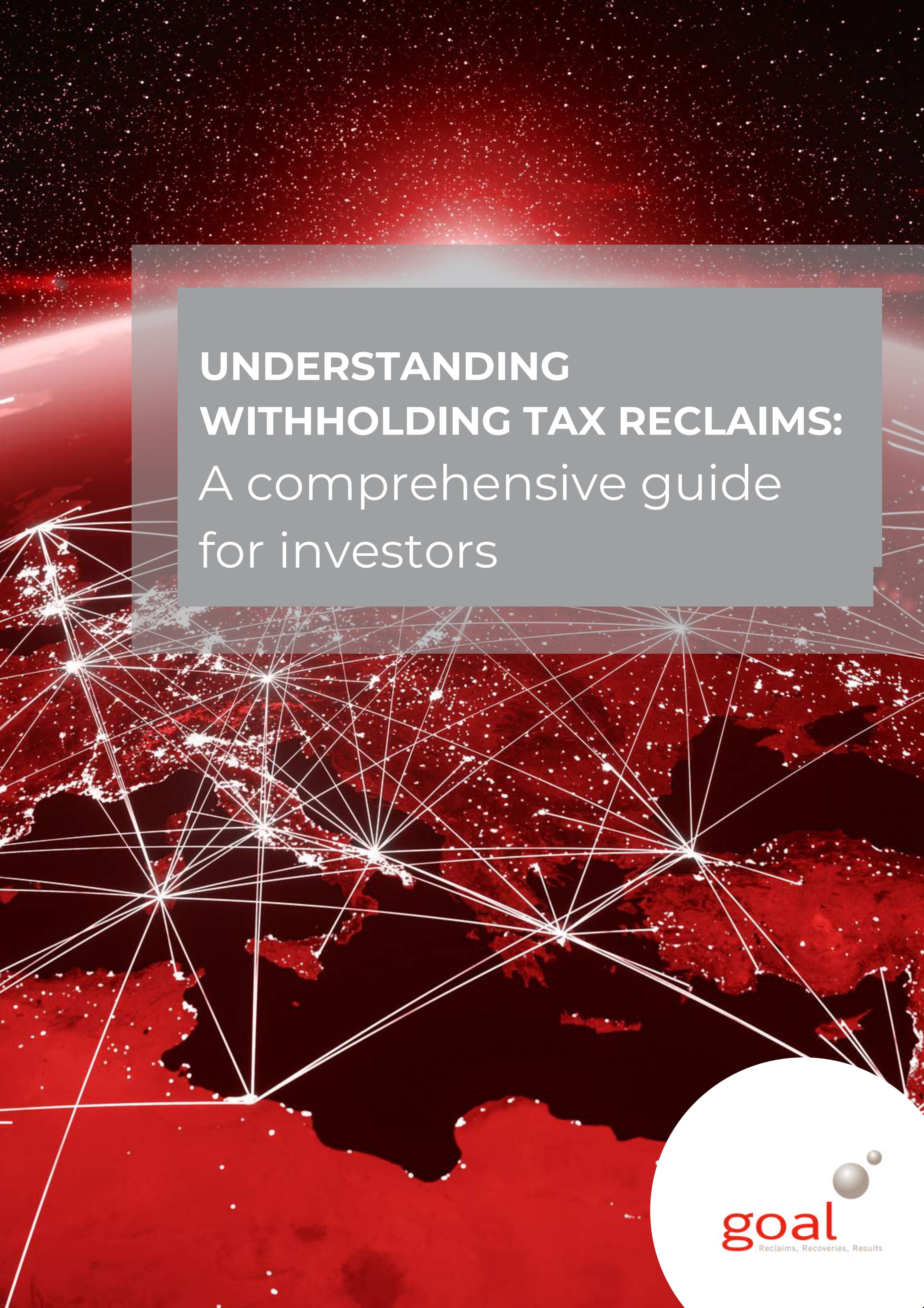
UNDERSTANDING WITHHOLDING TAX RECLAIMS:

A comprehensive guide for investors



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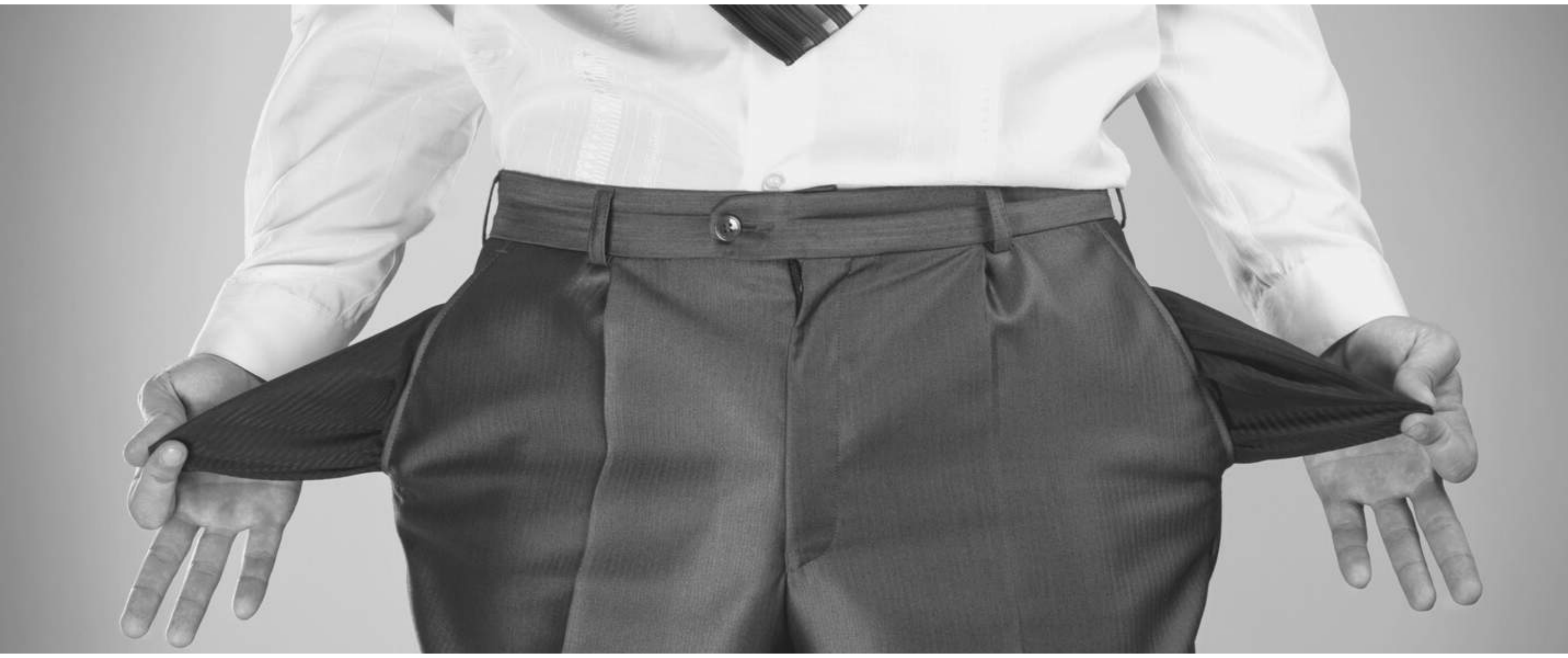
Reclaims, Recoveries, Results



UNDERSTANDING WITHHOLDING TAX RECLAIMS: A COMPREHENSIVE GUIDE FOR INVESTORS

Welcome and thank you for downloading our guide to withholding tax reclaims!

We're assuming you're either going through the process or about to start and may be finding it a little overwhelming. There's no doubt it can be a tortuous procedure, but in this guide we hope to give you some background information and pointers on navigating your way through the withholding tax reclaim rabbit warren.

Nothing is certain but death and taxes – a tax history

Where there is civilisation, there is taxation. In Ancient Egypt records from 3000 BCE show Pharaohs collecting tithes, a tenth of income, from their subjects. Around 2500 BCE early Mesopotamian cuneiform samples relate information about the tolls and other charges which merchants faced when transporting goods across regions. In the Bible, the book of Luke mentions that a decree went out from Caesar Augustus that all the world should be taxed, which led to Joseph and Mary undertaking the journey to Bethlehem. In Anglo-Saxon England, the law code of King Aethelbert of Kent orders that fines from judicial cases must be paid to the king. As time went on, taxes and their collection methods became ever more convoluted and complicated, and a whole industry sprung up to calculate and collect them which is still expanding today.

Taxation is the compulsory financial charge, either direct or indirect, imposed by a governmental organisation in order to fund government spending and public expenditure. Nobody particularly wants to pay tax, but most people accept the necessity for some kind of contribution to common welfare.

There can be few subjects more complex than tax in all its forms. Not only is it in itself a labyrinthine process, it evolves constantly from year to year, from country to country, from government to government – and keeping up-to-date with the intricacies can become completely overwhelming.

At Goal Group, we're experts on unravelling the tangled threads of withholding tax reclaims and simplifying the process. In this guide we'll take you through the process so you, as an investor, understand the issues and can take the necessary action to ensure it works for you.

Who decides what taxes are paid?

Taxes are set by a jurisdiction, which is a legally-defined taxation authority within a geographic area that writes its own tax policies and imposes the tax within its borders. Most jurisdictions are countries, but in some areas, for example the EU and the US, they can be a group of countries, a region, province, state, city or local authority, which can create multiple crossovers. As an example, there are over 12,000 sales tax jurisdictions within the US alone.

Each jurisdiction has its own tax code and sets the rules which govern the following issues:

- Registration thresholds
- Tax rates
- Deadlines and filing regularity
- Whether a product or service is taxable or tax-free

Jurisdictions have their own tax codes for tax allocation and identification during processes such as tax returns.

What is withholding tax?

Withholding tax is a tax levied by an overseas jurisdiction on dividends or income received by non-residents. As a business or private investor, you will almost certainly have a portfolio which includes international assets taxable in that jurisdiction. Most people try to avoid paying any more tax than they need to, but what no-one wants to do is end up paying the same tax twice. In order to maximise returns from foreign investment, investors must claim back withholding tax from foreign investment dividends and income.

There are three ways to reclaim withholding tax:

- Double taxation agreements (DTAs)
- Domestic tax legislation
- ECJ claims

Double taxation agreements (DTA's)

Claims can be made by following the terms of double taxation treaties between the country of residence and the country where the income is earned. This is the most common route to take. DTAs are designed to:

- Protect against the risk of double taxation where income is taxable in two jurisdictions
- Provide certainty of treatment for cross-border investment and trade
- Ensure that a country's business interests are protected against punitive foreign taxation

A DTA is basically an agreement between two jurisdictions about rules for taxation. It's meant to avoid the possibility of double taxation and encourage commerce and investment by removing a layer of complication for citizens and their businesses. They are also intended to protect a country's taxing rights and guard against tax evasion attempts. Most DTAs are largely based on the OECD (Organisation for Economic Co-operation and Development) Model Tax Convention on Income and on Capital. There are more than 3000 DTAs worldwide and the UK has one of the largest global treaty infrastructures with over 120 DTAs in place with countries ranging from Albania to Zimbabwe.

Domestic tax legislation

Claims can be made based on the jurisdiction's domestic legislation concerning investment taxation

European Court of Justice claims (ECJ)

When EU member states tax domestic investment funds more advantageously in comparison to foreign investment funds, this represents discriminatory tax policy and contradicts the principle of free movement of capital within the EU. A number of cases have been brought to the European Court of Justice which have established precedents and claims can be made in the ECJ by a reimbursement method based on EU case law. However, it's arguably even more time-consuming than the first two routes, as a prior judgment must be found on which to base the tax reclaim submission, and then legal work undertaken to demonstrate the similarity between the cases. These claims are handled most efficiently by the 'Big 4'.

What is the process for withholding tax reclaims?

Inevitably, given the complexities of international tax law, we can only outline the procedure here, and each jurisdiction will have its own requirements.

STEP 1: Prove that you're eligible to reclaim withholding tax.

In the UK, for example, this means applying to HMRC for a certificate of residency (COR). They will need to know:

- The reason for your application
- The DTA under which you want to make a claim
- The type of income you want to claim for and the relevant income article
- The time period you need the CoR for, particularly if this has a different start date from the date of issue
- Confirmation, if required by the DTA, that you are the beneficial owner of the income for which you are claiming and that you are subject to UK tax on all of this income

There are different ways to apply for a CoR depending on the applicant's status, for example sole trader, company, partnership or investment scheme.

Once you have the proof of residency from your domestic tax authority, it will need to be sent to the relevant foreign tax authority along with a request for the appropriate tax relief form. Most forms can be downloaded online but some jurisdictions may have multiple forms for different entities within the same country.

STEP 2: Check the DTA

Applicants for withholding tax reclaims need to go through the relevant DTA extremely thoroughly as time spent applying is wasted if it turns out, in fact, that investors are not eligible to apply in the first place. Every jurisdiction has specific rules and requirements so the fact that you may be eligible in one doesn't mean you will be in another. DTAs can also vary by year of pay date, entity type and domicile of entity, and in addition, the tax statute of limitations varies from country to country.

STEP 3: Complete the claim form

This is a lengthy and extremely detailed form which has to be filled in either for a company or an individual, in accordance with the particular rules of the foreign tax authority. The company form, which often needs to be filled in in the language of the jurisdiction in which you are filing, will need to include information on:

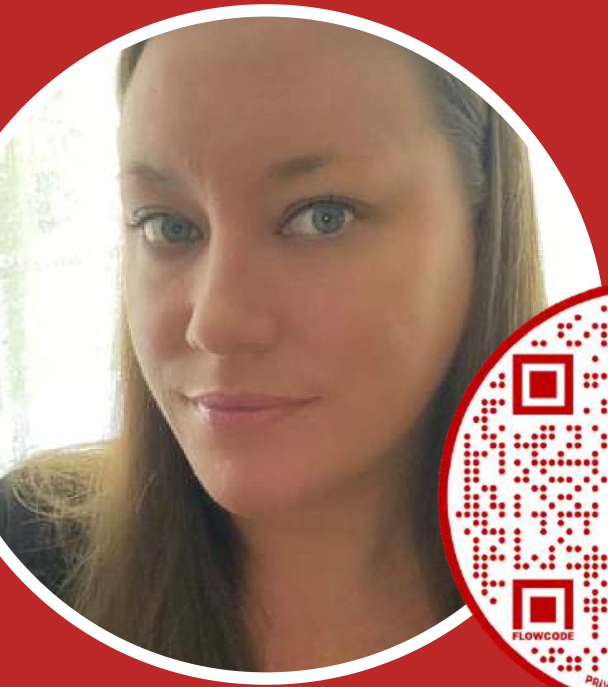
- Company organisation, income and tax position
- ·Interest from loans, whether the loans are syndicated
- Interest from securities
- Income from royalties
- Types and definitions of taxes
- Whether the tax being reclaimed is a full or partial amount

STEP 4: Submission

Submit the proof of residency and the claim form to the foreign tax authority within the necessary deadline. Many countries will also request a variety of supporting documentation such as trade confirmations, custodian statements etc. It's worth noting that even after submitting a detailed claim, you will not automatically receive back the full amount of foreign tax you have paid. For a UK claimant, the amount could be reduced if a smaller amount is set by the country's DTA or if the income would have been taxed at a lower rate in the UK.

The process as we have set it out above might sound relatively straightforward. However, our most recent estimate was that around a quarter of withholding tax remains unclaimed each year, equating to billions of US$, and much of it is due to arduous administrative protocols. The sheer volume of data analysis and documentation required is considerable, and it has to be gathered together, prepared, thoroughly checked and collated. Every application has to be done separately as each jurisdiction has its particular procedures and processes, specific documentation requirements, and network of information flows; the way applications are handled can also differ considerably.

In the continual battle against tax fraud and money laundering, tax authorities require ever more detailed information about tax beneficiaries and stakeholders involved in payment progression. Transparency is essential and there can be heavy penalties for non-compliance, whether by accident or design.



Scan to connect with our CRO Vicky Dean

How Goal Group can help

Goal Group is at the forefront of withholding tax reclaims and our recovery service has been removing the stress from the process for investors for more than 30 years.

In 1993, realising that our extensive experience gave us a unique overview, we launched our own software, Global Tax Reclamation Solution, (GTRS™) and it's recently undergone a major cloud-based evolution. It takes reams of investor data and reconciles it with all the necessary up-to-date information from both the domestic and reclaim market, calculates the reclaimable rate, accurately fills in the required forms and prints them.

Its latest metamorphosis has upgraded it to a trailblazing and seamless application with the highest level of data security and includes detailed reporting and tracking tools. GTRS™ has its own dedicated internal research team which constantly monitors even the smallest change in DTA legislation, ensuring the whole approach is accurate, efficient and rapid.

We hope this guide has given you an overview of the process and some insights into the best way to proceed with your claim. If, however, you feel your withholding tax reclaim application needs to be handled by professionals, our friendly and experienced team would be delighted to remove the stress and complete it for you. As the only vendor to have developed a suite of in-house applications with advanced levels of automation, we have evolved into a global fintech, leading the way, challenging the competition and disrupting the market.

Why not contact us for a chat and see how we can help?