

ANNEX

MEMORANDUM OF AGREEMENT BETWEEN THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF FRANCE CONCERNING THE APPLICATION TO CANADIAN NATURAL OR JURIDICAL PERSONS OF THE TAX ON CAPITAL AND CAPITAL GAINS KNOWN AS THE "NATIONAL SOLIDARITY TAX". (French Ordinance No. 451820 of August 15, 1945).

1. "Habitual Residence" as stated in Article 4 of the Ordinance shall be interpreted by the French fiscal authorities as being identical with domicile.

2. Funds brought into France after the Liberation and before June 4th, 1945, by Canadian natural persons *not domiciled in France* and normally subject to the capital tax shall not be subject to the capital gains tax (taxe de l'enrichissement). *It is understood that juridical persons are not, in any case, subject to the capital gains tax.*

3. Assets owned by Canadian nationals (physical or juridical persons) domiciled or *habitually* residing outside France which accumulated in France before or during the war but had not actually been transferred on June 4th, 1945 and which have the character of normal payments on international current account and do not represent transfers of capital are exempt from both capital and capital gains tax. Without restricting the generality of the foregoing provision, normal current payments include such payments as:

- a) payments arising from normal business operations, notably payments for imports of goods and accessory charges;
- b) payments of profits, dividends, interest, royalties, proceeds of stocks and bonds and amortization payments on legally contracted debts;
- c) insurance premiums and insurance indemnities;
- d) annuity payments and credits arising from relief payments made in France.

Exemption will also include:

Assets mentioned below submitted to special regulations:

- (i) Commercial debts which were paid in francs to the Office des Changes, in accordance with the law of February 8, 1941;
- (ii) Commercial debts which should have been paid in francs to the Office des Changes, in accordance with the law of February 8, 1941, but for which the Office des Changes granted an exemption of payment and authorized the debtor to constitute a reserve in dollars;
- (iii) Debts collected by the "Treuhand Und Revision Stelle".

4. A Canadian natural or juridical person subject to the National Solidarity tax is entitled to deductions for debts contracted and payable in France or elsewhere, under the same conditions as if such debts had been contracted by a French person.