

SMPG – Tax sub-group

Telephone Conference Minutes

15th October 2014

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**Attendees**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Country** |  | **First Name** | **Last Name** | **Institution** | **Participation** |
|  | BE | Ms. | Véronique | Peeters | BNY Mellon | Excused |
| Facilitator | N / A | Mr | Jacques | Littré | SWIFT |  |
|  | CA | Mr | Cairbre | Cowin | RBC IS |  |
|  | CH | Mr | Reto | Baumgartner | Credit Suisse | Excused |
|  | DE | Mr | Daniel | Schaefer | HSBC |  |
|  | DE | Mrs | Andreana | Pileri | Commerzbank | Excused |
|  | FR | Mrs | Kimchi | Phungtran | BNP Paribas | Excused |
| Co-chair | FR | Mr | Jean-Pierre | Klak | State Street |  |
|  | FR | Mrs | Pascaline | Letang | BP2S | Excused |
|  | FR | Mrs | Marzena | Lenczowska | BP2S |  |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | Excused |
|  | LU | Mr | Bernard | Lenelle | Clearstream |  |
|  | LU | Mr | Ludovic | Schwindt | Clearstream | Excused |
|  | LU | Mr | Charles | Boniver | RBC IS | Excused |
| Co-chair | SG | Mr | Jyi-Chen | Chueh | Standard Chartered |  |
|  | UK & IE | Mrs | Mariangela | Fumagalli | BNP Paribas |  |
|  | US | Mrs | Sonda | Pimental | BBH | Excused |
|  | XS | Mrs | Delphine | Haillez | Euroclear |  |
|  | XS | Mrs | Marina | Kotti | Euroclear |  |
|  | ZA | Mr | Sanjeev | Jayram | First National Bank |  |
|  | ZA | Mr | Dale | Van Rayne | First National Bank | Excused |
|  | ZA | Mr | Yusuf | Basha | First National Bank | Excused |

**Action**: NMPGs to eventually look for tax experts candidates in their local Markets.

# Approval / comments of September 9th call minutes

No comments.

The minutes are approved.

# Tax Table

No update received on the table.



# WITF/WITL/TAXR MP

Cairbre commented the Change Request proposed last August by the Canadian Market to the SWIFT Maintenance Working Group (MWG): CR 000766 - Add Country of Source of Funds to cash Movements



In Canada, there are Incomes paying from different sources. The different sources trigger different tax rates.  
Currently, the information is handled via the narrative field.

The group made the link with the previous South African business case.  
It appears that for South Africa, the proposal is also applicable. i.e.: TAXR for Nigerian taxation and WITL for the South African taxation => the opposite way from today (see below example 3 presented during former conf calls): impact only on the current South African Market Practice.



In the Change Request proposed by the SMPG, country codes were linked to TAXR as a new format to create. This change was raised as an important concern for the MWG.



Advantage of the Canadian proposal : it is only a multiple Cashmove required and not a change in the format of existing qualifiers.

Some feedbacks during the call:

* Euroclear : the approach is good
* UK (also applicable for US) : shouldn’t it be used with the TYPE of Income to identify the source of Income?

Other discussion points :

* In order to simplify the rules, couldn’t we come back to the option TAXR with country code in order to handle the different combinations?
* Two different needs may appear on the same Income event:   
  1. Is the client taxable under, for example Canadian or US regime? => Country related to the Taxation  
  2. What is the country source of the income?: eg : Diamond Mining : Income can be received from Canada and also from South Africa => Country related to the Income.

It means that both may be used and reported within the same event.

* The term ‘source’ needs to be clarified : source = jurisdiction of issuer? Country of Income? Country of Taxation?
* Need to clarify in the Canadian example and the future Change Request proposal which is the country where the taxation is taken.
* Need to re-adapt the definition proposed for TAXR ?

Reminder related to MWG recommendation :

* Agreement to delete WITF
* No new ‘Complementary’ qualifier

**Action:**

* Canada will clarify on Tax aspects related to their business case
* Further discussion to identify if TAXR with country code can answer Canadian need
* Afterwards, Jyi-Chen, Jean-Pierre (in cooperation with Cairbre) to prepare a new Change request that should take into consideration the Canadian need

# Tax processing flow / certification process

 



Presentation by Euroclear of the outside Income scenario

Based on previous flow proposed by Bernard, Euroclear amended the flow in order to show their process where Certification event is separate from the Income event (in red in the diagram).

The group discussed the following points during the call:

* One time scenario: MT599 vs MT568

For a ‘one time scenario’ or a renewal, there is no particular CAEV that may be used, there is no Corporate Action attached and no specific security: usually, the case is a new position generating the requirement of ad hoc documentation on a specific country.

Should we have a Market Practice to put something else than an ISIN code in the ISIN field ? a sort of key to route the MT568 to Tax dept i/o CA dept

Bernard reminded the purpose of the creation of the WTRC code (back to 2006) : the Change Request has been proposed for this one time request.

Comments from some countries:

ZA Certification : it will be used within the event.

DE Certification : only tax Reclaim process in Germany so no certification process so to speak

Regarding certification, is there a need for a Market Practice when it is rather a service level process ?

Recommendation of the group : MT568 for the one time scenario

Discussion on WTRC  
- because it has been requested for the one time scenario, maybe there is an issue using it for ALL certification needs … but, in such a case, the current definition may be ambiguous.

- Instead of WTRC, should we use another qualifier ?

**Action:**

For the next call: feedback from each NMPG on the process AT SOURCE Per Payment of the workflows, Pros and Cons, for the “event certification” scenario (original workflow presented by Bernard) and Pros and Cons for the scenario called “outside the income event” (new workflow presented by Euroclear)

# FATCA

No update

**Action:**

Sonda to provide any update when available in the US Market

# Tax Breakdown requirements

Information required on Tax breakdowns

See attached file



No update

**Action:**,

* NMPGs to review the table to identify if they have some exceptions / discrepancies.

# Other topics

a. Question from APAC WG on ‘FLFR’:

For subsequence E2 Cash Movement Field 92a: Rate, FLFR is defined twice:

* defined as a ‘Qualifier’ along with ‘GRSS’.
* Defined as a ‘rate type code’ in the qualifier GRSS



Reminder : AU rather uses as a Rate type code but to be confirmed that all AU Market participants uses it on the same way

Next steps: When the AU Market will agree on the same usage and confirm their local practice, a Change Request will be proposed in order to remove FLFR from the non-used part.

**Actions**:

* Jacques to follow up with the AU representative. This person will check with the AU community

No feedback for the moment

b. Question from South Africa on MT566s for multiple tax refunds for an omnibus account

Reminder of the case:

Some clients (e.g. global custodians) normally operate omnibus accounts (multiple beneficiaries) and resultantly when a tax refund is claimed it is normally claimed for multiple beneficiaries. The South African market is viewed as a “quick refund” market as Dividend Withholding Tax (DWT) legislation has provided for Regulated Intermediaries who will collect, report and pay DWT to the South African Tax Authority. The South African Tax Authority requires each beneficiary to dividend (including refund claimants) to disclose certain “personal” information and resultantly these details are reported by the Regulated Intermediary to the Tax Authority. In order to claim any relief from DWT the beneficiary to the dividend is obliged to make a declaration as required by legislation. Thus without the required declaration no tax refund may be provided.

In those instances where a client operating an omnibus account claims DWT refunds on behalf of multiple beneficiaries should a consolidated MT566 messages be sent with an averaged tax rate and aggregate posting amount? The other option would be to send a MT566 for each beneficiary refund, i.e. multiple MT566 messages. A consolidated MT566 message could, inter alia, cause reconciliation challenges should it not be supported by a schedule payment of sorts. On the other hand sending an MT566 per beneficiary payment/refund could aid automation and reconciliation.

* Subject to link to the Certification process topic?

**Actions**:

* ZA to provide an example to illustrate the case
* The different NMPGs to investigate the usage of their local Market for further discussion.

c) Follow up document on Tax sub-group decisions:

The UK raised a general query related to the different / conclusions that are taken by the Tax sub-group. It is necessary to collect them into another document than the call minutes (eg: subject related to Franked / Unfranked discussed in April 2014)

**Actions**:

Tax subjects will be included in a separate section of the Global Market Practice document part 1

# Next Conference Calls

Last conference call for 2014: Thursday 11th December 2 pm CET

**Action:**.

* Next conf calls for 2015 to schedule

**------------------------ End of the Meeting Minutes -----------------**