

# PTP Analyzer

Identify publicly traded  
partnerships

Withholding tax is now being imposed on gross proceeds.



## Challenges with PTP identification

### Identify current PTP investments

- ▶ Requires review of entire securities master file

### Monitor for new PTP investments

- ▶ Need to determine if a potential investment is taxed as a partnership or a corporation

### Any changes?

- ▶ Monitor for a change in an entity structure, for example, from a corporation to a partnership

## Potential risks of partnership investments

Proactive identification of partnership investments is critical to withholding and US tax return filing requirements.

Final regulations under Section 1446(f) create potential risks of not timely identifying both US and non-US publicly traded entities treated as partnerships for US tax purposes (PTPs).

Effective January 1, 2023, unless an exception applies, brokers and custodians are required to withhold 10% on a foreign partner's gross proceeds from sale of a partnership interest or distribution from a partnership if it is engaged in a US trade or business.

Notice 2023-8 allows a broker to assume that a foreign-traded entity is not a PTP unless the broker has actual knowledge otherwise. If the broker knows a foreign-traded entity is a PTP, however, the broker must withhold under IRC Section 1446(f) on the disposition of a PTP interest unless the PTP issues a qualified notice that a withholding exception applies.

## Qualified notice exception

- ▶ Withholding is not required when the partnership states in its notice under Section 1446(f) that either:
  - ▶ It was not engaged in a trade or business within the US during the taxable year.
  - ▶ The 10% exception applies:
    - ▶ If the PTP sold all of its assets at fair market value, the net gain that would have been effectively connected income (ECI) would be less than 10% of the total gain or none.
- ▶ Notice is valid for 92 days.
- ▶ Monitoring for notices can be challenging:
  - ▶ Not centrally located
  - ▶ Posted based on transaction date:
    - ▶ Requires continuous monitoring





## Ask us about our other global investing tax services with respect to compliance and reporting

- ▶ Corporate Actions Tax Analyzer (CATA)
- ▶ Foreign Tax Credit Assessment
- ▶ Foreign Tax Form Completion Service (FTFC)
- ▶ Global Investing Services (GIS)
- ▶ Global Withholding Tax Reporter (GWTR)
- ▶ Passive Foreign Investment Company Analyzer
- ▶ Per Se Analyzer
- ▶ Qualified Foreign Corporation Analyzer
- ▶ Rapid Reclaim Analyzer and Recovery Services
- ▶ Rapid Security Analyzer (RSA)



## Corporate Actions Tax Analyzer

- ▶ Assists in identifying certain corporate actions that may affect taxable income
- ▶ Covers publicly traded US and foreign corporate equity securities
- ▶ Reports on each fund portfolio
- ▶ Gathers Forms 8937 that affect your holdings, including instances where companies report a return of capital

## Assists with identifying PTPs in your portfolio

- ▶ The PTP Analyzer includes a detailed report designating each holding as either:
  - ▶ A PTP subject to withholding
  - ▶ A PTP not subject to withholding
  - ▶ Not a PTP
- ▶ Obtain a link to the qualified notice with its posting date and ECI percentage, if available
- ▶ On-call service provides PTP status within four hours for pre-trade analysis.
- ▶ Lookup tool contains a repository of all entities reviewed for PTP status to date.
- ▶ Reviewed periodically based on client needs.



## Per Se Analyzer

- ▶ Assists with identifying whether a foreign or US equity issuer is considered per se under US Treasury Regulations §301.7701-2(b)





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