

Countries with 2020 nonresident alien interest reporting requirements

In Revenue Procedure 2020-15, the IRS recently updated two lists of countries with which the United States has in effect an agreement that requires payors to report certain deposit interest paid to nonresident alien individuals who are residents of the other country. One list is of countries with which the United States has in effect an income tax or other treaty or a bilateral agreement; the other is of countries with which the IRS has determined that an automatic exchange of information is appropriate.

Background

Internal Revenue Code (IRC) regulations require the reporting of certain deposit interest paid to nonresident alien individuals. In the case of reportable interest aggregating \$10 or more paid to a nonresident alien, the payor is required to make an information return on Form 1042-S (“Foreign Person’s U.S. Source Income Subject to Withholding”) for the calendar year in which the interest is paid.

Reportable interest is interest described in IRC Section 871(i)(2)(A) that relates to a deposit maintained at an office within the United States that’s paid to a resident of a country that’s identified as a country with which the United States has in effect an income tax or other convention or bilateral agreement relating to the exchange of tax information within the meaning of Sec. 6103(k)(4). Such identification is made in an applicable revenue procedure as of December 31 before the calendar year in which the interest is paid.

Revenue Procedures 2012-24 and 2012-20 identify the countries with which the United States has in effect an income tax or other convention or bilateral agreement relating to the exchange of information within the meaning of Sec. 6103(k)(4), pursuant to which the United States agrees to provide, as well as receive, information. (Revenue Procedure 2012-24 has been updated several times.)

Changes and effective dates

Section 3 of 2020-15 adds Singapore to the list of countries with which the applicable reporting requirements apply. Section 4 of the Revenue Procedure doesn’t add any new countries to the list of approved countries that have an automatic exchange relationship with respect to the applicable information.

For purposes of the reporting requirements, the list of jurisdictions to which the reporting requirement applies is effective:

- With respect to the jurisdiction newly added to such list, for interest paid on or after January 1, 2021, and
- With respect to the other listed jurisdictions, for interest paid on or after January 1 of the calendar year following the issuance of the revenue procedure (as cited in Section 3) first identifying the jurisdiction as having in effect an applicable agreement with the United States.

The list of jurisdictions with which the IRS exchanges tax data is effective from the date of issuance of the Revenue Procedure with respect to applicable information reported to the IRS for any tax year for which the jurisdiction was included in the list in Section 3. Contact your CPA for further details. •