
Operational Notice

01 March 2019

ON_16/2019

Tax nature of a distributed dividend

For the attention of: ISSUERS/INTERMEDIARIES
Re: Taxation of the beneficiary of proceeds or securities
distributed by way of dividend or allocation - MT260-bis

Dear Client,

In view of the start of the dividend campaign, the attention of issuers is drawn to the correct tax treatment of proceeds distributed to shareholders (even in case of dividend in kind).

Intermediaries holding shares on behalf of the final beneficiaries, in their role of withholding agents, should apply the withholding tax on the distributions correctly and inform the holders of the relevant shares about the tax duties deriving from the payment they received.

Information on the tax treatment of proceeds distributed by way of dividend and extraordinary allocation or capital repayment should be communicated by the issuers with the final payment mandate (MT260-bis) at the latest, in order to be reported to the intermediaries by Msg 721, which has to include such necessary details.

The requirement to report information on the tax treatment of distributions into a notice leads to consider that information must be standardised as far as possible in order to avoid explanatory notes that require interpretation before being processed.

The MT260-bis message already includes the option to split the unit dividend or allocation/redemption, in order to specify if the dividend is made of profits or reserves of profits (which in MT260-bis is defined as “taxable”, i.e. subject to the tax treatment governed by Article 27 of Presidential Decree 600/73), or it is made of reserves of capital (defined as “non-taxable”, i.e. subject to the regime governed by Article 47, section 5 and 7, of the Consolidated Income Tax Law). The issuer should therefore specify by means of the above mentioned option fields the correct tax treatment of the distributed proceeds, according to the resolution taken by the General Meeting or the Board..

Moreover, if the priority of distribution of profits made in the past is applicable, , which is relevant for tax purposes, given that MT260-bis is not designed to provide this additional information to the intermediaries, the issuers should specify the relevant information following the below reported

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scheme, to be included in the narrative of final mandate, in which all possible options are indicated in a standardised form, even when the amount distributed refer to a single category.

For tax purposes, the unit taxable amount is assumed to be made of profits accrued:		Euro
A	up to the end of financial year of 2007	
B	in financial years following the above, up to the end of financial year 2016	
C	in the financial year of 2017	
D	in the financial years following 2017	

unit amounts sums referring to types **A**, **B**, **C** and **D** will be reported without further specific indications in the MT721 message, so that intermediaries will apply tax treatment to final beneficiaries on the basis of such information.

For further information, please contact:

helpdesk.fiscal@lseg.com