

Strafford

presents

Cross-Border Ownership Structures: Lessons Learned Under Tougher IRS Scrutiny

Best Practices for Complying With Forms 1120-F, 5471, 5472 and 926

A Live 110-Minute Teleconference/Webinar with Interactive Q&A

Today's panel features:

Vernon Jacobs, **Offshore Press, Inc.**, Overland Park, Kan.

Cindy Hsieh, International Taxation Manager, **Rowbotham & Co.**, San Francisco

Neil AJ Sullivan, Owner, **International Tax Compliance Strategy**, Scarsdale, N.Y

Ming Fang, Senior Manager, **Spott Lucey & Wall, Inc.**, San Francisco

Thursday, January 7, 2010

The conference begins at:

1 pm Eastern

12 pm Central

11 am Mountain

10 am Pacific

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Strafford

**Cross-Border Ownership Structures:
Lessons Learned Under Tough IRS
Scrutiny Webinar**

Jan. 7, 2010

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Today's Program

- Introduction: New Forms Requirements, IRS Enforcement, slides 3 through 13 (*Ming Fang*)
- Outbound Business Activity Issues, slides 14 through 66 (*Cindy Hsieh, Vernon Jacobs, Neil Sullivan*)
- Inbound Business Activity Issues, slides 67 through 72 (*Neil Sullivan*)

Introduction: New Forms Requirements, IRS Enforcement

Form 1120-F: Filing Requirements

- Engaging in a trade or business in the U.S.
- Having effectively connected income
- Having U.S. source income if its tax liability has not been fully satisfied by withholding

Form 1120-F: New Developments

- Schedule S
- Schedule V
- IRC Sections 195(b) or 248(a) elections

Form 5471: Filing Requirements

- Satisfies reporting requirement under IRC Sections 6038 and 6046
- Four categories of filing

Form 5471: New Developments

- IRS announcement of automatic assessment of penalties under IRC Sect. 6038(b)(1)
- Notice 2010-12

Form 5472: Filing Requirements

- Satisfies reporting requirement under IRC Sections 6038A and 6038C
- 25% foreign owned-owned U.S. corporations and foreign corporations with reportable transactions

Form 5472: New Developments

- Corporation that uses the accrual method of accounting must report amounts paid or received on the accrual basis, pursuant to Reg. 1.6038A-2(b)(8)

Form 926: Filing Requirements

- Satisfies reporting requirement under IRC Sect. 6038B
- Transfer of cash if immediately after the transfer, U.S. person owns directly or indirectly 10% of the total voting power or the total value of the foreign corporation
- Transfer of cash in excess of \$100,000

Penalties

- Form 1120F: Lesser of tax liability on the return or \$135
- Form 5471: \$10,000
- Form 5472: \$10,000
- Form 926: 10% of the fair market value of the property at the time of the transfer, limited to \$100,000

IRS Enforcement Focus

- International compliance for unreported income
- Automatic penalty assessment
- International treaty negotiation

IRS Form Preparation Tips

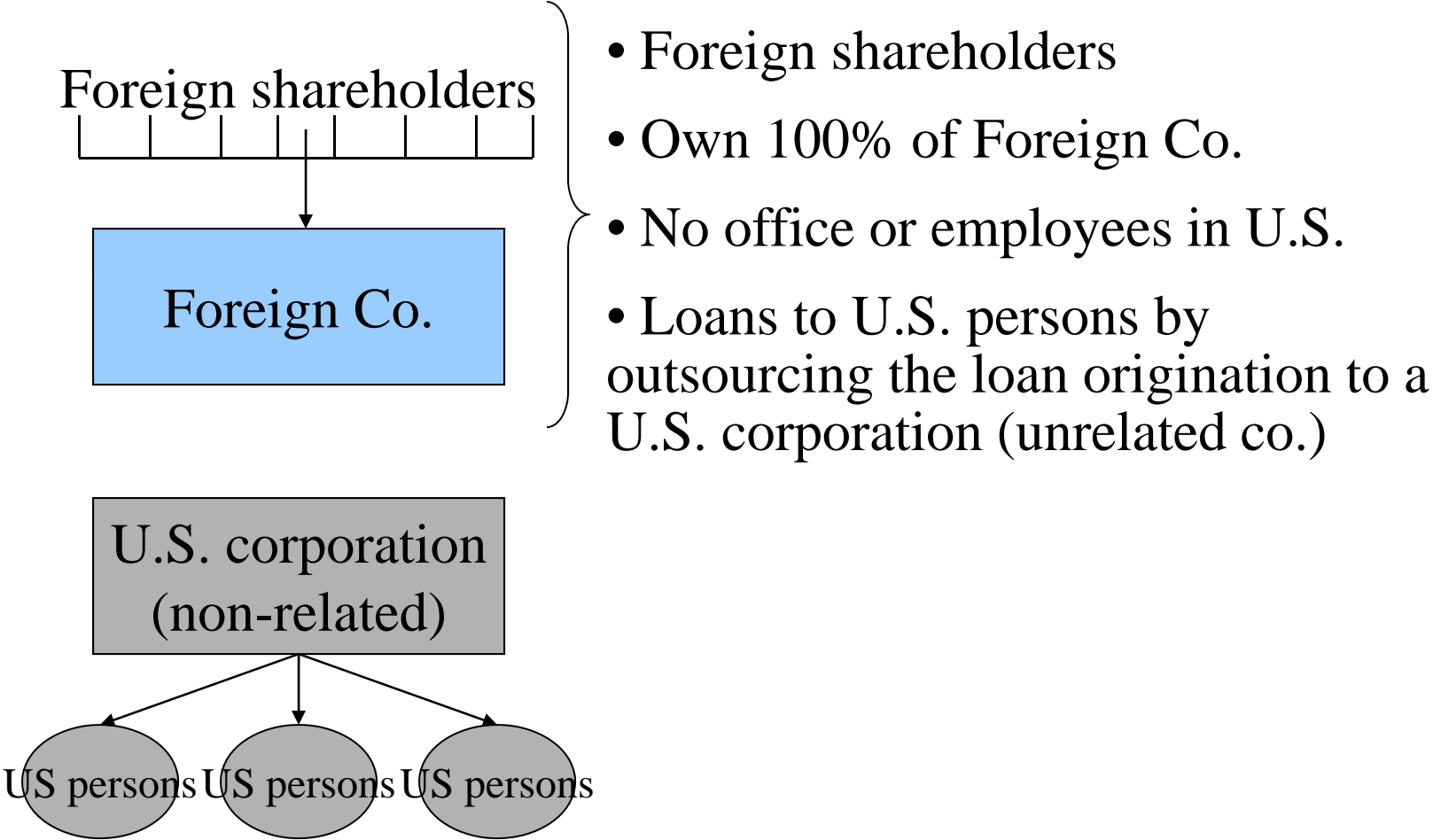
- Disclosure when information is not available

Outbound Business Activity Issues

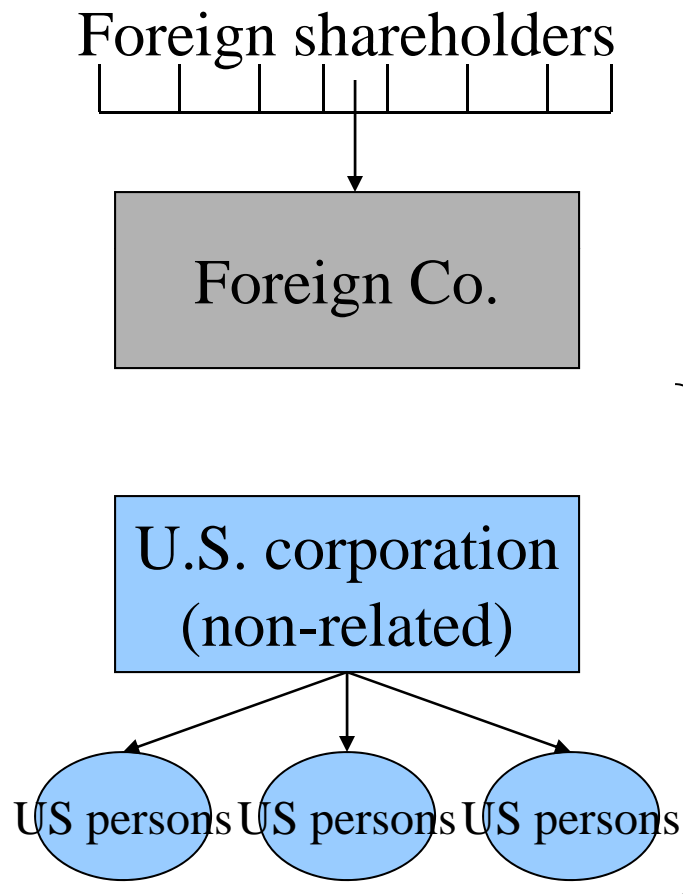
Recent Developments

- IRS generic legal advice memorandum issued by associate chief counsel
 - GLAM issued 9/22/2009
 - IRS Advice Memorandum AM 2009-010
 - Issued 10/5/2009

GLAM – 9/22/2009



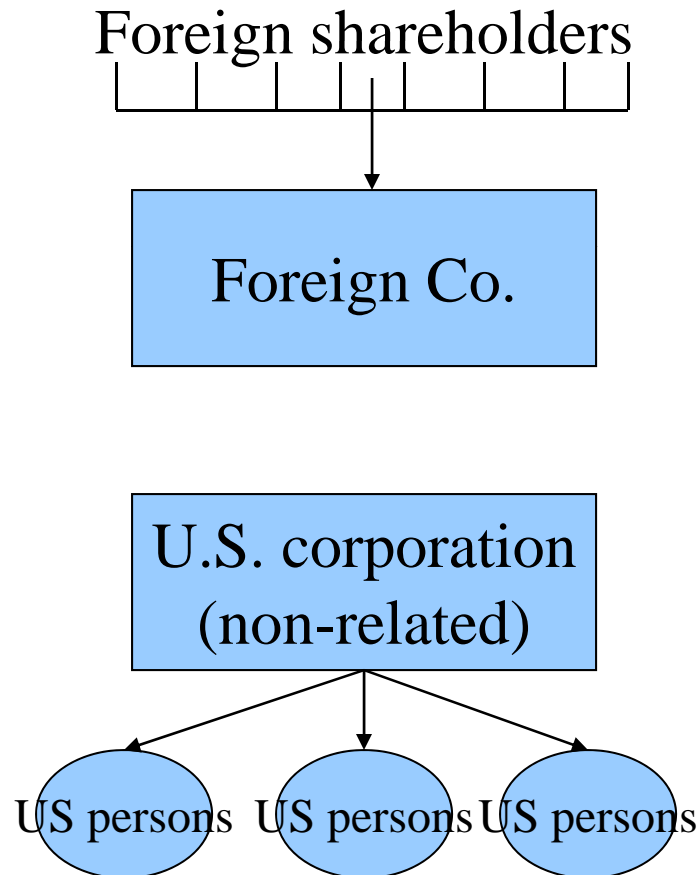
GLAM – 9/22/2009 (Cont.)



US origination company:

- Solicits U.S. borrowers
- Negotiates terms of the loan
- Performs credit analysis of the U.S. borrowers
- And all other related loan activities **except for approval**

GLAM – 9/22/2009 (Cont.)



Finding:

The activity in the U.S. is considered a U.S. trade or business

The interest income is considered effectively connected income (ECI)

Foreign Co. needs to file a tax return to report the income

Common Compliance Issues: Form 1120F

- To file or not to file?
- Determine permanent establishment
 - Treaty country: Reduced withholding tax
- Distinguish “effectively connected income” vs. “non-ECI”
 - Is it a U.S. trade or business?
 - Withholding on ECI
 - FDAP income: Fixed or determinable, annual or periodic
- State income tax filings
 - No treaties

Common Compliance Issues: Form 1120F (Cont.)

- Branch profit tax
 - On top of the income tax on ECI, foreign companies may be subject to branch tax (§884)
 - Generally imposed when the earnings of a U.S. branch are not reinvested in the corporation's trade or business
 - Fill out on 1120 Page 5, Part III; and on Page 2, Question W

Common Compliance Issues: Form 1120F (Cont.)

Form 1120-F (2008) Page **5**

SECTION III—Branch Profits Tax and Tax on Excess Interest

Part I—Branch Profits Tax (see instructions)

1	Enter the amount from Section II, line 29	1	
2	Enter total adjustments to line 1 to get effectively connected earnings and profits. (Attach required schedule showing the nature and amount of adjustments.) (See instructions.)	2	
3	Effectively connected earnings and profits. Combine line 1 and line 2	3	
4a	Enter U.S. net equity at the end of the current tax year. (Attach required schedule.)	4a	
b	Enter U.S. net equity at the end of the prior tax year. (Attach required schedule.)	4b	
c	Increase in U.S. net equity. If line 4a is greater than or equal to line 4b, subtract line 4b from line 4a. Enter the result here and skip to line 4e	4c	
d	Decrease in U.S. net equity. If line 4b is greater than line 4a, subtract line 4a from line 4b	4d	
e	Non-previously taxed accumulated effectively connected earnings and profits. Enter excess, if any, of effectively connected earnings and profits for preceding tax years beginning after 1986 over any dividend equivalent amounts for those tax years	4e	
5	Dividend equivalent amount. Subtract line 4c from line 3. If zero or less, enter -0-. If no amount is entered on line 4c, add the lesser of line 4d or line 4e to line 3 and enter the total here	5	
6	Branch profits tax. Multiply line 5 by 30% (or lower treaty rate if the corporation is a qualified resident or otherwise qualifies for treaty benefits). Enter here and include on line 3, page 1. (See instructions.) Also complete item W on page 2	6	

~~**Part II—Tax on Excess Interest** (see instructions for this Part and for Schedule I)~~

7a	Enter the interest from Section II, line 18	7a	
b	Enter the inverse of the total amount deferred, capitalized, and disallowed from Schedule I, line 24d (i.e., if line 24d is negative, enter as a positive number; if line 24d is positive, enter as a negative number)	7b	
c	Combine lines 7a and 7b (amount must equal Schedule I, line 22)	7c	

Common Compliance Issues: Form 1120F (Cont.)

Form 1120-F (2008)

Page **2**

Additional Information (continued from page 1)

	Yes	No
N Is the corporation a controlled foreign corporation? (See section 957(a) for definition.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
O Is the corporation a personal service corporation? (See instructions for definition.)	<input type="checkbox"/>	<input type="checkbox"/>
P Enter tax-exempt interest received or accrued during the tax year (see instructions) ► \$ _____		
Q At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a U.S. corporation? (See section 267(c) for rules of attribution.) If "Yes," attach a schedule showing (1) name and EIN of such U.S. corporation; (2) percentage owned; and (3) taxable income or (loss) before NOL and special deductions of such U.S. corporation for the tax year ending with or within your tax year.	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No
V At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (See section 267(c) for rules of attribution.) If "Yes," attach a schedule showing the name and identifying number. (Do not include any information already entered in item T.) Enter percentage owned ► _____	<input type="checkbox"/>	<input type="checkbox"/>
W Is the corporation taking a position on this return that a U.S. tax treaty overrules or modifies an Internal Revenue law of the United States, thereby causing a reduction of tax? If "Yes," the corporation is generally required to complete and attach Form 8833. See Form 8833 for exceptions. Note: Failure to disclose a treaty-based return position may result in a \$10,000 penalty (see section 6712).	<input type="checkbox"/>	<input type="checkbox"/>
X During the tax year, did the corporation own any entity		

Common Compliance Issues: Form 1120F (Cont.)

- Submission of return
 - Avoid submitting return with copied signature page
 - E-file
 - Notice 2010-13
- Due date of filing
 - If the foreign corporation does not maintain an office or place of business, it can file within 6 ½ month after its year-end
- Payment
 - Pay with Form 8109B coupon
 - Set up electronic federal tax payment system (EFTPS)

Permanent Establishment

- Treaty definition – Article V
 - Office or fixed place of business in the U.S.
 - May take several forms
 - Based on facts and circumstances
- Dependent vs. independent agents
 - Safe harbor activities
 - Dependant agent: Create PE in U.S.
 - Avoid the agent conclude contracts and exercise authority on behalf of the foreign company
 - Independent agent: Less likely to create PE

Permanent Establishment (Cont.)

- 12/10/2009: U.S. government official expressed dedication to a high permanent establishment threshold
 - Stepped-up efforts to find foreign taxpayers that may have created PE in the U.S.
- OECD is focusing on clarifying the commentary to Article 5 of the OECD model tax treaty to provide an illustrative list of examples that may constitute PE

ECI Vs. Non-ECI

- U.S. trade or business income
 - ECI §882
 - Depends on “facts and circumstances” test
 - Is the activity considerable, continuous and regular?
 - Dependent or independent agent
 - Having trade or business doesn’t necessarily equate to having ECI
 - Taxed at graduated rates
 - Taxed on net income
 - File return to pay tax

ECI Vs. Non-ECI (Cont.)

- Non-ECI (investment income)
 - Non-business income is often referred to as “FDAP income” §881(a)
 - Flat 30% rate or treaty rate, whichever is lower
 - Taxed on gross income, not net
 - Payor has the obligation to withhold
 - File tax return to get the refund or the difference on the W/H

Penalties For Not Filing Form 1120F

- Must file a return if engaged in USTB, even if there is no ECI
 - Reg. §1.6012-2(g)(1)(i)
- Same penalties as for U.S. corporations
- If no return filed, no deductions may be taken. §882(c)(2)

Updates For Form 1120F

- M-3 – Reconciliation of net income
- Schedule S – Exclusion of income from international operation of ships or aircraft
- Schedule V – List of vessels or aircraft, operators and owners
 - As of 2008 filing
- Attach Form 8926 to Schedule I in some cases; new as of 2009

Revised Form 926 – Part I

- Form 926 is used to disclose transfers of property to a foreign corporation
- Revised and expanded as of December 2008, and effective for 2009 filings
- Primary purpose is to obtain details of compliance with code Sect. 367
- The form has been expanded from 1 1/2 to 2 1/2 pages

Revised Form 926 – Part II

- The new form requires more detail to determine potential gain and clearly requires that cash transfers be reported. There are also a lot more questions
- The form is not required if a gain recognition agreement is executed
- Other filing exceptions are provided in the instructions to the form

IRS Administration

- Automatic penalty on late-filed 5471 by C corporation
- Withholding on payments to foreign persons
- Reportable transactions of interest
- Repatriation loans
- IRS extends time period for request of late entity classification election
- \$1 million compensation deduction limit didn't apply to foreign corporation or its sub

Automatic 5471 Penalty

- Sent “soft” letters to taxpayers in August 2008
- Effective for late-filed Form 1120 returns filed in 2009 with Form 5471
- Automatic \$10,000 penalty, even when no tax is due
- The penalty applies to each separate Form 5471
- The penalty can be abated for “reasonable cause”
- The penalty will be harder to avoid because it is already imposed

Withholding On Payments To Foreign Persons

- Withholding on foreign persons is now a Tier 1 issue (issues of high strategic importance and that usually are of broad application)
- IRS has issued a supplement to the Internal Revenue Manual
- Provides guidance to IRS agents on how to examine U.S. persons' withholding tax obligations with respect to payments to foreign persons

Reporting Transactions Of Interest

- Reporting for U.S. partnerships with CFC and lower-tier CFC
- The IRS wants more information about the details of transactions in which taxpayers assert that Subpart F income of a lower-tier CFC held by a domestic partnership does not result in income inclusions under Section 951(a)
- [Notice 2009-7]

Repatriation Loans

- Late in 2008, the IRS expanded the short-term financing exception to the IRC Sect. 956 income inclusion for investments in U.S. property
- Applicable to tax years of 2008 and 2009
- Extends short-term loan exception from 30 to 60 days

IRS Extends Time Period For Request Of Late Entity Classification Election

- Three years and 75 days after the effective date
- When Form 8832 not filed on time and an initial tax return has not yet been filed, or:
- Returns have been filed as the requested entity (i.e. FDRE or FP)

\$1 million Comp. Deduction Limit Didn't Apply To Foreign Corporation Or Its Sub

- IRS has ruled that the Code Sect. 162(m) \$1 million compensation deduction limit didn't apply to a foreign corporation, because it didn't have "covered employees" for Code Sect. 162(m) purposes
- The foreign corporation was a foreign private issuer that wasn't subject to the executive compensation disclosure rules under the Securities Exchange Act of 1934 (Exchange Act)

IRS Regulations

- Revised anti-inversion regulations
- Worldwide interest allocation
- Contract manufacturing
- Gain recognition agreements
- Cost-sharing regs for intangibles

Revised Anti-Inversion Regulations (TD 9453)

- On June 9, 2009, the IRS issued new final and temporary regulations under the “anti-inversion” rules of Sect. 7874
- The 2009 regulations address the classification of a foreign corporation as a “surrogate foreign corporation” subject to adverse U.S. tax treatment, including potential U.S. taxation of the foreign corporation’s worldwide income

Worldwide Interest Allocation

- Reg. Sect. 1.861-9T(a) requires allocation and apportionment of interest expense in computing the foreign tax credit limit
- Rule for allocating domestic and foreign company interest is effective after 2008
- Election must be made by due date of return, including extensions

Contract Manufacturing - I

- Related party purchases and sales of personal property are taxable
- Exception for property manufactured by the subsidiary
- Guidance on sub-contracting manufacturing by the subsidiary

Contract Manufacturing - II

- Substantial contribution test by CFC employees
- Clarification of separate branch rules subject to different tax rates
- Rejection of “its” theory regarding components bought from related party and sold as part of a finished product

Gain Recognition Agreement

- With respect to certain transfers of stock or securities by U.S. persons to foreign corporations (TD 9446; 3/2/09)
- IRS issued final regulations on gain recognition agreements in cross-border reorganizations under Sect. 367(a)

Cost-Sharing Regs For Intangibles

- The IRS has issued temporary regs providing guidance regarding methods under Code Sect. 482 to determine taxable income in connection with a cost-sharing arrangement for the development of intangibles (TD 9441, 12/31/2008)
- Reg. § 1.482-1T , Reg. § 1.482-2T , Reg. § 1.482-4T , Reg. § 1.482-7T , Reg. § 1.482-9T

Proposed Legislation

- Tax Extenders Act of 2009 - Summary of extender provisions by GOP
- Stop Tax Haven Abuse Act
- Curbing tax havens and removing incentives for shifting jobs overseas

Tax Extenders Act of 2009

International Provisions - I

- Exceptions for active financing income
- Extension of look-through treatment of payments between related controlled foreign corporations
- Treatment of certain dividends and assets of regulated investment companies

Tax Extenders Act of 2009

International Provisions - II

- Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico
- American Samoa economic development credit
- Foreign account tax compliance

Stop Tax Haven Abuse Act - I

- For all designated offshore secrecy jurisdictions (OSJs)
- Presumption of control, unreported income and beneficial ownership
- Presumption that any foreign account meets the FBAR threshold of \$10,000
- Foreign corporations managed and controlled from the U.S. will be deemed to be domestic corporations, for U.S. tax purposes

Stop Tax Haven Abuse Act - II

- Denies penalty protection for legal opinions involving an offshore secrecy jurisdiction
- Expands reporting requirements for investments in PFICs
- Expands use of John Doe summons in offshore tax cases
- Would codify the economic substance doctrine

Removing Incentives for Shifting Jobs Overseas (Obama) - I

- Reform deferral rules for offshore earnings (defer expenses)
- Reform tax credit “loopholes” (unspecified)
- Making domestic research credit permanent
- Withhold taxes on income paid to foreign financial institutions that do not participate in the QI reporting program

Removing Incentives for Shifting Jobs Overseas (Obama) - II

- Eliminate “disappearing” offshore subsidiaries (entity classification)
 - Increases taxable income from subpart F
 - Would decrease deductions for losses of foreign subsidiaries
 - Would decrease FTC for non-corporate owners of foreign disregarded entities and foreign partnerships

Web Resources, Vernon Jacobs' Previous Slides

- From slide 31: <http://www.irs.gov/pub/irs-pdf/f926.pdf>,
<http://www.irs.gov/pub/irs-pdf/i926.pdf>
- From slide 34: <http://hr.cch.com/news/payroll/112409a.asp>,
<http://www.irs.gov/pub/irs-pdf/p515.pdf>,
<http://www.irs.gov/businesses/corporations/article/0,,id=205415,00.html>,
<http://www.irs.gov/businesses/small/international/article/0,,id=104997,00.html>, <http://www.complianceweek.com/article/5335/cross-border-withholding-compliance-crackdown>
- From slide 35: http://www.irs.gov/irb/2009-03_IRB/ar10.html,
<http://www.irs.gov/pub/irs-drop/n-09-59.pdf>,
<http://www.irs.gov/businesses/corporations/article/0,,id=120633,00.html>

Web Resources, Vernon Jacobs' Previous Slides (Cont.)

- From slide 36: <http://www.icpas.org/hc-tax.aspx?id=7514>,
http://www.irs.gov/irb/2008-43_IRB/ar11.html
- From slide 37: <http://www.irs.gov/pub/irs-drop/rp-09-41.pdf>
- From slide 38: <http://www.irs.gov/pub/irs-wd/0916012.pdf>
- From slide 40: <http://www.irs.gov/pub/irs-drop/n-09-78.pdf>,
<http://www.cfo.com/article.cfm/14443171>,
<http://www.jdsupra.com/post/documentViewer.aspx?fid=22e7aa98-882f-4025-9e9e-f94d7bbbf0e7>
- From slide 41:
<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5195>, <http://www.allbusiness.com/accounting/331713-1.html>

Web Resources, Vernon Jacobs' Previous Slides (Cont.)

- From slide 43: http://www.irs.gov/irb/2008-16_IRB/ar13.html,
http://www.taxand.com/files/u12/ions_Taxand_2009_Global_Conference_presenta.pdf, <http://blogs.cbh.com/international/?p=68>
- From slide 44: http://www.irs.gov/irb/2009-09_IRB/ar07.html
- From slide 45: http://www.irs.gov/irb/2009-33_IRB/ar07.html,
http://www.irs.gov/irb/2009-07_IRB/ar04.html
- From slide 48: <http://www.opencongress.org/bill/111-h4213/show>,
<http://www.gop.gov/bill/111/1/hr4213>,
<http://ria.thomsonreuters.com/taxwatch/archive.asp>
- From slide 50:
<http://levin.senate.gov/newsroom/release.cfm?id=308949>
- From slide 52: <http://www.ustreas.gov/press/releases/tg119.htm>,
<http://www.heritage.org/research/taxes/wm2426.cfm>

Other International Expansion Issues To Consider

Bureau of Economic Forms

- The Bureau of Economic Analysis (BEA) requires all foreign companies that have investment in the U.S. (“inbound”) and U.S. enterprises that have investment abroad (“outbound”) to report such transactions
- Generally, a taxpayer (foreign or U.S.) is subject to this reporting requirement if it owns a 10% or more voting interest (or the equivalent) in a U.S. or foreign entity. Note that there are different filing requirements and reporting thresholds for “inbound” and “outbound” transactions
- Inbound forms
 - BE-13, BE-15A, BE-15B, BE-15(EZ), BE-605

Other International Expansion Issues To Consider (Cont.)

- Payroll tax
- Sales/use tax
- Business property tax for county
- City payroll tax (e.g. San Francisco payroll tax)
- Gross receipt tax
- Avoid PE in the U.S.
 - No decision-making, no contract-signing in U.S.

List Of Forms For Foreign Companies

- Form 1120F – U.S. income tax return of foreign corporation
- Form 5472 – Information return of 25% foreign-owned U.S. corporation
- Forms 1042, 1042S, 1042T – U.S. source income for withholding of foreign persons
- Forms 8804, 8805, 8813 – Partnership informational statement and withholding report
- W8-ECI – Certificate of foreign person's claim for exemption from withholding on ECI
- Form 8288/8288A – U.S. withholding tax return on dispositions by foreign persons of U.S. real property interests
- Form 8833 – Treaty based return position
- Form 8926 – Disqualified corporate interest expense disallowed
- Estimated tax payments

Outlook For Fiscal Year 2010

- Limit earnings-stripping by expatriated entities
 - §163(j) interest limitation
 - Applies to inverted entities, not newly formed entities
- Prevent repatriation of earnings in certain cross-border reorganizations
- Repeal 80/20 company rules
- Prevent avoidance of dividend withholding taxes

Earnings-Stripping Rules

- Earnings-stripping (or “thin cap”) rules: Sect. 163(j)
- Foreign companies may try to strip earnings out of the U.S. sub or branch by having subs pay a deductible interest rather than a dividend
- Goal of foreign company is to reduce sub’s earnings, reduce withholding on dividend

Earnings-Stripping Rules (Cont.)

- Introduced in 1989
- Prevents thinly capitalized corporations from taking interest payments to related parties (and unrelated parties if the debt is guaranteed by a related person)
- Objective is to prevent foreign taxpayers that are not subject to U.S. income tax withholding from getting the money back due to a favorable treaty

Affiliated Groups

- Affiliated group within the meaning of Sect. 1504(a) is to be treated as one taxpayer
- Proposed Reg. 1.163(j)-5 expands the definition of affiliated group to include corporation in which at least 80% of total voting power and value is owned directly or indirectly by an includable corporation

Debt-To-Equity Ratio

- Safe harbor
 - If the U.S. corporation's debt-to-equity ratio, as of the close of the taxable year, is less than or equal to 1.5 to 1, earning-stripping rules do not apply

Excess Interest

- Deductions for disqualified interest paid or accrued by a corporation would be disallowed per Sect. 163(j)(1)
- The disallowed amount cannot exceed the corporation's excess interest expense for the year
- Disallowed interest can be carried forward to succeeding years, indefinitely

Form 8926: Disqualified Corporate Interest Expense

- New; effective January 2009
- Informational purposes only
- Developed as a result of the American Job Creation Act of 2004
- Penalties for failure to file

Form 8926: Disqualified Corporate Interest Expense (Cont.)

Form **8926**
 (December 2008)
 Department of the Treasury
 Internal Revenue Service

Disqualified Corporate Interest Expense Disallowed Under Section 163(j) and Related Information

▶ Attach to the corporation's income tax return.
 ▶ See separate instructions.

OMB No. 1545-2127

Name of corporation (name of parent, if an affiliated group)	Employer identification number

Check here if the form is being filed on behalf of an affiliated group described in section 1504(a).

1a Enter the total amount of the corporation's money at the end of the tax year	1a			
b Enter the adjusted basis of all the corporation's other assets at the end of the tax year	1b			
c Add lines 1a and 1b	1c			
d Enter the total amount of the corporation's indebtedness at the end of the tax year (see instructions)	1d			
e Subtract line 1d from line 1c. If zero or less, enter -0-	1e			
f Debt to equity ratio. Divide line 1d by line 1e (see instructions)	1f			

Inbound Business Activity Issues

The Extenders Act Of 2009, HR 4213

- Title V – Foreign Account Tax Compliance
 - Sub-Title A – Increased Disclosure of Beneficial Owners, Chapter 4 – Taxes to Enforce Reporting on Certain Foreign Accounts (page 32)
 - Section 1471 Withholding payments to foreign financial institutions
 - (c) Information required to be reported on U.S. accounts (page 37)

Title V: Foreign Account Tax Compliance

- Sub-Title B – Under Reporting with Respect to Foreign Assets
 - Section 511 Disclosure of information with respect to foreign financial assets (page 63)
 - Section 512 Penalties for underpayments attributable to undisclosed foreign financial assets
 - Section 513 Modification of statute of limitations for significant omission of income in connection with foreign assets (page 69)

Tax Treaties And TIEAs

- Treaties: Update and overview recent developments – with reference to interplay of treaty provisions with IRC provisions, and withholding rate differences between general 30% compared with negotiated treaty rates
- TIEAs: Tax information exchange agreements – expanded network, many newly signed. Relation to OECD's black, grey and white list

Voluntary Disclosure, Post-10/15/09

- Failure to file and quiet filings
 - Practical concerns & cautionary comments
 - Awaiting further IRS guidance
- Existing voluntary disclosure process
 - IRS Voluntary Disclosure Practice
 - **TAX CRIMES - GENERAL IRM 9.5.11.9**

Transfer Pricing Study

- Ernst & Young
 - 2009 Global Transfer Pricing Survey
 - Tax authorities insights: Perspectives, interpretations and regulatory changes.
 - 180 pages downloadable as PDF

1. Abusive Offshore Tax Avoidance Schemes - Facts (Section V. Filing Requirements)
 - 1.1. <http://www.irs.gov/businesses/small/article/0,,id=106560,00.html>

2. Form 5472 Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business (Under Sections 6038A and 6038C of the Internal Revenue Code)
 - 2.1. <http://www.irs.gov/pub/irs-pdf/f5472.pdf>

3. SOI Tax Stats - Transactions of Foreign-Owned Domestic Corporations
 - 3.1. <http://www.irs.gov/taxstats/bustaxstats/article/0,,id=106632,00.html>

4. Tax Year 2009 Directions for Corporations Required to e-file (rev. 12-04-2009)
 - 4.1. <http://www.irs.gov/businesses/article/0,,id=216959,00.html>

5. SOI 2002 Winter 2005-2006 Statistics of Income Bulletin
 - 5.1. <http://www.irs.gov/newsroom/article/0,,id=156040,00.html>

6. Preparer penalties
 - 6.1. Exhibit 2—Information Returns That Report Information That is or May be Reported on Another Tax Return That May Subject a Tax Return Preparer to the Section 6694(a) Penalty if the Information Reported Constitutes a Substantial Portion of the Other Tax Return

 - 6.2. http://www.irs.gov/irb/2008-18_IRB/ar18.html

7. SOI Tax Stats - SOI Bulletin - Fall 2009
 - 7.1. <http://www.irs.gov/taxstats/article/0,,id=215634,00.html>

8. Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006
 - 8.1. <http://www.irs.gov/pub/irs-soi/09fallbulfodcorp.pdf>

9. LMSB Tier I Issue - U.S. Withholding Agents - §1441: Reporting and Withholding on U.S. Source FDAP Income
 - 9.1. <http://www.irs.gov/businesses/corporations/article/0,,id=205415,00.html>

10. Withholding Certificate Forms Under I.R.C. 1441-1464
 - 10.1. <http://www.irs.gov/businesses/small/international/article/0,,id=129250,00.html>

11. Amendment to Sunset Date of Section 1441 Voluntary Compliance Program Under Rev. Proc. 2004-59 and Rev. Proc. 2005-71
 - 11.1. http://www.irs.gov/irb/2005-47_IRB/ar14.html/

12. Withholding On Payments of U.S. Source Income to Foreign Persons IRC 1441 to 1443 (Form 1042)
 - 12.1. <http://www.irs.gov/businesses/small/international/article/0,,id=104997,00.html>

13. Revisions Relating to Withholding of Tax on Certain US Source Income Paid to Foreign Persons and Revisions of Information Reporting Regulations
 - 13.1. <http://www.irs.gov/businesses/article/0,,id=137408,00.html>

14. ... Presumption Rules
 - 14.1. <http://www.irs.gov/businesses/small/international/article/0,,id=105100,00.html>

15. U.S. Withholding Agent Frequently Asked Question
 - 15.1. <http://www.irs.gov/businesses/international/article/0,,id=164600,00.html>



Abusive Offshore Tax Avoidance Schemes - Facts (Section V)

V. Filing Requirements

There are multiple filing requirements associated with legitimate foreign transactions. Failure to file required returns may subject the taxpayer to substantial civil and criminal penalties. Also, failure to file these returns may extend the statute of limitations for assessment and collection of the related taxes (IRC 6501(c)(8)).

- Form 3520 - Annual Return to Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts - (IRC §§6039F and 6048 - effective for returns due after August 20, 1996)

There are several situations in which a Form 3520 (or statement with similar information) is required to be filed. The most common circumstances are where a U.S. person:

1. Creates or transfers money or property to a foreign trust (IRC 6048(a)).
2. Receives (directly or indirectly) any distributions from a foreign trust (IRC 6048(c)).
3. Receives certain gifts or bequests from foreign entities (IRC 6039F).

- Form 3520-A - Annual Information Return of Foreign Trust with a U.S. Owner - (IRC § 6048(b))

Any U.S. person who is considered to be the "U.S. owner" of a foreign trust must ensure that the trust files Form 3520-A. The determination of what constitutes a "U.S. owner" is made pursuant to IRC §§671 through 679.

- Form 5471 - Information Return of U.S. Persons With Respect to Certain Foreign Corporations - (IRC §6038)

Form 5471 is required of a U.S. shareholder who acquires, disposes of, or owns certain proportions of the stock of a foreign corporation, or who controls or serves as an officer or director of a "controlled foreign corporation" (IRC §§6038 or 6046). A controlled foreign corporation (CFC) is a foreign corporation, the stock of which is more than 50 percent owned (by vote, or value, at any time during the year) by "U.S. Shareholders". The determination of whether a "U.S. Shareholder" will be taxed directly on portion of the earnings of the foreign corporation, even if the foreign corporation does not distribute them is made pursuant to IRC § 951.

- Form 5472 - Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business - (IRC §§6038A and 6038C)

Form 5472 is required to be filed by a "reporting corporation" that has "reportable transactions" with foreign or domestic related parties. A "reporting corporation" is either a U.S. corporation that is a 25% foreign-owned or a foreign corporation engaged in a trade or business within the United States. A corporation is 25% foreign-owned if it has at least one direct or indirect 25% foreign shareholder at any time during the tax year.

- Form 926 - Return by a U.S. Transferor of Property to a Foreign Corporation - (IRC §6038B)

Form 926 is required to be filed by each U.S. person who transfers property to a foreign corporation in an exchange described in IRC §§332, 351, 354, 355, 356, or 361. The form is also required if the U.S. person makes a distribution described in §336 to a non-U.S. person. For special rules regarding the filing of Form 926, refer to the instructions on the form.

- Form 8865 - Return of U.S. Persons With Respect to Certain Foreign Partnerships - (IRC §§6038, 6038B, and 6046A)

Form 8865 is used to report the information required under §6038 (with respect to controlled foreign partnerships), §6038B (transfers to foreign partnerships), or §6046A (acquisitions, dispositions, and changes in foreign partnership interests). For more information about the requirements to file, refer to the Form 8865 Instructions. Within the instructions, there are four categories of filers. If a U.S. person falls into one of the four categories, that person must file Form 8865.

Note: This page contains one or more references to the Internal Revenue Code (IRC), Treasury Regulations, court cases, or other official tax guidance. References to these legal authorities are included for the convenience of those who would like to read the technical reference material. To access the applicable IRC sections, Treasury Regulations, or other official tax guidance, visit the [Tax Code, Regulations, and Official Guidance](#) page. To access any Tax Court case opinions issued after September 24, 1995, visit the [Opinions Search](#) page of the United States Tax Court.

**Information Return of a 25% Foreign-Owned U.S. Corporation
or a Foreign Corporation Engaged in a U.S. Trade or Business**
(Under Sections 6038A and 6038C of the Internal Revenue Code)

Department of the Treasury
Internal Revenue Service

For tax year of the reporting corporation beginning _____, _____, and ending _____, _____

Note. Enter all information in English and money items in U.S. dollars.

Part I Reporting Corporation (see instructions). All reporting corporations must complete Part I.

1a Name of reporting corporation		1b Employer identification number	
Number, street, and room or suite no. (if a P.O. box, see instructions)		Total assets	
City or town, state, and ZIP code (if a foreign address, see instructions)		\$	
1d Principal business activity ▶		1e Principal business activity code ▶	
1f Total value of gross payments made or received (see instructions) reported on this Form 5472	1g Total number of Forms 5472 filed for the tax year	1h Total value of gross payments made or received (see instructions) reported on all Forms 5472	
\$		\$	
1i Check here if this is a consolidated filing of Form 5472 . . . ▶ <input type="checkbox"/>	1j Country of incorporation	1k Country(ies) under whose laws the reporting corporation files an income tax return as a resident	1l Principal country(ies) where business is conducted

2 Check here if, at any time during the tax year, any foreign person owned, directly or indirectly, at least 50% of **(a)** the total voting power of all classes of the stock of the reporting corporation entitled to vote, or **(b)** the total value of all classes of stock of the reporting corporation . . . ▶

Part II 25% Foreign Shareholder (see instructions)

1a Name and address of direct 25% foreign shareholder		1b U.S. identifying number, if any	
1c Principal country(ies) where business is conducted	1d Country of citizenship, organization, or incorporation	1e Country(ies) under whose laws the direct 25% foreign shareholder files an income tax return as a resident	
2a Name and address of direct 25% foreign shareholder		2b U.S. identifying number, if any	
2c Principal country(ies) where business is conducted	2d Country of citizenship, organization, or incorporation	2e Country(ies) under whose laws the direct 25% foreign shareholder files an income tax return as a resident	
3a Name and address of ultimate indirect 25% foreign shareholder		3b U.S. identifying number, if any	
3c Principal country(ies) where business is conducted	3d Country of citizenship, organization, or incorporation	3e Country(ies) under whose laws the ultimate indirect 25% foreign shareholder files an income tax return as a resident	
4a Name and address of ultimate indirect 25% foreign shareholder		4b U.S. identifying number, if any	
4c Principal country(ies) where business is conducted	4d Country of citizenship, organization, or incorporation	4e Country(ies) under whose laws the ultimate indirect 25% foreign shareholder files an income tax return as a resident	

Part III Related Party (see instructions)
Check applicable box: Is the related party a foreign person or U.S. person?
All reporting corporations must complete this question and the rest of Part III.

1a Name and address of related party		1b U.S. identifying number, if any	
1c Principal business activity ▶		1d Principal business activity code ▶	
1e Relationship—Check boxes that apply: <input type="checkbox"/> Related to reporting corporation <input type="checkbox"/> Related to 25% foreign shareholder <input type="checkbox"/> 25% foreign shareholder			
1f Principal country(ies) where business is conducted	1g Country(ies) under whose laws the related party files an income tax return as a resident		

Part IV Monetary Transactions Between Reporting Corporations and Foreign Related Party (see instructions)

Caution: *Part IV must be completed if the "foreign person" box is checked in the heading for Part III.*

If estimates are used, check here

1	Sales of stock in trade (inventory)	1	
2	Sales of tangible property other than stock in trade	2	
3a	Rents received (for other than intangible property rights)	3a	
b	Royalties received (for other than intangible property rights)	3b	
4	Sales, leases, licenses, etc., of intangible property rights (e.g., patents, trademarks, secret formulas)	4	
5	Consideration received for technical, managerial, engineering, construction, scientific, or like services	5	
6	Commissions received	6	
7	Amounts borrowed (see instructions) a Beginning balance _____ b Ending balance or monthly average ▶	7b	
8	Interest received	8	
9	Premiums received for insurance or reinsurance	9	
10	Other amounts received (see instructions)	10	
11	Total. Combine amounts on lines 1 through 10	11	
12	Purchases of stock in trade (inventory)	12	
13	Purchases of tangible property other than stock in trade	13	
14a	Rents paid (for other than intangible property rights)	14a	
b	Royalties paid (for other than intangible property rights)	14b	
15	Purchases, leases, licenses, etc., of intangible property rights (e.g., patents, trademarks, secret formulas)	15	
16	Consideration paid for technical, managerial, engineering, construction, scientific, or like services	16	
17	Commissions paid	17	
18	Amounts loaned (see instructions) a Beginning balance _____ b Ending balance or monthly average ▶	18b	
19	Interest paid	19	
20	Premiums paid for insurance or reinsurance	20	
21	Other amounts paid (see instructions)	21	
22	Total. Combine amounts on lines 12 through 21	22	

Part V Nonmonetary and Less-Than-Full Consideration Transactions Between the Reporting Corporation and the Foreign Related Party (see instructions)

Describe these transactions on an attached separate sheet and check here.

Part VI Additional Information

All reporting corporations must complete Part VI.

- 1** Does the reporting corporation import goods from a foreign related party? Yes No
- 2a** If "Yes," is the basis or inventory cost of the goods valued at greater than the customs value of the imported goods? Yes No
If "No," **do not** complete **b** and **c** below.
- b** If "Yes," attach a statement explaining the reason or reasons for such difference.
- c** If the answers to questions 1 and 2a are "Yes," were the documents used to support this treatment of the imported goods in existence and available in the United States at the time of filing Form 5472? Yes No

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

- The IRS has modified Part IV, lines 3 and 14.
- A reporting corporation that uses an accrual method of accounting must use accrued payments and accrued receipts for purposes of computing the total amount to enter on each line of the Form 5472. See Regulations section 1.6038A-2(b)(8).

Purpose of Form

Use Form 5472 to provide information required under sections 6038A and 6038C when reportable transactions occur during the tax year of a reporting corporation with a foreign or domestic related party.

Definitions

Reporting corporation. A reporting corporation is either:

- A 25% foreign-owned U.S. corporation **or**
- A foreign corporation engaged in a trade or business within the United States.

25% foreign owned. A corporation is 25% foreign owned if it has at least one direct or indirect 25% foreign shareholder at any time during the tax year.

25% foreign shareholder. Generally, a foreign person (defined on page 3) is a 25% foreign shareholder if the person owns, directly or indirectly, at least 25% of either:

- The total voting power of all classes of stock entitled to vote **or**
- The total value of all classes of stock of the corporation.

The constructive ownership rules of section 318 apply with the following modifications to determine if a corporation is 25% foreign owned. Substitute "10%" for "50%" in section 318(a)(2)(C). Do not apply sections

318(a)(3)(A), (B), and (C) so as to consider a U.S. person as owning stock that is owned by a foreign person.

Related party. A related party is:

- Any direct or indirect 25% foreign shareholder of the reporting corporation,
- Any person who is related (within the meaning of section 267(b) or 707(b)(1)) to the reporting corporation,
- Any person who is related (within the meaning of section 267(b) or 707(b)(1)) to a 25% foreign shareholder of the reporting corporation, **or**
- Any other person who is related to the reporting corporation within the meaning of section 482 and the related regulations.

"Related party" does not include any corporation filing a consolidated Federal income tax return with the reporting corporation.

The rules in section 318 apply to the definition of related party with the modifications listed under the definition of 25% foreign shareholder above.

Reportable transaction. A reportable transaction is:

- Any type of transaction listed in Part IV (e.g., sales, rents, etc.) for which monetary consideration (including U.S. and foreign currency) was the sole consideration paid or received during the reporting corporation's tax year **or**

- Any transaction or group of transactions listed in Part IV, if:

1. Any part of the consideration paid or received was not monetary consideration **or**
2. Less than full consideration was paid or received.

Transactions with a U.S. related party, however, are not required to be specifically identified in Parts IV and V.

Direct 25% foreign shareholder. A foreign person is a direct 25% foreign shareholder if it owns directly at least 25% of the stock of the reporting corporation by vote or value.

Ultimate indirect 25% foreign shareholder. An ultimate indirect 25% foreign shareholder is a 25% foreign shareholder whose ownership of stock of the reporting corporation is not attributed (under the principles of section 958(a)(1) and (2)) to any other 25% foreign shareholder. See Rev. Proc. 91-55, 1991-2 C.B. 784.

Foreign person. A foreign person is:

- An individual who is not a citizen or resident of the United States,
- An individual who is a citizen or resident of a U.S. possession who is not otherwise a citizen or resident of the United States,
- Any partnership, association, company, or corporation that is not created or organized in the United States,
- Any foreign estate or foreign trust described in section 7701(a)(31), **or**
- Any foreign government (or agency or instrumentality thereof) to the extent that the foreign government is engaged in the conduct of a commercial activity as defined in section 892.

However, the term "foreign person" does not include any foreign person who consents to the filing of a joint income tax return.

Who Must File

Generally, a reporting corporation must file Form 5472 if it had a reportable transaction with a foreign or domestic related party.

Exceptions from filing. A reporting corporation is not required to file Form 5472 if any of the following apply:

1. It had no reportable transactions of the types listed in Parts IV and V of the form.
2. A U.S. person that controls the foreign related corporation files **Form 5471**, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, for the tax year to report information under section 6038. To qualify for this exception, the U.S. person must complete Schedule M (Form 5471) showing all reportable transactions between the reporting corporation and the related party for the tax year.
3. The related corporation qualifies as a foreign sales corporation for the tax year and files **Form 1120-FSC**, U.S. Income Tax Return of a Foreign Sales Corporation.
4. It is a foreign corporation that does not have a permanent establishment in the United States under an applicable income tax treaty and timely files Form 8833.
5. It is a foreign corporation all of whose gross income is exempt from taxation under section 883 and it timely and fully complies with the reporting requirements of sections 883 and 887.

6. Both the reporting corporation and the related party are not U.S. persons as defined in section 7701(a)(30) and the transactions will not generate in any tax year:

- Gross income from sources within the United States or income effectively connected, or treated as effectively connected, with the conduct of a trade or business within the United States **or**
- Any expense, loss, or other deduction that is allocable or apportionable to such income.

Consolidated returns. If a reporting corporation is a member of an affiliated group filing a consolidated income tax return, Regulations section 1.6038A-2 may be satisfied by filing a U.S. consolidated Form 5472. The common parent must attach to Form 5472 a schedule stating which members of the U.S. affiliated group are reporting corporations under section 6038A, and which of those members are joining in the consolidated filing of Form 5472. The schedule must show the name, address, and employer identification number of each member who is including transactions on the consolidated Form 5472.

Note. A member is not required to join in filing a consolidated Form 5472 just because the other members of the group choose to file one or more Forms 5472 on a consolidated basis.

When and Where To File

File Form 5472 by the due date of the reporting corporation's income tax return (including extensions). A separate Form 5472 must be filed for each foreign or domestic related party with which the reporting corporation had a reportable transaction during the tax year. Attach Form 5472 to the income tax return. You are required to file a duplicate copy of Form 5472 with the Internal Revenue Service Center, P.O. Box 409101, Ogden, UT, 84409. However, if you file your income tax return electronically, see *Electronic Filing of Form 5472* below for additional information.

If the reporting corporation's income tax return is not filed when due, file a timely Form 5472 (with a copy to Ogden) separately with the service center where the tax return is due. When the tax return is filed, attach a copy of the previously filed Form 5472.

Electronic Filing of Form 5472

If you file your income tax return electronically, see the instructions for your income tax return for general information about electronic filing. If you file your original Form 5472 electronically (as an attachment to a timely filed, electronically filed income tax return), such filing satisfies the duplicate filing requirement referred to above. See the first sentence under *When and Where To File* above for the definition of "timely."

Accrued Payments and Receipts

A reporting corporation that uses an accrual method of accounting must use accrued payments and accrued receipts for purposes of computing the total amount to enter on each line of the Form 5472. See Regulations section 1.6038A-2(b)(8).

Penalties

Penalties for failure to file Form 5472. A penalty of \$10,000 will be assessed on any reporting corporation that fails to file Form 5472 when due and in the manner prescribed. The penalty also applies for failure to maintain records as required by Regulations section 1.6038A-3.

Note. Filing a substantially incomplete Form 5472 constitutes a failure to file Form 5472.

Each member of a group of corporations filing a consolidated information return is a separate reporting corporation subject to a separate \$10,000 penalty and each member is jointly and severally liable.

If the failure continues for more than 90 days after notification by the IRS, an additional penalty of \$10,000 will apply. This penalty applies with respect to each related party for which a failure occurs for each 30-day period (or part of a 30-day period) during which the failure continues after the 90-day period ends.

Criminal penalties under sections 7203, 7206, and 7207 may also apply for failure to submit information or for filing false or fraudulent information.

Record Maintenance Requirements

A reporting corporation must keep the permanent books of account or records as required by section 6001. These books must be sufficient to establish the correctness of the reporting corporation's Federal income tax return, including information or records that might be relevant to determine the correct treatment of transactions with related parties. See Regulations section 1.6038A-3 for more detailed information. Also, see Regulations sections 1.6038A-1(h) and 1.6038A-1(i) for special rules that apply to small corporations and reporting corporations with related party transactions of de minimis value.

Specific Instructions

Part I

Line 1a. Address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the corporation has a P.O. box, show the box number instead.

Foreign address. Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code, if any. Do not abbreviate the country name.

Line 1c. Total assets. Domestic reporting corporations enter the total assets from item D, page 1, Form 1120. Foreign reporting corporations enter the amount from line 17, column (d), Schedule L, Form 1120-F.

Lines 1d and 1e. Enter a description of the principal business activity and enter the principal business activity code. See the instructions for Form 1120 or Form 1120-F for a list of principal business activities and their associated codes.

Line 1f. Enter the total value in U.S. dollars of all foreign related party transactions reported in Parts IV and V of this Form 5472. This is the total of the amounts entered on lines 11 and 22 of Part IV plus the fair market value of the nonmonetary and less-than-full consideration transactions reported in Part V. **Do not** complete line 1f if the reportable transaction is with a U.S. related party.

Line 1g. File a separate Form 5472 for each foreign or each U.S. person who is a related party with which the reporting corporation had a reportable transaction. Enter the total number of Forms 5472 (including this one) being filed for the tax year.

Line 1h. Enter the total value in U.S. dollars of all foreign related party transactions reported in Parts IV and V of all Forms 5472 filed for the tax year. This is the total of the amounts entered on line 1f of all Forms 5472 filed for the tax year (including this one).

Line 1i. Provide the principal country(ies) where business is conducted. **Do not** include a country(ies) in which business is conducted solely through a subsidiary. **Do not** enter “worldwide” instead of listing the country(ies). These rules also apply to lines 2c, 3c, 4c, Part II, and line 1f, Part III.

Line 2. For purposes of this line:

- “Foreign person” has the same meaning as provided on page 3.
- 50% direct or indirect ownership is determined by applying the constructive ownership rules of section 318 with the modifications listed under 25% foreign shareholder on page 2.

Part II

Note. Only 25% foreign-owned U.S. corporations complete Part II.

The form provides sufficient space to report information for two direct 25% foreign shareholders and two ultimate indirect 25% foreign shareholders. If more space is needed, show the information requested in Part II on an attached sheet.

Report on lines 1a through 1e information about the direct 25% foreign shareholder who owns (by vote or value) the largest percentage of the stock of the U.S. reporting corporation.

Report on lines 2a through 2e information about the direct 25% foreign shareholder who owns (by vote or value) the second-largest percentage of the stock of the U.S. reporting corporation.

Report on lines 3a through 3e information about the ultimate indirect 25% foreign shareholder who owns (by vote or value) the largest percentage of the stock of the U.S. reporting corporation.

Report on lines 4a through 4e information about the ultimate indirect 25% foreign shareholder who owns (by vote or value) the second-largest percentage of the stock of the U.S. reporting corporation.

Lines 3a through 3e and lines 4a through 4e. Attach an explanation of the attribution of ownership. See Rev. Proc. 91-55 and Regulations section 1.6038A-1(e).

Part III

All filers must complete Part III even if the related party has been identified in Part II as a 25% foreign shareholder. Report in Part III information about the related party (domestic or foreign) with which the reporting corporation had reportable transactions during the tax year.

Part IV

Note. Do not complete Part IV for transactions with a domestic related party.

When completing Part IV or Part V, the terms “paid” and “received” include accrued payments and accrued receipts. State all amounts in U.S. dollars and attach a schedule showing the exchange rates used.

If the related party transactions occur between a related party and a partnership that is, in whole or in part, owned by a reporting corporation, the reporting corporation reports only the percentage of the value of the transaction(s) equal to the percentage of its partnership interest. This rule does not apply if the reporting corporation owns a less-than-25% interest in the partnership. The rules of attribution apply when determining the reporting corporation’s percentage of partnership interest.

Generally, all reportable transactions between the reporting corporation and a related foreign party must be entered in Part IV.

Reasonable estimates. When actual amounts are not determinable, enter reasonable estimates (see below) of the total dollar amount of each of the categories of transactions conducted between the reporting corporation and the related person in which monetary consideration (U.S. currency or foreign currency) was the sole consideration paid or received during the tax year of the reporting corporation.

A reasonable estimate is any amount reported on Form 5472 that is at least 75% but not more than 125% of the actual amount required to be reported.

Small amounts. If any actual amount in a transaction or a series of transactions between a foreign related party and the reporting corporation does not exceed a total of \$50,000, the amount may be reported as “\$50,000 or less.”

Line 7. Amounts borrowed. Report amounts borrowed using either the outstanding balance method or the monthly average method. If the outstanding balance method is used, enter the beginning and ending outstanding balance for the tax year on lines 7a and 7b. If the monthly average method is used, skip line 7a and enter the monthly average for the tax year on line 7b.

Line 10. Other amounts received. Enter amounts received that are not specifically reported on lines 1 through 9. Include amounts on line 10 to the extent that these amounts are taken into account in determining the taxable income of the reporting corporation.

Line 18. Amounts loaned. Report amounts loaned using either the outstanding balance method or the monthly average method. If the outstanding balance method is used, enter the beginning and ending outstanding balance for the tax year on lines 18a and 18b. If the monthly average method is used, skip line 18a and enter the monthly average for the tax year on line 18b.

Line 21. Other amounts paid. Enter amounts paid that are not specifically reported on lines 12 through 20. Include amounts on line 21 to the extent that these amounts are taken into account in determining the taxable income of the reporting corporation.

Part V

Note. Do not complete Part V for transactions with a domestic related party.

If the related party is a foreign person, the reporting corporation must attach a schedule describing each reportable transaction, or group of reportable transactions. The description must include sufficient information so that the nature and approximate monetary value of the transaction or group of transactions can be determined. The schedule should include:

1. A description of all property (including monetary consideration), rights, or obligations transferred from the reporting corporation to the foreign related party and from the foreign related party to the reporting corporation;
2. A description of all services performed by the reporting corporation for the foreign related party and by the foreign related party for the reporting corporation; **and**
3. A reasonable estimate of the fair market value of all properties and services exchanged, if possible, or some other reasonable indicator of value.

If the entire consideration received for any transaction includes both tangible and intangible property and the consideration paid is solely monetary consideration, report the transaction in Part IV instead of Part V if the intangible property was related and incidental to the transfer of the tangible property (e.g., a right to warranty services).

See the instructions for Part IV for information on reasonable estimates and small amounts.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	17 hr., 42 min.
Learning about the law or the form	3 hr., 4 min.
Preparing and sending the form to the IRS	3 hr., 30 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



SOI Tax Stats - Transactions of Foreign-Owned Domestic Corporations

Return to [Tax Stats](#) home page

- Data are taken from **Form 5472 - Information Return of a Foreign Owned Corporation**.
- "Owned" generally indicates that a foreign entity owns 25 percent or more of the U.S. corporation's voting stock.

[Statistical Tables](#)

[SOI Bulletin Articles](#)

Statistical Tables

Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Form 5472 Attached: Transactions Between Corporations and Related Foreign Persons

Classified by: Industry*
 Tax Years: [2002](#) [2000](#) [1998](#) [1996](#) [1994](#) [1993](#) [1992](#)

Classified by: Country of Residence of Related Foreign Person
 Tax Years: [2002](#) [2000](#) [1998](#) [1996](#) [1994](#) [1993](#) [1992](#)

Classified by: Industry and Country of Residence of Related Foreign Person*
 Tax Years: [2002](#) [2000](#) [1998](#) [1996](#) [1994](#) [1993](#) [1992](#)

*For Study Years prior to 1998, industrial sectors are classified using the Standard Industry Classification (SIC). Study Years from 1998 to present use the North American Industry Classification (NAICS).

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SOI Bulletin Articles

The following are available as PDF files. A free [Adobe® reader](#) is available for download, if needed.

- **Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons**
[2002](#) [2000](#) [1998](#) [1996](#) [1994](#) [1994 Revision](#)
- [Statistics of Income Studies of International Income and Taxes](#)

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Page Last Reviewed or Updated: May 06, 2008



Tax Year 2009 Directions for Corporations Required to e-file (rev. 12-04-2009)

Introduction

Corporations required to file electronically may use the following approved guidelines to prepare their income tax returns for **tax years ending on or after December 31, 2009** without the need for a waiver. **These directions are not all inclusive.** This is a living document and it will be updated as needed. Updated sections will be identified by the date they were updated.

Corporations should carefully review the permanent directions for electronic filing contained in Publications 4163, 4164 and/or "[IRS e-file for Large Taxpayers filing Their Own Corporate Income Tax Return](#)" which is an addendum to Publication 4163.

Corporations required to *e-file* may elect to use any or all of the following directions.

Corporations that are e-filing may not send paper versions of any forms to be included as part of their return. Additionally, PDF format **may ONLY be used for the forms listed** in Section 1 below. **Any deviation from these temporary directions will require a formal waiver approved by IRS.** ([Guidance on Waivers for Corporations Unable to Meet e-file Requirements](#))

[2009 Valid XML Schemas and Business Rules for 1120/1120S/1120-F/7004 Modernized e-File \(MeF\)](#)

Note: Documents accessed from this page that are in PDF format contain "(pdf)" at the end of the file name. To view PDF documents, [download the most recent free version of Adobe Acrobat Reader](#).

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Section 1 -- Forms Allowed as PDF (12-04-2009)

These optional directions are available **ONLY** to corporations required to *e-file*.

Forms Allowed as PDF

The forms listed below may be attached to the XML portion of the electronic return as a PDF file based upon the guidance listed below.

- **Form 1128** – Application to Adopt, Change, or Retain a Tax Year
- **Form 2439** – Notice to Shareholder of Undistributed Long-Term Capital Gains
 - If filed with the return, required as XML
 - If received from a 3rd party, allowed as PDF
- **Form 2553** – Election by a Small Business Corporation
 - PDF file must be named and described as "Form 2553" (see [Filing Requirements for Filing Status Change](#) for additional information)
- **Form 3115** – Application for Change in Accounting Method

Cross-Border Ownership Structures: Lessons Learned Under Tougher IRS Scrutiny

- If filed with return, required in XML
- If previously filed, allowed as PDF
- **Form 4466** – Corporation Application for Quick Refund of Overpayment of Estimated Tax
- **Form 6198** – At-Risk Limitations
- **Form 8283** – Noncash Charitable Contributions
 - Required as XML unless
 - Filing 10 or more forms OR
 - 3rd party signature is required
- **Form 8621** – Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund
 - If filed with return, required in XML
 - If received from a 3rd party, allowed as PDF
- **Form 8716** – Election to Have a Tax Year Other Than a Required Tax Year
- **Form 8832** – Entity Classification Election
 - If filed with return, required in XML
 - If previously filed, allowed as PDF
- **Form 8838** – Consent to Extend the Time to Assess Tax Under Sec. 367 - Gain Recognition Agreement

Note: If a new form is created late in the year as a result of legislative changes, and the software industry does not have time to enable the form in XML, then that particular form can be attached to an 1120 or 1120S electronically filed return in PDF format. You should refer to the [Late Legislation Impact for MeF TY2008 Forms and Business Rules](#) web page for a list of these forms.

Section 2 – MIXED RETURNS (Form 1120 Parent with one or more Form 1120-L or Form 1120-PC subsidiaries) (12-01-2009)

These directions MUST be followed by ALL Mixed Group Corporations that e-file.

A Mixed Return, for **purposes of e-filing only**, is an 1120 consolidated tax return (that means the parent return is an 1120) that includes at least one subsidiary that is either a Life Insurance Company (Form 1120-L) or a Property and Casualty Insurance Company (Form 1120-PC).

Only 1120 parent Mixed Returns that meet the asset (\geq \$10 million) and return filing (\geq 250 returns) requirements are required to be filed electronically. **Form 1120-PC and/or Form 1120-L returns filed as stand alone returns or as the parent of a consolidated return must be filed in paper.**

For Mixed Returns with tax years ending 12/31/2006 and later, the Form 1120-L and the Form 1120-PC subsidiary returns will now be required in XML. The e-filing format mirrors the M-3 requirements and includes subgroups and sub-consolidation returns, when applicable.

Schedule M-3 is required in XML for **ALL** levels in a Mixed Return. This includes the top consolidation, each entity (parent, subsidiary), and the return subgroup(s) level. Additionally, a Form 8916 will be required for all Mixed Returns.

To ensure that Mixed Returns with lines 1-29 blank do not reject because of the IRS' business rules, there should be no forms or statements directly supporting lines 1-29 attached at the consolidated level (e.g. Form 1120 Schedule D, Form 4562, Form 4797, etc.). Instead the applicable forms should be filed at each sub-consolidation level. These instructions do **not** apply to information forms, disclosures, elections, and other statements that apply to the consolidated return. These items (e.g. Forms 5471, 5472, 5713, 8858, 8865, various elections, disclosures, etc.) should still be attached at the top consolidated level. Any forms or statements that are required to be attached to support any other line items (not lines 1-29) such as, but not limited to, Form 3800, Schedule O, etc., on the consolidated return should be attached at the top consolidated level.

Your software should allow you to select whether you are creating a specific subsidiary return, sub-consolidation return, or eliminations return (you should contact your software vendor for specific guidance). The sub-consolidation return and the eliminations return will not require an EIN. All of the other entities (subsidiaries or parent) will require either an EIN or Applied For in the Employer Identification Number field. A subsidiary may not be included in two subgroups. Based on tests in the regulations, a subsidiary is an 1120-L or 1120-PC, or, if neither, an 1120.

[Additional detail to be used in conjunction with the M-3 instructions for each particular form.](#)

Section 3 - Information Available on Request (12-04-2009)

These optional directions are available ONLY to corporations required to e-file.

Transactional Data

Transactional data for the following forms may be submitted on a summary form in XML format as defined below. Corporations that use these optional procedures are agreeing that transactional data details will be made available on request.

- **Form T** – Forest Activities Schedule
- **Form 4562** – Depreciation and Amortization
- **Form 4797** – Sale of Business Property
- **Form 8824** – Like-Kind Exchanges
- **Form 8873** – Extraterritorial Income Exclusion
- **Schedule D (1120 and 1120S)** – Capital Gains and Losses

Summary format can be used when the underlying transactional data contains more than 100 lines for that particular data type. The summary totals must be reported by data type, classification, or other grouping as required on the form. If there are less than 100 instances of transactions by data type, classification, or other grouping the transactions are required to be itemized.

Transactional Data Summary Formats

A Transactional Data Summary format can only be used when the underlying transactional data includes more than 100 lines for that particular data type by form part (i.e. Schedule D short-term or long-term, Form 4797, Part 1 or Part 2, etc.). Data type can be aggregated across the entity to determine if the 100 lines is met for a particular form. This does not mean that only one summary form will be required, but that once a summary form can be used for a particular data type and form, all of the entities within that return can use that reporting format. For example, if a parent corporation has 50 ST items and the subsidiary has 75 ST items, in aggregate they have 125 ST items and can use the summary reporting format on the Sch D, Part 1 at the subsidiary, the parent and the consolidated level.

Select the applicable form for a summary format example (the summary format examples are on 2005 forms. Apply the same level of detail for 2007):

- [Form T](#), (pdf)
- [Form 4562](#), (pdf)
- [Form 4797](#), (pdf)
- [Schedule D](#), (pdf)
- [Form 8824](#), (pdf)
- Form 8873
 - If 5.c.(1)(a) - Aggregate of Form 8873 is selected as the basis for reporting, complete all of the applicable Forms 8873 in XML
 - Otherwise, a separate summary Form 8873 should be filed for each of the three Extraterritorial Income Exclusion pricing methods described in section 941(a)(1)(A) through (C), if applicable, completing only line 54 for the total amount of the Extraterritorial Income Exclusion and details will be available on request.

Summary format can **NOT** be used to net gain and loss transactions. If a corporation chooses to use the summary format to report transactional data, gains and losses **MUST** be summarized and reported separately within each form part.

For example, if a corporation had 500 short term gain transactional items and 2000 short term loss transactional items, use of the Summary Format would require the corporation to report 2 separate totals on Part 1 of the Schedule D or Form 4797 under Short Term Gains and Losses, one for the total of the short term gain items and one for the total of the short term loss items.

Compensation of Officers

[See Section 6 below for guidance.](#)

Section 4 - International Forms (01-08-2009)

These directions MUST be followed by ALL corporations that e-file.

The following international forms (5471, 5472, 5713, 8858, 8865, and their associated schedules) are required to be submitted in XML and must be attached at the top consolidated return level.

Section 5 -- Forms not required to be filed with the income tax return (01-08-2009)

These directions apply to ALL corporations that e-file.

IRS form instructions do not require corporations to attach the following forms to their income tax return and should not include these forms as part of the electronic return. This list is only provided as a reminder and applies to all corporate filers.

- **Form 966** - Corporate Dissolution or Liquidation

- **Form 7004** - Application for Automatic 6-Month Extension of Time To File Certain Business Income Tax, Information, and Other Returns
- **Form 8023** - Elections Under Section 338 for Corporations Making Qualified Stock Purchases
- **Form 8693** - Low-Income Housing Credit Disposition Bond

Section 6 - Compensation of Officers, Form 1120, Schedule E (01-08-2009)

These optional directions are available ONLY to corporations required to e-file.

The detailed information for each officer is required to be completed on Form 1120, Schedule E for columns C-F. Column A, "Name of officer" and Column B, "Social security number", are optional. If a consolidated return is filed, each member of an affiliated group must furnish this information.

You should NOT indicate "Information Available on Request ".

Page Last Reviewed or Updated: December 11, 2009



Winter 2005-2006 Statistics of Income Bulletin

IR-2006-55, April 7, 2006

WASHINGTON — The Internal Revenue Service today announced the release of the Winter 2005-2006 issue of the Statistics of Income Bulletin.

The SOI Bulletin includes an article on preliminary data from individual income tax returns for 2004. In 2004, Adjusted Gross Income (AGI) rose for the second year in a row, increasing by 8.9 percent to \$6.8 trillion. The largest component of AGI, salaries and wages, increased 6.0 percent to \$4,977.9 billion, while net capital gains rose 53.2 percent to \$442.1 billion. Taxable income increased 10.6 percent to \$4.6 trillion.

For 2004, taxpayers filed 132.4 million U.S. individual income tax returns, an increase of 1.4 percent from the 130.6 million returns filed for 2003. Total income tax revenue increased 10.7 percent to \$830.4 billion, and total tax liability increased 10.5 percent to \$870.3 billion.

In addition, the Bulletin contains articles with the following information:

- For Tax Year 2003, taxpayers filed about 130.4 million returns, of which 88.9 million tax returns (or 68.2 percent) were classified as taxable returns. Adjusted gross income (AGI) on these taxable returns totaled \$5,747 billion for 2003. The average tax rate for taxable returns was 13.0 percent.
- During 2003 and 2004, tax-exempt organizations filed an estimated 35,103 Forms 990-T, Exempt Organization Business Income Tax Returns, for Tax Year 2002. Unrelated business taxable income (UBTI) of \$647.2 million and the associated unrelated business income tax (UBIT) of \$194.1 million reported for TY 2002 were decreases of 18.3 percent and 14.1 percent, respectively, over amounts reported for TY 2001. For the 4 years between 1998 and 2002, UBTI and UBIT declined by a respective 61.2 percent and 61.6 percent.
- For Tax Year 2002, there were 737 large foreign-owned domestic corporations, which reported transactions with related foreign persons on Form 5472, Information Return of a 25-Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Although this was an increase over the 612 corporations which reported transactions for 2000, the total value of transactions declined for 2002. The large foreign-owned domestic corporations covered by these statistics received from related foreign persons \$166.7 billion, 37.2 percent less than for 2000; these domestic corporations paid related foreign persons \$353.6 billion, 26.4 percent less than for 2000.
- There were more than 7.3 million individuals in the United States with gross assets of \$675,000 or more in 2001. These individuals represented about 3.5 percent of the total U.S. adult population. Top wealth holders had a combined net worth of more than \$13.8 trillion or 32.7 percent of total U.S. net worth. Almost 4.0 million, or 53.7 percent, of these wealthy individuals were male, and 3.4 million were female.
- The final Bulletin article shows that taxpayers are expected to file a grand total of 229.3 million tax returns with the Internal Revenue Service (IRS) during Calendar Year (CY) 2006. That projected level reflects a modest increase of only 0.1 percent over the estimated Calendar Year 2005 filings of 229.0 million. After 2006, however, grand total return filings are projected to grow at a more typical average annual rate of 1.2 percent and to reach 246.8 million by 2012.

The SOI Bulletin is a quarterly compilation of information on various topics from federal tax returns and other documents. The Bulletin includes historical data on income, deductions and tax reported on returns filed by individuals, corporations and unincorporated businesses with selected data presented for estates. Statistics are also presented on tax collections, including excise taxes by type, and refunds for recent years.

The Statistics of Income Bulletin is available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. The annual subscription rate is \$53 (\$74.20 foreign); single issues cost \$39 (\$48.75 foreign).

For more information, write the Director, Statistics of Income (SOI) Division, RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608; call the SOI Statistical Information Services office at (202) 874-0410; e-mail sis@irs.gov; or fax your questions to (202) 874-0964.



Internal Revenue Bulletin: 2008-18

May 5, 2008

Notice 2008-46

Supplemental Guidance Under the Preparer Penalty Provisions of the Small Business and Work Opportunity Tax Act of 2007

Table of Contents

- [A. Returns and Claims for Refund Subject to 6694 Penalty](#)
- [EFFECTIVE DATE](#)
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- [CONTACT INFORMATION](#)

This notice provides guidance regarding implementation of the tax return preparer penalty provisions under section 6694 of the Internal Revenue Code, as amended by the Small Business and Work Opportunity Tax Act of 2007, Pub. L. No. 110-28, 121 Stat. 190, by adding certain returns and documents supplementing Exhibits 1, 2, and 3 of Notice 2008-13, 2008-3 I.R.B. 282.

A. Returns and Claims for Refund Subject to 6694 Penalty

Notice 2008-13 describes categories of returns and other documents to which section 6694 could apply. Notice 2008-13 provides that, solely for purposes of section 6694, a return or claim for refund includes the tax returns listed in Exhibit 1 or a claim for refund with respect to any such return. The notice further provides that a person who for compensation prepares all or a substantial portion of any of the tax returns listed on Exhibit 1 is a tax return preparer who is subject to section 6694.

Notice 2008-13 also provides that solely for purposes of section 6694, an information return or document listed on Exhibit 2 that includes information that is or may be reported on a taxpayer's tax return or claim for refund is a return to which section 6694 could apply if the information reported constitutes a *substantial portion* of that taxpayer's tax return or claim for refund. A person who for compensation prepares any of the information returns or documents listed on Exhibit 2, which return or document does not report a tax liability but affects an entry or entries on a tax return and constitutes a substantial portion of the tax return or claim for refund that does report a tax liability, is a tax return preparer who is subject to section 6694.

Notice 2008-13 also provides that solely for purposes of section 6694, a document listed on Exhibit 3 that includes information that is or may be reported on a taxpayer's tax return or claim for refund (and that constitutes a substantial portion of such tax return or claim for refund) will not subject the preparer to a penalty under section 6694(a). A document listed on Exhibit 3, however, may subject the preparer to a willful or reckless conduct penalty under section 6694(b) if the information reported on the document constitutes a substantial portion of the tax return or claim for refund and is prepared willfully in any manner to understate the liability of tax on a tax return or claim for refund, or in reckless or intentional disregard of rules or regulations. A person who for compensation prepares all or a substantial portion of any of the documents listed on Exhibit 3 is not a tax return preparer subject to section 6694(a) unless the document was prepared willfully in any manner to understate the liability of tax on a tax return or claim for refund or in reckless or intentional disregard of rules or regulations.

Notice 2008-13 also provides that the Treasury Department and the Internal Revenue Service may add or remove forms or documents from any of the categories or exhibits to Notice 2008-13 in future guidance. Accordingly, the following returns and documents are added to Exhibits 1, 2, and 3 of Notice 2008-13:

Exhibit 1 — Tax Returns Reporting Tax Liability

- (1) Form 1040-C, *U.S. Departing Alien Income Tax Return*;
- (2) Form 1040NR, *U.S. Nonresident Alien Income Tax Return*;
- (3) Form 1040NR-EZ, *U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents*;
- (4) Form 1041-N, *U.S. Income Tax Return for Electing Alaska Native Settlement Trusts*;

- (5) Form 1041-QFT, *U.S. Income Tax Return for Qualified Funeral Trusts*;
- (6) Form 1120-FSC, *U.S. Income Tax Return of a Foreign Sales Corporation*;
- (7) Form 1120-H, *U.S. Income Tax Return for Homeowners Associations*;
- (8) Form 1120-L, *U.S. Life Insurance Company Income Tax Return*;
- (9) Form 1120-ND, *Return for Nuclear Decommissioning Funds and Certain Related Persons*;
- (10) Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*;
- (11) Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*;
- (12) Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*;
- (13) Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*;
- (14) Form 1120-SF, *U.S. Income Tax Return for Settlement Funds (Under Section 468B)*;
- (15) Form 1040-SS, *U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico)*;
- (16) Form 2438, *Undistributed Capital Gains Tax Return*;
- (17) Form 8288, *U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests*;
- (18) Form 8752, *Required Payment or Refund Under Section 7519*; and
- (19) Form 8804, *Annual Return for Partnership Withholding Tax (Section 1446)*

Exhibit 2—Information Returns That Report Information That is or May be Reported on Another Tax Return That May Subject a Tax Return Preparer to the Section 6694(a) Penalty if the Information Reported Constitutes a Substantial Portion of the Other Tax Return

- (1) Form 3520, *Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts*;
- (2) Form 3520-A, *Annual Information Return of Foreign Trust With a U.S. Owner (Under section 6048(b))*;
- (3) Form 5471, *Information Return of U.S. Persons With Respect To Certain Foreign Corporations*;
- (4) Form 5472, *Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business (Under Sections 6038A and 6038C of the Internal Revenue Code)*;
- (5) Form 8805, *Foreign Partner's Information Statement of Section 1446 Withholding Tax*;
- (6) Form 8858, *Information Return of U.S. Persons With Respect To Foreign Disregarded Entities*; and
- (7) Form 8865, *Return of U.S. Persons With Respect to Certain Foreign Partnerships*

Exhibit 3 — Forms That Would Not Subject a Tax Return Preparer to the Section 6694(a) Penalty Unless Prepared Willfully in any Manner to Understate the Liability of Tax on a Return or Claim for Refund or in Reckless or Intentional Disregard of Rules or Regulations

- (1) Form 8288-A, *Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests*; and
- (2) Form 8288-B, *Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests*

EFFECTIVE DATE

This notice is effective as of April 16, 2008.

EFFECT ON OTHER DOCUMENTS

Notice 2008-13, 2008-3 I.R.B. 282, is supplemented.

CONTACT INFORMATION

The principal authors of this notice are Matthew S. Cooper and Michael E. Hara of the Office of Associate Chief Counsel (Procedure and Administration). For further information regarding this notice, contact Mr. Cooper at (202) 622-4940 or Mr. Hara at (202) 622-4910 (not toll-free calls).

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[Statistics of Income \(SOI\) Bulletin - Fall 2009](#)

(entire publication in PDF)

[Individual Income Tax Returns, 2007](#)

by *Justin Bryan*

Taxpayers filed 143.0 million individual income tax returns for Tax Year (TY) 2007, an increase of 3.3 percent from the 138.4 million returns filed for TY 2006. The adjusted gross income (AGI) less deficit reported on these returns totaled \$8.7 trillion, an 8.2-percent increase from the previous year. Several income items increased appreciably during 2007, including taxable interest, ordinary dividends, taxable IRA distributions, and net capital gains (less loss), which increased 20.4 percent, 18.9 percent, 18.6 percent, and 16.4 percent, respectively.

Excel Tables:

[1](#), [2](#), [3](#), [4](#)

Related Link:

[Individual Income Tax Returns \(Form 1040\) Statistics](#)

[Partnership Returns, 2007](#)

by *Tim Wheeler and Nina Shumofsky*

The number of partnerships increased 5.1 percent, from 2,947,116 for Tax Year 2006 to 3,096,334 for Tax Year 2007. The number of partners increased 10.7 percent, from 16,727,803 for 2006 to 18,515,694 for 2007. Total partnership net income (loss) increased by 2.5 percent, from \$666.7 billion for 2006 to \$683.4 billion for 2007.

Partnerships classified in the finance and insurance sector accounted for a \$41.0-billion increase in total partnership net income (loss). Total net income (loss) for all partnerships increased only \$16.6 billion, due to losses in other sectors. Real estate, rental, and leasing had the largest losses, \$20.5 billion, followed by construction, \$15.1 billion.

Excel Tables:

Excel tables will be uploaded as available

Related Link:

[Partnerships and Sole Proprietorships, by State, for Tax Year 2007](#)

by *Linda Morey*

California, Florida, New York and Texas, with a combined 32.5 percent of the nation's population, together filed 31.9 percent of all partnership returns for tax year 2007. While Texas and New York together account for 14.4 percent of the nation's population, the two states—Texas with gross receipts of \$783.8 billion and New York with gross receipts of \$700.1 billion—accounted for 35.4 percent of partnership gross

Excel Tables:

Excel tables will be uploaded as available

Related Link:

receipts in the United States. California, Florida, New York, and Texas also accounted for 34.9 percent of all sole proprietorship returns. They had both the highest gross receipts and the highest net profits, with a combined share of 36.7 percent and 38.7 percent, respectively		
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Tax-Exempt Bonds, 2007

by Emily Shammass

<p>More than 25,000 tax-exempt governmental bonds were issued in Calendar Year 2007, raising \$379.3 billion in proceeds for public projects such as schools, transportation infrastructure, and utilities. Of the \$316.3 billion of long-term governmental bonds issued, \$200.1 billion were used to finance new projects. The remaining \$116.1 billion refunded prior governmental bond issues.</p> <p>More than 4,300 tax-exempt private activity bonds were also issued in 2007, for a total \$137.4 billion. These tax-exempt private activity bond proceeds financed qualified private facilities such as residential rental facilities, single family housing, and airports, as well as Internal Revenue Code section 501(c)(3) organizations like hospitals and private universities. Of the \$136.6 billion in long-term private activity bonds issued, \$86.6 billion were used to finance new projects. The remaining \$50.0 billion in proceeds refunded prior tax-exempt private activity bond issues.</p>	<p>Excel Tables:</p> <p>Excel tables will be uploaded as available</p>	<p>Related Link:</p>
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Foreign Trusts, 2006

by Daniel S. Holik

<p>The Statistics of Income (SOI) Division's study of 2006 foreign trust information returns, Forms 3520 and 3520-A, is consistent with substantial and increasing interest in foreign investment by U.S. taxpayers. Between tax years 1990 and 2006, the number of Form 3520 returns reporting foreign trust transactions and certain foreign gifts increased by almost 5,900 percent, while the number of Form 3520-A foreign grantor trust returns increased by more than 1,200 percent.</p> <p>The total value of property transferred, as reported on Form 3520, increased from \$273 million for 1990 to \$1,642 million for 2006. During the same period, net income reported by foreign grantor trusts increased from \$3 million to \$1,941 million, while total assets in these trusts increased from \$154 million to \$31,888 million. U.S. persons also reported \$2,878 million in distributions from foreign nongrantor trusts and \$2,891 million in foreign gifts and bequests for 2006.</p>	<p>Excel Tables:</p> <p>1, 2, 3, 4</p>	<p>Related Link:</p> <p>Foreign Trusts</p>
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Domestic Private Foundations and Charitable Trusts: Tax Years 2005 and 2006

by Cynthia Belmonte

<p>There was a 3-percent increase in the number of private foundations that filed Form 990-PF annually between Tax Years 2004 and 2006. Nonoperating private foundations, which provide grants to other charitable organizations, accounted for the majority of</p>	<p>Excel Tables:</p> <p>Excel tables will be uploaded as available</p>	<p>Related Link:</p>
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<p>Form 990-PF filers and their financial activity. The newly organized Bill and Melinda Gates Foundation Trust was the largest foundation, based on asset size, while the Bill and Melinda Gates Foundation remained the biggest grantmaker, based on contributions, gifts, and grants disbursed, for Tax Year 2006.</p>		
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<p>A Look at Estate Tax Returns Filed for Wealthy Decedents Since 2001 by <i>Brian G. Raub</i></p>		
<p>Between 2001 and 2007, the total number of estate tax returns filed fell significantly, due primarily to increases in the estate tax exemption enacted as part of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. However, the number of returns filed for wealthy decedents, those with at least \$3.5 million in gross estate, increased between the two years, from almost 9,500 to just over 14,200. Estates of wealthy decedents experienced significant fluctuations in the composition of asset portfolios between 2001 and 2007, based in large part on the performance of the equity and real estate markets. During this period, the percentage of wealthy decedents who left charitable bequests declined slightly, but the proportion of gross estate bequeathed to charity by those who left charitable bequests did not decline significantly. Philanthropic organizations, including private foundations, remained the largest beneficiary of charitable bequests made by wealthy decedents throughout this period.</p>	<p>Excel Tables:</p> <p>Excel tables will be uploaded as available</p>	<p>Related Link:</p>

<p>Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons by <i>Mark R. Lowe</i></p>		
<p>The total value of nonloan transactions between large foreign-owned domestic corporations and related foreign parties totaled \$1.86 trillion, a 64-percent increase since the previous high of \$1.134 trillion in 2004. The total amounts received, excluding loan balances, rose 75.9 percent between 2004 and 2006, from \$439 billion to \$772 billion. A similar rise occurred in the total amounts paid. The average amounts received and paid are at their highest since 1988, when data were first collected. Interest received more than tripled between 2004 and 2006, from \$6.17 billion to \$22.9 billion.</p> <p>There was a 21.8-percent increase in the number of large foreign parent corporations between 2004 and 2006, rising from 774 to 943. The number of related persons increased from 16,565 to 19,191. For 2006, the 943 large foreign-owned domestic corporations that filed Forms 5472 comprised only 1.39 percent of all 25-percent-or-more foreign-owned domestic corporations but accounted for 80.4 percent of the total assets and 79.2 percent of the total receipts. These large corporations accounted for 10.98 percent of the total assets and 11.4 percent of the total receipts reported by all domestic corporations for 2006.</p>	<p>Excel Tables:</p> <p>Excel tables will be uploaded as available</p>	<p>Related Link:</p>

<p>Charities, Business Leagues, and Other Tax-Exempt Organizations, 2006 by <i>Paul Arnsberger</i></p>		
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<p>For 2006, nonprofit charitable organizations tax-exempt under section 501(c)(3), excluding private foundations, reported \$2.5 trillion in total assets and \$1.4 trillion in revenue. The number of returns filed by these organizations totaled 301,214, including both Forms 990 and the shorter 990-EZ.</p> <p>Program service revenue, the fees received for charitable programs conducted by tax-exempt organizations, was \$920.2 billion for Tax Year 2006 and represents nearly two-thirds of the total revenue reported by charitable organizations. A second source of revenue—contributions, gifts, and grants—which totaled \$303.1 billion, accounted for more than half of the total revenue of organizations with asset holdings of less than \$1.0 million dollars, but for a much smaller share of the total revenue of larger organizations.</p> <p>Business leagues and other organizations exempt under IRC section 501(c)(6) filed 30,705 information returns, on which they reported \$60.2 billion in assets and \$37.9 billion in revenue. Eighty-three percent of the returns filed by 501(c)(6) organizations came from business leagues, chambers of commerce, and professional associations. Insurance-related organizations, while few in number, accounted for more than 25 percent of the assets reported for Tax Year 2006.</p>	<p>Excel Tables:</p> <p>Excel tables will be uploaded as available</p>	<p>Related Link:</p>
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In the Next Issue

The following articles are tentatively planned for inclusion in the winter 2010 issue of the Statistics of Income Bulletin, scheduled to be published in February 2010:

- Individual income tax rates and tax shares, Tax Year 2007;
- Split-interest trusts, Filing Year 2008;
- Projections of tax return filings;
- Interest-charge domestic sales corporations (IC-DISC) data, Tax Year 2006;
- Unrelated business income tax returns, Tax Year 2006;
- Sales of capital assets cross-section data, Tax Year 2007; and
- Foreign recipients of U.S. income, Tax Year 2006.

Link: [Historical Tables and Appendix](#)

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Page Last Reviewed or Updated: December 15, 2009

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

by Mark R. Lowe

The total value of nonloan transactions between large foreign-owned domestic corporations (see Explanation of Selected Terms) and related foreign parties reached \$1.86 trillion, a 64-percent increase over the 2004 study's record \$1.134 trillion. While comparisons between study years are not perfect because of the changing sample size (see study history and sample selection discussions, below), the total value of nonloan transactions still represents an increase as well as a study high even when averaged across reporting 1120 parent corporations. Sales and purchases of stock in trade represent the bulk of the total value of nonloan transactions (77.1 percent and 82.7 percent, respectively), which is consistent with prior years.

The total amounts received (excluding loan balances) rose 75.9 percent between 2004 and 2006, from \$439 billion to \$772 billion, respectively. A similar rise occurred in the total amounts paid. The average amounts received and paid are at their highest since this study began in 1988. Interest received more than tripled between 2004 and 2006, from \$6.17 billion to \$22.9 billion, respectively. Even when averaging across 1120 parent corporations to account for the increase in the sample size, the amount of interest received is higher than any previous study (See Figure A for a comparison between Study Years 1992 through 2006).

The large U.S. companies represented in this study continued to send out more in property, services, and money than they received through transactions with related foreign parties. This net outflow came to \$60 billion in 2006 compared to \$224 billion in 2004. This is the first time since 1998 that the year-over-year change in net outflow has decreased. When averaged across parent corporations, net outflows are at an all-time low since the study began in 1988. Net outflows are the difference between total outflows (total amounts paid plus the net amount loaned) and total inflows (total amounts received plus the net amount borrowed).

There was a 21.8-percent increase in the number of large foreign parent corporations included in

this study since 2004, rising from 774 to 943. The number of related persons increased from 16,565 to 19,191 between 2004 and 2006 (see the sample selection discussion for an explanation of the increasing sample size). For 2006, the 943 large foreign-owned domestic corporations filing Forms 5472 comprised only 1.39 percent of all 25-percent-or-more foreign-owned domestic corporations but accounted for 80.4 percent of the total assets and 79.2 percent of the total receipts. These large corporations accounted for 10.98 percent of the total assets and 11.4 percent of the total receipts reported by all domestic corporations for 2006 (see Figure B for more data).

Transactions by Industrial Sector

As in prior studies, over three-fourths of the foreign-owned domestic corporations with reportable transactions in this study can be classified in three industrial sectors: manufacturing (39.6 percent); wholesale trade (25.1 percent); and finance and insurance (10.9 percent). This same group accounts for 78.8 percent of the related foreign persons and 95.6 percent of all nonloan transactions. See Figure C for the number of returns by industry.

While the finance and insurance sector had the third highest number of related foreign persons (only 5.8 percent of all persons compared to manufacturing (56.8 percent) and wholesale trade (16.2 percent)), more of the total value of nonloan transactions came from the finance sector than all other sectors combined (\$1.068 trillion of the total \$1.86 trillion). (See Table 1 for statistics by industry of the foreign-owned domestic corporation.) The manufacturing sector had the second largest value of total nonloan transactions, and wholesale trade had the third largest value (\$392.5 billion and \$318.2 billion, respectively). All three sectors experienced an increase in these transactions over 2004 (finance by 91.2 percent, manufacturing by 46 percent, and wholesale trade by 27 percent).

It is important to note that the number of related foreign persons is not necessarily the same as the number of transactions. A related foreign person may have had multiple transactions with a foreign-owned domestic corporation during an accounting

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Figure A

Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Form 5472: Selected Items for Selected Tax Years 1992 through 2006

[Money amounts are in millions of dollars]

Item	1992	1993	1994	1996	1998	2000	2002	2004	2006
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Foreign-owned domestic corporations with total receipts of \$500 million or more and with Form 5472 [1]									
Number of returns	366	437	444	545	610	612	737	774	943
Total assets	1,317.3	1,540.5	1,681.6	2,125.8	2,929.4	4,486.1	4,712.3	6,293.0	8,027.4
Total receipts	808.0	871.4	944.6	1,175.4	1,292.9	1,920.8	1,851.1	2,301.7	3,118.8
Income subject to U.S. tax	14.5	15.7	18.5	36.2	36.4	72.7	46.4	74.9	137.5
Total U.S. income tax after credits	4.1	4.9	5.8	10.2	10.8	20.2	12.1	20.4	39.6
Transactions between foreign-owned domestic corporations and related foreign persons									
Number of related foreign persons	6,708	7,662	8,540	10,316	11,379	12,276	14,515	16,565	19,191
Amounts received from related foreign persons:									
Total (excluding loan balances) [2]	63.1	77.1	112.3	132.5	297.9	265.3	166.7	439.0	772.4
Sales of stock in trade	49.0	53.1	69.4	65.8	259.4	159.2	110.3	371.4	595.5
Sales of tangible property other than stock in trade	0.7	0.5	1.1	2.8	3.3	4.7	8.2	4.7	2.8
Consideration for technical, managerial or like services	3.0	3.1	3.6	4.4	10.6	10.9	12.2	14.6	26.7
Interest	1.1	1.1	1.1	1.8	2.7	4.6	4.2	6.2	22.9
Premiums for insurance or reinsurance	2.8	1.4	0.7	0.9	1.0	1.2	1.4	4.5	4.0
Other amounts	4.7	15.7	33.6	53.3	17.0	79.7	20.9	26.5	105.7
Amounts borrowed, ending balance	67.9	88.6	87.9	134.2	206.5	418.2	498.8	679.4	963.2
Amounts paid to related foreign persons:									
Total (excluding loan balances) [2]	139.2	185.3	220.0	212.3	398.9	480.2	353.6	695.2	1,088.1
Purchases of stock in trade	120.8	153.4	177.9	178.0	348.7	347.0	278.2	608.2	899.9
Purchases of tangible property other than stock in trade	2.6	3.9	2.7	3.9	5.3	7.4	2.4	6.8	14.4
Consideration for technical, managerial or like services	2.1	2.5	3.4	4.4	6.5	8.5	7.3	8.7	36.0
Interest	5.4	5.7	6.2	8.8	14.5	26.1	24.6	26.0	53.4
Premiums for insurance or reinsurance	3.1	1.7	1.8	1.8	1.8	2.0	14.0	13.8	22.5
Other amounts	3.4	15.5	23.2	9.6	15.0	81.1	15.0	15.2	28.6
Amounts loaned, ending balance	19.2	24.0	28.4	30.4	55.8	97.0	189.1	307.3	261.0

[1] Includes data for a few foreign life insurance companies filing Form 1120L. See footnote 4 at the end of this article.

[2] Includes items not shown separately.

NOTE: Detail may not add to totals because of rounding.

Figure B

Foreign-Owned and Other Domestic Corporations, Tax Year 2006

[Money amounts are in billions of dollars]

Item	All corporations	25 percent or more foreign-owned domestic corporations [1]		25 percent or more foreign-owned domestic corporations with total receipts of \$500 million or more and with Form 5472 as a percentage of:	
		Total	With total receipts of \$500 million or more and with Form 5472	All corporations	25 percent or more foreign-owned domestic corporations [1]
Number of returns	5,840,799	68,048	943	0	1
Total assets	73,081	9,980	8,027	11	80
Total receipts	27,402	3,938	3,119	11	79
Income subject to U.S. tax	1,291	180	138	11	76
Total U.S. income tax after credits	353	53	40	11	75

[1] Includes data for a few foreign life insurance corporations filing Form 1120-L and some foreign corporations with U.S. income filing Form 1120-F.

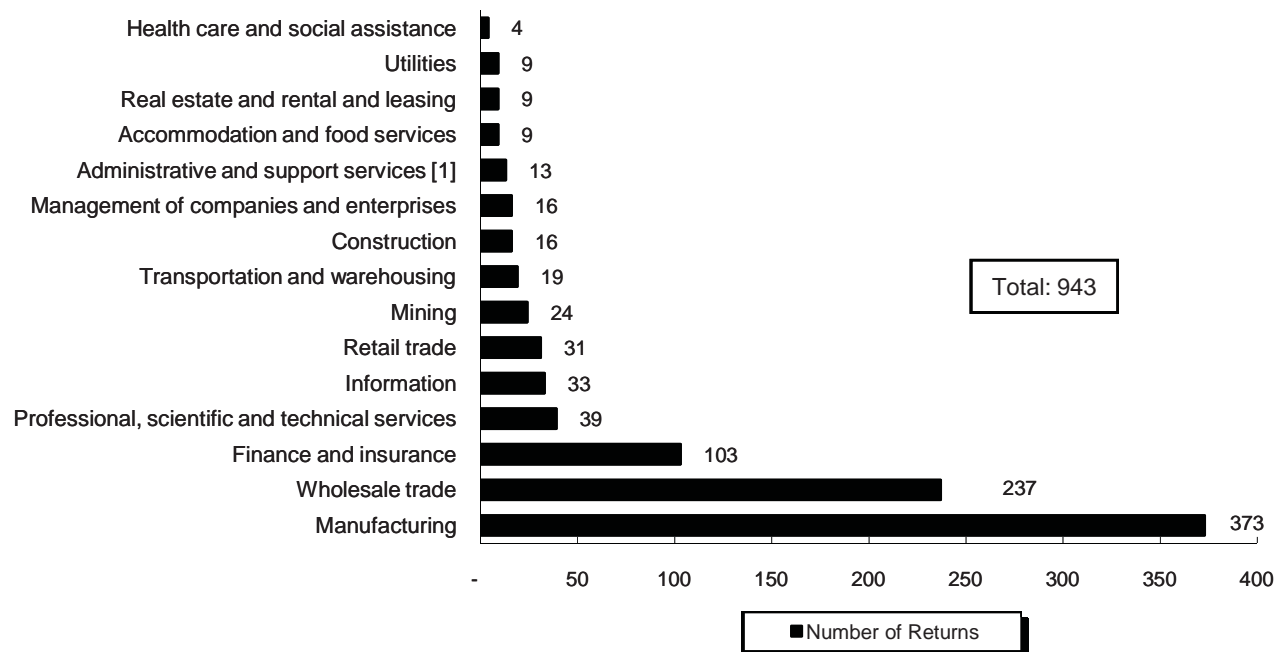
See footnote 4 at the end of this article.

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Figure C

Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Form 5472: Number of Returns, by NAICS Industrial Sector of Domestic Corporation, Tax Year 2006



[1] "Administrative and support and waste management and remediation services"

NOTE: NAICS is the abbreviation for the North American Industry Classification System. Not shown to avoid disclosure of information about specific corporations are the NAICS industrial sectors, "Arts, Entertainment, and Recreation;" "Educational Services;" "Agriculture, Forestry, Fishing and Hunting;" and, "Other Services (except Public Administration)."

period included in this study. The number of transactions was not available for this study.

Transactions with Whom?

Over 80 percent of the total value of nonloan transactions comes from related persons in just five countries. In descending order of total nonloan transactions value, the five countries are: United Kingdom, Japan, Switzerland, Canada, and Germany. This group of five was the same in 2002 and 2004, though the order changed slightly. As the country with the most transactions, the U.K. alone accounted for 53.6 percent of the total amount of transactions (an increase from 2004, when it accounted for 48.8 percent).

Figure D shows a chart of countries and their percentage contributions to total transactions. This figure only includes the 12 countries with at least 1 percent of the total value of transactions. Table 3

shows transactions by industry and country of related party. For the U.K., over 93 percent of the value of total transactions comes from the finance and insurance industry.

Domestic corporations reporting transactions with related persons from three of the five countries mentioned above paid out more in transactions than they received (meaning that there was a net outflow of money during 2006 from the domestic corporations to the related persons from these particular countries) (see Explanation of Selected Terms). Additionally, nearly 75 percent of the 52 selected countries in this study had net outflows (many of these countries are shown in Table 2).

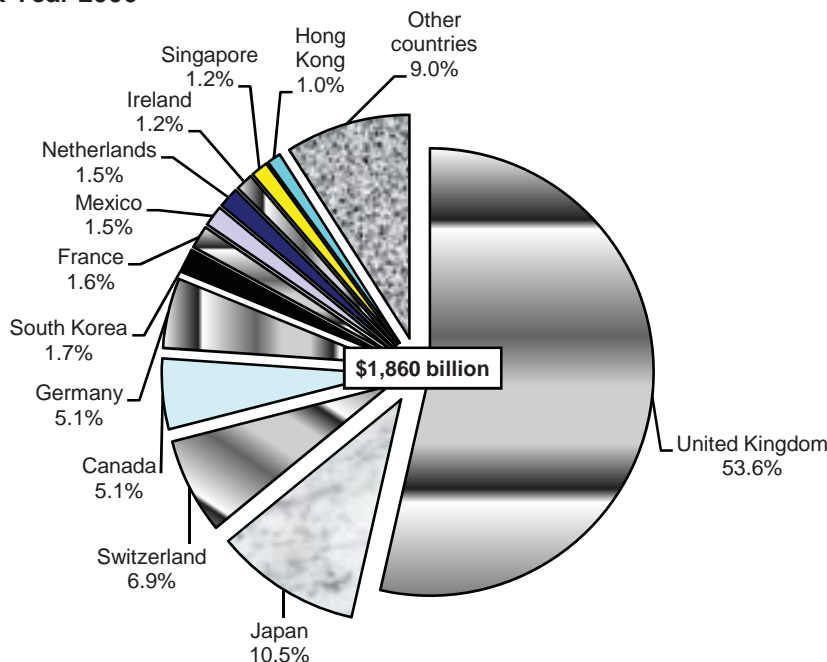
The largest net outflow of transactions went to related persons resident and doing business in Japan from domestic corporations. Japanese parties were paid \$132.2 billion more than U.S. corporations

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Figure D

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons: Total Value of Non-loan Transactions by Country of Selected Related Foreign Persons, Tax Year 2006



transacting with them received. Japanese parties also received the largest value of transactions in 2004. The largest net inflow of transactions came from the United Kingdom, where U.S. corporations received \$171.5 billion more than was paid to the foreign persons transacting with them. In 2004, the largest inflow was from Switzerland. The industry with the largest net outflow of transactions was wholesale trade, with \$204 billion more in transactions paid out by U.S. corporations in this sector than received from related parties. The largest net inflows (\$304 billion) came to U.S. domestic corporations in the finance and insurance sector.

Study History and Inclusion Criteria

This study covers transactions between reporting corporations and related foreign persons. A reporting corporation is defined as either a domestic corpora-

tions that is 25-percent-or-more owned by a single foreign person or a foreign corporation engaged in a U.S. trade or business (i.e., a U.S. branch of a foreign corporation). More than 95 percent of the reporting corporations included in this study are companies incorporated in the United States. These corporations must report transactions made with each related foreign party during the tax year.¹ Related foreign persons include any direct or indirect 25-percent foreign shareholder, as well as any foreign person related to either the reporting corporation or a 25-percent foreign shareholder as defined by the Internal Revenue Code.²

Transactions are reported on Form 5472, *Information Return of a 25-Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business*. A consolidated corporate tax return can and frequently does include multiple

¹ IR Code section 6038A.

² IR Code sections 267(b), 482, and 707(b)(1).

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Forms 5472, ranging in 2006 from 1 to 1,586. Data in this study are not published by individual reporting corporations but instead are published by the corporation on whose Form 1120 the Form 5472 was filed, by the country of the related foreign person, or both (see Tables 1, 2, and 3, respectively).

Statistics of Income conducted this study annually beginning in 1988, then biennially since 1994.^{3, 4} For inclusion in this study, a corporation must report \$500 million or more in total receipts and have filed a Form 5472. In 2006, a domestic corporation was required to file a Form 5472 if it was at least 25-percent foreign-owned and engaged in transactions with at least one related foreign party. The Internal Revenue Code subjects each reporting corporation to a fine of \$10,000 for each related party failing to file all reportable transactions on Form 5472.⁵

Congress, concerned that related party transactions could be manipulated to avoid U.S. taxation, added reporting requirements to corporations so that they provide the Internal Revenue Service with more information about the nature and amount of these transactions. This led IRS to publish and distribute Form 5472 which was attached to tax returns starting in 1984.⁶

Beginning in Tax Year 2006, all returns with total assets greater than \$10 million were required by IRS to file their tax returns electronically, including attached Forms 5472. Over 90 percent of the returns in this study filed their returns electronically. Because of this, the 2006 5472 study was produced with minimal manual data transcription, using computer programs to process these returns instead.

Sample Selection, Data Sources, and Limitations

The corporation Statistics of Income study is based on a sample of over 111,000 corporate income tax returns chosen from 6.44 million returns which companies filed for Tax Year 2006, i.e., accounting periods ending July 2006 through June 2007. These returns were selected after completion of administrative processing, but before the start of any audit examinations.⁷

From the sample, only those returns of domestic corporations reporting total receipts of \$500 million or more, and with attached Forms 5472, were selected for this study. Returns, however, with at least one Form 5472 attached and selected in previous studies were included in these statistics, even if the corporation fell below the \$500-million receipts threshold.

Foreign corporations (filing Form 1120F) engaged in a U.S. trade or business were not included in these statistics, even though the corporation may have filed Forms 5472 for transactions with related foreign persons.⁸ Because corporation income tax returns with total receipts of \$500 million or more are sampled at the 100-percent rate, the data in this study are not subject to sampling variability, though possibly subject to nonsampling error.

The industry code used to classify returns for Figure B and Tables 1 and 3 represents the principal business activity of the corporation filing the tax return (i.e., the activity that accounted for the largest portion of total receipts as reported in the corporation's income statement.⁹ However, a given return

³ Form 5472 statistics for Tax Years 1988 through 1990 covered all foreign-owned domestic corporations with total receipts of \$1 billion or more. Statistics for Tax Years 1991 through 1994, 1996, 1998, 2000, 2002, and 2004 covered all foreign-owned domestic corporations with total receipts of \$500 million or more. Consequently, data for 1991 and thereafter are not comparable to the earlier studies.

⁴ Additional information about Statistics of Income Form 5472 studies for Tax Years 1988 through 2004 may be found in the following *Statistics of Income Bulletin* issues: Tax Year 1988, Summer 1992, Volume 12, Number 1; Tax Year 1989, Spring 1993, Volume 12, Number 4; Tax Year 1990, Summer 1994, Volume 14, Number 1; Tax Year 1991, Summer 1995, Volume 15, Number 1; Tax Year 1992, Fall 1996, Volume 16, Number 2; Tax Year 1993, Fall 1997, Volume 17, Number 2; Tax Year 1994, Winter 1997-1998, Volume 17, Number 3; Tax Year 1996, Fall 1999, Volume 19, Number 2; Tax Year 1998, Fall 2001, Volume 21, Number 2; Tax Year 2000, Fall 2003, Volume 23, Number 2; Tax Year 2002, Winter 2006, Volume 25, Number 3; and Tax Year 2004, Fall 2008, Volume 28, Number 2.

⁵ IR Code section 6038A(d).

⁶ For a more extensive discussion of the legislative history of this reporting requirement, see Duffy, Heather R., "Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2000," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 1. For the discussion of these requirements in the congressional record, see 135 Cong.Rec. S13057-03, S13147.

⁷ For more information on the corporate sample and statistics on corporation income tax returns for 2006, see *Statistics of Income-2006, Corporation Income Tax Returns*.

⁸ Foreign corporations (except life insurance companies) engaged in a U.S. trade or business file Form 1120-F, U.S. Income Tax Return of a Foreign Corporation. These returns are excluded from the Form 5472 statistics. However, data reported by a few foreign life insurance companies filing Form 1120-L U.S. Life Insurance Company Income Tax Return, are included in the Form 5472 statistics to ensure completeness of the industry statistics for domestic corporations.

⁹ For the first time in Tax Year 1998, corporate returns reported their principal business activities according to the North American Industry Classification System (NAICS). This system was developed as a result of the North American Free Trade Agreement (NAFTA) to standardize business classifications for the United States, Canada, and Mexico. NAICS divides the economy into twenty sectors, with an emphasis on production processes. NAICS replaced the Standard Industrial Classification (SIC) codes, which were used to classify corporations in past Statistics of Income studies, causing a break in the year-to-year comparability of the industrial data.

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may refer to a company engaged in several business activities or an affiliated group of corporations that conducted different business activities (consolidated return filing). To the extent that some consolidated (and nonconsolidated) returns were engaged in more than one type of business activity, transaction data in this article are not entirely related to the industrial activity under which they are shown.

Explanation of Selected Terms

Amounts borrowed and loaned—Because the beginning and ending balances, in general, reflect only the amounts outstanding at the beginning and end of the accounting period, respectively, these amounts do not reflect amounts borrowed and loaned in transactions that took place entirely within the accounting period.

Country of residence of a related person—Based on the income tax regulations related to Internal Revenue Code section 6038A, Form 5472 requires the reporting of each country in which a related person files an income tax return as a resident under the tax laws of that country. The statistics in Tables 2 and 3 are based on this reported residence, and, within this meaning, the related foreign person is a resident of a particular foreign country.

Foreign-owned domestic corporations—For purposes of these statistics, a domestic corporation was considered foreign-owned if at least 25 percent of the total voting power of all classes of stock permitted to vote, or 25 percent of the total value of all classes of stock of the corporation, was owned, directly or indirectly, at any time in the tax year, by a single foreign shareholder (generally a foreign parent corporation). This is in contrast to the other Statistics of Income data on “foreign-controlled” domestic corporations, which are based on 50-percent or more ownership by a foreign person.¹⁰

Foreign person—The term “foreign person” generally includes: (1) any partnership, association, company, or corporation that was not created or organized under the laws of the United States or of any of its States; (2) any individual who is not a citizen or resident of the United States; (3) any individual who is a citizen of a U.S. possession, but is not otherwise a U.S. citizen or resident; and (4) any foreign trust,

estate, or government. For the most part, the foreign persons referred to in this article are corporations. See also “Related foreign person,” below.

Number of foreign persons—The data shown in the figures and tables, in general, represent the number of foreign persons reported on the Forms 5472 appended to the 943 income tax returns filed by domestic corporations with \$500 million or more in total receipts (defined below) that were 25-percent-or-more owned by a foreign person. Domestic member corporations of an affiliated group that filed a consolidated income tax return could also join in filing a consolidated Form 5472 for transactions with a given related foreign person. However, some affiliated domestic corporations that could have filed consolidated Forms 5472 filed separate forms instead. When these forms were identified during statistical processing, the information on them was combined, and the result treated as a single Form 5472 for consistency. To this extent, the “number of persons” understates the actual number of Forms 5472 attached to the 943 income tax returns included in the statistics.

OPEC countries—Summary statistics are provided in Table 2 for the following Middle Eastern countries that were members of the Organization of Petroleum Exporting Countries (OPEC) for 2006: Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Data for non-Middle Eastern OPEC members are not shown by country.

Related foreign person—Persons related to the domestic corporation that filed a Form 5472 include the 25-percent-or-more foreign shareholder, any foreign person who was related to the reporting corporation or the 25-percent-or-more shareholder (as described in Internal Revenue Code sections 267(b) or 707(b)), or any other foreign person who was related to the reporting corporation within the meaning of Internal Revenue Code section 482 (covering the allocation of income and deductions among related taxpayers) and the associated regulations. See also “foreign person,” above, for the definition of “person.”

Total nonloan transactions—A term used in the article for the total value of transactions paid to or received from a related foreign person, excluding the net borrowed or loaned amount.

Total receipts—Total receipts are the total income of the domestic corporation as reported in the

¹⁰ Statistics on domestic corporations controlled by foreign persons for 2006 are reported in Hobbs, James R., “Foreign-Controlled Domestic Corporations, 2006,” *Statistics of Income Bulletin*, Summer 2009, Volume 29, Number 1.

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U.S. income tax return. In general, they are derived from the tax return as follows: (1) gross taxable receipts (before deduction of cost of sales and operations, and ordinary and necessary business expenses), plus (2) tax-exempt interest received from State and local government obligations, less (1) net losses from sales of property other than capital assets and (2) certain taxable income from related foreign corporations only constructively received.

Net outflows/inflows—The flow of transactions can be calculated by adding back net loaned amounts to amounts paid and net borrowed amounts to total received. The difference between this computed total received and total paid is the net flow of transactions. A negative amount indicates more money was paid out by the U.S. domestic corporations to related foreign parties than was received from them (net outflow); A positive amount is a net inflow.

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Table 1. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472: Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation

[Money amounts are in thousands of dollars]

Industrial sector	Number of returns	Total assets	Total receipts	Income subject to U.S. tax	Total U.S. income tax after credits
	(1)	(2)	(3)	(4)	(5)
All industries	943	8,027,417,655	3,118,764,010	137,538,557	39,588,560
Agriculture, forestry, fishing, and hunting	d	d	d	d	d
Mining	24	92,153,244	54,171,684	8,396,420	1,550,838
Utilities	9	63,879,552	29,461,167	611,709	137,456
Construction	16	18,481,800	32,946,976	1,116,753	381,444
Manufacturing	373	2,061,045,050	1,556,583,809	70,934,202	19,356,551
Wholesale trade	237	362,872,605	612,443,600	18,949,305	6,193,298
Retail trade	31	75,191,823	142,760,051	2,613,035	891,244
Transportation and warehousing	19	42,785,266	34,587,996	631,836	206,959
Information	33	295,445,698	71,844,675	3,755,538	1,277,340
Finance and insurance	103	3,757,755,346	378,128,938	13,022,664	4,216,228
Real estate and rental and leasing	9	23,620,418	10,965,324	891,650	319,962
Professional, scientific, and technical services	39	74,308,805	36,559,534	1,351,151	424,414
Management of companies and enterprises	16	1,064,141,239	101,162,261	13,272,668	4,065,420
Administrative and support and waste management and remediation services	13	21,822,605	21,328,172	184,396	50,439
Educational Services	d	d	d	d	d
Health care and social assistance	4	16,321,840	11,395,914	851,964	295,103
Arts, entertainment, and recreation	d	d	d	d	d
Accommodation and food services	9	49,418,320	16,208,173	929,306	212,928
Other services	5	535,621	749,198	0	106

Industrial sector	Transactions between foreign-owned domestic corporations and related foreign persons				
	Number of related foreign persons	Amounts received from related foreign persons			
		Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties
(6)	(7)	(8)	(9)	(10)	
All industries	19,191	772,424,344	595,484,568	2,801,366	1,999,692
Agriculture, forestry, fishing, and hunting	d	d	d	d	d
Mining	546	5,533,619	4,124,767	177,342	17,098
Utilities	51	2,551,448	2,217,261	84,545	0
Construction	124	154,147	0	13,903	0
Manufacturing	10,910	116,452,702	83,511,625	1,108,724	1,165,253
Wholesale trade	3,107	55,993,303	41,783,101	1,379,487	529,878
Retail trade	224	1,446,733	519,629	217	33,526
Transportation and warehousing	830	7,099,088	398,904	7,803	78,171
Information	836	3,596,573	536,928	10,914	109,099
Finance and insurance	1,115	569,810,776	461,756,994	372	13,499
Real estate and rental and leasing	161	873,028	154,708	10	0
Professional, scientific, and technical services	772	3,448,678	225,811	18,050	41,807
Management of companies and enterprises	230	4,909,750	108,895	0	57
Administrative and support and waste management and remediation services	83	172,624	104,954	0	0
Educational Services	d	d	d	d	d
Health care and social assistance	12	12,870	10,870	0	0
Arts, entertainment, and recreation	d	d	d	d	d
Accommodation and food services	107	286,631	0	0	4,351
Other services	27	48,087	11,562	0	0

Footnotes at end of table.

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Table 1. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472: Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation—Continued

[Money amounts are in thousands of dollars]

Industrial sector	Transactions between foreign-owned domestic corporations and related foreign persons—continued				
	Amounts received from related foreign persons—continued				
	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance
	(11)	(12)	(13)	(14)	(15)
All industries	4,195,646	26,726,910	8,642,628	22,887,412	3,992,650
Agriculture, forestry, fishing, and hunting	d	d	d	d	d
Mining	0	748,037	216	174,041	59,733
Utilities	6,076	6,354	0	82,445	0
Construction	0	72,368	0	27,741	5,151
Manufacturing	3,196,548	10,861,100	269,157	3,010,450	9,598
Wholesale trade	202,450	6,556,708	698,022	786,960	257
Retail trade	0	498,001	3,288	63,484	45,452
Transportation and warehousing	[1]	482,560	2,509,290	21,341	90
Information	459,062	1,336,879	44,603	627,921	436
Finance and insurance	6,174	1,891,766	5,000,555	17,518,029	3,867,434
Real estate and rental and leasing	0	96,031	76	127,274	0
Professional, scientific, and technical services	48,989	2,939,477	2,469	94,117	4,498
Management of companies and enterprises	231,606	1,076,953	114,726	291,506	0
Administrative and support and waste management and remediation services	0	51,460	225	7,670	0
Educational Services	d	d	d	d	d
Health care and social assistance	0	2,000	0	0	0
Arts, entertainment, and recreation	d	d	d	d	d
Accommodation and food services	44,741	76,136	0	50,664	0
Other services	0	29,563	0	0	0

Industrial sector	Transactions between foreign-owned domestic corporations and related foreign persons—continued				
	Amounts received from related foreign persons—continued			Amounts paid to related foreign persons	
	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade
		Beginning balance	Ending balance		
	(16)	(17)	(18)	(19)	(20)
All industries	105,693,472	740,086,776	963,155,639	1,088,121,004	899,885,362
Agriculture, forestry, fishing, and hunting	d	d	d	d	d
Mining	232,385	8,794,308	9,588,913	6,976,421	4,790,293
Utilities	154,767	17,651,377	12,683,138	4,563,253	2,614,040
Construction	34,983	1,678,370	2,701,154	404,107	1,793
Manufacturing	13,320,248	158,054,330	176,771,180	276,051,413	200,176,781
Wholesale trade	4,056,439	28,609,394	32,342,431	262,236,865	242,498,471
Retail trade	283,135	10,691,806	14,073,278	6,373,700	4,051,975
Transportation and warehousing	3,600,928	6,080,901	8,971,548	6,542,536	280,949
Information	470,730	53,647,051	57,193,537	11,040,630	4,631,675
Finance and insurance	79,755,953	389,084,328	585,235,592	499,041,690	438,764,716
Real estate and rental and leasing	494,929	10,893,569	10,076,692	1,054,461	441,486
Professional, scientific, and technical services	73,460	9,200,260	7,848,515	6,795,246	1,313,121
Management of companies and enterprises	3,086,006	32,748,923	32,137,248	4,935,870	172,808
Administrative and support and waste management and remediation services	8,316	3,333,384	7,116,215	869,378	0
Educational Services	d	d	d	d	d
Health care and social assistance	0	1,693,126	1,833,130	187,810	87,520
Arts, entertainment, and recreation	d	d	d	d	d
Accommodation and food services	110,740	6,058,420	2,967,323	815,593	0
Other services	6,962	0	0	59,733	59,733

Footnotes at end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 1. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472: Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation—Continued

[Money amounts are in thousands of dollars]

Industrial sector	Amounts paid to related foreign persons—continued				
	Purchases of tangible property other than stock in trade	Rents and royalties	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions
	(21)	(22)	(23)	(24)	(25)
All industries	14,361,296	17,398,856	7,430,676	35,973,739	8,472,837
Agriculture, forestry, fishing, and hunting	d	d	d	d	d
Mining	56,125	423,368	4,381	476,303	3,628
Utilities	667,127	766	0	92,465	0
Construction	4,468	7,261	9,479	98,966	0
Manufacturing	7,712,871	12,349,567	3,395,838	23,362,423	4,108,745
Wholesale trade	5,827,190	3,785,290	671,446	4,312,013	200,915
Retail trade	53,576	107,372	29,932	166,944	68,463
Transportation and warehousing	24,832	144,873	0	718,096	3,098,659
Information	661	319,368	1,118,786	443,065	118,404
Finance and insurance	64	84,439	180,481	1,301,490	804,219
Real estate and rental and leasing	14,024	0	0	14,121	8,678
Professional, scientific, and technical services	359	5,392	1,422,019	3,174,879	2,050
Management of companies and enterprises	0	152	466,407	1,524,745	59,075
Administrative and support and waste management and remediation services	0	169,654	103,069	30,445	0
Educational Services	d	d	d	d	d
Health care and social assistance	0	0	500	0	0
Arts, entertainment, and recreation	d	d	d	d	d
Accommodation and food services	0	1,353	28,338	185,663	0
Other services	0	0	0	0	0

Industrial sector	Transactions between foreign-owned domestic corporations and related foreign persons—continued				
	Amounts paid to related foreign persons—continued				
	Interest	Premiums for insurance or reinsurance	Other	Amounts loaned	
				Beginning balance	Ending balance
(26)	(27)	(28)	(29)	(30)	
All industries	53,444,546	22,539,905	28,613,788	292,757,275	261,030,348
Agriculture, forestry, fishing, and hunting	d	d	d	d	d
Mining	727,981	7,127	487,215	4,584,712	7,278,978
Utilities	899,965	3,394	285,496	4,600,485	1,851,486
Construction	181,391	2,634	98,116	562,055	604,613
Manufacturing	13,663,701	928,447	10,353,038	50,152,630	51,500,452
Wholesale trade	2,224,698	56,919	2,659,923	13,252,393	14,791,382
Retail trade	909,648	261,150	724,641	1,459,596	1,555,283
Transportation and warehousing	451,807	41,730	1,781,590	1,325,290	1,036,955
Information	3,476,786	16,100	915,785	6,961,211	6,833,132
Finance and insurance	26,312,138	21,124,158	10,469,985	203,604,808	166,468,784
Real estate and rental and leasing	566,305	177	9,669	1,128,939	1,679,921
Professional, scientific, and technical services	789,719	6,918	80,789	2,318,950	2,098,030
Management of companies and enterprises	2,017,061	22,268	673,354	1,935,405	4,198,460
Administrative and support and waste management and remediation services	460,948	59,303	45,959	112,420	340,128
Educational Services	d	d	d	d	d
Health care and social assistance	90,210	9,580	0	0	25,117
Arts, entertainment, and recreation	d	d	d	d	d
Accommodation and food services	578,397	0	21,842	753,657	763,609
Other services	0	0	0	0	0

d—In order to avoid disclosure of information for specific corporations, some data have been deleted and shown with "d." Data are included in appropriate totals.

[1] Amounts less than \$500.

NOTE: Detail may not add to totals because of rounding.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 2. Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472: Transactions Between Corporations and Related Foreign Persons, by Selected Country of Residence of Related Foreign Person, 2006

[Money amounts are in thousands of dollars]

Residence of related foreign person [2]	Number of related foreign persons	Transactions between foreign-owned domestic corporations and related foreign persons							
		Amounts received from related foreign persons							
		Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All geographic areas, total	19,191	772,424,344	595,484,568	2,801,366	1,999,692	4,195,646	26,726,910	8,642,628	22,887,412
Canada	1,159	35,539,343	29,703,255	255,384	294,910	58,040	1,362,638	144,086	442,656
Latin America, total	2,444	23,096,082	15,620,385	234,705	81,030	42,287	2,338,331	53,482	433,491
Argentina	217	391,521	315,595	516	2,610	2,456	7,023	5,226	49,857
Barbados	45	5,248,517	1,783,144	0	0	0	31,912	0	8,071
Brazil	500	1,212,538	1,050,663	30,128	5,245	1,400	55,675	4,877	34,385
Cayman Islands	71	2,650,933	413,005	43,063	34,473	30,400	1,560,545	201	252,694
Mexico	709	10,641,663	9,568,200	110,777	32,606	3,434	501,839	40,426	56,718
Panama	94	1,610,678	1,373,749	43,993	109	795	103,325	1,133	6,320
Venezuela	119	232,101	171,121	407	0	467	27,651	72	777
Other Western Hemisphere, total	326	8,214,535	1,389,288	128,337	1,265	61,078	1,704,366	1,353,275	318,102
Bermuda	200	6,531,180	398,362	124,277	0	60,000	1,361,522	1,353,251	216,751
Europe, total	9,023	652,157,398	509,862,417	635,255	1,109,502	3,915,718	15,756,372	4,570,456	20,965,036
Belgium	344	2,777,292	980,375	85,062	3,708	1,286,804	172,246	21,190	72,820
Denmark	143	2,222,866	334,195	56	349	294	311,021	998,181	58,399
France	1,130	9,881,117	2,165,890	23,414	44,387	82,659	2,232,403	391,916	2,513,008
Germany	1,316	25,995,629	19,216,266	131,392	160,680	109,588	2,215,786	296,110	128,018
Hungary	144	57,822	30,092	2,441	2,102	3,095	4,128	0	13,979
Ireland	256	9,322,453	1,313,611	137,340	108,421	254,484	2,019,845	124,464	289,952
Italy	408	1,985,602	1,836,938	2,149	6,511	8,855	46,604	5,987	46,030
Luxembourg	138	2,766,954	522	10	0	386,711	1,219,955	46,623	449,820
Netherlands	737	9,247,063	3,337,274	137,712	35,141	579,447	1,540,699	21,008	2,006,233
Sweden	415	2,360,207	1,026,300	30,335	7,384	47,454	656,935	95,581	28,575
Switzerland	473	80,176,773	5,045,782	321	438,457	941,946	1,215,687	1,922,008	3,928,570
United Kingdom	1,786	503,233,723	473,023,707	56,907	259,135	167,439	3,952,988	618,745	11,371,862
Africa, total	464	616,221	498,876	7,435	8,689	7,492	48,226	277	1,195
South Africa	251	461,109	404,785	7,434	8,549	7,228	14,942	35	13
Asia, total	4,842	47,202,784	33,761,125	1,531,110	470,131	58,225	5,111,153	2,507,864	562,538
China	846	1,064,908	916,281	54,692	9,561	6,313	35,880	3,635	812
Hong Kong	419	1,849,402	1,073,578	69	6,489	3,694	145,276	323,201	194,387
Indonesia	144	205,700	164,240	13,775	0	836	10,243	749	223
Japan	1,128	30,364,284	23,444,589	99,488	187,884	30,866	3,439,545	645,826	335,302
Middle East countries (except OPEC)	113	342,029	102,117	371	159,981	221	13,612	[1]	2,549
OPEC countries (excluding Indonesia)	132	1,229,695	773,109	23	69,169	4,272	340,150	14,547	6,691
Singapore	536	6,966,910	4,517,377	42,618	16,829	3,105	714,024	1,494,014	8,182
South Korea	245	3,180,307	1,242,561	1,311,679	5,678	814	194,780	21,971	7,475
Taiwan	247	503,344	406,814	59	2,453	229	68,450	1,260	0
Oceania, total	818	2,787,831	2,244,244	6,034	24,882	52,806	126,334	13,188	105,616
Australia	634	2,360,705	1,843,337	5,964	24,309	51,600	118,827	13,174	105,564
Puerto Rico and U.S. Possessions	76	2,750,973	2,403,465	2,518	6,313	0	278,732	0	5,955

Footnotes at the end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 2. Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472: Transactions Between Corporations and Related Foreign Persons, by Selected Country of Residence of Related Foreign Person, 2006—Continued

[Money amounts are in thousands of dollars]

Residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued							
	Amounts received from related foreign persons—continued				Amounts paid to related foreign persons			
	Premiums for insurance or reinsurance	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade	Purchases of tangible property other than stock in trade	Rents and royalties
			Beginning balance	Ending balance				
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
All geographic areas, total	3,992,650	105,693,472	740,086,776	963,155,639	1,088,121,004	899,885,362	14,361,296	17,398,856
Canada	225,704	3,052,669	44,864,814	41,084,476	59,300,840	48,729,678	1,375,468	184,693
Latin America, total	173,238	4,119,133	2,772,833	4,065,180	40,815,705	34,062,007	156,913	385,191
Argentina	4,415	3,823	733	121	106,026	66,989	0	6
Barbados	43,531	3,381,860	637,629	671,551	4,796,646	4,477,771	0	0
Brazil	165	29,999	26,414	248,847	2,980,952	2,779,607	8,570	0
Cayman Islands	6,610	309,942	388,247	1,061,055	3,990,159	3,353,106	5	380,211
Mexico	96,574	231,090	1,357,792	1,924,652	17,200,956	13,162,125	141,716	4,975
Panama	2	81,252	10,370	58,557	267,644	16,047	6,536	0
Venezuela	1,765	29,840	42,444	46,274	9,210,995	9,186,111	0	0
Other Western Hemisphere, total	74,144	3,184,679	3,690,042	4,298,941	13,397,878	4,078,100	13,112	38,115
Bermuda	74,122	2,942,895	3,334,380	3,403,005	10,514,805	1,754,871	35	0
Europe, total	3,371,337	91,971,306	663,978,461	887,636,359	699,901,705	573,321,896	10,565,148	4,412,628
Belgium	37,925	117,161	917,548	4,370,589	4,301,437	2,230,786	57,056	327,764
Denmark	565	519,806	1,614,104	1,812,556	2,028,629	1,498,026	311	15,477
France	19,923	2,407,517	31,522,293	52,848,326	20,552,048	5,614,298	5,696,832	1,270,198
Germany	298,918	3,438,871	34,964,894	37,840,825	68,183,044	47,142,161	3,724,183	472,708
Hungary	360	1,626	18,901,512	23,520,832	5,393,333	189,883	1	45,600
Ireland	289,634	4,784,702	11,799,118	12,506,327	13,880,249	7,230,702	35,642	123,953
Italy	5,365	27,163	455,541	542,505	3,256,410	2,506,660	474,645	9,821
Luxembourg	0	663,314	38,022,635	36,256,820	4,968,280	326,252	0	2,219
Netherlands	4,771	1,584,777	78,370,940	133,282,931	18,262,227	6,228,513	18,362	608,041
Sweden	81	467,563	7,385,204	5,836,734	6,126,347	4,212,768	23,690	96,454
Switzerland	2,184,798	64,499,204	225,772,609	238,020,746	48,605,229	20,233,689	57,617	1,068,636
United Kingdom	423,348	13,359,594	194,822,836	319,677,721	493,196,002	466,974,967	442,996	338,612
Africa, total	9,579	34,453	14,009	126,440	509,067	430,380	45	53
South Africa	9,579	8,545	9,640	102,142	334,596	319,288	45	0
Asia, total	93,631	3,107,007	13,100,582	14,519,182	268,437,319	235,166,416	2,246,700	12,302,962
China	1,090	36,645	15,199	27,799	6,525,256	6,264,750	3,715	10,733
Hong Kong	4,757	97,951	3,376,485	2,431,178	16,639,070	6,977,372	1,353	6,580,977
Indonesia	10,162	5,472	828	8,748	465,702	445,665	47	0
Japan	25,518	2,155,265	7,866,599	9,841,239	164,908,721	149,464,230	1,570,847	5,293,950
Middle East countries (except OPEC)	24	63,154	125,091	296,298	2,497,015	1,960,268	5,679	0
OPEC countries (excluding Indonesia)	84	21,649	5	90,646	9,692,799	9,159,744	507,734	0
Singapore	46,274	124,488	472,413	141,812	16,009,584	12,502,417	34,072	22
South Korea	58	395,292	239,694	226,590	29,004,372	28,238,719	36,010	415,680
Taiwan	1,500	22,580	125,345	183,995	16,243,060	16,135,300	54,670	0
Oceania, total	44,607	170,120	4,737,014	7,990,638	2,916,693	1,898,232	3,890	75,213
Australia	40,672	157,257	4,189,579	7,677,057	1,887,262	985,251	3,883	75,213
Puerto Rico and U.S. Possessions	409	53,581	3,270,852	3,001,175	2,480,476	2,197,870	21	0

Footnotes at the end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 2. Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472: Transactions Between Corporations and Related Foreign Persons, by Selected Country of Residence of Related Foreign Person, 2006—Continued

[Money amounts are in thousands of dollars]

Residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts paid to related foreign persons—continued							Amounts borrowed	
	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance	Other	Beginning balance	Ending balance	
	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	
All geographic areas, total	7,430,676	35,973,739	8,472,837	53,444,546	22,539,905	28,613,788	292,757,275	261,030,348	
Canada	55,369	4,266,710	122,877	1,751,471	220,799	2,593,776	28,804,643	8,141,664	
Latin America, total	39,045	1,097,749	3,816,204	351,062	149,646	757,888	4,135,267	4,849,818	
Argentina	245	14,359	16,209	97	0	8,120	6,008	16,920	
Barbados	0	2,778	9,482	184,810	95,154	26,652	720,718	995,052	
Brazil	584	125,532	14,397	27,117	0	25,147	154,965	389,585	
Cayman Islands	0	38,214	23	13,521	43,635	161,444	1,436,856	885,759	
Mexico	36,829	877,547	2,574,282	109,898	10,736	282,848	1,411,471	2,195,332	
Panama	0	210	1,333	12,459	0	231,059	94,565	77,504	
Venezuela	0	19,265	3,104	44	0	2,470	20,006	22,888	
Other Western Hemisphere, total	3,170	344,615	18,860	340,182	7,139,430	1,422,293	5,366,100	5,782,561	
Bermuda	2,263	97,216	3,042	318,794	6,932,658	1,405,926	3,541,923	4,045,559	
Europe, total	6,619,591	19,051,761	592,176	49,247,646	14,977,276	21,113,582	238,705,368	230,794,292	
Belgium	1,256,835	73,057	4,996	186,932	2,669	161,344	1,272,199	2,756,546	
Denmark	334	162,480	0	68,363	221	283,417	742,366	1,448,623	
France	391,457	1,857,845	70,718	5,040,291	45,032	565,378	18,913,176	21,799,315	
Germany	1,241,240	10,532,934	13,506	1,957,308	1,710,743	1,388,261	3,410,563	4,245,314	
Hungary	0	1,317	62	1,504,606	0	3,651,864	591,885	407,818	
Ireland	937,766	116,487	55,911	909,694	3,612,595	857,498	3,724,432	4,021,684	
Italy	4,345	143,362	789	5,492	4,973	106,324	746,866	768,126	
Luxembourg	472,786	699,145	0	3,249,170	20,911	197,798	1,822,107	5,790,253	
Netherlands	389,367	918,536	85,415	7,006,957	21,244	2,985,792	11,202,372	30,437,807	
Sweden	44,916	300,460	45,907	414,266	256,444	731,443	1,781,406	1,143,571	
Switzerland	1,364,158	500,173	37,861	11,446,236	8,366,916	5,529,942	42,894,537	42,683,622	
United Kingdom	315,690	3,459,122	262,308	16,002,379	879,552	4,520,375	150,526,527	113,872,121	
Africa, total	489	20,350	7,447	26,704	2,839	20,760	10,022	8,815	
South Africa	5	6,665	666	838	2,839	4,250	4,688	2,316	
Asia, total	644,531	10,884,421	3,901,043	1,078,740	33,271	2,179,236	10,836,120	9,096,705	
China	138	118,957	13,162	31	0	113,769	54,999	89,465	
Hong Kong	642	2,250,941	440,648	282,228	176	104,733	4,460,904	3,119,928	
Indonesia	0	13,878	1,984	223	0	3,905	6,329	18,166	
Japan	570,567	5,527,751	339,890	660,435	17,273	1,463,779	5,672,914	5,269,006	
Middle East countries (except OPEC)	26,541	209,446	348	10,325	15,813	268,594	19,003	27,233	
OPEC countries (excluding Indonesia)	0	11,877	423	2,155	0	10,866	1,164	244,150	
Singapore	12,609	298,475	3,075,317	42,415	5	44,251	424,503	160,125	
South Korea	33,927	208,778	11,137	13,273	0	46,848	111,091	84,982	
Taiwan	28	14,204	1,534	429	[1]	36,895	6,274	12,402	
Oceania, total	2,881	298,284	12,968	350,580	14,982	259,662	1,960,453	2,111,095	
Australia	861	211,770	12,931	323,902	14,975	258,475	1,953,509	2,110,695	
Puerto Rico and U.S. Possessions	65,600	5,403	1,262	205,462	1,662	3,197	100,913	142,846	

[1] Amounts less than \$500.

[2] Selected country data have been deleted to prevent disclosure of information for individual taxpayers. However, the data are included in the appropriate totals.

NOTE: Detail may not add to totals because of rounding.

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Number of returns	Number of related foreign persons	Transactions between foreign-owned domestic corporations and related foreign persons						
			Amounts received from related foreign persons						
			Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All Industries, total									
All geographic areas, total	943	19,191	772,424,344	595,484,568	2,801,366	1,999,692	4,195,646	26,726,910	8,642,628
Australia	277	634	2,360,705	1,843,337	5,964	24,309	51,600	118,827	13,174
Belgium	171	344	2,777,292	980,375	85,062	3,708	1,286,804	172,246	21,190
Bermuda	89	200	6,531,180	398,362	124,277	0	60,000	1,361,522	1,353,251
Brazil	253	500	1,212,538	1,050,663	30,128	5,245	1,400	55,675	4,877
Canada	450	1,159	35,539,343	29,703,255	255,384	294,910	58,040	1,362,638	144,086
China	265	846	1,064,908	916,281	54,692	9,561	6,313	35,880	3,635
France	311	1,130	9,881,117	2,165,890	23,414	44,387	82,659	2,232,403	391,916
Germany	357	1,316	25,995,629	19,216,266	131,392	160,680	109,588	2,215,786	296,110
Hong Kong	233	419	1,849,402	1,073,578	69	6,489	3,694	145,276	323,201
Hungary	118	144	57,822	30,092	2,441	2,102	3,095	4,128	0
Ireland	139	256	9,322,453	1,313,611	137,340	108,421	254,484	2,019,845	124,464
Japan	377	1,128	30,364,284	23,444,589	99,488	187,884	30,866	3,439,545	645,826
Mexico	290	709	10,641,663	9,568,200	110,777	32,606	3,434	501,839	40,426
Netherlands	277	737	9,247,063	3,337,274	137,712	35,141	579,447	1,540,699	21,008
Singapore	282	536	6,966,910	4,517,377	42,618	16,829	3,105	714,024	1,494,014
South Korea	151	245	3,180,307	1,242,561	1,311,679	5,678	814	194,780	21,971
Sweden	138	415	2,360,207	1,026,300	30,335	7,384	47,454	656,935	95,581
Switzerland	208	473	80,176,773	5,045,782	321	438,457	941,946	1,215,687	1,922,008
Taiwan	171	247	503,344	406,814	59	2,453	229	68,450	1,260
United Kingdom	480	1,786	503,233,723	473,023,707	56,907	259,135	167,439	3,952,988	618,745
Agriculture, forestry, fishing, and hunting									
All geographic areas, total	d	d	d	d	d	d	d	d	d
Mining									
All geographic areas, total	24	546	5,533,619	4,124,767	177,342	17,098	0	748,037	216
Australia	8	50	37,557	12,164	4,410	0	0	8,148	0
Belgium	3	6	740	626	0	0	0	0	0
Bermuda	4	8	196,731	0	120,301	0	0	74,028	0
Brazil	7	21	156,570	155,002	0	0	0	1,106	0
Canada	16	47	1,055,910	929,386	3,360	25	0	42,922	0
China	5	7	4,387	688	2,721	25	0	250	0
France	5	17	76,932	31,344	712	541	0	12,423	39
Germany	3	8	2,806	694	0	0	0	1,847	8
Hungary	5	5	171	0	0	0	0	156	0
Ireland	5	8	9,555	0	0	0	0	9,147	0
Japan	5	7	53,925	35,678	144	913	0	2,305	0
Mexico	6	14	81,293	26,984	551	1,104	0	39,842	20
Netherlands	5	14	18,238	4,600	0	0	0	12,770	0
Singapore	6	17	85,873	15,267	17,591	5,502	0	7,194	0
Switzerland	4	4	359,584	359,584	0	0	0	0	0
United Kingdom	11	54	187,714	94,930	342	0	0	15,556	149
Utilities									
All geographic areas, total	9	51	2,551,448	2,217,261	84,545	0	6,076	6,354	0
Canada	4	8	360,417	265,918	84,545	0	6,076	0	0
United Kingdom	6	19	2,053,754	1,951,343	0	0	0	5,033	0

Footnotes at end of table.

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Number of returns	Number of related foreign persons	Transactions between foreign-owned domestic corporations and related foreign persons						
			Amounts received from related foreign persons						
			Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Construction									
All geographic areas, total	16	124	154,147	0	13,903	0	0	72,368	0
Australia	3	5	21,879	0	0	0	0	4,127	0
Canada	3	11	13,127	0	4,589	0	0	7,769	0
Germany	4	8	0	0	0	0	0	0	0
Netherlands	3	6	7,356	0	0	0	0	6,112	0
Sweden	3	3	5,193	0	0	0	0	0	0
United Kingdom	8	25	62,127	0	0	0	0	26,168	0
Manufacturing									
All geographic areas, total	373	10,910	116,452,702	83,511,625	1,108,724	1,165,253	3,196,548	10,861,100	269,157
Australia	141	300	1,335,010	1,210,227	281	18,868	34,011	18,446	6,082
Belgium	100	219	2,257,019	744,179	84,172	2,462	1,281,413	76,426	9,361
Bermuda	26	45	1,216,675	367,488	3,976	0	60,000	639,431	0
Brazil	150	329	797,276	724,409	30,111	4,470	98	10,716	2,238
Canada	209	587	26,385,980	24,902,822	149,188	201,974	42,002	467,164	24,186
China	151	560	648,620	603,144	10,241	9,408	337	18,004	775
France	177	717	5,123,791	1,916,350	8,971	21,693	31,887	1,597,743	5,569
Germany	193	859	16,649,762	14,794,144	126,864	113,803	35,598	681,802	28,957
Hong Kong	91	166	506,149	482,949	25	2,265	1,487	15,120	1,189
Hungary	63	80	45,885	22,250	2,435	1,546	3,062	2,084	0
Ireland	61	133	1,672,045	1,037,124	137,270	70,032	1,522	381,438	1,420
Japan	184	481	4,720,019	2,989,686	85,422	9,018	13,323	691,644	32,335
Mexico	168	486	7,917,148	7,474,375	106,575	29,376	2,120	88,649	26,037
Netherlands	130	444	4,907,243	2,749,221	137,238	3,350	559,128	895,725	6,733
Singapore	134	258	2,510,108	2,440,802	23,476	1,233	805	22,255	3,202
South Korea	92	153	578,591	516,437	798	647	189	22,668	21,322
Sweden	94	317	1,699,470	996,700	22,811	4,520	43,427	268,714	10,309
Switzerland	108	281	5,129,913	2,774,579	16	167,303	937,998	644,061	10,407
Taiwan	76	114	227,080	216,186	39	1,798	0	1,112	715
United Kingdom	210	883	18,485,527	6,913,188	56,023	168,445	60,160	2,096,368	46,109
Wholesale trade									
All geographic areas, total	237	3,107	55,993,303	41,783,101	1,379,487	529,878	202,450	6,556,708	698,022
Australia	64	108	725,970	592,778	34	4,383	0	10,400	730
Belgium	25	36	308,658	214,966	45	1,243	2,207	81,170	446
Bermuda	11	15	326,916	30,758	0	0	0	59,588	2,198
Brazil	56	84	214,385	167,254	16	611	0	27,033	2,074
Canada	88	171	3,011,820	2,716,748	5,147	8,333	0	172,964	6,104
China	68	195	366,212	310,310	41,729	0	0	6,086	2,860
France	53	108	701,848	188,366	1,594	31	22,498	249,644	3,160
Germany	84	187	5,748,940	4,306,370	775	35,887	0	799,617	1,282
Hong Kong	67	122	681,144	557,049	44	2,192	0	68,482	31,683
Hungary	17	19	7,886	7,842	6	2	0	35	0
Ireland	15	16	1,858,983	276,311	11	0	0	307,511	511
Japan	107	463	22,678,842	19,688,163	12,720	147,500	6,048	1,422,914	600,641
Mexico	64	117	2,368,118	1,976,599	3,650	753	0	334,106	4,811
Netherlands	63	104	1,143,847	210,216	447	31,436	10,282	525,593	828
Singapore	75	117	2,615,053	1,996,237	1,511	6,835	0	583,002	8,864
South Korea	33	55	2,586,951	722,114	1,310,793	4,916	0	167,243	620
Sweden	12	34	271,950	6,104	0	0	443	178,414	0
Switzerland	33	69	2,744,447	1,878,941	0	270,648	3,134	559,101	1,690
Taiwan	64	97	217,104	191,999	20	666	0	27,570	545

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[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Number of returns	Number of related foreign persons	Transactions between foreign-owned domestic corporations and related foreign persons						
			Amounts received from related foreign persons						
			Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Retail trade									
All geographic areas, total	31	224	1,446,733	519,629	217	33,526	0	498,001	3,288
Australia	3	3	743	0	0	0	0	0	0
Belgium	4	4	43,056	0	0	0	0	0	0
Canada	10	22	281,740	226,589	0	0	0	18,737	0
France	9	37	20,230	5,013	0	0	0	700	0
Germany	7	16	13,575	563	208	4,055	0	776	30
Hong Kong	5	10	1,905	399	0	160	0	0	0
Japan	9	23	171,599	41,184	9	21,752	0	100,633	2,038
Mexico	3	3	8,710	0	0	0	0	0	0
Netherlands	9	12	226,081	225,957	0	0	0	123	0
Singapore	4	5	70,310	17,382	0	0	0	0	0
Switzerland	8	16	12,232	55	0	0	0	43	0
United Kingdom	9	15	131,688	0	0	1,316	0	84,728	0
Transportation and Warehousing									
All geographic areas, total	19	830	7,099,088	398,904	7,803	78,171	[1]	482,560	2,509,290
Australia	6	18	33,869	0	0	0	0	14,402	10
Belgium	8	20	8,934	0	0	0	0	4,528	0
Brazil	9	18	25,158	579	0	0	0	4,889	63
Canada	13	32	2,709,722	377,106	7,736	69,540	0	19,201	0
China	8	18	26,476	0	0	0	0	4,951	0
France	6	18	16,362	0	0	0	0	5,035	129
Germany	8	35	513,003	8,020	0	0	0	22,258	0
Hong Kong	9	17	56,778	4,063	0	0	0	22,455	21,823
Hungary	10	12	1,282	0	0	0	0	200	0
Ireland	5	7	5,687	0	0	0	0	1,294	0
Japan	7	16	301,667	0	0	8,615	0	186,610	982
Mexico	9	19	33,163	0	0	0	0	7,130	7,864
Netherlands	8	24	37,055	2	27	0	0	1,977	0
Singapore	10	46	1,581,406	758	40	0	[1]	85,367	1,479,239
South Korea	6	8	4,703	0	0	0	0	1,930	0
Sweden	6	9	4,542	0	0	0	0	191	123
Switzerland	5	9	12,256	0	0	0	0	212	0
Taiwan	7	12	4,402	0	0	0	0	2,860	0
United Kingdom	13	52	95,876	8,375	0	17	0	43,916	644
Information									
All geographic areas, total	33	836	3,596,573	536,928	10,914	109,099	459,062	1,336,879	44,603
Australia	12	34	34,080	10,139	6	344	12,207	10,556	568
Belgium	7	12	9,551	898	738	0	3,184	4,574	0
Bermuda	7	15	78,250	116	0	0	0	15,340	0
Brazil	9	14	5,555	1,751	0	164	1,302	2,338	0
Canada	18	46	108,111	71,542	491	1,624	7,986	21,260	78
China	6	10	859	0	0	116	0	725	0
France	14	43	54,919	3,157	0	18,736	21,294	2,960	435
Germany	16	65	110,949	3,961	1,295	4,098	30,854	67,409	1,340
Hong Kong	16	24	21,091	4,188	0	1,872	870	14,073	0
Hungary	7	10	512	0	0	0	33	479	0
Ireland	10	13	838,101	0	0	9	252,962	575,934	0
Japan	14	32	59,564	17,959	0	29	10,505	25,819	0
Mexico	9	16	78,031	73,031	0	1,369	1,314	2,317	0
Netherlands	14	33	570,257	141,735	0	0	7,988	38,007	0
Singapore	11	19	49,697	35,466	0	3,258	642	9,172	561
South Korea	8	13	4,405	2,295	0	0	625	1,486	0
Sweden	6	13	229,673	10,295	7,524	2,864	3,584	205,407	0
Switzerland	9	18	161,213	14,027	305	506	814	3,526	1,201
Taiwan	6	9	229	0	0	0	229	0	0
United Kingdom	25	139	1,003,440	98,456	92	71,588	84,002	267,193	40,088

Footnotes at end of table.

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[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Number of returns	Number of related foreign persons	Transactions between foreign-owned domestic corporations and related foreign persons						
			Amounts received from related foreign persons						
			Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Finance & Insurance									
All geographic areas, total	103	1,115	569,810,776	461,756,994	372	13,499	6,174	1,891,766	5,000,555
Australia	23	76	136,443	0	0	0	0	47,935	5,396
Belgium	10	18	58,624	162	0	2	0	1,238	11,307
Bermuda	32	106	4,186,972	0	0	0	0	48,872	1,350,810
Brazil	8	9	29	0	0	0	0	0	3
Canada	46	107	1,015,499	5,296	0	10,608	0	409,918	85,094
China	6	7	4,082	0	0	0	0	0	0
France	19	46	3,496,086	0	0	6	571	197,728	377,603
Germany	18	44	2,179,824	0	0	2,836	0	84,460	262,363
Hong Kong	29	46	500,515	0	0	0	0	23,016	254,736
Hungary	5	6	360	0	0	0	0	0	0
Ireland	27	60	4,025,866	0	0	0	0	25,468	122,308
Japan	28	57	1,298,339	650,561	0	0	0	19,061	9,758
Mexico	11	13	124,089	0	0	0	0	19,101	0
Netherlands	14	31	2,186,205	4,094	0	0	0	4,490	82
Singapore	22	36	31,063	5,934	0	0	0	4,074	672
South Korea	3	7	2,317	0	0	0	0	990	0
Sweden	5	6	126,549	0	0	0	0	0	85,120
Switzerland	21	44	71,698,821	13,527	0	0	0	1,253	1,907,057
Taiwan	8	9	3,795	0	0	0	0	2,295	0
United Kingdom	56	199	476,913,720	461,054,351	372	47	5,603	966,173	480,209
Real Estate and Rental and Leasing									
All geographic areas, total	9	161	873,028	154,708	10	0	0	96,031	76
Australia	3	4	18,268	17,830	0	0	0	0	0
Canada	3	18	38,988	35,040	0	0	0	1,011	0
France	3	9	142,467	5,586	0	0	0	47,818	0
Germany	3	8	5,941	1,660	0	0	0	4,217	0
Japan	3	4	1,455	1,455	0	0	0	0	0
Netherlands	4	7	[1]	[1]	0	0	0	0	0
Singapore	3	3	530	530	0	0	0	0	0
United Kingdom	5	14	419,032	1,897	0	0	0	36,840	0
Professional, Scientific, and Technical Services									
All geographic areas, total	39	772	3,448,678	225,811	18,050	41,807	48,989	2,939,477	2,469
Australia	9	24	10,124	200	1,233	0	0	4,813	0
Belgium	8	14	4,067	1,960	108	0	0	1,495	0
Brazil	6	12	9,163	177	0	0	0	8,978	0
Canada	18	61	245,856	170,043	327	21	0	71,611	0
China	9	18	2,210	324	0	0	0	1,787	0
France	11	99	193,088	2,702	12,137	3,379	4,400	112,170	0
Germany	11	52	604,051	5,691	2,250	1	42,295	550,122	2,129
Hong Kong	9	14	1,616	2	0	0	0	1,183	0
Hungary	5	6	651	0	0	0	0	651	0
Ireland	7	7	467,331	176	60	38,379	0	428,362	0
Japan	13	31	1,000,667	19,656	1,194	0	991	976,782	72
Mexico	8	21	12,054	2,223	0	4	0	9,795	0
Netherlands	14	32	61,080	1,356	0	4	0	54,210	63
Singapore	9	15	19,647	5,000	0	1	0	2,959	130
South Korea	3	3	405	0	0	3	0	398	0
Sweden	6	8	3,004	1,087	0	0	0	108	29
Switzerland	8	10	6,199	5,030	0	0	0	1,111	46
Taiwan	5	5	539	4	0	0	0	535	0
United Kingdom	19	102	177,101	2,788	71	8	1,303	100,297	0

Footnotes at end of table.

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NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Number of returns	Number of related foreign persons	Transactions between foreign-owned domestic corporations and related foreign persons						
			Amounts received from related foreign persons						
			Total (excluding loan balances)	Sales of stock in trade	Sales of tangible property other than stock in trade	Rents and royalties	Sales, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Management of Companies									
All geographic areas, total	16	230	4,909,750	108,895	0	57	231,606	1,076,953	114,726
Canada	6	18	290,187	638	0	0	0	117,655	28,625
France	4	13	43,543	13,371	0	0	0	499	4,981
Germany	3	8	98,959	94,375	0	0	0	3,279	0
Ireland	3	4	28,452	0	0	0	0	65	0
Japan	4	9	75,532	248	0	57	0	13,776	0
Mexico	3	5	2,383	9	0	0	0	[1]	1,694
Netherlands	4	11	84,941	0	0	0	0	11	13,302
Switzerland	5	10	30,334	0	0	0	0	6,380	1,608
United Kingdom	7	24	247,695	20	0	0	0	99,381	46,170
Administrative & Support and waste management services									
All geographic areas, total	13	83	172,624	104,954	0	0	0	51,460	225
Canada	6	15	7,640	2,128	0	0	0	5,217	0
France	3	9	0	0	0	0	0	0	0
Netherlands	4	5	371	94	0	0	0	277	0
Switzerland	3	6	645	0	0	0	0	0	0
United Kingdom	6	8	8,789	66	0	0	0	1,073	0
Educational Services									
All geographic areas, total	d	d	d	d	d	d	d	d	d
Health Care and Social Assistance									
All geographic areas, total	4	12	12,870	10,870	0	0	0	2,000	0
Canada	4	4	2,000	0	0	0	0	2,000	0
Arts, Entertainment, and Recreation									
All geographic areas, total	d	d	d	d	d	d	d	d	d
Accommodation and Food Services									
All geographic areas, total	9	107	286,631	0	0	4,351	44,741	76,136	0
Canada	3	5	11,092	0	0	2,733	1,976	4,006	0
United Kingdom	5	12	121,686	0	0	0	15,138	53,536	0
Other Services									
All geographic areas, total	5	27	48,087	11,562	0	0	0	29,563	0
China	4	11	1,703	1,610	0	0	0	93	0
Taiwan	4	7	45,138	8,706	0	0	0	29,470	0

Footnotes at end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts received from related foreign persons—continued					Amounts paid to related foreign persons			
	Interest	Premiums for insurance or reinsurance	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade	Purchases of tangible property other than stock in trade	Rents and royalties
				Beginning balance	Ending balance				
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
All Industries, total									
All geographic areas, total	22,887,412	3,992,650	105,693,472	740,086,776	963,155,639	1,088,121,004	899,885,362	14,361,296	17,398,856
Australia	105,564	40,672	157,257	4,189,579	7,677,057	1,887,262	985,251	3,883	75,213
Belgium	72,820	37,925	117,161	917,548	4,370,589	4,301,437	2,230,786	57,056	327,764
Bermuda	216,751	74,122	2,942,895	3,334,380	3,403,005	10,514,805	1,754,871	35	0
Brazil	34,385	165	29,999	26,414	248,847	2,980,952	2,779,607	8,570	0
Canada	442,656	225,704	3,052,669	44,864,814	41,084,476	59,300,840	48,729,678	1,375,468	184,693
China	812	1,090	36,645	15,199	27,799	6,525,256	6,264,750	3,715	10,733
France	2,513,008	19,923	2,407,517	31,522,293	52,848,326	20,552,048	5,614,298	5,696,832	1,270,198
Germany	128,018	298,918	3,438,871	34,964,894	37,840,825	68,183,044	47,142,161	3,724,183	472,708
Hong Kong	194,387	4,757	97,951	3,376,485	2,431,178	16,639,070	6,977,372	1,353	6,580,977
Hungary	13,979	360	1,626	18,901,512	23,520,832	5,393,333	189,883	1	45,600
Ireland	289,952	289,634	4,784,702	11,799,118	12,506,327	13,880,249	7,230,702	35,642	123,953
Japan	335,302	25,518	2,155,265	7,866,599	9,841,239	164,908,721	149,464,230	1,570,847	5,293,950
Mexico	56,718	96,574	231,090	1,357,792	1,924,652	17,200,956	13,162,125	141,716	4,975
Netherlands	2,006,233	4,771	1,584,777	78,370,940	133,282,931	18,262,227	6,228,513	18,362	608,041
Singapore	8,182	46,274	124,488	472,413	141,812	16,009,584	12,502,417	34,072	22
South Korea	7,475	58	395,292	239,694	226,590	29,004,372	28,238,719	36,010	415,680
Sweden	28,575	81	467,563	7,385,204	5,836,734	6,126,347	4,212,768	23,690	96,454
Switzerland	3,928,570	2,184,798	64,499,204	225,772,609	238,020,746	48,605,229	20,233,689	57,617	1,068,636
Taiwan	0	1,500	22,580	125,345	183,995	16,243,060	16,135,300	54,670	0
United Kingdom	11,371,862	423,348	13,359,594	194,822,836	319,677,721	493,196,002	466,974,967	442,996	338,612
Agriculture, forestry, fishing, and hunting									
All geographic areas, total	d	d	d	d	d	d	d	d	d
Mining									
All geographic areas, total	174,041	59,733	232,385	8,794,308	9,588,913	6,976,421	4,790,293	56,125	423,368
Australia	3,576	7,491	1,767	0	0	56,709	0	0	0
Belgium	0	94	20	0	0	20,208	266	0	0
Bermuda	144	0	2,258	1,395,756	2,178,900	472,303	0	0	0
Brazil	0	0	463	3,795	3,791	37,606	36,874	0	0
Canada	55,664	4,340	20,213	708,951	198,186	4,070,388	3,973,894	2,537	0
China	50	42	610	0	0	154	0	80	0
France	8,781	373	22,719	419,350	453,707	174,392	56,521	5,116	0
Germany	1	0	256	0	0	9,119	1,105	0	0
Hungary	15	0	0	3,905,313	4,310,247	352,983	0	0	0
Ireland	375	0	33	102	110	7,652	0	0	7,031
Japan	0	25	14,859	0	0	39,549	19,614	3,132	0
Mexico	428	0	12,364	2,966	263	17,375	769	0	0
Netherlands	5	0	864	179,115	692,357	22,294	0	0	0
Singapore	4	38,040	2,276	1,660	4,304	47,872	16,266	16,965	0
Switzerland	0	0	0	561,515	705,775	612,220	562,833	0	0
United Kingdom	53,744	135	22,859	622,957	13,918	202,084	59,200	1,953	34,444
Utilities									
All geographic areas, total	82,445	0	154,767	17,651,377	12,683,138	4,563,253	2,614,040	667,127	766
Canada	2,808	0	1,069	859,728	844,675	2,008,117	1,215,378	667,127	766
United Kingdom	24,230	0	73,148	5,901,111	6,271,411	1,675,066	1,398,662	0	0

Footnotes at end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts received from related foreign persons—continued					Amounts paid to related foreign persons			
	Interest	Premiums for insurance or reinsurance	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade	Purchases of tangible property other than stock in trade	Rents and royalties
				Beginning balance	Ending balance				
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
Construction									
All geographic areas, total	27,741	5,151	34,983	1,678,370	2,701,154	404,107	1,793	4,468	7,261
Australia	0	312	17,440	0	0	24,020	0	0	0
Canada	0	263	505	0	0	9,499	0	563	0
Germany	0	0	0	104,000	114,000	23,353	47	3,577	0
Netherlands	0	507	736	383,287	323,067	24,955	0	0	7,261
Sweden	5,193	0	0	0	0	2,520	968	77	0
United Kingdom	19,474	2,627	13,858	1,123,513	1,633,965	194,926	0	0	0
Manufacturing									
All geographic areas, total	3,010,450	9,598	13,320,248	158,054,330	176,771,180	276,051,413	200,176,781	7,712,871	12,349,567
Australia	30,229	328	16,539	725,541	596,104	1,073,471	854,697	3,877	22,776
Belgium	39,600	105	19,301	858,676	3,159,660	2,268,240	616,732	57,056	62,457
Bermuda	98,710	0	47,070	0	41,972	1,299,307	633,081	35	0
Brazil	17,086	153	7,995	6,829	227,183	2,001,177	1,852,484	8,570	0
Canada	186,259	916	411,470	2,477,146	2,104,781	30,291,570	26,756,466	675,187	140,653
China	30	100	6,581	9,422	16,617	2,294,654	2,258,423	1,469	2,748
France	314,221	1,220	1,226,135	6,912,811	8,601,203	8,161,729	4,161,346	1,435,599	713,640
Germany	87,555	369	780,671	12,041,831	14,297,224	40,490,163	24,730,703	3,715,385	393,112
Hong Kong	0	0	3,115	2,759,762	2,316,133	10,481,837	1,649,500	3	6,580,977
Hungary	13,964	0	544	6,473,896	9,668,937	4,521,999	185,001	1	45,600
Ireland	41,954	294	991	3,779,486	3,782,470	7,382,072	6,739,964	35,269	77,875
Japan	8,440	1,381	888,771	578,711	639,085	44,621,922	35,271,504	571,975	3,401,463
Mexico	42,726	729	146,560	1,327,348	1,890,980	10,776,893	7,220,955	138,444	4,962
Netherlands	33,065	254	522,528	8,636,411	13,770,879	7,759,852	3,965,752	18,286	149,402
Singapore	438	129	17,768	84,869	9,749	7,190,383	7,055,598	11,012	22
South Korea	257	54	16,219	1,090	1,133	5,119,397	5,068,076	1,734	25,171
Sweden	9,068	73	343,848	5,058,028	5,623,400	3,741,683	2,364,326	23,613	86,775
Switzerland	258,942	425	336,183	29,559,981	45,035,951	12,497,734	7,250,395	56,095	403,773
Taiwan	0	0	7,230	252	58	206,275	194,989	0	0
United Kingdom	1,601,468	944	7,542,822	54,389,778	40,712,080	31,049,147	23,671,586	436,771	193,272
Wholesale trade									
All geographic areas, total	786,960	257	4,056,439	28,609,394	32,342,431	262,236,865	242,498,471	5,827,190	3,785,290
Australia	28,048	0	89,596	2,540,861	5,275,169	420,177	126,002	7	0
Belgium	5,052	0	3,529	16	28,713	1,632,347	1,349,596	0	265,307
Bermuda	14,014	0	220,359	700	7,908	1,167,202	1,121,791	0	0
Brazil	16,644	2	751	11,867	15,566	898,345	884,927	0	0
Canada	37,104	28	65,391	771,231	1,216,907	18,869,724	16,165,005	10,868	147
China	714	0	4,514	5,444	11,182	4,019,699	3,989,384	2,167	7,985
France	223,030	3	13,521	1,461,831	1,156,817	6,727,727	905,072	4,256,108	519,434
Germany	19,864	0	585,144	3,019,447	3,784,442	22,776,819	22,035,560	4,470	79,581
Hong Kong	395	0	21,299	41,142	5,183	5,421,090	5,310,224	1,350	0
Hungary	0	0	0	2,748,417	2,732,049	187,134	4,882	0	0
Ireland	0	201	1,274,439	196,484	185,718	494,156	100,092	106	5,589
Japan	78,566	0	722,290	445,830	815,165	112,108,365	108,062,023	942,171	1,803,064
Mexico	4,788	1	43,410	25,713	22,034	6,239,688	5,852,659	3,272	13
Netherlands	86,968	8	278,069	2,956,285	3,152,947	3,170,915	2,249,808	76	154,652
Singapore	4,613	0	13,990	272,272	1,617	5,513,248	5,384,547	4,256	0
South Korea	5,891	0	375,374	238,604	225,458	23,844,818	23,170,643	34,277	390,422
Sweden	9,409	0	77,581	218,622	59,536	1,079,245	960,158	0	7,855
Switzerland	6,432	0	24,500	3,637,041	3,675,738	11,570,197	10,661,038	1,523	518,580
Taiwan	0	0	6,417	125,082	183,934	15,946,270	15,880,850	54,670	0
United Kingdom	191,879	2	54,345	4,148,866	5,065,205	4,561,495	3,822,023	400	15,585

Footnotes at end of table.

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts received from related foreign persons—continued					Amounts paid to related foreign persons			
	Interest	Premiums for insurance or reinsurance	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade	Purchases of tangible property other than stock in trade	Rents and royalties
				Beginning balance	Ending balance				
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
Retail trade									
All geographic areas, total	63,484	45,452	283,135	10,691,806	14,073,278	6,373,700	4,051,975	53,576	107,372
Australia	0	0	743	0	0	15	15	0	0
Belgium	22,395	0	20,662	0	0	12,041	0	0	0
Canada	30,731	0	5,683	3,175,818	3,255,915	392,892	2,404	0	0
France	636	0	13,881	8,210	6,600	382,113	332,152	0	0
Germany	0	0	7,942	177,720	0	56,406	50,091	91	0
Hong Kong	0	0	1,346	221	674	19,805	10,040	0	0
Japan	280	0	5,704	702,007	716,794	1,463,547	1,299,187	53,485	75,977
Mexico	8,710	0	0	0	0	53	53	0	0
Netherlands	0	0	[1]	1,200,813	2,862,516	724,389	4,743	0	26,271
Singapore	0	0	52,928	0	0	4,280	4,280	0	0
Switzerland	0	0	12,134	3,645,726	4,593,801	1,905,272	1,509,360	0	4,688
United Kingdom	0	45,452	191	1,305,131	1,869,305	233,348	2,517	0	0
Transportation and Warehousing									
All geographic areas, total	21,341	90	3,600,928	6,080,901	8,971,548	6,542,536	280,949	24,832	144,873
Australia	0	0	19,456	0	997	81,111	0	0	26,727
Belgium	0	0	4,407	251	35	14,615	1,358	0	0
Brazil	0	0	19,626	40	1,572	14,252	0	0	0
Canada	17,697	90	2,218,353	371,904	1,194,348	504,995	223,781	19,122	42,896
China	0	0	21,525	0	0	173,172	0	0	0
France	0	0	11,199	[1]	[1]	35,401	1,777	0	0
Germany	0	0	482,725	12,411	3	421,785	0	0	0
Hong Kong	0	0	8,438	0	0	166,091	0	0	0
Hungary	0	0	1,082	829,681	1,287,441	54,023	0	0	0
Ireland	0	0	4,393	0	0	4,096	0	0	0
Japan	1,346	0	104,114	19,862	0	59,084	0	0	0
Mexico	0	0	18,170	338	0	68,122	33,399	0	0
Netherlands	934	0	34,115	334,587	582,586	292,085	1,292	0	5,846
Singapore	0	0	16,002	60,553	66	3,100,288	5	1,838	0
South Korea	0	0	2,773	0	0	32,083	0	0	0
Sweden	0	0	4,228	0	1	5,632	0	0	0
Switzerland	0	0	12,044	0	0	9,783	0	0	0
Taiwan	0	0	1,541	0	0	30,094	0	0	0
United Kingdom	16	0	42,907	1,168,556	1,382,952	378,327	1,992	3,871	32,970
Information									
All geographic areas, total	627,921	436	470,730	53,647,051	57,193,537	11,040,630	4,631,675	661	319,368
Australia	0	0	261	129	[1]	23,829	3,885	0	0
Belgium	0	0	157	787	1,131	10,526	6,880	0	0
Bermuda	60,924	0	1,869	111,126	98,398	178,638	0	0	0
Brazil	0	0	0	0	0	1,323	412	0	0
Canada	4,484	0	648	921,050	369,626	57,900	24,995	0	0
China	0	0	17	0	0	1,518	1,355	0	0
France	3,428	0	4,908	140,938	14,974	44,148	5	0	2,715
Germany	1,256	13	724	131,656	3,178,001	78,856	6,255	660	11
Hong Kong	0	0	88	745	1,264	8,787	243	0	0
Hungary	0	0	0	2,980,158	2,996,375	130,410	0	0	0
Ireland	0	0	9,196	42	42	836,512	0	0	485
Japan	1	0	5,251	0	0	4,087,058	3,909,642	0	12,427
Mexico	0	0	0	0	0	10,577	185	0	0
Netherlands	268,553	0	113,974	9,545,502	10,665,347	821,729	1,889	0	264,603
Singapore	0	0	598	56	10	17,627	2,179	0	0
South Korea	0	0	0	0	0	2,448	0	0	86
Sweden	0	0	0	116	116	605,784	601,201	0	1,684
Switzerland	0	0	140,835	8,720,344	9,075,601	997,268	0	0	23,333
Taiwan	0	0	0	3	3	6	0	0	0
United Kingdom	249,630	423	191,968	8,599,642	8,558,214	1,431,871	54,794	1	13,969

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts received from related foreign persons—continued					Amounts paid to related foreign persons			
	Interest	Premiums for insurance or reinsurance	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade	Purchases of tangible property other than stock in trade	Rents and royalties
				Beginning balance	Ending balance				
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
Finance & Insurance									
All geographic areas, total	17,518,029	3,867,434	79,755,953	389,084,328	585,235,592	499,041,690	438,764,716	64	84,439
Australia	39,622	32,519	10,971	875,054	1,804,783	178,124	0	0	22,425
Belgium	5,256	37,713	2,945	57,817	1,181,051	50,886	0	0	0
Bermuda	42,203	74,122	2,670,966	1,268,369	149,658	6,979,235	0	0	0
Brazil	24	2	0	[1]	735	4,746	2,196	0	0
Canada	91,830	220,067	192,686	34,830,754	31,218,195	2,151,380	0	64	10
China	[1]	946	3,135	[1]	[1]	304	0	0	0
France	1,884,876	14,305	1,020,997	18,104,563	39,908,416	3,855,032	0	0	0
Germany	17,600	298,503	1,514,063	13,576,107	12,712,449	2,305,253	0	0	0
Hong Kong	154,752	4,751	63,260	328,829	88,931	352,717	7,310	0	0
Hungary	0	360	0	1,153,897	1,186,756	51,810	0	0	0
Ireland	93,415	289,036	3,495,638	835,374	834,184	4,155,458	0	0	0
Japan	243,772	24,089	351,099	5,584,000	7,331,899	1,849,574	384,130	0	0
Mexico	4	95,842	9,143	20	10,976	58,577	44,740	0	0
Netherlands	1,607,560	3,976	566,003	37,321,717	82,354,572	4,546,215	309	0	0
Singapore	3,128	8,095	9,160	323	26,066	58,369	32,756	0	0
South Korea	1,327	0	0	0	0	3,414	0	0	0
Sweden	0	0	41,430	0	0	248,934	0	0	0
Switzerland	3,660,684	2,184,362	63,931,939	169,723,745	161,831,561	20,075,304	245,324	0	19,769
Taiwan	0	1,500	0	0	0	483	0	0	0
United Kingdom	9,081,440	373,626	4,951,900	104,035,384	242,806,451	451,447,203	437,948,647	0	42,236
Real Estate and Rental and Leasing									
All geographic areas, total	127,274	0	494,929	10,893,569	10,076,692	1,054,461	441,486	14,024	0
Australia	0	0	438	1	5	142	138	0	0
Canada	340	0	2,597	104	322	6,495	6,225	0	0
France	0	0	89,062	73,344	18,000	80,777	78,236	0	0
Germany	0	0	65	114	153	4,936	4,491	0	0
Japan	0	0	0	119	123	11,367	10,790	0	0
Netherlands	0	0	0	1,677,983	1,823,318	103,664	0	0	0
Singapore	0	0	0	0	0	51	51	0	0
United Kingdom	0	0	380,296	74,142	911,794	47,408	1,140	0	0
Professional, Scientific, and Technical Services									
All geographic areas, total	94,117	4,498	73,460	9,200,260	7,848,515	6,795,246	1,313,121	359	5,392
Australia	3,856	23	0	47,993	0	28,248	514	0	3,286
Belgium	490	14	0	0	0	16,433	7,296	0	0
Brazil	0	9	0	0	0	2,701	10	0	0
Canada	304	0	3,549	491,328	461,888	505,680	361,472	0	221
China	18	1	80	333	0	14,213	12,416	0	0
France	49,243	4,023	5,034	175,492	805,165	649,504	73,432	8	989
Germany	50	33	1,480	600,752	1,020,505	1,465,615	72,370	0	3
Hong Kong	20	6	405	6,438	0	730	0	0	0
Hungary	0	0	[1]	240,000	445,800	27,954	0	0	0
Ireland	248	103	4	2,163	0	283,289	243,601	267	0
Japan	222	24	1,727	130,517	56,245	563,558	507,340	83	866
Mexico	0	2	30	964	400	11,366	29	0	0
Netherlands	5,185	25	238	2,458,982	960,510	369,169	4,721	0	0
Singapore	0	10	11,548	2,682	0	9,214	6,734	0	0
South Korea	0	3	0	0	0	105	0	0	0
Sweden	1,768	8	4	1,059	0	1,946	161	0	0
Switzerland	0	11	1	316,040	309,680	25,350	4,740	0	0
Taiwan	0	0	0	8	0	18	0	0	0
United Kingdom	25,031	140	47,462	4,299,497	3,316,470	473,889	10,106	0	20

Footnotes at end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts received from related foreign persons—continued					Amounts paid to related foreign persons			
	Interest	Premiums for insurance or reinsurance	Other	Amounts borrowed		Total (excluding loan balances)	Purchases of stock in trade	Purchases of tangible property other than stock in trade	Rents and royalties
				Beginning balance	Ending balance				
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
Management of Companies									
All geographic areas, total	291,506	0	3,086,006	32,748,923	32,137,248	4,935,870	172,808	0	152
Canada	15,111	0	128,158	64,369	58,119	360,508	0	0	0
France	24,629	0	62	2,231,100	79	112,369	5,759	0	0
Germany	352	0	954	0	0	173,957	162,750	0	0
Ireland	28,380	0	7	0	0	10,950	0	0	0
Japan	0	0	61,451	234,182	205,500	102,662	0	0	152
Mexico	51	0	629	0	0	7,809	0	0	0
Netherlands	3,380	0	68,249	13,097,369	15,310,545	309,800	0	0	0
Switzerland	802	0	21,545	9,324,852	9,074,773	532,393	0	0	0
United Kingdom	95,747	0	6,379	5,503,719	5,817,880	1,041,240	4,300	0	0
Administrative & Support and waste management services									
All geographic areas, total	7,670	0	8,316	3,333,384	7,116,215	869,378	0	0	169,654
Canada	0	0	295	168,989	161,433	55,518	0	0	0
France	0	0	0	1,383,054	1,349,013	128,279	0	0	32,072
Netherlands	0	0	0	399,600	444,000	43,937	0	0	0
Switzerland	442	0	203	263,669	3,717,866	374,903	0	0	98,494
United Kingdom	171	0	7,479	139,245	142,125	20,576	0	0	6,116
Educational Services									
All geographic areas, total	d	d	d	d	d	d	d	d	d
Health Care and Social Assistance									
All geographic areas, total	0	0	0	1,693,126	1,833,130	187,810	87,520	0	0
Canada	0	0	0	0	0	5,409	58	0	0
Arts, Entertainment, and Recreation									
All geographic areas, total	d	d	d	d	d	d	d	d	d
Accommodation and Food Services									
All geographic areas, total	50,664	0	110,740	6,058,420	2,967,323	815,593	0	0	1,353
Canada	325	0	2,051	0	0	586	0	0	0
United Kingdom	29,032	0	23,979	2,609,062	80,929	390,412	0	0	0
Other Services									
All geographic areas, total	0	0	6,962	0	0	59,733	59,733	0	0
China	0	0	0	0	0	8	8	0	0
Taiwan	0	0	6,962	0	0	59,461	59,461	0	0

Footnotes at end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts paid to related foreign persons—continued							Amounts loaned	
	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance	Other	Beginning balance	Ending balance	
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	
All Industries, total									
All geographic areas, total	7,430,676	35,973,739	8,472,837	53,444,546	22,539,905	28,613,788	292,757,275	261,030,348	
Australia	861	211,770	12,931	323,902	14,975	258,475	1,953,509	2,110,695	
Belgium	1,256,835	73,057	4,996	186,932	2,669	161,344	1,272,199	2,756,546	
Bermuda	2,263	97,216	3,042	318,794	6,932,658	1,405,926	3,541,923	4,045,559	
Brazil	584	125,532	14,397	27,117	0	25,147	154,965	389,585	
Canada	55,369	4,266,710	122,877	1,751,471	220,799	2,593,776	28,804,643	8,141,664	
China	138	118,957	13,162	31	0	113,769	54,999	89,465	
France	391,457	1,857,845	70,718	5,040,291	45,032	565,378	18,913,176	21,799,315	
Germany	1,241,240	10,532,934	13,506	1,957,308	1,710,743	1,388,261	3,410,563	4,245,314	
Hong Kong	642	2,250,941	440,648	282,228	176	104,733	4,460,904	3,119,928	
Hungary	0	1,317	62	1,504,606	0	3,651,864	591,885	407,818	
Ireland	937,766	116,487	55,911	909,694	3,612,595	857,498	3,724,432	4,021,684	
Japan	570,567	5,527,751	339,890	660,435	17,273	1,463,779	5,672,914	5,269,006	
Mexico	36,829	877,547	2,574,282	109,898	10,736	282,848	1,411,471	2,195,332	
Netherlands	389,367	918,536	85,415	7,006,957	21,244	2,985,792	11,202,372	30,437,807	
Singapore	12,609	298,475	3,075,317	42,415	5	44,251	424,503	160,125	
South Korea	33,927	208,778	11,137	13,273	0	46,848	111,091	84,982	
Sweden	44,916	300,460	45,907	414,266	256,444	731,443	1,781,406	1,143,571	
Switzerland	1,364,158	500,173	37,861	11,446,236	8,366,916	5,529,942	42,894,537	42,683,622	
Taiwan	28	14,204	1,534	429	[1]	36,895	6,274	12,402	
United Kingdom	315,690	3,459,122	262,308	16,002,379	879,552	4,520,375	150,526,527	113,872,121	
Agriculture, forestry, fishing, and hunting									
All geographic areas, total	d	d	d	d	d	d	d	d	
Mining									
All geographic areas, total	4,381	476,303	3,628	727,981	7,127	487,215	4,584,712	7,278,978	
Australia	0	32,929	2,248	9,210	400	11,921	80,166	74,981	
Belgium	0	2,344	0	2,702	0	14,896	0	0	
Bermuda	0	0	0	165,799	3,706	302,797	3,000	14,942	
Brazil	0	214	14	0	0	503	14,274	11,584	
Canada	3,777	21,277	0	42,159	444	26,300	1,596,349	1,897,288	
China	0	3	0	0	0	72	169	1,062	
France	0	59,398	82	23,148	0	30,126	529	626	
Germany	0	0	0	0	0	8,014	0	0	
Hungary	0	0	0	352,983	0	0	0	723	
Ireland	0	0	0	0	0	620	5,202	5,668	
Japan	0	48	462	13,210	0	3,083	0	0	
Mexico	0	0	48	16,348	0	211	4	1,308,677	
Netherlands	0	2,676	0	18,291	0	1,327	184	419	
Singapore	0	5,939	430	38	0	8,233	600	4,387	
Switzerland	0	0	0	48,599	0	788	0	0	
United Kingdom	0	53,684	0	12,401	0	40,401	1,052,013	2,463,719	
Utilities									
All geographic areas, total	0	92,465	0	899,965	3,394	285,496	4,600,485	1,851,486	
Canada	0	62,110	0	57,720	3,394	1,623	19	2,081	
United Kingdom	0	15,923	0	260,443	0	38	17	26,532	

Footnotes at end of table.

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts paid to related foreign persons—continued							Amounts loaned	
	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance	Other	Beginning balance	Ending balance	
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	
Construction									
All geographic areas, total	9,479	98,966	0	181,391	2,634	98,116	562,055	604,613	
Australia	0	4,037	0	0	0	19,984	15	2,162	
Canada	0	8,936	0	0	0	0	0	0	
Germany	0	372	0	5,104	0	14,253	0	0	
Netherlands	0	0	0	17,694	0	0	0	0	
Sweden	0	920	0	0	554	0	100,050	100,505	
United Kingdom	0	9,797	0	121,260	0	63,869	454,223	431,766	
Manufacturing									
All geographic areas, total	3,395,838	23,362,423	4,108,745	13,663,701	928,447	10,353,038	50,152,630	51,500,452	
Australia	10	25,893	2,412	37,431	2,858	123,518	889,375	445,587	
Belgium	1,256,692	41,606	3,995	132,125	2,324	95,253	520,687	1,186,158	
Bermuda	0	12,940	0	42,282	87,357	523,612	1,302,746	1,182,282	
Brazil	355	100,878	5,822	21,175	0	11,893	120,972	365,309	
Canada	2,850	946,324	57,322	150,365	9,201	1,553,202	2,279,433	1,595,846	
China	138	16,827	2,198	0	0	12,851	24,946	51,360	
France	98,593	897,367	11,468	539,236	3,169	301,313	2,095,330	860,987	
Germany	56,870	10,230,853	7,726	825,140	5,245	525,129	1,408,372	2,224,649	
Hong Kong	462	2,127,392	8,805	113,313	0	1,385	18,029	17,876	
Hungary	0	13	9	641,650	0	3,649,725	341,969	405,016	
Ireland	8,572	31,936	122	407,181	20,632	60,521	1,015,497	2,297,850	
Japan	191,904	4,706,254	147,693	29,695	5,930	295,505	266,035	250,124	
Mexico	27,609	526,612	2,562,313	75,847	0	220,151	1,013,195	435,401	
Netherlands	368,327	652,154	17,705	1,600,728	3,774	983,726	802,979	675,528	
Singapore	168	103,376	15,026	0	5	5,174	7,684	13,509	
South Korea	0	3,115	2,966	1,180	0	17,156	3,445	3,627	
Sweden	198	212,959	7,544	318,637	6,508	721,124	1,604,931	1,042,437	
Switzerland	1,183,799	252,417	6,910	3,167,602	14,838	161,906	9,385,565	13,675,014	
Taiwan	28	1,317	816	0	0	9,126	828	337	
United Kingdom	149,819	2,042,139	15,029	3,285,541	639,446	615,545	23,962,365	20,384,765	
Wholesale trade									
All geographic areas, total	671,446	4,312,013	200,915	2,224,698	56,919	2,659,923	13,252,393	14,791,382	
Australia	0	34,118	41	199,001	0	61,009	529,748	3,697	
Belgium	0	1,207	0	11,764	0	4,473	2,981	485	
Bermuda	2,263	13,899	0	0	29,100	149	38,818	212,932	
Brazil	0	8,799	3,803	22	0	794	9,385	5,933	
Canada	0	2,105,883	11,860	21,567	7,623	546,771	622,625	952,482	
China	0	8,537	3,059	31	0	8,536	29,155	34,378	
France	242,332	261,126	320	505,212	0	38,123	6,412,544	6,766,190	
Germany	4,955	53,135	883	210,082	0	388,152	449,139	513,980	
Hong Kong	0	3,309	89,238	298	47	16,624	6,268	21,934	
Hungary	0	392	0	181,858	0	2	8,205	1,862	
Ireland	0	17,479	0	11,353	1,426	358,111	3,505	3,505	
Japan	250,348	701,060	64,322	96,657	6,908	181,812	1,608,266	1,786,988	
Mexico	0	344,086	3,593	692	0	35,375	85,470	9,822	
Netherlands	1,370	42,069	46	164,472	193	558,229	240,014	200,332	
Singapore	11,720	103,662	200	2,697	0	6,166	257,462	22,065	
South Korea	33,927	192,640	2,044	11,967	0	8,899	107,273	80,440	
Sweden	43,720	40,804	0	22,848	0	3,860	53,082	495	
Switzerland	0	80,531	229	276,829	0	31,467	129,548	319,604	
Taiwan	0	311	465	429	[1]	9,545	4,928	11,807	
United Kingdom	15,210	228,566	4,863	292,179	635	182,033	2,549,558	3,668,314	

Footnotes at end of table.

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued								
	Amounts paid to related foreign persons—continued							Amounts loaned	
	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance	Other	Beginning balance	Ending balance	
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	
Retail trade									
All geographic areas, total	29,932	166,944	68,463	909,648	261,150	724,641	1,459,596	1,555,283	
Australia	0	0	0	0	0	0	10	0	
Belgium	0	57	0	85	0	11,899	332,055	544,160	
Canada	29,871	86,795	0	267,817	0	6,005	577,741	528,691	
France	0	6,564	140	16,714	472	26,072	12,806	125,275	
Germany	61	3,739	0	14	0	2,410	1,453	0	
Hong Kong	0	0	9,765	0	0	0	4	0	
Japan	0	6,094	0	24,860	3,544	400	10,586	561	
Mexico	0	0	0	0	0	0	144,810	194,355	
Netherlands	0	5,480	0	167,041	0	520,854	130,286	135,579	
Singapore	0	0	0	0	0	0	0	0	
Switzerland	0	1,632	20,461	293,437	0	75,694	210	7,699	
United Kingdom	0	16,482	0	93,862	50,486	70,000	649	486	
Transportation and Warehousing									
All geographic areas, total	0	718,096	3,098,659	451,807	41,730	1,781,590	1,325,290	1,036,955	
Australia	0	18,643	0	43	0	35,698	0	64	
Belgium	0	6,322	0	0	0	6,935	0	0	
Brazil	0	4,475	0	0	0	9,777	0	53	
Canada	0	82,525	0	52,577	141	83,953	259,842	94,106	
China	0	73,301	7,604	0	0	92,268	0	5	
France	0	12,313	0	0	0	21,310	8	13	
Germany	0	37,517	0	20,574	0	363,693	374,225	0	
Hong Kong	0	96,777	4,836	0	0	64,478	0	0	
Hungary	0	95	0	51,854	0	2,074	0	0	
Ireland	0	740	0	0	0	3,356	0	0	
Japan	0	9,042	25,537	118	0	24,387	27,181	26,025	
Mexico	0	3,745	4,432	168	0	26,378	294	122	
Netherlands	0	16,397	43	20,077	0	248,431	29,066	55,262	
Singapore	0	25,907	3,053,640	0	[1]	18,897	0	0	
South Korea	0	11,291	0	0	0	20,792	0	0	
Sweden	0	872	0	0	0	4,761	28	124	
Switzerland	0	1,713	0	0	0	8,071	0	0	
Taiwan	0	11,850	21	0	0	18,222	0	0	
United Kingdom	0	48,665	1,108	118,318	41,588	129,814	519,160	499,372	
Information									
All geographic areas, total	1,118,786	443,065	118,404	3,476,786	16,100	915,785	6,961,211	6,833,132	
Australia	758	12,150	6,979	0	12	45	2,374	3,401	
Belgium	143	582	0	0	0	2,921	10	10	
Bermuda	0	0	0	40,255	13,444	124,939	1,935,229	2,036,632	
Brazil	228	644	0	0	0	39	1,838	1,846	
Canada	8,725	20,323	2,218	2	10	1,626	268,170	197,693	
China	0	163	0	0	0	0	87	15	
France	3,452	3,123	6,715	25,362	0	2,777	539,989	48,123	
Germany	4,177	31,943	220	29,090	0	6,499	750,778	765,079	
Hong Kong	0	8,544	0	0	0	0	5,122	5,315	
Hungary	0	415	0	129,996	0	0	76	76	
Ireland	836,027	0	0	0	0	0	9	15	
Japan	128,315	15,612	20,359	0	0	702	206	624	
Mexico	9,219	1,145	0	0	0	28	13	23	
Netherlands	8,758	11,169	66,893	450,162	0	18,255	76,284	40,949	
Singapore	225	15,158	28	0	0	37	967	258	
South Korea	0	1,627	735	0	0	[1]	179	3	
Sweden	998	1,902	0	0	0	0	10	10	
Switzerland	2	756	124	553,731	0	419,322	1,446	0	
Taiwan	0	0	6	0	0	0	300	192	
United Kingdom	114,338	285,875	12,449	625,787	2,633	322,025	2,828,105	3,381,616	

Footnotes at end of table.

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Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued							
	Amounts paid to related foreign persons—continued							
	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance	Other	Amounts loaned	
							Beginning balance	Ending balance
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Finance & Insurance								
All geographic areas, total	180,481	1,301,490	804,219	26,312,138	21,124,158	10,469,985	203,604,808	166,468,784
Australia	0	67,911	1,116	68,672	11,705	6,296	449,434	1,320,699
Belgium	0	1,932	1,000	40,256	345	7,354	416,123	1,025,439
Bermuda	0	5,807	3,042	64,309	6,788,251	117,826	175,112	165,454
Brazil	0	1,335	1,161	1	0	54	353	633
Canada	0	567,536	32,641	1,088,425	199,986	262,719	22,436,764	2,677,200
China	0	0	302	0	0	2	[1]	4
France	1,147	175,585	51,976	3,479,473	41,392	105,459	7,922,924	12,141,194
Germany	12	18,599	3,462	536,971	1,705,393	40,816	262,989	726,283
Hong Kong	0	7,910	324,441	3,184	129	9,742	4,426,394	2,875,337
Hungary	0	0	53	51,695	0	63	[1]	0
Ireland	0	21,469	55,789	103,158	3,540,158	434,885	1,576,716	624,231
Japan	0	13,671	81,089	482,479	892	887,313	3,693,790	3,024,025
Mexico	0	0	2,023	572	10,736	507	1,128	8,766
Netherlands	900	79,478	485	3,825,767	5,085	634,191	9,764,618	28,996,065
Singapore	0	13,855	4,939	1,103	0	5,716	155,017	119,581
South Korea	0	0	3,287	127	0	0	3	2
Sweden	0	0	0	0	248,934	0	0	0
Switzerland	178,422	138,054	9,902	6,311,183	8,352,078	4,820,574	33,364,783	28,666,933
Taiwan	0	336	147	0	0	0	205	67
United Kingdom	0	179,068	203,905	9,998,121	141,492	2,933,734	116,275,583	79,818,008
Real Estate and Rental and Leasing								
All geographic areas, total	0	14,121	8,678	566,305	177	9,669	1,128,939	1,679,921
Australia	0	0	3	0	0	0	1,868	2,478
Canada	0	66	190	0	0	14	6,786	850
France	0	462	17	2,063	0	0	0	0
Germany	0	442	0	0	0	3	0	0
Japan	0	578	0	0	0	0	0	0
Netherlands	0	3,961	14	93,915	0	5,774	35,463	17,242
Singapore	0	0	0	0	0	0	154	296
United Kingdom	0	1,751	140	44,250	0	127	5,305	242,797
Professional, Scientific, and Technical Services								
All geographic areas, total	1,422,019	3,174,879	2,050	789,719	6,918	80,789	2,318,950	2,098,030
Australia	94	15,972	0	8,377	0	5	520	257,627
Belgium	0	9,136	0	0	0	0	344	294
Brazil	0	957	0	0	0	1,735	2,798	0
Canada	1,651	137,586	0	3,073	0	1,678	45,762	22,941
China	0	1,776	0	0	0	21	640	2,640
France	36,454	407,944	0	93,096	0	37,580	64,535	34,033
Germany	1,175,166	149,327	0	52,216	106	16,427	27,965	15,322
Hong Kong	0	548	122	60	0	[1]	464	0
Hungary	0	403	0	27,552	0	[1]	0	0
Ireland	0	39,421	0	0	0	[1]	48,000	0
Japan	0	55,206	17	0	0	46	46,154	98,478
Mexico	0	1,771	229	9,337	0	0	166,520	238,067
Netherlands	0	55,158	0	304,643	4,647	0	118,976	384
Singapore	0	2,046	406	0	0	28	1,311	28
South Korea	0	104	0	0	0	[1]	0	0
Sweden	0	1,247	266	0	271	0	58	0
Switzerland	0	768	116	19,726	0	0	1,217	896
Taiwan	0	0	17	0	0	1	0	0
United Kingdom	18,673	157,922	0	266,839	1,894	18,435	1,555,574	1,202,057

Footnotes at end of table

Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2006

Statistics of Income Bulletin | Fall 2009

Table 3. 2006, Foreign-Owned Domestic Corporations with Total Receipts of \$500 Million or More and with Forms 5472 Transactions Between Corporations and Related Foreign Persons, by NAICS Industrial Sector of Domestic Corporation and Selected Country of Residence of Related Foreign Person—Continued

[Money amounts are in thousands of dollars]

NAICS industrial sector of domestic corporation and selected country of residence of related foreign person [2]	Transactions between foreign-owned domestic corporations and related foreign persons—continued							
	Amounts paid to related foreign persons—continued							
	Purchases, leases, and licenses of intangible property rights	Consideration for technical, managerial, or like services	Commissions	Interest	Premiums for insurance or reinsurance	Other	Amounts loaned	
							Beginning balance	Ending balance
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	
Management of Companies								
All geographic areas, total	466,407	1,524,745	59,075	2,017,061	22,268	673,354	1,935,405	4,198,460
Canada	29	215,848	18,646	40,460	0	85,524	693,857	137,854
France	0	5,976	0	100,523	0	111	0	0
Germany	0	5,672	1,215	4,180	0	140	0	0
Ireland	0	866	0	10,080	0	4	0	0
Japan	0	20,180	411	11,388	0	70,531	20,696	12,000
Mexico	0	188	616	6,806	0	199	0	0
Netherlands	0	1,232	229	307,262	0	1,077	710	313,013
Switzerland	0	6,528	38	515,731	0	10,097	2,093	1,996
United Kingdom	0	286,914	24,814	580,924	0	144,289	969,497	1,218,932
Administrative & Support								
All geographic areas, total	103,069	30,445	0	460,948	59,303	45,959	112,420	340,128
Canada	7,967	4,412	0	21,839	0	21,300	298	9,355
France	0	4,465	0	91,299	0	443	0	0
Netherlands	0	3,433	0	19,030	7,547	13,928	0	0
Switzerland	1,936	13,052	0	259,399	0	2,023	0	0
United Kingdom	0	267	0	12,750	1,377	66	3,316	867
Educational Services								
All geographic areas, total	d	d	d	d	d	d	d	d
Health Care and Social Assistance								
All geographic areas, total	500	0	0	90,210	9,580	0	0	25,117
Canada	500	0	0	4,851	0	0	0	25,117
Arts, Entertainment, and Recreation								
All geographic areas, total	d	d	d	d	d	d	d	d
Accommodation and Food Services								
All geographic areas, total	28,338	185,663	0	578,397	0	21,842	753,657	763,609
Canada	0	586	0	0	0	0	16,575	0
United Kingdom	17,650	129,692	0	243,070	0	0	351,162	532,714
Other Services								
All geographic areas, total	0	0	0	0	0	0	0	0
China	0	0	0	0	0	0	0	0
Taiwan	0	0	0	0	0	0	0	0

d—In order to avoid disclosure of information for specific corporations, some data have been deleted. Data are included in appropriate totals.

[1] Amounts less than \$500.

[2] Selected country data have been deleted to prevent disclosure of information for individual taxpayers. However, the data are included in the appropriate totals.

NOTES: NAICS is the abbreviation for the North American Industry Classification System. Detail may not add to totals because of rounding.



LMSB Tier I Issue - U.S. Withholding Agents - §1441: Reporting and Withholding on U.S. Source FDAP Income

U.S. WITHHOLDING AGENTS - §1441: REPORTING AND WITHHOLDING ON U.S. SOURCE FDAP INCOME

Issue Owner - Lori Nichols, Director, International Compliance Strategy and Policy

Issue Champion - Stuart Mann, Program Manager, Foreign Payments and International Information Reporting

Lead TA - Bob Driscoll

Lead Counsel - Victoria Kanrek

<p>Industry Director Directives:</p> <ul style="list-style-type: none"> • Directive on Exams of Form 1042 	<p>Guidance:</p> <ul style="list-style-type: none"> • NRA Withholding • IRM 4.10.21 - Examination of Returns, US Withholding Agents Examinations - Form 1042
<p>Key UIL Codes:</p> <ul style="list-style-type: none"> • 1441.00-00 to 1446.14-00 • 1461.00-00 to 1464.00-00 	<p>Risk Analysis:</p> <p>TBD</p>

Description of Issue

- U.S. persons (individuals, corporations, partnerships, etc.) who make payments of certain types of U.S. sourced income to non-resident aliens generally must withhold tax at a rate of 30% on such payments, unless there are applicable treaty provisions allowing for a reduced rate.
- Such payments are generally subject to reporting on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding.
- The person making these payments – generally referred to as a U.S. withholding agent – is responsible for the withholding and reporting.
- The IRS has current initiatives focused on the compliance of U.S. withholding agents with regard to these reporting and withholding responsibilities.
- Issues such as securities lending, payments to foreign vendors and potential use of total return swaps to minimize withholding tax are just some of the issues of concern.
- The IRS is also focusing on the quality of the overall reporting and withholding systems and procedures of the withholding agents to ensure proper classification of payments, sourcing, and the validity of documentation of foreign persons.

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[Issue Tiering - LMSB](#)

Page Last Reviewed or Updated: November 25, 2009



Withholding Certificate Forms Under I.R.C. 1441-1464

Aliens who wish to claim various exemptions from withholding tax on U.S. source income, or who wish to notify their withholding agents of their U.S. or foreign status are often required to file Withholding Certificate Forms.

- [Form W-8BEN](#) (PDF), Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding
- [Form W-8ECI](#) (PDF), Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade or Business in the United States
- [Form W-8EXP](#) (PDF), Certificate of Foreign Government or Other Foreign Organization for U.S. Tax Withholding
- [Form W-8IMY](#) (PDF), Certificate of Foreign Intermediary, Foreign Partnership, Or Certain U.S. Branches for U.S. Tax Withholding
- [Form W-9](#) (PDF), Request for Taxpayer Identification Number and Certification
- [Form 8233](#) (PDF), Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services Of a Nonresident Alien Individual

References/Related Topics

- [Documentation](#)
- [Withholding Certificates and Exemptions for Personal Services and Students](#)

Page Last Reviewed or Updated: October 20, 2009



Internal Revenue Bulletin: 2005-47

November 21, 2005

Rev. Proc. 2005-71

Amendment to Sunset Date of Section 1441 Voluntary Compliance Program Under Rev. Proc. 2004-59

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- [SECTION 2. BACKGROUND](#)
- [SECTION 3. EXTENSION OF SUNSET DATE](#)
- [SECTION 4. INQUIRIES](#)
- [SECTION 5. EFFECT ON OTHER DOCUMENTS](#)
- [SECTION 6. EFFECTIVE DATE](#)
- [SECTION 7. DRAFTING INFORMATION](#)

SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2004-59, 2004-2 C.B. 678, to extend the sunset date of the Section 1441 Voluntary Compliance Program ("Section 1441 VCP") to March 31, 2006.

SECTION 2. BACKGROUND

Rev. Proc. 2004-59 set forth the provisions of the Section 1441 VCP, a program that is available to certain withholding agents with respect to the withholding, payment, and reporting of certain taxes due on payments to foreign persons.

The IRS initiated the Section 1441 VCP as a temporary program. Section 6 of Rev. Proc. 2004-59 provided that the Section 1441 VCP became effective September 29, 2004, and would be available for submissions made on or before December 31, 2005.

The volume of Section 1441 VCP submissions has increased steadily since the inception of the program. Many withholding agents that wish to participate in the program will not be able to complete the submission process before December 31, 2005, and will be excluded from participation in the VCP without an extension. To enable such withholding agents to participate in the VCP, this revenue procedure amends Section 6 of Rev. Proc. 2004-59 to extend the sunset date of the program for three months, to March 31, 2006. In addition, this revenue procedure amends Section 5.01, which allows taxpayers to request extensions to complete VCP submissions under certain circumstances. This revenue procedure provides that, for section 1441 VCP submissions made after December 31, 2005, no extensions will be granted beyond June 30, 2006.

SECTION 3. EXTENSION OF SUNSET DATE

Sections 5 and 6 of Rev. Proc. 2004-59 are amended as follows.

In Section 5.01, the following sentence is added after the existing text. "For section 1441 VCP submissions made after December 31, 2005, no extensions will be granted beyond June 30, 2006."

In Section 6, the second sentence is amended by deleting "December 31, 2005" and inserting in its place, "March 31, 2006." A third, fourth, and fifth sentence are added as follows: "A Section 1441 VCP submission may not be made for calendar year 2005 Forms 1042 and 1042-S. A Section 1441 VCP submission made after December 31, 2005, must include an executed Form 872, *Consent to Extend the Time to Assess Tax*, consenting to extend for one additional year the time to assess tax with respect to amounts reportable on Form 1042 for the 2002 year. If the withholding agent has filed a Form 945 for the 2002 year, it should further include an executed Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*, to extend the assessment period for income tax withholding for an additional year."

SECTION 4. INQUIRIES

For further information regarding the Section 1441 VCP contact the Section 1441 VCP Coordinator at (212) 298-2698 (not a toll-free number).

SECTION 5. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2004-59 is modified.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective September 29, 2004, the effective date of Rev. Proc. 2004-59.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathryn Holman of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure, contact Kathryn Holman at (202) 622-3840 (not a toll-free call).

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NRA Withholding

Withholding On Payments of U.S. Source Income to Foreign Persons IRC 1441 to 1443 (Form 1042)

Generally, a [foreign person](#) is subject to U.S. tax on its U.S. source income. Most types of U.S. source income received by a foreign person are subject to U.S. tax of 30%. A reduced rate, including exemption, may apply if an Internal Revenue Code Section provides for a lower rate, or there is a tax treaty between the foreign person's country of residence and the United States. The tax is generally withheld (NRA withholding) from the payment made to the foreign person. The term NRA withholding is used in this area descriptively to refer to withholding required under sections 1441, 1442, and 1443 of the Internal Revenue Code. Generally, NRA withholding describes the withholding regime that requires 30% withholding on a payment of U.S. source income and the filing of [Form 1042](#) (PDF) and related [Form 1042-S](#) (PDF). Payments to all foreign persons, including nonresident alien individuals, foreign entities and governments, may be subject to NRA withholding

In referring to NRA withholding in this area, it does not include withholding done under section 1445 of the Code (on [dispositions of U.S. Real Property Interest](#)) or under section 1446 of the Code ([Partnership Withholding on Effectively Connected Income](#)).

- [Withholding of Tax](#)
 - [Withholding Agent](#)
 - [Withholding and Reporting Obligations](#)
- [Persons Subject to NRA Withholding](#)
 - [Identifying the Payee](#)
 - [Flow-Through Entities](#)
 - [Foreign Intermediaries](#)
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 - [Standards of Knowledge](#)
 - [Presumption Rules](#)
 - [Withholding Certificate Forms Under I.R.C. 1441-1464](#)
- [Income Subject to NRA Withholding](#)
 - [Fixed, Determinable, Annual, Periodical \(FDAP\) Income](#)
 - [Source of Income](#)
 - [Who Must File](#)
 - [Amounts Subject to Reporting on Form 1042-S](#)
 - [Amounts That Are Not Subject to Reporting on Form 1042-S](#)
 - [Withholding on Specific Income](#)
- [Foreign Governments and Certain Other Foreign Organizations](#)
- [Taxpayer Identification Number \(TIN\) Requirement](#)
- [Depositing Withheld Taxes, When Deposits Are Required , and Adjustment for Overwithholding in \[Publication 515\]\(#\)](#)
- [Returns Required](#)
 - [Form 1042 Annual Withholding Tax Return for U.S. Source Income of Foreign Persons](#)
 - [Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding](#)
 - [Form 1042-T, Annual Summary and Transmittal of Forms 1042-S](#)
 - [Electronic Reporting](#)

Forms To Be Used

There are four forms in the W-8 series. The form to use depends on the type of certification being made. As used in this discussion of NRA withholding, the term "Form W-8" refers to the appropriate document. Refer to [Documentation](#) for more information.

- [Form W-8BEN](#) (PDF) Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding.
- [Form W-8ECI](#) (PDF) Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade or Business in the United States.
- [Form W-8EXP](#) (PDF) Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding.
- [Form W-8IMY](#) (PDF) Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding

References/Related Topics

- [Tax Withholding on Foreign Persons](#)
- [Publication 15, Circular E, Employer's Tax Guide](#)
- [Publication 15-A, Employer's Supplemental Tax Guide](#) (PDF)
- [Publication 15B, Employer's Tax Guide to Fringe Benefits](#)
- [Publication 51, Circular A, Agricultural Employer's Tax Guide](#)
- [Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities](#)
- [Publication 519, U.S. Tax Guide for Aliens](#)
- [Publication 901, U.S. Tax Treaties](#)
- [Form SS-4, Application for Employer Identification Number](#) (PDF)
- [Form W-2, Wage and Tax Statement](#) (PDF)
- [Form W-4, Employee's Withholding Allowance Certificate](#) (PDF)
- [Form W-4P, Withholding Certificate for Pension or Annuity Payments](#) (PDF)
- [Form W-7, Application for IRS Individual Taxpayer Identification Number](#) (PDF)
- [Form 941, Employer's Quarterly Federal Tax Return](#) (PDF)
- [Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons](#) (PDF)
- [Form 1042-T Annual Summary and Transmittal of Form 1042-S](#) (PDF)
- [Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY](#) (PDF)

Note: This page contains one or more references to the Internal Revenue Code (IRC), Treasury Regulations, court cases, or other official tax guidance. References to these legal authorities are included for the convenience of those who would like to read the technical reference material. To access the applicable IRC sections, Treasury Regulations, or other official tax guidance, visit the [Tax Code, Regulations, and Official Guidance](#) page. To access any Tax Court case opinions issued after September 24, 1995, visit the [Opinions Search](#) page of the United States Tax Court.

Page Last Reviewed or Updated: October 20, 2009



Revisions Relating to Withholding of Tax on Certain US Source Income Paid to Foreign Persons and Revisions of Information Reporting Regulations

[4830-01-P]
DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Parts 1 and 301
[REG-125443-01]
RIN 1545-AY92

Revisions to Regulations Relating to Withholding of Tax on Certain U.S. Source Income Paid to Foreign Persons and Revisions of Information Reporting Regulations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains amendments to final regulations relating to the withholding of income tax under sections 1441 and 1442 on certain U.S. source income paid to foreign persons and related requirements governing collection, deposit, refunds, and credits of withheld amounts under sections 1461 through 1463. Additionally, this document contains amendments to final regulations under sections 6049 and 6114. These regulations affect persons making payments of U.S. source income to foreign persons.

DATES: Written or electronic comments must be received by June 27, 2005. Requests to speak (with outlines of oral comments to be discussed) at the public hearing scheduled for July 20, 2005 at 10:00AM must be received by June 29, 2005.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-125443-01), room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions also may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-125443-01), Courier's Desk, Internal Revenue Service 1111 Constitution Avenue, NW., Washington, DC, or sent electronically, via the IRS internet site www.irs.gov/regs or via the Federal eRulemaking Portal site at www.regulations.gov (IRS and REG-125443-01). The public hearing will be held in the IRS Auditorium, Seventh Floor, Internal Revenue Building, 1111 Constitution Avenue, N.W., Washington, DC.

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FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Ethan Atticks, (202) 622-3840 (not a toll free number); concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Robin Jones, (202) 622-7180 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collections of information contained in this notice of proposed rulemaking have been previously reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control number 1545-1484.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number assigned by the Office of Management and Budget. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

In Treasury Decision 8734 (1997-2 C.B. 109 [62 FR 533871]), the Treasury Department and the IRS issued comprehensive regulations (final regulations) under chapter 3 (sections 1441-1464) and subpart G of Subchapter A of chapter 61 (sections 6041 through 6050S) of the Internal Revenue Code. Those final regulations were amended by TD 8804 (1999-1 C.B. 793 [63 FR 72183]), TD 8856 (2000-1 C.B. 298 [64 FR 73408]), TD 8881 (2000-1 C.B. 1158 [65 FR 32152]), and TD 9023 (2002-2 C.B. 955 [67 FR 70310]).

In Notice 2001-4 (2001-1 C.B. 267), Notice 2001-11 (2001-1 C.B. 464), and Notice 2001-43 (2001-2 C.B. 72), the Treasury Department and the IRS announced the intention to amend the final regulations to address the matters discussed in those notices. These proposed regulations would implement certain changes announced in those notices and other changes.

Under section 1441 of the Internal Revenue Code (Code), as amended by the American Jobs Creation Act of 2004 (Public Law 108-357, 118 Stat. 1418), "interest-related dividends" and "short-term capital gain dividends" paid by regulated investment companies are exempt from withholding. These proposed regulations would amend the withholding rules in order to reflect the treatment of these new categories of dividends.

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Explanation of Provisions

I. Notice 2001-4

A. TIN requirement for certain foreign grantor trusts.

The final regulations provide that a withholding certificate that specifies certain payee information and that meets certain requirements may be used for a variety of purposes, including certifying a payee's status as a foreign person or foreign intermediary. Section 1.1441-1(e)(4)(vii)(G) of the final regulations provides that a taxpayer identification number (TIN) must be stated on a withholding certificate from a person representing to be a foreign grantor trust with 5 or fewer grantors.

After the final regulations took effect, some taxpayers requested documentation and reporting relief for simple and grantor trusts that hold an account with a qualified intermediary (QI). In response to this request, the Treasury Department and the IRS provided in section III.C of Notice 2001-4 that, if a foreign simple or grantor trust provides a QI with a Form W-8IMY, "Certificate of Foreign Intermediary, Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding," and the trust has 5 or fewer owners, the IRS will not require the trust to provide the QI with a TIN, notwithstanding §1.1441-1(e)(4)(vii)(G). Section III.C of Notice 2001-4 was superseded by Rev. Proc. 2003-64 (2003-2 C.B. 306), which provides comprehensive guidance for withholding partnerships and withholding trusts. However, Rev. Proc. 2003-64 does not provide any relief from the TIN requirement of §1.1441-1(e)(4)(vii)(G) in the QI context.

In addition to requesting reinstatement of the previously granted relief from the TIN requirement in the QI context, withholding agents have requested relief from the TIN requirement beyond the QI context. In light of these requests, the Treasury Department and the IRS have reexamined the TIN requirement of §1.1441-1(e)(4)(vii)(G) and have concluded that the rule is not serving to enhance enforcement objectives. Therefore, the proposed regulations would reinstate the relief granted in section III.C of Notice 2001-4 for withholding certificates provided to a QI by a foreign grantor trust with 5 or fewer grantors. In addition, the proposed regulations would grant relief from the TIN requirement for withholding certificates that are executed after December 31, 2003 and that are provided to a withholding agent by a foreign grantor trust with 5 or fewer grantors.

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B. Reporting relief for U.S. payors in U.S. possessions.

U.S. payors that pay foreign source income outside the United States to U.S. non-exempt recipients generally must report these payments on Form 1099 and, if required, apply backup withholding. After the final regulations became effective, withholding agents requested that the Treasury Department and the IRS reconsider this rule to the extent it requires Form 1099 reporting and backup withholding with respect to income from sources within a possession of the United States paid to a U.S. citizen even if the income is exempt from tax under section 931, 932, or 933.

In response to this request, the Treasury Department and the IRS provided in section V.C of Notice 2001-4 that the final regulations would be amended to provide that income that is derived from sources within a possession of the United States, that is exempt from taxation under section 931, 932, or 933, and that a payor reasonably believes to be paid to a resident of a possession of the United States is not required to be reported on Form 1099. Section V.C of Notice 2001-4 also provides that U.S. payors will not be required to report such income until the regulations are amended.

These proposed regulations would amend §1.6049-5(c) to implement section V.C. of Notice 2001-4, with modifications. The proposed regulations would provide that U.S. payors are not required to report on Form 1099 income from sources within a possession of the United States that is exempt from tax under section 931, section 932, or section 933. Under the proposed regulations, this exception from Form 1099 reporting would be applicable if the payor could reliably associate the payment of such income with valid documentation that supports a claim that the beneficial owner of the payment is a resident of the U.S. possession.

In addition, the proposed regulations would add new §1.1441-1(c)(30), which for these purposes would define possessions of the United States as Guam, American Samoa, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

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C. Use of documentary evidence in possessions of the United States

The final regulations provide certain exceptions from certain information reporting requirements. One such exception applies in cases in which, among other things, a payment is made outside the United States and the payor can rely on appropriate documentation to treat the payment as made to a foreign person. Section 1.6049-5(c)(1) allows a payor to rely on documentary evidence instead of an applicable withholding certificate described in §1.1441-1(c)(16) (Form W-8) in the case of a payment made to an offshore account. For this purpose, the term offshore account means an account maintained at an office or branch of a U.S. or foreign bank at any location outside the United States and outside of possessions of the United States.

When the final regulations took effect, taxpayers requested that the Treasury Department and the IRS consider allowing the use of documentary evidence for an account in a possession of the United States. In response to this request, the Treasury Department and the IRS provided in section V.D of Notice 2001-4 that documentary evidence may be used in lieu of Form W-8 in a possession of the United States and announced the intention to amend §1.6049-5(c)(1) accordingly.

These proposed regulations would implement Section V.D of Notice 2001-4.

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D. Information reporting of foreign source services income

Under section 6041, a U.S. payor must report certain payments made for services performed outside the United States. However, §1.6041-4 provides that information reporting is not required if the payee has provided documentation to establish its status as a foreign beneficial owner or a foreign payee, or if the payee is presumed to be a foreign payee under the presumption rules. Under the presumption rules of §§1.6049-5(d)(2) and 1.1441-1(b)(3)(iii), a U.S. payor must presume that the payee is a U.S. payee if the payee is an individual.

When the final regulations took effect, U.S. payors commented that these rules were overly burdensome because they require U.S. payors making payments for services performed outside the United States to ask all payees to represent that such payees are not U.S. persons.

In response to this comment, the Treasury Department and the IRS provided in section V.E of Notice 2001-4 that a U.S. payor will not be required to report, under section 6041, income paid for services performed outside the United States if (1) the payee of the income is an individual, (2) the U.S. payor does not know that the payee is a U.S. citizen or resident, (3) the payor does not know, and has no reason to know, that the income is (or may be) effectively connected with the conduct of a trade or business within the United States, and (4) all of the services for which payment is made were performed by the payee outside the United States.

The proposed regulations would implement section V.E of Notice 2001-4. The Treasury Department and the IRS are considering whether there are appropriate circumstances, and if so, an appropriate manner, in which such an exception could be extended to payments made to foreign partnerships. Comments are requested on this issue.

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II. Notice 2001-11 - Reporting/Withholding on Payments to Financial Institutions in U.S. Possessions

Corporations and partnerships organized in a possession of the United States generally are treated as foreign persons for purposes of applying the final regulations. Accordingly, under the final regulations, a possessions financial institution acting as an intermediary is treated as a nonqualified intermediary that must provide documentation and allocation information for the beneficial owners on whose behalf it acts. In contrast, a U.S. branch of a foreign financial institution may agree with a withholding agent to be treated as a U.S. person. See §1.1441-1(b)(2)(iv)(A) and (E). Under §1.1441-1(b)(1), if such a U.S. branch agrees to be treated as a U.S. person, payments of U.S. source income made to it will be treated as made to a U.S. payee and therefore will not be subject to withholding under section 1441. Possessions financial institutions generally are subject to all of the withholding and reporting obligations of a U.S. withholding agent. Section 7651.

When the final regulations took effect, possessions financial institutions commented that the requirement to provide a withholding agent with customer information should not apply to them, because possessions financial institutions are subject to all of the withholding and information reporting requirements that apply to U.S. withholding agents under Chapters 3 and 61 and section 3406 of the Code, and because they are subject to direct audit supervision by the Internal Revenue Service.

In response to these comments, the Treasury Department and the IRS issued Notice 2001-11, which provided that a possessions financial institution will be treated as a U.S. branch that is subject to the rules of §1.1441-1(b)(2)(iv) and announced the intention to amend the final regulations accordingly.

These proposed regulations would implement Notice 2001-11.

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III. Notice 2001-43

A. Reporting of treaty-based return positions

Section 301.6114-1(a) of the final regulations provides that, if a taxpayer takes a return position that a tax treaty overrules or modifies any provision of the Internal Revenue Code and thereby effects a reduction of any tax at any time, the taxpayer must disclose that return position, either on a statement attached to the return or on a return filed for the purpose of making such disclosure. Section 301.6114-1(b) provides that reporting is required unless it is expressly waived. It further provides a nonexclusive list of particular positions for which reporting is required. Section 301.6114-1(c) provides a list of specific exceptions from the general reporting requirements of §301.6114-1(a) and (b).

When the final regulations took effect, taxpayers requested guidance regarding the scope of the reporting required under §301.6114-1(a) and (b) in the case of claims for treaty-reduced withholding made by foreign persons that are not individuals or States. In particular, taxpayers requested the following clarification and relief.

First, because §301.6114-1(c)(1)(i) waives reporting only for individuals and States, clarification was requested regarding whether taxpayers that are not individuals or States and that do not meet the requirements to report under §301.6114-1(b)(4)(ii)(C) are nevertheless required to disclose treaty-based return positions described in subparagraph (b)(4)(ii) under the general rules of §301.6114-1(a) and (b).

Second, because §301.6114-1(c)(2) waives reporting only for individuals who receive less than the threshold amount, a de minimis exception was requested for taxpayers that are not individuals.

Third, because the representation under §1.1441-6(b)(1) (that the beneficial owner will file the statement required under §301.6114-1(d)) is required when the beneficial owner is related to the withholding agent within the meaning of section 482, and because the filing under §301.6114-1(b)(4)(ii)(C) is required when the beneficial owner is related to the person obligated to pay the income within the meaning of sections 267(b) and 707(b), clarification was requested regarding coordination of the representation requirement with the filing requirement.

Finally, because §1.1441-6(b)(1) states that the filing requirement applies only to amounts received during the calendar year that exceed \$500,000 in the aggregate, and because §301.6114-1(a)(1) permits a taxpayer to adopt a taxable year for filing different from the calendar year, taxpayers requested clarification regarding a fiscal-year taxpayer's obligation to report such amounts.

In response to these and other comments, Treasury and the IRS issued Notice 2001-43. Section 2 of Notice 2001-43 provided that the following rules would apply, effective January 1, 2001.

First, reporting is waived for a treaty-based return position described in §301.6114-1(b)(4)(ii), unless the conditions in paragraph (b)(4)(ii)(A) and (B) of this section, paragraph (b)(4)(ii)(C) of this section, or paragraph (b)(4)(ii)(D) of this section are met.

Second, reporting under §301.6114-1(b)(4)(ii)(D) is waived for taxpayers that are not individuals or States and that receive amounts of income subject to withholding that do not exceed \$10,000 in the aggregate.

Third, the related-person test for purposes of applying the representation requirement of §1.1441-6(b)(i) was conformed to the related-person test that applies for purposes of the filing requirement of §301.6114-1(b)(4)(ii)(C).

Fourth, the calendar-year rule in §1.1441-6(b)(1) was replaced with a taxable-year rule to conform to §301.6114-1(a)(1).

These proposed regulations would implement Section 2 of Notice 2001-43.

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B. Conversion of foreign currency amounts

Section 1.1441-3(e)(2) of the final regulations provides that if an amount subject to tax is paid in a currency other than the U.S. dollar, the amount of withholding under section 1441 shall be determined by applying the applicable rate of withholding to the foreign currency amount and by converting the amount withheld into U.S. dollars at the spot rate on the date of payment. A withholding agent that makes regular or frequent payments in foreign currency is permitted to use a month end spot rate or a monthly average spot rate.

After the final regulations took effect, some withholding agents that make regular and frequent payments in foreign currency commented that the permitted conversion conventions can expose them to currency risks that would require management by means of hedging transactions. Also, they commented that permitted conventions can require multiple accounting adjustments when payment amounts in the base currency are adjusted or corrected in the course of processing and settlement. They requested that they be permitted to use the spot rate on the date the amount of tax is deposited.

In response to this comment, in Section 3 of Notice 2001-43, the Treasury Department and the IRS provided that a withholding agent that makes regular or frequent payments in foreign currency is permitted to convert the amount

withheld into U.S. dollars at the spot rate on the day the tax is deposited, provided that the deposit is made within seven days of the date of payment. Section 3 of Notice 2001-43 also provided that taxpayers using this alternative convention must do so consistently for all nondollar amounts withheld and from year to year. It also provided that such convention could not be changed without the consent of the Commissioner.

These proposed regulations would implement Section 3 of Notice 2001-43.

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IV. The American Jobs Creation Act of 2004

The final regulations provide generally that if the amount of distributions designated by a regulated investment company as being subject to 852(b)(3)(C) (relating to capital-gain dividends) or 852(b)(5)(A) (relating to exempt-interest dividends) exceeds the amount that may be designated under those sections for the taxable year, then no penalties will be asserted for any resulting underwithholding if the designations were based on a reasonable estimate, as defined in regulations, and the adjustments to amount withheld are made in accordance with regulations. §1.1441-3(c)(3)(i). These proposed regulations would extend the reasonable-estimate rule to cover distributions designated as being subject to new section 871(k)(1)(C) (relating to interest-related dividends) or 871(k)(2)(C) (relating to short-term capital gain dividends).

Proposed Effective Date

These regulations are proposed to be applicable when final regulations are published in the **Federal Register**.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and, because the regulations do not impose a new collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) that are submitted timely (in the manner described in the "ADDRESSES" portion of this preamble) to the IRS. The Treasury Department and the IRS request comments on the clarity of the proposed rules and how they can be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for July 20, 2005, beginning at 10:00 a.m. in the IRS Auditorium (7th Floor), Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Due to building security procedures, visitors must enter at the 10th Street entrance, located between Constitution and Pennsylvania Avenues, NW. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" portion of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments must submit written comments and an outline of the topics to be discussed and the time to be devoted to each topic (a signed original and eight (8) copies) by Wednesday, June 29. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for reviewing outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of the proposed regulations is Ethan Atticks, Office of Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

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List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301 are proposed to be amended as follows:

PART 1 -- INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.1441-1 is amended as follows:

1. Paragraph (b)(2)(iv)(A) is revised.
2. Paragraph (b)(3)(iii)(E) is added.
3. Paragraph (c)(30) is added.
3. Paragraph (e)(4)(vii)(G) is revised.

The revisions and additions read as follows:

§1.1441-1 Requirement for the deduction and withholding of tax on payments to foreign persons.

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(b) * * *

(2) * * *

(iv) Payments to a U.S. branch of certain foreign banks or foreign insurance companies - - (A)

U.S. branch treated as a U.S. person in certain cases. A payment to a U.S. branch of a foreign person is a payment to a foreign person. However, a U.S. branch described in this paragraph (b)(2)(iv)(A) and a withholding agent (including another U.S. branch described in this paragraph (b)(2)(iv)(A)) may agree to treat the branch as a U.S. person for purposes of withholding on specified payments to the U.S. branch. Notwithstanding the preceding sentence, a withholding agent making a payment to a U.S. branch treated as a U.S. person under this paragraph (b)(2)(iv)(A) shall not treat the branch as a U.S. person for purposes of reporting the payment made to the branch. Therefore, a payment to such U.S. branch shall be reported on Form 1042-S under §1.1461-1(c). Further, a U.S. branch that is treated as a U.S. person under this paragraph (b)(2)(iv)(A) shall not be treated as a U.S. person for purposes of the withholding certificate it may provide to a withholding agent. Therefore, the U.S. branch must furnish a U.S. branch withholding certificate on Form W-8 as provided in paragraph (e)(3)(v) of this section and not a Form W-9. An agreement to treat a U.S. branch as a U.S. person must be evidenced by a U.S. branch withholding certificate described in paragraph (e)(3)(v) of this section furnished by the U.S. branch to the withholding agent. A U.S. branch described in this paragraph (b)(2)(iv)(A) is any U.S. branch of a foreign bank subject to regulatory supervision by the Federal Reserve Board or a U.S. branch of a foreign insurance company required to file an annual statement on a form approved by the National Association of Insurance Commissioners with the Insurance Department of a State, a Territory, or the District of Columbia. In addition, a financial institution organized in a possession of the United States will be treated as a U.S. branch for purposes of this paragraph (b)(2)(iv)(A). The Internal Revenue Service (IRS) may approve a list of U.S. branches that may qualify for treatment as a U.S. person under this paragraph (b)(2)(iv)(A) (see §601.601(d)(2) of this chapter). See §1.6049-5(c)(5)(vi) for the treatment of U.S. branches as U.S. payors if they make a payment that is subject to reporting under chapter 61 of the Internal Revenue Code. Also see §1.6049-5(d)(1)(ii) for the treatment of U.S. branches as foreign payees under chapter 61 of the Internal Revenue Code.

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(3) * * *

(iii) * * *

(E) Certain payments for services. A payment for services is presumed to be made to a foreign person if - -

- (1) The payee is an individual;
- (2) The withholding agent does not know, or have reason to know, that the payee is a U.S. citizen or resident;
- (3) The withholding agent does not know, or have reason to know, that the income is (or may be) effectively connected with the conduct of a trade or business within the United States; and
- (4) All of the services for which the payment is made were performed by the payee outside of the United States.

* * * * *

(c) * * *

(30) Possessions of the United States. For purposes of the regulations under chapter 3 and 61 of the Internal Revenue Code, possessions of the United States means Guam, American Samoa, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

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(e) * * *

(4) * * *

(vii) * * *

(G) A withholding certificate executed on or before December 31, 2003 from a person representing to be a grantor trust with 5 or fewer grantors, except where such withholding certificate is provided to a qualified intermediary.

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Par. 3. Section 1.1441-3 is amended by revising paragraphs (c)(3) and (e)(2) to read as follows:

§1.1441-3 Determination of amounts to be withheld.

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(c) * * *

(3) Special rules in the case of distributions from a regulated investment company - - (i)

General rule. If the amount of any distributions designated as being subject to section 852(b)(3)(C) or 5(A), or 871(k)(1)(C) or (2)(C), exceeds the amount that may be designated under those sections for the taxable year, then no penalties will be asserted for any resulting underwithholding if the designations were based on a reasonable estimate (made pursuant to the same procedures as described in paragraph (c)(2)(ii)(A) of this section) and the adjustments to the amount withheld are made within the time period described in paragraph (c)(2)(ii)(B) of this section. Any adjustment to the amount of tax due and paid to the IRS by the withholding agent as a result of underwithholding shall not be treated as a distribution for purposes of section 562(c) and the regulations thereunder. Any amount of U.S. tax that a foreign shareholder is treated as having paid on the undistributed capital gain of a regulated investment company under section 852(b)(3)(D) may be claimed by the foreign shareholder as a credit or refund under §1.1464-1.

(ii) **Reliance by intermediary on reasonable estimate.** For purposes of determining whether a payment is a distribution designated as subject to section 852(b)(3)(C) or (5)(A), or 871(k)(1)(C) or (2)(C), a withholding agent that is not the distributing regulated investment company may, absent actual knowledge or reason to know otherwise, rely on the designations that the distributing company represents have been made in accordance with paragraph (c)(3)(i) of this section. Failure by the withholding agent to withhold the required amount due to a failure by the regulated investment company to reasonably estimate the required amounts or to properly communicate the relevant information to the withholding agent shall be imputed to the distributing company. In such a case, the IRS may collect from the distributing company any underwithheld amount and subject the company to applicable interest and penalties as a withholding agent.

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(e) * * *

(2) **Payments in foreign currency.** If the amount subject to withholding tax is paid in a currency other than the U.S. dollar, the amount of withholding under section 1441 shall be determined by applying the applicable rate of withholding to the foreign currency amount and converting the amount withheld into U.S. dollars on the date of payment at the spot rate (as defined in §1.988-1(d)(1)) in effect on that date. A withholding agent making regular or frequent payments in foreign currency may use a month-end spot rate or a monthly average spot rate. In addition, such a withholding agent may use the spot rate on the date the amount of tax is deposited (within the meaning of §1.6302-2(a)), provided that such deposit is made within seven days of the date of the payment giving rise to the obligation to withhold. A spot rate convention must be used consistently for all non-dollar amounts withheld and from year to year. Such convention cannot be changed without the consent of the Commissioner. The U.S. dollar amount so determined shall be treated by the beneficial owner as the amount of tax paid on the income for purposes of determining the final U.S. tax liability and, if applicable, claiming a refund or credit of tax.

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Par. 4. In §1.1441-6, paragraph (b)(1) is revised to read as follows:

§1.1441-6 Claim of reduced withholding under an income tax treaty.

* * * * *

(b) **Reliance on claim of reduced withholding under an income tax treaty - - (1) In general.** The withholding imposed under section 1441, 1442, or 1443 on any payment to a foreign person is eligible for reduction under the terms of an income tax treaty only to the extent that such payment is treated as derived by a resident of an applicable treaty jurisdiction, such resident is a beneficial owner, and all other requirements for benefits under the treaty are satisfied. See section 894 and the regulations thereunder to determine whether a resident of a treaty country derives the income. Absent actual knowledge or reason to know otherwise, a withholding agent may rely on a claim that a beneficial owner is entitled to a reduced rate of withholding based upon an income tax treaty if, prior to the payment, the withholding agent can reliably associate the payment with a beneficial owner withholding certificate, as described in §1.1441-1(e)(2), that contains the information necessary to support the claim, or, in the case of a payment of income described in paragraph (c)(2) of this section made outside the United States with respect to an offshore account, documentary evidence described in paragraphs (c)(3), (4), and (5) of this section. See §1.6049-5(e) for the definition of payments made outside the United States and §1.6049-5(c)(1) for the definition of offshore account. For purposes of this paragraph (b)(1), a beneficial owner withholding certificate described in §1.1441-1(e)(2)(i) contains information necessary to support the claim for a treaty benefit only if it includes the beneficial owner's taxpayer identifying number (except as otherwise provided in paragraph (c)(1) of this section and §1.1441-6(g)) and the representations that the beneficial owner derives the income under section 894 and the regulations

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thereunder, if required, and meets the limitation on benefits provisions of the treaty, if any. The withholding certificate must also contain any other representations required by this section and any other information, certifications, or statements as may be required by the form or accompanying instructions in addition to, or in place of, the information and certifications described in this section. Absent actual knowledge or reason to know that the claims are incorrect (and subject to the standards of knowledge in §1.1441-7(b)), a withholding agent may rely on the claims made on a withholding certificate or on documentary evidence. A withholding agent may also rely on the information contained in a withholding statement provided under §§1.1441-1(e)(3)(iv) and 1.1441-5(c)(3)(iv) and (e)(5)(iv) to determine whether the appropriate statements regarding section 894 and limitation on benefits have been provided in connection with documentary evidence. If the beneficial owner is related to the person obligated to pay the income, within the meaning of section 267(b) or 707(b), the withholding certificate must also contain a representation that the beneficial owner will file the statement required under §301.6114-1(d) of this chapter (if applicable). The requirement to file an information statement under section 6114 for income subject to withholding applies only to amounts received during the taxpayer's taxable year that, in the aggregate, exceed \$500,000. See §301.6114-1(d) of this chapter. The Internal Revenue Service (IRS) may apply the provisions of §1.1441-1(e)(1)(ii)(B) to notify the withholding agent that the certificate cannot be relied upon to grant benefits under an income tax treaty. See §1.1441-1(e)(4)(viii) regarding reliance on a withholding certificate by a withholding agent. The provisions of §1.1441-1(b)(3)(iv) dealing with a 90-day grace period shall apply for purposes of this section.

Par. 5. Section 1.6049-5 is amended as follows:

1. Paragraph (c)(1) is revised.
2. Paragraphs (c)(5)(i), (ii), (iii), (iv), (v) and (vi) are redesignated as paragraphs (c)(5)(i)(A), (B), (C), (D), (E), and (F), respectively.
3. A new heading is added to paragraph (c)(5)(i).
4. New paragraph (c)(5)(ii) is added.

The revisions and additions read as follows:

§1.6049-5 Interest and original issue discount subject to reporting after December 31, 1982.

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(c) Applicable rules - - (1) Documentary evidence for offshore accounts and for possessions accounts. A payor may rely on documentary evidence described in this paragraph (c)(1) instead of a beneficial owner withholding certificate described in §1.1441-1(e)(2)(i) in the case of a payment made outside the United States to an offshore account, in the case of a payment made to a U.S. possessions account or, in the case of broker proceeds described in §1.6045-1(c)(2), in the case of a sale effected outside the United States (as defined in §1.6045-1(g)(3)(iii)(A)). For purposes of this paragraph (c)(1), **an offshore account** means an account maintained at an office or branch of a U.S. or foreign bank or other financial institution at any location outside the United States (i.e., other than in any of the fifty States or the District of Columbia) and outside of possessions of the United States. Thus, for example, an account maintained in a foreign country at a branch of a U.S. bank or of a foreign subsidiary of a U.S. bank is an offshore account. For purposes of this paragraph (c)(1), a **U.S. possessions account** means an account maintained at an office or branch of a U.S. or foreign bank or other financial institution located within a possession of the United States. For the definition of a payment made outside the United States, see paragraph (e) of this section. A payor may rely on documentary evidence if the payor has established procedures to obtain, review, and maintain documentary evidence sufficient to establish the identity of the payee and the status of that person as a foreign person (including, but not limited to, documentary evidence described in §1.1441-6(c)(3) or (4)); and the payor obtains, reviews, and maintains such documentary evidence in accordance with those procedures. A payor maintains the documents reviewed by retaining the original, certified copy, or a photocopy (or microfiche or similar means of record retention) of the documents reviewed and noting in its records the date on which and by whom the document was received and reviewed. Documentary evidence furnished for the payment of an amount subject to withholding under chapter 3 of the Code must contain all of the information that is necessary to complete a Form 1042-S for that payment. A payor may also rely on documentary evidence associated with a flow-through withholding certificate for payments treated as made to foreign partners of a nonwithholding foreign partnership, as defined in §1.1441-1(c)(28), the foreign beneficiaries of a foreign simple trust, as defined in §1.1441-1(c)(24), or foreign owners of a foreign grantor trust, as defined in §1.1441-1(c)(26), even though the partnership or trust account is maintained in the United States.

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(5) *** (i) Definition. ***

(ii) **Reporting by U.S. payors in U.S. possessions.** U.S. payors are not required to report on Form 1099 income that is from sources within a possession of the United States and that is exempt from taxation under section 931, 932, or 933, each of which sections exempts certain income from sources

within a possession of the United States paid to a bona fide resident of that possession. For purposes of this paragraph (c)(5)(ii), a U.S. payor may treat the beneficial owner as a bona fide resident of the possession of the United States from which the income is sourced if, prior to payment of the income, the U.S. payor can reliably associate the payment with valid documentation that supports the claim of residence in the possession of the United States from which the income is sourced. This paragraph (c)(5)(ii) shall not apply if the U.S. payor has actual knowledge or reason to know that the documentation is unreliable or incorrect or that the income does not satisfy the requirements for exemption under section 931, 932, or 933. For the rules determining whether income is from sources within a possession of the United States, see section 937(b) and the regulations thereunder.

PART 301 - - PROCEDURE AND ADMINISTRATION

Par. 6. The authority citation for part 301 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805 *****

Par. 7. In §301.6114-1 is amended as follows:

1. Paragraphs (c)(1)(i) through (c)(1)(vii) are redesignated as paragraphs (c)(1)(ii) through (c)(1)(viii), respectively.
2. New paragraph (c)(1)(i) is added.
3. Paragraph (c)(7) is added.

The additions and revision read as follows:

§301.6114-1 Treaty-based return positions.

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(c) *** (1) ***

(i) For amounts received on or after January 1, 2001, return positions described in paragraph (b)(4)(ii) of this section, unless the conditions in paragraphs (b)(4)(ii)(A) and (B) of this section, paragraph (b)(4)(ii)(C) of this section, or paragraph (b)(4)(ii)(D) of this section are met;

(7) Reporting under paragraph (b)(4)(ii)(D) of this section is waived with respect to a taxable year for taxpayers that are not individuals or states and that, on or after January 1, 2001, receive amounts of income subject to withholding that do not exceed \$10,000 in the aggregate for such taxable year.

Deputy Commissioner for Services and Enforcement.

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Page Last Reviewed or Updated: June 11, 2009



Presumption Rules

If you cannot reliably associate a payment with valid documentation, you must apply certain presumption rules or you may be liable for tax, interest, and penalties. If you comply with the presumption rules, you are not liable for tax, interest, and penalties even if the rate of withholding that should have been applied based on the payee's actual status is different from that presumed.

The presumption rules apply to determine the status of the person you pay as a U.S. or foreign person and other relevant characteristics, such as whether the payee is a beneficial owner or intermediary, and whether the payee is an individual, corporation, partnership, or trust. You are not permitted to apply a reduced rate of NRA withholding based on a payee's presumed status if documentation is required to establish a reduced rate of withholding. For example, if the payee of interest is presumed to be a foreign person, you may not apply the portfolio interest exception or a reduced rate of withholding under a tax treaty since both exceptions require documentation.

If you rely on your actual knowledge about a payee's status and withhold an amount less than that required under the presumption rules or do not report a payment that is subject to reporting under the presumption rules, you may be liable for tax, interest, and penalties. You should, however, rely on your actual knowledge if doing so results in withholding an amount greater than would apply under the presumption rules or in reporting an amount that would not be subject to reporting under the presumption rules.

The presumption rules, in the absence of documentation, for the subject matter are discussed in the regulation section indicated below.

Presumption Rules in the Absence of Documentation

For the presumption rules related to:	See regulation section:
Payee's status - general	1.1441-1(b)(3); 1.6049-5(d)
Effectively connected income	1.1441-4(a)(2)
Partnership and its partners	1.1441-5(d); 1.1446-1(c)(3)
Estate or trust and its beneficiaries or owner	1.1441-5(e)(6)
Foreign tax-exempt organizations (including private foundations)	1.1441-9(b)(3)

References/Related Topics

- [Documentation](#)
- [Standards of Knowledge](#)

Note: This page contains one or more references to the Internal Revenue Code (IRC), Treasury Regulations, court cases, or other official tax guidance. References to these legal authorities are included for the convenience of those who would like to read the technical reference material. To access the applicable IRC sections, Treasury Regulations, or other official tax guidance, visit the [Tax Code, Regulations, and Official Guidance](#) page. To access any Tax Court case opinions issued after September 24, 1995, visit the [Opinions Search](#) page of the United States Tax Court.

Page Last Reviewed or Updated: October 20, 2009



U.S. Withholding Agent Frequently Asked Question

The following questions and answers (Q&As) were prepared in response to inquiries that have been proposed to the IRS by US withholding agents, major corporations and multi-national companies outside of the financial service community. They are intended to provide a basic understanding and awareness of reporting and withholding requirements with regard to payments typically made by these types of entities to their foreign vendors and related types of service providers and payees. Though these Q&As are applicable to the vendor payments of all types of companies – financial and non-financial – they are not designed to address payments made by financial service companies in their capacity as custodians or brokers of assets and income.

These Q&As do not constitute legal authority and may not be relied upon as such. They do not amend, modify or add to the Income Tax Regulations or any other legal authority.

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1. How to identify a non-resident alien (NRA) withholding and/or reporting responsibility

Question 1: Under what circumstances would a company become subject to U.S. NRA reporting or withholding requirements?

Answer 1: When a company makes a payment of U.S. sourced fixed or determinable annual or periodic (FDAP) income to a foreign person not associated with such person's U.S. trade or business that company may have an NRA reporting or withholding responsibility. There are some exceptions to these requirements even for U.S. sourced payments. Treas. Reg. Sec. 1.1441-2 should be referenced for this purpose.

Question 2: Who is considered a foreign person for U.S. tax purposes?

Answer 2: A foreign person is an individual that is not a U.S. person. Generally, this includes non-resident alien and it also includes U.S. branches of foreign corporations, foreign estates, foreign corporations and partnerships.

For example, a foreign corporation is a corporation that was created or organized outside of the United States or under the law of a country other than the United States. In general a non-resident alien is an individual whose permanent residence is outside of the United States and who is not a U.S. citizen. The U.S. or foreign status should be documented for those payees who are paid FDAP income. You should see Treas. Reg. Sec. 1.1441-1(b) (3) (ii) (E), concerning certain payments for services performed by individuals that are presumed made to foreign persons. Refer to FAQ section V for more information on documentation requirements.

Question 3: Please define FDAP income and include some specific examples.

Answer 3: In general, in order for a payment to be subject to NRA withholding, it must be a payment of FDAP income. FDAP is an acronym for Fixed or Determinable, Annual or Periodic. Some of the more common expenses paid by US withholding agents which would result in FDAP income to their vendors and other service providers are interest, royalties, compensation for personal services, rents, pensions or annuities and gains from the sale or exchange of the patents, copyrights and similar intangibles that are described in I.R.C. Sec 865(d). See also Q&A-4 directly below.

Question 4: What is U.S. sourced income?

Answer 4: For FDAP income paid to a foreign person to be subject to NRA reporting and withholding, the payment must be U.S. sourced.

Following are some basic rules for sourcing of certain types of FDAP payments by withholding agents and multi-nationals:

- 1- Interest – If the debtor is a U.S. resident, the interest is generally U.S. sourced.
- 2- Royalties – If the subject property is used in the U.S., the royalty payment is U.S. sourced. Payments made in connection with the sale of certain intangible assets, including copyrights and patents, are generally sourced similar to royalties when the payments are contingent on the productivity, use or disposition of the intangible See I.R.C. Sec. 865(d).
- 3- Rents – If the rental property is located in the U.S., the rental payment is U.S. sourced.
- 4- Personal Services – If the services are performed in the U.S., the payment for those services is generally U.S. sourced.

The Internal Revenue Code sourcing rules are contained in sections 861 through 865. Income tax treaties can sometimes modify these rules.

Question 5: What is a withholding agent for NRA withholding purposes?

Answer 5: For purposes of NRA withholding, a withholding agent is any person, U.S. or foreign, that has control, receipt, custody, disposal, or payment of any item of income of a foreign person that is subject to NRA withholding. A withholding agent includes but is not limited to individuals, U.S. corporations, foreign intermediaries and certain U.S. branches. See Treas. Reg. Sec. 1.1441-7(a).

A withholding agent is responsible to withhold tax on payments of U.S. sourced, FDAP income to foreign persons and to make deposits of such tax to the U.S. Treasury absent an applicable exclusion provided by the Code or an applicable income tax treaty. If the withholding agent does not withhold and the foreign person does not satisfy its withholding tax obligation, the withholding agent and the foreign person will be held liable for the tax and any associated interest and penalties. See Internal Revenue Code Sec 1461 and Treas. Reg. Sec. 1.1461-2(b).

The withholding agent is also responsible for correctly reporting on Form 1042-S the income paid and the withholding applied. See FAQ Section VI for more information about reporting.

Question 6: What are the primary sections of the U.S. tax code and Regulations' that govern NRA reporting and withholding?

Answer 6: The primary Internal Revenue Code sections that govern NRA withholding are sections 1.1441, 1.1442.

Question 7: Where can I find additional information about NRA reporting and withholding?

Answer 7: Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities* provides information about NRA reporting and withholding responsibilities. This publication can be obtained by downloading it at www.irs.gov/formspubs, by calling 1-800-829-3676, or by writing to the National Distribution Center, P.O. Box 8903, Bloomington, IL 61702-8903.

2. The benefits of complying with the NRA withholding regulations

Question 8: Why should we be concerned about withholding on these payments? Isn't the payment of withholding tax ultimately the responsibility of the payee?

Answer 8: Both the foreign person receiving the payment and the withholding agent making the payment are personally responsible for the tax on U.S. sourced, FDAP income paid to the foreign persons. If the withholding agent (multi-national) fails to withhold, and the foreign person does not satisfy its tax obligation, the IRS will approach the U.S. withholding agent (multi-national) for any related tax liability, including any interest and penalties to which the liability is subject and other penalties for reporting failures.

Question 9: What are the benefits to my company in ensuring compliance with these regulations?

Answer 9: Though the NRA regulations hold the withholding agent (Multi-national) personally responsible for withholding tax, such tax need not become your company's liability. If you ensure that your company's withholding and reporting practices are in compliance with these regulations and therefore withhold accordingly from payments made to foreign persons, you will never need to pay any of this tax out of your company's funds. Rather, the withholding tax will be withheld from the payment to the foreign vendor before it is paid.

In addition, by reporting and withholding properly, you will avoid costly interest and penalties for failure to withhold, failure to deposit funds, failure to file returns and failure to file information returns.

Question 10: What is the potential cost to my company if we do not ensure compliance with these regulations?

Answer 10: If you are not in compliance with the NRA regulations, your US Withholding company or multi-national will

be exposed to a liability for withholding tax. Withholding tax that could have been withheld from the payment now will become the liability of your company. As the withholding agent, you will be required to remit the proper withholding tax to the IRS.

In addition, you may be required to pay interest and penalties with regard to under withholding, or incorrect reporting of amounts paid.

3. Suggested practices and procedures for identifying payments which are subject to reporting and/or withholding

Question 11: How can we review our books and records to determine if there were any reporting and/or withholding responsibilities?

Answer 11: A detailed analysis of the accounts payable or similar systems should be undertaken to identify payments made to vendors that may be subject to NRA withholding and/or reporting. The review should include determining three amounts:

- 1- Total amounts paid to foreign persons (foreign vendors).
- 2- Of the total amounts determined in step 1, determine what portions qualify as Fixed or Determinable, Annual or Periodic (FDAP) income to the foreign vendor.
- 3- Of the total amount determined in step 2, determine any amounts that are U.S. sourced.

Question 12: How can payments to foreign vendors be determined?

Answer 12: A computer analysis of all payments to all vendors should be made. Any record of a payment to a vendor that has any of the following might be considered for review as potentially foreign:

- 1- Address Fields
 - a) Country = not USA, or blank
 - b) State = not a U.S. state, or blank
 - c) City = foreign city
 - d) Zip Code = not xxxx-xxxx pattern for U.S. address
- 2- Foreign Employee Identification Number - EIN's issued to foreign entities usually starts with 98 (98-xxxxxx)
- 3- Foreign Individual taxpayer Identification Number - ITIN's issued to foreign persons start with 999 and the fourth digit is a 7 or an 8 (999-7/8x-xxxx)
- 4- Foreign Vendor Number - if your internal accounting system has vendor numbers or other identifiers to distinguish foreign and U.S. vendors
- 5- Any other indicator your system may have already incorporated that serves. This purpose.

Question 13: How can payments to foreign vendors be determined as FDAP?

Answer 13: Once all payments to foreign vendors have been determined, those which are FDAP must be selected. Common items of FDAP income applicable to vendors are listed in Q&A-3 above.

Note: Review of the methodology that was used to characterize your expenses should be a part of the process.

Question 14: How can payments to foreign vendors, which have been determined to be FDAP, be sourced as U.S. or as foreign?

Answer 14: Each type of FDAP income has specific source rule as described briefly in Q&A-4 above. For these sourcing determinations all applicable documentation should be reviewed, bearing in mind the type of income paid. For example, in connection with payments for services, invoices and related documentation such as engagement letters and contracts should be reviewed to determine whether any services are performed in the U.S. { Note that if the source of an amount cannot be determined at the time of payment, the payment will be treated as U.S. sourced. Treas. Reg. 1.1441-2(a)}.

Question 15: How can we review our books and records to determine if there are any reporting and/or withholding responsibilities for current years?

Answer 15: All vendors should be classified as U.S or as foreign.

All existing foreign vendors should be required to submit the applicable Forms W-8 as soon as possible. If a valid W-8 is not received, the Treasury Regulations contain presumption rules for

withholding agents to apply in determining the status of payees for withholding purpose. (See FAQ Section V regarding documentation requires and Treas. Reg. Sec. 1.1441-1(b) (3) concerning the presumption rules).

For newly used foreign vendors, a valid Form W-8 should be required before any payment is made to them to avoid application of the presumption rules or the need to obtain the documentation later. See Q&A-31 below.

4. How to determine the amount to be withheld

Question 16: If a payment to a foreign person (foreign vendor) is determined to be FDAP and U.S. sourced, how much should be withheld?

Answer 16: The statutory withholding rate is generally 30%. This rate should be generally applied to the gross amount of the payment. See Q&A-19 below concerning this rate.

Question 17: When should the tax is withheld?

Answer 17: Withholding is required at the time that the payment is made. A payment is considered to be made when the beneficial owner of the payment realizes income. There does not need to be a transfer of cash or other property.

Question 18: When should the tax withheld be deposited?

Answer 18: The amount of tax that the US withholding agent and is required to withhold determines the frequency of the deposits. The frequency could be annual, monthly, or quarter-monthly. Publication 515 details the specific rules for making deposits including the deposit due dates, which forms to use, electronic deposit requirements and penalties for failure to make deposits timely.

Question 19: Can the statutory rate (30%) be reduced?

Answer 19: If the foreign vendor is a resident in a country that has a tax treaty with the United States, the rate may be reduced. Each treaty has specific provisions which determine the reduced withholding rate. These provisions reduce the withholding rate based on the type of income and the status of the recipient.

Question 20: Is there a listing of treaties and rates to be applied?

Answer 20: Publication 515 provides a listing of tax treaties and the withholding tax rates to be applied to various types of income under each treaty. The Publication 515 is located on the IRS website which is www.irs.gov.

Question 21: How can a foreign vendor certify its foreign status?

Answer 21: The foreign vendor must provide the withholding agent with form a properly completed W-8 or Form 8233 (see FAQ Section V for further information).

5. How should the withholding agent properly document the foreign status or treaty claim of a foreign person

Question 22: Must we obtain documentation from a foreign person to support its claim of foreign status or treaty eligibility?

Answer 22: In order to reduce the amount that is required to be withheld on a payment of U.S. sourced FDAP income to a foreign person (foreign vendor), or to exempt such a payment from withholding tax, the withholding agent must have documentation from the foreign vendor to certify its non-U.S. status and, if applicable, its eligibility for the treaty benefits claimed. Such documentation must be submitted by the foreign vendor in the form of a Form W8-IMY Form W-8 or Form 8233.

Question 23: Which forms would be most commonly used by foreign vendors?

Answer 23: Form W-8BEN (Beneficial Owner), Form W-8IMY (Intermediary), Form W-8ECI (Effectively Connected Income) and Form 8233.

Question 24: When should Form W-8BEN be used by foreign vendors?

Answer 24: Form W-8BEN should be used by the foreign vendor to certify that it has non-U.S. status. If a treaty claim is made by the vendor Part II of the W-8BEN must be completed to be eligible for the treaty benefits.

Question 25: When should Form W-8ECI be used by our foreign vendors?

Answer 25: Form W-8ECI should be used by a foreign vendor to certify that the payment is income that is effectively connected with a U.S. trade or business. No withholding is required on such income. Rather, such income must be on some cases, a W8-BEN can be provided by a U.S. Branch's income tax.

Question 26: When should Form 8233 be completed by a foreign vendor?

Answer 26: If you make a payment to a non-resident alien individual as compensation for personal services performed for you in the United States, that individual may have to provide you with Form 8233 instead of Form W-8. See Form 8233 and its instructions for further information.

Question 27: Are we responsible for the validity of the documentation presented to us by the foreign vendor?

Answer 27: In order to rely on the documentation, it must be valid. In order to be valid, the documentation must meet the requirements of Treasury Regulation 1.1441 and must be completed in accordance with the applicable Form instructions (see Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP and W-8IMY).

In addition, in order for the documentation to be valid, the US withholding agent or multi-national must not know, or have reason to know, that the information provided on the documentation is unreliable or incorrect. If the US withholding agent (multi-national) has such knowledge, or if the documentation is invalid for any reason, the withholding agent must apply the presumption rules set forth in Treasury Regulation Section 1.1441, 1.

Question 28: When should the Form W-8 or Form 8233 be obtained from the foreign vendor?

Answer 28: In general, the documentation must be in the possession of the withholding agent at the time of payment.

6. How to report NRA payments and withholding

Question 29: What forms should we use to report payments to foreign persons (foreign vendors) of FDAP income that is U.S. sourced and any amounts withheld on such payments?

Answer 29: Forms 1042, 1042-S and 1042-T are the forms that a withholding agent (multi-national) must use to report payments to foreign persons of FDAP income that is U.S. sourced and any amounts withheld on such payments.

Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons should be submitted to the IRS in order to report the total aggregate NRA payments, withholdings and deposits made by the withholding agent during the applicable year.

Form 1042-S, Foreign Person's U.S. Source Income subject to Withholding is an information return. The withholding agent should submit these information returns to the IRS and the payee in order to report the payments and withholdings made during the year that are specific to the payee, the type of income paid and the withholding rate. Form 1042-T, Annual Summary and Transmittal of Forms 1042-S should be used to transmit paper Forms 1042-S to the IRS.

7. What to expect from an IRS audit regarding NRA reporting and withholding responsibilities

Question 30: If upon audit, it is determined that there has been under reporting and under withholding, will the IRS assess penalties and interest in addition to the under withholding amounts due?

Answer 30: If deficiencies in reporting, withholding and depositing with regard to NRA payments are found on audit, the IRS will consider all applicable penalties, including, but not limited to the following:

- Failure to file (IRC Section 6651)
- Failure to pay (IRC Section 6651)
- Failure to deposit (IRC Section 6656)
- Failure to file information returns (IRC Sections 6721-6723)
- Negligence (IRC Section 6662)

In addition, interest will be assessed on the under withholding.

Question 31: If upon audit, it is determined that there has been under withholding, on account of a failure to document any vendors, as described above what recourse does the withholding agent have in order to reduce the under withholding?

Answer 31: The withholding agent can obtain certification of foreign status and the treaty claim from the foreign vendor. This is accomplished by the vendor completing a valid Form W-8. A valid Form W-8 will allow a reduction in the under withholding from the 30% statutory rate for the type of income paid.

Since the documentation is being obtained after the payment is made, the foreign vendor should provide an additional statement indicating that all facts and elections made on the Form W-8 were true, correct and complete at the time of the payment. Documentation other than this statement might be considered based on the facts of the particular case.

Question 32: If the under withholding has been "cured" by obtaining a Form W-8 or other applicable documentation after a payment, according to Q&A-31 above and such documentation is found sufficient is there any remaining liability to the withholding agent?

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Answer 32: In general, there is no remaining liability for tax, interest and penalties. Exceptions to this apply in case in which the withholding agent is relieved from the tax liability by showing that the underwithholding tax was paid by the payee. In those cases, the withholding agent may still be liable for interest and applicable penalties. In other cases, reporting-related penalties might still apply where no underwithholding results on account of the cure, but the filed Form 1042-S reflected incorrect information.

8. How to obtain Forms W-8 online

Question 33: How can a withholding agent that is developing a system for obtaining Forms W-8BEN online obtain IRS' comments and concerns during the development process?

Answer 33: Treas. Reg. §1.1441-1(e)(4)(iv) provides that a withholding agent may establish a system for a beneficial owner to electronically furnish a Form W-8BEN, or an acceptable substitute Form W-8BEN. A withholding agent that is developing a system for obtaining Forms W-8BEN online and that seeks to take into account IRS' comments and concerns as part of the development process should follow the procedures described below.

(1) Optional Pre-Submission Conference. Prior to submitting a written proposal, the withholding agent may request a pre-submission conference to discuss its proposed system by contacting the Online Form W-8 Coordinator at—

Internal Revenue Service
 Qualified Intermediary Program
 290 Broadway, 12th floor
 New York City, New York 10007-1867 USA
 Attention: Online Form W-8 Coordinator

Questions regarding the submission of developing a system for obtaining Forms W-8BEN online should be directed to [Ashton Ellis](#), Technical Advisor – QI at: phone number 212-298-2283, or by FAX at 212-298-2106.

(2) Written submission. The withholding agent must submit a written submission that describes the proposed system in detail and explains how the proposed system meets the requirements of Treas. Reg. §1.1441-1(e)(4)(iv). The submission must identify the withholding agent, provide the name and contact information for a single contact person, and outline a timeline for implementation of the system. The submission must be sent to the Online Form W-8 Coordinator at the address provided in paragraph (1) above.

(3) Conferences. The Online Form W-8 Coordinator may request one or more conferences with the withholding agent to obtain additional information make comments and discuss IRS comments and concerns about the proposed system.

(4) Demonstration of System. During the process of developing the system, the Online Form W-8 Coordinator will request that the withholding agent provide one or more demonstrations of various aspects of its system.

(5) Memorandum of Understanding. When the Online Form W-8 Coordinator is satisfied that the system meets the requirements of Treas. Reg. §1.1441-1(e)(4)(iv) and adequately addresses the concerns of the IRS, the IRS will execute a memorandum of understanding with the withholding agent to coordinate the IRS and the withholding agent's mutual interests and uses of the system and any requirements or conditions regarding their coordination.

Question 34: What is required of an online system in order to obtain an MOU?

Answer 34: Below is a non-exhaustive list of the IRS's expectations with regards to the development of an online system. This list can be tailored to meet the evolving needs of taxpayers and the IRS. Each MOU is unique to a particular taxpayer. Expectations include an online system that:

- (1) Validates forms and identifies those in need of manual review;
- (2) Uses an interview format to collect specific information;
- (3) Detects errors and discrepancies with information provided and other account information;
- (4) Does not pre-populate information;
- (5) Confirms that the interviewee agrees to electronic submission;
- (6) Detects U.S. citizens, dual citizens, and those subject to U.S. resident taxation;
- (7) Provides all information required on a paper Form W-8BEN and makes each certification set forth on the paper Form W-8BEN under penalties of perjury;
- (8) Adopts an electronic signature as an original;
- (9) Tracks and reports all discrepancies and instances of manual review;

(10) Complies with all relevant statutes, regulations and published guidance; and

(11) May include Forms W-9. For information regarding the electronic submission of Forms W-9, see Announcement 98-27, 1998-1 C.B. 865 and Announcement 2001-91, 2001-2 C.B. 221.

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