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TAX NOTES

June 20, 2003

US RRSP REPORTING – DEADLINE AUGUST 15, 2003

United States (“US”) persons are required to report certain transactions with, and interests in, foreign trusts, including registered retirement savings plans and registered income funds (collectively, the “Foreign Trusts”). Historically, the Internal Revenue Service (“IRS”) has not enforced such filing obligations. However, for 2002 and subsequent taxation years, the IRS has indicated that it will do so. It has extended the deadline for the 2002 taxation year to August 15, 2003 to encourage compliance. Failure to comply could result in the imposition of penalties.

The Internal Revenue Code of 1986, as amended (“Code”), requires a US person (or a representative of a US person) to file certain information returns with respect to Foreign Trusts. An individual who is either a US citizen or US resident is a US person for purposes of the Code and therefore subject to these filing requirements. Generally, the Code requires that transactions with the Foreign Trust be reported (for example, the creation of a Foreign Trust, or a contribution to, or withdrawal from, a Foreign Trust) and further requires a full and complete accounting of all of a Foreign Trust’s transactions with a Foreign Trust and Form 3520-A to satisfy the full and complete accounting requirement. The Code provides for the imposition of onerous penalties if such information reporting requirements are not met.

It appears that the IRS has not enforced these filing obligations historically because Canadian beneficiaries and custodians of Foreign Trusts are unfamiliar with the filing requirements.

It has come to our attention that the IRS recently announced that it will not enforce the foregoing filing requirements for US persons with respect to Foreign Trusts for taxation years before 2002 and will grant an automatic extension of time to August 15, 2003 to file the necessary returns for the 2002 taxation year. By implication of this notice, it appears that the IRS will enforce a US person’s Form 3520 and Form 3520-A filing obligations for 2002 and subsequent taxation years.

TAX NOTES

If you think that you or your employees could be required to comply with the foregoing requirements, we strongly recommend that you contact a US tax professional to obtain advice in this regard. We are not qualified to practice US law and the contents herein do not constitute an opinion but rather merely serve to alert you to the possible need to contact your US tax professional to obtain appropriate counsel.

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The comments in this Tax Note have been prepared for the purpose of providing timely notice regarding the BJ Services decision of the Tax Court of Canada and are not intended to constitute a comprehensive summary or legal advice to any reader. These comments should not be relied upon to replace professional advice.