

## FRANCE PUBLISHES NEW TAX GUIDELINES RELATED TO THE DEVELOPMENT OF CERTAIN ISLAMIC FINANCE TRANSACTIONS IN FRANCE

Paris  
August 27, 2010

The French Ministry of Finance published on August 24, 2010 various binding guidelines concerning the French tax treatment of certain Islamic finance transactions.

These guidelines discuss the corporate income tax, withholding tax, VAT, registration tax and business tax treatment of four categories of Islamic finance transactions:

- *Murabaha* transactions on real property, shares, machinery and inventories and commodities;
- *Sukuk* transactions and other comparable transactions such as indexed loans;
- *Ijara* transactions; and
- *Istisna* transactions

The guidelines concerning *Murabaha* and *Sukuk* transactions are updated versions of former guidelines published on February 25, 2009 whereas the guidelines concerning *Ijara* and *Istisna* transactions are entirely new.

The French tax authorities agree to treat such transactions similarly to traditional financial transactions for French tax law purposes. Their intent is to limit as much as possible the tax costs related to such transactions in France so that their tax treatment is as close as possible to that of comparable conventional financing transactions, in particular regarding *Murabaha*, *Sukuk* and *Istisna* transactions.

The content of these four guidelines is binding on the tax authorities, and therefore transactions can already be carried out in reliance upon them.

Our Paris office has developed significant expertise in this area, in particular through participation in the Ministry of Finance working group dedicated to the introduction of Islamic finance in France, whose work served as the basis for those guidelines. These new guidelines create new opportunities for *shariah*-compliant investments in France.

Please do not hesitate to contact Arnaud de Brosses (+33 1 40 74 68 25), Anne-Sophie Coustel (+33 1 40 74 68 17) or Gamal Abouali (+33 1 40 74 69 30) in our Paris Office should you have any questions concerning the above.

**PARIS**

12, rue de Tilsitt  
75008 Paris, France  
33 1 40 74 68 00  
33 1 40 74 68 88 Fax

**NEW YORK**

One Liberty Plaza  
New York, NY 10006-1470  
1 212 225 2000  
1 212 225 3999 Fax

**WASHINGTON**

2000 Pennsylvania Avenue, NW  
Washington, DC 20006-1801  
1 202 974 1500  
1 202 974 1999 Fax

**BRUSSELS**

Rue de la Loi 57  
1040 Brussels, Belgium  
32 2 287 2000  
32 2 231 1661 Fax

**LONDON**

City Place House  
55 Basinghall Street  
London EC2V 5EH, England  
44 20 7614 2200  
44 20 7600 1698 Fax

**MOSCOW**

Cleary Gottlieb Steen & Hamilton LLP  
CGS&H Limited Liability Company  
Paveletskaya Square 2/3  
Moscow, Russia 115054  
7 495 660 8500  
7 495 660 8505 Fax

**FRANKFURT**

Main Tower  
Neue Mainzer Strasse 52  
60311 Frankfurt am Main, Germany  
49 69 97103 0  
49 69 97103 199 Fax

**COLOGNE**

Theodor-Heuss-Ring 9  
50668 Cologne, Germany  
49 221 80040 0  
49 221 80040 199 Fax

**ROME**

Piazza di Spagna 15  
00187 Rome, Italy  
39 06 69 52 21  
39 06 69 20 06 65 Fax

**MILAN**

Via San Paolo 7  
20121 Milan, Italy  
39 02 72 60 81  
39 02 86 98 44 40 Fax

**HONG KONG**

Bank of China Tower  
One Garden Road  
Hong Kong  
852 2521 4122  
852 2845 9026 Fax

**BEIJING**

Twin Towers – West  
12 B Jianguomen Wai Da Jie  
Chaoyang District  
Beijing 100022, China  
86 10 5920 1000  
86 10 5879 3902 Fax