



Standard Custody Withholding Tax Relief and Recovery Service

AN OVERVIEW OF
BNY MELLON'S
SOLUTION



Standard Custody Withholding Tax Relief and Recovery Service

BNY Mellon recognizes the continued focus on withholding tax processing as firms continue to try to achieve straight-through processing. Lack of global standards, high processing costs, and time-consuming manual intervention are widely regarded as key issues facing our clients today. The increased and dynamic changes in tax legislation and the corresponding requirements has highlighted the need to engage with a leading provider like BNY Mellon to support the recovery of withholding tax via its standard custody withholding tax relief and recovery service.

BNY MELLON SERVICE

Through its standard custody withholding tax relief and recovery service, BNY Mellon's tax service aims to deliver optimal withholding tax treatment on a client's investment income. BNY Mellon works with each client to understand the various characteristics of the client ('client profiling'), thereby establishing the requirements to achieve the applicable beneficial rate of withholding tax in each market. The foundation of this service rests on the provision of all necessary and required documentation from the client to BNY Mellon and the source country tax authorities publishing proven and operable procedures of the relevant withholding tax together with the qualification criteria to collect tax entitlements.

HOW ARE WITHHOLDING TAX RATES ACHIEVED VIA THE BNY MELLON TAX SERVICE?

Today, there are five primary mechanisms for obtaining tax relief. A client's investor profile is set-up based upon information provided by the client to BNY Mellon during the account set-up process.

The rates a client can achieve vary based on the country of residency, entity type, the market of investment and the security type.

In most markets, there are tax documentation requirements that need to be fulfilled in order to achieve the beneficial rates of withholding tax. BNY Mellon can complete some documents on the client's behalf if a power of attorney or similar authority is held. Market conditions may dictate that the client must complete other documents.

1. Basic Tax Service

Enables clients to benefit from the automatic relief at source via account set-up and is only available where the source country allows such practice. Invariably this applies to bonds.

Clients, who complete a Tax Service Questionnaire (TSQ) electing no tax service, will still benefit from the basic service.

2. Relief at Source Requiring Documentation

Enables clients to benefit from tax relief at the time of the income payment. Cash income proceeds are credited on payment date at the appropriate withholding tax rate. Provided the client has submitted the required documentation allowing BNY Mellon to correctly set-up the account, no further action is required from either party until the documentation is set to expire or there has been a change in the client's circumstance.

3. Quick Refund

Cash income proceeds are credited net of withholding tax and any reclaims are made via an accelerated and simplified procedure in markets where this is available. Similar to a Standard Reclaim (see below) the client may be required to provide BNY Mellon with additional documentation and/or details of allocation.

4. Standard Reclaim

Cash income proceeds are credited net of withholding tax. In order to recover excess withholding tax the client is generally required to provide BNY Mellon with documentation and / or details of beneficial ownership allocation, depending on the country of investment. BNY Mellon will sign tax reclaim forms on behalf of clients where BNY Mellon maintains a valid power of attorney. BNY Mellon files a standard reclaim form with the local tax authority in the country of investment, typically via its sub-custodian, in the first quarter of the year following dividend payment. In order to make a claim, currently BNY Mellon applies a de minimis of USD 100 (or equivalent), not including any applicable sub-custodian out-of-pocket fees. Where available and offered, cross-border reclaims will also be filed. These usually incur additional costs due to the increased complexity of filing.

5. E-filing

Cash income proceeds are credited net of withholding tax and any withholding tax is claimed directly from the tax authorities via a digital information transmission system, which typically accelerates the recovery timeframe. Similar to a standard reclaim a client may be required to provide BNY Mellon with documentation and / or details of beneficial ownership allocation.

HOW DOES BNY MELLON DELIVER THIS SERVICE?

BNY Mellon has end-to-end processes to:

1. Profile and understand client tax treatment.
2. Obtain required tax documentation based on investment markets and client tax treatment.
3. Deliver relief at source in markets, where it is possible.
4. Reclaim withholding tax from local tax authorities (either under a tax treaty or domestic tax law) where required and where BNY Mellon offer such a service and a workable process exists in the market. This covers both domestic law and DTT reclaims. Speculative ECJ claims will have to be filed via an external adviser.
5. Track withholding tax news and changes, communicate those changes, and implement changes where necessary.

1. Tax Documentation

Required tax documentation is tracked via our documentation management system, which serves as a central monitoring mechanism for all client required tax documents. Using an automated system our custody and documentation systems generate reports and / or notifications to clients to help clients provide the required tax documentation in time to benefit from the most beneficial and efficient tax treatment. The request for required tax documentation is communicated to clients as soon as they invest in a related market so as to leave sufficient time for clients to prepare the documentation.

When the documentation is validated, our systems are updated and the tracking and follow-up of tax documentation process begins. For global markets, many documents need to be renewed annually. Our documentation system sends monthly reminders capturing the status of tax documents. Documents that are set to expire are solicited for renewal generally three months prior to expiration where market rules permit.

Communication of any changes to tax regulations necessitating a new document will be done via Netinfos® and / or through usual reporting / notifications.

2. Tax Documentation Completion Service

Where tax forms include requests for information about the client that BNY Mellon either does not have available or to complete the form/question would require the application of specific facts about the client, BNY Mellon are unable to pre-complete the tax document on a client's behalf.

BNY Mellon does however offer clients a Tax Documentation Completion Service ('TDCS') the scope of this service is designed primarily to support clients with the collection of Certificates of Tax Residency (COTR) from their home country tax authority, we do however include the pre-completion of certain tax documents.

Clients can enrol in the Tax Documentation Completion Service (TDCS) after opening a segregated account and upon provision of a power of attorney in favor of BNY Mellon will enable clients to benefit from the pre-completion of specific market tax forms as well as Certificate of Tax Residency solicitation from their home tax authority.

3. Tax Reclaim Recovery

The timeframe for collection of tax reclaims varies per source country; there is no average collection period (also called the average refund delay (ARD)). Most custodians maintain their own performance standards for reclaiming tax in each market, even though the procedure is largely dependent upon the client, the tax authorities in the client's country of residence and the tax authorities of the country of investment. This measurement of performance is often called benchmarking.

BNY Mellon benchmarks internal standards and cross validates these each year to standards recognized by the industry, for example our sub-custodian network.

4. Investor Allocations

Clients can operate through various account structure types with BNY Mellon. Depending on the structure type opted for, tax requirements and service levels may differ.

BNY Mellon supports multiple beneficial owners account (omnibus), opened on behalf of several beneficial owners who have either: the same country of residence, tax status and investor type, or different countries of residence, tax status and/or investor types.

This account structure type generally requires disclosure and breakdown/allocation of holders at each eligible taxable event. In order to facilitate disclosure submission, BNY Mellon has developed:

- Breakdown Submittal Template: allowing clients to provide all required information in a format that will enable BNY Mellon to validate and process it with most accuracy
- Breakdown Upload: allowing clients to upload their disclosures directly via our on-line portal Workbench, triggering automatic creation of the individual reclaims the day after (used for reclaims)

5. Outstanding Reclaims

BNY Mellon has established standards for 'expected' timelines for each step in the reclaim process:

- We calculate the ARD in all markets and track the progress for open reclaims accordingly
- We conduct monthly reconciliations of our records versus the records of our sub-custodians to ensure the accuracy of all reclaims reflected as filed
- We hold monthly meetings with senior management to discuss items over ARD and tax authorities are chased accordingly through our sub-custodian where permitted by the market

All exceptions are reported to senior management on a weekly basis. This information forms the basis of Key Performance Indicators that are utilized to monitor the effectiveness of local agents in collecting outstanding tax reclaims in accordance with market standards.

In addition to the monthly reconciliations described above and to enhance our ability to effectively monitor the performance of our local agents, BNY Mellon performs a periodic tax receivable reconciliation with agents to align records against what the sub-custodian is expected to collect. All exceptions are reported to senior members of the operation group for resolution. Further, BNY Mellon tracks and reports outstanding tax reclaims to our clients on a daily basis through our online portal NEXEN. These reclaim reports can be scheduled to automatically send an email to the client at a desired frequency with the current tax reclaims report. Reclaims are tracked, discussed and reported if 'aged' in any category. Tax refunds are credited on a 'receipts' basis.

6. Statute of Limitations (SOL)

BNY Mellon is fully aware of the statute of limitations applicable to all markets where we offer global custody service. Consistent with our processes to monitor and communicate tax changes (for example, tax rates and procedures), we also monitor changes in statute periods, including specific ones driven by the Client's country of residence as agreed in a double taxation treaty. Consistent with our processes to monitor and communicate tax change, any change to tax rates, laws and procedures we monitor changes in statute periods. When a change occurs, we review, undertake a second source validation and communicate the change to our internal business and clients. Thereafter, system records are updated to ensure reclaims are processed in advance of any statute of limitation dates. All reclaim deadlines are provided for within our custody platforms. For SOL reclaims, we provide additional reporting to clients requesting that relevant documentation is provided in order to file these SOL reclaims.

7. Reporting

BNY Mellon provide a comprehensive suite of reports. These are available to be sent via email or by accessing our online portal via Workbench/NEXEN.

Reports, which are sent via email, are as follows;

1. Monthly Outstanding Tax Documentation Report – provides a list of documents required in order to facilitate the collection of tax entitlements.
2. Acknowledgment of Receipt Tax Documentation Notifications - this report indicates the validity status of documents. This report also shows a reason for invalid documents.
3. Relief at Source (RAS) notifications.

Reports which are available via Workbench/NEXEN;

1. Tax Documentation Package – the tax documentation package has been designed to provide clients with the information and the documents required to benefit, where applicable, from reduced tax rates on dividend and interest payments.
2. Tax Reclaims Reporting - real-time report available that can be scheduled to run at preferred intervals and includes reclaim transaction detail and status updates. The report includes information such as Ex-Date, Pay Date, Dividend Rate, Withholding Rate/ Amount, Reclaim Rate/Amount, Prepared Date, Filed Date, Paid Date, and Reclaim Status. The reclaim reports on NEXEN are platform specific.
3. Tax Rate Look-up Tool – this report enables you to enter an entity type and see the applicable rates available.

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 about the service, 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

Lorraine White Global Head of Securities
Tax Research and Client Tax Solutions
Tel: +44 207 163 3029
E: lorraine.white@bnymellon.com

Roberto Severi Global Head of Client Tax
Technical Solution, Tax & Regulatory Services
Tel: +44 207 163 4509
E: roberto.severi@bnymellon.com

STANDARD CUSTODY WITHHOLDING TAX RELIEF AND RECOVERY SERVICE – APRIL 2019

The table shows the markets where BNY Mellon provides a standard custody withholding tax relief and recovery service. The information contained in the table below is subject to change. The services in each market is dependent on client profiling, provision of all necessary tax documentation and the source countries offering operable withholding tax procedures.

SERVICE	DIRECT ACCOUNT HOLDERS							
	RELIEF AT SOURCE		RECLAIM					
	Standard – No Documentation Required	Documentation Required	Standard	Quick Refund	E-filing	Depository Receipts	Euroclear	Clearstream
Australia	Equities, Bonds	Equities, Bonds	Equities, Bonds			Equities	Equities, Bonds	Equities, Bonds
Austria			Equities			Equities	Equities	Equities
Bangladesh		Equities, Bonds						
Belgium		Equities, Bonds	Equities			Equities	Equities, Bonds	Equities, Bonds
Bulgaria			Equities					
Canada		Equities	Equities			Equities		
Colombia		Equities, Bonds						
Czech Republic		Equities, Bonds	Equities, Bonds			Equities	Bonds	Equities, Bonds
Denmark		Equities	Equities	Equities	Equities	Equities	Equities	Equities
Egypt		Equities, Bonds						
Finland		Equities	Equities	Equities		Equities	Equities	Equities
France		Equities	Equities			Equities	Equities	Equities
Germany		Equities, Bonds	Equities, Bonds	Equities	Equities	Equities	Equities	Equities
Greece		Equities, Bonds	Equities, Bonds					
Iceland		Equities, Bonds					Bonds	Bonds
Indonesia		Equities, Bonds		Equities		Equities		
Ireland		Equities, Bonds	Equities			Equities	Equities	Equities
Israel				Equities			Equities	
Italy		Equities, Bonds				Equities	Equities, Bonds	Equities, Bonds
Japan							Equities, Bonds	Equities, Bonds
Latvia	Bonds	Equities						Equities, Bonds
Lithuania		Equities, Bonds	Equities, Bonds					

SERVICE	MULTI-BENEFICIAL OWNERS								
	RELIEF AT SOURCE			RECLAIM					
	Standard	Documentation Required	Documentation and Allocations	Standard	Quick Refund	E-filing	Depository Receipts	Euroclear	Clearstream
Australia	Equities, Bonds						Equities	Equities, Bonds	Equities, Bonds
Austria				Equities			Equities		
Bangladesh									
Belgium				Equities			Equities	Equities, Bonds	Equities, Bonds
Bulgaria				Equities					
Canada		Equities		Equities	Equities		Equities		
Colombia		Equities, Bonds							
Czech Republic			Equities, Bonds	Equities, Bonds			Equities		Equities, Bonds
Denmark				Equities		Equities	Equities	Equities	Equities
Egypt									
Finland			Equities	Equities	Equities		Equities	Equities	Equities
France				Equities			Equities	Equities	Equities
Germany				Equities, Bonds			Equities	Equities	Equities
Greece									
Iceland									
Indonesia							Equities		
Ireland		Equities, Bonds		Equities, Bonds			Equities	Equities	Equities
Israel			Equities		Equities			Equities	
Italy			Equities	Equities			Equities	Equities	Equities
Japan			Equities, Bonds						
Latvia	Bonds		Equities						Equities, Bonds
Lithuania				Equities, Bonds					

Equities
Bonds

SERVICE	DIRECT ACCOUNT HOLDERS							
	RELIEF AT SOURCE		RECLAIM					
	Standard – No Documentation Required	Documentation Required	Standard	Quick Refund	E-filing	Depository Receipts	Euroclear	Clearstream
Luxembourg			🔄				🔄	🔄
Malaysia	🔄							
Mexico		🔄 ⚙️						
Netherlands			🔄	🔄	🔄	🔄	🔄	🔄
New Zealand	🔄 ⚙️	🔄 ⚙️	🔄 ⚙️			🔄	⚙️	⚙️
Norway		🔄	🔄	🔄		🔄	🔄	🔄
Philippines		🔄				🔄		
Poland		🔄 ⚙️	🔄 ⚙️				🔄 ⚙️	🔄 ⚙️
Portugal		🔄 ⚙️	🔄			🔄	🔄 ⚙️	🔄 ⚙️
Romania								
Russia		🔄 ⚙️		🔄 ⚙️		🔄	🔄 ⚙️	
Singapore		🔄						
Slovak Republic		🔄	🔄					
Slovenia		🔄	🔄					
South Africa		🔄 ⚙️	🔄 ⚙️	🔄 ⚙️		🔄		🔄
South Korea						🔄	⚙️	🔄
Spain			🔄 ⚙️	🔄 ⚙️		🔄	🔄 ⚙️	🔄 ⚙️
Sweden		🔄	🔄	🔄		🔄	🔄	🔄
Switzerland			🔄 ⚙️			🔄	🔄 ⚙️	🔄 ⚙️
Taiwan		🔄 ⚙️					⚙️	
Tunisia		🔄 ⚙️						
Turkey		🔄						
United Kingdom		🔄	🔄					
United States		🔄 ⚙️		🔄 ⚙️			🔄 ⚙️	🔄 ⚙️

SERVICE	MULTI-BENEFICIAL OWNERS								
	RELIEF AT SOURCE			RECLAIM					
	Standard	Documentation Required	Documentation and Allocations	Standard	Quick Refund	E-filing	Depository Receipts	Euroclear	Clearstream
Luxembourg				🔄				🔄	🔄
Malaysia									
Mexico									
Netherlands			🔄	🔄	🔄	🔄	🔄	🔄	🔄
New Zealand	🔄 ⚙️						🔄	⚙️	⚙️
Norway			🔄	🔄			🔄	🔄	🔄
Philippines									
Poland								🔄 ⚙️	🔄 ⚙️
Portugal			🔄	🔄			🔄	🔄 ⚙️	🔄 ⚙️
Romania									
Russia							🔄	🔄 ⚙️	
Singapore			🔄						
Slovak Republic			🔄	🔄					
Slovenia			🔄	🔄					
South Africa			🔄 ⚙️	🔄 ⚙️	🔄 ⚙️		🔄		🔄
South Korea							🔄	⚙️	🔄
Spain			⚙️	🔄 ⚙️	🔄 ⚙️		🔄	🔄 ⚙️	🔄 ⚙️
Sweden			🔄	🔄			🔄	🔄	🔄
Switzerland				🔄 ⚙️			🔄	🔄 ⚙️	🔄 ⚙️
Taiwan								⚙️	
Tunisia									
Turkey		🔄							
United Kingdom			🔄	🔄					
United States	🔄 ⚙️	🔄 ⚙️	🔄 ⚙️					🔄 ⚙️	🔄 ⚙️

 Equities
 Bonds

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