

# Tax Withholding News

Issue No. 3 | Spring 2007

prepared by **GLOBETAX**

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"It does not matter what your need is - if you are involved with, or subject to international withholding tax - Globe Tax has a product or service to meet that need."

**Martin S. Foont,**  
President & CEO

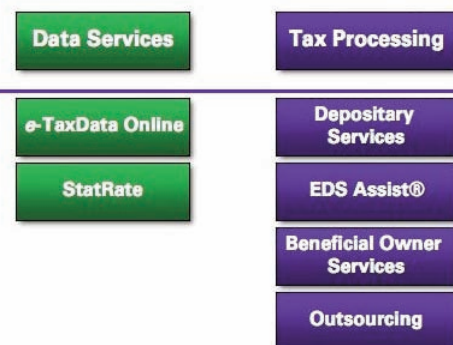


"We're delighted to be working with GlobeTax. An alliance of best of breed solutions like ours' can only benefit the investment community." **Graham Bright,**  
Managing Director, Financial Tradeware

## Integrated Services for 2007

Moving into 2007 GlobeTax added a new division, GlobeTax Data Services Inc. (see story below) and created an integrated platform of products and services for everyone in the investment management chain from investor to global custodian. The new structure provides market reference data products as well as a range of tax processing services.

Depository Services handles end to end processing of ADR, GDR, and IDR reclaims. EDS Assist<sup>®</sup> provides DTC Participants with relief at source tools while Beneficial Owner Services handles direct tax processing for hedge funds, high net worth individuals, and all other types of recipients of cross border investment income. Outsourcing services focuses on providing custodians with an efficient STP alternative to in-house processing.



## Tax Reference Data Revolution

GlobeTax Data Services Inc., a subsidiary of GlobeTax - created in November 2006, has taken over the development, management and distribution of market reference data products, e-TaxData Online and StatRate.

### SWIFT members approve GlobeTax Data Services Inc.

Eight global financial institutions, all SWIFT members, including three from SWIFT's US National Member Group and five other members covering the custody and funds markets outside the US, unanimously approved and sponsored the firm's Letter of Intent to join SWIFT's Data Distribution Service. The service is designed to allow us to distribute market reference data, including StatRate, securely to subscribers over the SWIFT network using FileAct. Want to know more? - contact: [info@GlobeTax.com](mailto:info@GlobeTax.com)

### GlobeTax appoints Financial Tradeware

GlobeTax Data Services signed with Financial Tradeware in January to provide the firm's connectivity into the SWIFT Data Distribution Service.

*continued on page 2*

## 71 New markets added to e-TaxData Online

The first of two major developments in e-TaxData Online will shortly be delivered. Research on 71 additional markets will be added to the existing 91 markets covered by the product. "The product is already attracting interest from funds, trustees and investment managers as far afield as South Africa, Australia, the US and Europe" says Len Lipton, VP Marketing. "During 2007, we will be adding fixed income rates as well."

The screen shot shown to the right allows subscribers to research withholding rates, treaty rates, market notes, and age recovery times across a range of specified variables.

### GlobeTax appoints Financial Tradeware

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Linda Bookheim, Senior Business Manager, SWIFT, said, "There is a clear need for this offering and it illustrates how new applications can be created using the SWIFTNet Data Distribution Solution."

"The GlobeTax relationship allows us to expand our SWIFTNet capabilities and to realize economies of scale by using real time FileAct services in addition to our regular FIN, Crest and XML capabilities. We are pleased to support the StatRate services which will be a real enabler of STP for the securities industry," said Graham Bright, Managing Director of Financial Tradeware. "By leveraging our extensive knowledge of SWIFT built over many years, we enable a viable business case to be built for companies who want to launch new applications using SWIFTNet as a distribution platform."

The screenshot shows the e-TaxData Online interface with the following search filters:

Country of Residence	Country of Issue	Beneficial Owner Type	Year
Spain	Sweden	All	All
Sweden	Switzerland	Charity	2007
Switzerland	United Kingdom	Corporation	2006
United Kingdom	United States of America	Individual	2005

Buttons: Submit, Reset

## SIBOS Delivers

"Hard on the heels of our success in Australia, we've already signed up to attend and exhibit at SIBOS in Boston this October. This is part of our strategic long term plan," says Ross McGill, Director of Marketing. "The success of our TaxReclaim Service Bureau (TRSB), which uses the SWIFT network to move data, has created the first automated withholding tax service for custodians." The first subscriber was SEI.

## Deposit That!

Well, we'd all like to deposit money wouldn't we? And you'd expect that if you were entitled to some money that you'd make some significant effort to get it back. "Apparently the answer is, not necessarily," says Harold Shapero, Managing Director of GlobeTax's Depository Services department. "There are many holders of ADRs who never file reclaims." Shapero explains, "The difficulty is that the reclaim process is different for ADRs than it is for (foreign) Ordinary shares. Even though ADRs are representative of the underlying shares and have the same rights and privileges as the (foreign) Ordinary

shares, the actual tax reclaim must first flow back through the sponsoring depository. Ironically, unlike Ordinary shares, which receive no ongoing support from the tax authorities other than the fact that they process the claims as they arrive, the depositories make great efforts to contact the holders of ADRs (and



their banks and brokers) to assist them in receiving their entitlements and to guide them through the reclaim process. Unfortunately, the disconnect which still exists in the market, is that many ADR holders do not recognize their entitlement because the shares were bought on a US exchange and their dividends are paid in US Dollars and not the currency of the issuer. At the end of the day, even with the support of the depositories, education and facilitation of this important issue is far from complete in the market."

## Being Andrea Mrakic

Andrea, pictured right, is one of our newest staff members and has responsibility for monitoring tax treaty changes for use in our tax reclaim processing as well as in our data services products. He joins an established and world renowned team.

Many people have commented on the various initiatives to harmonize withholding tax or to impose a global relief at source model. "Such initiatives are laudable" says Mrakic, "but fund managers should not take these initiatives as evidence for some impending end to withholding tax as a critical issue." Mrakic cites recent headlines from e-TaxData Online's news section.

**Luxembourg** reduces statutory rate.

**Japan** proposes extension of reduced withholding rate from 2008.

**Germany** proposes flat withholding rate from 2008.

**Norway** Legal judgment tax case causes concern across Europe.

**Spain** increases withholding tax rate.

**UK** applies withholding tax on REITs.

**South Korea** changes tax on interest.

**Estonia** changes rates on dividends.

**Ghana** changes dividend withholding rate.

**Netherlands** changes statutory rate.

"This list is by no means exhaustive. So, as you can see, even within the European Union, tax rates are going up, down and certainly not harmonizing. When you include other trading blocks such as the US and emerging markets, what harmonizes in one place just pops up as a new complex rule somewhere else. The reality is that withholding tax in all its complexity is going to be with us

for a very long time." For more information on these and other withholding tax issues why not subscribe to e-TaxData Online at: [eTaxDataOnline@GlobeTax.com](mailto:eTaxDataOnline@GlobeTax.com)



Andrea Mrakic

## Education 2007

### Courses

#### Withholding Tax Strategy

London: May 2/3 & Nov 20/21

#### Qualified Intermediary Update

London: May 16/17 & Nov 27/28

New for 2007, we will be running a series of global webinars looking at different aspects of withholding tax. The webinars will consist of a web based presentation combined with an audio conference call. The webinars are free. To receive further details and register, please email: [Education@GlobeTax.com](mailto:Education@GlobeTax.com)

#### March - Hedge Funds

A webinar designed for hedge funds and their service providers. Hedge Funds, prime brokers, administrators, attorneys and CPAs are invited to join the webinar to hear how GlobeTax can support tax optimization.

#### April - Institutional Investors

This webinar explains what fund managers and fiduciaries need to know and what questions they should be asking to ensure that they can measure and maximize their fund's performance.

#### May - Investment & Asset Managers

In this webinar, we focus on withholding tax changes in a number of markets and how they affect investment.

#### June - Trustees & Administrators

Trustees are increasingly aware of the importance of withholding tax. This webinar is designed to explain the issue and solutions so that Trustees can advise their clients appropriately.

#### July - Market Reference Data

Latest updates on the coverage offered by e-TaxData Online and StatRate together with a Q&A session.

#### September - Custodians

This webinar will focus on technology issues including SWIFT messaging, operation issues such as Depositary Receipt processing and dealing with omnibus account structures.

#### October - Service Bureau (SIBOS edition)

This webinar updates custodians with the latest developments of the SWIFT based TaxReclaim Service Bureau.

#### November - Corporate Governance

Designed for the CEOs, CIOs and CFOs of the Fortune 500, this webinar will focus on withholding tax and corporate governance. What executives need to know and do to maximize the value they deliver to investors.

#### December - Strategic & Regulatory

In this final webinar of 2007, we will focus on reviewing the progress of a number of withholding tax initiatives including Giovannoni, G30. Also covered will be Data Protection and a review of recent EU legal rulings and their effects.

## "Stur"man Says...

No he doesn't leap tall buildings in a single bound, nor does he have a flowing red cape with an "S" on it, but as far as our clients are concerned he might as well. In his ongoing series, Jonathan chooses to debunk a couple of urban myths about withholding tax.

**Myth 1:** *If you're a resident in the Cayman Islands you aren't entitled to reclaims.*

**Myth 2:** *If you have an omnibus account, you can't reclaim.*

Both of these are half truths or as we like to say, "it depends". If the Cayman client is part of an offshore/onshore structure, known as a "Master Feeder," then reclaims are possible. Similarly, omnibus account holders often don't get reclaims because foreign tax authorities consider them to be "fiscally transparent" or "see through". That doesn't mean however, that there is no entitlement. The underlying members in the account may well have entitlements that can be recovered.

## Alternatives to Cross Border withholding Tax

Len A. Lipton

*In this article Len Lipton, VP Marketing of GlobeTax explains why hedge funds are attracting the attention of ever more tax-savvy investors.*

Alternative investments are continuing to grow at a rapid pace as is the importance of their place in the asset class mix of a balanced portfolio. At the end of 2006, estimates of assets under management (AUM) for hedge funds worldwide, varied from 1.2 trillion to over 2 trillion US Dollars. There has been much discussion about the "institutionalization" of hedge funds which refers to the ever growing proportion of investment in these funds by 'institutional investors' such as: pension funds,

endowments, family offices and traditional asset managers looking for non-correlated investments for their clients' portfolios. As this segment of the industry continues to grow and evolve, investors have naturally become more sophisticated and now often have their own Best Practice Checklist when interviewing a new manager. Increasingly, these investors want to know how concerned their managers are with that most subjective of all terms: fiduciary responsibility. In essence it boils down to the question; "Does my manager do everything possible to maximize the returns in the portfolio?" One item now firmly on the checklist of these institutional investors is tax reclamation. Often when dividends are paid cross border there is a withholding at source, part (in some cases all) of which can be recovered if there is a double tax treaty between the country of investment and the country of residence of the investor. As prime brokers do not usually offer tax reclamation services for their clients, the work is often done by a third party who specializes in such work. This is money that if not reclaimed, is effectively lost to the investor WHO IS ENTITLED TO THIS MONEY! Filing tax reclaims can increase fund performance by as much as 150 basis points in a typical international equity portfolio and is a powerful performance enhancing tool for hedge funds. The only caveat is that you only reap the benefit of tax reclamation, IF you make sure someone is doing it.

If you are a hedge fund manager and you'd like to know more about withholding tax, visit our website or contact: [Reclaim@GlobeTax.com](mailto:Reclaim@GlobeTax.com)

## Fifteen and loving it

January 30th 1992, fifteen years ago this month saw the very first day at

GlobeTax. CEO then, as today, was Martin Foont. We're sure you will want to join us in congratulating Marty on an incredible success story, not just in returning several billion dollars to our clients, but in creating such a wonderful company. We wish both him and his company another fifteen years (at least!) of continued success.

Ed.



## Hedge Funds Care

GlobeTax is proud to support Hedge Funds Care. This charity which is run by hedge fund industry professionals, organizes charitable fund raising events the proceeds of which are used to alleviate child abuse around the world. There are many chapters in the US and a new chapter has formed in London and is due to hold its second event in October 2007.

If you would like to support Hedge Funds Care, please contact: [info@GlobeTax.com](mailto:info@GlobeTax.com)

## Tax withholding News

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