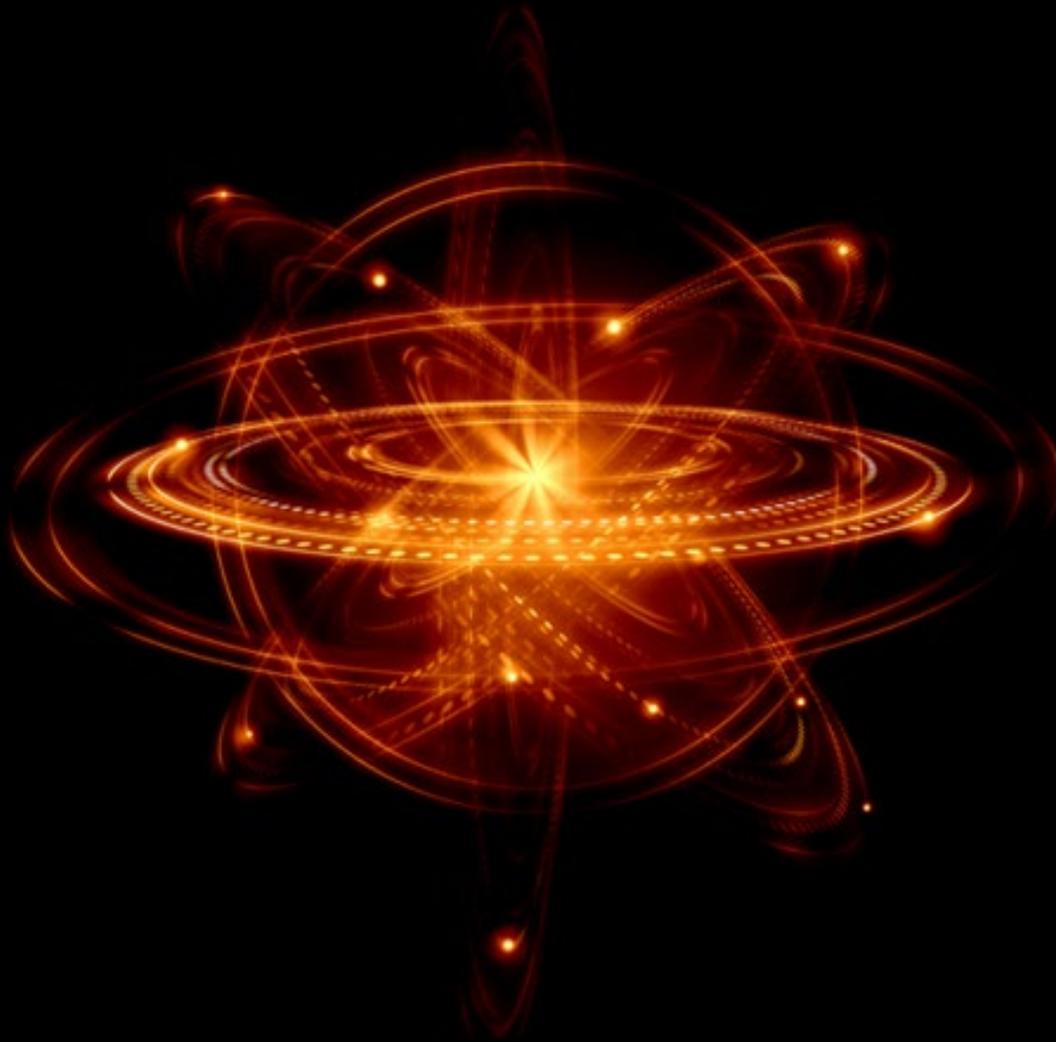


Deloitte.



iPACS Global Capital Gains Tax
Monitoring portfolio-level CGT
and calculating accruals



iPACS Global Capital Gains Tax

iPACS Global Capital Gains Tax is an innovative technology solution, designed by Deloitte for asset managers and asset servicers, to help them manage their portfolio-level capital gains taxes (“CGT”). Countries are increasingly imposing CGT on gains derived by non-resident investors. Funds anywhere in the world with investments in markets which operate a non-resident CGT regime e.g. India, Pakistan, UK are subject to these costs.

As funds become more global in their reach, with greater net asset value of investment in emerging markets, it becomes increasingly important to adequately consider portfolio CGT accruals to prevent any pricing errors in the fund share price.

A number of recent tax cases have highlighted the significant cost of NAV errors. Firms have an obligation to report such errors to regulators and shareholders. The consequences of inaccuracies, for whatever reason, are three fold; reputational damage, compensation costs to investors and regulatory fines. The financial impact of compensation and fine payments are felt by the fund, the time required to process the compensation and correction takes precious resources away from other sectors of the business, all of which leads to a loss of business growth. Combined, all three lead to a loss of business for the manager.

While approximating a CGT accrual is straightforward, calculating the exact number as required to accurately determine NAV is complex due to considerations such as costing methods (e.g. FIFO) along with the impact of corporate actions and derivatives.

Deloitte’s iPACS Global CGT technology solution, one of a suite of iPACS tools, can help improve pricing accuracy by providing calculations on up to a daily basis. The output, iPACS CGT Analytics, delivers an easy to track global accrual position with easy to understand graphics.



Julia Cloud

Global Investment
Management Leader

jucloud@deloitte.com



Gavin Bullock

Global Fund Tax
Reporting Leader

gbullock@deloitte.co.uk



Robert Guarnieri

Global Technology and
Transformation Leader

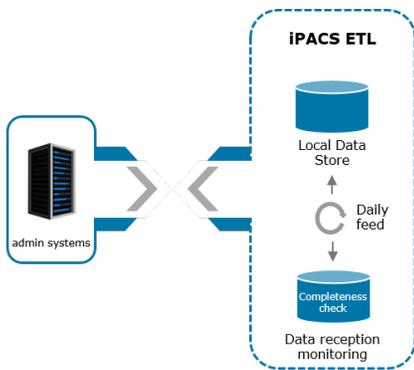
rguarnieri@deloitte.com

iPACS Global CGT Technology

The growing challenges faced by the investment management industry regarding the management of non-resident CGT regimes that apply to fund investments are increasingly apparent, with a particular focus on transparency. Calculating portfolio CGT, with the accuracy required for NAV and fund share pricing, is crucial. Add to that the complexities of applying different costing methods in different countries, along with the intricacies of corporate actions and derivatives, creates a very difficult area to navigate.

iPACS Global CGT is the backbone of our holistic CGT solution. With data entry and data processing handled automatically within the program algorithms, our subject matter experts are able to focus on value-add activities such as review and additional checks. The tool provides an Excel output since this is a universally understood format, and in addition the iPACS Global CGT Analytics app from our iPACS Oversight platform allows clients to monitor their accruals with easy to understand dynamic graphics and KPIs. The iPACS developer teams regularly review the algorithmic rulesets with Deloitte local tax specialists to keep the solution current and up to date.

iPACS CGT has been built with input from local Deloitte offices based on the following three step process:

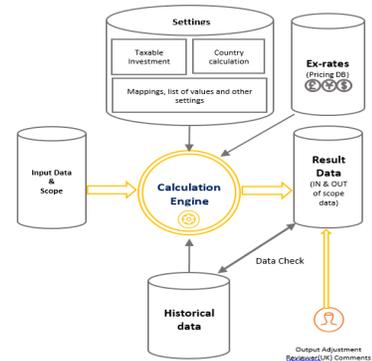


1. Data Collection

Mediocre in means mediocre out. Which is why the tool’s data extraction focuses on gathering high-quality data in a secure manner without the need for data transformation or enhancement. iPACS Global CGT has direct access to fund administrator servers following which it intelligently performs completeness and reasonableness checks.

2. Data Processing

Once data is extracted from the fund administrators, the tool applies our tax law technical knowledge, via coded algorithms to the raw fund data.



3. Oversight and Monitoring

iPACS Global CGT Analytics is the online display for accessing the CGT accrual information real time. It is a dynamic system meaning the user can zone in on anomalies to access the underlying detail. iPACS Global CGT Analytics is available on our iPACS Oversight platform, allowing you to monitor your CGT accruals on a real time basis. The analytics include key metrics such as the daily variation, bps impact and loss carried forward position.

Case studies

In recent years there are an increasing number of local CGT regimes applicable to non-resident investors. In addition, rate and scope changes have resulted in a wider list of instruments being caught, and previously exempt vehicles now taxable.

Recent changes include:

UK

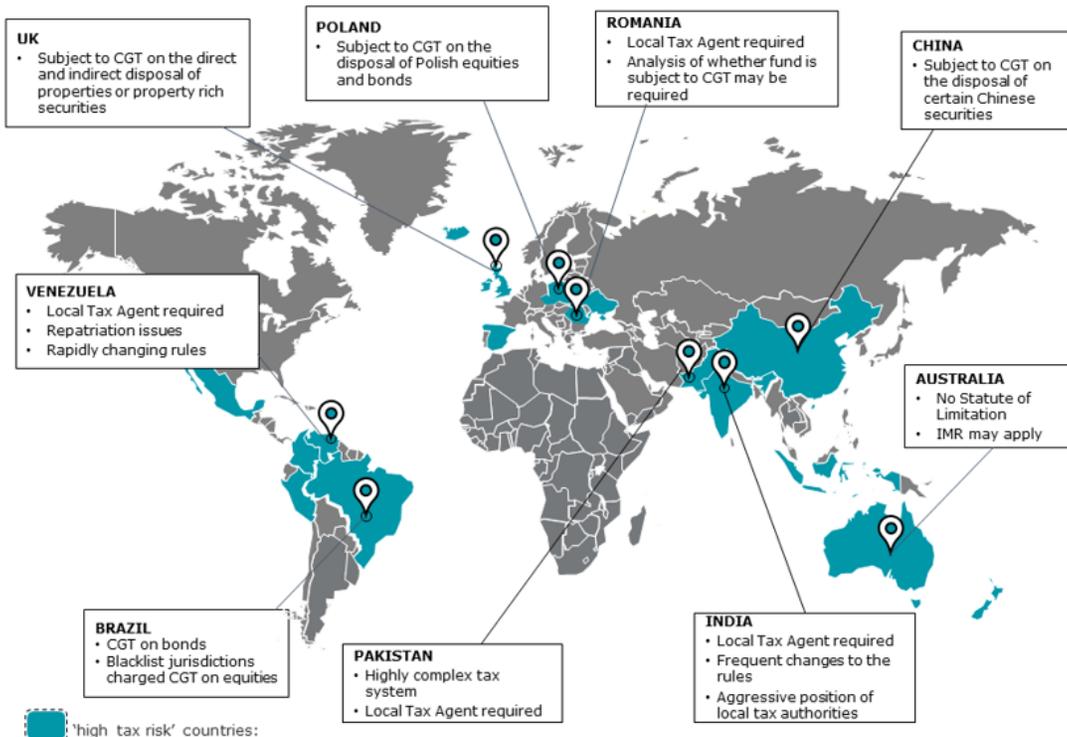
As of 6 April 2019, the United Kingdom expanded the scope of its non-resident capital gains tax to include gains derived from the direct and indirect disposal of commercial property. The expansion of the scope of the tax means that as of 6 April 2019, the disposal of any UK property or property-rich company requires the investor to consider whether there is a requirement to register for corporation tax and pay any tax. With deadlines for tax payments being 9 months after the period end and 12 months for the filing of the tax returns, investors who disposed of interests in UK REITs or PAIFs during their last financial period may find themselves with a deadline approaching.

India

Capital gains derived from the disposal of short term investments by a non-resident can lead to tax being suffered in India at a rate of 40%, and with a regular flow of new legislation relating to the taxation of non-residents and their tax filing obligations the need for local tax expertise is increasing. In addition, non-resident investors who hold short-term investments in India are now taxable to non-resident CGT.

Examples of other high-risk CGT investment markets:

Our analytical technology, driven off live data from over 30 fund administrators, presents key information needed for accurate and timely CGT monitoring in a clear, intuitive way and in a digital format.





This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte Legal means the legal practices of DTTL member firms or their affiliates that provide legal services. In the UK, Deloitte Legal covers both legal advisory (regulated by the Solicitors Regulation Authority) and non SRA regulated legal consulting services. For legal, regulatory and other reasons, not all member firms provide legal services.