

GlobeTax launches US Withholding and Tax Information Reporting Services

Toronto, New York, September 20, 2011 – GlobeTax Services, Inc. (GlobeTax) today formally announces the launch of an additional suite of services for SWIFT members. The new GlobeTax offerings, US Withholding and Tax Information Reporting (TIR) as well as FATCA (Foreign Account Tax Compliance Act) reporting modules, enable non-US financial intermediaries (FIs) to meet evolving US regulatory tax reporting obligations.

The firm has successfully piloted the services over the last two years by providing US TIR services (Forms 1042-S for non-US persons and 1099 reporting for US persons), on behalf of non-US FIs and their clients, as well as the proscribed summary reporting by the FI.

Martin S. Foont, President & CEO of GlobeTax commented: “Tax Information Reporting is a natural extension for our reclaim services. However, TIR is a regulatory requirement for financial institutions that carries with it a significant financial and reputational risk for non-compliance. Coupling the services will provide extended benefits for our current and future clientele.”

Non-US financial firms already spend substantial sums each year meeting US tax reporting obligations. Those who sign an agreement with the IRS to be Qualified Intermediaries (QIs), currently estimated to be around 6,500 worldwide, gain marginal relief in the form of “pooled” reporting for some types of clients; however, if QIs have Non-Qualified Intermediaries (NQIs), non-US FIs who choose not to enter into a QI agreement, as customers, or if the firm itself is an NQI, the reporting obligation is at the beneficial owner level and also by income type, both up to the IRS *and* downstream. Failure to comply carries a maximum penalty of US\$250 per form to both the IRS and downstream income recipient. The IRS estimates that penalty revenue by 2013 will be over \$300 million. A delinquent NQI with 2,500 customers receiving dividends and interest could face a \$2.5 million penalty for each year of non-compliance: \$250 for each of dividend and interest and again for each of failure to comply in each direction.

Michael Lempert, Head of Tax Information Reporting at GlobeTax said: “Our withholding and information reporting service is based on receiving and validating tax documentation and investor income data, then matching these payments and any tax withheld to the payment type, source and tax filing status, to generate the relevant information reporting formats. The product suite also includes consulting services for firms that might benefit from guidance on understanding and complying with applicable regulations, in addition to income allocation services for QIs and NQIs to provide instructions to withholding agents on how much to withhold on payments to omnibus accounts.

Len Lipton, Managing Director and Product Management Head at GlobeTax said: “In addition to the QI regulations, between the implementation of FATCA (Foreign Account Tax Compliance Act) and initiatives among members of both the EU and OECD, information reporting will increase substantially over the next few years and will present the financial services community with major processing challenges. GlobeTax is already a core member of several industry bodies developing ISO20022 and other compatible standards and messaging solutions such as XBRL, that will reduce costs and allow for greater tax-related Straight Through Processing (STP) for SWIFT users.” It should be noted that FATCA is not an Act unto itself but rather, Title V of the 2010 US HIRE Act.

Ross McGill, Managing Director commented: “With FATCA, the US is already on a countdown to more complex and costly regulation of foreign financial firms, requiring explicit reporting of the *global* income to the accounts of US tax residents held outside the US Failure to properly document such customers draws a punitive penalty applied by the asset servicing institution of 30% withheld on dividends, interest *and* gross sales proceeds using a complex algorithm (pass thru payment percentage).” The IRS has stated that it expects to generate over \$87 billion in increased tax revenue from the application of FATCA

penalties. McGill continued, "Correctly documenting these US account holders, which is a repeating obligation, supports the reporting requirement. GlobeTax is already developing its solutions framework so that affected firms can start being compliant and handle the processing challenges from the first deadline of January 1, 2013."

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About GlobeTax

GlobeTax is the world's premier provider tax recovery and reporting services for FIs and their cross-border investor clients. The firm is based in New York, with offices in London, Madrid, Milan, and Sydney.

Spanish and Italian translation available upon request.