**CA500 – US reclassifications – input document**

Income distributions from U.S. securities are subject to different U.S. withholding regulations depending on how the components of the income distribution are classified (e.g. dividends, REITs – Real Estate Investment Trust – capital gains dividends and return of capital).

At the time of the initial income distribution, the classification may not be known, in which case, the income distribution will be taxed as an ordinary dividend.

After the end of the U.S. tax year (31 December), U.S. issuers review their yearly income distributions and can reclassify their income payments.

We would like to agree a common way to process such re-classifications. This is only a first proposal, based on the way several intermediaries seem to process them, to initiate the discussion among the CA working group:

* + *Adjustment of the original income payment:* by debiting, within the original income (DVCA/INTR) event, the difference between the original net dividend payment and the updated net dividend amount after the re-classification.
  + *Reclassification:* bycrediting the reclassified amount as capital distribution in a CAPD event with the same dates as per the original income event.