Investor Tax Reporting

AN OVERVIEW OF BNY MELLON'S SOLUTION

GLOBAL TAX AND REGULATORY SERVICES

BNY MELLON

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Introduction

INVESTOR TAX REPORTING – A COMPREHENSIVE SOLUTION

With increasing scrutiny from investors, regulatory and tax authorities, European tax reporting has become more demanding than ever. Each tax jurisdiction within Europe imposes its own set of rules and restrictions on investments in UCITS and other vehicles. Errors or failures in reporting can lead to serious consequences for investors in the EU, Germany, Austria, Italy, Switzerland, Belgium and the U.K.

BNY Mellon can provide the critical support our clients need to manage the investor tax reporting challenges that arise from expanding their distribution across Europe.

Our Tax Team consists of more than 30 experienced professionals located in Luxembourg, the U.K., Germany and Ireland.

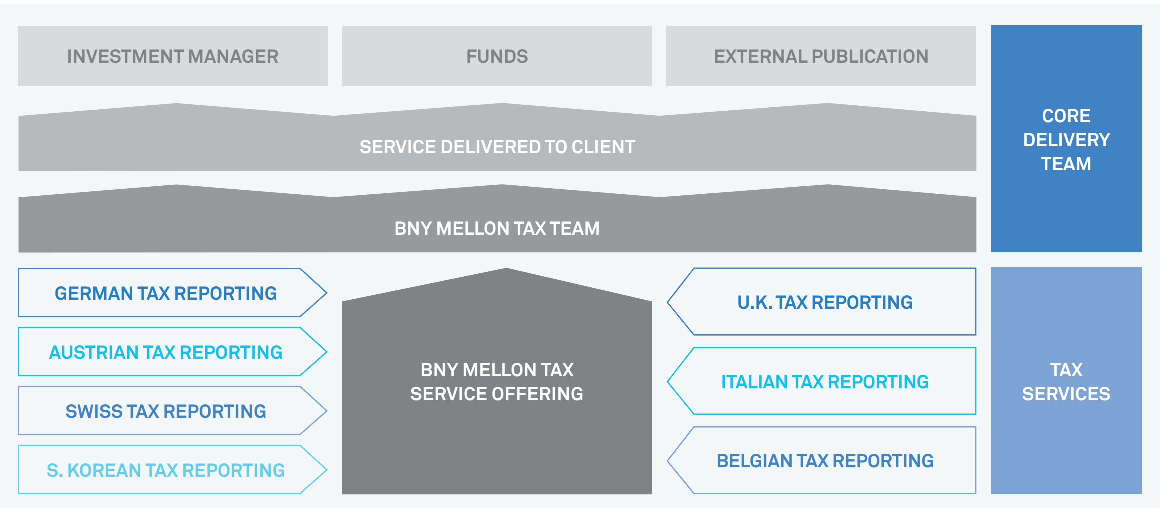
As the repository of our clients' funds' underlying data, BNY Mellon can meet their requirements for daily and year-end tax reporting with a comprehensive range of services that include:

- providing a single point of contact for the delivery of tax reporting services
- helping our clients capitalize on the synergies that are created when we are the storehouse for all of their data
- enabling our clients to benefit from economies of scale
- delivering insights on local filing requirements and the tax implications for our clients' investors

BNY MELLON AND YOUR SUCCESS

At BNY Mellon, our clients are placed at the center of everything we do. We want them to succeed and draw upon the extensive resources and expertise across our business to help them do so.

Our professionals are continually trained and educated to provide our clients with the most up-to-date market information. Additionally, BNY Mellon invests in dedicated custom-built software to enable its tax professionals to have what we believe to be the best-in-class tools and resources.



Austria

The Austrian fund reporting requirements distinguish between 'Reporting Funds' and 'Non-Reporting Funds'. Austrian investors of Non-Reporting Funds are subject to disadvantageous lump sum taxation whereas investors of reporting funds are just subject to taxation on their actual tax base. The main obligations for Reporting Funds are outlined below.

DISTRIBUTION & ANNUAL REPORTING

A local tax representative must be appointed in Austria in order to initiate and verify periodical distributions and an annual deemed distribution. For each distribution and deemed distribution to Austrian investors, the tax representative will forward the accounting data via an ftp gateway to the Österreichische Kontrollbank AG (OeKB) which will apply a standardized tax calculation. After the calculation result has been approved by the tax representative, the actual tax base composed of net investment income and realized gains will be published on the website of the OeKB (www.profitweb.at)[1].

REPORTING PROCESS

Tax Representative (BNY Mellon)

FUND ACCOUNTING DATA

Tax Representative (BNY Mellon)

REFORMATTING & UPLOAD | AMENDMENT | RESULT VERIFICATION | CONFIRMATION

Austrian Control Bank (OeKB) (BNY Mellon)

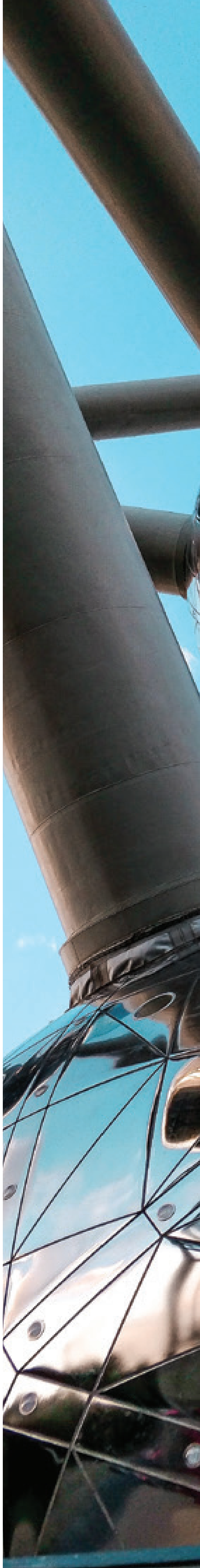
TAX CALCULATION | RESULT DISSEMINATION | PUBLICATION

The regulatory deadline for the completion of the tax data publication is one valuation day before the pay-date of the distribution whereas the deemed distribution has to be published seven months after the business year end.

HOW CAN BNY MELLON ASSIST?

BNY Mellon is experienced in Austrian Investor Tax Reporting and can assist with the following:

Confirmation of in-scope ISIN's or other static data, and Exchange of audit pack constituents as requested by the Austrian Tax Representative.



[1]Distribution reporting is not mandatory to preserve a reporting fund status. However, it is recommended to perform a tax reporting on distributions as undisclosed distribution payments are treated as fully taxable without granting any advantage of tax-exempt components to Austrian investors.

Belgium

There are two forms of tax to be aware of in Belgium; the Belgium TIS and net asset tax calculations.

BELGIAN TAXABLE INCOME PER SHARE (BELGIAN TIS)

The Belgian TIS aims to tax Belgian resident individuals on (part of) the proceeds received upon exit from investments funds (irrespective of where the funds have been established and whether the funds are transparent or not for Belgian tax purposes) that indirectly/directly invest a certain portion of their assets in qualifying debt claims. In order to determine whether or not a fund falls within the scope of application of the Belgian TIS Reporting, a test has to be performed on the semi-annual and annual composition of assets invested in debts once a year (Asset Test).

Once the fund is in scope and distributed to Belgian investors, the Belgian TIS composed of the taxable income deriving directly or indirectly, in the form of interest and capital gains or losses, from the return on assets invested in debts has to be calculated and made available to Belgian paying agents on each valuation date.

HOW CAN BNY MELLON ASSIST?

BNY Mellon currently provides, upon request, the calculation and publication of Belgian TIS together with the fund's NAV on each valuation date.

BELGIAN NET ASSET TAX

Foreign funds registered with the Belgian Banking, Finance & Insurance Commission are subject to Belgian Net Asset Tax of 0.0925% on the total of net assets invested in Belgium as of 31 December each year.

The net outstanding amount is composed of the fund's total assets reduced by subscriptions and redemptions that have been realized through Belgian financial intermediaries. The payment of the tax is accompanied by a return submitted to the Belgian tax authorities (UCI Certification) and due by 31 March each year.

HOW CAN BNY MELLON ASSIST?

BNY Mellon currently provides, upon request, Net Asset Tax Reporting in line with the Belgian tax law.

BNY Mellon may work with an external tax advisor in fulfilling these obligations (UCI Certification).

Germany

The revised German Investment Tax Act replaced the semi-transparent reporting regime in Germany on January 1, 2018 with an investor level lump sum taxation regime. Abolishing the requirement to calculate and publish a certified tax base on deemed distributed income and distributions for business years after 2017.

To calculate the lump sum tax base, the base interest rate is added to the increase of the redemption price less any distribution made as of the start of the calendar year. The lump sum tax base is capped at the increase of the redemption price during the calendar year.

The new regime also provides partial tax exemptions for German tax resident investors. The tax- exempt amounts depend on the extent to which an investment fund is invested in equity or real estate (the Equity or Real Estate Ratio). The fund's investment policy must explicitly state these and the fund must monitor on each valuation date beginning January 1, 2018. If there is a significant underrun of the Equity and Real Estate Ratios mentioned in the investment policy, German tax resident investors may lose the tax exemption.

Fund-of-funds can rely on their own Equity or Real Estate Ratio (the ratios mentioned in the investment policies of the target funds) or on the actual ratios published by target funds.

In order to be a more attractive investment from a tax perspective for fund-of-funds a target fund may therefore want to consider publishing actual Equity or Real Estate Ratios on a daily basis.

HOW CAN BNY MELLON ASSIST?

Through our established network with German tax advisory firms, BNY Mellon stays abreast of German tax developments and quickly responds to these changes to serve our clients' needs.

BNY Mellon can preparing the calculation and publication of the new Equity and Real Estate Ratio under the revised German Investment Tax Act.

Italy

There are two withholding tax (WHT) rates, 12.5% or 26%, for Italian investors in respect of proceeds distributed by the fund and on the capital gains arising from the redemption, switch or transfer of units.

The 12.5% rate applies to the portion of the fund's income earned from government bonds issued by Italy and other eligible securities. The 26% applies to the balance.

The list of eligible securities, commonly referred to as 'White List' securities includes:

- Bonds and similar securities listed in the relevant decree
- Securities equivalent to Italian government bonds
- Government bonds of foreign countries
- International organisations (superannuations) whose securities are considered equivalent to Italian government bonds

Italian paying agents are required to obtain the percentage of 'White List' securities within a fund to facilitate the accurate calculation of withholding tax on redemptions and distributions between 12.5% and 26%.

This percentage is required by the paying agent in a particular report format to include details such as sub-funds and share classes.

HOW CAN BNY MELLON ASSIST?

BNY Mellon can provide Italian Tax Reporting, which includes:

- Identification of Italian Government Bonds, White List securities and eligible Superannuation bodies in the funds portfolio
- Calculation of the fraction of Italian or White List Government Bonds for the 12.5% rate to be applied
- The provision of a reporting pack for presentation to the fund's paying agent in Italy, twice a year, for in scope funds and share classes
- Liaison with the client for transmission to the Italian Paying Agent to ensure they receive the reporting pack in a timely fashion and that WHT payments are calculated and made on time

Norway

*On January 1, 2016, new rules concerning the tax treatment of Norwegian residents investing into collective investment schemes entered into force. According to the new regulations, taxation of the unitholders will generally depend on the fund's equity portfolio as of the first valuation day as of the acquisition year. Funds that invest less than 80% into equity and where distributions and redemptions are taxed on an average equity ratio between the year of acquisition and redemption will be taxed as follows:

INCOME TYPE	INDIVIDUAL	INSTITUTIONAL
More than 80%	Dividend & Gain on Equity	29.76% Tax
Less than 20%	Interest & Gain on Bond	24% Tax
20% up to 80%	Split based on Equity Ratio	29.76% or 24% Tax

Norwegian collective investment funds must report the information on their investors to the Norwegian tax authorities directly whereas Non-Norwegian funds do not have a corresponding obligation but may provide the equity ratio together with the net asset value as of January 1, each year on a voluntary basis.

HOW CAN BNY MELLON ASSIST

BNY Mellon can provide Norwegian Tax Reporting which includes:

- Identification of the eligible assets;
- Target fund look-through to identify the portion of equity to consider;
- Calculation of the Norwegian equity ratio under the Norwegian tax rules; and
- Reporting to the client to allow Norwegian Investors to complete their tax assessment

*Equity Portfolio

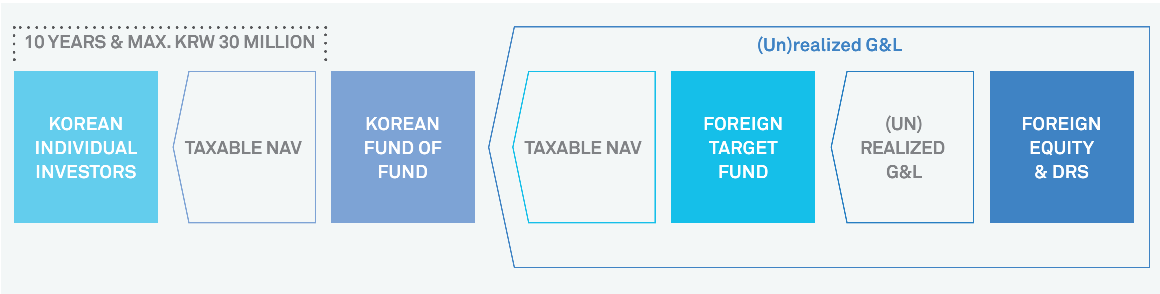
South Korea

To encourage overseas investment through collective investment vehicles, the South Korean Tax Incentive Limitation Law (TILL), which is effective since January 1, 2016, provides a temporary exemption on gains from the trade of overseas listed stocks and eligible depositary receipts through eligible equity funds. As a result, only dividends, interest and specific capital gains which are tax-exempt should constitute taxable income of Korean investors.

In order for the exemption to apply the investor and the fund have to meet the following criteria:

- Individual investors have to start their investments during the period from January 1, 2016 to December 31, 2017
- The tax exemption is granted on investments of up to KRW 10 million during 10 years from the date of the first investment
- Korean collective investment vehicles have to invest more than 60% of their total assets into stocks listed on foreign stock exchanges including investments via offshore target funds if the target funds also accounts for non-taxable gains in such assets

Therefore, Korean investors will just benefit from the tax-exemption on income from onshore fund of funds where the target fund calculates and delivers a taxable Net Asset Value to the Korean fund of fund which will exclude eligible assets listed on foreign stock exchanges.



HOW CAN BNY MELLON ASSIST?

BNY Mellon is experienced in Korean Taxable NAV reporting and can assist with the following:

- Daily calculation of the Korean Taxable NAV for each share class of offshore target funds in accordance with Korean law
- Exchange of the daily Korean Taxable NAV with Korean Fund of Funds

Switzerland

Swiss investors are subject to investment taxation. Funds qualifying as collective investment schemes (CIS) are required to report the following each year:

- The net taxable income to the Swiss Federal Tax Administration (SFTA)
- Audited financial statements to the SFTA

Reporting is mandatory for (foreign) CIS distributed to Swiss investors.

The CIS could qualify as distributing, mixed or accumulating fund.

The classification defines the point in time when income is taxable at investor level. Investors in non-compliant funds lack certain tax benefits and a default taxation may be applied.

HOW TO ASSESS THE NET TAXABLE INCOME OF THE FUND

Audited financial statements serve as the basis of tax calculation. Distributed or accumulated ordinary income is taxable (dividends, interest income and other income).

Capital gains are generally considered as tax exempt. General fees and expenses are deductible up to 1.5% of the NAV (audit, bank, brokerage, clearing, custody, formation/pre-funding etc.).

Investment expenses are fully deductible (interest expenses, security lending fees, manufactured income paid etc.).

Specific rules for target funds have to be considered (look-through approach).

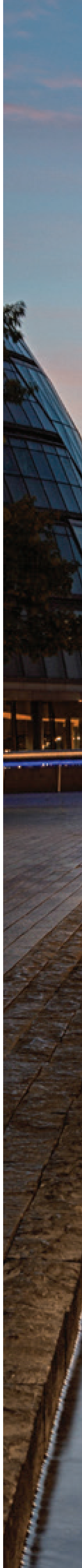
There is no official deadline for tax reporting. However, net taxable income should be reported as soon as possible after fiscal year end to enable Swiss investors to file their tax declaration in the spring, taking into account taxable income received during the previous calendar year from the CIS.

After submission, SFTA will publish these tax figures on their official website.

SFTA may either qualify the entire proceeds as taxable income or may impose a discretionary assessment in case of non-compliant funds.

HOW CAN BNY MELLON ASSIST?

BNY Mellon, in conjunction with a tax advisor in Switzerland, is able to calculate the taxable net income component for funds in line with the Swiss tax law.



United Kingdom

Offshore funds distributing into the U.K. have the option of entering the U.K. Tax Reporting regime and gaining preferential tax benefits.

The U.K. regime requires the following:

- Application for entry into the Reporting Fund Regime
- Satisfying the U.K. Tax Reporting requirements of both the relevant participants and HMRC

The U.K. Tax Reporting regime requires the fund to make a report available to each relevant participant within six months following the end of the reporting period.

This 'reported income' must include the requisite information per the regulations and be made available to relevant participants, that is, those who are either resident in the U.K. or are reporting funds.

Additionally, this information must be reported to the U.K. Tax Authorities (HMRC).

HOW CAN BNY MELLON ASSIST?
BNY Mellon can provide two alternative services:

Provision of the fund accounting data:

- BNY Mellon will provide the client or the external tax advisor to the fund, accounting raw data to enable calculation and certification of the reportable income

Tax reporting service:

- BNY Mellon can also provide full tax reporting services in conjunction with an external tax advisor that BNY Mellon will employ to assist in fulfilling the obligations. This can include the application for entry into the Tax Reporting Regime and the calculation and reporting of the reportable income

United States

U.S. Passive Foreign Investment Company (PFIC) Reporting. On December 27, 2016, the U.S. Department of the Treasury and the Internal Revenue Service issued final regulations providing guidance on determining ownership of a Passive Foreign Investment Company (PFIC) and the application of the requirement that PFIC and Qualified Electing Fund shareholders file a Form 8621 annual information return.

A U.S. person who owns directly or indirectly 50% or more of the value of a foreign corporation that is not a PFIC is considered to own a proportionate amount of the stock owned by a foreign corporation.

PFIC shareholders can use a PFIC Information Statement to enable them to calculate their pro rata earnings, based on their own respective percentage ownership in the sub-funds and the number of days during the taxable fiscal year for which they held such a percentage investment. In the case of investors who have made multiple acquisitions / disposals throughout the year, their pro rata share should be based on the individual holding periods and percentage ownership each time they invested in the fund. The Information Statement can then be used to comply with U.S. tax filing requirements, such as the Form 8621.

HOW CAN BNY MELLON ASSIST?

BNY Mellon, in conjunction with a U.S. tax advisor, is able to calculate the information to populate the PFIC Information Statement in line with U.S. regulations for funds.

BNY MELLON GLOBAL TAX AND REGULATORY SERVICES

BNY Mellon's Global Tax and Regulatory Services team provides support to navigate the global tax and regulatory environment throughout the investment lifecycle. Our team of professionals monitor and research tax and regulatory developments impacting BNY Mellon Asset Servicing clients, working proactively to support them through the development and enhancement of tax and regulatory products and services. Our engagement with regulators and tax authorities around the world, and our active participation in industry associations, gives us early insight into developing legislation and enables us to directly advocate for clients' best interests. We share these insights with clients through frequent thought leadership papers, tax and regulatory forums, communications and events.

LEARN MORE

If you would like to receive further information, please contact your BNY Mellon Relationship Manager or a member of the BNY Mellon Global Tax and Regulatory Services team.

BNY MELLON GLOBAL TAX AND REGULATORY SERVICES CONTACTS

Mariano Giralt Head of Global Tax and Regulatory Services
Tel: +44 207 163 6463
E: mariano.giralt@bnymellon.com

Conor Begley Head of Ireland Tax Services
Tel: +353 1 900 8143
E: conor.begley@bnymellon.com

Caroline Cullen Head of Offshore Tax Operations
Tel: +353 1 900 8432
E: caroline.cullen@bnymellon.com

Jan Becher Head of German Tax Services
Tel: +49 69 12014 1435
E: jan.becher@bnymellon.com

Christopher Mitchell Head of U.K. Tax Services
Tel: +44 207 163 3016
E: christopher.mitchell@bnymellon.com

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