

Recovery of Tax Withheld on Cross Border Investment Income

A Compliance and Corporate Governance Issue

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GLOBETAX

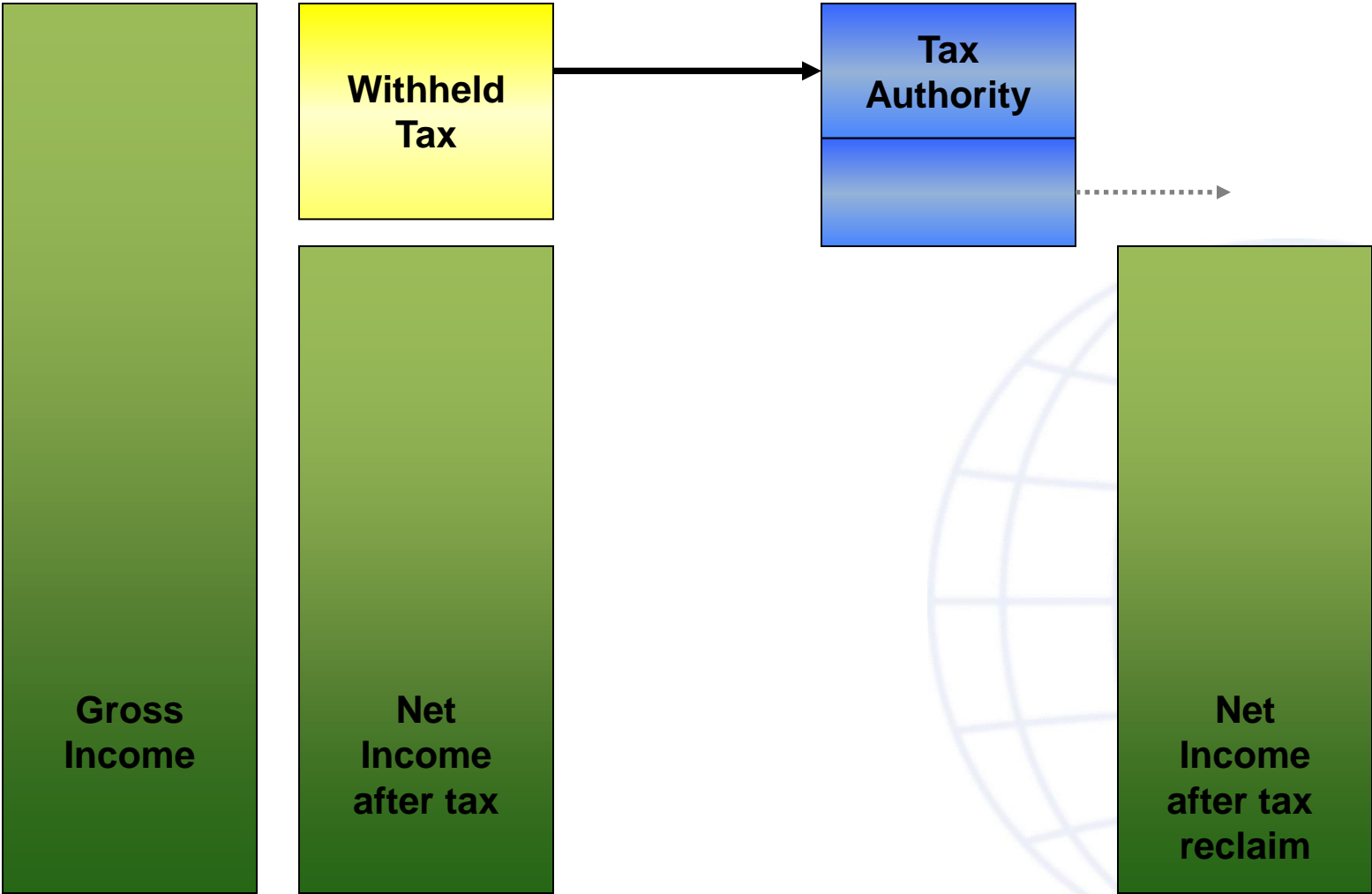
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- Cross-Border Investment Growth
- The Tax Withholding Concept
- The Financial Opportunity
- Regulatory Guidance
- Shareholder Concerns
- Responsibilities: Issuers and Intermediaries
- Tax Recovery Model / Principal Jurisdictions
- Solutions: Best Practices
- Sound Corporate Governance Policies

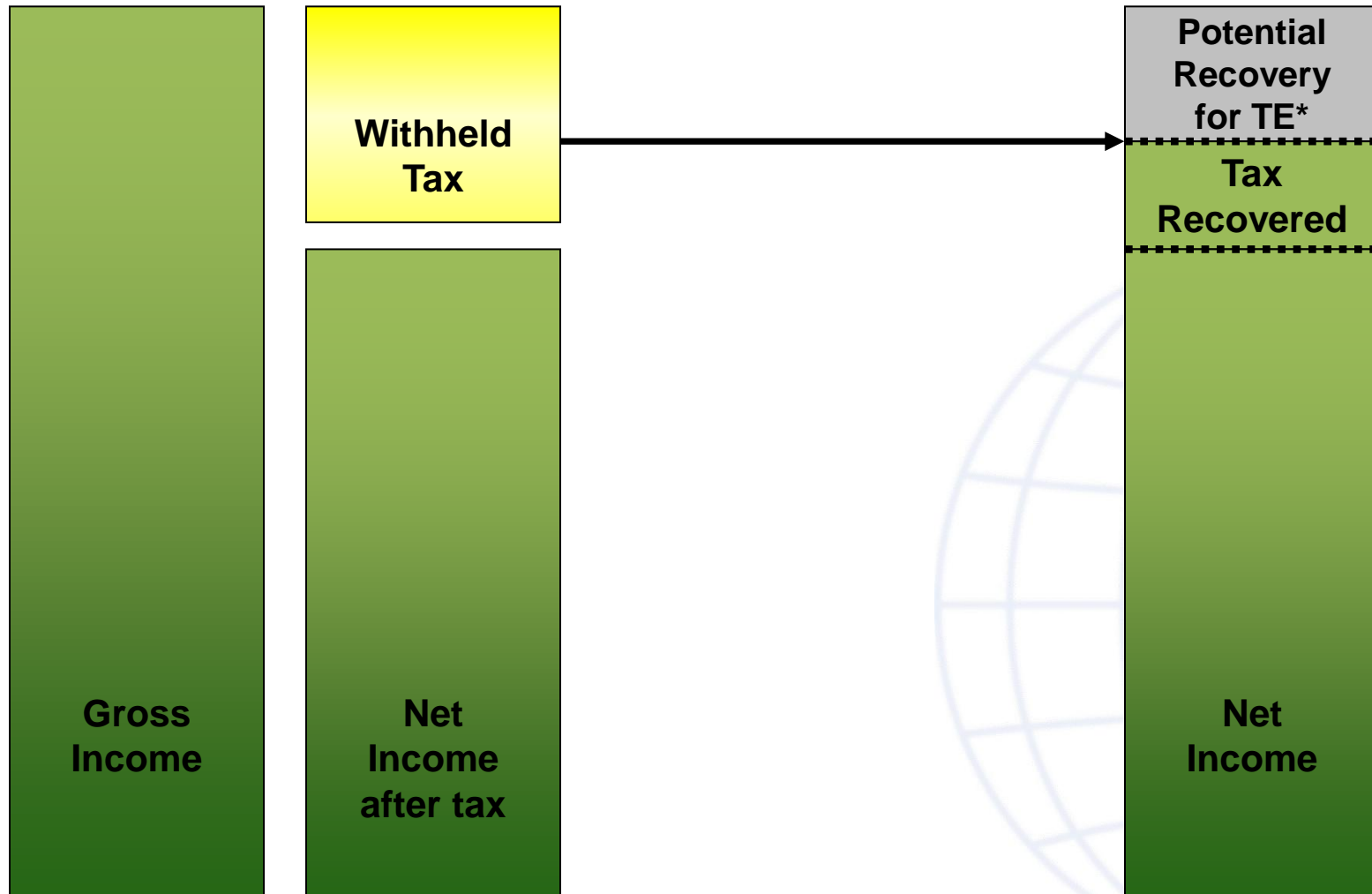
A Growing Issue

- Cross border investment is increasing by 15-20% annually
- Funds historically hold 25%-35% of assets cross border
- Increasingly funds are looking to add to cross border holdings to mitigate volatility and maximize yield

Withholding Tax on Cross Border Investment Income

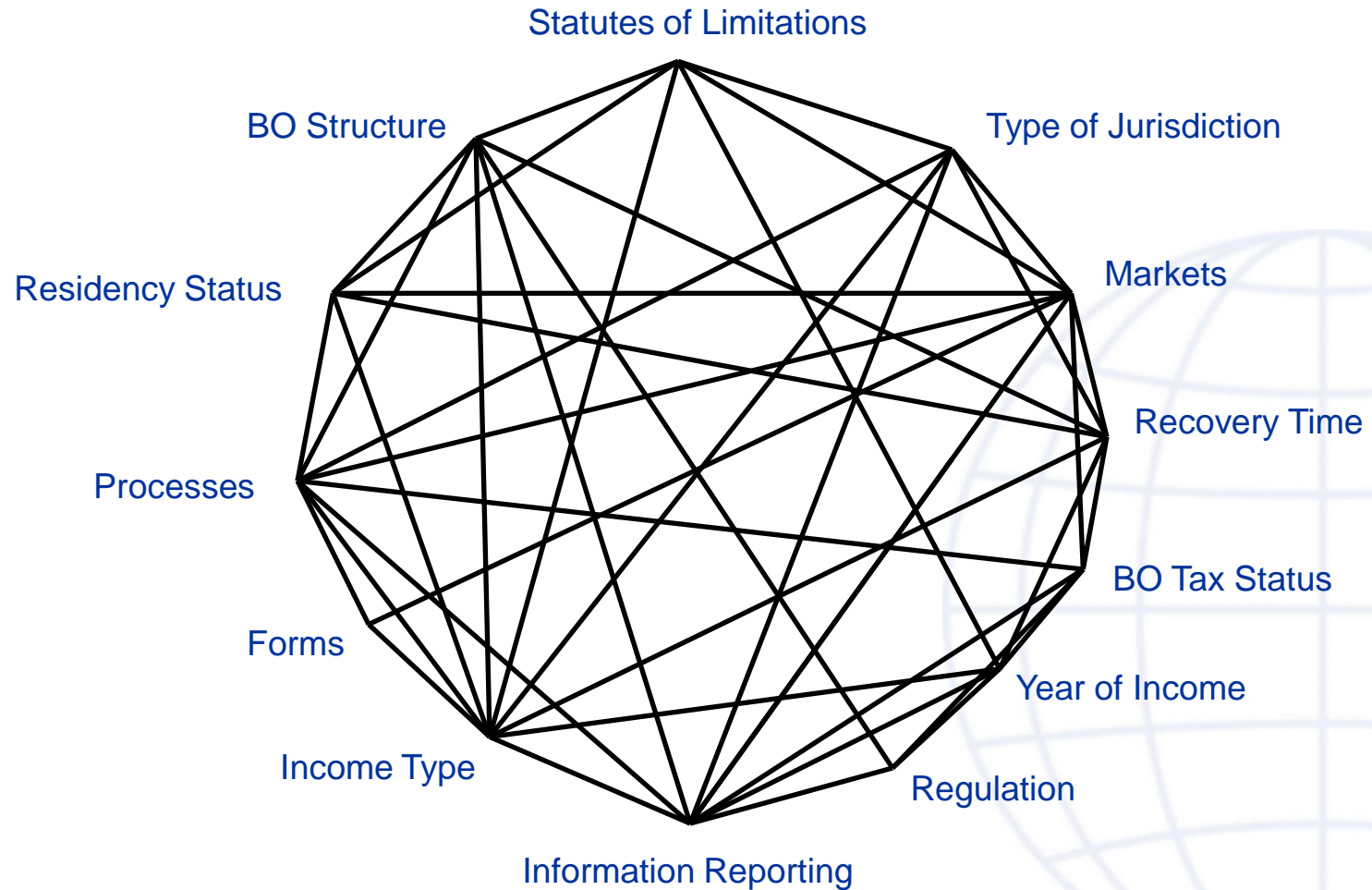


Post Tax Recovery

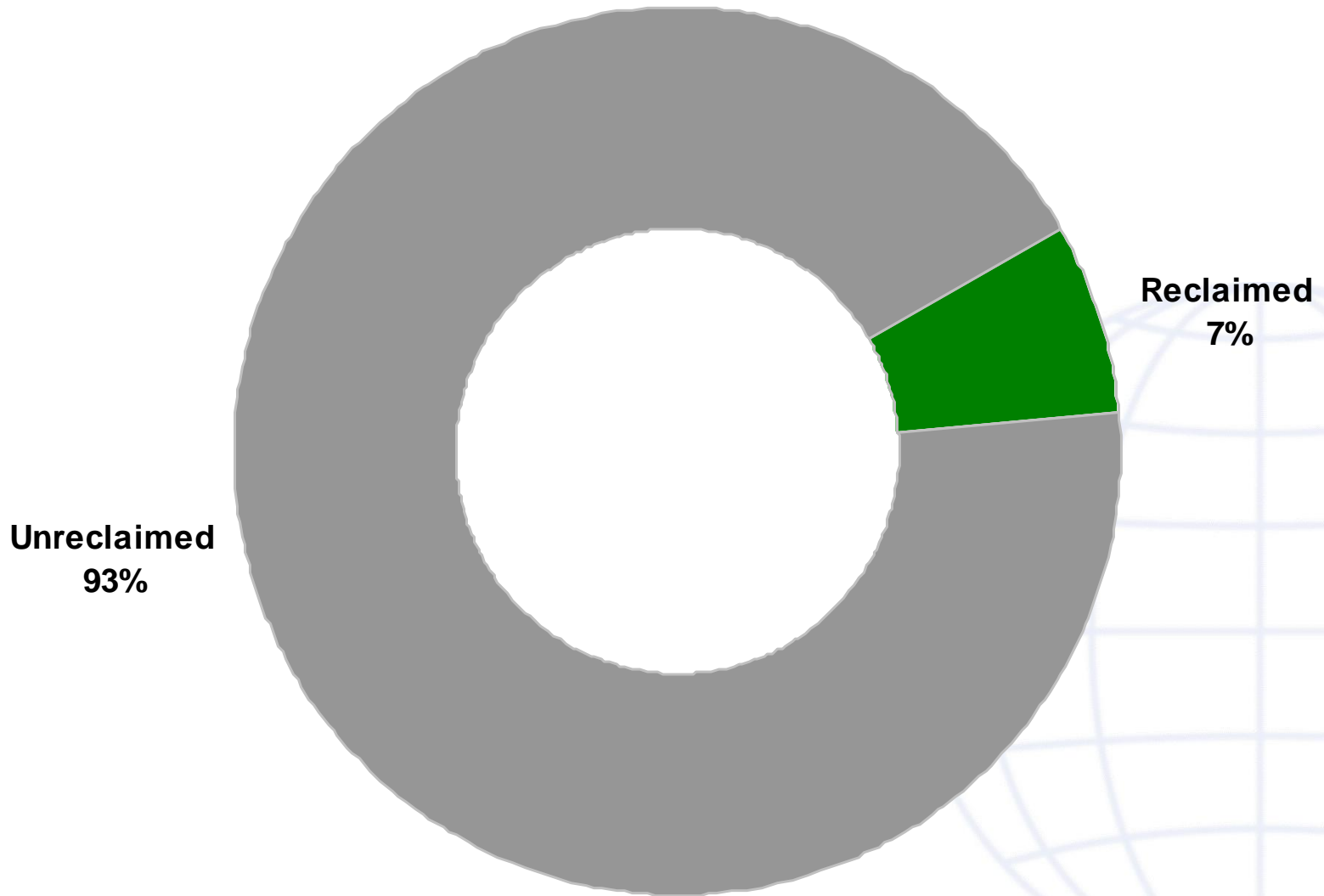


**Tax Exempts (Dependent on Jurisdiction)*

Moving Parts



The Opportunity



OECD Corporate Governance Guidelines

- ***Ensure equitable treatment of all shareholders (including minority and non-resident holders).***
 - “Within any share class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase.”

OECD Corporate Governance Guidelines

“Basic shareholder rights should include the right to:

1. Secure methods of ownership registration
2. Convey or transfer shares
3. Obtain relevant and material information about the corporation on a timely and regular basis
4. Participate and vote in shareholder meetings
5. Elect and remove Members of the Board
6. Share in the profits of the corporation.”

Basel II Corporate Governance Guidelines

Duties to Shareholders and Bank Clients:

- “Meet the obligation of accountability to their shareholders and take into account the interests of other recognized stakeholders.”
- Protect the interests of bank customers
 - Transparency
 - Information Flows

Shareholder Concerns

- Know they are receiving a lower dividend as they see tax amounts withheld
- Little or no knowledge of foreign tax laws or recovery processes
- Ignorance of Statutes of Limitations
- Importance of full disclosure by issuers and intermediaries

Issuer & Intermediary Responsibilities

- Manage shareholder expectations through effective communication
- Maximize share value and maintain investment flows
- Distribute dividend value to which shareholders are entitled
- Understand recovery processes and reveal them to investors

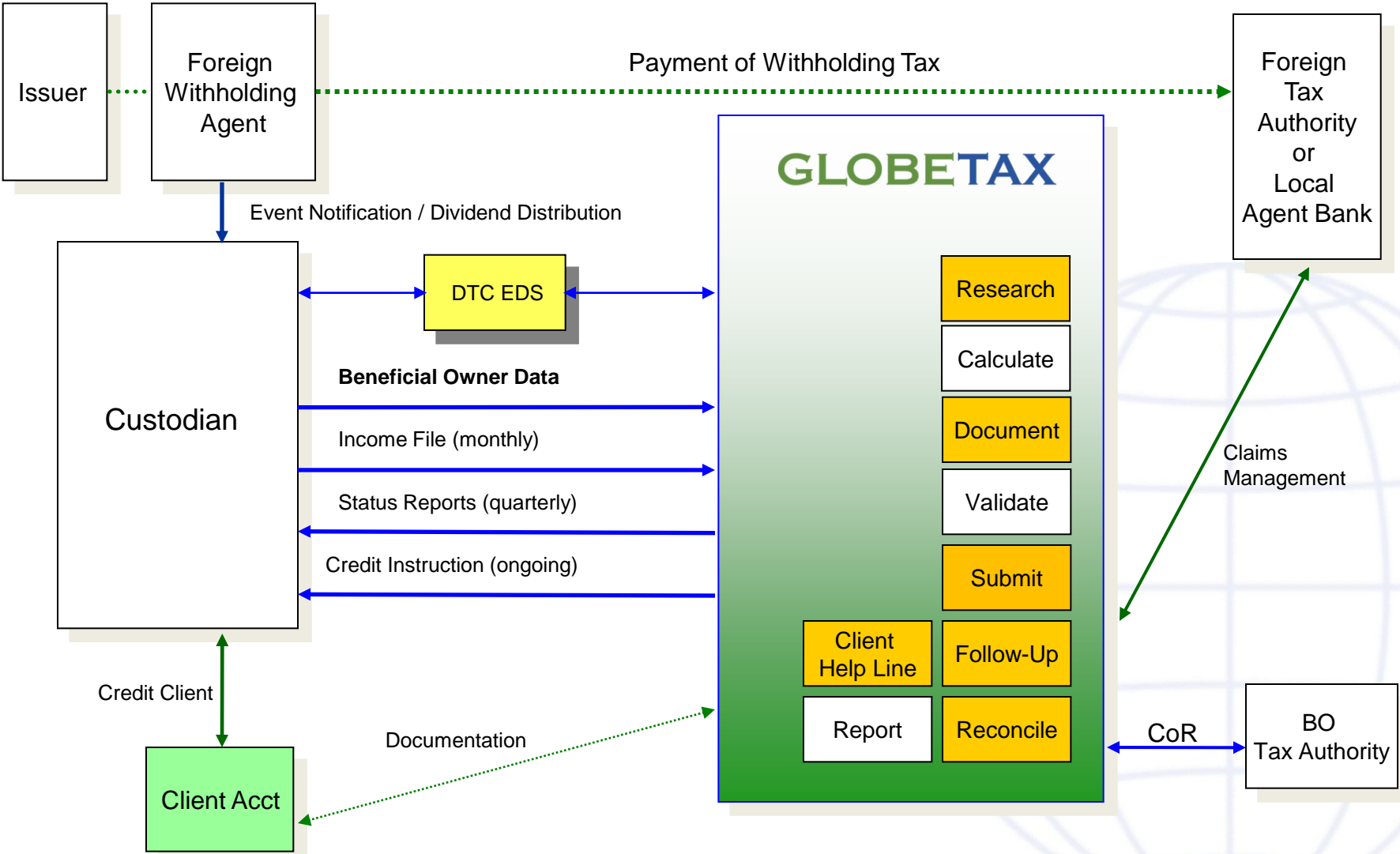
Summary

- Over \$200 billion of tax withheld annually
- Rising trend of amounts withheld as cross-border investment grows and withholding percentages risk
- Current tax recovery activity negligible
- Failure to address these issues exposes issuers and intermediaries to both reputational and financial risk
- Complexity of the issue does not justify inaction

Solutions: Best Practices

- Issuers: Need to develop effective corporate governance policies that support their investor relations strategies
 - Shareholder Communication
 - Shareholder Education
- Intermediaries: Need to develop efficient tax recovery processes to ensure investor access to legal entitlements and accompanying enhanced investment yields

Recovery Process



Popular Jurisdictions

Australia

Austria

Belgium

Canada

Denmark

Finland

France

Germany

Hungary

Indonesia

Ireland

Israel

Italy

Japan

Korea

Luxembourg

Netherlands

New Zealand

Norway

Philippines

Poland

Portugal

Puerto Rico

Russia

Singapore

Spain

Sweden

Switzerland

United Kingdom

United States



Policies on Tax Recovery

- Provide a full-service tax recovery offering
 - Enhances return on investment
 - Fosters investor satisfaction
 - Improves custodian reputation
 - Attracts and keep investors/clients

About GlobeTax

- Founded: 1992
- Clients in over 40 countries
- Offices: New York, Hong Kong, London, Madrid, Milan, Sydney
- Withholding tax recovery services for all beneficial owner types, issuers, transfer agents and employee plans
- Outsource tax recovery solutions for clients of global and direct custodians, clearing service providers and prime brokers
- Tax recovery service provider for all DR Depositories: NY Mellon, Citibank, Deutsche Bank, JPMorgan Chase
- Reclaim processing for all DTCC and ICSD participants filing on DRs and equivalents
- Research: 230+ Jurisdictions
- Volumes Processed: 2,600,000+ reclaims per year

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