



Endowments / Foundations

The Issue

“But we’re supposed to be Tax-Exempt?...”

Endowments and foundations are often tax exempt in their country of residence. However, because of the way banks and brokers hold securities, it is often not clear to a foreign government or to a paying agent precisely who owns the assets and, subsequently, what the tax status should be.

Withholding tax is a cross border issue. When investors receive income from international investments, the income is often taxed at a high “statutory” withholding rate which varies by country. Funds may be eligible, under Double Taxation Treaties, to be taxed at a lower “treaty” rate. As the beneficial owner of the securities, the fund is then entitled to reclaim the difference between the statutory rate and the treaty rate. In many markets the treaty rate for endowments and foundations is 0%.

Entitlements are only available for a limited period of time and then expire, as each market has its own Statute of Limitations. If the entitlement is not reclaimed before expiration, it is lost forever.

The Process

What to do and why...

- To receive an entitlement, reclaims for foreign ordinary shares as well as Depositary Receipts (e.g. ADRs, GDRs) must be filed with foreign tax authorities.
- For endowments and foundations investing in hedge funds, tax reclamation should be a consideration in the manager selection process.
- Since many endowments and foundations are entitled to recover 100% of the tax withheld, tax recovery can significantly impact investment returns.
- Statutes of Limitations vary by jurisdiction but are generally multiple years, so the initial recovery including historical reclaims is often a windfall for the fund.

The Solution

GlobeTax:

- Founded in 1992, is the world’s pre-eminent withholding tax recovery expert, filing over two million reclaims a year with a 0.00% fail rate
- Has strategic long-term relationships with virtually all major Custodians and Prime Brokerage firms
- Maintains Beneficial Owner confidentiality by contracting directly with the fund(s)
- **Fees are entirely contingent and payable only after money has been recovered**

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