



RAQUEST

MIKADIV INSIGHTS REPORT

Turning operational risk  
**into operational clarity**

Germany is introducing a fundamentally redesigned reporting framework for dividend-related withholding tax: **MiKaDiv – Mitteilungsverfahren Kapitalertragsteuer auf Dividenden und Hinterlegungsscheine.**

One of the key drivers and objectives of MiKaDiv is to prevent tax abuse and fraud, such as those exposed in the “Cum/Ex” and “Cum/Cum” scandals. The new regime represents a decisive shift away from paper-based processes toward a fully digital, data-driven approach aligned with modern custody chains and European initiatives such as FASTER.

MiKaDiv requires financial institutions – German reporting banks, foreign banks, and intermediaries – to submit comprehensive, structured data to the Federal Central Tax Office (BZSt). The obligation to report follows the actual custody and payment chain, making both domestic and foreign market participants responsible depending on their operational role.

The regulation increases data granularity, strengthens transparency, and introduces serial numbers for each report. It also demands strict timelines, end-to-end digital interfaces (DIP protocol), and the alignment of reporting activities with reclaim related processes.

**For financial institutions, this introduces new complexities:**

- › Mapping of roles within custody chains
- › Validation of holdings and transaction timelines
- › Replacement of certain paper-based German tax certificates
- › Handling of omnibus accounts and foreign intermediaries
- › Managing corrections, cancellations, and multi party workflows

At the same time, MiKaDiv presents an opportunity for modernization. By integrating reporting with reclaim workflows, institutions can streamline tax operations, reduce operational risk, and move toward a holistic tax compliance architecture.

**RAQUEST supports this evolution with a modular MiKaDiv Reporting Suite that integrates seamlessly into existing tax systems, ensuring compliance, data consistency, and audit readiness.** →

## INTRODUCTION

Dividend taxation in Germany is undergoing a structural transformation. Historically, withholding tax processes have relied on paper-based documentation, manual validation steps, and fragmented information flows across multiple intermediaries. With the introduction of MiKaDiv, Germany is modernizing its framework and implementing a digital, standardized, and audit-ready reporting regime for dividend related withholding tax.

MiKaDiv establishes a structured, mandatory information exchange between financial institutions and the Federal Central Tax Office (BZSt) based on a defined XML-schema and a uniform digital submission protocol (DIP). For the first time, reporting obligations will follow the actual custody and payment chain, ensuring that data is provided by the institution that has operational knowledge of the respective client, position, and income.

**The objective is clear:** to increase transparency, reduce risks of tax fraud and tax abuse, and align German processes with broader European initiatives such as FASTER, which aims to streamline withholding tax relief and reporting across the EU.

For financial institutions – German reporting banks and withholding tax agents, German banks, foreign banks, and intermediaries – MiKaDiv introduces new operational and technical duties. These include identifying their role within each custody chain, integrating new and more granular data requirements, implementing XML-based reporting, managing corrections and cancellations digitally, and ensuring consistency with tax reclaim workflows.

This insights report provides a structured overview of the MiKaDiv regime, outlines regulatory and operational expectations, and presents recommended solution approaches based on **RAQUEST's experience in tax process automation and withholding tax compliance.** →





## MIKADIV INSIGHTS REPORT

### Background and Strategic Context

In recent years, European tax authorities have intensified their focus on cross-border dividend taxation. **The increasing complexity** of custody chains, diverse investor profiles, and the rapid growth of cross-border investment volumes **have highlighted structural weaknesses in legacy withholding tax processes**. Manual procedures, heterogeneous formats, and limited transparency along multi-layered intermediaries have made it difficult for authorities to ensure correct withholding tax collection.

Germany's introduction of MiKaDiv is a direct response to these challenges. As part of a broader modernization effort, MiKaDiv replaces formerly paper-driven or certificate-based processes with

a consistent digital reporting framework. The regulation aligns with international developments, particularly the EU's FASTER initiative, which aims to harmonize withholding tax relief and reporting across Member States.

MiKaDiv brings three structural innovations: **digital, structured reporting; custody chain orientation; and integration with reclaim processes**. A uniform XML-based reporting schema ensures consistency and automated validation. Responsibility for reporting follows the actual flow of securities and income, ensuring each institution contributes the information it is best positioned to provide. The alignment with reclaim processes creates operational synergies and increases transparency. →

## Regulatory Scope of MiKaDiv

MiKaDiv applies to dividend-related withholding tax on German equities as well as depository receipts and establishes a mandatory, **fully digital reporting obligation for financial institutions** involved in the custody and payment chain. The regulation replaces certain elements of the traditional tax certificate-based process and introduces a structured, XML-driven framework aligned with the economic flow of securities and income.

MiKaDiv defines who must report, what must be reported, and when reporting must occur, based on the institution's role. **German reporting banks submit data directly to the BZSt via the DIP interface.** Foreign banks and German non-reporting banks report indirectly through custodian specific channels, while intermediaries validate aggregated holdings and forward consistent data upstream.

## Roles and Responsibilities in the Custody Chain

The MiKaDiv reporting obligation follows the operational reality of how securities are held, transferred, and settled. Instead of relying solely on legal definitions, **MiKaDiv requires that the institution closest to the relevant information reports it.** This shift places greater emphasis on understanding custody relationships and operational roles.

**German reporting banks** carry the broadest responsibilities. They must collect, validate, and submit all relevant data to the BZSt, manage UUIDs, generate tax vouchers, handle corrections, and maintain audit-ready documentation.

**Foreign banks and non-reporting German banks** gather the necessary data, prepare reports based

The reporting obligation is triggered when an institution holds German securities, processes relevant dividend payments, or acts as an intermediary in the custody chain. **MiKaDiv requires detailed and granular information**, including beneficial owner attributes, custody structures, holdings, settlement timelines, financial arrangements, and omnibus account allocations.

**Each report receives a Universal Unique Identifier (UUID)**, enabling consistent tracking of corrections and ensuring auditability. Institutions must prepare for strict timelines and rigorous data quality expectations.

on custodian specifications, validate completeness, forward submissions upstream, and process responses. Their role depends heavily on cooperation with German custodians.

**Intermediary banks** manage omnibus account structures, validate aggregated holdings, detect discrepancies, and ensure downstream information aligns with upstream records. They are central to ensuring data consistency within complex custody chains.

Across all roles, institutions face challenges in data quality, system integration, SLA timeline management, and alignment with reclaim processes. **Clear role identification is essential for reliable reporting.** →



## MiKaDiv Data Model and Requirements

The MiKaDiv data model forms the core of the new reporting architecture. It is designed to capture the economic reality of dividend-related transactions by combining information on beneficial owners, securities positions, transaction histories, and any arrangements affecting economic exposure. In contrast to historical approaches, where information was fragmented across documents and systems, **MiKaDiv integrates these elements into a single, coherent and auditable dataset.**

A key component of this model concerns the **data related to the beneficial owner.** This includes personal and legal information such as name, address, residency status and legal form, complemented by identifiers and account structures that determine how the individual or entity participates in the custody chain. These data points are essential for applying the correct tax treatment and ensuring consistency across related processes, such as the issuance of tax vouchers or the submission of reclaim applications.

Equally important is the **detailed description of the securities positions** themselves. MiKaDiv requires institutions to document not only which securities were held, but also how these positions were attributed to specific accounts and how they related to dividend entitlements at the relevant cut-off dates. By requiring this level of detail, the reporting framework ensures that the tax authority can clearly understand which positions were eligible for dividends and under what circumstances.

Another central element captures the **acquisition and disposal history of the positions.** MiKaDiv distinguishes carefully between trading date, agreed settlement date and actual settlement date, as each has a different implication for determining whether a holding meets the required timelines. These timelines are crucial for assessing whether the holding period rules were met or whether the risk associated with the position was transferred shortly before the dividend date. By documenting these events precisely, institutions support a transparent and accurate assessment of economic exposure. →

## Financial Arrangements

Financial arrangements constitute one of the most critical and operationally sensitive elements of the MiKaDiv reporting framework. Their relevance lies in the fact that they **may alter the economic exposure of an investor to a German equity position**, thereby triggering specific reporting duties. The concept is deliberately broad and includes any agreement that transfers or reallocates economic risks or benefits associated with a shareholding between two or more contracting parties.

Transactions that typically fall under this definition include securities lending and borrowing, repo and reverse-repo structures, sell-buyback and buy-sellback transactions, forwards and futures, CFDs, derivative overlays, as well as collateralized lending and Lombard transactions. **The essence of the assessment is economic rather than legal:** what matters is whether the transaction modifies the economic position tied to the dividend entitled long shareholding.

## Omnibus Accounts and Validation

The model gains additional complexity when applied to omnibus accounts. In these scenarios, intermediaries need to ensure that aggregated holdings and income on the omnibus level align with the detailed information submitted by underlying clients or downstream institutions. **Validating against overclaiming** is a critical part of this process, as discrepancies could indicate inconsistencies in entitlement or reporting flows. Only once these validations are complete can the information be passed forward correctly along the custody chain.

A financial arrangement becomes reportable when it remains open as of the Annual General Meeting +1 date and can be directly attributed to a specific dividend entitled long position. This assessment requires a comprehensive understanding of the **relationship between transaction data, position records, and settlement events**. The one-year lookback period and the 50-day/45-day windows around the dividend record date add further complexity, requiring accurate time stamping and data lineage.

Custodians and intermediaries must ensure that adequate due diligence procedures are in place to validate client representations relating to financial arrangements. It is worth noting that such financial arrangements can span across accounts, custodians and securities. Where information is incomplete, contradictory, or missing, institutions are expected to follow up with clients to obtain the necessary confirmations. **Errors or omissions in this area directly affect the accuracy of MiKaDiv reports** and may result in penalties or liability exposure under the strict German regime.

**Overall, MiKaDiv imposes high expectations on data quality.** Institutions must not only ensure completeness but also guarantee internal coherence across related data points. Transaction timing, custody structures and economic relationships must form a logically consistent whole. To achieve this, financial institutions need to ensure that internal systems and data flows – across tax, operations, IT and custody – are aligned and capable of providing a reliable, audit-ready data foundation. →

## MiKaDiv Report Creation and Lifecycle Management

The MiKaDiv reporting process follows a defined lifecycle that **ensures the correct creation, validation and transmission of data across the custody chain**. The reporting obligation does not end with the generation of a single message; instead, MiKaDiv establishes a sequence of interconnected steps that must be completed reliably to maintain compliance. The aim is to ensure that every dividend-related data point is captured, assessed and forwarded in a manner that is both transparent and operationally robust.

The lifecycle begins with the creation of the report. Depending on the role of the institution, the report may be generated automatically from imported income and position data, or it may be created manually in situations where underlying information requires adjustment or clarification. What matters is that **the report reflects the institution's understanding of the client's position** at the time of the dividend, including all relevant elements such as holdings, settlement timelines and financial arrangements. If new information becomes available after initial creation, the system must be able to trigger the generation of correction reports without compromising the integrity of previously submitted data.

### **Validation is a central element of the lifecycle.**

MiKaDiv requires institutions to assess each report against a dense set of technical and logical rules. These include checks for completeness, internal consistency, and coherence with other data sources within the custody chain. Validation ensures that the reported data is accurate and that it aligns with the custody relationships and transaction history. For institutions, this means establishing data quality controls that can assess the reliability of upstream feeds, internal systems and downstream submissions. In practice, validation is often the stage where inconsistencies first become visible, particularly in complex holding structures or multi-party custodial arrangements.

Once a report has passed validation, it moves to the approval stage. Approval reflects the institution's responsibility for the correctness of the data and forms the operational point at which the report becomes ready for transmission. Depending on the institution's internal governance, approval may involve review by tax, operations or compliance functions, or it may be embedded within automated workflows when confidence in data quality is sufficiently high. →



*Approval may involve review by tax, operations or compliance functions, or it may be embedded within automated workflows.*

Transmission is handled differently depending on the institution's role in the custody chain. **German reporting banks** submit their reports directly to the BZSt using the DIP protocol, which requires certificate-based authentication and compliance with tightly defined XML-standards. **Foreign banks, non-reporting German banks and intermediaries**, by contrast, forward their reports to the next party in the chain, using the format prescribed by their upstream custodian. In both cases, the main requirement is that the report reaches the appropriate party in a valid and processable form.

The lifecycle continues after transmission with the processing of responses. These responses can confirm successful submission, indicate technical errors or highlight inconsistencies that require correction. Institutions must interpret these responses correctly, update their internal

## Impact for Financial Institutions

MiKaDiv reshapes operational and data processes across the financial industry. While each institution's role in the custody chain determines its specific obligations, the overarching impact is universal: **more granular data, stricter timelines, and significantly greater transparency.**

**Custodians** bear a central responsibility. They must deliver precise and complete datasets, often at the level of the beneficial owner, including detailed income, holding, and settlement information. The need to break down omnibus accounts is particularly challenging, as it requires alignment of systems, clear attribution logic, and enhanced record keeping. The volume-driven nature of MiKaDiv demands a high degree of automation. Manual workflows quickly reach their limits due to the number of transactions involved and the strict validation rules.

records and, if necessary, generate and resubmit corrected versions of the report. The structure of MiKaDiv ensures that every version of a report is linked to its original through the UUID, **allowing the full history of submissions and corrections to be tracked.**

Taken together, the report lifecycle reflects the overarching philosophy of MiKaDiv: reporting must not only be accurate at the point of creation but also **remain consistent and reliable throughout its entire journey across the custody chain.** For financial institutions, this places high demands on data governance, system integration and operational discipline. At the same time, it provides opportunities to streamline internal processes and move toward more integrated tax operations environments capable of supporting both reporting and reclaim obligations in a unified way.

**Non-German financial institutions** face their own set of responsibilities. Although they do not report directly to the German tax authority, they must collect all required MiKaDiv-relevant information and relay it to the next intermediary in the chain. This includes client representations on financial arrangements, validated transactional and positional data, and all details necessary for the German paying agent to create a compliant report and provide data in a German-FIFO (First In First Out) manner. The UUID must be communicated back to the investor.

As a result, communication processes, data governance, and reconciliation checkpoints between financial institutions gain considerable importance. **Many institutions may need to review their account structures**, internal data flows, and system capabilities to meet these increased transparency obligations. →



## Governance, Project Structure and Best Practices

The successful implementation of MiKaDiv depends not only on technical readiness but also on a coherent governance framework. Because the regulation affects multiple units within a financial institution – tax, operations, IT, legal, compliance and client services – it **requires a project structure that brings these stakeholders together** and enables clear, timely decision-making. Governance therefore becomes a stabilizing element that ensures alignment between regulatory expectations and operational capabilities.

A core component of this governance structure is a **steering body that provides overarching direction**. This group typically includes senior representatives from tax and operations as well as decision makers from IT and compliance. Its role is to resolve ambiguities in the interpretation of regulatory requirements, prioritize resources and ensure that the institution maintains an end-to-end view of the reporting chain. Such a body is especially important because MiKaDiv touches on areas where operational and regulatory interpretations may diverge, for example in questions of custody chain roles or the treatment of financial arrangements.

Beneath this strategic level, working groups provide structure to the detailed work. One group may focus on data quality and the integration of upstream systems, while another concentrates on XML-generation, interface specifications and DIP-connectivity. Additional groups may address exception handling, reconciliation and the alignment of MiKaDiv with reclaim processes. This distribution of responsibilities helps ensure that the complexity of the **regulation is split into manageable, specialized topics** without losing sight of the overall objective.

Documentation is an essential part of the project structure. Institutions must maintain a record of how roles are identified, how data flows are designed and how validations are carried out. This documentation is not only useful for onboarding and training but also serves as an important foundation for internal and external audits. Because MiKaDiv introduces formalized correction and cancellation workflows, governance around version control and audit trails becomes a central point of attention. →



**Best practices have emerged from early implementation projects.** One key insight is that institutions benefit from aligning MiKaDiv with their broader tax operations landscape rather than treating it as a stand-alone requirement. Where reclaim, documentation and reporting processes share a consistent data model, operational risks decrease and efficiencies increase. Another practical observation is that early end-to-end testing with realistic data helps reveal inconsistencies that might otherwise only surface after go-live.

## Consequences of Non-Compliance

MiKaDiv introduces a stringent legal and operational framework in which data completeness, correctness, and timely provision are mandatory prerequisites for reporting. Failure to meet these requirements results in significant consequences for investors, custodians, and intermediary financial institutions.

**For investors,** the absence of complete or correct data prevents the generation of the electronic MiKaDiv report. Without this report, no UUID is issued. **Beginning 1 January 2027, the UUID becomes a mandatory** requirement for any subsequent reclaim or refund offset of German withholding tax. Missing client representations on financial arrangements, incomplete settlement data, or insufficient beneficial owner information therefore directly affect the investor's ability to obtain tax relief.

Finally, institutions have found that a clear and stable governance structure improves decision-making and provides certainty in situations where the regulation leaves room for interpretation.

In combination, these governance elements **support a controlled transition to the new reporting regime.** They ensure that MiKaDiv is embedded sustainably into daily operations while maintaining compliance and supporting future regulatory developments.

**Custodians and intermediaries** face a heightened regulatory risk, as incorrect or incomplete submissions can constitute an administrative offence, subject to fines of up to EUR 20,000 per incident. Beyond administrative sanctions, MiKaDiv applies a strict liability regime: even negligent or merely formal errors that lead to unjustified tax relief may give rise to financial liability. This liability may extend across the custody chain, as reporting inaccuracies from one intermediary can propagate to others.

Operationally, inconsistent or late data deliveries, missing transaction details, or insufficient transparency on account structures constitute major risk drivers. **Institutions must maintain full traceability,** robust reconciliation mechanisms, and reliable escalation channels to mitigate these risks. Ensuring a stable and high-quality data governance framework is critical to maintaining compliance and avoiding downstream financial and regulatory repercussions. →

## RAQUEST Lessons Learned and Take-Aways from MiKaDiv Projects

Early MiKaDiv implementation projects have already revealed several insights that help institutions **establish a stable and efficient reporting framework**. Although each organisation faces its own operational and structural challenges, several themes consistently emerge across the industry.

One of the most significant lessons is that **MiKaDiv requires institutions to understand their roles within the custody chain** more precisely than before. Many banks and intermediaries discover that their internal view of account structures and custody relationships does not fully align with the regulatory interpretation of reporting responsibilities. As a result, early clarification of roles proved essential – not just at legal entity level, but down to specific account types, client groups and booking models. This clarity allows institutions to design more reliable data flows and avoid misalignment during testing or go-live.

Another recurring insight concerns **data ownership**. MiKaDiv places considerable emphasis on accurate, complete and logically consistent data. Institutions therefore need to define who is responsible for each category of information and who holds the authoritative version of a given data point. Projects that address these questions early can build more robust validation logic and reduce the risk of inconsistent reporting across systems. In contrast, insufficient clarity in data ownership may lead to delays, rework and challenges during reconciliation.

A further lesson is the benefit of aligning MiKaDiv reporting with withholding tax reclaim processes.

Although the two areas serve different regulatory purposes, they rely on overlapping data models and shared information such as residency, beneficial owner attributes, securities details and entitlement histories. **Institutions that leverage these synergies achieve higher levels of consistency**, reduced operational effort and create a more transparent audit trail. Conversely, those that treat reporting and reclaim as isolated functions often encounter duplicated work and fragmented data flows.

Testing emerged as another critical factor. Institutions that conduct **extensive end-to-end tests** using realistic datasets gain a clearer understanding of how their systems respond to complex situations, including omnibus structures, settlement mismatches and financial arrangements. Testing also reveals where automated corrections would be required and how to manage versioning and serial numbers effectively.

Finally, governance proves to be an essential element throughout the implementation journey. A clear organizational structure, combined with **defined escalation paths and documentation standards**, supports faster and more confident decision-making. It also helps institutions adapt to evolving regulatory interpretations and operational challenges without jeopardizing timelines.

Taken together, these lessons highlight that MiKaDiv is more than a reporting obligation – it is an **opportunity to modernize tax operations landscapes, strengthen data governance and create sustainable compliance frameworks** for the future. →

## MiKaDiv vs. FASTER – Similarities and Differences

MiKaDiv and the EU's FASTER initiative share a common strategic objective: enhancing transparency, reducing withholding tax fraud risks, and digitizing information flows along the custody chain. However, both regimes differ significantly in scope, operational design, and technical implementation.

**Both frameworks require granular and reconciled datasets**, including transactional, settlement, position, and beneficial owner information. They also share the requirement to assess and report financial arrangements, thereby ensuring that economic exposure is transparent and verifiable. In both regimes, data governance, auditability, and the integration of reporting into the broader tax lifecycle are essential.

Despite these similarities, **MiKaDiv remains a domestic framework** applicable exclusively to German-sourced dividends. **FASTER, by contrast,**

aims to establish a harmonized, **EU-wide model** for relief at source and quick refund procedures. MiKaDiv uses the German DIP-interface and a German XML-schema, while FASTER aspires to provide a unified European reporting standard across all financial intermediaries.

### The way data is sourced also differs:

- › Under MiKaDiv, reporting is predominantly performed by the German paying agent or directly connected intermediaries.
- › Under FASTER, each custodian and intermediary provides data relevant to its position in the chain, supporting a cross-border, multiparty model.

As such, MiKaDiv serves as a practical pilot environment for institutions, helping them build the operational capabilities necessary for future FASTER implementation.



## RAQUEST as Your Strategic Partner

The introduction of MiKaDiv represents a significant step forward in the modernization of withholding tax processes in Germany. By shifting from document-based procedures to structured digital reporting, the regulation establishes a consistent and transparent framework that reflects the economic reality of custody and settlement chains. This new approach aligns with broader international developments and sets the foundation for closer integration between reporting, entitlement assessment and reclaim procedures.

For financial institutions, MiKaDiv is both a regulatory requirement and an opportunity. It compels organizations to examine their tax operations landscape, clarify roles within the custody chain and improve the quality and coherence of their data. While the transition requires considerable effort – from system adjustments and interface changes to governance structures and validation logic – it also creates a more reliable environment for managing tax obligations. Institutions that invest in integrated processes benefit from greater consistency, reduced operational risk and a more robust audit trail.

The RAQUEST MiKaDiv Reporting Suite supports this transition by providing a role-specific, modular and scalable solution that embeds the new reporting requirements into existing operational frameworks and ensures compliance. With its focus on automation, auditability and alignment with reclaim workflows, the suite helps institutions not only to meet regulatory requirements (as a custodian, a German reporting bank or a foreign bank) but also to enhance their overall tax operations capabilities.

As regulatory frameworks continue to evolve – both in Germany and across Europe – MiKaDiv serves as a blueprint for future developments. It demonstrates how digitalization can bring greater transparency to withholding tax processes and how financial institutions can position themselves to respond efficiently to increasing regulatory complexity. The long-term value of MiKaDiv will be measured by the industry's ability to integrate its requirements sustainably into daily operations and to use the resulting transparency to strengthen compliance, client service and operational excellence.

Get in Touch



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