

TAX ISSUES IN RESPECT OF NEGATIVE INTEREST

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1 MAY 2015

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INTEREST RATES HAVE FALLEN TO ALL-TIME LOWS

IN SOME COUNTRIES THERE ARE NOW NEGATIVE INTEREST RATES

E.G. DENMARK AND SWITZERLAND

“RATES CAN FALL NO FURTHER”

THE GESELL TAX

- STAMP TAX ON MONEY

TAX ISSUES

- IS NEGATIVE INTEREST REALLY INTEREST?
- OR IS IT SOMETHING ELSE?

WHAT CAN IT BE (1)?

- INTEREST
- COMMISSIONS
- FEES, E.G. FOR BEING CUSTODIAN OF THE FUNDS
- IN SOME CASES A PENALTY

WHAT CAN IT BE (2)?

- COULD IT BE A CAPITAL GAIN/CAPITAL LOSS? LESS IS REPAID THAN DEPOSITED.

WHY IS THIS IMPORTANT (1)?

- TAX DEDUCTIONS AND LIMITATIONS.
FOR INSTANCE DEBT EQUITY RATIOS
- LIMITS ON DEDUCTIBLE INTEREST,
SUCH AS IN GERMANY
- WITHHOLDING TAXES

WHY IS THIS IMPORTANT (2)?

- VALUE ADDED TAXES/GST IF A SERVICE
- WHEN IS THE NEGATIVE INTEREST TO BE TAKEN INTO THE ACCOUNTS
I.E. REALISATION

TRANSFER PRICING ISSUES

- ARM'S LENGTH ISSUES – WHERE TO GET COMPARATIVES
- CASH POOLING

IF A SERVICE IS BEING PROVIDED?

- IS THE COST DEDUCTIBLE?
- IS IT SUBJECT TO VAT?
- IS THE VAT RECOVERABLE?

IN SOME CASES ONE PAYS PENALTIES TO
TERMINATE A DEPOSIT EARLY

- OFFSET AGAINST INTEREST?
- FEE?

GROSS UP

WHAT HAPPENS TO FLOATING RATE BONDS IF THE INTEREST BECOMES NEGATIVE AND THERE IS A TAX GROSS UP PROVISION?

- DENMARK: INTEREST, WHETHER POSITIVE OR NEGATIVE IS DEDUCTIBLE
- OLD SWISS CASE LAW: NEGATIVE INTEREST IS A COMMISSION

MANY QUESTIONS BUT NOT YET MANY
ANSWERS