

Tax Withholding News

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"...the tacit approval that 'tax havens' have historically enjoyed from international regulators may come to an end."

sibos 2009
Hong Kong
Stand - 3E17

US Reclaim Service

GlobeTax expands service for US-sourced income reclaims

This year, GlobeTax announced enhancements to its reclaim service for US-sourced income, which enable it to operate on a 'white label' basis for Qualified and Non-Qualified Intermediaries (QIs/NQIs). While many investors resident outside the US obtain the favorable treaty tax rate on their US-sourced income, there are a significant number who are taxed at the maximum, 30% withholding rate on dividend income. Though these investors may be entitled to a lower rate based on existing bilateral tax treaties, they often do not receive it due to documentation gaps and are unable to recover it based on the complexity involved.

Reasons that investors are over-taxed vary, but include lack of automation, the degree of consistency in providing valid and timely documentation to QIs or US Withholding Agents and the general level of knowledge of US tax regulations. Additionally, given the exponential pace at which markets and regulatory requirements are evolving, the rising level of complexity necessitates a parallel increase of investment in systems and resources. The result is that investors can be unnecessarily taxed at a 30% rate and often lose out on refund procedures to which they are legally entitled. GlobeTax's offering is available at a fraction of the cost of what a QI/NQI may be able provide as a service on its own, while delivering the optimum outcome to clients.

The US operates under a different model than most other jurisdictions when it comes to how reclaims are submitted and processed. In the US, when filing to reclaim excess withholding tax, one must file a full tax return stating all of one's US-sourced income on a single form. This adds a level of complexity which does not exist in most other markets where one can generally file for a reclaim on a single dividend event or even in an aggregated filing solely for one's dividend income.

Through its enhanced offering, GlobeTax can now provide tax reclaim services to a wider range of investors who have been over-taxed. Refund payments from the IRS are typically expected within six weeks from filing. As stated above, this service is valuable not just for investors, but also for both QIs and NQIs, who can now offer a more complete US tax service to their customers. For information about this service, contact: Info@GlobeTax.com

Tax Authorities Crack Down

US Clients exposed... / Tax Havens come in from the cold...

Recent US Department of Justice crackdowns on US residents who, through the use of global banks and brokers, have evaded their US tax liabilities, will likely continue given the recent success that the US government has had in taking on this issue. There is already much speculation that these recent rulings will be used to establish precedent for other countries who wish to prevent their citizens from using offshore jurisdictions to evade taxes. Existing Exchange-of-Information agreements are being strengthened and many new ones are being adopted. This change in the scope of tax enforcement, as it affects cross border investment, increases the likelihood that the tacit approval that 'tax havens' have historically enjoyed from international regulators

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may come to an end. Additionally, pressures are increasing on funds to qualify their tax positions - i.e. it's becoming harder and harder to justify actions which have the appearance of being intended solely to evade tax liability. The "Stop Tax Haven Abuse Act" currently under discussion in the US Senate contains multiple provisions aimed at offshore investment funds. Additionally, the act would cover any US person who is considered a beneficial owner of such a fund. According to the current version of the bill, any "beneficial owner" who transferred assets to, held an interest in, or received assets from an offshore entity will be presumed to "beneficially own and exercise control over" the entity in question, regardless of the size of their investment.

In this environment, tax reclamation can serve as a valuable tool to mitigate the burden of increased regulation, as well as to navigate through its increasing complexity and leverage the maximum return from international investments. The average cross-border portfolio can realize a gain of 50-150 basis points a year from engaging in withholding tax reclamation. Recovering these entitlements also helps asset managers and financial advisors to fulfill their fiduciary obligations by obtaining the maximum benefit available to their clients. Financial institutions (FIs) and investment managers, by ensuring that they have an efficient method for managing withholding tax responsibilities can achieve best practice for their organizations.

Proposed changes to the US Internal Revenue Code, Section 1441 regulations would require, under threat of penalty, Non-Qualified Intermediaries (NQIs) to disclose the names of all non-US clients receiving US-source

Continued in next column...

...Tax Authorities Crack Down continued

income to the IRS. Qualified Intermediaries (QIs) are able to keep the identities of their clients confidential, but must agree to document client structures down to the ultimate beneficial owner, calculate withholding amounts on US-sourced income payments based on that documentation (or apply a 30% withholding rate), deposit the tax with the US Treasury, and send Tax Information Reports (TIRs) to the IRS at year end. All FIs who choose not to register as QIs will be considered NQIs, and those institutions will be required to report the beneficial owner details of anyone receiving US-sourced income to the IRS. Ongoing investigations of private account holders sets an important precedent and has led to an environment of increased exposure for those who undertake actions to evade tax.

GlobeTax Expands Depository Receipts Services

New Tax Relief processes for over 800 Un-sponsored DR Issues

GlobeTax has broadened its services to support the sharp rise in the creation of new un-sponsored American Depository Receipt (ADR) programs. GlobeTax's Depository Services division manages the relief-at-source and tax reclaim infrastructure for ADRs on behalf of the four US Depository Banks which issue these securities. The recent spike in ADR un-sponsored issues is due to a rule change by the US Securities and Exchange Commission which, in October 2008, relaxed its requirements for financial reporting by non-US issuers. This has enabled the Depository institutions to create over 800 new un-sponsored ADR programs. Through these programs, US investors and other investors wishing to trade in the US, can easily access the investment opportunities of these non-US issuers. When such issues pay dividends, in many cases the dividend payments are subject to withholding tax and potential recovery under double taxation treaties.



GlobeTax has developed and implemented tax recovery processes for the new un-sponsored ADR programs. While the specific mechanics of the relief-at-source and/or reclaim process for un-sponsored ADRs works a little differently than the way in which the process for sponsored issues operates, GlobeTax, working in cooperation with the Depositories and DTCC, ensure that this will be largely transparent to the marketplace. Through the use of the process administered by GlobeTax, investors can gain access to enhanced yields on their investments.

One of the tools being used to manage the increase in reclaim volumes is ESP, the Depositories' electronic submission portal - *powered by GlobeTax* - which allows users at participating financial institutions to file for a quick refund or long form claim in available markets. Currently, this system is available for financial institutions wishing to file reclaims on behalf of clients receiving ADR income from Germany, The Netherlands, South Korea and Spain.

ESP Electronic Submission Portal

powered by **GLOBETAX**

Since its launch in October 2008, GlobeTax has processed over 500,000 individual reclaims through ESP

Additional countries will be added to ESP on a continuing basis

ESP can be accessed at: <https://www.GlobeTaxESP.com>

Withholding Tax Resources: LinkedIn / RSS Feeds

As part of our ongoing mission to educate and inform investors and market practitioners on current issues surrounding tax reclamation, GlobeTax is constantly expanding our use of new technology. In addition to the Withholding Tax Group on the networking site, LinkedIn which currently boasts over 180 members, representing fund managers, custodians, brokers, advisors and other service providers. GlobeTax also maintains 3 distinct **RSS feeds available at GlobeTax.com** which cover Withholding Tax News, Market Updates and DTCC Important Notices. Both the LinkedIn group and the RSS feeds have received significant attention from the industry. Joining the LinkedIn Withholding Tax Group and subscription to the RSS feeds are free. So, submit your request to join the group at www.Linkedin.com, and go to www.GlobeTax.com to subscribe to the RSS feeds and get connected!

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GlobeTax's eSuite

GlobeTax is pleased to announce several exciting new additions to its eSuite product line. eCerts, eDocs and ESP have all been designed with the objective of simplifying client interfaces with GlobeTax. To learn more, please contact: Info@GlobeTax.com.

eCerts

eCerts is an online Certification of Residence creation tool. Its initial launch addresses US investors' needs by assisting with IRS Form 8802 - the application needed to apply for a US Certificate of Residency - IRS Form 6166. Once users have created an eCerts account, they can view, store and print information and easily renew certifications which have expired. GlobeTax is already planning for additional uses for eCerts in assisting non-US domiciled investors of various residencies with obtaining Certification documents they may need for their withholding tax needs. eCerts is accessible through the GlobeTax website or directly at: www.e-certsonline.com

eDocs

eDocs is an online document creation and data submission tool. eDocs allows financial advisors at participating institutions to electronically submit beneficial owner data, either manually or via secure file upload. eDocs allows the submission of large batches of beneficial owner information, simplifying the GlobeTax account opening process. Once information is submitted, eDocs automatically populates the necessary

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e-TaxData Online

powered by **GLOBETAX**

eTaxData Online

GlobeTax's eTaxData Online service provides users with the ability to search through all information contained within GlobeTax's tax rate databases. All information is up-to-date and maintained by GlobeTax's research team. eTaxData Online possesses the added feature of modeling future dividend events. The system supports all beneficial owner types and contains comprehensive data on 230+ jurisdictions. eTaxData Online can also be licensed as a frame-in-frame product.

eTaxData Distribution

eTaxData Distribution is a fully customizable variant of our popular eTaxData Online product. eTaxData Distribution subscribers receive a custom report on statutory and treaty rates for any combination of the 230+ jurisdictions. Estimated rates of entitlement are also included. eTaxData Distribution reports can be delivered at any frequency of the user's choosing.

Market Updates

*These updates reflect changes made from June through August, 2009.**

The Netherlands: Extended its Statute of Limitations from 3 years to 5 years.

Denmark: Eliminated the one year ownership rule for dividends distributed by Danish subsidiaries to EU resident parent companies.

Statutory Rate Changes:

Poland: Reduced its withholding tax rate on interest for EU residents from 10% to 5% effective July 1, 2009.

Italy: Reduced the rate of withholding tax rate on dividend income for EU resident pension funds from 27% to 11% effective July 29, 2009.

New Treaties for 2009

Algeria - Russia
Armenia - Czech Republic
Cuba - Qatar
Ethiopia - Romania
Kazakhstan - Slovak Republic

New Treaties for 2010

Azerbaijan - Luxembourg
Belgium - Tunisia
Cyprus - Qatar
El Salvador - Spain
Hungary - Uzbekistan
India - Myanmar
India - Tajikistan
Latvia - Morocco
Moldova - Spain
Nepal - Qatar
Romania - Syria
Romania - Turkmenistan
Russia - Venezuela
Vietnam - Slovak Republic

**Please note that the list published here is not an exhaustive list. For more information on our data services please email:*

eTaxDataOnline@GlobeTax.com

eSuite....continued from page 3

documents for each beneficial owner. The system will flag data errors before documents are created, to ensure that reclaims are accurately processed in the shortest timeframe possible. Once all documentation has been created, users can view, print, or email the forms to themselves or directly to the client for execution.

ESP

ESP - *powered by GlobeTax* - is an electronic submission portal which allows users at participating financial institutions to file for a quick refund or long form claim in available markets.

Currently, this system is available for financial institutions wishing to file reclaims on behalf of clients receiving ADR income from Germany, The Netherlands, South Korea and Spain. GlobeTax will be launching additional markets on ESP later this year.

ESP can be accessed through the GlobeTax web site or directly at: <https://www.GlobeTaxESP.com>

After logging in, users can begin by entering the country of issue or a CUSIP number. The user will then be prompted to select a specific income event for the security on which a reclaim is being filed.

Depending on the specific income event, ESP will then notify the user whether or not a quick refund is available and guide the user through the process of creating all forms necessary to obtain a quick refund or file a reclaim.

For more information on these and other GlobeTax products and services, please email Info@GlobeTax.com

Upcoming Events

GlobeTax staff will be participating in these exciting events in the coming months.



14-18 September 2009

Hong Kong

Stand location: 3E17

<http://www.swift.com/sibos2009>



Hong Kong Harbor



Conference Chair: Ross K. McGill

Topics to be discussed include:

- QI/NQI audit preparation*
- Technological requirements for operational and strategic compliance*
- Master Class session will focus on new rules and upcoming changes

14-15 October 2009

London, UK

www.osneymedia.co.uk

MFA Hedge Fund Leadership Forum
15-16 October 2009

New York, NY

www.managedfunds.org

Education

Upcoming Webinars

October 1 - 11:00 am ET

Cross-Border Tax Reclaim Processing

For a complete list and copies of past webinar presentations please visit the Education page of GlobeTax.com

If you would like to be added to the webinar notification distribution list please email Education@GlobeTax.com.

Seminars

Ross McGill will be presenting a **Qualified Intermediary Course** in conjunction with Osney Media. Upcoming courses will be held in:

Athens: 22-23 September

For further details on these seminars, please visit Osney Media's website.

www.osneymedia.co.uk

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