Sovereign Wealth Funds and Public Pensions

Sovereign Tax Exemptions

October 2022

Introduction

Sovereign wealth funds (SWF) and public pension funds (“Foreign Sovereign Investors” or “FSIs”) continue to grow in size and sophistication. Since the establishment of the Kuwait Investment Authority in 1953, the industry has grown to an estimated nearly $35 trillion USD, when accounting for the total FSI assets under management (“AUM”).

As Assets under Management ("AUM") has grown, portfolio composition has evolved from focusing on liquid debt and equity investments, to one that actively engages in private equity, private credit, real estate, infrastructure, commodities, other alternative investments and asset managers. These new portfolios are global in their reach, and compelling investment opportunities exist in nearly all countries.

FSIs looking at cross-border investment opportunities may be eligible for special tax exemptions granted based on their sovereign affiliation. These exemptions often extend from the legal doctrine of sovereign immunity, which generally affords certain entities sovereign immunity from the jurisdiction of another sovereign’s courts and laws. There has historically been an argument that one government should not tax another government’s affairs on the basis that taxation is a demonstration of sovereign authority. Over time, some governments have created laws or regulations to codify this general principle.

This report compiles an overview of some principal sovereign tax considerations in top investment jurisdictions for FSIs. This overview is intentionally high-level, intended to provide a guide to key tax considerations afforded under local law, administrative practice, or tax treaty in these jurisdictions. There is no consistent approach to the taxation of FSIs, but many countries permit some level of exemption based on reciprocity. Where a sovereign exemption may apply, it typically only applies to passive income earned by an FSI; income earned from active business or commercial activities is generally not exempt. Several countries and jurisdictions on the list do not provide for any sovereign tax benefits under domestic law, and some only provide relief to FSIs named in specific tax treaties.

KPMG professionals believe that FSIs will likely continue to expand their international portfolios, and KPMG firms are always available to assist with various aspects of the investment process. KPMG’s Sovereign Wealth and Pension Funds Tax practice provides institutional clients, including FSIs, with a wide range of services across Tax, Audit and Advisory practices, utilizing a holistic approach to analyze complex challenges and deliver innovative and integrated services. Please let KPMG professionals know how they can be of assistance to you.

Sincerely,

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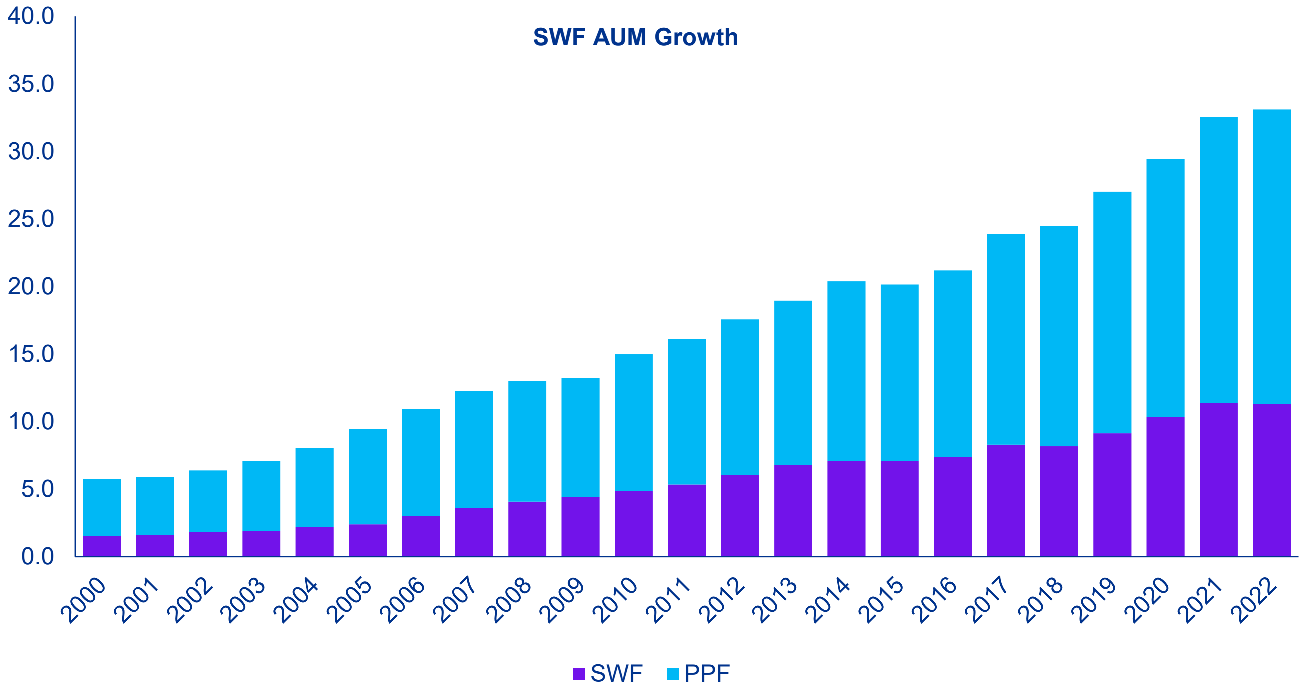
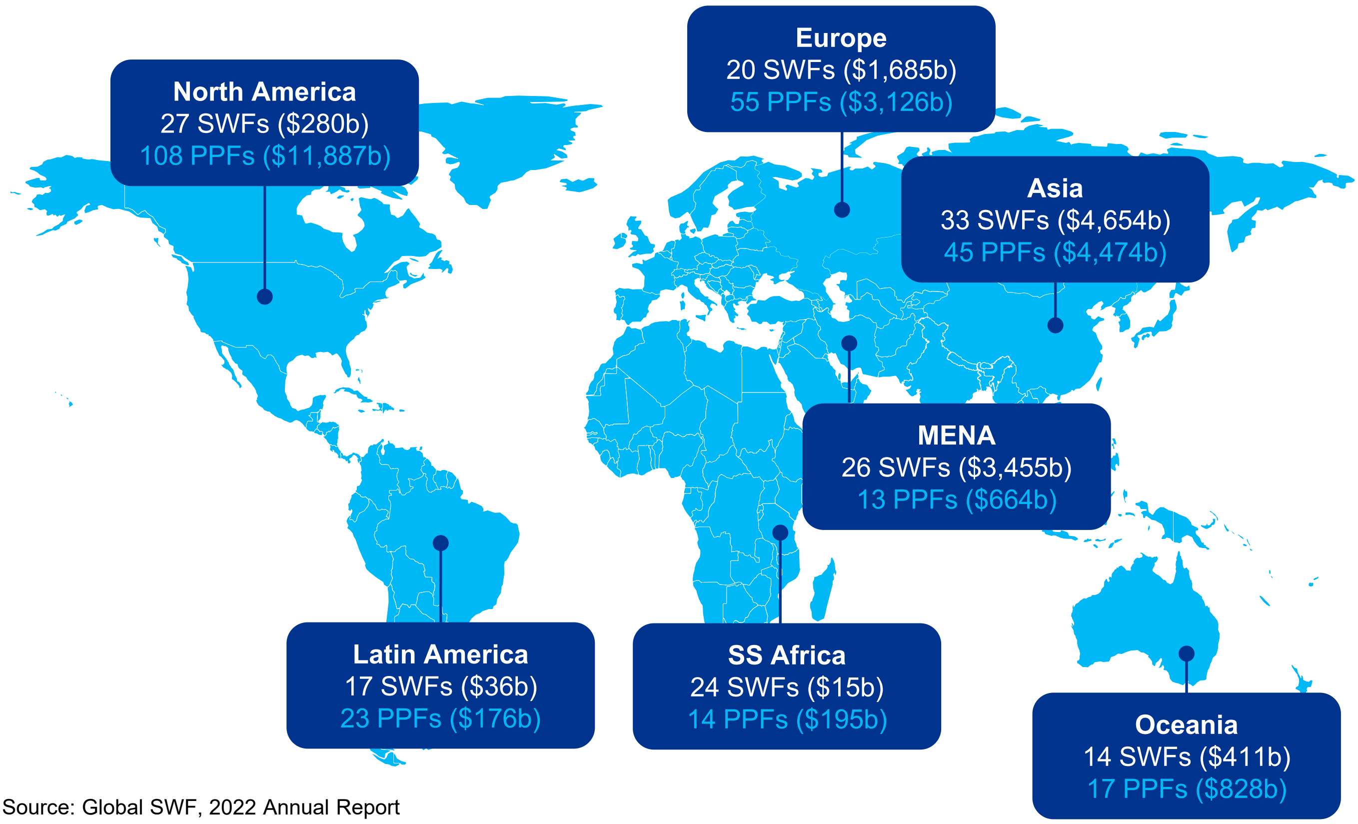
SWF AUM Growth

Since 2000, SWF and public pension assets under management have grown over 600% to nearly $35T USD. The majority of the sovereign assets are owned by governments in North America, Europe, MENA and Asia. As SWF and public pensions have grown, they've increased their direct and indirect exposure to alternative assets through investments in funds and managers focused on private equity, real estate, infrastructure, venture capital and hedge.





Source: Global SWF, 2022 Annual Report

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Argentina

Does Argentina provide an exemption or reduction from any domestic tax for an FSI?

- Argentina does not provide any specific exemption or relief for FSIs.

Are there any criteria to qualify?

- Not Applicable.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Certain income tax treaties may provide relief for specific FSIs.

Australia

Does Australia provide an exemption or reduction from any domestic tax for an FSI?

- Yes; Australia has two regimes that may be applicable to FSIs – the Investment Management Regime ("IMR") and an application process for a Private Binding Ruling ("PBR") to confirm an entity's sovereign status to qualify for "sovereign immunity exemption".

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- The exemptions are provided under domestic tax law or by determination of the Australian Tax Office ("ATO").
- Some income tax treaties may provide specific exemptions for certain government entities.

What tax is exempt or reduced?

- The IMR regime can generally provide an exemption for income and capital gains (for investments that are not Australian real property) but does not exempt dividends or interest.
- The PBR may provide exemption for unfranked dividends, interest, and trust distributions.

Are there any criteria to qualify?

- The IMR can normally apply to sovereign wealth funds, foreign government agencies, or foreign superannuation funds. These entities can commonly be the equivalents to government pension funds or government agencies managing capital on behalf of the government. The rules reference a "widely held" test, which requires an analysis of the shareholders or members who own a beneficial interest in the entity. Typically, the widely held test focuses on ownership, the source of the capital, and the beneficial ownership of economic performance of the capital.
- To qualify for the sovereign immunity exemption, an entity must be a sovereign entity (e.g., government agency, government-controlled company etc.), funded solely by public money and without activities that cause it to be a "public financial entity" or a "public non-financial entity".

How does the FSI practically obtain relief under the exemption?

- The IMR qualification is obtained with a self-assessment.
- The PBR may be granted pursuant to an application to the ATO.

Do tax treaties provide for any additional or separate relief?

- Yes; income tax treaties may provide relief for specifically named government entities.

Brazil

Does Brazil provide an exemption or reduction from any domestic tax for an FSI?

- Yes; FSIs may be eligible for certain tax exemptions, provided that they meet certain requirements under Brazilian tax law.
- Brazil tax law provides for an exemption applicable to income earned by foreign governments. However, the exemption is generally premised on reciprocal treatment by the government of the FSI, and subject to a case-by-case analysis.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law.

What tax is exempt or reduced?

- Dividends are exempt under Brazilian domestic tax law. FSIs may qualify for no withholding tax on income from the Brazilian financial markets (i.e., publicly traded equity and debt) or from capital gains tax applicable to the disposition of shares, corporate bonds, government bonds, commodities, etc., when the transactions are carried out on the stock, commodities, or futures exchange.

Are there any criteria to qualify?

- Regarding FSIs, the main requirement for exemption from Brazilian income tax paid to the respective foreign governments is that reciprocal treatment must be provided to the Brazilian government with respect to its income earned in the foreign jurisdiction. Although Brazilian domestic tax law is vague regarding the topic of foreign governments, some tax treaties signed by Brazil refer to foreign governments and political subdivisions or any agency (including a financial institution) owned exclusively by that government.
- With respect to a SWF, in order to qualify for the exemption, the fund must be defined as a foreign investment vehicle whose assets are comprised of exclusively sovereign resources of the respective country and fulfill certain requirements related to policy, public information and structure.

Brazil (Continued)

How does the FSI practically obtain relief under the exemption?

- In addition to obtaining a corporate taxpayer registration number ("CNPJ"), and electronically registering before the Central Bank of Brazil ("BACEN"), the FSI should appoint a Brazilian representative as a withholding agent (e.g., for taxable capital gains, etc.) and should receive the income subject to withholding tax (e.g., interest, etc.). With respect to the income subject to withholding tax, the representative should provide the relevant information to the payer.
- Tax legislation states that non-Brazilian tax residents should nominate a Brazilian tax representative (a Brazilian tax resident) in the event of acquisition of assets located in Brazil. Under certain situations, the tax representative must also be a custodian. For example, if the foreign investor invests in the Brazilian domestic markets under Resolution 4373 and wants to be eligible for the special tax regime (with reduction of tax burden levied on investments held in Brazil), the Resolution states that the tax representative must be a custodial services provider.
- Tax legislation does not specifically require a third-party counsel opinion for the approval of the qualified investors but FSIs must self-certify under applicable guidance.

Do tax treaties provide for any additional or separate relief?

- Some tax treaties may specifically identify a foreign government (and certain wholly owned agencies) as qualifying for an exemption under the respective income tax treaty.

Canada

Does Canada provide an exemption or reduction from any domestic tax for an FSI?

- Yes; under the Doctrine of Sovereign Immunity, the Government of Canada may grant an exemption from tax on certain Canadian-source investment income paid or credited to the government or central bank of a foreign country.
- Under some income tax treaties with Canada, the term “resident” may include “the Government of that State or a political subdivision or local authority thereof or any agency or instrumentality of any such government, subdivision or authority.” These entities would be entitled to the relevant tax treaty benefits if they are considered “resident.”

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- The Doctrine of Sovereign Immunity, referenced above, is partially codified under domestic law. Additionally, certain bilateral income tax treaties include similar relief.

What tax is exempt or reduced?

- Interest on arm's length debt and portfolio dividends on listed company shares are exempt from withholding tax provided that certain requirements are met. However, income such as rentals, royalties, or direct dividends from a company in which the foreign government has a substantial or controlling equity interest do not qualify for this exemption.
- Capital gains that would otherwise be subject to tax.
  - Note that non-residents are generally not subject to capital gains tax unless the property is considered “taxable Canadian property”. “Taxable Canadian property” (generally includes real property, certain securities that principally derive their fair market value from real property, and property described in an inventory of a business carried on in Canada, among other things).
  - Additionally, income tax treaties may be available to provide further relief.

Canada (Continued)

Are there any criteria to qualify?

- If relying on the Doctrine of Sovereign Immunity, investment income of a foreign government or its agency is exempt only if:
  - The other country would provide a reciprocal exemption to the Canadian Government or its agencies;
  - The income is derived by the foreign government or agency while exercising a function of a governmental nature and is not income arising during an industrial or commercial activity implemented by the foreign authority; and
  - Either: (1) the investment income is interest on arm's length debt or portfolio dividends on listed company shares provided that the FSI does not have a substantial or controlling equity interest in the company, or (2) the tax on a capital gain that would otherwise be subject to tax and the property is wholly owned by the FSI.
- Taxpayers are required to obtain written authorization from the Canada Revenue Agency ("CRA") not to withhold prior to relying on the doctrine.
- As noted herein, income tax treaties may provide similar or other relief.

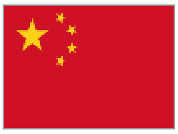
How does the FSI practically obtain relief under the exemption?

- To rely on the Doctrine of Sovereign Immunity, written authorization not to withhold tax must be requested by the Canadian resident payer from the CRA. The applicant must substantiate that such investment income (other than that income already exempt under Canadian tax law) is the property of the government or central bank of a foreign country in addition to certain other requirements. The written authorization is applicable for a certain limited period of time, but the taxpayer may be eligible for re-authorization.

Do tax treaties provide for any additional or separate relief?

- Some income tax treaties provide for similar relief as under the Doctrine of Sovereign Immunity.
- Additionally, some income tax treaties provide relief from tax on capital gains which might otherwise be taxed under domestic law in certain circumstances.

China



Does China provide an exemption or reduction from any domestic tax for an FSI?

- There are no specific tax exemptions for FSIs under domestic tax law in China. However, FSIs can utilize tax exemptions/reductions through the following methods:
  - A Tax Treaty; or
  - A Qualified Foreign Institutional Investor (“QFII”): should an FSI invest in the People’s Republic of China (“PRC”) listed market through a QFII license, the income tax relating to capital gains and interest on bonds is exempt.
- Some FSIs may also be eligible for a special ruling from PRC tax authority exempting certain investment income from taxes.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Income tax treaty, QFII, and/or specific ruling.

What tax is exempt or reduced?

- Both withholding tax and value added tax on investment income, interest, and capital gains are subject to exemption/reduction.

Are there any criteria to qualify?

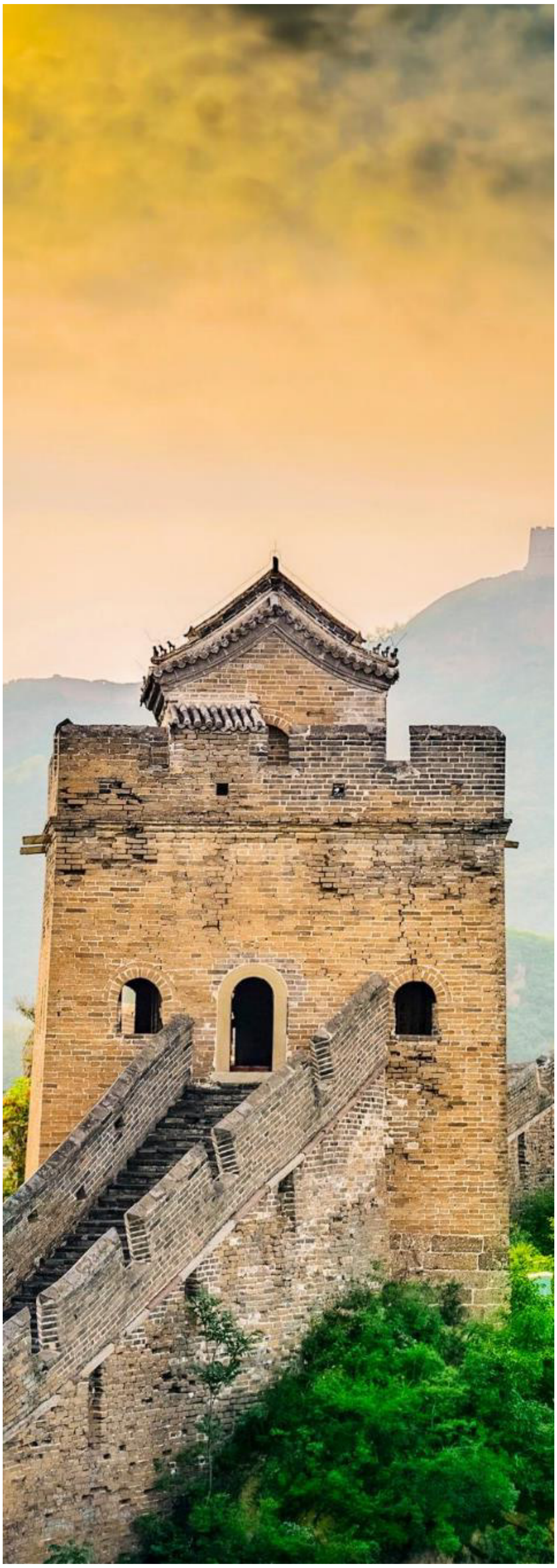
- To qualify, the FSI can apply for a QFII license, or the FSI may be specified under certain tax treaties or tax rulings.

How does the FSI practically obtain relief under the exemption?

- To obtain relief, the FSI must either have a QFII license or present supporting documentation of income tax treaty benefits to the Chinese payer. However, the treaty benefit may only be honored through a reclaim process with the relevant tax authorities.

Do tax treaties provide for any additional or separate relief?

- Yes; some tax treaties may specifically identify a foreign government (and certain wholly owned agencies) as qualifying for an exemption under the respective income tax treaty.



Denmark

Does Denmark provide an exemption or reduction from any domestic tax for an FSI?

- A withholding tax exemption is available to FSIs under certain circumstances. However, this exemption was abolished by law in September 2022 and dividends declared from 1 March 2023 will now be subject to withholding tax at source (subject to treaty relief).

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- The current FSI tax exemption is under domestic tax law. However, exemptions/relief may also be available for FSIs under applicable tax treaties.

What tax is exempt or reduced?

- Withholding taxes.

Are there any criteria to qualify?

- Generally, in order to have qualified for the exemption under domestic law, the FSI must have been an integral part of the government. Moreover, being wholly owned did not guarantee that the entity would be treated as an FSI. Under current Danish case law, the domestic exemption would not apply if the investment was made via a separate legal entity held by the state/government.

How does the FSI practically obtain relief under the exemption?

- Given the abolishment of the FSI tax exemption under domestic law, there is no longer an opportunity to make an application for an exemption certificate.

Do tax treaties provide for any additional or separate relief?

- Yes; some tax treaties may provide for relief. For example, the Denmark – Kuwait tax treaty contains a specific provision for the relevant FSIs.

France

Does France provide an exemption or reduction from any domestic tax for an FSI?

- Yes, under certain conditions. With respect to dividends and interest, France provides for a withholding tax exemption:
  - The withholding tax exemption could be issued for the benefit of (i) International Organizations, (ii) Sovereign States (i.e., currently federal level only), and (iii) Central Banks of Sovereign States. The corresponding securities must be held in a bank account opened with a bank established in France or in the EU. However, the eligible FSI is not entitled to the withholding tax exemption if it has control over the French entity issuing the securities.
  - The withholding tax exemption could be issued via a ruling from the French Tax Authority prior to any investment by foreign public institutions. Direct investments which provide control over the French entity issuing the securities are also permitted via a ruling prior to the investment for (i) International Organizations, (ii) Sovereign States (i.e. currently federal level only), (iii) Central Banks of Sovereign States, and (iv) Foreign Public Financial Institutions.
- Additionally, under the same process as for dividends and interest, France provides for a withholding tax exemption with respect to capital gains realized by:
  - Real estate assets (Article 244 bis A of the FTC); and
  - Securities (Article 244 bis B of the FTC).
- There is no definition for FSIs that are entitled to the above-mentioned withholding tax exemptions (i.e., dividends, interest, and capital gains). However, the exemptions are generally applied solely at the federal level, and not to state entities. Some specific exemptions can also apply to employees of an FSI.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Both domestic tax law and tax treaty.

What tax is exempt or reduced?

- In addition to the above-mentioned taxes, there may be a stamp duty exemption on certain financial transactions and transfers of corporate rights resulting from specific repurchase agreements.

France (Continued)

Are there any criteria to qualify?

- There is no legal definition for an FSI. In practice, the French Tax Authorities are more reluctant in applying the sovereign exemptions when the FSI is a separate legal entity.

How does the FSI practically obtain relief under the exemption?

- The FSI should apply for the exemption from the French Tax Authority.

Do tax treaties provide for any additional or separate relief?

- Yes; certain tax treaties include specific references to FSI or other foreign sovereign entities.

Germany

Does Germany provide an exemption or reduction from any domestic tax for an FSI?

- In general, there are no special regulations or definitions for FSI in German tax law. In addition, there are no domestic tax exemptions for foreign governments, etc.
- A FSI generally would not qualify as an Investment Fund under the definition of the German Investment Tax Act.

Are there any criteria to qualify?

- Not Applicable.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Currently, none.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Prior to the end of 2021, there was only one German income tax treaty which provided for a reduced rate or an exemption, which was the Germany-UAE treaty. However, the German-UAE treaty has expired without any current process on renewal.

Hong Kong (SAR), China

Does Hong Kong provide an exemption or reduction from any domestic tax for an FSI?

- There are no specific tax benefits or tax exemptions under Hong Kong (SAR), China ("Hong Kong") domestic tax law for an FSI or a foreign government. Hong Kong operates on a territorial source regime whereby, as a general proposition, only Hong Kong sourced profits (but not capital gains) derived from a business operating in Hong Kong are subject to the Hong Kong Profits Tax.
- SWFs are generally considered to be funds for the purposes of Hong Kong's Unified Funds Exemption ("UFE"). This exemption is the main tax exemption for funds and applies to both Hong Kong and non-Hong Kong domiciled funds. Effective from 1 April 2019, all privately offered funds operating in Hong Kong(regardless of their structure, size, purpose, or the location of their central management and control) can utilize the profits tax exemption, assuming certain conditions are met.
- If a fund qualifies for the UFE, a Special Purpose Entity ("SPE") established by the fund is generally exempt in respect to the profits it derives from the disposal of an interposed SPE, or an investment into a private company, subject to meeting certain conditions. The SPE exemption covers both Hong Kong and SPEs incorporated offshore.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law and certain income tax treaties.

What tax is exempt or reduced?

- The UFE provides for a tax exemption from Hong Kong Profits Tax on any assessable profits derived in Hong Kong.
- Hong Kong currently does not have any withholding tax on dividends or interest. Neither capital gains nor offshore-sourced income are generally taxed in Hong Kong. Furthermore, there is no value added tax, goods, services tax, or other indirect taxes in Hong Kong. The Hong Kong Stamp Duty Tax applies to certain documents relating to transfers of real property and stock.

Hong Kong (SAR), China (Continued)

Are there any criteria to qualify?

- Generally, a fund is exempt from the Hong Kong Profits Tax relating to its assessable profits if the following conditions are met throughout the year of assessment:
  - The fund meets the definition of a fund for the purpose of the tax exemption;
  - The assessable profits are earned from qualifying transactions (and incidental transactions subject to a 5%threshold); and
  - The qualifying transactions are carried out in Hong Kong, or arranged in Hong Kong by a specified person, or the fund is a qualified investment fund
- In order to be an SPE for purposes of UFE:
  - The SPE must be wholly or partially owned by a fund;
  - The SPE must be established solely for the purpose of holding and administering investments in investee private companies (either HK or non-HK incorporated);
  - The activities of the SPE meet certain requirements.

How does the FSI practically obtain relief under the exemption?

- There is no application process to obtain a tax exemption in Hong Kong; it is on a self-assessment basis.

Do tax treaties provide for any additional or separate relief?

- Foreign governments may be exempt from the Hong Kong Profits Tax under certain income tax treaties entered into with Hong Kong. For instance, the tax treaty between Mainland China and Hong Kong specifically exempts the Government of Mainland China from the Hong Kong Profits Tax relating to interest income arising in Hong Kong.

India

Does India provide an exemption or reduction from any domestic tax for an FSI?

- Yes; the Finance Act, 2020 introduced a section 10(23FE) in the Income-tax Act, 1961 ("ITA") which provides tax exemption to FSIs on income earned from eligible/prescribed investments in specified Indian infrastructure enterprises (as mentioned in section10(23FE) of the ITA).
- Such investments must be made during the period 1 April 2020 to 31 March 2024 and held for at least three years, subject to certain additional conditions.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law.

What tax is exempt or reduced?

- Dividends, interest, and long-term capital gains arising from eligible investments made by a qualifying FSI are exempt/reduced.

Do tax treaties provide for any additional or separate relief?

- Prior to the Finance Act, 2020, specific tax relief could be available under income tax treaties.

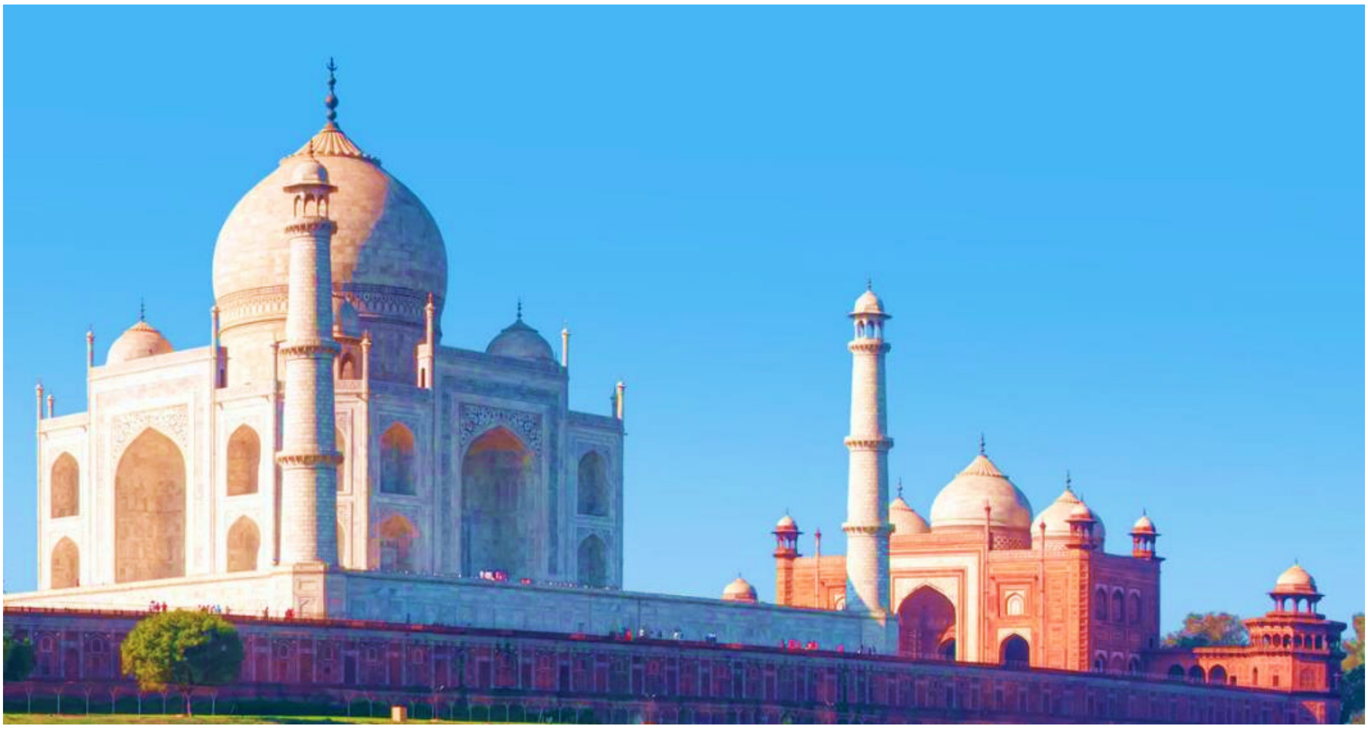
Are there any criteria to qualify?

In order to qualify, the FSI must meet the following qualifications:

- The FSI needs to be wholly owned and controlled, directly or indirectly, by the government of a foreign country, and set up and regulated under the laws of such foreign country.
- The FSI must not undertake any commercial activity within or outside India.
- The earnings of the FSI must be credited either to the account of the government of that foreign country or to any other account designated by that government and no portion of the earnings should inure any benefit to any private person.
- The assets of the FSI vest in the government of such foreign country upon dissolution.
- The FSI is specified by the Central Government through notification in the Official Gazette.

How does the FSI practically obtain relief under the exemption?

- The FSI claiming the exemption must file an application form with the Central Board of Direct Taxes, Department of Revenue.
- On an ongoing basis, the FSI will be required to file both quarterly statements and annual income tax returns in India.



Indonesia

Does Indonesia provide an exemption or reduction from any domestic tax for an FSI?

- Indonesia does not provide any specific exemption or relief for FSIs.

Are there any criteria to qualify?

- Not Applicable.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Certain income tax treaties may provide relief for specific FSIs.

Italy

Does Italy provide an exemption or reduction from any domestic tax for an FSI?

- Italy does not provide any specific exemption or relief for any FSIs.

Are there any criteria to qualify?

- Not Applicable.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Specific relief might be available to government entities under certain income tax treaties.

Japan

Does Japan provide an exemption or reduction from any domestic tax for an FSI?

- Japan does not provide any specific exemption or relief for FSIs.

Are there any criteria to qualify?

- Not Applicable.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Specific relief might be available to FSIs under certain income tax treaties.

Luxembourg

Does Luxembourg provide an exemption or reduction from any domestic tax for an FSI?

- Luxembourg does not provide any specific exemption or relief for FSIs.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Are there any criteria to qualify?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Not specifically for FSIs.

Mexico

Does Mexico provide an exemption or reduction from any domestic tax for an FSI?

- Yes; Mexican law provides for a reduced rate on interest withholding tax paid to FSIs assuming specific conditions are met. Certain tax treaties also provide specific exemptions.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic law and bilateral income tax treaty

What tax is exempt or reduced?

- Interest withholding tax.

Are there any criteria to qualify?

- To qualify, the FSI must be the beneficial owner of the interest and a resident in a country with whom Mexico has an income tax treaty. The FSI must be entitled to benefits under such treaty and provide specific documentation to the Mexican Tax Authority to confirm the structure (where applicable).

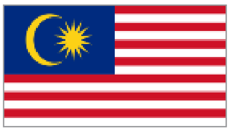
How does the FSI practically obtain relief under the exemption?

- There is no application process and the representation is self-certified.

Do tax treaties provide for any additional or separate relief?

- Certain income tax treaties may provide relief for specific FSIs.

Malaysia



Does Malaysia provide an exemption or reduction from any domestic tax for an FSI?

- No; Malaysia does not provide any specific exemption or reduction from any domestic tax for FSIs. However, dividends paid to non-resident investors (including FSIs) should not be subject to withholding tax in Malaysia.
- Further, there is no capital gains tax in Malaysia apart from Real Property Gains Tax, which taxes gains derived from the disposal of real property or on the sale of shares in a Real Property Company.
- Generally, gains realized by a non-resident not engaged in the business of trading in Malaysia should not be subject to income tax in Malaysia upon disposition of the investment.
- Moreover, interest income paid on Malaysian bonds to an FSI may be reduced to 15% under certain tax treaties.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not applicable.

What tax is exempt or reduced?

- Not applicable.

Are there any criteria to qualify?

- Not applicable.

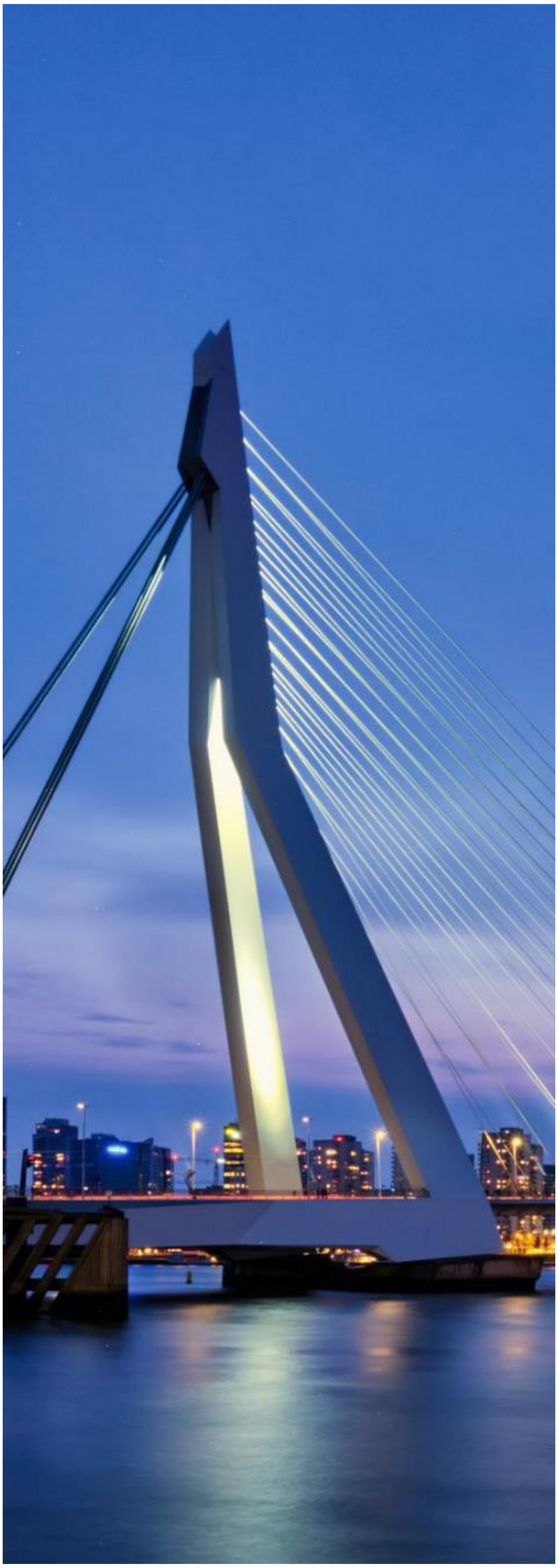
How does the FSI practically obtain relief under the exemption?

- Although there are no specific tax exemptions for FSIs, non-residents including FSIs might be exempt from withholding taxes on interest income that relate to specific loans approved by the Malaysia Ministry of Finance (MOF) or interest of the type referred to in the relevant income tax treaties with Malaysia. Such non-resident investors, including FSIs, need to (1) provide a copy of the certificate of residency to the Malaysian payor, and (2) obtain specific approval from the MOF, in order to avail the withholding tax exemption.

Do tax treaties provide for any additional or separate relief?

- Yes; certain tax treaties may provide for a specific withholding tax exemption on interest income derived from certain loans or credit agreements if certain conditions are met.

Netherlands



Does the Netherlands provide an exemption or reduction from any domestic tax for an FSI?

- Under Dutch domestic tax law, there is no explicit exemption for FSIs such as foreign governments, government agencies, etc. Governmental bodies are generally subject to corporate income tax to the extent they conduct a business. This should be assessed on a case-by-case basis. However, certain public domain activities (such as healthcare and pensions) may be eligible for exemptions, subject to specific requirements.
- Under Dutch tax law, a foreign governmental agency or institution could apply for such exemptions, as long as the agency is comparable to a Dutch counterpart. For example, claiming an exemption from dividend withholding tax may be available if the foreign investor would also be exempt from corporate income tax had the investor been resident of the Netherlands. These requirements are assessed on a case-by-case basis on the specific form and activities performed by the foreign agency or institution.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law and certain tax treaties.

What tax is exempt or reduced?

- Exemption from corporate income tax (which includes the capital gains tax) and withholding tax may be available. For VAT purposes, the regular rules generally apply for governments.
- The Netherlands does not currently apply stamp duties or a general interest withholding tax.
- As of 1 January 2022, a withholding tax will apply to certain conditional interest and royalties. A dividend withholding tax has been announced to be implemented in 2024 for payments to certain low-taxed and EU designated non-cooperative countries.

Are there any criteria to qualify?

- To qualify, the FSI must be comparable to a Dutch counterpart. In addition, there is an application process to obtain benefits.

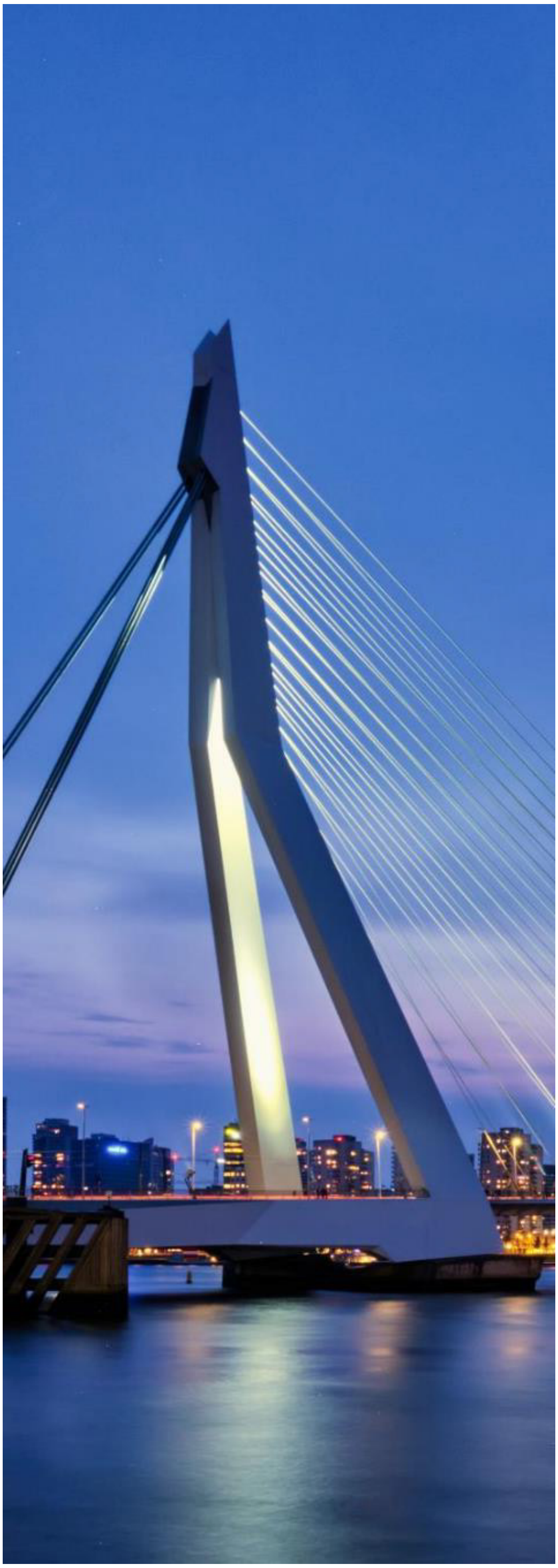
Netherlands (Continued)

How does the FSI practically obtain relief under the exemption?

- Relief is generally provided through filing a request for reclaim or by claiming relief at the source for dividend withholding tax with the Dutch tax authorities. The authorities may request certain supporting documentation (e.g., certificate of tax residency, legal support for the FSI being treated as a foreign investment body of the respective government, etc.).

Do tax treaties provide for any additional or separate relief?

- Certain tax treaties may provide a reduced rate or exemption for specific FSIs.



New Zealand

Does New Zealand (NZ) provide an exemption or reduction from any domestic tax for an FSI?

- The New Zealand Diplomatic Privileges and Immunities Act 1968 contains a power to grant an exemption from taxation to other Governments and other representatives in New Zealand. Under section 19 of the Act, the Minister of Foreign Affairs and Trade, with the concurrence of the Minister of Finance, may from time to time wholly or partially exempt from any public or local tax, duty, rate, levy, or fee any of the following Governments or persons:
  - The Government of any State or the Government of any territory for whose international relations the Government of any such State is responsible;
  - A representative or officer of the Government of any country other than New Zealand, or of any provisional Government, national committee, or other authority recognized by Her Majesty in right of New Zealand, if he is temporarily resident in New Zealand in accordance with any arrangement made with the Government of New Zealand;
  - A member of the official or domestic staff, or of the family, of any person to whom paragraph (b) applies.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- The exemption is provided pursuant to domestic tax law and certain tax treaties. However, the New Zealand Inland Revenue has historically taken a very limited view of when sovereign immunity from tax applies (unless specifically provided for under an income tax treaty).

What tax is exempt or reduced?

- Withholding tax on dividends and interest income under certain tax treaties are exempt/reduced. There is no specific exemption under domestic law.

Are there any criteria to qualify?

- An application for an exemption from tax would be made to the New Zealand Inland Revenue.

How does the FSI practically obtain relief under the exemption?

- An application for an exemption from tax would be made to the New Zealand Inland Revenue.

Do tax treaties provide for any additional or separate relief?

- Yes; some tax treaties specifically name certain government entities as exempt.

Norway

Does Norway provide an exemption or reduction from any domestic tax for an FSI?

- There is no domestic tax exemption for an FSI. As a starting point, the FSI would be assessed as an ordinary non-resident investor. There may be specific exemptions in tax treaties for government agencies, typically Central Bank and sovereign wealth funds.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Bilateral income tax treaty:
  - Certain tax treaties provide for an exemption on withholding tax for certain dividend income that is beneficially owned by certain entities (e.g., the governments as defined in Article 10 (3) in the tax treaty between Norway and the UK.)
  - In some tax treaties, specific FSIs or foreign sovereign entities are named (typically central banks). In addition, certain statutory bodies, political sub-divisions, and/or any institution may be exempt from withholding tax provided they are wholly/substantially owned by the government. Additionally, the competent authorities of Norway and the other contracting state may agree to provide benefits to certain entities.

What tax is exempt or reduced?

- Generally, withholding tax on dividends is exempt under the relevant tax treaties.

Are there any criteria to qualify?

- An FSI is typically defined under the tax treaty and may include regional as well as federal government entities.

How does the FSI practically obtain relief under the exemption?

- An exemption under tax treaty can be obtained by registering for withholding relief with the depository. An FSI can also apply for a refund.

Do tax treaties provide for any additional or separate relief?

- Yes; some tax treaties specifically name certain government entities as exempt.

Saudi Arabia

Does Saudi Arabia provide an exemption or reduction from any domestic tax for an FSI?

- Saudi Arabia does not provide any specific exemption or relief to a FSI under the Income Tax Law ("ITL"). Certain tax exemptions for passive income (i.e., interest, dividend) are provided in some income tax treaties.

Are there any criteria to qualify?

- Generally, where an applicable treaty applies, an exemption is applicable to government of a Contracting State, a political or administrative subdivision, local authority, or any similar institution wholly owned by the Government.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Some income treaties provide tax exemption for passive income (i.e., interest, dividends).

How does the FSI practically obtain relief under the exemption?

- There are two approaches to claim relief under income tax treaties – relief at source and application for refund. In addition, for a FSI, additional documentation may be requested by the tax authority in Saudi Arabia to prove that it is a government owned entity. From a practical perspective, it may be helpful to approach the Zakat, Tax and Customs Authority (ZATCA) for confirmation of tax exemption under an applicable tax treaty.

What tax is exempt or reduced?

- Generally, "income from debt claims" is exempt from withholding tax.
- In addition to the exemption of "income from debt claims", some income tax treaties also provide for exemption on dividends and capital gains from alienation of shares by a foreign government.

Do tax treaties provide for any additional or separate relief?

- Yes; certain tax treaties may provide a reduced rate or exemption for specific FSIs.

Singapore

Does Singapore provide an exemption or reduction from any domestic tax for an FSI?

- Singapore provides a tax exemption under the section 13V regime for FSIs upon approval by the Monetary Authority of Singapore.
- The exemption is currently available through 31 December 2024.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law.

What tax is exempt or reduced?

- The 13V exemption is for an approved FSI on income in respect to designated investments arising from its fund investments managed in Singapore.
- The 13V exemption also includes withholding tax on interest payments to non-residents subject to meeting certain conditions.

Are there any criteria to qualify?

- The 13V exemption may be available for an FSI that is wholly owned by the government, subject to approval by the Monetary Authority of Singapore.

How does the FSI practically obtain relief under the exemption?

- The 13V exemption may be available for a period up to 10 years. The exemption is administered by the Monetary Authority of Singapore on an approval basis.

Do tax treaties provide for any additional or separate relief?

- There is no additional or separate relief specifically for FSIs. However, tax treaties may provide for a withholding tax exemption on interest paid to the government of the contracting states. This definition may be broad enough to cover sovereign wealth funds. For example, under the Singapore Korea tax treaty, GIC and KIC are specifically named in the treaty as being the government of Singapore and Korea, respectively.

South Africa

Does South Africa provide an exemption or reduction from any domestic tax for an FSI?

- South Africa does not provide any specific exemption or relief for FSIs.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Are there any criteria to qualify?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Certain income tax treaties may provide relief for specific FSIs.

South Korea

Does South Korea provide an exemption or reduction from any domestic tax for an FSI?

- There is no exemption or reduction from any domestic tax specifically for an FSI.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not Applicable.

What tax is exempt or reduced?

- Not Applicable.

Are there any criteria to qualify?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Certain income tax treaties may provide relief for specific FSIs.

Spain

Does Spain provide an exemption or reduction from any domestic tax for an FSI?

- There is no specific tax relief for an FSI under the domestic tax law. Regular tax rates should apply (i.e., generally 19% tax rate for passive income). However, other generic exemptions could be available for an FSI under Spanish tax law, such as for income derived from government bonds and certain publicly traded corporate bonds, gains on the sale of certain stock, as well as qualifying income under the EU Saving Directives. Certain income tax treaties may provide relief for FSIs, subject to conditions.
- Notwithstanding the above, the Spanish Supreme Court issued a decision in 2021 that the Spanish domestic tax law that imposes withholding taxes on dividends derived by foreign FSIs entails an infringement of the EU principle of free movement of capital when such FSI is comparable in nature to Spanish sovereign organizations that are exempt from corporate income tax. This may provide an opportunity for FSIs to reclaim dividend withholding taxes suffered in Spain within the statute of limitations (generally 4 years). This is especially relevant for FSIs with direct investment structures into Spain.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- There is no reduction or exemption specifically for a FSI generally under either domestic tax law or tax treaty, except for note under 1b above.

What tax is exempt or reduced?

- Not applicable, except for note under 1b above.

Are there any criteria to qualify?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- None specifically for FSIs.

Sweden

Does Sweden provide an exemption or reduction from any domestic tax for an FSI?

- Under current law, Sweden does not currently provide a specific exemption or reduction from any Swedish income taxation for FSIs.
- However, a recent government report has stated that a foreign state/country is not a foreign legal entity within the meaning of the Swedish withholding tax act and should not be subject to withholding tax. While the opinion of the report has no formal legal relevance, it does provide persuasive support for its arguments. Further, the EU commission is investigating whether the current Swedish practice of taxing FSIs is inconsistent with the treatment of domestic sovereign investors under domestic law. The practice could be determined to be illegal discrimination under EU law.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not applicable.

What tax is exempt or reduced?

- Not applicable.

Are there any criteria to qualify?

- Not Applicable.

How does the FSI practically obtain relief under the exemption?

- To the extent that any relief is available, the relief would be achieved through fling an income tax return or application for a refund of withholding tax.

Do tax treaties provide for any additional or separate relief?

- Certain tax treaties may provide relief depending on the specific facts and circumstances of the FSI (e.g., the purpose of the investments, residency, legal structure of the investment vehicle, etc.). For example, an FSI may qualify as a “pension fund” under the Sweden – United States tax treaty.

Turkey

Does Turkey provide an exemption or reduction from any domestic tax for an FSI?

- Turkey does not provide any specific exemption or relief for FSIs.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Not applicable.

What tax is exempt or reduced?

- Not applicable.

Are there any criteria to qualify?

- Not Applicable.

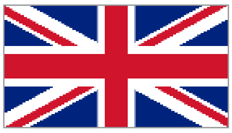
How does the FSI practically obtain relief under the exemption?

- Not Applicable.

Do tax treaties provide for any additional or separate relief?

- Certain income tax treaties may provide relief for specific FSIs.

United Kingdom*



Does the United Kingdom ("UK") provide an exemption/reduction from any domestic tax for an FSI?

- The UK recognizes the principle of sovereign immunity whereby one sovereign state does not seek to apply its domestic tax laws over another sovereign state. In accordance with this principle, current UK practice is to regard all income and gains which are beneficially owned by the head of state and the government of a foreign state by the UK as immune from direct taxes.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law.

What tax is exempt/reduced?

- Direct taxes only (income tax, corporation tax, etc.) are exempt/reduced. Indirect taxes are not exempt (VAT, stamp duty, etc.).

Are there any criteria to qualify?

- Sovereign immunity from taxation does not apply to income arising to and beneficially owned by a legal entity that is separate and distinct from the foreign Government, even though that government may own the whole of the share capital.

How does the FSI practically obtain relief under the exemption?

- If the government qualifies, it must apply to HMRC for a ruling through a letter of application and supporting documentation.

Do tax treaties provide for any additional or separate relief?

- Any relief is generally only provided for under domestic tax law.

*The UK Government has announced potential changes to and codification of the rules on Sovereign Immunity. These changes are likely to be significant in nature as they seek to limit the scope of the above described UK sovereign tax exemption. As of the time of this publication, the UK Government was holding a public consultation and we expect the final rules to reflect a limitation on active income, non-passive investments and gains from the sale of real property.

United States

Does the United States ("US") provide an exemption or reduction from any domestic tax for an FSI?

- Yes; domestic law (Internal Revenue Code ("IRC") Section 892) provides a federal income tax exemption to integral parts and controlled entities of a foreign government assuming certain qualifications are met.
- IRC Section 893 provides a federal income tax exemption to the US compensation of employees of a foreign government or international organization for official services assuming certain conditions are met.

Is the exemption provided pursuant to domestic tax law, bilateral income tax treaty, or from another source?

- Domestic tax law.

What tax is exempt or reduced?

- The tax exemption generally applies to withholding tax on dividends, interest, and capital gains related to the disposal of certain securities (including certain minority interests in real property), and income from financial instruments held in the execution of governmental financial and monetary policy.
- However, the FSI claiming the Section 892 benefit cannot perform any commercial activities either within or outside the US.
- Note that "commercial activity" is broadly defined and there is considerable case law and regulations providing guidance on the Section 892 rules.

Are there any criteria to qualify?

- Section 892 exemptions may apply to an integral part of the government or a wholly owned entity established in the same jurisdiction as the foreign government.

How does the FSI practically obtain relief under the exemption?

- The FSI obtains relief by self-certification, but in practice, FSIs generally take advice from tax counsel on qualification for Section 892. If the FSI qualifies, it must certify its foreign exempt status by completing Form W-8 EXP, Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding and Reporting. This certificate is generally provided to a counterparty or withholding agent in the US to confirm the applicable exemption on payments/distributions otherwise subject to US withholding tax.

Do tax treaties provide for any additional or separate relief?

- No; specific relief is generally provided under domestic tax law.

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