

MEMO# 5934

May 31, 1994

JUNE 7 MEETING ON FRENCH TAX RECLAIM PROCEDURE

* The avoir fiscal is the French tax paid by the French company with respect to its dividend. On a 100 French Franc ("FF") dividend, the avoir fiscal would be 50 FF. Since RICs are entitled by treaty to refunds of all French tax in excess of the 15 percent treaty rate, a RIC owning shares of a French company paying a dividend of 100 FF per share would ultimately receive 85 FF on the distribution plus 85 percent of the related 50 FF avoir fiscal (42.5 FF) for a total payment, including reclaim, of 127.5 FF. May 31, 1994 TO:

ACCOUNTING/TREASURERS COMMITTEE NO. 28-94 INTERNATIONAL COMMITTEE NO. 8-94
TAX COMMITTEE NO. 19-94 RE: JUNE 7 MEETING ON FRENCH TAX RECLAIM PROCEDURE

As you may know, the Institute has been working with the U.S. Treasury Department and French tax authorities to develop procedures under which regulated investment companies ("RICs") could certify eligibility for various tax benefits provided by the U.S.-French income tax treaty. Under the Institute's proposal (attached), a RIC would be able to certify, based upon information available to it, that it satisfies each of the three conditions for refund of the "avoir fiscal." * Recently, we learned that consideration is being given to more stringent procedures for establishing treaty eligibility, such as requiring RICs to have their treaty eligibility verified by independent auditors. Because of the importance of this issue and the burdens that stringent procedures could impose on RICs and their shareholders, a meeting to discuss French tax reclaims will be held at the Institute, in the 12th Floor Conference Room, on Tuesday, June 7 at 10:00 a.m. Given the important role that your outside auditors and custodial bankers might play under more stringent procedures, we would be pleased for you to invite them to attend the meeting with you. All persons planning to attend the meeting should contact Theresa Brice at 202-326-5833 no later than Friday, June 3. Lunch will be served following the meeting. Keith D. Lawson Associate Counsel - Tax Attachment

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