

SMPG – Tax sub-group

Telephone Conference Minutes

11 July 2023

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**Attendees List**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Country** |  | **First Name** | **Last Name** | **Institution** | **Participation** |
|  | BE |  | Vacant |  |  | Excused |
|  | CH | Mr | Reto | Baumgartner | Credit Suisse | Excused |
|  | DE | Mr | Daniel | Schaefer | HSBC | Excused |
|  | FR | Mrs | Mihaela | Fallourd | BP2S | a |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | Excused |
|  | LU + DE | Mr | Alexander | Reis | Clearstream | Excused |
|  | 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 | Steve | Sloan | DTCC | Excused |
|  | US | Mr | Greggory | Lewis | GlobeTax | a |
|  | XS | MR | Jean-Paul | Lambotte | Euroclear | Excused |
|  | XS | Mr | Eric | Marega | Euroclear | a |
|  | ZA | Mr | Sanjeev | Jayram | Rand Merchant Bank | a |
|  | ZA | Mr | Riian | de Klerk | Rand Merchant Bank | Excused |
| Facilitator | N / A | Mr | Jacques | Littré | SWIFT | a |

# Approval of November 2022 minutes

November minutes are approved.

# Tax SG Co-Chairs Update

As already announced at the last call in November 2022, Jean-Pierre Klak has left the SMPG and more recently beginning of July, Jyi-Chen Chueh has resigned from SC and has also resigned from all his positions at the SMPG in particular the one of APAC Regional Director.

As a consequence, the 2 co-chair positions in the Tax Subgroup are now vacant and open to new candidates.

**If anyone is willing to apply to one of the SMPG Tax SG co-Chair position, please contact Mari and Jacques to indicate your interest so that the subgroup can continue to function.**

# Tax Breakdown MP Update for SR2023

Draft MP for SR2023:



**Action**: All members to review draft MP and provide feedback for end of August at the latest. If no feedback received, the MP will be considered as approved and published in September.

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

Input from ISITC:



**Action**: All members to provide feedback by end of September.

# CA 505 - Add new Other Type of Income Qualifier in Movement Sequences (SR2022 CR 001791)

No input from ISITC received.

**Action**: ISITC/Steve to provide a ISITC draft MP on the usage of OTYP asap.

# CA 550 - CA Tax - Usage of Tax Qualifiers & RateType Code & TAXR//0,

Business Context from Mari (GMP1 section 3.12.5 and 13.2):

One of the first decisions we took as part of the tax subgroup was to agree that we should never report TAXR//0, neither when the security is not subject to tax nor when the beneficial owner is exempt because it provided the relevant tax documentation.

However, I was looking at GMP1 this week and I realised I cannot find such decision there. On the other hand, the examples in 13.2 seem to contradict this decision as there is TAXR//0.

Looking at those examples, I also believe we should review them and re-discuss the usage of TXBL versus TXFR.

If I remember well, we had decided that there was no need to report TXBL if there is already a TAXR rate.

**Action**: Mari to put forward a proposal for September/October 2023.

# CA 569 - Add Tax Information to Securities Proceeds - MP Update on GMP1 Section 8.11 (CINL) and 8.32 (:92::TAXR & WITL) (Follow up of SR2023 CR 1846)

Input from Mari:



**Action**: All members to provide feedback by mid-August (so to publish the MP ASAP prior to November release).

# CA570 - Remove NVR on TAXR/WITL rates ?

Business context from Mari:

The NVR rule between TAXR and WITL makes sense where you have a second level tax applied/reported at the same time as the original rate, e.g. the classic example of Nigerian securities held in South Africa where tax is applied at source in Nigeria and then a second tax is deducted in South Africa.

However, in several cases, the “local tax” will be managed separately. The custodian of the beneficial owner may need to apply a local tax on certain income but it can only do so after a few days of the original payment as there has to be a FX process applied to the original income before the tax is calculated and debited. As such, I wanted to send a separate MT566 for the debit of the local tax but WITL cannot be reported in isolation due to the network validation rule.

The current work around to bypass the NVR is to report TAXR//0.

**Decision**: This workaround doesn’t seem to be an issue experienced by other members and the volumes are too low to justify a change of the standards. The workaround is approved.

**Action**: Item to be closed.

# Market updates

(no updates in July 2023)

Attached the follow up file covering the different Market initiatives.



Below an extract of this file limited to open topics:



# AOB

None.

**Next Conference Calls**

The next Tax SG call is scheduled on **October 10, 2023 at 4:00 PM CET.**

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