

# Withholding Tax Rates Used in Net-of-Tax Indexes- FR Global Equity Indices

v1.0



**FTSE  
RUSSELL**

An LSEG Business

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## Section 1

# Introduction

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## 1. Introduction

- 1.1.1 Withholding tax is a tax deducted at source from dividends paid to shareholders that are not resident in the same country as the remitting company. Withholding tax may be reclaimed in part or in full if a double-taxation treaty exists between the country in which the dividend is paid (the tax residence of the company) and the country in which it is received (the tax residence of the investor).
- 1.1.2 FTSE Russell<sup>1</sup> calculates net-of-tax total return indexes for a number of index series including the FTSE Global Equity Index Series and Russell Global Indexes, the FTSE UK Index Series, Selected FR Global Equity Indices and some of hRefinitiv ESG indices, now rebranded as FTSE.
- 1.1.2.1 This guide focuses on withholding tax rates for FR Global Equity Indices and selected hRefinitiv ESG indices, now rebranded as FTSE. Withholding tax rates for these indices are sourced from Deloitte and are updated effective 1 July each year.

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## Section 2

# FR Global Equity Indices and hRefinitiv FTSE Indices

## 2. FR Global Equity Indices and hRefinitiv FTSE Indices' Withholding Tax Rates for 2024-25

Country	Rate	Country	Rate	Country	Rate	Country	Rate
Argentina	7%	Australia	30%	Austria	27.5%	Bahrain	0%
Belgium	30%	Bolivia	12.5%	Brazil	0%	Bulgaria	5%
Canada	25%	<b>China</b>	<b>10%</b>	Columbia	35%	Czech Republic	15%
Denmark	27%	Egypt	10%	<b>Finland</b>	<b>20%</b>	France	25%
Germany	26.375%	Greece	5%	Great Britain	0%	Hong Kong	0%
<b>Hungary</b>	<b>0%</b>	<b>Iceland</b>	<b>21%</b>	India	20%	Indonesia	20%
Ireland	25%	Israel	25%	Italy	26%	Japan	20%
Korea	20%	Kuwait	0%	Luxembourg	15%	Malaysia	0%
Mexico	10%	<b>Monaco</b>	<b>0%</b>	<b>Morocco</b>	<b>10%</b>	Netherlands	15%
New Zealand	30%	Nicaragua	15%	Norway	25%	<b>Pakistan</b>	<b>15%</b>
Panama	5%	Paraguay	15%	Peru	5%	Philippines	25%
Poland	19%	<b>Portugal</b>	<b>25%</b>	<b>Puerto Rico</b>	<b>10%</b>	Qatar	0%
<b>Romania</b>	<b>8%</b>	<b>Russia<sup>3</sup></b>	<b>N/A</b>	Saudi Arabia	5%	Singapore	0%
South Africa	20%	Spain	19%	Sweden	30%	Switzerland	35%
Taiwan	21%	Thailand	10%	<b>Turkey</b>	<b>10%</b>	Ukraine	15%
UAE	0%	US	30%	Venezuela	34%	<b>Vietnam</b>	<b>0%</b>
Zimbabwe	15%						

- The withholding tax rates table is updated every year in May with an effective date of 1 July.
- Withholding tax rates are sourced from Deloitte.
- The withholding tax rates for China, Finland, Hungary, Iceland, Morocco, Portugal, Puerto Rico, Romania, Turkey and Vietnam have changed from 2023-24 to 2024-25.
- The withholding tax rates 2024-25 for Monaco, Russia and Pakistan were not available from Deloitte and were sourced from other providers.
- Monaco rate was not available from Deloitte as of 13-May-24. Confirmed from GSL.ORG website. Rate remains unchanged from 2022.
- Pakistan rate was not available from Deloitte as of 13-May-24. Confirmed from Price Water House website. Rate remains unchanged from 2023.

- Russia has been dropped by all accounting firms due to the Ukraine war. No published rates are available.
- For Deloitte withholding tax rates for each country please see links:
  - Tax Guides and Country Highlights | Deloitte International Tax. Source: <https://www.dits.deloitte.com/#TaxGuides>
  - [Domestic Rates | Deloitte International Tax Source: <https://dits.deloitte.com/#DomesticRatesSubMenu>

For most countries, a single withholding tax rate applies to all dividends remitted from that country. However, for a number of countries, the rate depends on the degree to which individual dividends are considered to be imputed (or franked), and/or on the type of distribution or, in the case of India on the structure of the institutional investor. These country-specific features are described in the following sections.

**2.1** In order to better understand the special handling, there are three critical dates to know: the Announcement Date, Ex-Dividend Date, and Payment Date.

**Announcement Date** – The date the dividend is formally announced by a company. On this date, the terms of the dividend (how much, when and who) are set out.

**Ex-Dividend Date** – (also commonly called Ex-Div) is the date that determines who is getting the dividend. Ex-Div date is two business days prior to the Record Date.

**Record Date** – The company records of holders of the stock on the record date, and uses this record to determine who receives the dividend.

**Payment Date** – This is the date the dividend payments are sent out by the company to the registered shareholders on the Record Date.

Stock transactions take a minimum of three business days to hit a company's record books. This means anyone purchasing shares on the Ex-Div date (two days prior to the Record Date) will not receive the dividend.

For almost all companies around the world, the timeline is Announcement Date, Ex-Div Date, Record Date, and finally the Payment Date. It also is not unusual for there to be multiple announcement dates leading up to the Record Date as dividend terms are solidified.

Japan, Russia, and South Korea are the only three countries whose corporations routinely don't follow this timeline. All three do follow the rule of paying the dividend to the holder of the shares on the Record Date. However, the terms of the dividend aren't always defined by the Record Date.

### 2.1.1 Japan

Japanese companies announce their Dividends as 'Forecasted', meaning until they are announced as 'Final' they are subject to change. The forecast announcement occurs before the Record Date but is not finalised until very close to the Payment Date, well after the Record Date. By definition, dividends are credited to a 'return' index on the Ex-Div date.

Our analysis tells us that over 80% of all Japanese Forecasted Dividends end up finalising to the exact terms which were forecasted. Analysis of the dividends that readjusted upon finalisation showed that they did so minutely, adjusting a very small percentage up or down.

FR and FTSE indices treat Japanese forecasted dividends as though they are final dividends, applying the forecasted amount on the Ex-Div date. Any adjustments to the dividend amount after the Ex-Div date are not posted. Although the final adjustments are not applied, they are not ignored. If the dividend adjustment is significant enough to warrant an update, it will be implemented on the announcement date of the 'Final' declaration and will not be restated historically back to the Ex-Div date. This is a very rare occurrence and should not be expected.

### 2.1.2 Korea

Over 90% of Korean companies announce their dividends with a historic Record Date, often many weeks after the Record Date. Therefore, the Korean company's dividend terms in the announcement includes a date well in the past for when the Ex-Div date of the dividend is set and a future date for Payment.

All dividends are treated uniformly, applying the dividend on the announcement date to the holder of shares on the Ex-Div date, if the Ex-Div date is in the past. These situations are very rare for most exchanges, but are normal for Korean exchanges.

$$\text{Total\_Dividend\_Paid}_{ad} = [\text{Dividend\_Amount} \times \text{Shares\_Held}_{xd} \times \text{Exchange\_Rate}_{ad}]$$

Where:

Total\_Dividend\_Paid<sub>ad</sub> is the total sum of dividend applied to the index on the Announcement Date

Dividend\_Amount is amount per share in the currency of the dividend

Shares\_Held<sub>xd</sub> is the number of shares held of the stock on the Ex-Dividend date

Exchange\_Rate<sub>ad</sub> is the exchange rate at the announcement date used to convert the local dividend into the Index currency

Whether the stock is part of the index on the announcement date or not is not relevant, but whether the stock was part of the index on the ex-dividend date and what the number of shares held on that date were.

### 2.1.3 Russia<sup>2</sup>

Over 90% of all Russian companies follow the traditional dividend timeline – announcement date, Ex-Div Date, Record Date, and finally the Payment date. However around 10% of Russian company dividends are announced after the Record Date (similar to most Korean companies).

Russian dividends are not handled any differently than any other country, but because they have a significant number following the Korean model, we make note of it here.

<sup>2</sup> At present, Russia is not part of any FR Equity Indices due to sanctions imposed on Russian securities.

## 2.1.4 Australia

Australia incorporates a tax withholding system where the companies pay a percentage of the dividend to the government as tax and pass on the tax credit to the stockholder. This credit is known as a Franking Credit. Companies can pay the full tax obligation on the dividend (fully franked), some portion (partially franked), or none (unfranked).

All Australian dividends are recorded as gross dividends because it is not possible to apply tax credits for Price Only indices. The net dividend is determined by the amount of taxes already withheld. A fully franked dividend (all taxes paid) would result in both the gross and net dividend being the same. A partially franked dividend would result in a reduction in the net dividend by the amount of tax owed from the unfranked portion of the dividend.

Conduit Foreign Income is the portion of the dividend that was earned outside the domicile of the company. Some countries like Australia that require a company to withhold taxes on dividends do allow for allowances for income earned abroad. The deduction for foreign income is considered in the formulas when permitted by local tax laws.

### The formula:

Unpaid Tax Rate = Dividend Tax Rate \*

$(100 - \text{Franking Percent} - (\text{Conduit Foreign Income}/\text{Dividend Rate}) * 100)/10000$

Adjusted Net Dividend = Dividend Rate \* (1-Unpaid Tax Rate)

Adjusted Gross Dividend = Dividend Rate

Where:

Australian Dividend Tax Rate = 30%

Franking Percent = from 0 to 100 percent

Conduit Foreign Income = the portion of the dividend attributed to foreign income

### Examples:

ABC Corp Example:

ABC Corp issues a dividend of 1.00 Australian Dollar which include a 50% Franking Credit. There is no portion of the dividend attributed to Conduit Foreign Income.

Unpaid Tax Rate =  $30 * (100 - 50 - (0/1.00) * 100)/10000 = 0.15$

Adjusted Net Dividend =  $1.00 * (1 - 0.15) = 0.85$

Adjusted Gross Dividend = 1.00

XYZ Corp Example:

XYZ corp issues a dividend of 2.00 Australian Dollar which includes a 25% Franking Credit and 1.00 AUD attributed to Conduit Foreign Income.

Unpaid Tax Rate =  $30 * (100 - 25 - (1.00/2.00) * 100)/10000 = 0.075$

Adjusted Net Dividend =  $2.00 * (1 - 0.075) = 1.85$

Adjusted Gross Dividend = 2.00

### 2.1.5 New Zealand

New Zealand incorporates a tax withholding system where the companies pay a percentage of the dividend to the government as tax and pass on the tax credit to the stockholder. This credit is known as a Franking Credit.

New Zealand franking credits are based upon a 28% withholding tax, the resident dividend tax obligation. However, foreign entities are taxed at a higher 30% tax rate, requiring additional taxes beyond the franking rate. As an example, a fully franked (100%) company dividend withholds 28% of the dividend making the foreign holder of the instrument still responsible for an additional 2% in taxes. All dividend income are treated as foreign and thereby a 30% foreign tax rate is imposed by New Zealand.

**The formula:**

Unpaid Tax Rate =

$(\text{NZ Foreign Dividend Tax Rate} - (\text{Dividend Tax Rate} * \text{Franking Percent}/100))/100$

Adjusted Net Dividend = Dividend Rate – (Dividend Rate \* Unpaid Tax Rate)

Adjusted Gross Dividend = Dividend Rate

Where:

NZ Foreign Dividend Tax Rate = 30%

Dividend Tax Rate = 28%

Franking Percent = from 0 to 100 percent

**Examples:**

ABC Corp Example:

ABC corp issues a dividend of 1.00 New Zealand Dollar which include a 50% Franking Credit.

Unpaid Tax Rate =  $(30 - (28 * 50/100))/100 = 0.16$

Adjusted Net Dividend =  $1.00 * (1 - 0.16) = 0.84$

Adjusted Gross Dividend = 1.00

XYZ Corp Example:

XYZ corp issues a dividend of 2.00 New Zealand Dollar which includes a 100% Franking Credit.

Unpaid Tax Rate =  $(30 - (28 * 100/100))/100 = 0.02$

Adjusted Net Dividend =  $2.00 * (1 - 0.02) = 1.96$

Adjusted Gross Dividend = 2.00



### 2.1.6 United Kingdom

UK uses a tax imputation system to credit shareholders with tax credits for taxes already paid on dividends by the issuer of the stock (i.e., the company).

The normal tax rate for UK dividends is 10%, and the overwhelming majority of UK corporations impute their dividends, paying the 10% tax and providing shareholders the imputation credit. There are a few industry sectors that the UK has imposed a 20% dividend tax, these include Real Estate Investment Trusts and energy exploration. In general companies in these industries don't impute their dividends and instead pass-on the tax obligation to the shareholder.

Dividend reporting details are recorded, including the imputation tax rate paid on a dividend, and the dividend tax rate assigned to a company by its industrial sector. Any company that has not specified its dividend tax rate is assumed to be the default tax rate (10%).

#### **The formula:**

If Dividend is imputed, then:

Adjusted Net Tax Rate = 0

Else (Dividend is untaxed)

If Corporate Dividend Tax is unknown, then:

Adjusted Net Tax Rate = 10%

Else:

Adjusted Net Tax Rate = Company Identified Rate

Adjusted Net Dividend = Dividend Rate \* (1 – Adjusted Net Tax Rate)

Adjusted Gross Dividend = Dividend Rate

#### **Examples:**

ABC Corp Example:

ABC corp issues a dividend of 1.00 UK Pound which is identified as imputed.

Adjusted Net Tax Rate = 0.0

Adjusted Net Dividend =  $1.00 * (1 - 0.0) = 1.00$

Adjusted Gross Dividend = 1.00

XYZ Corp Example:

XYZ corp issues a dividend of 2.00 UK Pound, which is identified not imputed and the company tax rate is 20%

Adjusted Net Tax Rate = 0.2

Adjusted Net Dividend =  $2.00 * (1 - 0.2) = 1.60$

Adjusted Gross Dividend = 2.00

### 2.1.7 Belgium

Belgium dividends are almost always issued in Net with the issuer of the dividend, withholding 25% for tax payment on the behalf of the holder of the stock. On rare instances some dividends are issued at the gross amount, leaving tax responsibility to the holder of the shares. We track which dividends have been already taxed and which have not. Those that have not are adjusted for Net Total Return calculations.

**The formula:**

If Dividend is reported as Net, then:

Adjusted Net Tax Rate = 0

Else (Dividend is reported as Gross)

Adjusted Net Tax Rate = 25%

Adjusted Net Dividend = Dividend Rate \* (1 – Adjusted Net Tax Rate)

Adjusted Gross Dividend = Dividend Rate

**Examples:**

ABC Corp Example:

ABC corp issues a dividend of 1.00 Euro Dollar which is identified as already taxed (Net).

Adjusted Net Tax Rate = 0.0

Adjusted Net Dividend =  $1.00 * (1 - 0.0) = 1.00$

Adjusted Gross Dividend = 1.00

XYZ Corp Example:

XYZ corp issues a dividend of 2.00 Euro Dollars which is identified untaxed (Gross)

Adjusted Net Tax Rate = 0.25

Adjusted Net Dividend =  $2.00 * (1 - 0.25) = 1.50$

Adjusted Gross Dividend = 2.00

## Section 4

# Disclaimer

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### 3. Disclaimer

FTSE Russell uses reasonable efforts to calculate the net-of-tax indexes. However, FTSE Russell is not a tax adviser and FTSE Russell is reliant on the services of a third party to provide it with notification of changes to maximum withholding tax rates and treaty-based rates.

Particularly with respect to treaty-based rates, the correct rate to apply for specific investors is not always clear. In many cases, receipt of the preferential rate will depend on whether the investor has filed the appropriate documentation for the investment vehicle in question. It is also possible for treaty rates to change retrospectively; such changes will not be incorporated in FTSE Russell index calculations but may be captured when back histories for new indexes are created or if old indexes are reconstructed.

For these reasons, and because of the assumptions and approximations set out in this document, net-of-tax TR indexes should only be regarded as an approximation of the performance an investor achieves in practice.

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