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U.S. Withholding Tax Rule Amendments

On November 25, 1998, Bulletin No 2536 was issued to report on the status of the changes to the regulations governing U.S. withholding tax procedures. This bulletin is being issued to provide an update on some of the issues discussed in this previous bulletin as well as provide a status report on the work of the CBA/IDA U.S. Withholding Tax Working Group.

Implementation date for new regulations

At the time the previous bulletin was issued, it was the intention of the U.S. Internal Revenue Service ("IRS") that these new regulations be effective January 1, 2000. We have recently been notified through receipt of IRS Notice 99-25 that the effective date of these regulations has been deferred until **January 1, 2001**.

Development of Standard Withholding Agreement

With respect to the status of the development of a standard U.S. Withholding Tax Agreement, the IRS announced in January of this year that rather than negotiate and approve separate standard agreements for each jurisdiction or industry group that submitted a proposed agreement (there were 14 submissions), it was their intention to use one standard agreement. This standard agreement would however allow for country specific customization. As a result, a proposed standard agreement was issued (also in January) by the IRS.

To provide comments on this draft standard agreement, the CBA/IDA U.S. Withholding Tax Working Group met on several occasions during February and early March. As a result of these meetings, a lengthy submission was developed by the working group and sent to the IRS on March 16th. The submission details our general concerns with the proposed IRS standard agreement as well as providing suggested drafting changes to the agreement itself. At this point we are awaiting IRS's comments on our submission. It is the intention of the joint working group to stay focused on this issue, and meet with the IRS and, ultimately, negotiate a Canada-specific agreement on behalf of the members.

Lyn M. Gilchrist
Association Secretary