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Why Leading Financial Institutions Are Adopting Hybrid Withholding Tax Operating Models

Large financial institutions increasingly require operating models that provide not only efficiency, but also flexibility and resilience.

Organisations are seeking to retain strategic control and oversight whilst ensuring reclaim opportunities are not lost due to competing operational priorities.

Increasingly, firms are looking for:

- **Control:** retain ownership, visibility and strategic oversight of the reclaim process.
- **Automation:** reduce manual effort, improve efficiency and standardise processes.
- **Flexibility:** scale support up or down as operational priorities change.
- **Resilience:** ensure claims are not missed due to competing demands, resource constraints or changing priorities.
- **Transparency:** maintain full workflow visibility, MI and auditability regardless of who performs the operational activity.
- **Reduced Key Person Dependency:** minimise operational risk associated with specialist knowledge residing with only a number of individuals. Staff changes, absences or internal moves can quickly impact reclaim programmes, increase the risk of missed deadlines and lost recoveries.

Historically, organisations have viewed the market as a binary choice: Insource or Outsource.

However, many leading institutions are now recognising that a hybrid operating model provides the best balance between control, efficiency and risk management.

TaxTec is uniquely positioned to support this approach by combining technology, market intelligence and flexible service delivery within a single operating model.

This enables organisations to choose the model most appropriate for their business at any point in time:

- **Software only:** enabling complete in-house management.
- **Hybrid operating model:** allowing firms to perform standard reclaim activity internally whilst selectively outsourcing specific activities.
- **Fully outsourced service:** for organisations seeking complete operational support.
- **Market-specific outsourcing:** for complex jurisdictions such as Switzerland, France etc
- **Overflow and surge support:** providing additional operational capacity during peak periods or when competing priorities arise.

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Organisations may choose to manage the majority of reclaim activity internally but utilise TaxTec support during periods where resources are focused on other regulatory priorities

Such as:

- QI reporting and certification obligations
- Periodic Reviews
- FATCA and CRS reporting cycles
- 871(m) compliance requirements
- Financial Transaction Taxes
- 302(c) Certification
- Tax Documentation repapering/solicitation
- Internal audit and control remediation activities
- Reconciliations
- Custodian onboarding and migration projects
- Client deliverables
- Tax authority Requests for Information (RFIs)
- Strategic transformation initiatives impacting tax operations
- Regulatory change programmes, including MiKaDiv and FASTER readiness

Withholding tax reclaims are not deprioritised because they lack value. They are deprioritised because the same specialist resources are responsible for delivering a wide range of tax, regulatory and client reporting obligations.

Reclaim deadlines initially appear distant, however competing priorities can quickly consume available capacity, resulting in:

- Last minute submissions
- Increased operational risk
- Missing or incomplete documentation
- Higher rejection rates
- Statute expiry
- Claim write-offs
- Increased reliance on expensive external providers

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TaxTec further supports this model through:

- Automated entitlement calculations based on treaty rates and entity classifications.
- Identification and removal of non-entitled claims.
- Automated pre-population of market specific tax forms.
- Workflow management, dashboards and management information.
- Full transparency across both internally managed and outsourced claims.
- Market intelligence including treaty changes, form updates and jurisdiction specific guidance.

The result is an operationally resilient reclaim programme that allows firms to retain control whilst ensuring reclaim opportunities are never lost.

The question is no longer: **"Should we insource or outsource?"**

The question is: **"How do we create an operational model that ensures no reclaim opportunity is ever missed?"**

Why Leading Institutions Are Adopting Hybrid Models

Challenge	Outcome
Competing operational priorities	Flexible capacity when required
Key person dependency	Reduced operational risk
Multiple providers	Single operating model
Limited visibility	Centralised dashboard & MI
Last-minute filings	Improved timeliness
Insource vs outsource dilemma	Flexible hybrid operating model