

Tax Withholding News

Issue No. 2 | Fall 2006

courtesy of: **GLOBETAX**

Articles:

GlobeTax - Down Under	1
Statutory & Treaty Rate Data from GlobeTax	1
EDI to market GlobeTax's Data Services	2
GlobeTax to become Securities Market Data Participant on SWIFT	2
The Clock is Ticking... <i>Statutes of Limitations</i>	3
Education <i>- Schedule</i>	4

Columns:

Market Updates	3
Sturman Says...	4
GlobeTax - making the rounds	4

GlobeTax - Down Under

Over 5500 bankers and service providers descended on Sydney for SWIFT's annual SIBOS conference

SWIFT just completed its annual SIBOS conference at the Sydney Convention Center in Sydney, Australia. This year GlobeTax again hosted an exhibition stand for the TaxReclaim Service Bureau (TRSB), available to SWIFT users.

This year's SIBOS has was organized around the theme of "Raising Ambitions" — the conference featured over 100 speakers who contributed to a wide range of discussions and debates in the conference sessions.

As in years past, SWIFT used SIBOS to promote some of their newer initiatives including two which are very relevant to GlobeTax and our clients. First, the continued push to make SWIFT more instrumental in 'asset servicing' and the movement to make corporate actions processes STP. This is precisely the issue addressed by GlobeTax's TaxReclaim Service Bureau the objective of which is to make tax reclamation STP from the users' standpoint. Second, SWIFT and GlobeTax announced GlobeTax's intention to join SWIFT's Data Distribution Service - *for more on this please view the article on page 2.*

GlobeTax also hosted a number of educational seminars while in Australia. **Dates for upcoming educational meetings can be found on page 4 of this newsletter.**

Statutory & Treaty Rate Data

GlobeTax's Data Services announces launch of **StatRate** and **e-TaxData Online**

In September, GlobeTax President & CEO, Martin S. Foont announced to the global investment community, the launch of two new corporate actions data tools powered by GlobeTax, which will assist custodians, brokers and portfolio managers with planning and research relating to cross border investment income.

StatRate went live with statutory withholding tax information for 148 countries. Financial services firms can populate their own local databases with statutory withholding rates delivered via StatRate so that inbound income events can be allocated to underlying beneficial owners at the correct rate.

continued on page 2...

...continued from page 1

e-TaxData Online went live with a fully searchable database of statutory and treaty rate data for 91 markets and 227 countries of residence. The data starts from the year 2001 and has been compiled since then to the present. With over 1,800 individual market notes, e-TaxData Online allows users to cross reference any two countries to determine what the withholding tax implications should have been or will be for a particular cross border income payment.

Both products are available on a subscription basis.

For more information please contact:

(USA) **Len A Lipton**
1 212 747 9100
Len_Lipton@GlobeTax.com

(ROW) **Ross K McGill**
+44 (0) 207 618 6692
Ross_McGill@GlobeTax.com

Exchange Data International, first distributor - GlobeTax's Data Services

Exchange Data International (EDI) a major corporate actions data provider has signed a strategic partnership agreement with GlobeTax to carry e-TaxData Online and StatRate as part of it's suite of data products.

e-TaxData Online will be available as an additional tab on the EDI corporate actions online product (available via subscription) and StatRate which is delivered as a monthly file will be sold on a subscription basis by EDI.

continued on page 3...

Sample view of 'Rates' page from e-TaxData Online

The screenshot shows the 'Rates' page of e-TaxData Online. The page has a navigation bar with tabs for 'e-TaxData', 'Rates', 'One-Div', 'Multi-Div', 'Position', 'Help', and 'Reclaims'. Below the navigation bar is the 'e-TaxData Online' logo and 'powered by GLOBETAX'. The main content is a table with the following columns: Residency, Investment Country, Beneficial Owner Type, Year, Statutory Rate, Treaty Rate, Extra Rate, Filing Deadline, Expected Recovery from Filing, and Notes. The table lists rates for Australia for various countries including Denmark, France, Germany, Ireland, Netherlands, Sweden, United Kingdom, and United States of America.

Residency	Investment Country	Beneficial Owner Type	Year	Statutory Rate	Treaty Rate	Extra Rate	Filing Deadline	Expected Recovery from Filing	Notes
Australia	Denmark	Individual	2006	28.000%	15.000%	0.000%	20 years from the paydate	3 Months	View Notes
Australia	France	Individual	2006	25.000%	15.000%	0.000%	2 years from the end of the year of the paydate	12 Months	View Notes
Australia	Germany	Individual	2006	21.100%	15.000%	0.000%	4 years from the end of the year of the paydate	10 Months	View Notes
Australia	Ireland	Individual	2006	20.000%	0.000%	0.000%	4 years from the paydate	6 Months	View Notes
Australia	Netherlands	Individual	2006	25.000%	15.000%	0.000%	3 years from the end of the year of the paydate	12 Months	View Notes
Australia	Sweden	Individual	2006	30.000%	15.000%	0.000%	5 years from the end of the year of the paydate	3 Months	View Notes
Australia	United Kingdom	Individual	2006	0.000%	0.000%	0.000%	6 years from April, 5 following the pay date.	6 Months	NA
Australia	United States of America	Individual	2006	30.000%	15.000%	0.000%	3 years from April, 15 following the pay date.	2 Months	View Notes

GlobeTax Data Services signs SWIFT Undertaking to become a Securities Market Data Participant

GlobeTax Data Services, Inc., a wholly owned subsidiary of GlobeTax, has signed a SWIFT Undertaking to become a Securities Market Data Participant on SWIFTNet. Pending sponsorships and approval, GlobeTax will offer its "StatRate" service via the SWIFTNet Data Distribution Solution. Under the arrangement, GlobeTax will distribute withholding tax reference data using SWIFTNet FileAct. The purpose of StatRate, is to provide financial institutions with the market by market statutory withholding rate data necessary to properly calculate payments to be made to client accounts resulting from corporate actions such as cash dividend payments. Linda Bookheim, Senior Business Manager with SWIFT said, "We are interested in adding GlobeTax's offering to our Data Distribution Service. This product is exactly the kind of corporate action relevant data we envisioned being delivered when SWIFT initially developed the Data Distribution Closed User Group (CUG). Based on current implementation schedules, by late 2007 most SWIFT users will be 'FileAct-ready.' So, in terms of having the transmission method in place, a substantial portion of the SWIFT community will soon be able to join in our Data Distribution Solution."

The service is expected to go online in early 2007, following GlobeTax's official approval by SWIFT.

Exchange Data International, first distributor - GlobeTax's Data Services

continued from page 2...

Ross McGill, Director of Marketing for GlobeTax explains, "At GlobeTax we have never been in the business of selling data. Traditionally we have acted as a pure outsource service provider. Much of the data we are now beginning to distribute via these two products, is data that we use in our day-to-day activities of reclaiming and recovering excess withholding tax on behalf of our clients. We developed these products after being approached by corporate actions data providers as well as those involved in investing and servicing assets about how they might buy data from us to assess and calculate the impact and benefit of recovering withholding tax."

Jonathan Bloch, CEO and Founder of EDI said of StatRate, "Together with e-TaxData Online we now have the most comprehensive withholding tax data suite in the industry available to EDI clients. Our strategic alliance with GlobeTax gives us both on-line and data feed capability for withholding rates that we believe is unique in the industry."

EDI is the first strategic partner to distribute GlobeTax's Data Services products.

Treaty, Statutory and Market updates:

Hungary has announced that individual private investors will be subject to new rates of withholding tax on income and capital gains. Effective **September 1, 2006**, Dividends will be taxed at 10% - reduced from 25%. Interest payments from securities and cash accounts will be taxed at 20% - increased from 0% and Capital Gains will be assessed a 20% tax - decreased from 25%.

continued in column 2...

Treaty, Statutory and Market updates:

continued from column 1 this page...

Sweden - USA have announced a new protocol, effective **October 1, 2006**. In most cases, no withholding tax will be applied on dividends from a subsidiary in either of the countries to a parent company in the other country. Pensions will also be exempt of withholding tax on dividends, as long as the securities are not sold, or agreed to be sold, within two months of the acquisition date.

USA - The Internal Revenue Service (IRS) has issued *Revenue Procedure 2006-35* which announces new user fees charged to process the Form 8802, Application for US Residency Certification. The user fee will be charged for all Form 8802 applications submitted with a postmark date on or after **November 1, 2006**. The Certification of Residence is required for the vast majority of tax reclaim and relief at source applications.

Spain is raising its statutory withholding rate to 18% from 15% on equity and interest bearing securities. This change, anticipated to take place, **January 21, 2007**, represents a return to the statutory rate of withholding that existed prior to January 1, 2003.

The Clock is Ticking...

Take advantage of Statutes of Limitations - Before time runs out!

Of all of the various rules and pitfalls that go along with reclaiming excess withholding taxes on cross border investments, the "Statutes of Limitations," also known as 'filing

The Clock is Ticking...

continued from column 2...

deadlines' are often some of the most important rules to know.

Tax reclaims often remain 'live' for several years after the withholding event occurs. Each country determines its own Statute of Limitations on filing tax reclaims (in certain instances, the filing deadline will be determined by an individual treaty). Statutes of Limitations vary by market but most are between 2 and 20 years. Across all markets the average statute is approximately 4.8 years (*source: Globe Tax Services Inc.*). The host of this year's SIBOS conference, Australia, doesn't have a filing deadline at all. This however, is the exception not the rule.

Additionally, while several countries do set the Statute of Limitation to the pay date of the security (some years later), for most countries, the reclaims will actually expire at the end of the year, 'X' years following the year the dividend was paid.

In essence, this means there are two busy seasons for tax reclamation. "Dividend season," as it is known in the industry, is May - August and most securities (outside of the USA) pay annual dividends during this period. So that is a busy time because any relief at source filings or accelerated reclaims must be processed during that time. The other 'busy season' is September - November when all items that are on the verge of expiring because of Statutes of Limitations must be filed to insure they reach the tax authority or appropriate agent bank in time to be processed before the deadline.

So, as the end of the year fast approaches... **File your reclaims before it's too late!**

Sturman Says...

In his ongoing series, Jonathan Sturman, Senior Tax Reclaim Manager with GlobeTax, offers key insights to those processing their own claims in the market

On applying for Certifications of Residence:

"Always make sure, when submitting applications to your local tax authorities for Certifications of Residence, that the name on the application matches the exact name on file with the authorities. Otherwise, get ready to be rejected and forced to do it again..."

GlobeTax - making the rounds...

August 1

GlobeTax announces results of a withholding tax survey, estimating that there could be \$186 billion or more, of withholding tax on cross border investment income recoverable in 2006 / 2007.

September 5

International Capital Market Services Association (ICMSA) announces that GlobeTax has been accepted as an associate member.

September 18

Martin Foont, participates in the "Building a Bridge of Trust™" video series focusing on corporate governance issues for institutional investors. Mr. Foont was interviewed for the series by Eleanor Bloxham, CEO of The Value Alliance.

October 9 - 13

GlobeTax hosts an exhibition stand representing the **TaxReclaim Service Bureau** on SWIFT at SIBOS 2006 - "Raising Ambitions" - Sydney, Australia.

November 8 - 9

Martin Foont, speaks on panel at 7th Annual Hedge Fund Tax Practices Conference in New York.

Education:

Recent research indicates that one of the most common reasons for failing to recover withholding tax is lack of knowledge regarding the issue by both investors and financial intermediaries. As a result, GlobeTax is sponsoring a global education series for custodians, brokers, managers and investors. The object is to inform these groups about the key issues of withholding tax and how to insure a good service and maximum return on investment.

Course Offerings:

Ireland:

Course: Nov (TBA)

Dublin

Run by SMA Consulting

UK:

Course: Nov 16 / 17

Withholding Tax Strategy

London

Run by Osney Media

Course: Nov 29 / 30

Qualified Intermediary

London

Run by Osney Media

If you would like to reserve your space or to see us include your market, please email: education@globetax.com

This space was intentionally left blank

Upcoming Events:

January 2007

GLOBETAX

celebrates 15 years of service!!

Tax Withholding News

is published by GlobeTax Services Inc. for the general information of our clients, friends and business associates and should not be acted upon without prior professional advice. If you have any inquiries or would like to have your name added to our distribution list, please contact:

Len A Lipton, Editor, VP Marketing
email: len_lipton@globetax.com

Ross K McGill, Editor, Director of Marketing
email: ross_mcgill@globetax.com

Globe Tax Services Incorporated

90 Broad Street, New York, NY, USA 10004
Tel (212) 747 9100

78 Cannon Street, London, England EC4N 6NQ
Tel +44 (0) 207 618 6692

GlobeTax.com

Copyright 2006 Globe Tax Services Inc.