

"Dividend Equivalent" Is Within Scope of Dividend Withholding Tax, Tax Authorities Say

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On 15 February 2023, the tax authorities published two general rulings (*rescrits*) on whether amounts paid by a bank to non-resident taxpayers in the context of certain financial transactions (e.g. securities lending or derivatives contracts) are subject to the dividend withholding tax.

Pursuant to the rulings, the dividend withholding tax applies not only to actual dividends but also to the various forms of "dividend equivalent", which is defined as any transfer of value subordinated or determined, explicitly or implicitly, with reference to a dividend.

The amount of the dividend equivalent must be calculated with respect of all amounts received by and returned to non-resident taxpayers.

In the rulings, the tax authorities provide specific details on the following transactions:

- temporary acquisition of French securities from non-resident taxpayers;
- transactions covering short selling;
- monetization of optional dividends;
- transactions guaranteeing the smooth functioning of settlement transactions; and
- transactions on derivatives concluded with non-resident taxpayers.

The two rulings are available (in French) under the following references: [BOI-RES-RPPM-000122](#) and [BOI-RES-RPPM-000123](#).