

SMPG – Tax sub-group

Telephone Conference Minutes

20th March 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 |  |
|  | CH | Mr. | Reto | Baumgartner | Credit Suisse | Excused |
|  | DE | Mr | Daniel | Schaefer | HSBC | Excused |
|  | DE | Mrs | Andreana | Pileri | Commerzbank | Excused |
|  | FR | Mrs.  | Kimchi | Phungtran | BNP Paribas | Excused |
| Co-chair | FR | Mr | Jean-Pierre | Klak | State Street |  |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | Excused |
|  | LU | Mr. | Bernard | Lenelle | Clearstream | Excused |
|  | 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 | Excused |
|  | 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 |  |
|  | ZA | Mr | Yusuf | Basha | First National Bank |  |

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

# Approval / comments of February 13th call minutes

No comments.

The minutes are approved.

# Tax Table

No update received on the table.



# WITF/WITL/TAXR MP

**Presentation of updated Jyi Chen’s document (version 2.2 of Feb. 14)**



Feedbacks from the US and German Markets have been received by email in addition to the ones shared during the calls. Please see below.

From Sonda (US Market):
“A few other points to consider from our call:
- I still think we need to work on the definition of WITL. Not convinced that "complementary tax" is a good fit.
- We were going to discuss the possibility of using the concept of a withholding tax type. I do not see that mentioned in the write up.
- Did we all agree that this country code belongs in the withholding tax rate field? I thought this may still be open for discussion”.

From Daniel (German Market):
“We had long discussions about the proposal in the last NMPG Meeting and could not yet decide, which of the recommendations we would want to support as a market. All participants will take this away for internal discussion in their bank. We will then discuss again on our next meeting beginning of April.

Something that came up during our last meeting is the usage of WITF. We currently use the code for some special tax in connection with fund distributions, according to the market practice.
But we are currently checking, if this is still being used.
If we still use it, we would definitively need a replacement for WITF, as WITL and TAXR are also in use already.”

Based on the different feedbacks and in accordance with the previous agreements during February call, the following decisions have been confirmed:

1. Recommendation 1:
Usage of TAXR as the default qualifier and change of definition as stated in the document

*“Percentage of a cash distribution that will be withheld by ~~a tax authority~~* ***the tax authorities of the jurisdiction of the issuer,******for which a relief at source and/or reclaim may be possible.”***

1. Recommendation 2 – option A:
Change of definition of WITL. Nevertheless, a better wording than ‘complementary’ looks to be necessary.

Last proposal:

*WITL: Complementary Withholding Tax - Rate at which the income will be withheld by ajurisdiction, other than the jurisdiction of the issuer’s country of tax incorporation for which a relief at source and/or reclaim may be possible. WITL rate is levied in complement or offset of the withholding tax rate (TAXR) levied by the jurisdiction of the issuer’s tax domicile.*

Recommendation 2 - Option B:
No global consensus within the group to say that there is a real need to add country codes in a repetitive sequence based on qualifier TAXR

Recommendation 2 – Option C:
To be investigated further. The proposal of a new CPLT Tax sub-type was mainly due to avoid using the country codes proposed in option B

A discussion took place regarding additional Tax in Germany or in Japan. Should it be TAXR/CPLT or ATAX ? The goal of the Tax sub-group is to keep ATAX as used today.

1. Recommendation 3:
WITF removal agreed in order to limit the number of qualifiers. Nevertheless, the last comments (in particular German concerns) will have to be taken into consideration in order to find a solution for those Markets that uses today the 3 codes : TAXR, WITL and WITF.

**Action:**

Jyi-Chen and Jean-Pierre to propose the related SR2015 Change Request in order to share it with the Global CA SMPG during April Global session in London.

# Tax processing flow / certification process



One of the main points will be the discussion around the reference of the event(s)

**Action:**For next conference call, Bernard and co-chairs to prepare an updated document for discussion

# FATCA

Please see above discussion on TAXR. No other updates.

Sonda will provide an update on FATCA after the ISITC meeting of end of March.

# CA 200.2 – Options for Tax Treatment

1. Information required on Tax breakdowns

See attached file



During the call, the group highlighted also that some markets requires specific IDs:

* Portugal : the Tax ID is mandatory
* Asia : the local ID of the investor is required

**Action:**,

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

# Other topics

1. Jyi-Chen pointed out a potential impact of a Change Request (SR2014 CR000613) that has been accepted for the SR 2014. The CR relates to the fact that for manufactured dividend, it will be possible to indicate different deadlines between the available position and the stock lending position.

So what about taxes in this scenario? There is no direct link with the CR but in 2014, for such a case, everybody will have the possibility to use only one MT564 and no longer the narrative part so what will happened if taxation is different and that the settled position and loan position are taxed differently?

CashMove to be used to distinguish?

* No business case identified by the different Tax sub-group members.

**Action:** Subject to share directly with the Global SMPG. Jacques to integrate this subject in the CA SMPG topics.

1. 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

What is the use of FLFR as ‘qualifier’ when it is more commonly used under ‘rate type code’? Any reasons for its existence as a ‘qualifier’ in addition to as a ‘rate type code’ – if yes, how is to be interpreted and used?



Statistics from SWIFT are giving 50 /50 between direct code and sub-type code usage.

* The codes seems to have been created before 2006 (since the beginning of the 15022 standard?)
* Difficult to reach an AU participant or an AU Stock exchange representative.

No additional information than the fact that AU will look for a 20022 solution

**Actions**:

* Recommendation to the AU Market from the Tax Sub-group via the CA SMPG that FLFR should be used as a Rate type code (Jyi-Chen will prepare a draft document to share within the Tax sub-group).
* If the above proposal is agreed, further discussion within the Tax sub-group to propose removal of the qualifier FLFR.

# Next Conference Calls

Scheduled on: 15th May – 26th Jun from 2pm to 4pm

An extraordinary meeting will take place during the global London SMPG on **Wednesday 23rd April from 9:00 to 10:00 AM GMT** during the CA SMPG meeting.

Call in details will be provided in due time.

**Action:** Bernard, Jacques and co-chairs to prepare the agenda of April meeting.

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