

1042-S Classification Announcements

DTCC'S 1042-S CLASSIFICATION TAX EVENT ANNOUNCEMENTS PROVIDE CLASSIFICATION INFORMATION ON DISTRIBUTIONS THAT HAVE MULTIPLE COMPONENTS FOR IRS FORM 1042-S TAX WITHHOLDING AND REPORTING PURPOSES.

OVERVIEW

The 1042-S Classification Tax Event Announcement Service provides classification information pertaining to IRS Form 1042-S on distributions prior to the payable date. This enables non-US beneficial owners to receive reduced rates or the elimination of withholding tax at source, rather than being taxed at higher rates and having to wait until after year end to receive tax refunds or having to file for reclaims directly with the IRS.

WHO CAN USE THIS SERVICE

All DTC Participants receive 1042-S Classification Tax Event Announcement via ISO messaging and can view and download the announcements in CA Web.

BENEFITS

The 1042-S Classification Tax Event Announcement simplifies a process by sourcing classification information directly from issuers and providing the information in the same manner as other corporate action information which allows these events to flow seamlessly into client's tax processing engines.

- **Beneficial owners** are able to obtain reduced rates of withholding "at-source" on payments that are able to be classified at the time of the payment. Otherwise, investors are withheld at higher rates of withholding at the time of a distribution and may receive a refund of any overwithheld tax at year end in a reclassification process.
- **DTC Participants** benefit by providing a better experience to their own clients with appropriately withholding at the time of a distribution and the elimination of the onerous year end reclassification process.

- **Issuers** that provide 1042-S Classification data may find that their securities are more marketable. For example, non-US investors in a bond ETF will receive the same tax treatment as if they invested in the underlying bonds that the ETF holds. This may make bond ETFs more attractive to non-US holders.

HOW THE SERVICE WORKS

Prior to record date, issuers can provide DTC with 1042-S tax classification information via the 1042-S classifications template to qualifiednotice@dtcc.com. DTC will then disseminate the classification information ("1042-S Data") to its Participants via the 1042-S Classification Tax Event Announcement. The 1042-S Data is distributed electronically in advance of the payable date in the same messages that clients receive to process the cash distribution.

RELATED PRODUCTS AND SERVICES

- 305(C) Announcements
- 871(M) Announcements
- Distributions

FOR MORE INFORMATION

Please visit the DTCC Learning Center for the [1042-S Classification Announcement user guide](#).