

Association of Global Custodians
Middle East and Africa Focus Committee (“AGC ME&A”);
Subject to Supplemental Comments

The Commissioner Domestic Taxes
Zambia Revenue Authority
Domestic Taxes Division
Kalambo Road
P.O. Box 35710
LUSAKA

Dear Sir,

Re: Taxpayer Identification Numbers

The Association of Global Custodians Middle East & Africa (“AGC ME&A”) represents the international banking community¹.

Our letter seeks to highlight concerns raised from our members following the recent application requirement for a Tax-Payer Identification Number (‘TPIN’). Our concerns are raised in the context of administrative burden reduction and risk mitigation.

The AGC ME&A understand the usefulness of a tax payer identification number in allowing individuals with tax obligations in a tax jurisdiction to accurately report their income and pay their taxes. In such a context, it is an integral part of efficient tax administration and the AGC ME&A accepts the implementation of tax administration changes and is a supporter of regimes that promote the development of efficient tax administration.

We have considered the recent approach to introduce a mandatory TPIN

for all natural and legal persons that hold bank accounts in Zambia. The AGC ME&A remains concerned about the impact of this requirement on foreign portfolio investors or global custodians that employ the services of licensed securities custodians in Zambia. Transactions undertaken by this category of persons typically implicate the withholding tax on interest and dividends, and value added tax on banking services. These taxes are either withheld or collected by the contracted custodian and remitted to the revenue authorities as part of the statutory obligations of the custodian. Theoretically, transfer tax would also apply but as this is currently only levied on the transfer of unlisted securities, transfer tax is not a concern for foreign portfolio investors or global custodians in the category that we have described and so we have not considered transfer taxes. As such the AGC ME&A would challenge the application of the TPIN requirement to foreign portfolio investors or global custodians on the following basis:

1. There has been no assertion that **current** arrangements have created a tax gap that this measure would help to close.
2. The measure itself does not **simplify** tax administration for the tax payer or the revenue authority; and
3. There is a risk that future regulation may add onto the continuing obligations attached to having a TPIN thereby increasing the regulatory compliance burden for foreign portfolio investors or global custodians who did not require the TPIN in the first instance.

The AGC ME&A would like to seek **your confirmation** and further **clarification on the** following matters:

¹ *The Association of Global Custodians is an informal group of 12 financial institutions that provide securities safekeeping services and asset-servicing functions to primarily institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members’ common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulatory authorities and financial industry organizations around the globe. The members of the Association of Global Custodians are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company.*

1. The requirement for foreign portfolio investors or global custodians to have a TPIN. The taxes that are collected in respect of the **Zambian activities of foreign portfolio investors or global custodians** are calculated collected and remitted by local securities services providers in the form of brokers and custodians. Our understanding is that the taxes that are applicable to foreign investors in Zambia are primarily withholding taxes on interest and dividends, VAT on custody services and transfer tax on unlisted securities. The withholding taxes and VAT do not require that client themselves register as a taxpayer due to nature of the administration process. The transfer tax may, require the specific identification of the owner of the securities. Therefore, as long as clients are not holding unlisted securities then they are not required to be specifically identified for tax purposes.
2. Confirmation that there will be no ongoing requirements or obligations associated with or fines imposed for a holder of a TPIN who is a foreign institutional investor or global custodian. We have been informally advised that there will not be any obligations imposed but we are yet to see a formal confirmation of this. A confirmation is requested on the basis that the TPIN is primarily aimed at natural persons (individuals) yet foreign investors are still required to have a TPIN. The requirement seems illogical given the intent of the regulation. To assist to alleviate the concerns and risk of being subject to obligations going forward (such as the filing of an annual return) we request such confirmation.

We remain of the view that an exception or exemption from the TPIN should be implemented and we would be pleased to discuss with you in further detail as we remain concerned as to the lack of clarity as to why the TPIN is required by foreign portfolio investors or global custodians.

The AGC ME&A Committee communication details are as follows:

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Yours sincerely,



Prepared by the Middle East and Africa Association of Global Custodian Committee,
16 August 2018