Annex 2: Purchase of shares by listed funds

The purchase of shares, if not for temporary investment, is in principle subject to dividend tax. This also applies to listed funds, including listed banks.

However, we have a purchasing facility for listed funds in dividend tax. This means that a share purchase by a listed fund is exempted from dividend tax under certain circumstances.

Application of the purchasing facility is only possible under strict conditions. The most important condition is that a cash dividend is also paid out in the year of purchase, on which dividend tax is levied. This cash dividend must be at least equal to the average amount of cash dividends paid out in five previous calendar years.

There are several legitimate business reasons for listed funds to repurchase shares, including pursuing a consistent dividend policy and ensuring the value development of shares. It also enables shareholders, such as pension funds, to use cash positions that are surplus to the listed fund for other objectives, such as green investments.

Without the purchase facility, a listed fund would have to pay the dividend tax to be withheld when purchasing shares. The reason for this is that when shares are repurchased it is not known who the selling shareholder is and this shareholder is not aware that dividend tax is due on the transaction. The dividend tax cannot therefore be offset or reclaimed. The dividend tax that applies to the purchase of shares is therefore a direct cost for the listed fund. In short, purchasing shares will become more expensive if the facility were abolished.