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New Reporting Requirements for Form 1042-S (foreign source income withholding) to reflect FATCA changes

IRS has issued final instructions for Form 1042-S, Source Income Subject to Withholding; IRS issued the instructions in the past spring. There are many changes to Form 1042-S that are to accommodate the reporting of payments from foreign sources under the Foreign Account Tax Compliance Act (FATCA) that went into effect on July 1, 2014.

The newly issued 2014 Form 1042-S, along with the instructions, can be found by using the following links:

Form 1042-S: <http://www.irs.gov/pub/irs-pdf/f1042s.pdf>
Instructions for Form 1042-S: <http://www.irs.gov/pub/irs-pdf/i1042s.pdf>

Background - Chapters 3 and 4 of the Code:

Chapter 3 of the Code (Code Sec. 1441 through 1446) deals with information reporting and withholding on certain payments of U.S. source income to non-U.S. persons. This chapter contains reporting and withholding rules relating to the following types of U.S. source income to non-U.S. persons. These payments are from sources within the U.S. that constitute (a) annual or periodical (FDAP) income-such as interest, dividends, annuities; (b) certain gains from the disposal of timber, coal or iron ore with a retained economic interest; (c) gains from the sale of payments received from the sale or exchange of property of a similar intangible property; and (d) distributions of income by a publicly traded partnership.

Chapter 4 (Code Sec. 1471 through Code Sec. 1474) deals with withholding agents to withhold 30% of certain payments from a financial institution (FFI) unless the FFI has

