

# Tax Managed Services: Asset Management

Highly integrated, technology  
enabled, fund tax services across  
the globe

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# Introduction

Asset Managers face an increasingly broad and complex range of tax obligations spanning the countries in which they operate and invest into.

To support this need, EY has developed an integrated package of tax services to help enable asset managers and funds to support their tax obligations, risks and costs. EY asset management tax professionals are ready to work with you and provide EY services through our EY Funds Tax Platform. This has been configured and built to grow so that it can meet both today's needs and the needs of the future. Our modular, flexible service package has been developed to address the challenges that the asset management tax function face which include:

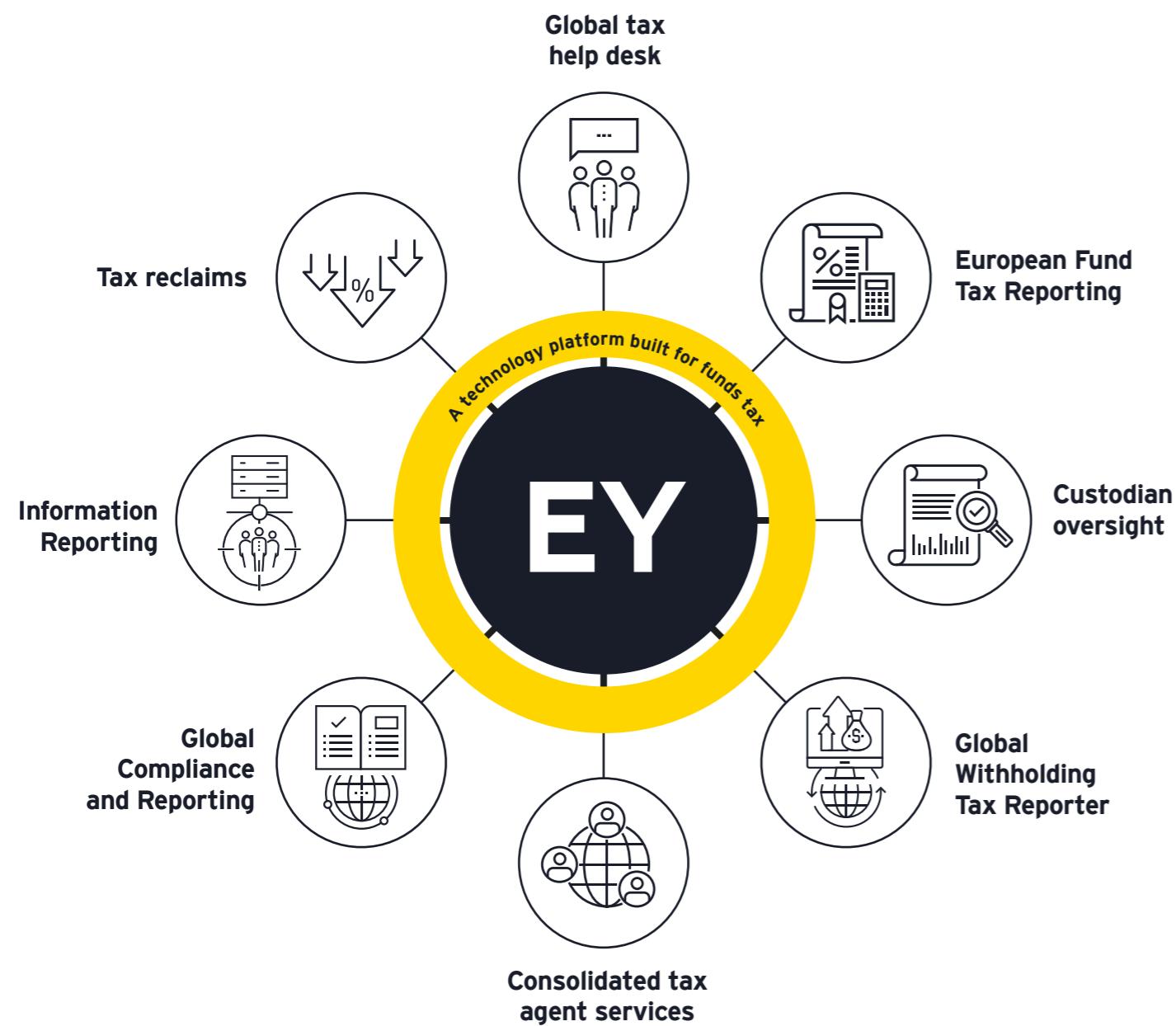
- ▶ Margin pressures: demonstrating value-for-money for investors and shareholders is driving cost cutting, with tax functions being asked to do more with less investment
- ▶ War for talent: there is a shortage of experienced tax professionals in the market, impeding functions' ability to scale to meet increased workload
- ▶ Board-level scrutiny: tax has become a major reputational issue for financial institutions, with the wider organization looking to the tax function to steer, support and provide strategic guidance
- ▶ Focus on investor tax transparency: authorities are continuing to drive this agenda through the introduction of the various automated exchange of information agreements and the recent Mandatory Disclosure Regime
- ▶ Oversight of risks: the expanding tax obligation landscape demands greater visibility and effective management of risks that taxes pose to businesses
- ▶ Emerging investment market tax regimes: gaining familiarity with evolving regulations that may present portfolio-level taxes on income or gains
- ▶ Investor reporting: funds may need to assess and report their tax obligations or provide information to investors to help enable them to meet their own tax responsibilities

EY's flexible package of services provided by the global EY network of dedicated asset management tax professionals means we can provide you with confidence in navigating these global challenges.

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# Tax Managed Services: Asset Management

An integrated and modular suite of services to help asset managers and funds navigate global complexity. Our core solutions are:



## Global tax help desk

Providing you with on call support provided by a professional tax team



## European Fund Tax Reporting

A broad range of investor tax reporting services across the region



## Custodian oversight

Providing custodian oversight and governance



## Global Withholding Tax Reporter

An online database and news service that monitors global portfolio level taxes



## Information Reporting

Providing support with automatic exchange of information and other international tax reporting regimes



## Tax claims

Recovering withholding tax due to the fund

### We understand Asset Managers' key objectives in managing tax obligations:

- ▶ Simplification of the administrative side of engagements
- ▶ One point of contact to discuss and resolve any issues
- ▶ A model that is scalable and will meet future needs
- ▶ Reduction of time spent in managing the day-to-day process
- ▶ Access to information that provides transparency over the process and allows the identification and control of risks
- ▶ Continuous improvements in providing value to the business over time

### How EY teams meet these needs:

- ▶ A consolidated, broad delivery model, with a single point of access
- ▶ A client portal that provides enhanced oversight over your fund tax obligations and allows for efficient interaction between EY and client teams
- ▶ Investing time in relationships to understand, anticipate and respond to client needs
- ▶ No surprises: a transparent approach to fees
- ▶ A commitment to continuing investment in tax technologies and innovation to help drive efficiency, control and risk management

# A technology platform built for funds tax

**More than ever, technology is critical** to effectively meeting the evolving and data-intensive tax obligations facing asset managers. That's why EY has developed the Funds Tax Platform: a powerful and integrated suite of technologies specially designed to support EY asset management clients with greater transparency and control, more efficient use of tax data and enhanced business insight.

## Data uplift

EY teams have worked closely with key fund administrators to help implement automated data sourcing with validation and transformation capabilities that elevate quality and streamline the processing of data within our tax engines.

## Client portal

EY's portal provides a customisable entry point to the platform's features, along with essential engagement information and up-to-the-minute tax news alerts.

## Document sharing

Rapid, secure and segregated access to files and documentation exchanged between asset managers, third party administrators and EY, including published tax reports and filings.



## Workflow tracking

Clear oversight of the progress of fund tax deliverables throughout the broad delivery cycle, with the option to drill down for more details and review / approve draft outputs.

## Visual analytics

Our suite of interactive analytics dashboards allows both clients and EY delivery teams to gain new levels of insight into fund tax data. This helps to enable rigorous risk and quality management while supporting business decision making.

# Global tax help desk

**Navigating portfolio taxes can be difficult for a centralised in-house tax function** and identifying risks, opportunities and issues requiring assistance will often need local market expertise.

Such support may be needed at a number of stages including:

- ▶ New market due diligence phase - when an assessment of local tax requirements will often be a key stage of the internal approval process
- ▶ Dealing with local market tax forms to secure tax treaty benefits
- ▶ Understanding the impact of changes in tax law or practice

## How EY teams can help

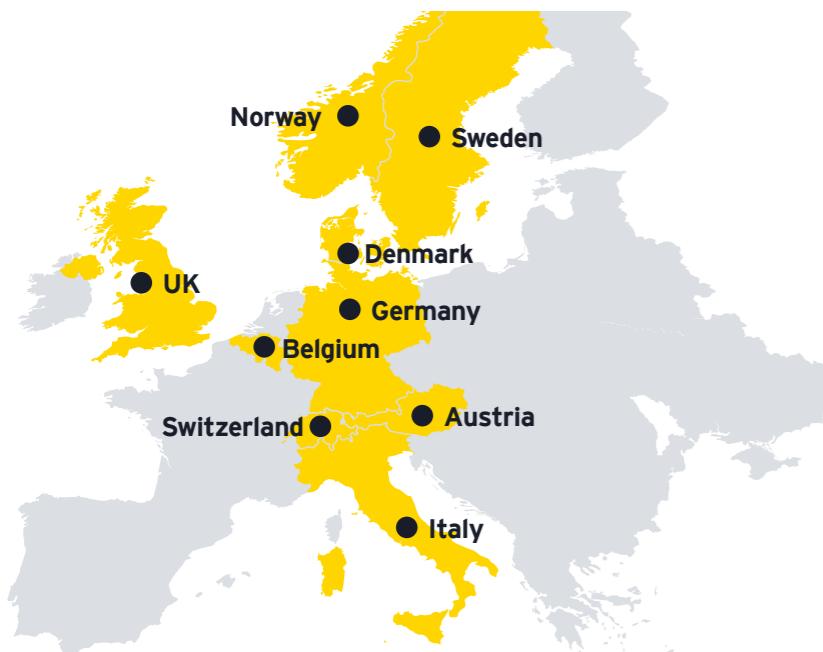
We have a team of international tax professionals who understand cross-border portfolio taxes and importantly the practical side of how things work. We are linked into industry working groups and connected with the custodian bank industry and can provide real market insights to you to help you navigate tax risks and opportunities. This team can help you access the global EY network consisting of local market tax professionals who will be able to support you with your needs.





# European Fund Tax Reporting

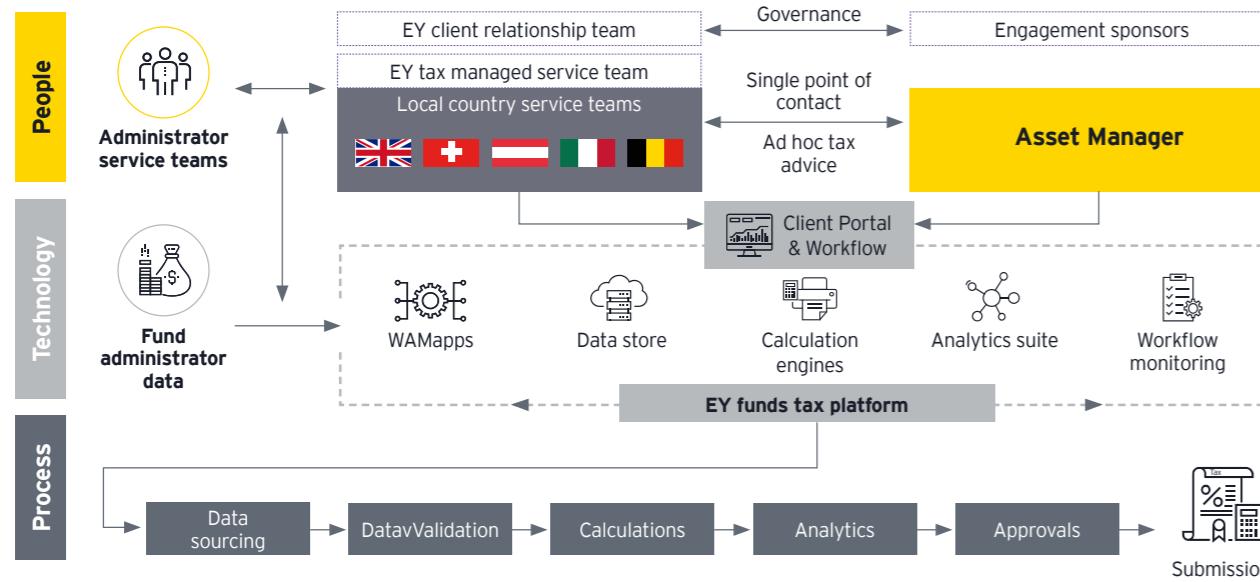
Asset managers provide tax reporting to investors in certain distribution countries, either to be compliant with mandatory tax law requirements, to provide investors with tax benefits, or due to market practice. Asset managers need to be confident that they are fully compliant with all their reporting obligations in the constantly changing tax landscape, and that their processes are streamlined for efficiency.



## How EY teams can help

EY teams have developed a seamless service that harnesses the technical knowledge/experience of the in-country fund tax teams together with technology. Through this, we can provide improved risk management, oversight and control, automation efficiencies and an enhanced service experience

## An integrated reporting service



# Consolidated Tax Agent approach

Certain investment markets require a tax agent to be appointed to fulfil the fund's tax obligations in that market.

The most common markets with this requirement are:

- ▶ Bangladesh
- ▶ India
- ▶ Pakistan
- ▶ Peru
- ▶ Romania
- ▶ Taiwan

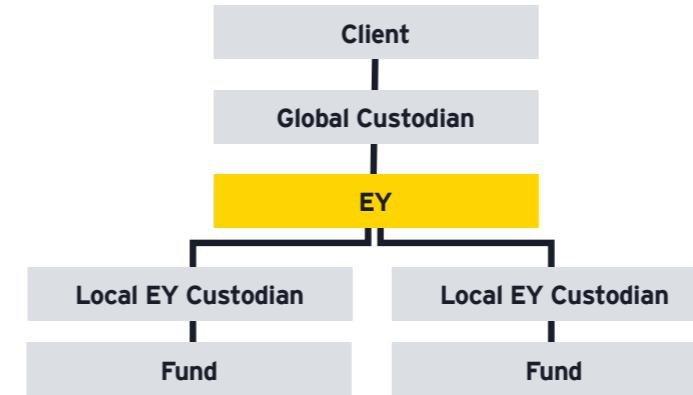
Asset Managers need to ensure that tax obligations in the market are being met, and that the right amount of tax is being paid or recovered at the right point in time.

It is common for funds to have different providers in different countries, resulting in a variety of types of management information, invoicing arrangements, contractual obligations, and a general lack of oversight.

## How EY teams can help

EY teams will consolidate the provision of all tax agent services into a single, globally consistent framework. This will provide several benefits, including:

- ▶ Provision of a one-firm consolidated tax agent service. This provides better oversight and governance to asset managers
- ▶ Streamlined contractual arrangements, fees and administration
- ▶ Centralised and coherent management information provided through the Client Portal
- ▶ A central team to support / help manage tax agent interaction and queries
- ▶ EY services are flexible and will allow the addition of both additional countries and funds as required





# EY Global Withholding Tax Reporter (GWTR)

## Investing cross-border can expose funds to tax leakage and compliance obligations in markets of investment.

The rules to comply can be complex, varied and do change, with tax authorities increasingly scrutinising compliance.

The application of local operational taxes such as withholding tax, capital gains tax and transaction tax is often highly dependent on activities performed by third parties such as custodians. However, the ultimate tax risk and incentive to comply remains with the fund / asset manager.

### How EY teams can help

GWTR helps asset managers identify, understand and monitor the tax rules their funds are subject to in investment jurisdictions. GWTR currently provides tax information for dividends, interest and capital gains across 128 markets of investment from the perspective of 211 countries of investor. The scope of the tool is continuously growing with the addition of new jurisdictions based on investment trends.

GWTR has existed since 1989 and is supported by a mature global network of in-country tax professionals who understand portfolio taxes and funds.

It allows users to quickly identify tax rules and procedures to understand what the correct rates should be and also explain, at a practical level, how to access any exemptions or reduced rates. The tool is easy to use and as part of a subscription to GWTR, you will have access to the global EY network, at no additional charge, on issues covered within the scope of GWTR.

## The Benefits

### Understand

Understand the tax impact of investments e.g., by considering which fund type results in the least tax leakage for a specific strategy and identifying if it is more tax efficient to gain exposure to a certain market physically or synthetically.

### Comply

Create working papers to aid compliance with tax accounting standards such as ASC 740 and IFRIC 23, and regimes such as the UK Corporate Criminal Offence.

### Manage

Manage tax risks across a fund's portfolio on an on-going basis.

### Stay on top of change

Stay on top of changes such as new treaties; changes in withholding tax rates; and changes in process.

## How does GWTR+ vs GWTR work?

GWTR+ has several useful search functions that can help users find the information they need quickly. GWTR+ can generate reports to:

- ▶ Provide a tax analysis for all instrument types within a given country
- ▶ Compare the tax treatment for specific investment country, investor type, income type and beneficial owner combinations
- ▶ Identify the double taxation treaties in force for a specific country

Information can be extracted and downloaded into Excel allowing for manipulation of data as needed. Users can also tag information to be alerted to changes as they occur.

# Custodian oversight

## Funds / asset managers rely on custodians with respect to managing investment market withholding taxes.

Custodian oversight is a journey that starts with understanding the custodian's tax service (identify risk and service gaps), standardising and obtaining a consistent custodian tax aservice, and resolving and mitigating services gaps (benchmark service to market). Often this can lead to an effective provider oversight model (design and harmonize key performance indicators).

### Service level agreement ('SLA') review

Design minimum standard levels to help manage risk together with Key Performance Indicator (KPIs) to allow for effective oversight.

### Benchmark service

Review withholding tax outcomes to understand custodian service. Identify gaps and where relevant agree remedial action to recover withholding tax.

### On-going service support

Monitor for gaps in service / outcomes and assist with completing tax documentation relevant for the tax service.



# Global Compliance and Reporting

## EY teams provide broad tax services for investment fund structures.

Private equity funds, real estate funds, infrastructure funds and private credit funds are usually structured with multiple connected vehicles. Others may be single standalone entities. We can provide tax services to the whole fund grouping, or to particular entities, as required. The services we offer include:

### Direct tax compliance

- ▶ Including tax return services for each entity in its jurisdiction of establishment, such as regulated onshore funds, real estate holding companies, direct lending vehicles and infrastructure operations companies
- ▶ Partnership tax compliance for fund vehicles in their home jurisdiction

### Investor tax reporting

- ▶ Investors in tax-transparent funds need detailed tax reporting information, specific for their country of residence, in order to correctly complete their tax returns
- ▶ This work includes production of those annual tax reports, such as Schedule K-1s for US investors, UK investor tax reports, and German investor tax reports

### Indirect tax compliance

- ▶ Including VAT and similar obligations

### Accounting compliance

- ▶ Particularly useful for producing the financial statements of entities such as asset holding companies which may not be dealt with by fund administrators

### How EY teams can help

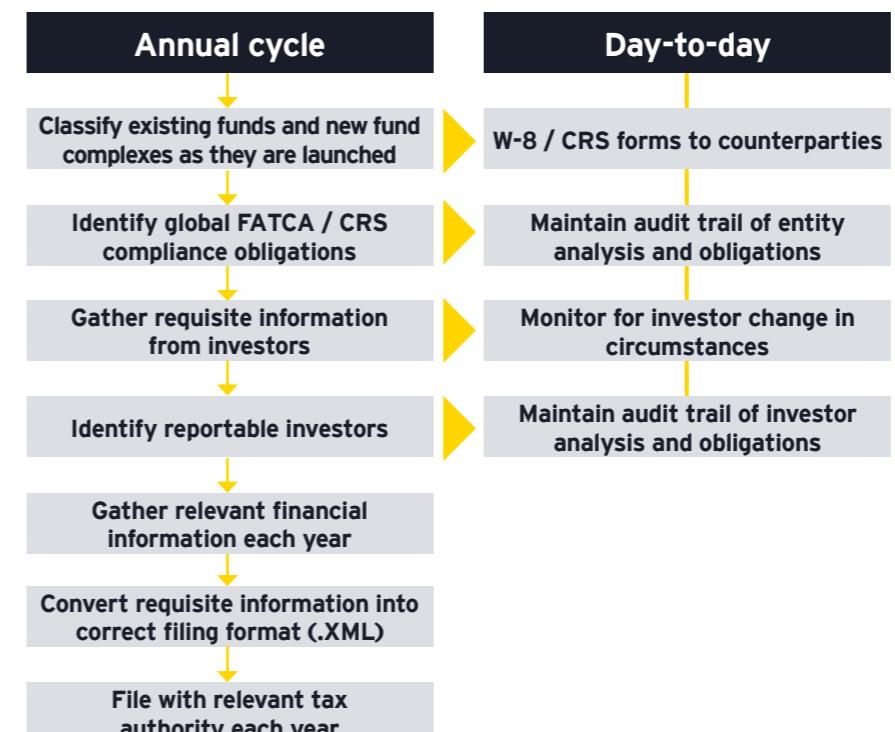
We can provide a single point of contact for all these services. We routinely work with our colleagues across multiple jurisdictions to bring all the relevant service providers / professionals together.

Whether you want a provider for one tax service in one fund group, or you want to outsource tax services across your whole fund range, we can provide.

# Information reporting

## 1. FATCA / CRS Compliance

Many funds are required to file annual compliance submissions with their local tax authorities that provide details of their offshore investors. Tax authorities can apply penalties for non-compliance, with the US applying 30% withholding tax on many sources of US income. The commercial impact of FATCA and CRS is most heavily felt when completing investor on-boarding or providing self-certification forms such as W-8 series forms to counterparties.



### How EY teams can help

EY teams can provide support covering the entire annual compliance cycle as well as helping you manage the commercial impact of FATCA and CRS during investor on-boarding and when you work with counterparties. This includes providing a real time audit trail.

We are able to liaise directly with administrators and other data-keepers to gather the relevant information each year and minimise the burdens on your internal teams.

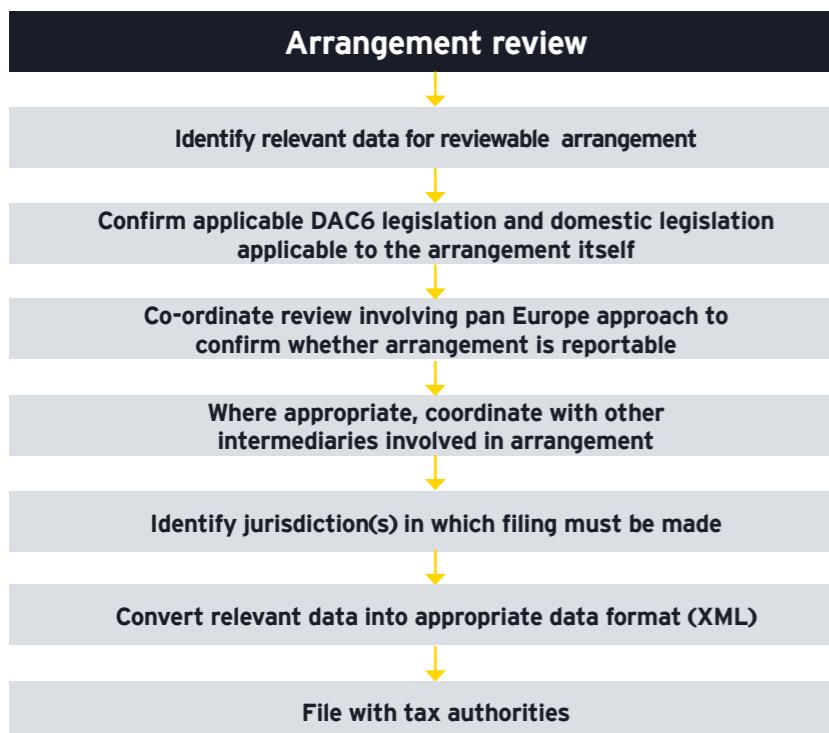
We have built tools that can analyze data and provide indicators that highlight how accurate the reports are.



# Information reporting

## 2. DAC6 / MDR Compliance

DAC6, also referred to as the Mandatory Disclosure Regime or "MDR" requires asset managers with an EU presence to report certain cross-border arrangements to their local tax authorities within a 30-day window. A wide variety of common activities that arise during the fund life cycle should be reviewed under DAC6 to determine whether any reportable arrangements have been generated. This review requires consideration of the domestic DAC6 legislation of the asset manager as well as the domestic legislation applying to the arrangement itself which results in legislation from multiple jurisdictions needing to be considered during the review. This process is further complicated by the involvement of multiple internal and external "intermediaries" that may have different interpretations of the reporting requirements. Coordination across all intermediaries is key for successful compliance.



### How EY teams can help

EY teams can help asset managers integrate appropriate DAC6 governance within existing processes and then provide comprehensive support with arrangement reviews and reporting. The EY global network allows us to complete arrangement reviews, incorporating tax analysis from all relevant jurisdictions. EY existing tax reporting teams have built DAC6 filing capabilities to support clients when arrangement reporting is required. This includes EY's best in class MDR Web tool.

Withholding tax paid on dividends or interest may be recoverable in certain markets under a double taxation treaty, a domestic law provision or under a European Court of Justice ('ECJ') style claim. Custodians do not always provide a withholding tax service in all markets of investment and / or in all circumstances. As such, there may be instances where a fund overpays withholding tax, and therefore be in a position where a withholding tax reclaim can be made.

### How EY teams can help

EY teams will assist with the reclamation of overpaid WHT for markets / securities / funds not supported by the custodian. We can liaise directly with the custodian to obtain necessary information to support the claim - this will include information such as tax vouchers and proof of receipt. Oversight of the withholding tax reclamations will be provided through the client portal, thus providing management information of the status of any submitted claims, and the values reclaimed.

- 1 WHT review, where reclamations are identified, and EY teams conduct a cost-benefit analysis
- 2 Client approval received (thresholds to be agreed), and filing of reclamations
- 3 EY teams liaise with custody bank, and / or client as necessary to receive documentation
- 4 EY teams produce reclaim letters / forms, then client approves or signs
- 5 EY teams files reclaim forms with the relevant tax authorities
- 6 Tax authority questions or queries tracked through work flow management tool

# Contacts

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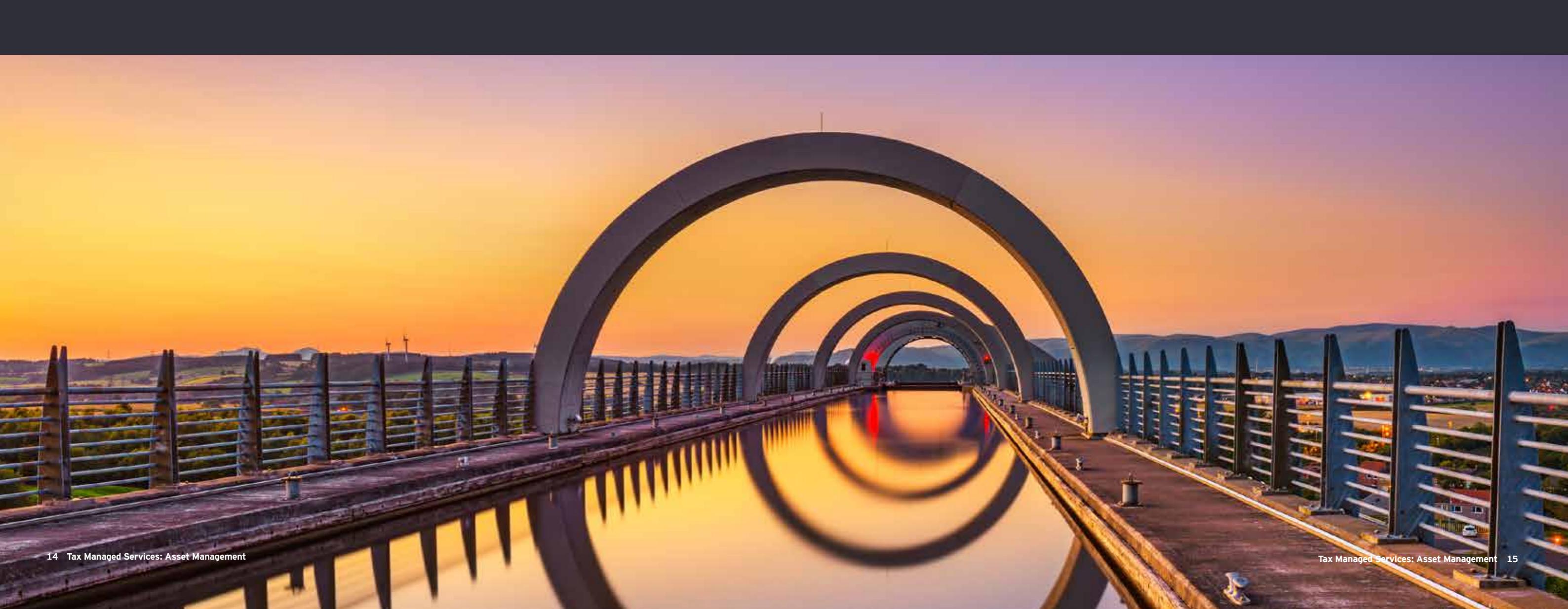
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