

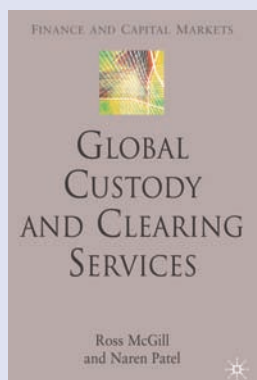
Tax Withholding News

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prepared by **GLOBETAX**

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New Book Release:

An examination of the latest trends on Global Custody and Clearing Services and where this industry may be heading see page 4.

Special Reclaim Opportunity! *Swedish Redemption Shares*

Anyone, anywhere, who has held Swedish equities may have received *Swedish Redemption Shares* (SRSs) which Swedish companies issue from time to time to their shareholders as a type of special dividend. SRSs are then traded for a period of time on the open market and, on a set date, are redeemed by the company for a pre-determined price.

If a holder sells the redemption shares in the open market, there are no tax consequences. If the shares are held to redemption, and the holder is not a Swedish resident, **then the entire redemption proceeds are subject to Swedish withholding tax** at whatever rate their account is set up to receive (statutory 30% or reduced 15%).



The Swedish Tax Authority (STA) has ruled that for shares redeemed since January 1, 2005, a portion of the cost basis of the original shares is attributed to the SRSs **and that portion of the redemption amount is not subject to tax at all, so whatever tax was withheld from the "cost basis" portion is fully reclaimable.**

The additional benefit here is that the beneficial owner **does not** have to be domiciled in a market which has a double taxation treaty with Sweden in order to participate in the reclaim process. Since the withholding occurred on the total proceeds, there was an excess withholding no matter who was holding the shares. What will remain to be determined is the amount able to be recovered. This means that **funds and investors domiciled in so called "tax havens" such as the Cayman Islands are also entitled to recover some of the withholdings from SRSs regardless of their fund's structure.**

The STA allows the investor to choose one of two ways to calculate the cost basis: a **"default method"** or an **"actual cost method."** For additional information about how to take advantage of this opportunity or to determine whether you may have an entitlement worth pursuing, please contact us at: Info@GlobeTax.com.

Market Updates

With cross-border investment increasing globally at an estimated 16% per year (*Source: The Barclays Group*) and countries trying to entice inward investment into their markets, new bilateral income tax treaties and statutory rate changes continue to come into effect. As a market reference data provider, GlobeTax offers two data products, *e-TaxData Online* (*see page 2*) and *StatRate*, covering 230+ markets.

...continued on page 3

e-TaxData Online - Product Profile

Functionality

Rates

Allows for the search of the extensive e-TaxData Online database for withholding tax rates and treaty rates across many countries of investment, beneficial owner type(s), and year(s) of income receipt.

One-Div

Permits the review of tax information to determine if there is a potential tax reclaim for a single dividend.

Multi-Div

Allows for the entry of multiple income events to a portfolio in order to assess whether there are potential tax reclaims. This allows the analysis at One-Div to be performed on multiple entries simultaneously when the Beneficial Owner Type and Country of Residence are the same.

Position

Provides the option of submitting a full spreadsheet of positions, income events and securities to assess the general scale of potential tax entitlements modeled on the assumption that the securities were held over the last ex-date.

Data Protection

e-TaxData Online does not require any personal data regarding beneficial owners of securities income. Information about subscribers is held in electronic form in the USA. GlobeTax is a certified signatory to the Safe Harbor Act approved by the EU Commission on Data Protection.

For more information on any of GlobeTax's products and services, please email: Info@GlobeTax.com.

Summary

e-TaxData Online - powered by GlobeTax, provides access to different ways to research, analyze, and assess the past and future impact to portfolio performance of withholding tax on cross-border investments. It is a strategic research, planning and tax information tool designed for financial services firms including; market reference data providers, custodians, brokers, and asset and portfolio managers. e-TaxData Online is useful for planning, research, relationship management, sales and corporate actions. It is the only authoritative, interactive, online withholding tax tool in the market reference data space.

Metrics

Jurisdictions	230+	History	2001-2008
Data Points	1,842,750	Market Notes	3,300+

Access

e-TaxData Online is a frame-based subscription product accessed via a standard web browser.

Subscription

Subscriptions are dependent on scale and scope of use and number of users per subscribing organization.



Rates allows you to search of the extensive e-TaxData Online database for withholding tax rates and treaty rates across many countries of investment, beneficial owner type(s), and year of income receipt. This is an excellent tool for reviewing historical tax levels and assessing future investment strategies.

Instructions: Please make selections for country of residence of the beneficial owner, the beneficial owner type, the country of issue (aka - investment country) and year the income was, or would have been received. You can make multiple selections (including "All") from only one menu at a time and a single selection from each of the three remaining menus. Certain selections e.g. "Country of Issue," will limit the available choices in other menus.

Example: Select Country of Residence = United Kingdom, Country of Issue = France, Beneficial Owner Type = Individual and Year = 2006. In order to make multiple selections, hold down the "Ctrl" key while clicking in the appropriate list.

The screenshot shows four dropdown menus for search criteria: Country of Residence (options: Spain, Sweden, Switzerland, United Kingdom), Country of Issue (options: Sweden, Switzerland, United Kingdom, United States of America), Beneficial Owner Type (options: All, Charity, Corporation, Individual), and Year (options: All, 2006, 2005, 2004). Below the menus are "Submit" and "Reset" buttons.

For more information and/or to subscribe to the service, please email: e-TaxDataOnline@GlobeTax.com.

Statutes of Limitations - File While You Still Can!

Of the various rules and pitfalls comprising the recovery of excess taxes withheld on cross-border investments, the "Statute of Limitations," also known as the "filing deadline" or the "time bar," is among the most important rules to understand.



In most cases, the ability to recover excess taxes withheld remains "live" for several years after the related income event. Each taxing jurisdiction determines its own Statute of Limitations for filing tax reclaims, either overall as part of tax statutes or specifically in bilateral double taxation treaties. While they vary by market, most Statutes of Limitations extend between two and twenty years, with an average among all markets of approximately 4.8 years (*Source: GlobeTax*).

One should also be mindful of the basis for determining the Statute of Limitations period. In most markets, the ability to file for recovery ends on the final day of the year to which the Statute of Limitations applies. However, the latest filing date can be the anniversary date of income distribution or the relevant tax filing date for the year to which the Statute of Limitations applies. It is therefore important to ensure that one is receiving accurate and detailed Statute of Limitations information.

Generally, issuers outside the U.S. pay dividends once annually, with a smaller number disbursing on a semi-annual or more frequent basis. As such, there tend to be two "busy" periods in the tax recovery cycle. The first period of high activity, known often as "dividend season," occurs in the April through August period, a time for the processing of relief at source filings and accelerated reclaims, for issuer jurisdictions where applicable procedures are in place. The other period of heightened

activity is in the September through November period. Those whose entitlements might be nearing "time barred" status need to submit reclaim documentation in time for acceptance, prior to the filing deadline, by local tax authorities or jurisdictionally designated agent banks.

A "time barred" entitlement is an opportunity lost. It pays to keep one's eye on the clock. Implementing a tax reclaim process will ensure that you or your clients receive their full entitlements.

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Market Updates

Statutory Rate Changes Effective January 1, 2008



Armenia has eliminated exemption from withholding taxes on dividends paid to low-tax territories.

Bulgaria has lowered its statutory withholding rate on dividends.

Canada has eliminated withholding tax on outbound interest payments to residents of all countries.

China has increased the statutory rate on dividends.

Retroactive Treaty Changes

Finland, Germany, and Denmark have granted full exemption to **United States** pension funds from withholding tax retroactive from January 1, 2007.

Montenegro has accepted the terms of the income and capital tax treaty between the **Czech Republic and Serbia and Montenegro**. The treaty is retroactive from January 1, 2006.

Other (and Upcoming) Updates

Austria and **New Zealand** have approved a new treaty effective March 1, 2008, eliminating withholding tax on interest if certain conditions are met.

India and **Kuwait** ratified a new treaty which will become effective on April 1, 2008. Payments made to government agencies are exempt from withholding taxes.

India and the **United Arab Emirates** ratified a new protocol which enters into force on April 1, 2008, lowering withholding tax rates on dividends and interest payments.

The terms of the **United Kingdom - Yugoslavia** double taxation treaty applies to **Bosnia-Herzegovina, Croatia, Montenegro, Serbia** and **Slovenia**.

New treaties effective January 1, 2008, giving preferential treatment to residents for withholding tax on dividends and interest payments:

Armenia - Finland
Armenia - Qatar
Armenia - Switzerland
Australia - Finland
Australia - Norway
Austria - Saudi Arabia
China - Algeria
China - Singapore
Czech Republic - Tajikistan
Estonia - Singapore
France - Japan
Hong Kong - Luxembourg
Malta - Morocco
Mauritius - United Arab Emirates
Morocco - Malaysia
Singapore - Qatar
Turkey - Serbia-Montenegro

Please note that this is not an exhaustive list. For more information, please email Info@GlobeTax.com.

Adding Alpha - The Impact of Tax Recovery in a Yield-Squeezed Environment

In today's tighter market, the shared interests of hedge fund managers and their investor clients with respect to capturing the full complement of investment yield comes into even sharper focus. Hedge funds, due to the relative size of their positions in a security, often see the benefit of tax reclamation in the range of 25 to 150 basis points in additional returns to their international portfolios.

Investments in hedge funds have grown rapidly in recent years, with estimated total investments now approximately \$2 trillion. Much of the growth has derived from the "institutionalization" of the community. That is, the growing proportion of investment in hedge funds by pension funds, endowments and family foundations, as well as traditional asset managers who are looking to broaden their risk exposures. As their traditional investments generally benefit from tax recovery processes on the basis of double taxation treaties, they justifiably expect similar service on their investments through hedge funds. Similarly, the increasing focus in the broad marketplace on fiduciary responsibility to take steps to maximize portfolio returns by accessing all possible benefits to investors, heightens the sensitivity of institutional investors in hedge funds.

As the industry continues to grow, the number and type of different structures of what are called "hedge funds," is also expanding. They range from partnerships in the US to a variety of investment trusts, collective and separate investment vehicles across the UK and Europe as well as corporate and LP structures in offshore jurisdictions. Very often, due to the complex structures and the inconsistencies from country to

country on how tax authorities view these entities and what they require for tax reclaim filings, the hedge fund will conclude that it is not worth the time and effort to file reclaims. One widely held belief has been that offshore funds may not be entitled to similar recoveries. In fact, "It Depends." For example, if the offshore entity structure is a "master-feeder" and can be 'looked through,' reclaims are indeed possible. That is, the underlying partners, depending on their own residency and tax status, may have an entitlement which can be recovered.

Tax recovery equates to increased yield. A careful manager will see the sense of engaging in an ongoing tax recovery arrangement. What's more is that the recovery comes back as cash and there is no risk involved, hence additional alpha.

Education 2008 - Webinars

Following the success of last year's global webinar series, we have decided to continue in 2008 with five more webinars:

Topics will include: **Market Updates**, **Depository Receipts** and **Automating Corporate Actions**.

Please see below for a tentative webinar schedule. For more information on upcoming/past webinars please visit the Education page under the Resources menu on our website www.GlobeTax.com.

March	4th - 11:00 am ET
April	17th - 11:00 am ET
June	18th - 11:00 am ET
September	9th - 11:00 am ET

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



New Book Release: Global Custody and Clearing Services

Ross McGill, Director of Marketing - GlobeTax and well known industry guru Naren Patel have collaborated to write Global Custody and Clearing Services published by Palgrave Macmillan. This book provides a close look at the issues facing the industry and provides insights into its future.

"I found the explanation of the current global custody and clearing service to be very thought provoking and insightful. The book ties together elements of the industry that will be helpful to insiders and newcomers alike. This book is a window into the industry, offering a view on the current business landscape and some interesting thoughts on where the industry might be heading."

- Paul Stillabower, Global Head of Business Development - HSBC Securities Services, Fund Services

To obtain a copy of Global Custody and Clearing Services please visit www.palgrave.com, select "UK & Europe" and search by "Ross McGill."

Tax Withholding News

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