

INTERNATIONAL FINANCIAL LAW-

EUROBOND MARKET - US COUNTER MEASURES

We have in previous issues noted that one disincentive to foreigners directly investing in US capital markets, and US corporations borrowing at home, is under threat. The US withholding tax on interest paid from bond issues made in the US is a prohibitive 30 per cent (reduced as regards Australian lenders to 10 per cent: US Australia Double Tax Convention Article 11(2)), see [1984] Australian International Law News 42, 199).

For some time there has been a move to repeal US withholding tax. In a congressional hearing in May, the Treasury Department echoed the majority view in the securities industry that legislative reform should involve a general repeal of the tax as regards all interest and dividends merely than a repeal affecting only Eurobond issues. The Netherlands Antilles government has attempted to persuade Congress not to proceed to a repeal: Investment/USA, June 1984, pages 3,4. (Also under consideration are proposals to modify or repeal the tax on gains realized by foreign investors on their holding of US real estate under the provisions of the Foreign Investment in Real Property Tax Act, 1980)

Now there are proposals to remove another disincentive to use of U.S. capital Markets - the proscription there against bearer bonds which guarantee anonymity in the Eurobond market: Australian Financial Review 10 July 1984, page 10.