

SMPG – Tax sub-group

Telephone Conference Minutes

11th June 2015

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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 |  |
|  | CA | Mr | Cairbre | Cowin | RBC IS | Excused |
|  | CH | Mr | Reto | Baumgartner | Credit Suisse | Excused |
|  | DE | Mr | Daniel | Schaefer | HSBC |  |
|  | DE | Mrs | Andreana | Pileri | Commerzbank | Excused |
|  | FR | Mrs | Kimchi | Phungtran | BNP Paribas | Excused |
| Co-chair | FR | Mr | Jean-Pierre | Klak | State Street |  |
|  | FR | Mr | Karim | Djenadi | BP2S | Excused |
|  | FR | Mr | Hakim | Ramjauny | BP2S | Excused |
|  | FR | Mrs | Alexandra | Sellam | BP2S | Excused |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | Excused |
|  | LU | Mr | Nicolas | Godfrey | Clearstream | Excused |
|  | LU | Mr | Bernard | Lenelle | Clearstream |  |
|  | 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 |  |
|  | US | Mrs | Dana | Pasricha | BBH |  |
|  | 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 | Excused |
|  | ZA | Mr | Yusuf | Basha | First National Bank |  |

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

# Approval / comments on April 9th and May 7th minutes call

No minutes : calls only dedicated to discuss about the Change Request.

# Tax Table

No update received on the table.



# WITF/WITL/TAXR/COIN Change Request

Attached, the final CR sent to the Maintenance Working Group



**Action:** waiting for MWG decision

# Tax processing flow / certification process

  

Feedback received from several Markets. Please see attached.  
Some are still missing.



**Action:**

Tax experts who didn’t answer yet are required to provide their feedback.

Afterwards, Jean-Pierre will consolidate all feedbacks to have a similar wording.

The final document will be the basis for further discussion within the group.

# FATCA

Presentation by Dana Pasricha from BBH. Please see attached

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# Tax Breakdown requirements

Information required on Tax breakdowns

See attached file



No update

**Action:**,

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

# Other topics

a. 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



Reminder : AU rather uses as a Rate type code but to be confirmed that all AU Market participants uses it on the same way.

Next steps: When the AU Market will agree on the same usage and confirm their local practice, a Change Request will be proposed in order to remove FLFR from the non-used part.

**Actions**:

* Jacques will come back to the AU representative to get a feedback. This person had to check with the AU community. No feedback for the moment

b. Question from South Africa on MT566s for multiple tax refunds for an omnibus account

Reminder of the case:

Some clients (e.g. global custodians) normally operate omnibus accounts (multiple beneficiaries) and resultantly when a tax refund is claimed it is normally claimed for multiple beneficiaries. The South African market is viewed as a “quick refund” market as Dividend Withholding Tax (DWT) legislation has provided for Regulated Intermediaries who will collect, report and pay DWT to the South African Tax Authority. The South African Tax Authority requires each beneficiary to dividend (including refund claimants) to disclose certain “personal” information and resultantly these details are reported by the Regulated Intermediary to the Tax Authority. In order to claim any relief from DWT the beneficiary to the dividend is obliged to make a declaration as required by legislation. Thus without the required declaration no tax refund may be provided.

In those instances where a client operating an omnibus account claims DWT refunds on behalf of multiple beneficiaries should a consolidated MT566 messages be sent with an averaged tax rate and aggregate posting amount? The other option would be to send a MT566 for each beneficiary refund, i.e. multiple MT566 messages. A consolidated MT566 message could, inter alia, cause reconciliation challenges should it not be supported by a schedule payment of sorts. On the other hand sending an MT566 per beneficiary payment/refund could aid automation and reconciliation.

* Subject to link to the Certification process topic?

Additional discussion and comments that took place during Jan 2015 call:

We may have 3 cases for the reporting and usage of MT566:

1. Tax related in the MT566 is an average amount or the max amount applied on the omnibus account
2. One MT566 for each rate applied
3. One MT566 per final beneficiary

Is there any question of timing related to the process or to take into consideration (Posting of the income, Taxation, Client reporting, …)

Last point: should we decide a global Market practice for this case and the MT566 communication attached or is it only a client service subject depending on client preferences?

The South African Market provided additional documentation. Please see attached.



**Actions**:

* The different NMPGs to investigate the usage of their local Market for further discussion.
* In order to facilitate feedbacks, Jean-Pierre will send a survey to see the preference of the group between the 2 options : multiple messages vs unique message

c) Question from the Korean Market : new qualifier or re-use of a current sub-code for not taxable rate

**Business case:**

For cash dividend (DVCA), in KR, the issuers are announcing the tax exempted dividend rate, not ‘taxable rate’ (TAXE).

Tax exempted dividend rate means that when the total dividend rate is KRW 100 per share, KRW 50 will not be taxed. The taxable dividend rate is KRW 50.

SWIFT suggested the usage of :92J::GRSS//TXFR/KRWxx to specify the part of GRSS that is tax free after :92F::GRSS//KRWxx. However, the participants in Korea would prefer to have a dedicated qualifier for the tax exempted dividend rate mainly due to the fact that option J has to be added into the system, and even if they implement option J, the KR counterparties may not implement it and hence, it would not work.

Are there other countries in Asia Pac who have similar tax handling as Korea? And how is the tax exempted rate being announced currently?

Jyi-Chen noted that the statistics was collected back in 2009 and only for one particular scenario hence showing a low usage. The usage is probably much higher if it is considered with other events and scenarios. He also added that Australia is using field 92J for franked/unfranked/tax free/sundry rates and Singapore uses field 92J for taxable income.

The overall consensus from the group was that field 92J is commonly used across different scenarios in different markets in APAC.  
The APAC group and in particular the Korean Market are expecting a confirmation of the Tax sub-group recommendation.

* Comment provided by Germany during Jan 2015 call: when it is necessary, Germany uses sub-codes,

Question from SWIFT : apparently a very few number of countries are using TAXE … so should we delete this rate ?

The Tax sub-group confirms its recommendation for the usage of a sub-code instead of the creation of a new qualifier.

**Action**:

* NMPGs to review if they have any issue with this recommendation. If no negative feedback received, this recommendation will be considered as final and the subject will be closed.  
  => Answer required by the next call.
* Further investigations and discussions on TAXE

# Next Conference Calls

Next conference calls for 2015:

17th September – 29th October

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