

Over \$16 billion in unreclaimed withholding tax still left on the table

New TaxTec Report reveals global lost gains on cross-border securities

[London, November 2024] **TaxTec, the world's first fully digital tax reclamation service, has released a study showing how much withholding tax lies unreclaimed annually on foreign dividends and interest payments. The study provides the most up-to-date global estimate as \$16.4 billion, with US cross-border investors missing out on over \$3.8 billion in rightful returns.**

When foreign dividends or bond interest payments are made, the tax regime in question retains a certain level of withholding tax. Where that jurisdiction has a double taxation treaty with the investor's domicile, a proportion of that withholding tax is reclaimable.

The reclamation process is, however, bureaucratic and complex. Many studies have remarked on the complexity of reclaiming withholding tax. The result is that not all reclaims are processed, with investors ending up losing a percentage of their rightful income.

This issue has come under the spotlight as the global volume of dividends paid out rises, and bonds once more deliver a significant coupon. Asset owners such as pensions funds have a duty to their beneficiaries to maximise income, fund managers also have a fiduciary duty to optimize returns for investors, and custodians want to deliver the best possible service to clients.

Stephen Everard, CEO of TaxTec notes: *"While some progress has been made over the past decade in withholding tax reclamation rates, there is still a long way to go. Services that ease the process of reclamation are widely available. And a handful of pioneering custodians have already engaged those services to optimize investor returns. Yet the gap still remains.*

"These returns belong to investors and it is the ethical duty of all market participants to ensure they are not left unnecessarily on the table. Double taxation treaties were set up to ensure that investors are not taxed twice, yet lack of reclamation on a proportion of rightful income is effectively allowing double taxation to continue."

The TaxTec 2024 Reclamation Report is available at
<https://www.mindmetreresearch.com/taxtec-report-2024/>

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About TaxTec

Founded in 2023, TaxTec is set to revolutionize tax recovery for institutional investors and their agents. Utilizing the latest AI-enabled digital technology, our highly automated global tax recovery proposition and client-centric service model maximize reclaim opportunities for our clients across all major markets. TaxTec clients recover more tax at lower cost enhancing their investment returns.

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