

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

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The French Ministry of Finance published on December 19 various binding interpretations concerning the French tax treatment of certain Islamic finance transactions in France.

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

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

The French tax authorities agreed to treat the profit or remuneration received by investors in such transactions as interest for French tax law purposes. Their intention is also to limit as much as possible the tax costs related to such transactions in France so that their costs are similar to those incurred in a traditional financing. In particular, the remuneration received by investors that are not French tax residents would not be subject to French withholding tax.

These interpretations will be reflected in tax rulings to be published shortly. However, the French Ministry of Finance has stated that their content is already binding on the tax authorities, and therefore that transactions can already be carried out in reliance upon them.

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

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

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