

Depository Receipt Market Updates

2014

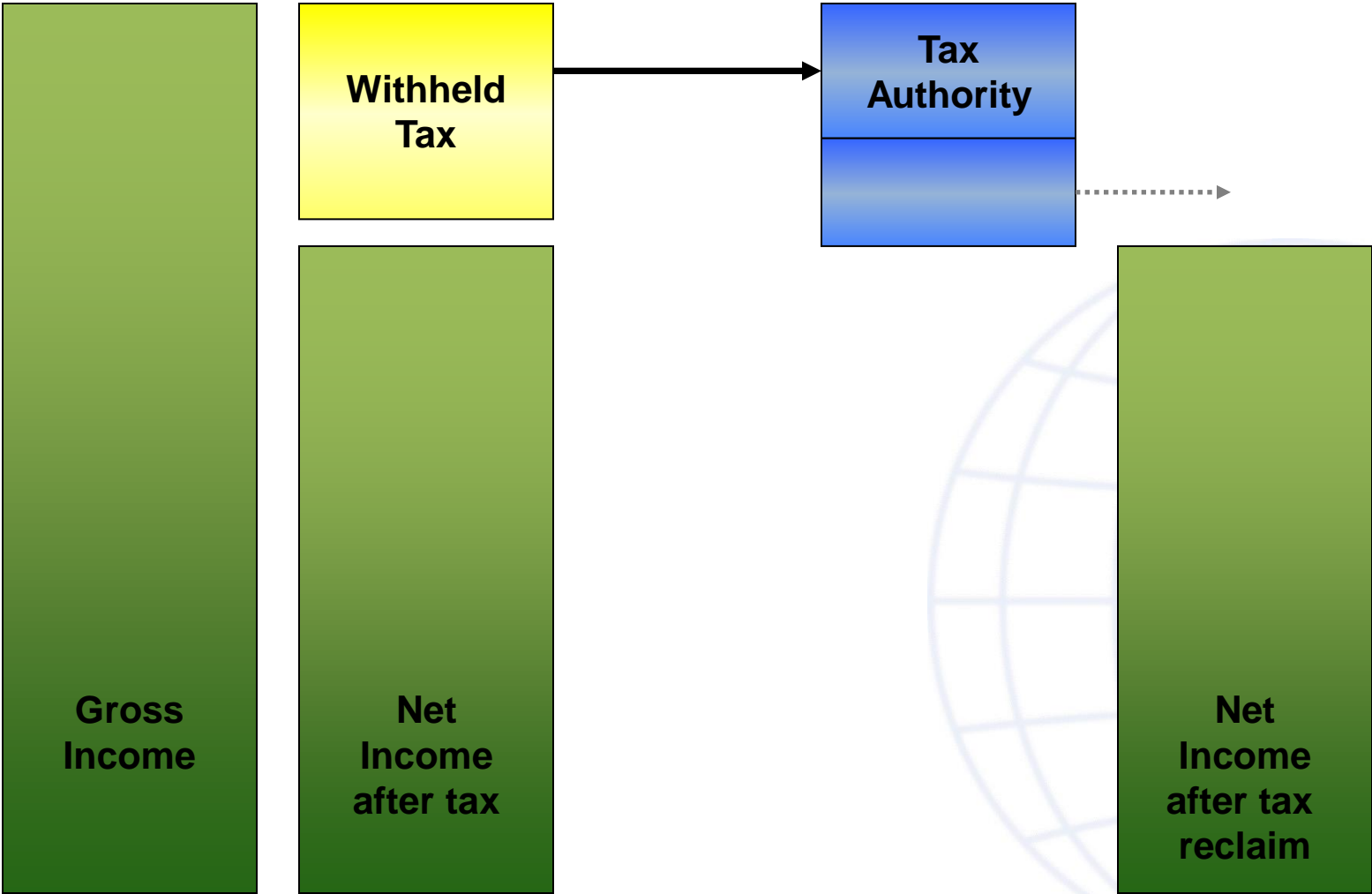
GLOBETAX

May 5, 2014

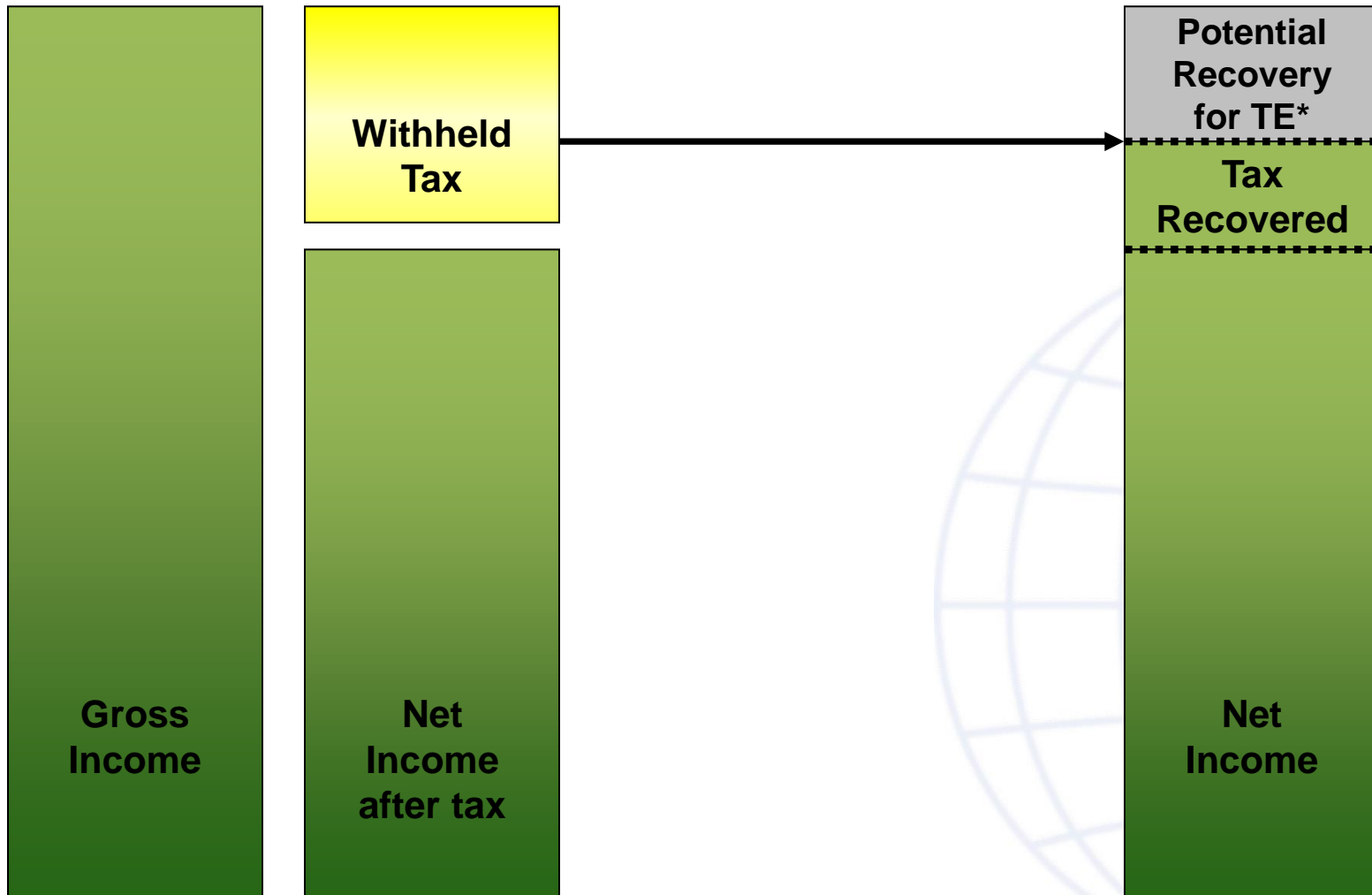
- Withholding Tax Recovery
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Withholding Tax on Cross Border Investment Income



Post Tax Recovery



**Tax Exempts (Dependent on Jurisdiction)*

Statutory Rate Changes for 2014



Greece: 25% → 10%



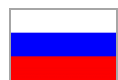
Italy: 20% → 26%*



Japan: 7.147% → 15.315%



Mexico: 0% → 10%



Russia: 15% → 30%**

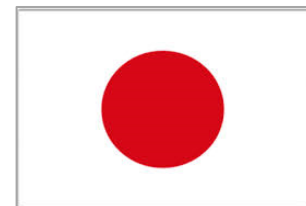
* *Proposed to be effective for payments made after July 1, 2014*

** *30% withholding rate was implemented as punitive to encourage disclosure of domicile of holders*

- The Italian government has proposed a withholding increase from 20% to 26%
- If approved, such proposal will be effective from July 1, 2014



- Reduced withholding expired December 31, 2013
 - Withholding increased to 15.315%
- Required documentation
 - DTC Participants should be able to provide a copy of a Form W9 or W8 to prove residence during audit
 - Audits may take place 7 years after the dividend payment
- GlobeTax and the Depositaries worked closely with Japanese custodians to develop a process balancing the Japanese Tax Office's concerns with those of the DR investors



- 10% Withholding Rate initiated
 - On corporate earnings generated starting January 1, 2014
 - Dividend withholding tax for most issues may not apply until late 2014 or 2015
 - US Pensions and US Charities are entitled to exemption
 - GlobeTax is working on a process



- Punitive withholding rate in addition to Statutory Rate
 - 15% (punitive rate) + 15% (Statutory Rate) = 30% effective withholding rate
- Recommended process steps
 - Submit claim(s) through ESP
 - ESP will provide summary data, by applicable withholding rate, to simplify submission of EDS elections
- Post-payable refund process in development



- **Full Beneficial Disclosure for all investors**
 - Starting with record dates as of January 1, 2014 and retroactively to ancillary batches for prior years
 - Must include full beneficial owner address
 - Must include TIN#s
- **Forms 6166 required for certain entity types / thresholds**
 - Individuals: no Forms 6166 required
 - Corporations, Other Entities, Pensions (claiming 20%), U.S. RICS: when Gross dividend > CHF 100,000
 - Transparent Entities: when Gross dividend > CHF 25,000
 - Pensions (claiming exemption): always required



2013 Canada

- New information requirements to determine tax treaty benefits on payments to non-residents. Effective 1 January 2013, non-Canadian-resident investors required to certify residency and eligibility to receive Canadian-source income at reduced treaty rates.
- Canada Revenue Authority (CRA) provided new declaration forms with instructions for non-Canadian-resident investors
 - Requirement: Requisite NR Form OR Equivalent information
 - If forms are not used, custodian must demonstrate process to ensure accuracy of data
 - The forms are valid for up to 3 years BUT ONLY IF ACCURATE

NR301 – Declaration of Eligibility under a Tax Treaty for a Non-Resident Taxpayer

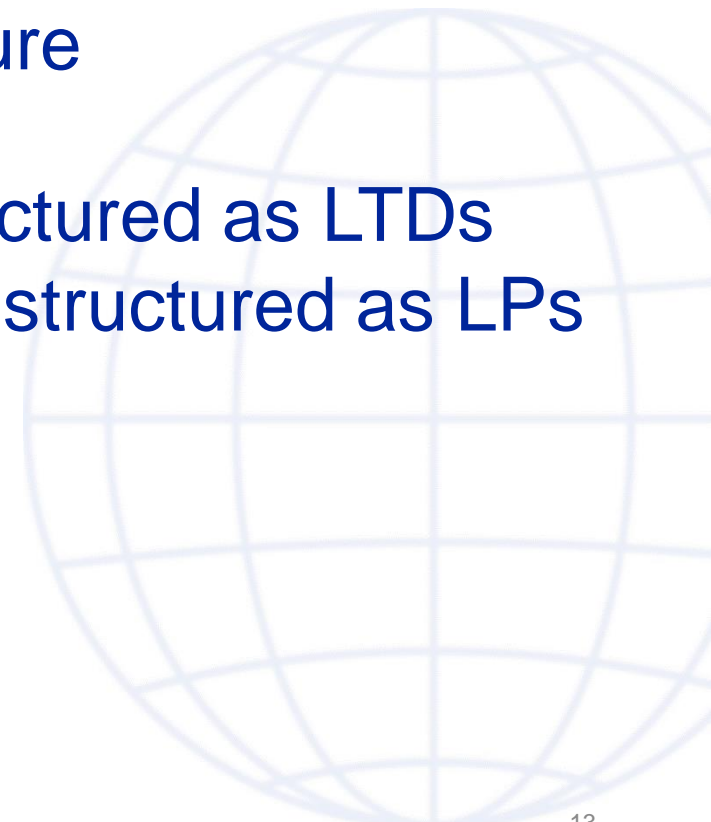
***NR302** – Declaration of Eligibility under a Tax Treaty for a Partnership with Non-Resident Partners

***NR303** – Declaration of Eligibility under a Tax Treaty for a Hybrid Entity (e.g. LLCs)

*** Must include a schedule of partners/members, upon which same validity requirements exist and must be up to date as of income payment date**

- **“Overseas Investment Vehicle” (OIV)**
 - Two or more persons and distributing yields to investors or fund management entity
 - Requirements for relief: Full schedule of Beneficial Owners including for ‘secondary’
- **“Overseas Public Collective Investment Vehicle” (OPCIV)**
 - Registered / Approved in tax treaty partner country and Not issued by private placement and 100 or more investors (OIVs within count as one investor)
 - Requirements for relief: OPCIV must submit documentation supporting OPCIV status and schedule containing total investment amount and number of beneficial owners by country of residence
- **OPCIV vs. OIV**
 - Applicant not required to submit “Application for Entitlement to Reduced Tax Rate” forms from investors
 - Applicant not required to submit “Schedule of Beneficial Owners”

- FATCA and Intergovernmental Agreements (IGAs)
- Trending to increased disclosure
- Offshore funds previously structured as LTDs (e.g. Cayman, BVI) now often structured as LPs








Cayman Islands

- Possible new type of corporate vehicle – an exempted limited liability company (ELLC)
 - Will incorporate certain features of a Cayman exempted limited partnership
 - Liability limited by reference to members' capital accounts and capital commitments
 - Members will be free to agree amongst themselves the internal workings of the ELLC

Potential Recoveries

Rates are for U.S. Resident Taxable and Tax-Exempt Investors

Country 	Gross Dividend	Tax Withheld	Dividend Received	Recoverable Taxes	Final Dividend Received	Statutes of Limitations
Belgium 	100	25	75	10 or 25	85 or 100	5 years
Canada 	100	25	75	10 or 25	85 or 100	2 years
Finland 	100	30	70	15 or 30	85 or 100	5 years
France 	100	30	70	15	85	2 years
Germany 	100	26.375	73.625	11.375 or 26.375	85 or 100	4 years
Ireland 	100	20	80	20	100	4 years
Italy 	100	26*	74	11	85	4 years
Japan 	100	15.315	84.685	5.315 or 15.315	90 or 100	5 years
Russia 	100	15**	85	5	90	3 years
South Korea 	100	22	78	5.5	83.5	3 years
Spain 	100	21	79	6	85	4 years
Sweden 	100	30	70	15 or 30	85 or 100	5 years
Switzerland 	100	35	65	20 or 35	85 or 100	3 years

* The Italian government has proposed an increase of the withholding tax rate on income as of July 1, 2014

** Failure to disclose domicile of holders will result in a punitive 30% withholding rate

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