



## Investment Compliance

# Capital Changes Withholding Suite

**Accurate and timely withholding is a critical component of broker operations. Because withholding agents are personally liable for any tax required to be withheld, noncompliance creates costly risks and financial liabilities for firms that must withhold U.S. tax on payments to nonresident aliens, and firms that deliver Forms 1099 to U.S. taxpayers.**

Wolters Kluwer Corporate Action Solutions start with the deep tax expertise of Capital Changes — the industry's standard for corporate actions tax analysis and details. The Capital Changes Withholding Suite is a solution withholding agents can use to correctly identify and calculate withholding liabilities caused by corporate actions and cashless income events.

### Problems solved:

- Lack of staff members to devote to monitoring corporate actions and their tax implications
- Risk due to failure to book a transaction or inaccurately booking a transaction
- Costly mistakes due to lack of understanding of the tax consequences of corporate actions
- Time-consuming processes
- Need for operational efficiency in tracking corporate action tax consequences
- Difficulty incorporating basis related adjustments into operations portfolio accounting systems



## Capital Changes Withholding Suite Composition

### Capital Changes 1446F PTP Alert

Capital Changes 1446F PTP Alert reduces a broker's publicly traded partnership (PTP)-related withholding burdens by providing advanced notification of PTP distributions and important data points from qualified notices. Shift the burden of finding and analyzing qualified notices to the tax experts at Wolters Kluwer, enabling your firm minimize risk and maximize efficiency. Benefits include:

- PTP identification and reference data
- Qualified notice publication and expiration dates
- Amounts in excess of cumulative net income subject to withholding
- Designated date for 10 percent ECI exception
- Key information, such as relevant dates, values, and percentages

### Capital Changes 305C Alert

This solution tracks and calculates deemed dividends for holders of a convertible bond or stock, or a stock right (or warrant) due to an increase in such holder's entitlement to shares of stock. Benefits include:

- Self-service web application
- Access our entire database of events or limit alerts to securities held
- Estimated deemed dividend calculations prior to effective date
- Exact amount of deemed dividend on effective date using two methodologies
- Exportable search results

### Capital Changes 302 Alert

This solution provides important data points related to Sec. 301 dividend payments reported in U.S. Capital Changes Corporate Actions Daily, as well as payments to which Sections 302 and 304 may apply for individual shareholders. Benefits include:

- Self-service web application
- Access our entire database of events or limit alerts to securities held
- FIRPTA and USRPHC status
- Exportable search results

### Capital Changes 871M Automated Compliance Tool

This solution assists brokers and dealers holding or making payments relating to derivative financial instruments linked to U.S. stocks (equity-linked instruments) on behalf of non-U.S. investors. The product is designed for daily processing, batch file transfers, and high volumes.

### FATCA Debt Modifications

This solution provides the essential details you need to monitor whether debt instruments have lost their grandfathered FATCA withholding exemption status due to a material modification. Benefits include:

- Self-service web application
- Access our entire database of events or limit alerts to securities held

## If you own these security types, Wolters Kluwer can help you comply with your withholding obligations

| Security type  | Regulatory effect  | Solution   |
|--|--|--|
| <b>Publicly Traded Partnerships (PTPs)</b>                 | Newly issued regulations under Section 1446(f) require brokers to withhold on PTP transfers and distributions that occur on or after January 1, 2022, unless an exception applies. Eligibility for withholding exceptions is in part based on analyzing "qualified notices" provided by PTPs.  | <b>Capital Changes 1446F PTP Alert:</b> Provides advanced notification of PTP distributions and important data points from the related qualified notices, allowing brokers to shift the burden of finding and analyzing qualified notices. |
| <b>Convertible bond or stock, stock right (or warrant)</b> | Under Sec. 305(c), holders of applicable security types can have taxable dividend income as a result of an increase in such holder's entitlement to shares of stock—a deemed dividend that is subject to withholding, even though such holder does not receive any payment of cash or property at such time.                                       | <b>Capital Changes 305C Alert:</b> Independently calculated deemed dates and dividend amounts, supplemented with issuer confirmations and Forms 8937.  |
| <b>U.S. publicly traded stock</b>                          | Section 302 applies when a corporation acquires some or all of its stock from shareholders in exchange for property (a redemption). Section 302 can also apply to corporate action events beyond redemptions such as mergers, reverse splits, or spin-offs. Sec. 302 can result in dividends subject to withholding tax and information reporting. | <b>Capital Changes 302 Alert:</b> Independently calculated deemed dates and dividend amounts, supplemented with issuer confirmations and Forms 8937.   |
| <b>Exchange-listed options or futures</b>                  | Under Sec. 871(m), brokers and dealers holding derivative financial instruments linked to U.S. stocks (equity-linked instruments), such as options and futures, must calculate "dividend equivalent" payments and treat them as dividends from sources within the U.S., subject to withholding.  | <b>Capital Changes 871M Automated Compliance Tool:</b> Provides dates and dividend equivalent amounts, including those resulting from combined transactions.   |
| <b>Debt instruments</b>                                    | Under FATCA, withholding agents are not required to withhold on payments on grandfathered obligations (generally a U.S. debt instrument issued before July 1, 2014). A grandfathered obligation can lose its exempt status due to a material modification of the debt and payments on it can become subject to FATCA withholding.                  | <b>FATCA Debt Modifications:</b> Provides grandfathered status change updates, the reason why the debt instrument's grandfathered status has changed, and the date as of which FATCA withholding will be required going forward.           |

## About Wolters Kluwer Governance, Risk & Compliance

Governance, Risk & Compliance (GRC) is a division of Wolters Kluwer, which provides legal and banking professionals with solutions to ensure compliance with ever-changing regulatory and legal obligations, manage risk, increase efficiency, and produce better business outcomes. GRC offers a portfolio of technology-enabled expert services and solutions focused on legal entity compliance, legal operations management, banking product compliance, and banking regulatory compliance.

Wolters Kluwer (AEX: WKL) is a global leader in information services and solutions for professionals in the health, tax and accounting, risk and compliance, finance and legal sectors. Wolters Kluwer reported 2019 annual revenues of €4.6 billion. The company, headquartered in Alphen aan den Rijn, the Netherlands, serves customers in over 180 countries, maintains operations in over 40 countries and employs 19,000 people worldwide.

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For more information about our solutions and organization, visit [WoltersKluwer.com](https://www.wolterskluwer.com).

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