

Report on recent US international tax developments - 3 January 2020

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The United States (US) Government in late December 2019 issued final regulations ([TD 9890](#)) relating to withholding and reporting tax on certain US-source income paid to foreign persons. More specifically, the regulations – under Internal Revenue Code Sections 1441, 1471, and 6049 – provide guidance on certain due diligence and reporting rules that apply to persons making certain US-source payments to foreign persons. The final rules also provide guidance on certain aspects of reporting by foreign financial institutions on US accounts. The final regulations are effective 2 January 2020.

The US Treasury and Internal Revenue Service (IRS) on 23 December also released proposed regulations ([REG-100956-19](#)) modifying the rules for determining the source of income from sales of inventory produced within the US and sold without the US, or vice versa. These proposed regulations also contain new rules for determining the source of income from sales of personal property (including inventory) by nonresidents that are attributable to an office or other fixed place of business that the nonresident maintains in the US. Finally, these proposed regulations modify certain rules for determining whether foreign source income is effectively connected with the conduct of a trade or business within the US. The regulations are proposed to apply to taxable years ending on or after 23 December 2019. As proposed, the regulations permit taxpayers to “apply the rules therein in their entirety for taxable years beginning after 31 December 2017, and before these regulations apply.”

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