

Are you tax resident in the United States?

In August 2014, Sweden and the United States signed an agreement on exchange of tax information 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 report on 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 financial institutions in Sweden must report the information to the Swedish Tax Agency which, in turn, exchanges the information with the Internal Revenue Service (IRS) in the United States. The agreement has become Swedish law. According to the agreement, the IRS must also exchange information on US bank account holdings of Swedish tax residents to the Swedish Tax Agency.

Who is affected in Sweden?

Banks, insurance companies, fund management companies and other financial institutions in Sweden are affected by the rules. These institutions must identify any person who is or might be tax resident in the United States and report assets and income on accounts, fund holdings, and insurance policies for private persons and the owners of companies who are tax resident in the United States.

A person is tax resident in the United States (US person) if the person is:

- resident in the United States
- a US citizen (including those with dual citizenship)
- holder of US residence and work permits (“Green cards”)
- a 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 receive more than 50 per cent of their revenues from activities other than business operations or with assets which primarily comprise financial assets. This is however only applicable if the company has a beneficial owner who is a US Person. The purpose is to report also US citizens who have invested through a legal entity.

How does it work?

You may need to answer questions on your tax residence when you open a new bank account. You will also have to provide your taxpayer identification number to the bank. In addition, you must inform the bank of any changes to your tax residence.



The bank is also obliged to review the information it has in its files and search for and act on anything which indicates that you might be tax resident in the United States (see the definition of “US Person” above). If the bank finds new information the bank will contact you and ask you to provide additional information.

The financial institutions in Sweden will report about assets in Swedish accounts held by US persons to the Swedish Tax Agency, which in turn will exchange the information with the IRS.

Taxpayer Identification Number

Anyone who is tax resident in the United States will need either a Social Security Number, SSN, or an Individual Taxpayer Identification Number, ITIN. A US citizen must have an SSN. A person who is not entitled to an SSN and who is liable to tax in the United States for another reason must apply for an ITIN.

US citizen – SSN

A US citizen must have an SSN to provide to the bank. Individuals who are residing in Sweden apply for an SSN at the American Embassy in

Oslo, Norway. Further information can be found on the embassy's website (www.no.usembassy.gov/services/social-security-numbers).

Tax resident in the US but not a US citizen – ITIN

A person who is tax resident in the United States but is not entitled to an SSN, must instead apply for an ITIN.

The first action is to contact the US embassy in Stockholm and make an appointment to make a validated copy of a valid passport. The email address to make an appointment is stkacinfo@state.gov. The embassy charges a fee of USD 50 for the copy of the passport.

Next step is to contact the IRS, which issues the ITIN.

Further information can be found on the IRS' website (www.irs.gov/individuals/how-do-i-apply-for-an-itin).

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 residence in the United States will be reported to the Swedish Tax Agency. The Swedish Tax Agency will then exchange the information with 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 even though 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 US tax return must be complied with nonetheless, regardless of if 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 concerns 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 of 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

