THE ASSOCIATION OF GLOBAL CUSTODIANS

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SUBMITTED VIA E-MAIL

Irish Revenue
Dublin Castle
Dublin 2, Ireland
realtimeDWT@revenue.ie

Re: Response to Consultation on Dividend Withholding Tax -- Real-Time Reporting

Dear Sirs,

I am pleased to transmit to you on behalf of the members of the Association of Global Custodians ("AGC" or "Association")[1] the attached comments prepared by an AGC working group to respond to your consultation on Real-Time Reporting for Dividend Withholding Tax. Please do not hesitate to contact the undersigned if you have any questions concerning the Association's comments.

Sincerely yours on behalf of the Association,

Mary C. Bennett

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[1] The Association is an informal group of 12 member banks that provide securities safekeeping and asset servicing functions to cross-border institutional investors worldwide, including investment funds. In providing global custody services, AGC members routinely seek appropriate withholding tax relief on behalf of custody clients by processing millions of such claims in the aggregate each year, affecting substantial amounts of cross-border portfolio investment flows in and out of countries worldwide.

COMMENTS OF THE ASSOCIATION OF GLOBAL CUSTODIANS ON CONSULTATION ON REAL-TIME REPORTING FOR DIVIDEND WITHHOLDING TAX

Executive Summary for Revenue

The introduction of investor specific dividend withholding tax rates is a significant development for our members who hold QI/AWA licences, and will require investment to develop out their systems and processes in order accommodate the proposed changes. Global custodians would generally not provide services directly to Irish resident individuals, and their client base is primarily comprised of institutional investors: both non-resident and exempt Irish (e.g. pensions, charities, investment funds etc.). Therefore, while the changes are not impacting their direct customers, if the real time rates are effectively flowing through a chain of QIs, our members may still be required to invest in costly system developments in order to accommodate multiple rates.

For the reasons set out in this paper, the AGC would request that consideration be given to how best to minimise the impact to entities that are not directly dealing with Irish resident investors, or that have minimal exposure to such investors. In addition, we would request a longer timeframe for implementation of the new rules than the proposed date of 1 January 2021, in order to allow impacted entities to include to adequately plan for costs and resources required to implement any necessary changes.

We welcome the opportunity to discuss any aspect of our submission with you and look forward to engaging with you on this subject in the near future.

Key Points

1. Generally custodian systems are set up to apply two or three rates (e.g. statutory, treaty, exempt), but rarely will have more than this. Applying multiple rates that may change for each event is likely to require system developments for a number of Global Custodians. While we agree with Revenue that “modern information and communications technologies present opportunities for real-time reporting”, development of the systems and processes to accommodate any such changes can still be costly, and require technology resources which are usually in significant demand for numerous regulatory and tax changes across a global custodians business. We would ask that particular consideration be given to QIs that are not generally providing services directly to Irish resident individuals, to ensure that the impact of these changes is proportionate to such entities. We would welcome the opportunity to discuss proposals with Revenue as to how to achieve the stated aim of the changes while minimising the impact.

2. Global Custodians generally operate annual capital planning budgets, and any required developments for the following year need to be submitted and approved in the preceding year. This process normally begins mid-year with budgets and resources allocated appropriately for the following year. Therefore, in the event the detailed legislation and guidelines for real time reporting are made available in early 2020, then such developments would be submitted for the 2021 capital plan, and would not likely be completed and operational until 2022 at the earliest. If the legislation and guidelines are not available until later in 2020, then this would likely mean 2023 to be operational. We would therefore propose the timeline for implementation be reviewed.