



## Tax Solutions: Section 871(m)

### Streamlining the compliance process under Section 871(m)

IHS Markit's solution assists financial institutions to address their compliance obligations for Section 871(m) regulations.

Section 871(m) regulations provide updated rules for determining whether certain payments under swaps or equity-linked instruments might be treated as US dividend equivalent (DEA) payments and, if paid to a non-US beneficial owner, would be subject to US withholding tax generally applicable to US source dividends. The regulations are effective on Delta One products from January 1, 2017. Beginning 2023, non-Delta One contracts will also be in scope for Section 871(m) eligibility. Financial institutions currently need to determine whether an Index or ETF meets the exemption. Where it does not meet the exemption, a DEA is required to be calculated based on the in-scope constituents of the security. Our solution determines Qualified and Non-Qualified status and utilizes the applicable compositions of the Index and the Corporate Action events in order to calculate the appropriate Dividend Equivalent Amount (DEA).

Prior to the introduction of Section 871(m), payments under many of these products were not subject to withholding. As a result, financial institutions will need to create systems and processes in order to screen contracts that may be subject to the regulations and implement withholding and reporting where required.

IHS Markit has leveraged its tax and compliance expertise to help financial institutions streamline their Section 871(m) compliance processes. Customers can conduct due diligence with respect to their derivative products and integrate the screening of transactions with withholding and reporting functionality.

#### Minimize risk

The pre-screening of derivative products provides potential withholding rates and amounts. The validation of data points helps to mitigate the risk of non-compliance.

#### Increase efficiency

A centralized solution for pre-screening, payment processing, withholding and creation of data needed for reporting to meet the Section 871(m) regulations.

#### Decrease costs

Streamlined workflows on a single platform reduce resource allocations, help to lower overall costs and reduce the risk of costly regulatory fines.

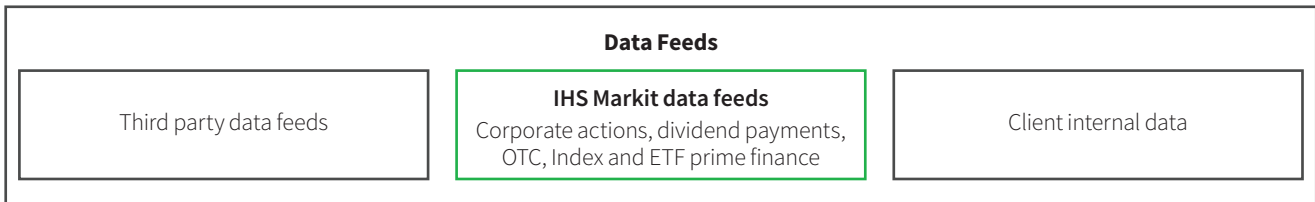
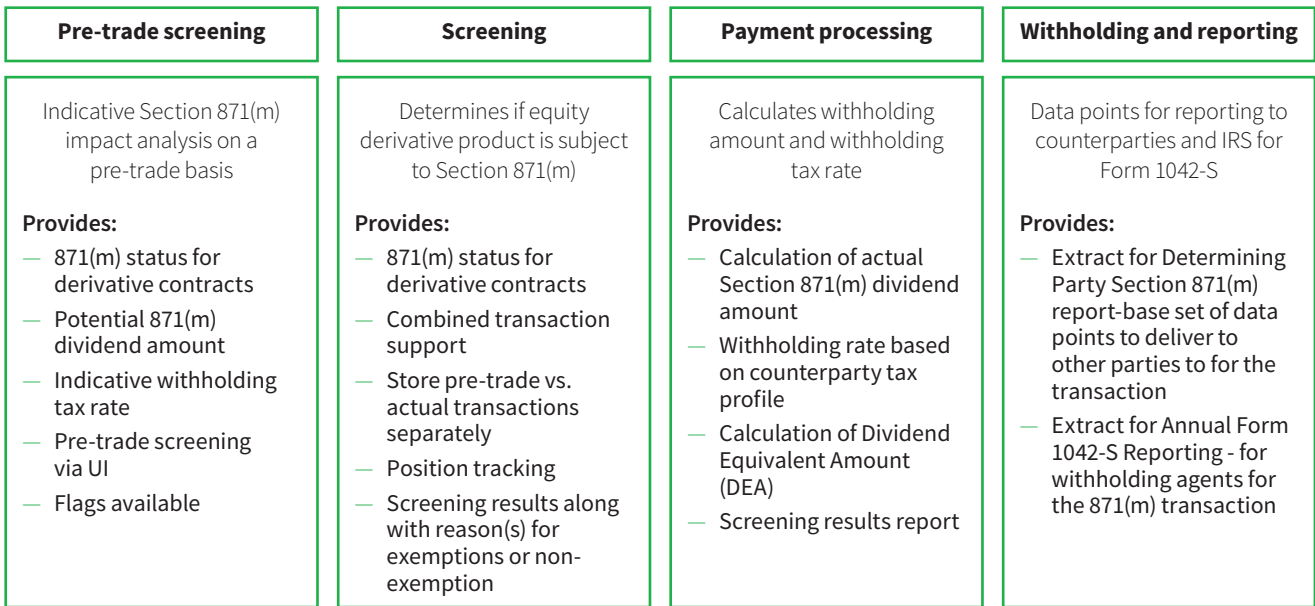
#### Address compliance obligations

Validated data lineage and reporting helps with satisfying Section 871(m) regulations obligations.

#### Index Component Calculations

Our solution utilizes the applicable weights of the Index and the Corporate Action events in order to calculate the Dividend Equivalent Amount (DEA).

# IHS Markit's solution to Section 871(m)



Additional offerings

**IHS Markit solution**

For more information on our suite of products and services please visit us at [ihsmarkit.com/riskandregcompliance](https://ihsmarkit.com/riskandregcompliance).

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