

Interactive Brokers

presents

U.S. Taxes and Reporting for Non-U.S. Customers

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Webinar begins @ 10:00 am EDT



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US Tax reporting for non – US investors

Section 1441 of the Internal Revenue Code Focus on Chapter 3 not on Chapter 4 (FATCA) What's covered What's reportable What is subject to withholding tax When do treaties apply Forms we issue



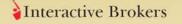
IRS Circular 230 Notice

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Why U.S. Tax reporting

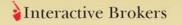
U.S. source income subject to withholding tax When paid to a non–U.S. person





Who is a Non–U.S. Person

A Non–U.S. Person is: Not a U.S. Citizen Not a U.S. Green Card holder Not a legal resident of the U.S.

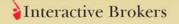




Who is a U.S. Person

All U. S. Citizens regardless of residence Dual Citizens – U.S. Citizenship trumps other country's

All U.S. Green Card holders regardless of residence Green card trumps any other citizenship





Who is a U.S. Person

U.S. legal residents

A few exceptions Employees of other Governments Employees of the U.N. and World Bank Students, teachers and researchers with an F-1 Visa (5 years max)



What is U.S. Source Income

Any payment received from revenue generated In the U.S.

Interest

Dividends

Payments in lieu (PIL)

Rents

Stock loan fees

Business operating income – including distributions from

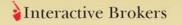
MLPS and PTPS distributions



Why is there U.S. Withholding Tax?

Important distinction between withholding tax and income tax.

Basic premise is that people earning U.S. income should pay tax on this income.



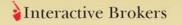


Why is there U.S. Withholding Tax?

The U.S. is not the only country with withholding tax:

Canada

Netherlands





Do I need to file a tax return in the U.S.

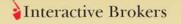
- If you just have investment income, generally you do not have to file taxes in the U.S.
- If you have rental income or business operating income you may have a filing obligation
- If you own a MLP or PTP you may wish to file for a partial refund of tax withheld



What happens to the tax withheld?

IB remits any amounts withheld to the U.S. Government (IRS) weekly.

Once reporting forms are issued (March 15) IB cannot obtain refunds of any tax for the prior year that has been remitted.





What types of income are subject to withholding tax?

Business operating income

Rental income

Partnership income generated in the U.S.

Any other type of "flow through" income For example trust income



What types of income are subject to withholding tax?

From Investments:

Dividends

PIL

Royalties

Stock loan payments

Distributions from MLPs and PTPs



What types of income are NOT subject to withholding tax?

Investment interest is reportable but not subject to withholding

Long – term and short term capital gain distributions from mutual funds – also reportable but not subject to withholding

Gains (losses) on securities trading – not reportable



Withholding Rates

Investment income:

Statutory rate: 30%

Treaty rates: generally 15%,

however this can vary

Rents and operating income: 39.6%

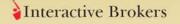
MLP and PTP distributions: 39.6%



How do I Qualify for a Treaty Rate

Primary residence in a country that has a tax treaty with the U.S.

Complete Form W-8BEN when account is opened and replace expired W-8Ben to remain eligible.





Form 1042-S	Foreign Person'	s U.S	6. Source Inc	ome	Sub	ject to Withhol	ding	201	5	C	o. 1545-0096 copy B Recipient	
Department of the Treasury Internal Revenue Service	Information about Form 1042-S and its separate instru					UCTIONS IS AT WWW.IRS.gov/form1042						
1 Income 2 Gross inco	me 3 Chap. 3:		4 Chap. 4:		5	Withholding allowanc	е					
code	3a Exemption code	05	4a Exemption cod	le 15	6	Net income			Check if tax			
29 4.00	3b Tax rate	0.0	4b Tax rate	0.0	7	Federal tax withheld			under escro	w pro	cedure	
8 Tax withheld by other agents						Tax paid by withholding agent						
10 Total withholding credit					11	Amount repaid to recipient						
12a Withholding agent's EIN 12b Ch. 3 status code 12c Ch. 4 status code					14a	Primary Withholding Agent's Name (if applicable)						
13-3863700 01 01					14b	Primary Withholding Agent's EIN						
12d Withholding agent's name Interactive Brokers LLC 12e Withholding agent's Global Intermediary Identification Number (GIIN)					15a	Intermediary or flow-	through entity's EIN, if any	15b Ch. 3 st	atus code	15c	Ch. 4 status co	
	,				15d	Intermediary or flow-t	hrough entity's name			-		
12f Country code 12g Foreign taxpayer identification number, if any					15e	5e Intermediary or flow-through entity's GIIN						
US					15f	f Country code 15g Foreign taxpayer identification number, if any						
12h Address					1							
8 Greenwich Office Park					15h	Address						
12i City or town, state or provin	ce, country, ZIP or foreign p	ostal co	ode									
Greenwich, CT USA 06831					15i	City or town, state or province, country, ZIP or foreign postal code						
13a Recipient's U.S. TIN, if any												
					13h	Recipient's GIIN 13i Recipient's foreign tax identification number, if any						
13b Ch. 3 status code 16	13c Ch. 4	13c Ch. 4 status code 32										
13d Recipient's name	ne 13e Country code			code	16	Recipient's account number 17			Recipient's date of birth			
John Doe AS						UXXXXX						
13f Address					18	Payer's name		19 Payer's	TIN	20	Payer's GIIN	
100 Main St.												
13g City or town, state or province, country, ZIP or foreign postal code Sassafras, Vic, Australia, 3787					21	State income tax withheld 22 Payer's state tax no. 23			Name of state			

Form 1042-S (2015)

IMPORTANT TAX INFORMATION: This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanctions may be imposed on you if this income is taxable and the IRS determines that it has not been reported.



Income codes – Box 1

- 01 Interest paid by U.S. obligors General
- 29 Deposit Interest (credit balance)
- 30 Original issue discount
- 33 Substitute payment Interest (PIL interest)
- 06 Dividends paid by U.S. Corporations General
- 34 Substitute payments dividends (PIL dividends)
- 40 Other U.S. Source dividend equivalents
- 24 Real estate investment trust (REIT) distribution of capital gain
- 35 Substitute payment other
- 36 Capital Gain distributions
- 50 Other Income

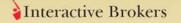


New codes:

If an account does not have either a home country identification number or US Taxpayer ID (ITIN) there are now different codes for reporting the same items if you reside in a treaty country:

Dividendswith tax IDcode 06Dividendswithout Tax IDcode 52

Dividend PIL with tax IDcode 34Dividend PIL without tax IDcode 53



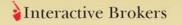


Each type of income is a separate form
Box 1 Income Type code
Box 2 Gross Income
Box 3a/3b Exemption code
Box 3b/4b Withholding Rate
Box 7,8 U.S. Tax withheld



Box 10 – total tax withheld Box 11 – Tax repaid to recipient

NOTE that the actual tax withheld that should be reported is box 10 less box 11.





Focus on Box 8 – Tax Withheld by other Agents

US tax withholding at the source of the dividend

Withholding is not done by IB but by the clearing agent for the security

Usually for a security that pays a "blended" dividend part US source income, part another country source



Why did I get a refund for last year's tax in my account?

Focus on Box 11:

Often companies re-categorize payments after the fact. When we learn of these re-categorizations before the issuance of reporting forms we refund any tax withheld to your account.

This often occurs early in the following year.

Once forms are issued in March, we can no longer refund tax withheld to you.



Exemption codes are for income, such as investment interest that are reportable, but exempt from withholding

Common codes:

- 04 Exempt under tax treaty
- 05 Portfolio interest exempt underIRS code section.

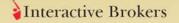


What do I do if wrong amount withheld?

If you feel that the wrong rate has been withheld or there has been some other type of over withholding you can file with the U.S. for a refund.

File form 1040 NR for individuals

Remember we cannot refund over withholding after forms are issued





When should I file a US return?

If you have any US source business income or rental Income (or Loss)

If you own a PTP or MLP and have 39.6% withheld from distributions you may be entitled to a refund of part of this withholding when a return is filed.

Remember to weigh the cost of preparing and filing a US return to vs. the amount to be gained.



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