

## Changes due to the German Investment Tax Act Reform

Due to the reform of the German Investment Tax Act, effective

**Monday, 1 January 2018**

changes will be implemented concerning the CBF<sup>1</sup> income execution, about which CBF hereby provides detailed information.

### 1. Fund distribution

From 1 January 2018, CBF will no longer deduct withholding tax for non-German accounts on distributions of funds, where cash is distributed to CASCADE accounts with positions in the related fund via event type 121 (CAEV = DVCA), as long as evidence was provided that the fund is an investment fund pursuant to § 1 Investment Tax Act; the distribution takes place gross for all customer accounts. If the fund is not an investment fund in compliance with § 1 Investment Tax Law, the settlement is processed according to the current logic with deduction of 25% withholding tax plus solidarity surcharge for non-German accounts.

The distribution of tax liquidity for accumulating funds, executed by CBF via event type 127 (CAEV ACCU), will not be applicable anymore for income with fiscal payment date as of 1 January 2018. Distribution of tax liquidity due to corrections or due to income with fiscal payment date prior to 1 January 2018 can still take place in 2018.

### 2. Dividends und similar income for funds

#### 2.1 Tax reduction

Dividends and similar income from investments in German equities, participation rights and convertible bonds, held by a fund for their clients via a non-German account, can be executed by CBF with reduced tax rates (0% or 14.218% withholding tax rate). Evidence must be provided (status certificate of the fund) for classification of the fund pursuant to § 1 Investment Tax Act or special investment funds opting for transparency pursuant to § 26 Investment Tax Act.

The status certificate must be requested by the German Tax Authorities. Customer should contact their tax advisor or lawyer for further information.

The tax reduction can be processed for the payment date of the event or up to 18 months after payment date. In addition to the requests processed on payment date of the event, further requests can be submitted afterwards. Requests for tax reduction to be processed at the payment date must be presented by entitlement date / record date.

A request is submitted for an account, fund, reduced tax rate and event. It is foreseen to set up a request for tax reduction via the existing process via the function [BO Upload](#).

With the request for tax reduction, the following information must be provided:

<sup>1</sup> This announcement is published by Clearstream Banking AG (CBF), registered office at Mergenthalerallee 61, 65760 Eschborn, Germany, registered with the Commercial Register of the District Court in Frankfurt am Main, Germany, under number HRB 7500.

- CBF account / account master;
- ISIN of the fund;
- Nominal per fund entitled for tax reduction;
- Reduced withholding tax rate (0% or 14.218%);
- ISIN of the income event (dividend payments or income of participation rights and convertible bonds);
- For requests submitted before the entitlement/record date: BID of the event, for event type 110 (interest payments) with master data selection payment date;
- For requests submitted after the entitlement / record date: Event type and KADI processing number of the event.

Without the information of the ISIN of the fund no tax reduction can be processed by CBF.

The event type and BID are sent in field :CORP// of the MT564/566, the KADI processing number is reported in the additional text :ADTX// of the MT564 REPE on record date and in the MT566. In future, the KADI processing number will also be printed in the summary of income and fees KD110.

Before the request is executed a validation based on WM master data is performed, if the fund is entitled for the reduction to the requested withholding tax rate.

**Note:** Detailed information concerning the deadlines for submission and the format/information of the requests will still be provided.

## 2.2 Bookings for tax reduction

Before the booking of the tax reduction is executed, the nominal of the request is checked against the entitled nominal at entitlement/record date. Settled market and reverse claims are considered.

For the booking of a tax reduction, for each request, based on the nominal of the request a cancellation booking about the dividend amount with deduction of withholding tax and solidarity surcharge based on the standard withholding tax rate of 25% plus solidarity surcharge is processed. A new booking of the dividend amount by taking the reduced tax rate of 14.218% plus solidarity surcharge or tax-free (0%) is executed.

### Example:

Equity	Number of shares	Dividend per share	Account	Account holder
Siemens	1000	1 EUR	1234	Non German (AWV-key or tax classification "2", non- resident)

Booking of dividend:

Nominal	Gross amount	Withholding tax amount	Solidarity surcharge amount	Net amount
1000	1000.00	250.00	13075	736.25

Requests for tax reduction:

Nominal	Depository owner	Withholding tax rate based on status certificate
100	Fund1	14.218
200	Fund2	14.218
300	Fund3	0

Bookings for tax reduction:

Nominal	Gross amount	Withholding tax amount	Solidarity surcharge amount	Net amount	Type of Posting	Depository owner
100	100.00	25.00	1.37	73.62	Debit	Fund1
100	100.00	14.22	0.78	85.00	Credit	Fund1
200	200.00	50.00	2.75	147.25	Debit	Fonds2
200	200.00	28.44	1.56	170.00	Credit	Fonds2
300	300.00	75.00	4.12	220.88	Debit	Fonds3
300	300.00	0.00	0.00	300.00	Credit	Fonds3

Bookings for tax reduction are executed with the NTP booking cycle and settled with DD1 on RTGS accounts via T2 on the next business date. For requests submitted until entitlement / record date settlement takes place at payment date of the event. For requests submitted later, settlement is processed on the next business day after execution in NTP.

### 2.3 Cancellation and rerun of the event

If an event is cancelled and a rerun processed, executed bookings for tax reduction are reversed and newly processed with the rerun.

### 2.4 Market and reverse claim process

The market and reverse claim process and the booking of tax credits based on the daily tax adjustment calculation remains unchanged. Tax credits are only booked for the entitled nominal without tax reductions. If for an entitled nominal of 1000, a tax reduction is processed for a nominal of 600, as shown in the example below, and a sale of a nominal of 500 takes place in the compensation period, a tax credit is only process for a nominal of 400.

Type	Day	Nominal	net	KES <sub>t</sub> acc.	SolZ acc.	KES <sub>t</sub> to be deducted	SolZ to be deducted	KES <sub>t</sub> Tax credit	SolZ Tax credit
Position	RD	1000	736.25	250.00	13.75				
Settled tax instruction bookings	PD	-600	n.a.						
Balance	PD	400	294.50	100.00	5.50	100.00	5.50	0.00	0.00
Sale	PD+1	-500	500	0.00	0.00				
Balance	PD+1	-100	n.a.	100.00	5.50	0.00	0.00	100.00	5.50

## 2.5 Tax vouchers

Upon request, tax vouchers are provided for funds, whereby a validation is processed against the nominal of tax reductions. For special investment funds opting for transparency the information required by § 31 (1) Investment Tax Law (nominal and withholding tax rate of end investors) must be provided with the request.

The requirements for issuance of a tax voucher to a CBF customer for their own holdings or holdings of their clients remain unchanged (please refer to Announcement [A16051](#), dated 29 March 2016).

## 2.6 Processing of tax reclaims resulting from double taxation treaties (DTT) at the German Federal Central Office

The requirements for processing of tax reclaims resulting from double taxation agreements of the German Federal Central Office remain unchanged (please refer to Announcement [A16051](#), dated 29 March 2016).

## 3. Reporting

### 3.1 SWIFT

#### MT564 REPE for Tax Reductions

For both bookings for tax reduction one MT564 on record date is sent (CANC for the cancellation booking and REPE for the new booking), if the account is set up for the receipt of the MT564 REPE RD. For each executed request for tax reduction a CBF internal number is assigned and provided under the qualifier /RELA. :22F::ADDB//TAXR in sequence D is sent as the process indicator. In the additional text :70E::ADTX// "TAX RELIEF" or "TAX REFUND" and the ISIN of the fund are reported.

MT564 CANC for cancellation booking for tax reduction of fund 1 of the example above:

```

:16R: GENL
:20C: :CORP//1202018044796400
:20C: :SEME//KAD7102335160326
:23G: CANC
:22F: :CAEV//DVCA
:22F: :CAMV//MAND
:98C: :PREP//20180307102335
:25D: :PROC//COMP
:16R: LINK
:20C: :CORP//1202017044796400
:16S: LINK
:16R: LINK
:20C: :PREV//NONREF
:16S: LINK
::16R: LINK
::20C: :RELA//TX-RLF00001
::16S: LINK
:16S: GENL
:16R: USECU
:35B: ISIN DE0007236101
      SIEMENST AG N.A.
:16R: FIA
:11A: :DENO//EUR
:16S: FIA
:16S: ACCINFO
:97A: :SAFE//12340000
::93B: :ELIG//UNIT/100,
:16R: ACCINFO
:16S: USECU
:16R: CADETL
:98A: :XDTE//20180202
:98A: :RDTE//20180205
::22F: :ADDE//TAXR
:16S: CADETL
:16R: CACOPN
:13A: :CAON//001
:22H: :CAOP//CASH
:17B: :DFLT//Y
:16R: CASHMOVE
:22H: :CRDE//CRED
:97A: :CASH//12340000
:19B: :ENTL//EUR73,62
:19B: :GRSS//EUR100,
::19B: :TAXR//EUR25,
::19B: :ATAX//EUR1,37
:98A: :PAYD//20180206
:98A: :VALU//20180206
::92F: :GRSS//EUR1,
::92A: :TAXR//25,
::92A: :ATAX//5,5
:92J: :GRSS//TXBL/EUR1,000000000/ACTU
:16S: CASHMOVE
:16S: CACONF
:16R: ADDINFO
::70E: :ADTX//TAX RELIEF
      FUND DE0001234567
      KADI-LFNR 74074
:95Q: :PAYA//XXXXXXXXXX
      POSTFACH 12 34 56
      D-60261 FRANKFURT AM MAIN
:16S: ADDINFO
      -ü

```

MT564 REPE for a new booking for tax reduction for fund 1 of the example above:

```

:16R: GENL
:20C: :CORP//1202018044796400
:20C: :SEME//KAD7102335160326
:23G: REPE
:22F: :CAEV//DVCA
:22F: :CAMV//MAND
:98C: :PREP//20180307102335
:25D: :PROC//COMP
:16R: LINK
:20C: :CORP//1202018044796400
:16S: LINK
:16R: LINK
:20C: :PREV//NONREF
:16S: LINK
:16R: LINK
:20C: :RELA//TX-RLF00001
:16S: LINK
:16S: GENL
:16R: USECU
:35B: ISIN DE0007236101
      SIEMENS AG N.A.
:16R: FIA
:11A: :DENO//EUR
:16S: FIA
:16S: ACCINFO
:97A: :SAFE//12340000
:93B: :ELIG//UNIT/100,
:16R: ACCINFO
:16S: USECU
:16R: CADETL
:98A: :XDTE//20180202
:98A: :RDTE//20180205
:22F: :ADDE//TAXR
:16S: CADETL
:16R: CACOPN
:13A: :CAON//001
:22H: :CAOP//CASH
:17B: :DFLT//Y
:16R: CASHMOVE
:22H: :CRDE//CRED
:97A: :CASH//12340000
:19B: :ENTL//EUR85,
:19B: :GRSS//EUR100,
:19B: :TAXR//EUR14,22
:19B: :ATAX//EURO,78
:98A: :PAYD//20180206
:98A: :VALU//20180206
:92F: :GRSS//EUR1,
:92A: :TAXR//14,218
:92A: :ATAX//5,5
:92J: :GRSS//TXBL/EUR1,000000000/ACTU
:16S: CASHMOVE
:16S: CACONF
:16R: ADDINFO
:70E: :ADTX//TAX RELIEF
      FUND DE0001234567
      KADI-LFNR 74074
:95Q: :PAYA//XXXXXXX
      POSTFACH 12 34 56
      D-60261 FRANKFURT AM MAIN
:16S: ADDINFO
      -ü

```

MT566 for Tax Reductions

For both bookings for tax reduction one MT566 is sent (REVR for the cancellation booking and NEWM for the new booking), if the account is set up for the receipt of the MT566 Income. For each executed request for tax reduction an internal number is assigned and provided under qualifier /RELA.:22F::ADDB//TAXR in sequence C is sent as the process indicator. In the additional text :70E::ADTX// "TAX REFUND" and the ISIN of the fund are reported.

MT566 REVR for a cancellation booking for tax reduction for fund 1 of the example above:

```

:16R: GENL
:20C: :CORP//1202018044796400
:20C: :SEME//KAD7102335160326
:23G: REVR
:22F: :CAEV//DVCA
:98C: :PREP//20180307102335
:16R: LINK
:20C: :RELA//TX-RLF00001
:16S: LINK
:16S: GENL
:16R: USECU
:97A: :SAFE//12340000
:35B: ISIN DE0007236101
      SIEMENS AG N.A.
:16R: FIA
:11A: :DENO//EUR
:16S: FIA
:93B: :CONB//UNIT/100,
:16S: USECU
:16R: CADETL
:98A: :XDTE//20180202
:98A: :RDTE//20180205
:22F: :ADDB//TAXR
:16S: CADETL
:16R: CACONF
:13A: :CAON//001
:22H: :CAOP//CASH
:16R: CASHMOVE
:22H: :CRDB//CRED
:97A: :CASH//12340000
:19B: :PSTA//EUR73,62
:19B: :GRSS//EUR100,
:19B: :TAXR//EUR25,
:19B: :ATAX//EUR1,37
:98A: :POST//20180206
:98A: :VALU//20180206
:98A: :PAYD//20180206
:92F: :GRSS//EUR1,
:92A: :TAXR//25,
:92A: :ATAX//5,5
:92J: :GRSS//TXBL/EUR1,000000000/ACTU
:16S: CASHMOVE
:16S: CACONF
:16R: ADDINFO
:70E: :ADTX//TAX RELIEF
      FUND DE0001234567
      KADI-LFNR 74074
:95Q: :PAYA//XXXXXXXXX
      POSTFACH 12 34 56
      D-60261 FRANKFURT AM MAIN
:16S: ADDINFO
      -ü

```

MT566 NEWM for the new booking for tax reduction for fund 1 of the example above:

```

:16R: GENL
:20C: :CORP//1202018044796400
:20C: :SEME//KAD7102327207132
:23G: NEWM
:22F: :CAEV//DVCA
:98C: :PREP//20180307102327
:16R: LINK
:20C: :RELA//TX-RLF00001
:16S: LINK
:16S: GENL
:16R: USECU
:97A: :SAFE//12340000
:35B: ISIN DE0007236101
      SIEMENS AG N.A.
:16R: FIA
:11A: :DENO//EUR
:16S: FIA
:93B: :CONB//UNIT/100,
:16S: USECU
:16R: CADETL
:98A: :XDTE//20180202
:98A: :RDTE//20180205
:22F: :ADDB//TAXR
:16S: CADETL
:16R: CACONF
:13A: :CAON//001
:22H: :CAOP//CASH
:16R: CASHMOVE
:22H: :CRDB//CRED
:97A: :CASH//12340000
:19B: :PSTA//EUR85,
:19B: :GRSS//EUR100,
:19B: :TAXR//EUR14,22
:19B: :ATAX//EURO,78
:98A: :POST//20180206
:98A: :VALU//20180206
:98A: :PAYD//20180206
:92F: :GRSS//EUR1,
:92A: :TAXR//14,218
:92A: :ATAX//5,5
:92J: :GRSS//TXBL/EUR1,000000000/ACTU
:16S: CASHMOVE
:16S: CACONF
:16R: ADDINFO
:70E: :ADTX//TAX RELIEF
      FUND DE0001234567
      KADI-LFNR 74074
:95Q: :PAYA//XXXXXXXXX
      POSTFACH 12 34 56
      D-60261 FRANKFURT AM MAIN
:16S: ADDINFO
      -ü

```



MT564 for TA121

If the fund distribution is processed gross, as it is a distribution of a fund pursuant to § 1 Investment Tax Law, the parts of the taxation base are no longer reported in the MT564.

MT566 for TA121

If the fund distribution is processed gross, as it is a distribution of a fund pursuant to § 1 Investment Tax Law, the parts of the taxation base are no longer reported in the MT566.

### 3.2 Online reporting

Amounts for bookings for tax reductions are shown online under the host transaction code KVGI (function code SG) and in CASCADE-PC. The aggregated debit and credit amounts are shown per value date.

In column "VA" the following abbreviation is shown:

- B – Tax reduction for executed requests at entitlement / record date of the event
- E – Tax reduction for executed requests after entitlement / record date of the event
- G – Tax credits based on the daily tax adjustment calculation

### 3.3 KADI lists

In the list of summary of income and fees KD110 all bookings for tax reduction with the amount and the internal number of the request, the 16-digits serial number of the entitled fund and the submitted withholding tax rate and solidarity surcharge are reported.

In the list of summary of income and fees for fund distributions the parts of the taxation base are no longer reported, if the distribution is processed gross, as it is a distribution of an investment fund pursuant to § 1 Investment Tax Law.

**Note:** Formats of the Short Position Reports (KD127) and the Tax Credit Report (KD184) are unchanged. The fields "position nominal" and "balance nominal" only show the nominal without tax reductions, that is, the nominal minus the nominal for which tax reductions have been processed.