

# Clearstream Tax roundup

## Newsletter

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## Making tax less taxing!

A bulk of tax-related regulations is fast appearing on the implementation calendar. Our latest tax newsletter gives an overview of the aim of these regulations, how they fit together and the possible impacts on the tax world.



Fabian Nelissen  
Executive Vice President  
Head of Asset Services

It can sometimes feel like the flood of regulatory enforcement will never end. The constant piles of communication must be waded through – their purpose and content often challenging to understand. Whilst the primary focus may still be on FACTA's next steps, other significant regulations are hotting up in the tax world.

Currently, the most noticeable is the Organisation for Economic Co-operation and Development's (OECD) Common Reporting Standard (CRS), which takes a big step forward in finding a globally-coordinated approach to the disclosure of information regarding income earned by individuals and organisations.

In parallel, the EU Commission's AEFI Expert Group is addressing the possible implementation of the OECD's TRACE Implementation Package (TRACE) within the EU. TRACE primarily aims

to tackle current relief-at-source issues at a global level, thus decreasing burdensome and time-heavy tax reclaim processes.

The EU's Financial Transaction Tax is also back on the agenda following the renewal of commitment from 11 EU member states. Details of the directive are currently being defined between these countries with proposed implementation from 1 January 2016.

As always, our tax experts are busy looking at the impact these regulatory initiatives have on our customers and how we can ease the extra burden of understanding and implementing them.

Fabian Nelissen

# FATCA, CRS, TRACE – fitting the jigsaw together

The primary aim of the Organisation for Economic Co-operation and Development's (OECD) Common Reporting Standard (CRS) is to develop a globally-coordinated approach to the disclosure of information regarding income earned by individuals and organisations.

If it sounds similar to the aims of FATCA and the EU Savings Directive, indeed it is. In brief, CRS is designed to be a standardised approach to identifying and reporting information about non-tax resident taxpayers that will be exchanged with the fiscal authorities in their official country of residency.

The CRS EU directive (adopted in December 2014) still needs to be transposed into local law, with both Luxembourg and Germany being amongst the 58 early-adopter jurisdictions. Currently, CRS is set to become live as of 1 January 2016, when financial institutions must start collecting data about their account holders (initially only new account openings) with the first reporting starting in September 2017.

Our tax experts at Clearstream are busy assessing the impact of CRS on our customers and will provide more-

comprehensive information in the coming months. We are also involved in industry group discussions aimed at maximising smooth implementation of CRS for all parties concerned.

## TRACE – a welcome initiative

Simultaneously, a proposal is being discussed by the EU Commission's AEFI Expert Group regarding the possible implementation of the OECD's TRACE Implementation Package (TRACE) within the EU.

TRACE primarily aims to tackle current relief-at-source issues at a global level, thus decreasing burdensome and time-heavy tax reclaim processes. Financial institutions could claim on behalf of their clients, the DTT-reduced rate of withholding tax on securities income when payments are made.

The AEFI have recommended implementation of a treaty relief-at source system in the context of EU cross-border investments in parallel with the introduction of CRS.

Clearstream supports the unified approach of this initiative, which will undoubtedly bring more efficiency and value to the tax process.

## Next significant date for FATCA

The first reporting to local tax authorities for reporting year 2014 is scheduled for June 2015 in Luxembourg and July 2015 in Germany and Singapore. Clearstream has taken all the necessary steps to comply in due time.

As a Qualified Intermediary (QI), Clearstream acts as a primary non-resident alien (NRA) and back-up withholding agent with 1042 /1099 reporting obligations. In addition, both our ICSD and CSD are FATCA-compliant Model 1 Reporting FIs thereby endorsing FATCA withholding obligations. This means if a customer is FATCA compliant but does not endorse primary NRA withholding responsibilities – thereby electing to be withheld upon under FATCA – Clearstream will assume this withholding responsibility on the customer's behalf and perform the withholding on U.S. source payments, according to the customer's instructions.

Following our awareness campaign, most impacted customers have already taken measures to renew their U.S. certificates or provide us with the necessary self-certification documents to ensure they are FATCA compliant. For those yet to undertake this task, it's never too early to start!

Our account structure offering has already been adapted to incorporate the additional FATCA layer. We aim to keep reporting and withholding as simple as we can and therefore offer account structures adapted to your status and your needs.

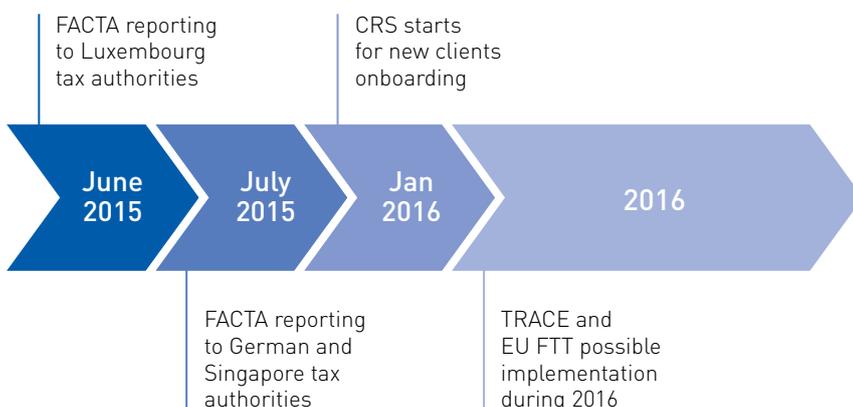
## Any questions on FATCA, CRS or TRACE?

Call or email us

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## Timeline for implementation of tax-related regulations



## Financial transaction tax

On 27 January 2015, 11 EU member states renewed their commitment to reach an agreement on the future of the Financial Transaction Tax (FTT). Their proposal being a directive implementing enhanced cooperation based on the principle of the widest possible base and low rates as of 1 January 2016.

The tax would impact financial transactions between financial institutions charging 0.1% on transactions of shares and bonds and 0.01% across derivative contracts (on the basis of the derivative's notional underlying value), if just one of the financial institutions resides in a member state within the EU FTT framework.

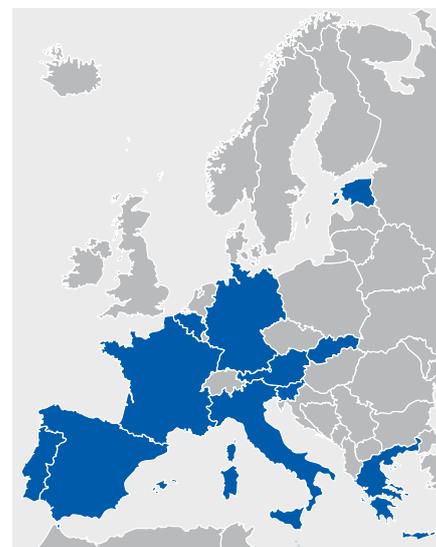
The European Association of Cooperative Banks, the European Association of Public Banks, the

European Banking Federation and the European Savings and Retail Banking Group have voiced concerns that the proposed FTT would harm the internal market for financial services and distort competition among operators on the basis of their connection to a particular group of member states.

Clearstream continues to closely monitor the issue and will inform customers as soon as further details are defined and officially communicated to the market.

### European member states committed to implement FTT by 1 January 2016

- Austria
- Belgium
- Estonia
- France
- Greece
- Germany
- Italy
- Portugal
- Slovakia
- Slovenia
- Spain



Committed EU countries - blue

## Double taxation treaties

Market	Date signed	Entry into force	Max DTT rate %	
			Debt	Equities
<b>Belgium - Bahrain</b> <sup>1</sup>	04 Jul 07	11 Dec 14	5%	10%
<b>France - Andorra</b> <sup>3</sup>	02 Apr 13	01 Apr 15	5%	15%
<b>Austria - Taiwan</b> <sup>1</sup>	12 Jul 14	20 Dec 14	10%	10%
<b>Portugal - Columbia</b> <sup>3</sup>	30 Aug 10	30 Jan 15	10%	10%
<b>Croatia - India</b> <sup>2</sup>	12 Feb 14	11 Feb 15	10%	15%
<b>Sweden - Japan</b> <sup>1</sup>	05 Dec 13	12 Oct 14	0%	10%
<b>Poland - Slovak Republic</b> <sup>1</sup> (Amending protocol)	01 Aug 13	01 Aug 14	5%	5%
<b>Switzerland - Uzbekistan</b> <sup>1</sup> (Amending protocol)	01 Jul 14	26 Dec 14	0%	15%

A number of new/amended double taxation treaties came into force for application in 2015 and 2016.

<sup>1</sup> applies from 1 January 2015

<sup>2</sup> applies from 1 January 2016 (Croatia), 1 April 2016 (India)

<sup>3</sup> applies from 1 January 2016

## Working for you

### Annually, Clearstream...

processes **118,650** Tax Certifications, files **45,000** Tax Reclaims, publishes more than **250** Tax Announcements and News Flashes from **4** locations covering **53** markets and is Fiscal Agent in **5** markets.

Our Tax Helpdesk answers more than 25,000 queries by email per year as well as around 4,000 phone calls. Clearstream is renowned for its "human touch" and, to us, having this valuable hands-on service is exactly what it is about.

Our fifteen tax experts are located in Luxembourg, Frankfurt and Singapore and do their utmost daily to provide prompt and accurate tax guidance on all our tax services, regimes and practices in all 53 markets and across most timezones.

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## Help with completing 1042-S form

To help our customers complete their IRS form 1042-S (Foreign Persons U.S. Source Income Subject to Withholding), Clearstream is providing to those of our customers with reportable payments under US withholding tax rules, a draft form recording all your Clearstream activities. This form can be used for the reconciliation of your reporting to the IRS.

To obtain these reports by email (including the full details of taxable U.S. payments reported on your account) please send an email to [tax@clearstream.com](mailto:tax@clearstream.com) duly completed with the following data: institution name, contact person details (name, phone number, email address) and account numbers concerned.

To ease the reconciliation exercise, reports will be prepared in Excel format per account, per income code and exemption code and will be the static match of the amounts reported on the 1042 form.



## Tax forum

Clearstream is holding a tax forum on 16 June (13:30-17:00) in their Luxembourg office, when our tax experts will be on hand to speak about these newsletter topics and more. For further details, please visit our website [www.clearstream.com](http://www.clearstream.com).

## Contact info

If you would like more information on any of the topics in this newsletter, please contact your relationship manager.

[www.clearstream.com](http://www.clearstream.com)

