

WITHHOLDING AGENTS: PARTIAL SUSPENSION OF U.S. - RUSSIA INCOME TAX TREATY

On June 21, 2024, the IRS issued Announcement 2024-26¹ notifying of the partial suspension of the United States - Russia income tax treaty.

The suspension will take effect both for taxes withheld at source and in respect of other taxes on August 16, 2024, and will continue until otherwise decided by the two governments.

Consequently, Qualified Intermediaries (“QIs”) are required to start withholding at the statutory 30% tax rate on payments of U.S. source income made to recipients that may have previously been granted with treaty benefits under the U.S. - Russia income tax treaty.

ACTIONS TO BE TAKEN

QIs should review all payments previously made to Russian domiciled account holders and make the necessary adjustments to ensure the application of the new rate, i.e., 30%, to avoid liability for failure to withhold at the correct rate.

From an operational perspective, a series of adjustments and actions should be taken by QIs by August 16, 2024, including, but not limited to:

- ▶ Communication with the impacted account holders notifying them of these changes,
- ▶ Update of IT system to reflect the new U.S. withholding tax rate applicable to the Russian domiciled account holders, i.e., 30%,
- ▶ Update of the settlement routine for QIs using asset based allocation, and reallocation of the potentially impacted assets to the correct withholding rate pool account.

¹[IRS Announcement 2024-26](#)

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INTERESTED?

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