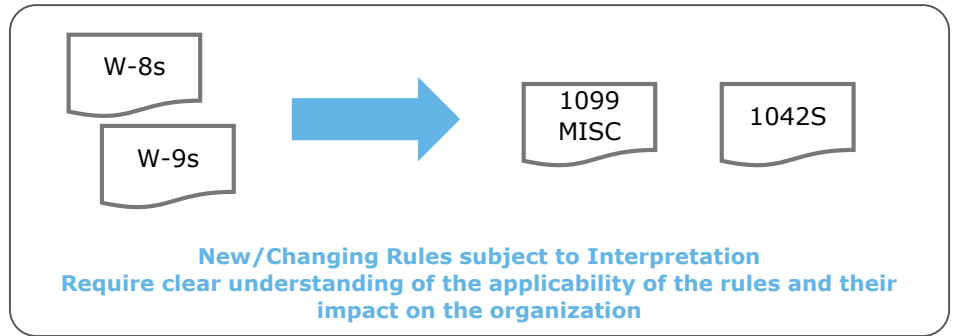
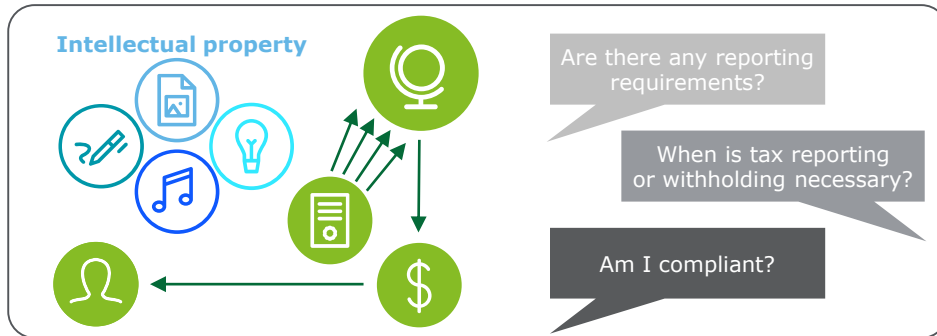


Tax information reporting requirements Royalties & License Fees



Issues and concerns

- Payments for licenses, patents, content, or other use of intellectual property may give rise to withholding and information reporting, regardless of where the payment is made
 - Any payments made to non-US parties for intellectual property being used in the US is subject to 1042S reporting and withholding regardless of where the payment is being made
 - Payments made to US persons for intellectual property are subject to 1099 reporting, regardless of where the payment is being made or the property being used.
 - Payments made by non-US entities may be subject to US withholding and reporting
- Without adequate controls to collect documentation to classify the source of the payment and tax identity of payees, an entity may be liable for withholding tax.
 - Presumption rules apply when documentation is missing and may cause payments to be treated as US source.
 - When intellectual property is used in multiple locations payments may need to be allocated for purposes of sourcing.
- Exposures not remediated may lead to financial statement reporting implications and/ or IRS assessment and penalties

How may we help?

- Assess the impact on the organization
- Advise on identifying impacted payments
- Advise on developing procedures, processes, and controls to identify payments, withhold and report
- Outsourcing assistance to execute compliance
- Immediate advisory services to reduce exposure through remediation
- Tax examination support
- Remediation support
- Development of an operating model that leads to compliance, manages risk, and the desired vendor experience

Financial exposure and payee impacts may result from missed withholding and reporting obligations; it is important to understand these complex rules

Why Deloitte?

Deloitte's Global Information Reporting ("GIR") practice is a multi-disciplinary group comprised of professionals with extensive tax technical, operations, process and technology knowledge and experience. We work closely with you and your tax and operational teams in your organization to understand your processes and procedures, look for opportunities to streamline workflows, and assist in configuring and deploying the processes and systems necessary to address documentation, withholding and reporting requirements established by federal, state and local regulators.

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