

MARKET BULLETIN

REF: Y4646

Title Changes to Canadian withholding tax arrangements for 'Canadian securities' held at Citibank

Purpose To advise managing agents of changes in the way Citibank will operate in relation to any Canadian securities denominated in US dollars

Type Due to be implemented on 1 January 2013

From Christine Allcott
 Manager
 Tax Operations
 Finance and Operations
 01634 392433
Christine.Allcott@lloyds.com

Date 07 December 2012

Deadline

Related links

Background

Citi operates one United States (US) account, with sub accounts for each managing agent (an omnibus sub custody account), for US securities held by the Lloyd's market. These securities are held by the Depository Trust and Clearing Corporation (DTCC) or Fedwire. Whilst all of the securities are denominated in US dollars the issuers of the securities may be domiciled outside of the US including Canada.

Historically, when income payments have been made via the DTCC in respect of 'Canadian securities' denominated in US dollars Citi have contacted the payee on a case by case basis - usually with short notice – and presented them with the opportunity to provide documentation or supplementary data that has enabled Citi to withhold only the appropriate amount of tax.

Changes to the operation of the account

The Canadian tax authorities have now introduced the requirement for NR301 (Declaration of Eligibility for Benefits under a Tax Treaty for a Non-Resident Taxpayer) documentation to be provided at a beneficial owner level, as a consequence and with effect from January 1

2013, Citi will no longer be in a position to request that managing agents provide documentation in such instances and all payments will be made with full tax deducted.

Whilst Citi have given Lloyd's the opportunity to provide documentation for the account this is not possible because Lloyd's syndicates are not an entity in their own right. Also Lloyd's do not have any arrangements in place that would enable Lloyd's syndicates to receive income without deduction of withholding tax as is the case in the United States where Lloyd's acts as a Qualified Intermediary on behalf of the Market.

Managing agents should therefore note that with effect from the 1 January 2013 any payments of income of Canadian source dividends and certain types of interest¹ paid via Citibank will be subject to withholding tax at 25%.

If you have any queries in connection with the above please contact Christine Allcott on 01634 392433

¹ Canadian domestic law applies 25% withholding tax to participating debt interest (broadly speaking this is interest that depends on the success of the payer's business or investments) and interest not charged at an arm's length rate.