

July 29, 2024

United States and Russia

Tax Treaty Update

Starting on August 16th, the Russia Tax Treaty will no longer be applied.

	
Qualified Intermediaries News July 26, 2024	
Useful Links IRS.gov Qualified Intermediary Home FATCA Home	Issue Number: 2024-19
Other Useful Links About Form 1042 Form 1042 Modernized e-File (MeF) About Form 1042-S Form 1042-S Data Integrity Tool IRS Guidance	<h3 style="text-align: center;">Withholding agents: What is a partial suspension of U.S. – Russia income tax treaty?</h3> <p>On June 21, 2024, Announcement 2024-26 (.pdf 48.30 KB) was issued providing notice of the partial suspension of the U.S. – Russia income tax treaty. The suspension will take effect both for taxes withheld at source and in respect of other taxes on August 16, and will continue until otherwise decided by the two governments.</p> <p>Why is this important for withholding agents?</p> <p>The partial suspension of the treaty will require withholding agents to start withholding at the statutory 30% withholding tax rate on payments of U.S. source income made on or after August 16, to recipients that may have previously claimed treaty benefits under the U.S. - Russia income tax treaty. As such, withholding agents should review their payment systems and make the necessary adjustments to ensure they are withholding at the right rate to avoid liability for failure to withhold at the correct rate.</p> <p>For more guidance, please read Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.</p>

Institutions using Calculus Payments Entry Module:

Starting on August 16th, the Russia Tax Treaty will no longer be automatically applied. Eligible users who qualified for the tax treaty by this date will receive two 1042-S forms for the periods before and after August 16th.

Institutions using 1042-S Import Function:

Starting August 16th, Sprintax will indicate in the user file, Tax Treaty Summary, and Final Summary that all payments made after August 15th will be taxed due to the termination of the tax treaty.

Institutions will need to prepare two 1042-S forms outside of the system.

Institution administrators will be notified about this change through a notification and in addition Sprintax will display a warning message in the right panel in the user list for the affected records.

Sprintax team will share an update when the updated tax treaty logic is live in the Calculus platform.

We value your feedback!

If you encounter any issues, have suggestions for improvement,
or want to share your thoughts on the new features,
please reach out to your Calculus Support Specialist
or email calculussupport@sprintax.com

Thank you for using Sprintax Calculus!