

Foreign Recipients of U.S. Income Under Chapter 3 Withholding, Calendar Year 2021



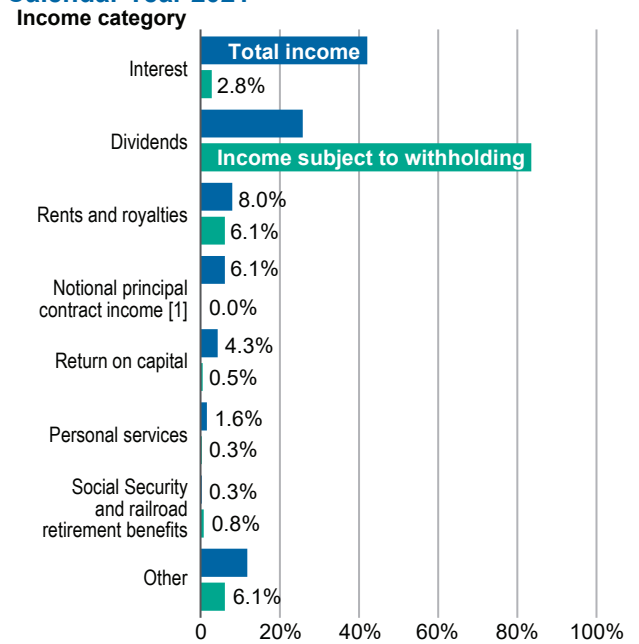
Generally, a foreign recipient is subject to a 30% U.S. withholding tax on its U.S.-source income. A reduced rate, including exemption, may apply if an Internal Revenue Code section provides for a lower rate or there is a tax treaty between the foreign person's country of residence and the United States.

The Internal Revenue Service Statistics of Income (SOI) Division produces an annual collection of aggregate statistics from the population of Forms 1042-S filed annually by withholding agents to report U.S.-source income paid to foreign recipients and the tax withheld on that income.

Highlights of the data

- Of the nearly 9 million returns filed, 55.5% were subject to withholding tax.
- Of the \$945.1 billion of U.S. income payments reported to foreign recipients on Form 1042-S, 13.7% were subject to withholding.
- The average withholding rate of U.S.-source income payments subject to withholding tax was 16.9%.
- Interest (42.1%) and dividends (25.8%) accounted for most of the income.
- 83.5% of dividends were subject to withholding taxes, compared to just 2.8% of interest.
- 82.9% of U.S.-source income payments were made to individuals but those payments accounted for just 19% of total income.
- Corporations received 9.2% of all U.S.-source income payments to foreign recipients, but accounted for 57.3% of total income and 54.1% of total taxes withheld.
- Foreign recipients from countries having a reciprocal tax treaty with the U.S. received 78% of total income and paid 75.1% of total tax withheld.
- Recipients from the U.K. (\$110.1 billion) received the most U.S.-source income of any country.

Percentage of Total U.S.-Source Income Paid to Foreign Persons and Income Subject to Withholding Under Chapter 3, as Reported on Form 1042-S, by Selected Income Category, Calendar Year 2021



[1] Additional information about notional principal contract income is available in the Statistics of Income Bulletin (Fall 2023), Foreign Recipients of U.S. Income, Calendar Year 2019.

NOTES: Form 1042-S, Foreign Person's U.S.-Source Income Subject to Withholding. Chapter 3 of the Internal Revenue Code (Sections 1441-1446) generally requires withholding at a rate of 30% on US-source fixed or determinable, annual or periodic income paid to nonresident aliens.

Foreign Recipients of U.S. Income Under Chapter 3 Withholding Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Types of Income, Selected Recipient Types, and Selected Countries of Recipients, 2021

[Money amounts are in thousands of dollars]

Recipient types and selected country [1] and selected recipient type	Number of Forms 1042S	U.S. tax withheld	Total U.S.-source income	Principal types of U.S.-source income						
				Interest	Dividends	Rents and royalties	Social Security and railroad retirement payments	Personal services income	Notional principal contract income	Return on capital
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	8,977,608	21,906,692	945,099,325	398,172,845	244,189,767	75,521,773	2,386,379	14,928,420	57,379,458	41,001,481
RECIPIENT TYPES										
Individuals	7,442,952	1,721,033	17,608,190	2,086,081	3,464,331	3,605,320	2,386,379	1,155,362	0	540,053
Corporations	828,163	11,846,261	541,072,789	215,251,952	129,294,462	67,633,933	0	10,758,655	30,172,969	22,508,595
Partnerships and trusts	161,252	1,048,220	60,406,885	14,229,212	13,498,151	638,571	0	135,167	25,952,850	3,386,035
Foreign governments - integral part	10,693	9,810	44,677,670	25,255,604	12,503,185	13,225	0	12	0	1,351,408
Foreign governments - controlled entity	14,301	18,374	69,991,667	56,401,549	9,130,401	5,560	0	57	222,711	1,620,001
Withholding rate pools (general)	32,932	6,738,946	106,109,221	53,852,276	44,809,151	123,811	0	13,633	0	1,039,211
Other and unknown	487,315	524,048	105,232,903	31,096,172	31,490,085	3,501,352	0	2,865,534	1,030,926	10,556,176

