

Amélie Verdier
Directrice générale
Direction générale des Finances publiques

Laurent Martel
Directeur de la législation fiscale
Ministère de L'Economie, des Finances et de la Souveraineté industrielle et numérique

Copies to :

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Ministères Économiques et Financiers

Emmanuel Monnet
Directeur de cabinet
Ministères Économiques et Financiers

By email

31 March 2025

Dear Mme Verdier et M. Martel,

Articles 119 bis A and 119 bis 2 of the French general tax code - Loi des Finances pour 2025

The Association of Financial Markets in Europe ('AFME'), the International Swaps and Derivatives Association ('ISDA') and the International Securities Lending Association ('ISLA'), collectively 'The Associations', are writing to you in connection with the changes made to Articles 119 bis A and 119 bis 2 of the French general tax code in the Loi des Finances pour 2025.

These changes, inter alia, extend the scope of dividend withholding tax on French dividend representative 'payments' made by French tax resident entities to non-French tax residents and include certain existing transactions as well as new transactions. When Article 119 bis A was introduced back in 2019, there was a six-month delay to allow market participants to prepare for implementation, however in contrast, the majority of the changes in this instance took effect from 16 February 2025.

The changes to Article 119 bis A and Article 119 bis 2 are relevant to non-French as well as French persons and potentially have a significant impact on all financial institutions dealing in French equities globally. While

the obligation to pay withholding tax is imposed only on French tax resident entities, the cost of this tax may well be borne in whole or in part by their non-French tax resident counterparties depending on the contractual arrangements between the parties. In some circumstances, the imposition of a withholding tax may even be a termination event under some standard market documentation. French and non-French market participants therefore need to have a clear understanding of the legal and economic consequences of entering into transactions with each other, and specifically the circumstances in which French withholding taxes would be imposed on any direct or indirect dividend representative payments. The current uncertainty has the potential to cause significant loss and disruption to both French and non-French parties.

The Associations note that no administrative guidelines have been published so far. The lack of guidance is creating considerable uncertainty and potential risk to financial institutions dealing in French equities globally.

The Associations therefore respectfully request that detailed administrative guidelines are issued as soon as possible. The lack of guidelines makes it more difficult for the associations' member firms to accurately determine the scope of the new legislation and the computation of the withholding tax when due.

The Associations have had visibility of the [paper](#) published by the French Banking Federation on 17 February. This paper covers a number of important areas where our members would appreciate clarification. The Associations would appreciate if any response to this paper, whether in the form of guidelines or otherwise, could be made publicly available.

The Associations would be happy to provide additional information on the above points as needed and would also welcome the opportunity to discuss these issues in a meeting or a call.

Yours sincerely,

On behalf of AFME:

Ian Sandles, Director, Tax and Accounting
Carolina Cazzaroli, Manager, Advocacy
Renate Chocr, Industry chair of the AFME Tax Committee

On behalf of ISDA:

Antonio Corbi, Head of Accounting and Tax services
Sinthubiravi Sivakumaran, Industry chair of the ISDA European Tax Working Group

On behalf of ISLA:

Farrah Mahmood, Director of Regulatory Affairs
Vladislav Urumov, Industry co-chair of the ISLA Tax Committee
George Rapalje, Industry co-chair of the ISLA Tax Committee

Appendix

AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors, and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA), a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 76 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

ISLA

The International Securities Lending Association (ISLA) is a leading non-profit industry association, representing the common interests of securities financing market participants across Europe, Middle East, and Africa (focusing primarily on securities lending and borrowing (SLB) activity). Its geographically diverse membership of over 200 firms includes institutional investors, asset managers, custodial banks, prime brokers and service providers. Working closely with the industry, as well as national, regional, and global regulators and policy makers, ISLA advocates for, amongst other things, the importance of securities lending to the broader financial services industry. It supports, maintains, and obtains legal opinions for the Global Master Securities Lending Agreement (GMSLA), covering both the Title Transfer and Securities Interest over Collateral variants.