

IBKRCampus

IBKRWebinars

March 18, 2025

Interactive Brokers

2024 US Tax Information Reporting for Non-US Investors

Nancy Nelson

CPA

Interactive Brokers

www.ibkrcampus.com/webinars

www.ibkrcampus.eu/webinars

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. IBKR is not responsible for the content of these presentations.

You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you. IBKR does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.

Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled Characteristics and Risks of Standardized Options by visiting ibkr.com/occ. Multiple leg strategies, including spreads, will incur multiple transaction costs.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit your local Interactive Brokers Website.

Security futures involve a high degree of risk and are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading security futures, please read the [Security Futures Risk Disclosure Statement](#). For a visit copy your local Interactive Brokers Website.

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.

Interactive Brokers LLC is a member of NYSE FINRA SIPC

Interactive Brokers Canada Inc - Is a member of the Canadian Investment Regulatory Organization (CIRO) and Member - Canadian Investor Protection Fund

Interactive Brokers (U.K.) Limited is authorised and regulated by the Financial Conduct Authority. FCA Register Entry Number 208159

Interactive Brokers Ireland Limited is regulated by the Central Bank of Ireland. CBI, reference number C423427

Interactive Brokers Australia Pty. Ltd. - ABN 98 166 929 568 is licensed and regulated by the Australian Securities and Investments Commission AFSL: 453554

Interactive Brokers Singapore Pte. Ltd. - Is licensed and regulated by the Monetary Authority of Singapore. MAS, Licence No. CMS100917

Interactive Brokers Hong Kong Limited is regulated by the Hong Kong Securities and Futures Commission, and is a member of the SEHK and the HKFE

Interactive Brokers India Pvt. Ltd. member: NSE, BSE, SEBI. Regn. No. SEBI Registration No. INZ000217730; NSDL: IN-DP-NSDL-301-2008

As with all investments, your capital is at risk



U.S. Taxes for Non-US Persons

Nancy A. Nelson CPA

Presenter



Introduction to US Taxes

This webinar is intended for non – US Persons and is not formal tax advise as all circumstances are personal.

Who this webinar is for:

- Non – US persons:
 - o Not a US Citizen
 - Not a US legal resident
 - Not a Green Card Holder
 - In the US on a Student, Teaching, Government or other special visa
- If you are a US Citizen, Green Card Holder, or resident in the US. You are a US person and subject to US taxes and must file as such.

Special status

Foreign Students in the US

If you are in the US on a student visa – even if you have been issued a US taxpayer ID – you remain a non-US person for investment income. This does not necessarily mean that you are not subject to US taxes on earnings if you work. •

Government Workers (Embassy, UN, World Bank)

If you are in the US on a Government visa, you remain a non-US person for tax purposes.

Performers and Athletes

Earnings from performances/games in the US are subject to US taxation.

Introductory Remarks

- Expiration of the current US tax rates and some structures at December 31, 2025
 - Tax rates and some structures revert to 2017 law.
 - Where exactly US tax will end up is unknown.
- There will be a tax bill in 2025
 - The impact on US individual and business taxpayers, is, at this point, subject to speculation. Although there have been some tax bills proposed in Congress neither is certain of passing and Presidential signature.
 - The impact on non-US taxpayers – both individual and corporate is unknown, however the global corporate agreement assuring 15% taxation of corporations has already been eliminated.

Introductory Remarks - 2

- All US tax bills must be revenue neutral.
 - For every tax rule change that results in a reduction in revenue there must be a change that results in an offsetting increase.
 - Very difficult to gauge the impact of cuts and revenue offsets. So impact of either one is generally not known at the time of passage, only estimated.
 - Congress can be very creative and thinking (or beliefs) are not always accurate. There is a broad difference in economies around the country.

What Can Cause US Income Tax

Earning income from working in the US for a short period (less than 30 days)

Performers

Gambling winnings

Rental income from US Real Estate

Direct earnings (being a partner) from a US Business

Investment Income

Primary focus of the presentation

- Looking at the reporting of US investment income on form 1042S
- Touch on publicly traded partnership income

W-8 forms

- Only going to address the W-8BEN completed by individuals.
- W-8 forms for partnerships, associations, corporations and trusts can be complex.

The W-8BEN

For Individuals only.

- Critical to get this right to have US tax withholding be done correctly in your account.
- Complete correctly
- Keep updated
- Expires every three years
- Required for FATCA reporting – also critical to have right
- Completed form stays with institution – it is not sent to the IRS.

FACTA

Foreign Account Tax Compliance Act - 2010

- Enacted as a revenue raising portion of the offset the Hiring Incentives to Restore Employment Act
- Intended to increase collection of US taxes due from US persons holding assets/earning income overseas – US has a global concept of taxation
- The idea was to force non-US financial institutions to report earning of US citizens to the IRS
- Resulted in information sharing and reporting worldwide

What Investment Income is subject to US Tax

Withholding Tax

- Any payment received from revenue generated in the U.S.
- Interest
- Dividends
- Payments in lieu (PIL)
- Rents (direct and indirect)
- Stock loan fees
- Business operating income – including distributions from MLPs and PTPs

Withholding Rates

- The statutory rate of withholding is 30%
- However, treaty agreements may lower this rate:

General Treaty rate – 15%

Can be 10% or 25%

Find out which countries have treaties at:

[https://www.irs.gov/businesses/international-business/United States income tax treaties - A to Z | Internal Revenue Service](https://www.irs.gov/businesses/international-business/United%20States%20income%20tax%20treaties%20-%20A%20to%20Z%20|%20Internal%20Revenue%20Service)

IRS Publication 519 – **Free** at IRS.gov

- Business income 37%

Timing of withholding

- Withholding occurs when the payment is made – received in your account
- Can be reversed if payment is reclassified
- Once reporting is issued no direct refunding can be done. March 15 of the following year
- Tax withheld is remitted weekly by IBKR to the US Treasury.

Business Income

- This refers to DIRECT business income
 - Earned from rental property (Vacation Home rented)
 - Earned from a directly owned interest in a US business
 - Happens at the business level
 - 37%
 - Usually requires that a US tax return be filed
 - Form 1040NR

Form 1042S

Source:
<https://www.irs.gov/pub/irs-pdf/f1042s.pdf>

Form 1042-S		Foreign Person's U.S. Source Income Subject to Withholding		2025		OMB No. 1545-0096	
Department of the Treasury Internal Revenue Service		Go to www.irs.gov/Form1042S for instructions and the latest information.				Copy B for Recipient	
		UNIQUE FORM IDENTIFIER		<input type="checkbox"/> AMENDED <input type="checkbox"/> AMENDMENT NO.			
1 Income code	2 Gross income	3 Chapter indicator. Enter "3" or "4" 3a Exemption code 4a Exemption code 3b Tax rate 4b Tax rate		13d City or town, state or province, country, ZIP or foreign postal code			
5 Withholding allowance		6 Net income		13e Recipient's U.S. TIN, if any		13f Ch. 3 status code 13g Ch. 4 status code	
7a Federal tax withheld		7b Check if federal tax withheld was not deposited with the IRS because escrow procedures were applied (see instructions) <input type="checkbox"/>		7c Check if withholding occurred in subsequent year with respect to a partnership interest <input type="checkbox"/>		7d Check if you are a qualified intermediary, withholding foreign partnership, or withholding foreign trust revising its reporting on Form 1042-S to report to a specific recipient <input type="checkbox"/>	
8 Tax withheld by other agents		9 Overwithheld tax repaid to recipient pursuant to adjustment procedures (see instructions) ()		10 Total withholding credit (combine boxes 7a, 8, and 9)		11 Tax paid by withholding agent (amounts not withheld) (see instructions)	
12a Withholding agent's EIN		12b Ch. 3 status code		12c Ch. 4 status code		12d Withholding agent's name	
12e Withholding agent's global intermediary identification number (GIIN)		12f Country code		12g Foreign tax identification number, if any		12h Address (number and street)	
12i City or town, state or province, country, ZIP or foreign postal code		13a Recipient's name		13b Recipient's country code		13c Address (number and street)	
13d City or town, state or province, country, ZIP or foreign postal code		13e Recipient's U.S. TIN, if any		13f Ch. 3 status code		13g Ch. 4 status code	
13h Recipient's GIIN		13i Recipient's foreign tax identification number, if any		13j LOB code		13k Recipient's account number	
13l Recipient's date of birth (YYYYMMDD)		14a Primary withholding agent's name (if applicable)		14b Primary withholding agent's EIN		15 Check if pro-rata basis reporting <input type="checkbox"/>	
15a Intermediary or flow-through entity's EIN, if any		15b Ch. 3 status code		15c Ch. 4 status code		15d Intermediary or flow-through entity's name	
15e Intermediary or flow-through entity's GIIN		15f Country code		15g Foreign tax identification number, if any		15h Address (number and street)	
15i City or town, state or province, country, ZIP or foreign postal code		16a Payer's name		16b Payer's TIN		16c Payer's GIIN	
16d Ch. 3 status code		16e Ch. 4 status code		17a State income tax withheld		17b Payer's state tax no.	
17c Name of state							

(keep for your records)

Form **1042-S** (2025)

Interest Income Codes

- 01 – Interest (investment)
- 29 – Deposit Interest (Bank)
- 30 – Interest – Original Issue Discount
- 31 – Short – term Original Issue Discount
- 33 – Substitute payment (PIL) - interest
- 54 – Interest from certain actively traded or public securities

Dividend Codes

- 06 - Dividends paid by US Corporations – General
- 34 – Dividends – Substitute Payments (PIL)
- 40 – Other dividend equivalents
- 52 – Dividends paid on certain actively traded or public securities
- 53 – Dividends substitutes paid on certain actively traded or public securities

Other Codes - 1

- 09 – Capital Gains
- 14 – Real property income (rents) and Natural Resources Royalties
- 15 – Payments from pensions, annuities, alimony and insurance premiums
- 16 – Scholarships and Grants
- 23 – Other Income
- 24 – Qualified investment Entity (QIE) distributions of capital gains
- 27 – Publicly traded partnership distributions subject to IRC 1446

Other Codes - 2

- 28 – Gambling Winnings
- 35 – Substitute payment – other
- 36 – Capital Gain distributions (mutual funds)
- 37 – Return of Capital

Exemption Codes

- 02 – Exempt under Internal Revenue Code
- 04 – Exempt under Tax Treaty
- 05 – Portfolio income exempt under Internal Revenue Code

Do I need to file a tax return with the IRS?

- You only have investment income – holdings in publicly traded securities – NO
- You have a Rental Property in the US – YES
 - State tax return/sales tax (FL) may also be required
- You have direct business income - YES
- You have an interest in a PTP – Maybe
- Your investment Account had a reclassification of income post 3/15 that should have resulted in a refund of withheld tax - Maybe

Questions

- Or send them to webinars@interactivebrokers.com