

Listed below are the explanations of the LOB categories under Article XXIX-A of the Treaty. Entities can enjoy reduced withholding rates once they certify the Treaty and LOB Statements.

Please note that there are various tests which must be met by each entity in order to be classified as a “qualified person”. This is not intended to be an exhaustive list. The categories applicable under the Canada-US Treaty are:

Tax-exempt pension trust or pension fund – this test generally requires that more than half the beneficiaries or participants in the trust or fund be residents of the country of residence of the trust or fund itself [para 2(h), Art XXIX-A]

Tax exempt organization – this test generally requires that more than half the beneficiaries, members, or participants of religious, charitable, scientific, artistic, cultural, other not-for profit organizations or educational organizations be residents of the country of residence of the organization [para 2(i), Art XXIX-A]

Not-for-profit Organization – this test generally requires that more than half the beneficiaries, members, or participants of the not-for-profit organization are qualifying persons (residents of the country of residence of the organization) [para 2(g), Art XXIX-A]

Publicly-traded company or trust – this test generally requires the entity's principal class of shares to be primarily and regularly traded on a recognized stock exchange in its country of residence. Note that other treaties may permit trading in either the U.S. or the treaty country or in certain third countries if the primary place of management is the country of residence [para 2(c) Art XXIX-A]

Subsidiary of publicly-traded corporation – this test generally requires that more than 50% of the vote and value of the company's shares be owned, directly or indirectly, by five or fewer companies that are publicly-traded corporations and that themselves meet the publicly-traded corporation test, as long as all companies in the chain of ownership are resident in either the U.S. or the same country of residence as the subsidiary [para 2(d) Art XXIX-A]

Company or trust that meets the ownership and base erosion test

Company – this test generally requires that more than 50% of the vote and value of the company's shares be owned, directly or indirectly, by qualifying persons and less than 50% of the company's gross income is accrued or paid, directly or indirectly, to persons who would not be qualifying persons for purposes of the ownership test [para 2(e)(i) Art XXIX-A]

Trust – this test generally requires that 50% or more of the beneficial interest be owned, directly or indirectly, by qualifying persons and less than 50% of the trust's gross income is accrued or paid, directly or indirectly, to persons who would not be qualifying persons for purposes of the ownership test; [para 2(e)(ii) Art XXIX-A]

Company that meets the derivative benefits test – this test is generally limited to certain items of income (interest, dividends, and royalties). It generally requires that more than 90% of the company's shares and at least 50% of the vote and value of any disproportionate class of shares be owned, directly or indirectly, by qualifying persons (ultimate owners who are resident in a country with which the other Contracting State has an income tax treaty and are entitled to identical benefits under their own treaty with the U.S. under one of the ownership tests included within the LOB article (other than the stock ownership and base erosion test)). In addition, this test requires that less than 50% of the company's gross income be paid or accrued, directly or indirectly, to persons who would not be equivalent beneficiaries [para 4 Art XXIX-A]

Entity with an item of income that meets the active trade or business test – this test generally requires that the entity be engaged in an active trade or business in its country of residence, that its activities in that country be substantial in relation to its U.S. activities, if the payer is a related party, and the income be derived in connection to or incidental to that trade or business [para 3 Art XXIX-A]

Favorable discretionary determination received – this test requires that the company obtain a favorable determination granting benefits from the U.S. competent authority that, despite the company's failure to meet a specific objective LOB test in the applicable treaty, it may nonetheless claim the requested benefits. Note: Unless a treaty or technical explanation specifically provides otherwise, you may not claim discretionary benefits while your claim for discretionary benefits is pending [para 6 Art XXIX-A]

Estate [para 2(f), Art XXIX-A]

Other – Any other provision under Art XXIX –A of the Canada-US Tax Treaty

(Name of entity account holder)

- a. meets all the provisions of the income tax treaty entered into between Canada and the United States of America (“Treaty”) that are necessary to claim a reduced rate of withholding, including any limitation on benefits provision, and derives the income within the meaning of section 894 of the Internal Revenue Code of the United States (“Code”), and the regulations thereunder, as the beneficial owner; and.
- b. meets the following Limitation on Benefits provision contained in the Treaty (please check only one box below):

Limitation on Benefits Categories (please see explanations below):

- Tax exempt pension trust or pension fund described in paragraph 2 of Article XXI (03)
- Tax exempt organization described in paragraph 3 of Article XXI (04)
- Not-for-Profit Organization (11)
- Publicly traded company or trust (05)
- Subsidiary of a publicly traded corporation (06)
- Company or trust that meets the ownership and base erosion test (07)
- Company that meets the derivative benefits test (08)
- Entity with an item of income that meets active trade or business test (09)
- Favorable discretionary determination by the U.S. competent authority received (10)
- An Estate (11)
- Other (specify the paragraph and article of the Treaty): _____ (11)

EXPLANATION OF THE LIMITATION ON BENEFITS ARTICLES AND TREATY STATEMENT

The Internal Revenue Service of the United States of America has recently effected changes that impact all clients investing in U.S. securities. The changes will impact U.S. withholding tax on U.S. source investment income and are effective January 1, 2017.

Please note that this document/explanation is not intended for natural persons (individuals) resident in Canada, or for the Federal, Provincial or Municipal Government or any agency of any such government.

This explanation is meant to assist certain clients in obtaining only a general understanding of the requirements under the new withholding tax rules. It is not intended to be, nor should it be construed to be, legal or tax advice to any client, prospective or otherwise. Clients are encouraged to consult tax or legal expertise for further clarification, if required.

In order to continue enjoying the reduced Treaty rates of withholding tax on U.S. investment income received after January 1, 2017, certain clients must certify that they are eligible for Treaty benefits and must specify the Limitation on Benefits (“LOB”) provisions, under the Treaty upon which the client is relying. Failure to certify the Treaty Statement, including the LOB Statement above would result in the application of nontreaty rate withholding (generally 30%) on the client's U.S. source investment income. This is in comparison to Treaty reduced rates of generally 15% on U.S. source dividends and 0% on U.S. source interest.

As part of the certification process, affected clients are asked to certify the TREATY STATEMENT and LOB Statement above.

The reference to section 894 of the Code, and the regulations thereunder, refers to the Internal Revenue Service Income Tax Code and the related Income Tax Regulations. The LOB Article, found in Section XXIX-A of the Treaty defines who can sign the above statement. Certification of the above statement indicates that the recipient of U.S. source income meets the definition of a “qualifying person” as set forth in Article XXIX A of the Treaty. Treaty benefits may still be available to clients that are not “qualifying persons”, if that person satisfies other tests stipulated in the Treaty.

Name of individual authorized to sign for the beneficial owner
(in block letters)

Signature of the individual authorized to sign for the beneficial owner

Date of signature (MM-DD-YYYY)

Instructions:

Name of entity account holder – Provide the name of the entity that is the account holder as identified on the documents of constitution. Do not provide the name of the authorized signor. The name provided should be the same as the name on the account opening forms.

Certification

When the account holder meets the requirements identified in a. select one of the LOB categories confirming the Treaty provision under which the account holder qualifies for a reduced rate of withholding. If no category is selected, the account holder is not entitled to reduced rate of withholding under the Treaty.

Note:

For more information about the Treaty provisions or the LOB categories, please consult a tax or legal advisor.

Signature – The statement must be signed by a person that is authorized to sign on behalf of the account holder. The name of the person must be written in print form.

Date – The date and the signature must be indicated. This statement is valid for tree full calendar years from the date of signature.

Omitting the signature, the name of the individual authorized to sign or the date invalidates the statement.