

## Important Legal Information

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To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice; accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.

## Frequently Asked Questions

### **Q** What is the tax relief via EDS opportunity for Canada?

**A** The Elective Dividend Service (EDS) provides relief at source on Canadian sourced income to U.S. residents and certain other payees. It is available to beneficial owners who are non-residents of the U.S. who are resident in treaty jurisdictions and are entitled to the same rate of Canadian withholding tax as the rate specified in the U.S. – Canada tax treaty. It is also available to Registered Canadian securities dealers with a Memorandum of Understanding (MOU) with the Canada Revenue Agency (CRA), and registered Canadian pension plans and Canadian registered charities that are registered and are listed on the CRA Website. See further details below.

**Q What are the tax withholding rates?**

**A**

Rate	Status	Dividend Distributions	Mutual Fund Trust Distributions
25%	Unfavorable/ Non-Treaty	Non Treaty Residents or beneficial owners that are not properly documented	Non Treaty Residents or beneficial owners that are not properly documented
15%	Favorable	Properly documented U.S. residents, non-U.S. residents in treaty jurisdictions allowing for 15% withholding rate	Properly documented U.S. residents, non-U.S. residents in treaty jurisdictions allowing for 15% withholding rate
0%	Exempt	U.S. charities, U.S. Pensions, Canadian securities dealers, Canadian pension plans and Government Agencies with valid CRA identification numbers provided in a Letter of Exemption received from the CRA. Canadian registered charities and U.S. IRAs	U.S. charities, Canadian securities dealers and Canadian pension plans with valid CRA identification numbers provided in a Letter of Exemption received from the CRA and Canadian registered charities.

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

**A** To make an Elective Dividend Service (“EDS”) tax election on Canadian sourced dividends and trust distributions, Participants must have recent and sufficient information to establish the identity of the beneficial owner, whether the beneficial owner is resident in a country with which Canada has a tax treaty and whether the beneficial owner is eligible for treaty benefits on the income being paid. The payee's name and address may no longer be the only information required to establish that treaty benefits apply. The CRA has published the forms NR301, NR302 and NR303 for non-residents to provide this information. Participants are urged to refer to Information Circular 76-12 and the pending updates to the Information Circular which can be found on the CRA’s website at <http://www.cra-arc.gc.ca>.

**Q Are there any exceptions to the documentation process?**

**A** The payer may choose to apply reduced withholding tax without obtaining the forms or equivalent information regarding beneficial ownership, country of residence, and eligibility for treaty benefits if all of the following are true.

You know that:

- The payee is an individual, or
- The payee is an estate of a United States resident that is managed and controlled from the United States.
- You have a complete permanent address on file that is not a post office box or care-of address.
- You have no reason to suspect the information is inaccurate or misleading.
- You have procedures in place so that changes in the payee's information (for example, a change of address or contact information that includes a change in country, or returned mail) will result in a review of the withholding tax rate.

For additional exemptions regarding IRAs and Pensions, please see below.

**Q Are Individual Retirement Accounts (“IRAs”) required to complete form NR301 for the exempt rate of withholding on Canadian source income?**

**A** No, the NR301 is not required for exemption. IRAs and other retirement arrangements operate exclusively to administer or provide pension, retirement or employee benefits may receive dividend income exempt from Canadian withholding tax. Please refer to the Canadian TaxInfo for the types of IRAs that are eligible for tax exempt relief benefits via EDS. The CRA does not require a unique CRA identification 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. Supporting documentation for traditional or Roth IRAs includes hard-copy or electronic images of each IRA's Internal Revenue Service (“IRS”) approved Trust Account and Custodial Account documents (including the IRS's approval thereof, if not on IRS Forms 5305 and 5305A) and the IRA's record date position with respect to that Canadian security.

**Q How do Registered Canadian Charities elect for the exempt rate?**

**A** Before electing, Participants must confirm that the Canadian charity is listed on the CRA website <http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html> and the charity status indicates ‘registered’. To facilitate EDS processing, Participants must enter the identifier “CRC001” when electing the tax-exempt rate for the aggregate shares beneficially owned by registered Canadian charities each time the EDS system prompts the user for a CRA identification number.

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

**A** For position elected at the exempt rate of withholding, Participants are required to specify the CRA identification number assigned to the beneficial owner in the Letter of Exemption from the CRA. The CRA identification number is assigned by the Canadian Revenue Agency (CRA) to authorized persons or organizations that are exempt from Canadian withholding taxes. For more information on obtaining a Letter of 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 <http://www.cra-arc.gc.ca>. If you only receive the CRA identification number from the non-resident, you must verify the expiry date by checking Guide T4016.

**Q Would an IRS form W9 or W8 meet the documentation requirements and are military Army Post Office (“APO”) addresses eligible for the exception to the documentation requirements?**

**A** The IRS forms W9 and W8 are not sufficient because they do not address beneficial ownership, residency, and eligibility for treaty benefits. Accounts that do not have a physical address but have a military APO address are eligible for 15%. Treat a military APO address for US military personnel as an address in the US rather than as a post office box. Treat military addresses for military personnel from other countries as addresses in the country they are from, as long as you can identify the country.

**Q How do I obtain tax relief on Canadian sourced income if I missed relief at source via EDS? Do I need a declaration form?**

**A** 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. If an individual is applying for a refund on the long form, the NR301 declaration form is not required as the NR7-R has been revised to include certification of eligibility for treaty benefits in accordance with the Limitation of Benefits (“LOB”) provisions. Please refer to Important Notice # 0816-12 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.

The link for the notice is:

[http:// www.dtcc.com/downloads/legal/imp\\_notices/2012/dtc/div/0816-12.pdf](http://www.dtcc.com/downloads/legal/imp_notices/2012/dtc/div/0816-12.pdf)

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

**A** Yes, Participants who have signed up for Canadian dollar settlement can elect to receive Canadian dollars or a mix of US and Canadian dollars on distributions that are announced in Canadian dollars.

Additionally, these Participants can elect to receive Canadian dollars from redemptions (including full call), maturities (excluding municipal event types), and reorganizations (including rights, warrants, voluntaries, and mandatory events) that are announced in Canadian dollars.

**For further inquiries, please contact**

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