

MEMO# 16687

October 20, 2003

JAPANESE NEWS ARTICLE ON EXPECTED FAVORABLE LEGISLATION FOR OFFSHORE FUNDS

[16687] October 20, 2003 TO: TAX COMMITTEE No. 69-03 INTERNATIONAL COMMITTEE No. 72-03 RE: JAPANESE NEWS ARTICLE ON EXPECTED FAVORABLE LEGISLATION FOR OFFSHORE FUNDS Attached is a translation, prepared by the Institute's counsel in Tokyo, of an article that appeared in the October 19, 2003 edition of the Japan Economic Journal (Nihon Keizai Shinbun, or "Nikkei"). The article discusses the Japanese government's intention to implement a 10% tax rate on publicly offered offshore funds on January 1, 2004, instead of a 26% tax rate, and also to reduce the tax filing requirements by allowing the use of special accounts. During the conference call held October 17,¹ we discussed the fact that (1) on October 16, 2003, an article appeared in the Japanese press indicating that negotiations between the Japanese Securities Dealers Association (JSDA) and the government had not resulted in any change to the proposed 26% tax rate, but (2) later that day the Financial Services Agency (FSA) had held a meeting to announce the intention of the government to seek legislation to apply a 10% rate to offshore funds. As the article notes, it is unusual for such an announcement to be made at this point in the year, but during meetings in Japan and in our follow-up submissions, the Institute has emphasized the importance of immediate guidance to the market. We also understand that the JSDA has been contacting distributors of offshore funds to ensure that they are aware of the proposed legislation. David Orlin Assistant Counsel Attachment (in .pdf format) 1 See Institute Memorandum to International Committee No. 70-03, and Tax Committee No. 66-03, (16672), dated October 16, 2003.