



# GMS Flash Alert



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## United States - IRS Reverses Position on French Taxes

The Internal Revenue Service (IRS) recently reversed its position on the deductibility of the French “contribution sociale généralisée” (CSG) tax and the “contribution pour le remboursement de la dette sociale” (CRDS) tax. In a June 14 court filing, the IRS reported that the State Department recently notified the IRS Office of Chief Counsel that the State Department and France had finalized a shared understanding that the CSG and CRDS were not covered by the U.S.-France Totalization Agreement. The IRS is bound by the State Department’s determination that these taxes are not covered by the Totalization Agreement and will now no longer contest the pending Tax Court litigation on the grounds that it “no longer asserts that petitioners are precluded from claiming the foreign tax credits at issue in this case.”

### WHY THIS MATTERS

U.S. taxpayers on international assignment in France may be subject to the CSG and CRDS taxes depending upon the terms of their assignment. Prior to this status report, the IRS’s position was that these taxes were social security taxes covered by the U.S. French Totalization Agreement, and were therefore not creditable or deductible for U.S. income tax purposes.<sup>1</sup>

This reversal means that, going forward, U.S. taxpayers subject to the CSG tax and CRDS tax will be able to deduct these taxes or claim them as foreign tax credits. Additionally, there may be refund opportunities for U.S. taxpayers who were not able previously to claim these taxes as credits.

### FOOTNOTES:

1 See e.g., IRS LB&I International Practice Service Transaction Unit, [French Foreign Tax Credits](#) (Sept. 3, 2014).

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