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GMS Flash Alert

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United States - Updated Guidance on Claiming Credit for French Taxes

On July 19, 2019, the U.S. Internal Revenue Service (IRS) issued updated guidance on filing claims for refund of U.S. taxes resulting from the IRS' reversal of its position on the creditability of the French "contribution sociale généralisée" (CSG) tax and the "contribution pour le remboursement de la dette sociale" (CRDS) tax.[1] The updated guidance clarifies that while individual taxpayers can file amended returns to claim refunds based on credits for CSG and CRDS paid in prior years, U.S. employers may not file for refunds claiming credit for CSG or CRDS withheld or otherwise paid on behalf of their employees.

WHY THIS MATTERS

The updated guidance issued by the IRS clarifies that companies whose employees were subject to CSG and CRDS cannot file claims for refunds even though they may have withheld or paid these taxes in prior years. However, the guidance sets out the mechanism whereby individual taxpayers can file claims for refunds going back up to 10 years.

Background

In June 2019, the IRS reversed its position on the deductibility or creditability of CSG and CRDS, thus bringing to an end pending U.S. Tax Court litigation on this issue.[2] As a result of this reversal, U.S. individual taxpayers subject to CSG and CRDS (but not their employers) can claim a deduction or credit for these taxes, and may be able to claim refunds through amended returns for prior years in which they were subject to these taxes.

FOOTNOTES:

1 See the updated IRS announcement on its "Foreign Tax Credit" webpage.

2 For prior coverage, see GMS *Flash Ale*rt 2019-104 (June 17, 2019).

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The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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