

From: Richard Joslin [REDACTED]
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: FW: question on interest
Date: Wed, 25 Mar 2015 19:42:23 +0000

Let's discuss at 4:45 (if there is time)

Re Interest paid by Phaidon Press (UK) to Phaidon Global (US)

As you know, the payment of interest by a UK person to a non-UK person may give rise to UK income tax withholding of 20%. In order to claim the benefits of reduced withholding under the UK/US income tax treaty, the UK requires the lender to file forms with UK taxing authorities (HMRC). The certified claim procedure requires the lender to obtain IRS certification of US status (routine and common for withholding matters). An expedited process is a double taxation passport scheme. With the passport, all debt issued is covered by the passport. The lender will be listed in HRMC public database. No IRS certification of US status is needed. Note I indirectly reached out to BDO (Phaidon tax and accounting firm) and they provided some explanation below. The author has never undertaken either the claim or passport procedures. Note that there were repayments of the credit line in 2014. Let's discuss.

Concern 1: if we are going down the road of registering the debt with UK to avoid UK withholding, we are late in doing so, and this goes for the grid note and the other notes from Phaidon Global to Phaidon Press/ or PLB to JMWT Ltd.

Concern 2: if we forego registering to avoid withholding, then we are late in remitting the UK tax. I don't know what lateness is less desirable; I would think the latter.

Begin forwarded message:

From: Peter Goodwin <[REDACTED]>
Date: March 24, 2015 at 6:10:57 AM EDT
To: "Richard Joslin" <[REDACTED]>
Cc: John Murphy <[REDACTED]>
Subject: FW: question on interest

Hi Richard,

Please find attached the response from BDO regarding the loan from Global to PPL.

Please advise how you would like to proceed.

Regards

Pete

From: James Rissen [REDACTED]
Sent: 23 March 2015 18:16
To: Peter Goodwin
Cc: James Pratt
Subject: RE: question on interest

Hi Pete

There are two approaches to obtaining clearance to apply the zero treaty rate.

Certified claim procedure

A UK 'Form US-Company 2002' will need to be completed

<https://www.gov.uk/government/publications/international-tax-uk-usa-double-taxation-convention-form-us-company>

A US 'Form 8802' will also need to be completed in order to obtain certification from the IRS of US tax residence for the recipient company. The IRS will provide this on a Form 6166.

<http://www.irs.gov/pub/irs-pdf/f8802.pdf>

Assuming everything is in order the IRS will then issue the completed Form US-Company 2002, along with the Form 6166 confirming US residence to HMRC, who will then inform Phaidon Press that the interest can be paid at the zero rate.

In terms of turnaround time for getting treaty clearance, it typically takes up to 30 days from a UK perspective, but we have experience of this taking longer from the US side - up to 6 months. If treaty clearance will not be obtained by the time that the first interest payments are due the standard rate of 20% WHT would be applicable and separate form (Form CT61) would need to be submitted to HMRC until treaty clearance is obtained. There would be the capability for Phaidon to apply for a refund of any withholding tax suffered pre-treaty clearance.

Double Taxation Treaty Passport Scheme

An alternative approach is applying for the Double Taxation Treaty Passport Scheme. The initial application process is fairly similar although there are slightly different forms to complete. Once a passport is issued for Phaidon Global LLC it is applicable for a period of 5 years and Phaidon Global LLC can then issue multiple loans to the UK without going through the full clearance application process each time.

A form DTTP1 will need to be completed in respect of the US company. HMRC will consider the application within 30 days and if accepted, issue a unique double taxation treaty passport reference number. Phaidon Global LLC will then need to notify Phaidon Press of the reference number and Phaidon Press will need to submit Form DTTP2 to HMRC to notify them of a loan from a treaty passport holder.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388288/dttp1-application.pdf

The registration and treaty clearance is likely to take the same length of time as the certified claim procedure and would be worth considering if you anticipate multiple loans to be made from Phaidon Global LLC.

I trust that helps. We would be happy to assist in completing, reviewing and filing the necessary UK forms and would be pleased to provide a fee quote for doing so should you wish for our assistance.

Kind regards
James

From: Peter Goodwin [REDACTED]
Sent: 18 March 2015 12:04
To: James Rissen
Subject: FW: question on interest

Hi James,

I hope you are well. Could you please look at the question below regarding the Loan form the US company to PPL.

Many thanks

Pete

From: Richard Joslin [REDACTED]
Sent: 18 March 2015 12:02
To: Peter Goodwin
Cc: John Murphy
Subject: question on interest

Peter;

Phaidon Global LLC is lending to UK entity. Can you check with BDO is there is any filing required to ensure the interest is subject to zero withholding. As the lender is US, the US and UK have a income tax treaty that reduces the withholding rate to zero. thanks

http://www.dechert.com/files/Publication/ba95db03-ee69-4670-b4e0-0230966c3045/Presentation/PublicationAttachment/c2624b1b-8f4e-4759-b646-0850aa3da67a/Tax-07-10-Double_Taxation.pdf

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