable rates of Canadian withholding tax are the same as the rates specified in the U.S. – Canada tax treaty. It is also available to Registered Canadian Participants with a Memorandum of Understanding (MOU) from the Canada Revenue Agency (CRA), registered Canadian pension plans, and Canadian registered charities that have received registration numbers assigned by the CRA.

What are the tax withholding rates?

Rate	Status	Dividend Distributions	Mutual Fund Trust Distributions
25%	Unfavorable/ Non-Treaty	Non-treaty residents	Non-treaty residents
15%	Favorable	U.S. residents, non-U.S. residents in treaty jurisdictions allowing for 15% withholding rate	U.S. residents, non-U.S. residents in treaty jurisdictions allowing for 15% withholding rate
0%	Exempt	U.S. charities, Canadian residents, U.S. pensions, Government Agencies, IRAs	U.S. charities and Canadian residents

Important Legal Information:

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What is required to make an election at the exempt rate of withholding on Canadian sourced income?

For position elected at the exempt rate of withholding, Participants are required to specify the registration number of the beneficial owner. The registration number is assigned by the Canadian Revenue Agency to authorized persons or organizations which are exempt from Canadian withholding taxes.

For more information on obtaining exemption, please refer to Publication T4016, "Exempt U.S. Organizations – Under Article XXI of the Canada – United States Tax Convention," available on the CRA website www.cra-arc.gc.ca.

The CRA does not assign nor require a unique control number to elect 100% of the dividend for an IRA account (traditional or Roth) over EDS. To facilitate EDS processing, Participants must enter the identifier "IRA001" when electing the tax-exempt rate for the aggregate shares beneficially owned by IRAs.

Are IRA accounts eligible for the exempt rate of withholding on Canadian source income?

Individual Retirement Accounts and other retirement arrangements operated exclusively to administer or provide pension, retirement, or employee benefits may receive dividend income exempt from Canadian withholding tax. Please refer to Canadian TaxInfo for the types of IRAs that are eligible for tax exempt relief benefits via EDS.

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The CRA does not require a unique control number to elect 100% of a dividend for an IRA account (traditional or Roth). To facilitate EDS processing, Participants must enter the identifier "IRA001" when electing the tax-exempt rate for the aggregate shares beneficially owned by IRAs.

See below for special rules regarding distributions from Canadian mutual fund trusts.

What are the special rules on distributions from Canadian Income Trusts and Royalty Trusts?

Distributions from trusts that existed on or before October 31, 2006 are considered trust income and do not qualify for the exemption under Article XXI ("Exempt Organizations") of the Convention. As of January 1, 2011, these distributions will be considered dividend income and thus will qualify for the exemption from Canadian withholding tax under Article XXI of the Convention.

Until 2011, the 0% exempt rate of withholding applies only to Canadian residents with a tax exempt registration number beginning with "8" or "9," or U.S. Charitable Organizations with a tax exempt registration number beginning with "1." Foreign Sovereigns, U.S. IRAs, and pension plans do not qualify for the exempt rate of withholding.

Are Canadian residents eligible for tax relief via EDS on Canadian source income?

Eligible Canadian residents are entitled to elect at the exempt rate of withholding. An "Eligible Canadian resident" is defined as follows in DTC's procedures:

Beneficial owners of securities maintained in the DTC account of a "registered Canadian Participant" (a "registered Canadian Participant" is a direct or indirect DTC Participant that has directed the required Memorandum of Understanding to Canada Revenue Agency and has received from them a registration number) without regard to the residence of the beneficial owners of those securities.

Applications for request of exemption should be made to the following address:

Canada Customs and Revenue Agency
Registration Directorate
Non-Resident Unit
Program Services Section

How do I obtain tax relief on Canadian sourced income if I missed relief at source via EDS?

Participants are able to obtain tax relief after the income distribution either by a quick refund through DTC or by lodging a long form reclaim directly with the CRA. Please refer to Important Notice #4664-09 for an outline of the two procedures. It will take approximately 6 to 8 weeks for a refund to be received through the quick refund process.

What documentation is required to make an election at the favorable rate of withholding (15%) on Canadian sourced income?

Generally, Participants can rely on the address of a non-resident recipient. The CRA has drafted a proposed declaration process for applying treaty benefits to income paid to non-residents. Until such forms are finalized, Participants can generally rely on the address of a non-resident recipient along with documentary evidence, except in doubtful situations. For such situations, a certification has to be provided to the payer by the non-resident recipient.

Information Circular 76-12R6 gives guidance on the CRA's expectations for the level of diligence required to establish beneficial ownership and residency. Until there are revised procedures or the draft forms are finalized, payers can use the guidance in Information Circular 76-12R which can be obtained via the CRA website at www.cra-arc.gc.ca

Is it possible to receive payment in Canadian dollars on Canadian sourced income events?

Yes, Participants can elect to receive Canadian dollars or a mix of U.S. and Canadian dollars on distributions that are announced in Canadian dollars.

In addition to dividends, Participants can receive distributions from redemptions (including full call), maturities (excluding municipal event types), and reorganizations (including rights, warrants, voluntaries, and mandatory events) in Canadian dollars.

For further inquiries, please contact
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