## Scope of this document

Following our first MP on the management of tax breakdown instructions for mandatory events (DVCA and INTR), we have agreed at the SMPG Tax Working Group to extend such market practice to optional events, with a primary focus on the scenario of using a Withholding Tax Relief Certification (WTRC) event, linked to the income distribution event.

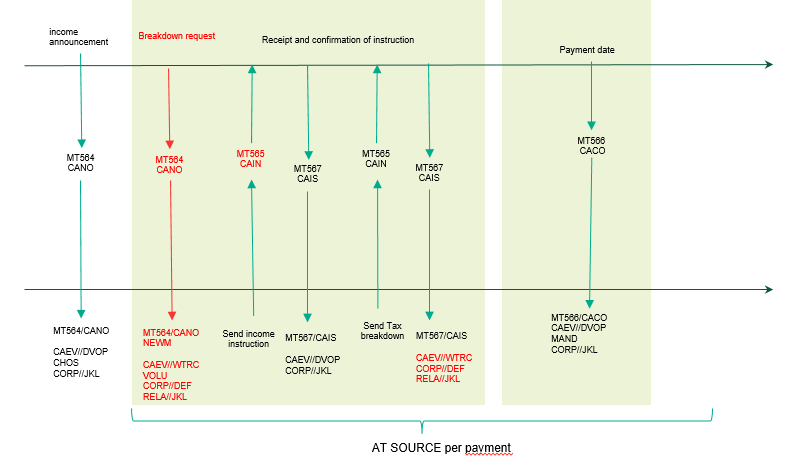
# Relief at source

In some source investment countries that allow for a relief at source procedure (e.g. Italy), where the account owner has an omnibus account, prior to the income distribution record date/pay date[[1]](#footnote-1), it has to inform the account servicer of the tax rates and breakdown of the eligible balance to be used to pay the income proceeds[[2]](#footnote-2).

We have provided an overview of the way the income and tax breakdown should be managed in case of optional income distribution events (DVOP).

## Process flow

* 1. the account servicer will:
     1. announce an optional income distribution event (DVOP);
     2. for account owners having an omnibus account, a WTRC voluntary event will also be announced with a link to the income distribution. The WTRC event will have a “No Action” (NOAC) and a “Beneficial Owner Breakdown Request” (BOBD) option code indicator to request the tax rates to be used to pay the income proceeds (e.g. statutory rate, DTT rates, etc…);
  2. the account owner will send the tax breakdown via MT565/seev.033 quoting the event details ([:22F::CAEV <> seev.031 – A / EventType] and [:20C::CORP <> seev.031 – A / CorporateActionEventIdentification], etc…) of the WTRC event;
  3. the account owner will send the choice of income distribution via MT565/seev.033 quoting the event details ([:22F::CAEV <> seev.031 – A / EventType] and [:20C::CORP <> seev.031 – A / CorporateActionEventIdentification], etc…) of the DVOP event;
  4. based on the SLA in place between the account servicer and account owner, the receipt of the instruction will be confirmed via MT567/seev.034;
  5. on pay date, the account servicer will pay the income proceeds using the tax rates provided by the account owner. The credit of the proceeds will be confirmed via a MT566/seev.036 reporting the DVOP event details.



## Message templates

* 1. MT564 DVOP to announce the optional dividend to all clients[[3]](#footnote-3)

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| **:16R:** | **GENL** |
| **:20C::** | **CORP//DIV3437599** |
| **:20C::** | **SEME//253147815** |
| **:23G:** | **NEWM** |
| **:22F::** | **CAEV//DVOP** |
| **:22F::** | **CAMV//CHOS** |
| **:25D::** | **PROC//COMP** |
| **:16S:** | **GENL** |
| **:16R:** | **USECU** |
| **:35B:** | **ISIN IT0005440877** |
| **:16R:** | **ACCTINFO** |
| **:97A::** | **SAFE//98-0112441-05** |
| **:93B::** | **SETT//UNIT/4600,** |
| **:16S:** | **ACCTINFO** |
| **:16S:** | **USECU** |
| **:16R:** | **CAOPTN** |
| **:13A::** | **CAON//001** |
| **:22F::** | **CAOP//CASH** |
| **:11A::** | **OPTN//EUR** |
| **:17B::** | **DFLT//Y** |
| **:98E::** | **MKDT//20YY0321160000/00** |
| **:98E::** | **RDDT//20YY0320160000/00** |
| **:16R:** | **SECMOVE** |
| **:22H::** | **CRDB//DEBT** |
| **:35B:** | **ISIN IT0005440877** |
| **:98A::** | **PAYD//20YY0325** |
| **:16S:** | **SECMOVE** |
| **:16R:** | **CASHMOVE** |
| **:22H::** | **CRDB//CRED** |
| **:98A::** | **PAYD//20YY0325** |
| **:92A::** | **TAXR//26,** |
| **:92F::** | **GRSS//EUR1,** |
| **:16S:** | **CASHMOVE** |
| **:16S:** | **CAOPTN** |
| **:16R:** | **CAOPTN** |
| **:13A::** | **CAON//002** |
| **:22F::** | **CAOP//SECU** |
| **:17B::** | **DFLT//N** |
| **:98E::** | **MKDT//20YY0321160000/00** |
| **:98E::** | **RDDT//20YY0320160000/00** |
| **:92A::** | **TAXR//26,** |
| **:16R:** | **SECMOVE** |
| **:22H::** | **CRDB//DEBT** |
| **:35B:** | **ISIN IT0005440877** |
| **:98A::** | **PAYD//20YY0325** |
| **:16S:** | **SECMOVE** |
| **:16R:** | **SECMOVE** |
| **:22H::** | **CRDB//CRED** |
| **:35B:** | **ISIN IT0000218401** |
| **:22F::** | **DISF/CINL** |
| **:90B::** | **PRPP//EUR4,44** |
| **:90B::** | **CINL//EUR4,44** |
| **:92K::** | **NEWO//1/6** |
| **:98A::** | **PAYD//20YY0325** |
| **:16S:** | **SECMOVE** |
| **:16S:** | **CAOPTN** |

Where the MT564 is sent to an account owner who has a proprietary or individually segregated account, where the tax status of the beneficial owner is known, the ratio to be reported in the NEWO should be the one calculated based on the tax treatment of the beneficial owner.

Instead, when the MT564 is sent to an account owner who has an omnibus account, the ratio to be reported in the NEWO should be the one calculated based on maximum tax rate applicable in that source investment country (in the above example, 26%).

* 1. MT564 WTRC to announce the breakdown event to account owners having an omnibus account

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| **:16R:** | **GENL** |
| **:20C::** | **CORP//WTRC12345** |
| **:20C::** | **SEME//253147816** |
| **:23G:** | **NEWM** |
| **:22F::** | **CAEV//WTRC** |
| **:22F::** | **CAMV//VOLU** |
| **:25D::** | **PROC//COMP** |
| **:16R:** | **LINK** |
| **:13A::** | **LINK//564** |
| **:20C::** | **CORP//DIV3437599** |
| **:16S:** | **LINK** |
| **:16S:** | **GENL** |
| **:16R:** | **USECU** |
| **:35B:** | **ISIN IT0005440877** |
| **:16R:** | **ACCTINFO** |
| **:97A::** | **SAFE//98-0112441-05** |
| **:93B::** | **SETT//UNIT/4600,** |
| **:16S:** | **ACCTINFO** |
| **:16S:** | **USECU** |
| **:16R:** | **CAOPTN** |
| **:13A::** | **CAON//001** |
| **:22F::** | **CAOP//NOAC** |
| **:17B::** | **DFLT//Y** |
| **:98E::** | **RDDT//20YY0320160000/00** |
| **:16S:** | **CAOPTN** |
| **:16R:** | **CAOPTN** |
| **:13A::** | **CAON//002** |
| **:22F::** | **CAOP//BOBD** |
| **:17B::** | **DFLT//N** |
| **:98E::** | **RDDT//20YY0320160000/00** |
| **:16S:** | **CAOPTN** |

* 1. MT565s sent by the account owner to instruct the choice between cash and/or securities

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| **:16R:** | **GENL** |
| **:20C::** | **CORP//DIV3437599** |
| **:20C::** | **SEME//253147888** |
| **:23G:** | **NEWM** |
| **:22F::** | **CAEV//DVOP** |
| **:16S:** | **GENL** |
| **:16R:** | **USECU** |
| **:35B:** | **ISIN IT0005440877** |
| **:16R:** | **ACCTINFO** |
| **:97A::** | **SAFE//98-0112441-05** |
| **:93B::** | **ELIG//UNIT/4600,** |
| **:16S:** | **ACCTINFO** |
| **:16S:** | **USECU** |
| **:16R:** | **CAINST** |
| **:13A::** | **CAON//002** |
| **:22F::** | **CAOP//SECU** |
| **:36B:** | **QINS//UNIT/2600,** |
| **:16S:** | **CAINST** |

Based on the SLA in place between the account servicer and account owner, the receipt of the instruction will be confirmed via MT567/seev.034.

* 1. MT565 sent by the account owner to instruct the tax breakdown – the account owner may send an MT565 per beneficial owner/tax rate or an MT565 repeating the beneficial owners in the BENODET sequence:

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| **:16R:** | **GENL** |
| **:20C::** | **CORP//WTRC12345** |
| **:20C::** | **SEME//253147880** |
| **:23G:** | **NEWM** |
| **:22F::** | **CAEV//WTRC** |
| **:16S:** | **GENL** |
| **:16R:** | **USECU** |
| **:35B:** | **ISIN IT0005440877** |
| **:16R:** | **ACCTINFO** |
| **:97A::** | **SAFE//98-0112441-05** |
| **:93B::** | **ELIG//UNIT/4600,** |
| **:16S:** | **ACCTINFO** |
| **:16S:** | **USECU** |
| **:16R:** | **BENODET** |
| **:95S::** | **OWND//TXID/BE/ ABCDEF1234567** |
| **:36B::** | **OWND//UNIT/2600,** |
| **:92A::** | **TAXR//15,** |
| **:16S:** | **BENODET** |
| **:16R:** | **BENODET** |
| **:95S::** | **OWND// TXID/BE/GHIJKLM8901234** |
| **:36B::** | **OWND//UNIT/2000,** |
| **:92A::** | **TAXR//26,** |
| **:16S:** | **BENODET** |
| **:16R:** | **CAINST** |
| **:13A::** | **CAON//002** |
| **:22F::** | **CAOP//BOBD** |
| **:36B:** | **QINS//UNIT/4600,** |
| **:16S:** | **CAINST** |

Based on the SLA in place between the account servicer and account owner, the receipt of the instruction will be confirmed via MT567/seev.034.

* 1. MT566 sent by the account servicer to confirm payment of the income proceeds using the tax rates provided by the account owner in the tax breakdown

Based on the instructions received, the account owner elected to:

* receive CASH for 2,000 securities to be taxed at 26%
  + gross dividend: €2,000.00 (2000 \* €1 per share)
  + taxation: €520.00 (2000\*€0.26 per share)
* re-invest in new securities for 2,600 interim securities, to be taxed at 15%
  + new securities: (2,600\*€1\*0.85)/4.44€ = 497.747748
  + tax applied: €390.00 (2,600\*€1\*0.15)
  + fractions: (497.747748 - 497)\*€4.44 = €3.32
  1. Payment of cash proceeds

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| **:16R:** | **GENL** |
| **:20C::** | **CORP//DIV3437599** |
| **:20C::** | **SEME//253147820** |
| **:23G:** | **NEWM** |
| **:22F::** | **CAEV//DVOP** |
| **:16S:** | **GENL** |
| **:16R:** | **USECU** |
| **:97A::** | **SAFE//98-0112441-05** |
| **:35B:** | **ISIN IT0005440877** |
| **:93B::** | **ELIG//UNIT/4600,** |
| **:93B::** | **CONB//UNIT/2000,** |
| **:16S:** | **USECU** |
| **:16R:** | **CACONF** |
| **:13A::** | **CAON//001** |
| **:22F::** | **CAOP//CASH** |
| **:11A::** | **OPTN//EUR** |
| **:16R:** | **SECMOVE** |
| **:22H::** | **CRDB//DEBT** |
| **:35B:** | **ISIN IT0005440877** |
| **:36B::** | **PSTA// UNIT/2000,** |
| **:98A::** | **POST//20YY0325** |
| **:16S:** | **SECMOVE** |
| **:16R:** | **CASHMOVE** |
| **:22H::** | **CRDB//CRED** |
| **:19B::** | **GRSS//EUR2000,** |
| **:19B::** | **TAXR//EUR520,** |
| **:19B::** | **NETT//EUR1480,** |
| **:98A::** | **POST//20YY0325** |
| **:92F::** | **GRSS//EUR1,** |
| **:92A::** | **TAXR//26,** |
| **:16S:** | **CASHMOVE** |
| **:16S:** | **CACONF** |

* 1. Payment of securities proceeds

|  |  |
| --- | --- |
| **:16R:** | **GENL** |
| **:20C::** | **CORP//DIV3437599** |
| **:20C::** | **SEME//253147820** |
| **:23G:** | **NEWM** |
| **:22F::** | **CAEV//DVOP** |
| **:16S:** | **GENL** |
| **:16R:** | **USECU** |
| **:97A::** | **SAFE//98-0112441-05** |
| **:35B:** | **ISIN IT0005440877** |
| **:93B::** | **ELIG//UNIT/4600,** |
| **:93B::** | **CONB//UNIT/2600,** |
| **:16S:** | **USECU** |
| **:16R:** | **CACONF** |
| **:13A::** | **CAON//002** |
| **:22F::** | **CAOP//SECU** |
| **:16R:** | **SECMOVE** |
| **:22H::** | **CRDB//DEBT** |
| **:35B:** | **ISIN IT0005440877** |
| **:36B::** | **PSTA// UNIT/2600,** |
| **:98A::** | **POST//20YY0325** |
| **:16S:** | **SECMOVE** |
| **:16R:** | **SECMOVE** |
| **:22H::** | **CRDB//CRED** |
| **:35B:** | **ISIN IT0000218401** |
| **:36B:** | **PSTA//UNIT/497,** |
| **:22F::** | **DISF/CINL** |
| **:90B::** | **PRPP//EUR4,44** |
| **:90B::** | **CINL//EUR4,44** |
| **:92K::** | **NEWO//1/5,22** |
| **:98A::** | **POST//20YY0325** |
| **:16S:** | **SECMOVE** |
| **:16R:** | **CASHMOVE** |
| **:22H::** | **CRDB//CRED** |
| **:19B::** | **CINL//EUR3,32** |
| **:98A::** | **POST//20YY0325** |
| **:16S:** | **CASHMOVE** |
| **:16S:** | **CACONF** |

In the MT566, the ratio to be reported in the NEWO should be the one calculated based on the tax treatment of the beneficial owner or the tax treatment defined by the account owner in the tax breakdown.

1. Rules vary depending on the source investment country. [↑](#footnote-ref-1)
2. In some source investment countries, the tax rates are enough. In others, the details of the beneficial owners are also to be disclosed. [↑](#footnote-ref-2)
3. We only provide the announcement of the optional part of the DVOP where the interim securities (IT0005440877) are debited either against cash or securities (IT0000218401). Please refer to the general DVOP templates for the details of the distribution of entitlement (RHDI) [↑](#footnote-ref-3)