

*Investing Beyond Borders & Tax Recovery:
Are You Leaving Money on the Table?*

NCPERS 2019 Annual Conference & Exhibition
May 19 - 22
Austin, TX



Notice

The content presented in this presentation is for discussion purposes only and is not intended to be "written advice concerning one or more Federal tax matters" within the scope of the requirements of section 10.37(a)(2) of Treasury Department Circular 230. To the extent that you decide to act, or not to act, based on any information contained in this presentation you acknowledge that the information was prepared based on facts, representations, assumptions, and other information you provided to us, the completeness and accuracy of which we have relied on you to determine. In addition, the information contained herein is based on tax authorities that are subject to change, retroactively and/or prospectively, and any such changes could affect the observations made or any conclusions reached that are contained herein.

You (and your employees, representatives, or agents) may disclose to any and all persons, without limitation, the tax treatment or tax structure, or both, of any transaction described in the associated materials we provide to you, including, but not limited to, any tax opinions, memoranda, or other tax analyses contained in those materials.

The advice or other information in this document was prepared for the sole benefit of KPMG's client and may not be relied upon by any other person or organization. KPMG accepts no responsibility or liability in respect of this document to any person or organization other than KPMG's client.



With you today



Carles Farre
Principal KPMG LLP



Audie McRae
Manager KPMG LLP



Tom Grande
Director of Sales, GlobeTax

Global Tax Environment

Changes are occurring at an increasing pace around the world.

Goods and Services Tax (GST)

U.S. Tax Reform

Brexit

High Court Challenges



















Value Added Tax (VAT)

Transaction Based Taxes

Base Erosion and Profit Sharing (BEPS)



Market Update Examples

		Audits	Rate Change	Process Change	Statute of Limitation Change
Austria		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Belgium		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Canada		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Denmark		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Finland		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
France				<input checked="" type="checkbox"/>	
Germany		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Greece			<input checked="" type="checkbox"/>		
Ireland		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Italy			<input checked="" type="checkbox"/>		
Korea					<input checked="" type="checkbox"/>
Norway				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Poland				<input checked="" type="checkbox"/>	
Russia		<input checked="" type="checkbox"/>			
South Africa			<input checked="" type="checkbox"/>		
Spain			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Sweden				<input checked="" type="checkbox"/>	
Switzerland		<input checked="" type="checkbox"/>			

Burdens for Global Investors

In the continuously changing global investment environment, investors face a number of challenges, including:

- Increased burden to maintain awareness of changing market-specific tax laws, rules, and regulations
- Limitations on tax information provided by custodians, legal advisers and asset managers
- Consequences of noncompliance with tax rules, laws and regulations that may result in penalties and interest
- Payment of taxes in excess of requirements that result in costly and time-consuming tax reclaims

Unique Benefits for Tax-Exempt Investors

- Pensions are often entitled to reclaim a higher percentage, sometimes all, of the tax withheld on income from foreign securities (but not on mutual fund and ETF investments)
- Potential for greater recoveries once the Statute of Limitations are taken into consideration
- As a tax-exempt entity there is no tax credit to take so every dollar recovered goes straight to the bottom line
- Industry best practice as ERISA fiduciary
- Increasing pressure as Department of Labor steps up pension audits

Entitlement recoveries help pension funds meet their target return rates and funding obligations to plan members



Post Tax Recovery Illustration

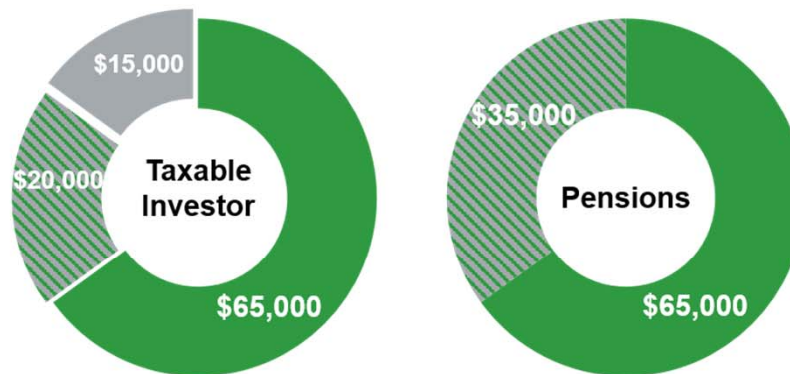
U.S. Investors Receiving \$100,000 Swiss Dividend Payment

Income Without Recovery



Total Income: 65%

Income After Recovery



Total Income: 85%

Total Income: 100%

■ Net Income Received

■ Withheld Tax

■ Recovered Tax



Potential Tax Leakage

Common sources of tax leakage on foreign investments:

U.S. Tax Treaty Benefits

American Depositary Receipts

Collective Investments

European Court of Justice

Alternative Investments

U.S. Tax Treaty

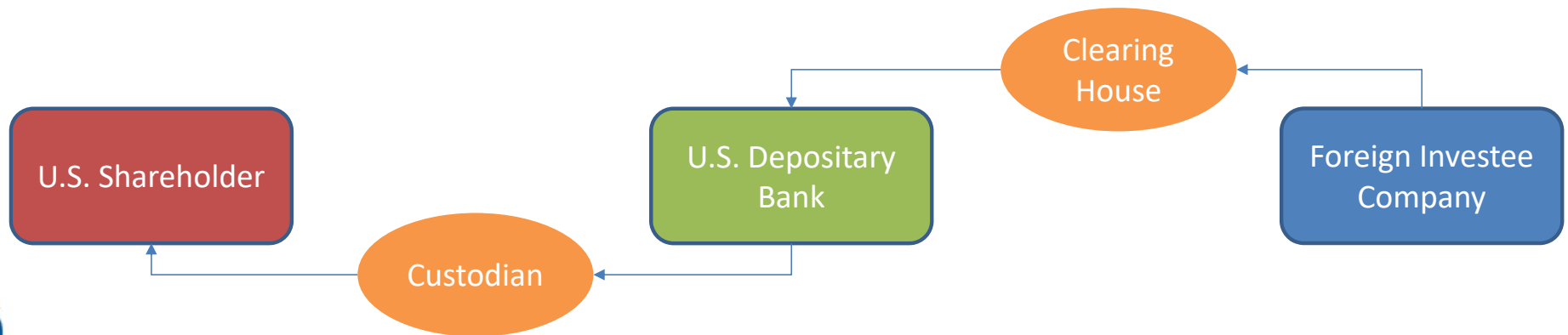
Tax treaties between the U.S. and other countries provide a number of benefits, however application of the full benefits may be:

- Inaccurately interpreted against the investors facts and circumstances;
- Dependent on submitting documentation to foreign authorities; or
- Not applied to specific transactions in error



American Depositary Receipts (ADRs)

- An ADR is a security that represents shares of a non-U.S. company that is held by a U.S. depository bank outside the United States
- To secure the applicable tax rate at source or seek tax refunds, specific documentation must be gathered for the full chain of ownership / payment.



Transparent Entities & Collective Funds

- **Individuals, Corporations and other truly opaque entities:**
 - Viewed as residents in their country of domicile and can file for all legal entitlements, nothing to ‘look through’
- **Collective Trusts and other ‘look-through’ entities:**
 - Must be pierced, sometimes to ultimate beneficial owner level
- **Collective Trusts Advantages:**
 - \$2.4 Trillion in total AUM as of 2018 and expected to hit \$3 Trillion in 2020
 - Established 75 years ago & dedicated to the retirement investor base
 - Low management fees / under 10 basis points in many cases
 - Global exposure via pooled investing



European Court of Justice (ECJ)

- Direct taxation of investors by European Union (EU) Member States cannot violate the free movement provisions of EU Law
- Investment / pension funds can recover over-withheld taxes under ECJ rulings, specifically through filing a “discrimination-based” claim(s) *in addition* to treaty-based claims (relief at source, post-payable)



ECJ Available Markets



Austria



Netherlands



Czech Republic



Norway



Denmark



Poland



Finland



Spain



France



Sweden



Germany

- Not an exhaustive list. Markets subject to change

Alternative Investments

- Alternative investments opportunities are highly competitive for public pension fund investors
- Tax considerations are not the primary focus of analysis and due diligence
- Proposed structures may include tax at various levels within the investment that are not explicitly disclosed
- The unique tax status of public pension funds provide an opportunity to consider alternative investment entry points to minimize tax



Questions?

<p>Carles Farre Principal, KPMG LLP 345 Park Avenue– 2nd Floor New York, NY 10154, USA Direct: 212-954-1469 cfarre@kpmg.com</p>	<p>Audie McRae Manager, KPMG LLP 345 Park Avenue– 39th Floor New York, NY 10154, USA Direct: 212-954-3557 amcrae@kpmg.com</p>	<p>Thomas M. Grande Director of Sales, GlobeTax One New York Plaza – 34th Floor New York, NY 10004-1936, USA Direct: 646-805-0016 Tom_Grande@GlobeTax.com</p>
--	--	--

About KPMG

KPMG is a global network of independent member firms offering audit, tax and advisory services.



KPMG has a dedicated practice to serving public pension funds across all service disciplines. Specific to tax, services include:

- Providing tax rules, regulations and compliance requirements;
- Seeking tax reclaims;
- Facilitating tax abatements and reductions;
- Serving as local tax agents; and
- Alternative investment structuring support.

About GlobeTax

- Founded: 1992
- World's leading foreign withholding tax recovery specialist
- 2 business lines:
 1. Full-service tax recovery provider for investors
 - Identify opportunities, collect docs, submit applications, track claims, and collect payments
 - Client types: pensions and retirement systems, foundations, endowments, group trusts, commingled funds, hedge funds, banks/brokers, and individuals
 2. Outsourced tax processing agent for global financial intermediaries
 - Apply correct withholding tax on behalf of financial intermediaries
 - Designated agent for ADR-issuing US Depositories (BNYM, Citi, Deutsche Bank, JPM)
- Clients in 40+ countries; research covers 245+ jurisdictions
- Offices in NYC (HQ), London, and Madrid

