

## **Withholding Tax of 10% - Publicly Traded Partnership Interest (PTP) (updated)**

With effect from 1 January 2023, a 10% withholding will be imposed on sales and certain distributions associated with any PTP or exchange traded fund (ETF). For more information, you may also refer to the details from the US Internal Revenue Service [here](#).

PTPs trade like stocks on major U.S. and global exchanges and are often indistinguishable from equities, ETFs and other commonly traded instruments. It is critical that you understand these tax implications when you hold such PTPs and you should seek the appropriate professional advice if you are unsure of any such implications.

### **Background:**

The Internal Revenue Code Section 1446(f) issued by the US Internal Revenue Service (IRS) imposes rules relating to withholding of tax on transfers of PTPs and will take effect on 1 January 2023. The new rules consist of the following:

- All PTPs, including non-U.S. PTPs, are subject to the new requirements if they have gains that are effectively connected with a trade or business within the United States.
- 10% withholding will be applied to sales and certain distributions associated with PTPs. (Please note that where there is any existing withholding tax being applied today, for example to other distributions, those will continue to be applied with no change/ no reduction.

### **Impact**

Effective as of 1 January 2023, the sale of any PTP by you will incur a 10% withholding tax. The IRS has not issued any list or similar information on which counters will be considered PTPs, and we are depending on our third-party custodians to inform us of any changes from time to time.

Please note that due to the evolving nature of this, any counter traded by you which was not considered a PTP at the time of trade, but which later becomes designated as one will be subject to the 10% withholding tax. In such a situation, please note that you will be liable for such tax and acknowledge and agree that we are entitled to exercise our right to recover such amount from you if so required.

You should seek appropriate professional advice if you are unsure of the implications of the above.