



Globe Tax Services Incorporated

Media Release

Withholding Tax could affect credit ratings

Standard & Poors, the world's pre-eminent global provider of independent highly valued investment data, valuation, analysis and opinions, has published a guidance article inferring that ratings could in future be affected by the degree to which liability for withholding tax had been explicitly mitigated.

Ross McGill, Director of Marketing at Globe Tax Services in London commented "We've been expecting this for some time. Many firms around the globe have vehemently denied that there is any legal obligation on either a corporate issuer or on anyone else in the investment chain, to know about, let alone do something about overwithheld tax on foreign investment income. While the article does not set a legal precedent, it should raise a warning flag from the legal profession, as has already been done in the last few weeks by those involved in corporate governance policy, that withholding tax is a material issue and cannot be ignored."

Mr McGill quotes extracts from the article authored by Julie Lynch-Bridson, Director, Assistant General Counsel at Standard & Poors Credit Market Services: "**Standard & Poors will wish to see the risk of withholding tax in a transaction either eliminated structurally or addressed legally.**" Lynch-Bridson continues "**Most often, express legal comfort will be required that there are no withholding tax risks to the relevant payments.**" and finally, "...counsel should contact Standard & Poors legal department early in the ratings process to determine what legal opinions will be requested." McGill accepts that Lynch-Bridson's comments currently only relate to structured finance transactions between banks and not to the more common occurrence of withholding tax on cross border investment income for the clients of those banks. However, he continues "**Its been estimated that over \$200 billion in tax on dividend income alone is withheld every year by "foreign" governments.** Investors can only react in one way to this increasing attention from corporate governance and legal experts – they will want explicit comfort that everything possible is being done to deliver their expected shareholder value. Globe Tax Services already provides that comfort to many investors, fund managers and custodians."

Globe Tax Services is the world's largest provider of withholding tax recovery services to the investment and financial services community.

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