

No. 5846

**BELGIUM
and
FRANCE**

Exchange of letters constituting a supplementary agreement concluded pursuant to paragraph III of the Final Protocol annexed to the Convention for the prevention of double taxation and the settlement of certain fiscal questions, signed at Geneva on 16 May 1931. Paris, 2 May and 7 July 1961

Official text: French.

Registered by Belgium on 1 September 1961.

**BELGIQUE
et
FRANCE**

Échange de lettres constituant un accord additionnel pris en exécution du paragraphe III du Protocole final annexé à la Convention signée à Genève le 16 mai 1931 pour éviter les doubles impositions et régler certaines autres questions en matière fiscale. Paris, 2 mai et 7 juillet 1961

Texte officiel français.

Enregistré par la Belgique le 1^{er} septembre 1961.

[TRANSLATION — TRADUCTION]

No. 5846. EXCHANGE OF LETTERS CONSTITUTING A SUPPLEMENTARY AGREEMENT¹ BETWEEN BELGIUM AND FRANCE CONCLUDED PURSUANT TO PARAGRAPH III OF THE FINAL PROTOCOL ANNEXED TO THE CONVENTION FOR THE PREVENTION OF DOUBLE TAXATION AND THE SETTLEMENT OF CERTAIN FISCAL QUESTIONS, SIGNED AT GENEVA ON 16 MAY 1931.² PARIS, 2 MAY AND 7 JULY 1961

I

LIBERTY—EQUALITY—FRATERNITY

FRENCH REPUBLIC

MINISTRY OF FOREIGN AFFAIRS

Paris, 2 May 1961

Your Excellency,

The Belgian fiscal authorities have drawn the attention of the French Department of Finance to the implications, for the application of the provisions of the Franco-Belgian Convention of 16 May 1931,² of the fiscal reform effected in France under Act No. 59-1472 of 28 December 1959. The purpose of that Convention, which does not cover personal and graduated taxes on income, is to avoid the double taxation which could be levied on various categories of income in the matter of schedular taxes, i.e., in the field of income taxes of an impersonal nature. The aforementioned French Act, however, consolidated in a single tax the two elements (proportional tax and progressive surtax) which made up the tax formerly levied in France on the income of individuals. That consolidation resulted, among other things, in an increase of 5 per cent in the rate of the old progressive surtax and in the temporary introduction of a supplementary tax which is levied on certain categories of income if they were previously subject to the proportional tax. Thus the aforesaid 5 per cent increase, which is intended to offset the abolition of the proportional tax on 1 January 1960, has resulted in the voidance of the effects of those provisions of the Franco-Belgian Convention of 16 May 1931 which gave Belgium the right to levy Belgian schedular taxes on the income of French taxpayers, while allowing

¹ Came into force on 1 January 1960, in accordance with the final paragraph of the said letters. This Agreement is not applicable to the Trust Territory of Ruanda-Urundi.

² League of Nations, *Treaty Series*, Vol. CXLI, p. 333.

France the possibility of making that income subject to the tax on the income of individuals wherever that tax has been substituted for the progressive surtax.

The Belgian fiscal authorities have therefore requested that adequate steps be taken to remedy this situation pursuant to paragraph III or the Final Protocol annexed to the Convention of 16 May 1931.

I have the honour to inform you that it is correct that the direct application of the French fiscal reform, in the cases envisaged, is likely to have the consequences which are mentioned above and which could adversely affect the situation of those taxpayers whom the Convention of 16 May 1931 sought to protect against the possibility of double taxation in the matter of schedular taxes. That situation will be entirely changed by the provisions already included in the new convention now being drafted; but, pending the entry into force of that new convention, it has seemed fair to offset the effects of the Act of 28 December 1959 by adopting the following measures :

In the case of taxpayers in receipt of income which under the terms of the Franco-Belgian Convention of 16 May 1931 is taxable by Belgium and which can be shown to have been subjected to or legally exempted from payment of the schedular taxes in that country, the amount of the French tax on the income of individuals will be reduced by a sum equal to 5 per cent of the amount of that income on which the latter tax has been levied in France. This tax rebate, which corresponds to the increase in the former progressive surtax rates used in the calculation of the new French tax on the income of individuals, will thus offset the consequences of that increase.

An identical reduction will also be granted to persons having their fiscal domicile in Belgium, possessing a secondary residence in France and liable to payment of the French tax on the income of individuals on a fixed basis of five times the rental value of that residence as specified in article 164-2 of the *Code Général des Impôts* (General Code of Taxation), such reduction applying to the amount by which that basis exceeds such income of the persons concerned as is taxable in France during the taxation period under the terms of the Convention of 16 May 1931, provided, however, that such persons can show proof that during the same period they have been in receipt of income which is taxable by Belgium pursuant to that Convention.

I should be grateful if you would kindly inform me of your Government's agreement to the foregoing proposals, which will be given effect as from the date of the entry into force of the aforementioned Act of 28 December 1959.

I have the honour to be, etc.

F. LEDUC

His Excellency Baron Jaspar
Ambassador of Belgium
Paris

II

BELGIAN EMBASSY

No. 12528/B,25.-F.I.-J.

Paris, 7 July 1961

Your Excellency,

Under date of 2 May 1961 you kindly sent me a letter in the following terms :

[*See letter I*]

I have the honour to inform you that the proposals set out in that letter meet with the agreement of the Belgian Government.

I have the honour to be, etc.

Prince Werner DE MERODE
Chargé d'Affaires of Belgium a. i.

His Excellency Mr. Maurice Couve de Murville
Minister for Foreign Affairs
Paris