

Do you have tax liability in the United States?

In August 2014, Sweden and the United States signed a tax information exchange agreement based on the US tax legislation known as FATCA, the Foreign Account Tax Compliance Act. The agreement has been implemented into Swedish law. The Swedish legislation entered into force on 1 April 2015.

Under the US law known as FATCA, financial institutions throughout the world must provide information to the United States regarding accounts held by US citizens. Many countries, including Sweden, have chosen to enter into a separate agreement with the United States regarding FATCA. This means that Swedish financial institutions must provide the information to the Swedish Tax Agency which, in turn, must provide the information to the Internal Revenue Service (IRS) in the United States. The agreement has become Swedish law. According to the agreement, the United States must also send information regarding the US bank account holdings of Swedish citizens to the Swedish Tax Agency.

Who is covered in Sweden?

Banks, insurance companies, fund management companies and other financial institutions in Sweden are covered by the new legislation. These institutions are obligated to identify and provide statements of earnings and deductions regarding assets on account, fund holdings, and insurance policies for private persons and the owners of companies who have tax liability in the United States.

A person liable for taxes in the United States (US persons) includes the following:

- Persons who are resident in the United States
- US citizens (including those with dual citizenship)
- Holders of US residence and work permits ("Green cards")
- Businesses registered in the United States

In addition, reporting must be made in respect of accounts held by non-US, non-financial companies which are deemed to be passive entities, i.e. which derive more than 50 per cent of their revenues from activities other than business operations and with assets which primarily comprise

financial assets. This is conditional on there being a beneficial owner who is a US Person. The purpose is to avoid non-reporting in respect of US citizens who have invested financial assets in a legal entity.

How does it work and when does the reporting begin?

If you became a customer of the bank before 1 July 2014:

You do not need to take any action personally.

If there is anything to indicate that you are liable for tax in the United States (see the definition of "US Person" above), you may be contacted by your bank to provide additional information.

If you became a customer of the bank on or after 1 July 2014:

You may need to answer the question whether you are liable for tax in the United States. If you are, you must state your TIN (Taxpayer Identification Number).

The Swedish Tax Agency will receive information about assets in accounts held by US taxpayers. The Swedish Tax Agency will then report the information to the IRS. When an account holder has been identified as a US person, the financial institution begins reporting the information to the Swedish Tax Agency. This will occur, at the earliest, in July 2015 for information regarding the 2014 calendar year. The first reporting from the Swedish Tax Agency to the IRS will be made not later than 30 September 2015.

What happens if you fail to provide the information requested by the bank?

The rules state that assets in accounts held by customers who fail to provide information about their tax liability in the United States will be reported to the Swedish Tax Agency. The Swedish Tax Agency will then report these assets to the IRS.

For customers who opened an account after 1 July 2014, it may be necessary to close the account if the information is not provided.

Other rules and agreements

Subject to certain limitations, US Persons are liable for tax and liable to file tax returns in the United States despite the fact that they live and are taxed in other countries. Sweden's tax treaty with the United States entails, however, that tax shall not be paid twice. The obligation to file a tax return must be complied with nonetheless, despite the fact that no US taxes are payable.

US persons must also file a so-called FBAR (Foreign Bank Account Reporting) to the US authorities (FINCEN – Financial Crimes Enforcement Unit, US Treasury). The reporting deals with holdings of accounts in non-US banks and the reporting must be made in respect of holdings over certain threshold values.

In addition, there are rules governing restrictions on securities trading in conjunction with residency in the United States and certain institutions have agreements with the United States regarding tax and tax reporting in conjunction with holdings of US securities. These rules may also cover investments by non-US citizens.

Other information

This fact sheet does not constitute an exhaustive description of the rules in Sweden and the United States. For further information, please see the websites of the Swedish Tax Agency and the IRS.

The Swedish Tax Agency:
www.skatteverket.se
The US tax authority (IRS): www.irs.gov

