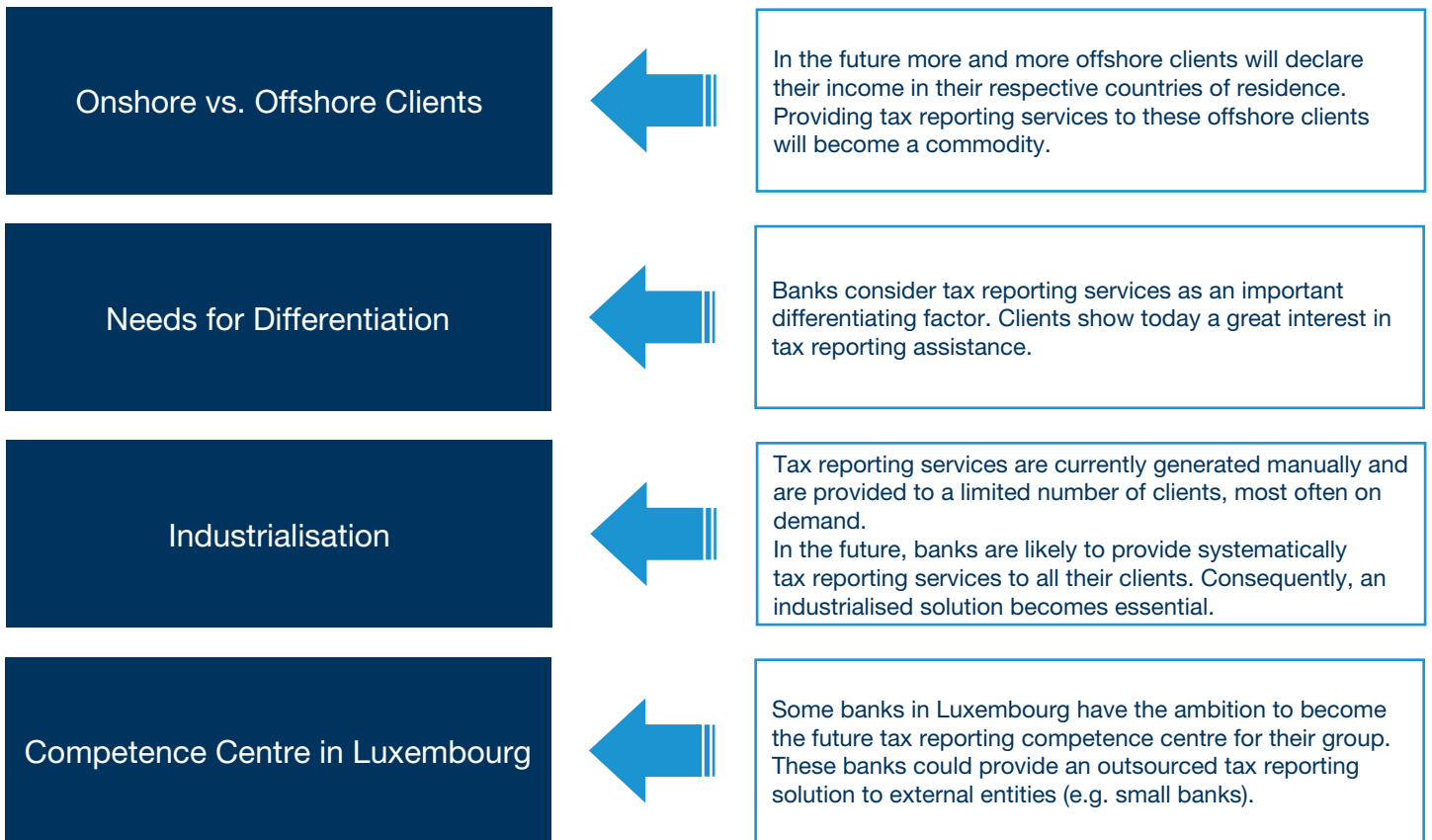


# Tax reporting for private banking clients in the light of an increasingly transparent environment

*In light of the recent international tax developments, there has been a trend towards increased transparency and more stringent reporting and accountability requirements. As a consequence, more and more Luxembourg banks are developing new services to help their clients declare their income in their country of residence.*



## Growing interests for a tax reporting solution – rationale behind



## Challenges faced by Banks

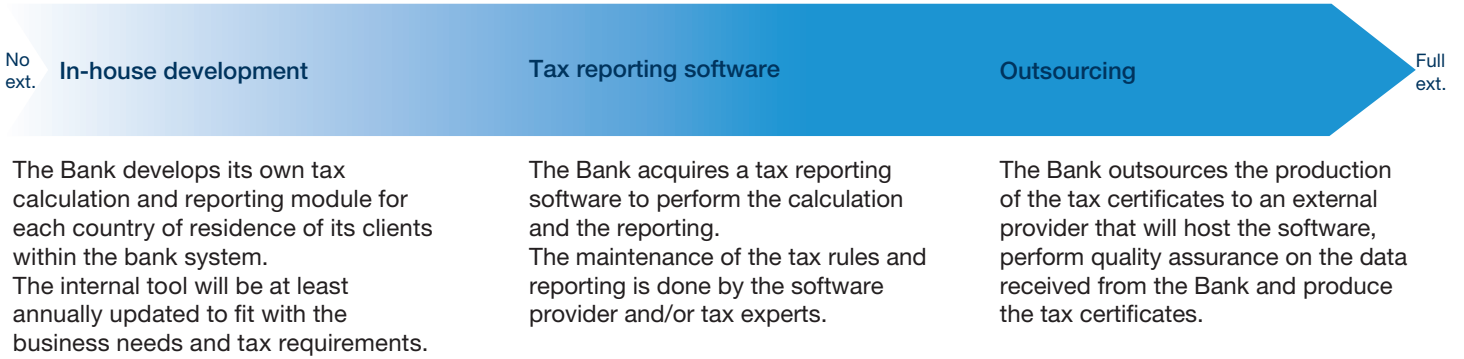
Banks need to analyse their current ability to deliver high quality tax reporting to their clients. They will face two types of challenges:

### 1. On going tax evaluation:

Changes in tax law	Tax reporting related data	Product classification
Banks will have to perform a yearly tax law market watch to follow up the changes in tax law in all countries of residence of their private banking clients.	Banks will need to find tax related data for each country of domicile of their client and perform a gap analysis between their existing data captured in the system and the ones required for tax reporting purpose.	Banks will need to classify all their existing and future products into tax clusters watching the income tax return of the private clients.

### 2. System implementation and monitoring:

Depending on your internal organisation, three possible strategies with an increasing degree of externalisation (ext.) can be considered:



## A personalised approach to your banking environment

Based on our project experience, PricewaterhouseCoopers proposes a four-step approach specific in the tax reporting implementation process:



- Assisting the Bank for selecting the appropriate tax reporting model based on its actual needs and strategy;
- Monitoring of the tax reporting solution;
- Rationalising the decision through business plan.

- Definition of the specifications with a deep analysis on the financial products based on the rules of each country of residence of the private banking clients.

- Implementation and parameterisation of the tax reporting solution;
- Coordination between the parties involved internally as well as externally.

- Definition of a test strategy, scenarios and test cases;
- Test and validation of the results with our tax experts;
- Modification of the tax reporting solution.

## How can PwC help you?

PricewaterhouseCoopers has team of a multidisciplinary experts with tax and consulting skills to help you in the development of your tax reporting service.

### Our international tax expertise leveraged with our PwC network

- Our PwC tax team is specialised in the issues related to tax reportings for offshore private clients.
- PwC Tax Luxembourg works closely with its PwC network of tax experts to gather the latest changes in the tax law of the domicile country of your private banking clients.

### Our consulting services: IT and Operations implementation assistance and project management

- Our IT and Operations team can assist you in your decision process to select the best scenario in accordance with your banking environment constraints. Our team has been trained to the main tax reporting pieces of software available on the market.
- Our dedicated test team has gained a strong experience in various IT implementation, including test strategy definition, test scenarios description and certification of the tax reporting produced.
- Our experienced project managers can assist you in coordinating the various parties involved (Bank's IT, Operations and Tax departments, Tax software vendor, External tax advisers,...) during the implementation project.

## Current example from the field:

### Tax reporting for all private banking clients

#### The Issue

As a consequence of the transparency trend towards tax reporting, a Luxembourg Bank decided to develop new services to help their private banking clients to declare their revenues in their country of residence.

In this context, the Bank needed assistance to (i) define its IT development strategy, (ii) analyse the complexity of its current financial products, and (iii) validate the quality of its current tax reporting template.

#### Our Approach

PwC proposed the following approach to the Bank's issues:

- In order to support the Bank in its tax reporting development strategy, PwC identified and analysed three scenarios with a SWOT and cost analysis. The three scenarios were (i) the implementation of external tax reporting IT solutions, (ii) an in-house development solution and (iii) the externalisation of the tax reportings to a third party (Fiscal desk).
- Based on the description of their financial products, PwC conducted a study on the tax classification of each product with the help of the PwC tax international network.
- Finally, PwC reviewed the current tax reporting template (developed by the Bank) and proposed recommendations concerning the calculation details, the disclaimer validity, the exhaustiveness and correctness of the taxable amounts disclosures.

#### The Outcome

At the end of the project, the Bank had the necessary information to take a decision on its future IT development strategy. The Bank could also apprehend the high level of fiscal complexity of certain financial products depending on the tax treatments of the residence country of their client and the need to be assisted to validate the tax rules, as well as the need to review frequently its product tax rules to ensure a full reliability with local legal requirements.

The Bank appreciated the PwC multidisciplinary team (Advisory and Tax) and the effectiveness of our tax international network, which will set PwC team as preferred trusted advisor for the implementation phase, including the revenue categorisation, the fiscal analysis, the specifications, the data mapping and the testing of the final tax reportings.

## Why PricewaterhouseCoopers Luxembourg?

PricewaterhouseCoopers considers tax reporting to be a business opportunity in a context of cross-border transparency in the private banking environment. This new reporting service will be a key competitive advantage to hold and attract offshore private banking clients in Luxembourg. As a local and global leader in professional services to the financial services industry, PricewaterhouseCoopers has the wealth of resources and expertise to assist you in addressing the various challenges posed by the strategic decision to offer tax reportings.

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