



# INFORMATION CIRCULAR

**DATE:** May 30, 2017

**Nº. 2017-13**

**CATEGORY: OPERATIONS**

**TO:** Managing General Agents, Associate General Agents, Advisors, General Agents, Independent Financial Advisors and National Accounts

**SUBJECT: The Common Reporting Standard (CRS) new tax legislation**

On April 15, 2016, the Department of Finance Canada announced consultations to implement the Common Reporting Standard (CRS) in Canada. Effective July 1, 2017, Empire Life will be required to collect additional tax information under new Canadian Income Tax Act (ITA) legislation from certain policy owners.

## **Overview:**

In 2014, Canada signed the Canada-United States Enhanced Tax Information Exchange Agreement relating to the U.S. Foreign Account Tax Compliance Act (FATCA). The Agreement was implemented domestically by Canadian federal legislation as of July 1, 2014.

CRS is a new international standard for the automatic exchange of financial account information between tax administrations to use in fighting tax evasion and to promote voluntary compliance with tax laws.

FATCA requires non-U.S. financial institutions to report financial accounts held by U.S. persons via the Canada Revenue Agency (CRA). With a broader scope, the CRS requires financial institutions to report financial accounts held by non-residents of Canada and non-U.S. persons to the CRA. The CRA, in turn, will exchange that information with tax authorities in those countries who have signed on to CRS.

## **Types of policies affected:**

Starting on July 1, 2017, and in accordance with the new legislation, customers who purchase certain financial account products will be asked to certify their tax residency.

This agreement applies to non-registered annuity contracts (including segregated fund contracts) and life insurance policies with a cash value. Government registered plans including RRSPs, RRIFs, TFSAs and Pensions are not reportable.

## **Impact on Customers:**

New customers will have to answer questions on the application about whether they are a non-resident of Canada and non-U.S. persons. There should be no impact to existing customers unless there is a change in their circumstances that might affect their tax residency status such as an address change to a country outside of Canada. In these cases, we will ask the customer to fill out a self-certification form. Beneficiaries at time of claim will be considered Canadian, unless otherwise indicated.

## **Entities:**

Policies owned by entities will be treated differently than individual policies, both in terms of thresholds and timing for collecting and reporting information. U.S. entities will continue to use our C-0044 Corporation/Other Entity Owner Supplement form. Other foreign entities will have to fill out the CRA form RC521.

**Application changes:**

Changes will be made to the Verification of Owner section of all our pertinent applications and forms to incorporate CRS requirements.

**Transition rules:**

An information circular related to all application and form changes will be released shortly. New forms will need to be used starting July 1, 2017.

**For more information:**

For more information on these changes, see the Canada Revenue Agency, Canadian Life and Health Insurance Association (CLHIA), or Department of Finance Canada websites. <http://www.cra-arc.gc.ca/gncy/bdgt/2016/qa08-eng.html>

You can also refer to Information Circular 2014-18 for FATCA related questions.

**Reference:**

**Stephanie Wisniewski**, Director, Retail Operations