

January 2015

Dear Adviser

**FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)****What is FATCA?**

- FATCA is a US tax law. It is designed to prevent US taxpayers from avoiding US tax by investing through non-US financial institutions and offshore investment vehicles.
- FATCA makes sure that US taxpayers declare all the income they receive outside of the US.
- FATCA increases transparency for the United States Internal Revenue Service (IRS). It helps them to see which US persons might be investing and earning income through non-US institutions.

**Who does FATCA impact?**

FATCA will apply to certain investment products. It will impact individual clients who are invested in these products and who the US identifies as a 'specified person' for US tax purposes. FATCA will also impact certain businesses, trusts or legal entities invested in these products if they are incorporated (legally formed) in the US or have US owners who are identified as 'specified persons' and 'controlling persons'. A 'controlling person' is defined by the Financial Action Task Force. For any entity except a trust, a controlling person is a person who has voting rights, participation rights of more than 25% or who shares in the profits of the entity. For a trust, controlling persons include the settlor or founder, trustees, the protector, beneficiaries or other people who have control in running the trust.

**Which products does FATCA impact?**

FATCA impacts the following products:

- Endowment policies
- Voluntary purchased annuities
- Other similar voluntary investment products, such as units in collective investment schemes or units held in a product provided by a linked investment service provider (LISP)

Products not affected by FATCA generally include (amongst others):

- Certain retirement funds (i.e. preservation and retirement annuity funds)
- Annuities (except voluntary purchased annuities)
- Life insurance policies that are pure risk policies with no cash value

**How does FATCA impact South Africa and PSG Wealth?**

The South African Government has signed an intergovernmental agreement with the IRS in which it agrees to exchange information provided by financial institutions in South Africa.

PSG Wealth has to submit an annual report to the South African Revenue Service (SARS) on all financial accounts held directly or indirectly by US persons. SARS will submit this report to the IRS.

PSG Wealth will review its existing client base to confirm each client's FATCA status. Where necessary, we might have to contact clients for further information and documentation. SARS has extended the scope of this agreement to include information on *all* non-South African residents, and not only US persons.

### How has our application process changed?

- Our application forms will now include a section asking the client to declare whether he or she has a tax number, is a tax resident or has nationality in a country other than South Africa. If the client marks 'yes', he or she will have to complete an additional form called the '[Foreign Account Tax Self-certification](#)' form before we proceed with the investment.
- We have also included the same declaration in our [Change of Static Details form](#) so that we can update existing client information. Again, if the client marks 'yes' to this declaration, he or she will have to complete the [Foreign Account Tax Self-certification form](#) before we process any changes to the investment.
- If a client submits an old form without this declaration, we will not ask the client to complete a new form. However, we will still need the client or the client's mandated financial adviser to email us a Foreign Account Tax declaration. If the client confirms that he or she has a tax number, is a tax resident or has nationality in a country other than South Africa, we will need to receive a completed [Foreign Account Tax Self-certification form](#) before we proceed with the investment or process any changes to an existing investment.
- In any of the above cases, the declaration refers to the investment holder and all controlling persons of the investment. Each investor or controlling person must complete a separate [Foreign Account Tax Self-certification form](#).

Should you have any enquiries, please contact your PSG Investment Specialist or one of our Client Service Consultants on 0800 117 180 or [clientservice@psg.co.za](mailto:clientservice@psg.co.za).

We thank you in advance for your cooperation and continued support.

Kind regards



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