

**MEMO# 2076**

August 13, 1990

## **UNITED KINGDOM DIVIDEND WITHHOLDING ON MASSACHUSETTS BUSINESS TRUSTS -- AN UPDATE**

- 1 - August 13, 1990 TO: TAX COMMITTEE NO. 22-90 ACCOUNTING/TREASURERS COMMITTEE NO. 25-90 INDEPENDENT ACCOUNTANTS ADVISORY COMMITTEE INTERNATIONAL FUNDS TASK FORCE NO. 18-90 RE: UNITED KINGDOM DIVIDEND WITHHOLDING ON MASSACHUSETTS BUSINESS TRUSTS -- AN UPDATE

As you know, the Institute and three custodian banks (Brown Brothers Harriman & Company, Chase Manhattan Bank, N.A., and State Street Bank and Trust Co.) have been engaged in a joint effort to reverse the United Kingdom Inland Revenue's position that regulated investment companies ("RICs") organized as Massachusetts business trusts may not receive reclaims of tax withheld in excess of the 15 percent rate provided by the U.S.- U.K. Income Tax Treaty for dividends paid by U.K. companies. (See Institute Memorandum to Tax Committee No. 21-89, Accounting/Treasurers Committee No. 52-89, and International Funds Task Force No. 20-89, dated December 4, 1989.) To date, we have made five written submissions to Inland Revenue, have held several telephone conversations with them and have met with them once, on March 5, 1990. We have also met several times with the U.S. Internal Revenue Service on this issue and have held numerous telephone conversations with them. On August 16, 1990, the industry coalition will meet with senior IRS officials to discuss the status of the U.K. dividend withholding issue. Attached for your review is our July 20, 1990 letter to the IRS confirming the August 16 meeting. This letter includes copies of (1) all of the written submissions made by the industry coalition to Inland Revenue, (2) two opinion letters from Inland Revenue's Massachusetts counsel and (3) a March 26, 1990 memorandum reporting on our March 5, 1990 meeting with Inland Revenue. Also attached is a July 27, 1990 letter from Inland Revenue stating that they are "well on" with their deliberations and that they hope to get back to us after a "few weeks." In addition, attached is a short survey on the U.K. dividend withholding issue. Prompt completion of this survey - 2 - will provide us with more accurate information on the amount of unpaid reclaims, the number of foreign shareholders in funds with reclaims and the present accounting treatment of the reclaim receivables. Please complete the survey at your earliest convenience and return it to me. If you have any questions or comments regarding any aspect of this issue, please call me at (202) 955-3585. An update on this issue will be provided at the Accounting/ Treasurers and Tax Committee meetings, on September 12, and October 16, 1990, respectively. We will keep you informed of developments. Keith D. Lawson Associate General Counsel Attachments KDL:bmb

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