

SMPG – Tax sub-group

Telephone Conference Minutes

6th January 2022

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# Attendees

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Country** |  | **First Name** | **Last Name** | **Institution** | **Participation** |
|  | BE | Mrs | Véronique | Peeters | BNY Mellon | Excused |
| Facilitator | N / A | Mr | Jacques | Littré | SWIFT | a |
|  | CH | Mr | Reto | Baumgartner | Credit Suisse | Excused |
|  | DE | Mr | Daniel | Schaefer | HSBC | Excused |
| Co-chair | FR | Mr | Jean-Pierre | Klak | State Street | a |
|  | FR | Mrs | Stéphanie | Clark-Fischer | BP2S | a |
|  | FR | Mr | Pierre-Antoine | Patinet | BP2S | Excused |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | Excused |
|  | LU + DE | Mr | Alexander | Reis | Clearstream | a |
|  | LU + DE | Mr | Julian | Hechler | Clearstream | Excused |
| Co-chair | SG | Mr | Jyi-Chen | Chueh | Standard Chartered | a |
|  | UK & IE | Mrs | Mariangela | Fumagalli | BNP Paribas | a |
|  | US | Mr | Paul | Fullam | FIS Global | Excused |
|  | US | Mrs | Vandana | Pasricha | BBH | Excused |
|  | US | Mrs | Elizabeth | Lanfear | BBH | a |
|  | US | Mr | Caleb | Lanfear | BBH | Excused |
|  | US | Mr | Ian | De Sacia | DTCC | Excused |
|  | US | Mr | Steven | Sloan | DTCC | Excused |
|  | US | Mr | Greggory | Lewis | GlobeTax | a |
|  | XS | MR | Jean-Paul | Lambotte | Euroclear | Excused |
|  | XS | Mr | Eric | Marega | Euroclear | Excused |
|  | ZA | Mr | Sanjeev | Jayram | Rand Merchant Bank | a |
|  | ZA | Mr | Dale | Van Rayne | Rand Merchant Bank | Excused |
|  | ZA | Mr | Riian | de Klerk | Rand Merchant Bank | Excused |

# Approval of November 2021 minutes call

November call minutes are approved by the participants..  
Alexander couldn’t review them before the call. He will revert afterwards if necessary

# CA 498 - CA – Tax Breakdown MP

January 2022 call :

Catarina Marques confirmed to the CA SMPG that all comments received from Clearstream have been taken into consideration in the last Market Practice (MP) version shared within the Corporate Actions SMPG. The final MP was published on the SMPG web site on November 18, 2021 accordingly.

Please see attached.



No more action required on this MP. The topic can be closed.

November 2021 call:

Clearstream would like to discuss further some specific items in relation to the Tax breakdown Market Practice,  
Please see attached the document shared during the November 2021 call:



As an introduction, Alexander from Clearstream clarified that the background was rather an ECMS one and not exclusively a Clearstream one.

In addition to the presentation, some additional comments were added by Clearstream

1. **Relief at source**: the following tax event can be appropriate **WTRC VOLU** **via MT564, MT565 and MT567**. WTRC instruction deadline will be the same as the deadline for the underlying CA event. The certified/applicable tax rate would be taken into account on the PD of the underlying CA event and confirmed in the same MT566 as the underlying CA event.

Elements to consider and evaluate:

* the multiplication of options to reflect every possible tax rate might significantly complexify the process especially when it comes to handling of a complex corporate action.
* It should be also further investigated if it is feasible to send WTRC VOLU only to omnibus accounts as usually the event is generated to all entitled holders.
* technical complexity linked to integration/mirroring of the information received in the WTRC instructions into the CA event instructions.

1. **Adjustment of relief at source**: we support the use the tax event **WTRC VOLU via MT564, MT565, MT567 and MT566.** WTRC instruction deadline will be after the PD of the underlying CA event and will be one of the WHTA adjustment deadline.As the processing is done after the PD of the underlying CA event, the adjustment is paid as Tax Credit via MT566 WTRC.

Elements to consider and evaluate:

* It should be also further investigated if it is feasible to send WTRC VOLU only to relevant accounts as usually the event is generated to all entitled holders.
* technical complexity linked to reconciliation of the information before and after payment.

1. **Tax refunds:** we strongly recommend to use **TREC VOLU** **via MT564, MT565, MT567 and MT566** instead of TREC MAND (MT564, MT566) & WTRC VOLU (MT564, MT565, MT567)

The flows are easier to handle via a single event. The TREC should be generated as of PD+20BD (after the end of market claim detection period) re the underlying CA event.

 Elements to consider and evaluate:

* TREC event should take into account the standard deadlines vs specific deadlines (e.g. different tax refund deadline in the French market for the NL residents)
* this would not be efficient without a digitalization of reclaims to be allowed by the national laws as the paper work would run in parallel to the SWIFT flows.

Comments raised by the group during the November 2021 call:

Regarding the reference to ‘complex Corporate Actions’, some examples are requested.

Some clients are not allowed to WTRC, as a consequence we need to think about TREC / VOLU instead.

Regarding the scenario 2 of the Market Practice, it is agreed that it is a complex one. To see with the CA SMPG if we need to remove this scenario from the Market Practice.

Regarding the EIG Matrix: it is confirmed that the background and the ultimate goal of this proposal is to replace the current MT599 which is currently used by everybody. Furthermore, Alex explained that the MT599 being limited in terms of number of characters, several MT599 are necessary in order to provide the complete information.  
Alex confirmed that for the EIG, the goal is to have the different proposals indicated in the general rule and not at country level in some specific columns, e.g. DE / LU / XS.

Regarding BENODET slide: Alex explained that a recommendation on the format is necessary.  
For the residence: the reason why the proposal is to make it mandatory is if the residency is not indicated, it is impossible to have a clear vision of the residency so, as a consequence, a clear vision of the taxation to apply.  
In such a case, the operational Tax teams need to ask the clients for this residency via an additional message or any other separate communication.   
BO country of residence is applicable to both individuals and legal entities (e.g. insurance companies, etc …)  
Nevertheless, if we want it Mandatory, a preliminary Change Request will be necessary in order to change the current MT565.

The US participants will discuss this topic within the US NMPG knowing that all these details need to be checked in regards to the 20022 xml format.

**Action**:

Topic closed

# CA 470 – Tax breakdown Market Practice on DVOP / DRIP

Separately from the initial Market Practice (MP) that focused on DVCA / INTR (see CA 498), a new topic will be open to work on an additional MP dedicated to DVOP and DRIP events.

**Action**:

Mari and JP will work on this topic in order to present a document to the Tax sub-group during the next calls.

# CA 500 - CA Tax - Add new Event Type for Tax Classification (SR2022 CR 001796)

New topic.  
The SMPG CA WG (Tax Subgroup) to further investigate the US business case, the information sent in OTHR event today and look at what solutions exist in other countries that could be the object of a new change request to solve this case in 2023.



**Action**:

To be checked within the US Market first

# CA505 – CA - Add new Other Type of Income Qualifier in Movements Sequences (SR2022 CR 001791)

New topic  
Tax subgroup to put forward a MP

The US participants explained that these 2 subjects (CA 500 and CA 505) will be discussed first within the US NMPG in order to propose something to the Tax sub-group.

**Action**:

Ad hoc group created in the US Market to work on the OTYP new code

# Same taxation applied twice on the same Income event

New topic

Mari shared with the group a specific scenario where the same Tax is applied twice on the same event.

For example, on German securities, a first taxation can be applied by an ICSD and then the same taxation will be applied by the German sub-custodian.

**Action:**

Mari will share an example with the Tax sub-group for further discussion

# Market updates

Attached the follow up file covering the different Market initiatives.



As discussed during the January 2022 meeting, topics that were due in 2021 without any further action or follow-up expected from the Tax sub-group have been closed (please see below).



Below an extract of this file limited to open topics:



# Next Conference Calls

Next calls scheduled for 2022: 3rd March, 5th May, 30th June

2pm Paris time

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