

SMPG – Tax sub-group

Telephone Conference Minutes

20th June 2013

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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 | P |
|  | CH | Mr. | Reto | Baumgartner | Credit Suisse | Excused |
|  | DE | Mr | Daniel | Schaefer | HSBC | P |
|  | FR | Mrs. | Kimchi | Phungtran | BNP Paribas | Excused |
| Co-chair | FR | Mr | Jean-Pierre | Klak | State Street | P |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | P |
|  | LU | Mr. | Bernard | Lenelle | Clearstream | P |
|  | LU | Mr | Charles | Boniver | RBC IS | Excused |
| Co-chair | SG | Mr | Jyi-Chen | Chueh | Standard Chartered | Excused |
|  | UK & IE | Mrs. | Mariangela | Fumagalli | BNP Paribas | Excused |
|  | US | Mrs. | Sonda | Pimental | BBH | P |
|  | XS | Mrs | Delphine | Haillez | Euroclear | Excused |
|  | ZA | Mr. | Sanjeev | Jayram | First National Bank | P |
|  | ZA | Mr | Dale | Van Rayne | First National Bank |  |
|  | ZA | Mr | Yusuf | Basha | First National Bank | Excused |

# Tax Table



Asian countries: the materials have been distributed but the meeting at APAC will be held on July 8th only.  
CH: table sent by Reto  
DE : table sent by Daniel.

UK: will revert on when they could provide feedback given that the task to collect that information from users can be huge.

LU: will provide mainly a cross border view of the tax rates usage.

The group discuss on how to progress on this Tax table. One proposal is to share analysis between the ‘simple events’ and ‘complex events’.  
More precisely and in addition to that, what should we do with events such as Stock Dividends, Dutch Auction?

Jacques will investigate if SWIFT is able to capture more recent traffic data. This request to capture traffic data should first be validated by the board in any cases. However we need to know also what are the exact needs of the Tax sub-group (i.e. possibility to have correlation with event types etc…) ?

**Actions**:

1. For next call, NMPGs that has not yet responded to provide their feedback for each code with a status ‘Used’ / ‘Not used’ locally. Each participant is required to give only a national view and not a global custodian point of view (involved in several countries).
2. Tax sub-group to clarify the request that Jacques will propose to ask if SWIFT is planning again to collect traffic data on tax elements on a regular basis.

# Tax processing flow / certification process

See updated flow chart attached below:



The group discussed the 4 following priorities on the flow (highlighted in yellow):

1. Account set-up
2. Certification and instruction
3. Tax repayment / claim
4. Notification

1. Account Set-up

* Account set-up must be distinguished from Account opening: account opening is only a part of the account set up. Automation for account set-up at global level should not be the objective as this step can be very different in different markets (eg. Input documents). However, it might be useful to make a structured set of information available for the account set-up and eventually create a specific CAEV event for this.

2. Certification

* Two types of certifications information can be distinguished: a one-shot certification and a “per payment” certification. This second one is out of scope here.
* Likewise, there is already a qualifier for the Tax set up : WTRC 🡪 Withholding Tax Relief Certification.
* Need to distinguish the markets where tax details are necessary before trading (eg IT, TR, JP, KR, BE…) and other countries where it is not required: for these five countries, Tax information is present in the Account opening form. As a consequence, in some countries, taxation is linked to settlement, in some others, not. Paola explains also that, for Italy, without this tax information, trading is allowed but the client will be considered as non-exempt. This is the same situation in Japan.
* Account opening forms usually contain those tax details information.
* It seems that tax related information and / or requirements are usually communicated via MT568 and that would eventually be an acceptable solution versus MT 599 which would not be routed correctly and MT564 in which the info cannot be provided.
* Account opening is not only a Tax need : KYC, etc are not related to Tax. An account opening message exists in ISO 20022 for investment funds but nothing on Taxes
* In conclusion, the group agrees that the goal is not to create an account opening message but rather to focus on the information necessary for the account set-up. However we may recommend the usage of the MT 568 with the appropriate CAV code to carry the required infor for account set-up.

# 3.Tax Notification step / Disclosure

* Certification per payment : there is a complexity to manage the end to end flow
* On the instruction side: For omnibus accounts, requests for BO list and tax breakdown can be handled in MT 565 although an MT565 related to Tax requirements can be difficult to integrate automatically in a system.
* In some countries, Paola mentions that files need to be sent to the ministry of finance via a web upload.
* Sonda notes that the challenge is also how to present the information in the MT564 regarding the disclosure (see SMPG open item CA226 on Disclosure).
* Also not all holders will need to provide the same tax information because the info might already be known by the account servicer.
* Structured approach:
  + The provider need to request from the holder the following info:

Tax Breakdown, BO List, Documents

* + To distinguish between simple income events and CA Events with options with various taxation (see FR case for DVOP)
  + To distinguish between Reclaim Markets (eg: DE) and Certification markets (certification needed during the event).

**Action:**

1. For next conference call, NMPGs to provide feedback/comments on the 4 priorities defined above
2. For next conference call, NMPGs to provide on the first step “Account Set-up”:
   1. Tax related Information requested to holders for
      1. Income / Simple event (INTR, DVCA, …)
      2. More complex CAEV events ,
   2. Processes,
   3. Automation pain points and issues ?

# Other Items

* FATCA

Sonda explained that several Change requests will be issued by the US Market for FATCA requirements.

Scope: Income events and CA Events (optional Dividends) where Tax applied on the cash. Tax information is also related to the option chosen.

# Next Conference Calls

* To be scheduled. Jyi-Chen and Jean-Pierre will send some proposals to complete the dates until end of 2013.

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