

MEMO# 15806

March 25, 2003

INSTITUTE LETTER TO JAPAN'S MOF AND FSA ON TAX TREATMENT OF FOREIGN FUNDS

[15806] March 25, 2003 TO: INTERNATIONAL MEMBERS No. 10-03 INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 16-03 TAX MEMBERS No. 20-03 RE: INSTITUTE LETTER TO JAPAN'S MOF AND FSA ON TAX TREATMENT OF FOREIGN FUNDS Attached is a letter the Institute has sent to the Ministry of Finance (MOF) and the Financial Service Agency (FSA) in Japan regarding the tax treatment of offshore mutual funds. We understand the MOF has been considering tax reforms that would have the result of taxing the sale of foreign funds at a 26% rate, while imposing a temporary 10% rate on the sale of domestic funds (the 10% rate would be replaced by a 20% rate after April 1, 2008). In addition, the MOF is considering changing the withholding tax rules in a manner that would also disadvantage United States-domiciled funds, because Japanese investors would no longer receive a full credit for U.S. withholding taxes. The Institute's letter objects to such disparate tax treatment, discusses reasons why such changes would disadvantage Japanese investors, and urges that similar financial instruments be subject to the same tax treatment, and in particular the same tax rate. David Orlin Assistant Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 15806, or call the ICI Library at (202) 326-8304 and request the attachment for memo 15806. Attachment (in .pdf format)

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