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# France: Taxation treatment of French choice dividends

clearstream | DEUTSCHE BÖRSE  
GROUP



# Agenda

1. Introduction
2. Notifications to customers
3. Relief at source procedure
4. Scenarios – Practical cases

# Introduction

- French choice (or “optional”) dividends are subject to withholding tax upon payment of the dividend, whether the dividend is paid in cash or in securities.
- Relief at source or standard refund of withholding tax can be obtained for eligible beneficial owners (BOs) on most French choice dividends.

# Notifications to customers

Clearstream Banking will send two (three) notifications, before the corporate action instruction deadline, pre-advising the choice dividend event and the possible tax relief.

## CORPORATE ACTIONS

Notification of the choice dividend event via:

- RHDI on the ISIN of the basis securities (shares)
- DVOP on the ISIN of the intermediate securities (rights), containing all details of the choice dividend event (i.e. reinvestment options, deadlines...) as well as the documentation requirements for tax relief

## TAX

Notification of the possibility of tax relief on the choice dividend event via:

- OTHR on the ISIN of the intermediate securities (rights), containing general details of the choice dividend event, the documentation requirements for tax relief and the tax specific deadlines

## Relief at source procedure

To obtain relief at source on either the cash or the stock option, customers must provide Clearstream, by the defined deadlines, with:

- 1) the related corporate action instruction
- 2) the related tax instruction
- 3) the requested certification

## 1) Instructions to Corporate Actions Department (1/2)

Customers must send an instruction (MT 565 or COL message) to the Corporate Actions Department to confirm their choice according to the available options (cash or securities).

### **Reinvestment in cash**

- Customers are required to mention in their instruction, the option chosen and the figures related to the option (i.e. the quantity instructed)

### **Reinvestment in stock**

- Customers are required to mention in their instruction, the option chosen, the figures related to the option (i.e. the quantity instructed), the tax rate and the status of the beneficial owner (if required), no later than the deadline (early deadline) stated in the MT564 DVOP

## 1) Instructions to Corporate Actions Department (2/2)

- The deadline for reduced tax rate instructions is mentioned in the narrative of the MT564 DVOP and is always MKDT -1 10:00 CET
- Different instructions details must be provided if customer status is CIV or other BO type

CIV status	Other BO types
Reinvestment option chosen (SECU)	Reinvestment option chosen (SECU)
Figures related to the option (quantity instructed)	Figures related to the option (quantity instructed)
Tax rate applicable according to customers' status in the narrative of the instruction	Tax rate applicable according to customers' status (0% excluding CIV, 10%, 15% or 30) in the narrative of the instruction (if other than 30%)
Status of CIV in the narrative of the instruction + List of BO at the same time	

**Instructions received after the applicable Corporate Actions deadline , the Default option (most of the time CASH but not always) will be applied as well as the default tax rate.**

## 2) Instructions to Tax Department (1/2)

Customers must send an instruction (MT 599, MT568 or COL message) to the Tax Department to confirm their choice according to the available options (cash or securities).

### **Reinvestment in cash**

- Customers are required to mention in their instruction, the option chosen and the figures related to the option (i.e. the quantity instructed) and the tax rate to apply.

### **Reinvestment in stock**

- Customers are required to mention in their instruction, the option chosen, the figures related to the option (i.e. the quantity instructed), the tax rate and the status of the beneficial owner (if required), no later than the deadline (early deadline) stated in the MT564 OTHR



## 2) Instructions to Tax Department (2/2)

- The deadline for reduced tax rate instructions is mentioned in the narrative of the MT564 DVOP and is always PD -1 10:00 CET
- Different instructions must be provided if customer status is CIV or other BO type

CIV status	Other BO types
Reinvestment option chosen (CASH)	Reinvestment option chosen (CASH)
Figures related to the option (quantity instructed)	Figures related to the option (quantity instructed)
Tax rate applicable according to customers' status in the narrative of the instruction	Tax rate applicable according to customers' status (0% excluding CIV, 10%, 15% or 30) in the narrative of the instruction (if other than 30%)
Status of CIV (in the narrative of the instruction) + List of BO at the same time	

**If instructions received after the applicable Tax deadline, then the default tax rate will occur.**

### 3) Documentation requirements

Customers must send the following documentation to the Tax Department by the deadline (early deadline) stated in the MT564 OTHR.

Eligible CIV	Residents of a DTT country
Form RPPM duly completed, signed and stamped	One-time certificate of Authorisation for the Simplified Procedure
Per-payment detailed lists of beneficial owners: <ul style="list-style-type: none"> <li>• one for CASH option</li> <li>• one for SECU option</li> </ul>	Form 5000- Certificate of Residence
	Per-payment detailed lists of beneficial owners: <ul style="list-style-type: none"> <li>• one for CASH option</li> <li>• one for SECU option</li> </ul>

>>> Potentially up to 4 BO lists to be provided

**The French Tax Authorities may require at any time additional documents (such as tax attestations, power of attorneys...)**

## Scenarios – Practical cases

### Tax deduction on CASH option:

- entirely handled by OTL
- MT599/MT568 and certification to OTL

### Tax deduction on SECU option:

- MT565/COL to OCA with narrative
- MT599/MT568 and certification to OTL

### Tax deduction on the cash portion (cash in lieu) of the SECU option:

- entirely handled by OTL
- MT599/MT568 and certification to OTL
- Customers should mention that this is only for the cash portion of the SECU option