

NOTICE: TO ALL HOLDERS OF RRSPs OR RIFs – CANADIAN'S LIVING IN THE US OR AN AMERICAN CITIZEN (OR A GREEN CARD HOLDER). SEVERE PENALTIES MAY RESULT IF YOU DO NOT CONFORM BY AUGUST 15, 2003.

If you filed a 2002 1040 Return and hold RRSPs or RIFs recent changes made by the IRS to Procedures and Regulations have made the above holders of RRSP/RIFs subject to new reporting requirements. This was originally designed to catch holders of 'Foreign Trusts' who have not been reporting current earned income.

If you made a 2002 WITHDRAWAL of money from a RRSP/RIF you are obliged to provide the IRS Philadelphia office with Form 3520 to report this withdrawal and thereafter annually for any subsequent withdrawal. (No reporting is required for CONTRIBUTIONS.)

If your 2002 1040 filing did not conform to the new Revenue Procedure 2002-23 you are obligated to provide the IRS office in Philadelphia with Form 3520A for 2002 and thereafter annually.

Failure to do so can bring very heavy penalties: 35% of the withdrawal or 5% of the total value of the RRSP holding.

For 2002 tax returns the filing deadline is **August 15, 2003** for both forms. After that, Form 3520 must be filed by April 15 of the following year and 3520-A must be filed by March 15 of the following year.

Extensions can be requested by filing a Form 2758.

For tax payers who only hold an RRSP, or have only made a contribution and have made no withdrawals, it is suggested that you/your tax preparer complete the 8833 form stating that the taxpayer is claiming the benefit of Article XVIII(7) of the Treaty under Rev. Proc. 2002-23. It is recommended that US clients discuss this issue with their qualified tax advisor prior to making additional filings or requesting a 3520-A.

If these new regulations affect you we urge you to contact your tax preparer urgently to obtain help with meeting this deadline. If they cannot assist you please contact us at tax@expat.ca or call us toll free at 1-888-232-8561 and we can assist you.

PS: Revenue Procedure 2003-23 can be found in the IRS website www.irs.gov in Internal Revenue Bulletin (I.R.B. 2002-15), Notice 2003-25 in I.R.B. 2003-18