

# Foreign Recipients of U.S. Income, and Tax Withheld, 1984

By Margaret P. Lewis\*

U.S. source income paid to foreign persons (including foreign individuals, corporations and other organizations) rose 57 percent in 1984 to a record \$17.1 billion. Tax withheld on this income rose to \$970 million, an increase of just 39 percent (since nearly two-thirds of the additional income was exempt from tax withholding).

Income paid to residents of the United Kingdom (U.K.) rose by \$1.1 billion, an increase of 55 percentage points, accounting for almost 20 percent of the total increase. U.K. residents received \$3.1 billion of U.S. source income in 1984, surpassing the Netherlands Antilles (\$2.8 billion) which had an increase of 34 percentage points from 1983.

Almost 70 percent of the increase in U.S. source income paid to foreign persons was accounted for by interest payments. The Deficit Reduction Act of 1984, which became effective on July 18, 1984, exempted most types of interest payments to foreigners from U.S. tax withholding. Not all of this increase can be attributed to the enactment of this legislation, however, since only interest paid on obligations issued after July 18, 1984, was entitled to this exemption. During 1984 high U.S. interest rates helped make investment in the United States more attractive to foreign investors who thus helped finance an expanding U.S. economy. The growing U.S. economy also attracted foreign investment as the dollar appreciated against major currencies. Moreover, the large U.S. trade deficits put "strong dollars" into the hands of foreigners who in turn invested them in the United States.

## BACKGROUND INFORMATION

A U.S. individual or organization paying income to a foreign individual (who, for tax purposes, is not a resident or citizen of the United States), corporation, or other organization (that is not incorporated in the United States) reports this income and the U.S. tax withheld on Form 1042S, Income Subject to Withholding Under Chapter 3, Internal Revenue Code

(this title changed, in 1985, to Foreign Persons' U.S. Source Income Subject to Withholding). While the basic tax rate is 30 percent, certain types of income are taxed at different rates. Income paid to countries that have entered into tax treaty agreements with the United States is usually taxed at lower rates. The tax withheld represents final payment of the actual tax liability in most instances. The responsibility for withholding tax belongs to the payer or the representative (usually a financial institution) of the payer rather than the recipient of the income. Income connected with the recipient's U.S. trade or business is exempt from withholding. The United States taxes this income separately, as though it were received by a U.S. citizen or corporation.

The basic tax rate on U.S. source income (30 percent) differs from the graduated tax rates for U.S. individuals and corporations because foreign individuals and corporations may receive income from an indefinite number of sources. Since most foreign persons are not required to file U.S. income tax returns and consolidate all U.S. income, their total income cannot be taxed in graduated "brackets," as one payer would have no knowledge of the amount of income other individuals and organizations had paid to the same foreign person.

## RECENT LEGISLATION AND ITS IMPACT

The Deficit Reduction Act of 1984, as mentioned above, went into effect on July 18, 1984. The Act exempted from tax most types of interest payments, mainly portfolio interest, made to foreign persons [1]. The principal exception to this exemption was interest paid to a foreign individual, bank or corporation that owned at least 10 percent of the voting power of the U.S. payer. The removal of withholding tax on most types of interest is expected to increase direct foreign investment in the United States and to curtail U.S. borrowing through financial affiliates and other corporations in the Netherlands Antilles (and other tax havens, which are discussed below) [2].

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U.S. bond holdings by foreigners increased by 85 percent to \$32.3 billion in 1984 due in part to the 1984 Act. Most of these issues were direct U.S. corporate Eurobond placements [3]. Borrowing from financial affiliates in the Netherlands Antilles, however, remained strong in the first three quarters of 1984 but almost ceased in the fourth quarter with the advent of the new law [4].

Tax treaty benefits that had been extended under the U.S.-U.K. treaty to British "territories" and former "territories" were cancelled as of January 1, 1984 [5]. As a result, tax withheld on payments to these "territories" rose by 22 percent, while income paid remained virtually unchanged from 1983. The effective tax rate (tax withheld as a percent of total income) for these "territories" rose from 16 percent to 19 percent.

As of 1986, only one of the "territories" signed a separate treaty agreement with the United States [6]. Many of the U.K. "territories" are generally considered to be tax havens, to some extent. Therefore, they may be reluctant to enter into agreements with the United States which would work against those very characteristics that make these "territories" tax havens (see the discussion of tax treaty countries later in this article).

Also cancelled in 1984, were benefits formerly extended under the U.S.-Belgium treaty to former Belgian territories [7]. While both income and tax withheld of these countries declined by more than half, the percentage of income exempt from withholding more than doubled. This caused the effective tax rate for these three countries combined to decline from 14.4 percent to 9.6 percent.

The Social Security Amendment Act of 1983 required withholding on benefits paid to foreign persons beginning in 1984. At the same time, a revision was made to the Railroad Retirement Act of 1937 to require withholding on certain payments to foreigners. The first complete data on these payments will be available for Calendar Year 1985.

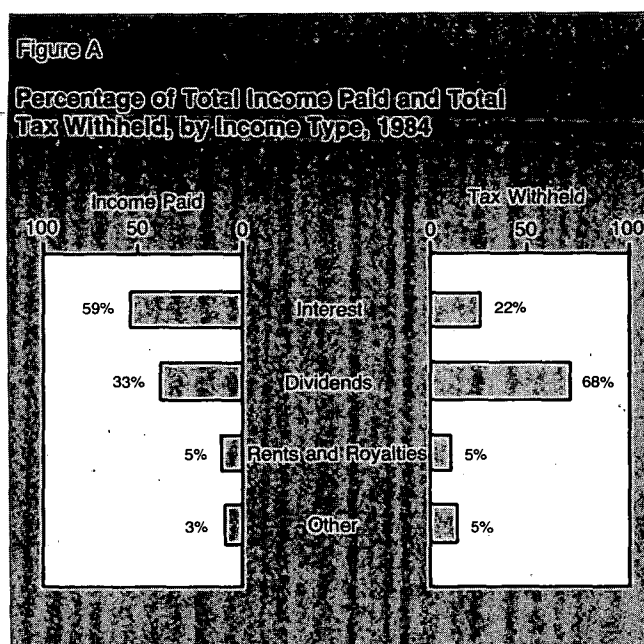
#### DATA HIGHLIGHTS AND TRENDS

As previously mentioned, U.S. income payments to foreigners totalled \$17.1 billion in 1984, increasing by 57 percent. The increase in 1983, in contrast, was only 4 percent. Between 1983 and 1984, income subject to withholding rose by 39 percent, while exempt income increased by 71 percent. The greater rise in exempt income was reflected in a comparatively small increase in tax withheld of 39 percent.

The average income payment rose by 21 percent to nearly \$22,000, as indicated by a 57 percent increase in income paid with only a 29 percent increase in the number of Forms 1042S filed. The average amount of tax withheld per payment rose by only 8 percent (due to the large increase in exempt payments mentioned above) to \$1,200. The average effective tax rate (tax withheld as a percent of total income for all countries) for 1984 was 5.7 percent.

#### Type of Income

Interest as a percent of total income paid continued to rise in 1984. Interest accounted for 59 percent of income paid (an increase of 6 percentage points) while dividends represented 33 percent, a 5 percentage point drop from 1983. Figure A shows that the gap between interest and dividends as a percentage of total income widened to 26 percentage points in 1984. For 1983, the percentage was 15.



Since 1980, interest's share of all income increased 19 percentage points, from 40 to 59 percent. The corresponding share for dividends fell by 15 percentage points, from 48 to 33 percent. Figure B shows both total and average annual increases for dividends and interest in both constant and current dollars [8].

Figure B.--Interest and Dividends Paid, 1980 and 1984

[Thousands of dollars]

Year and percentage increase	Interest	Dividends
<u>Calendar year</u>		
1980.....	\$ 2,604,307	\$3,147,752
1984.....	10,035,675	5,617,707
<u>Percentage increase</u>		
Current dollars:		
Total.....	285.3%	78.5%
Average per year (compounded)....	40.1	15.6
Constant dollars:		
Total.....	205.8	41.6
Average per year (compounded)....	32.3	9.1

Interest payments are often exempt from withholding or taxed at low rates established by treaties. With the passage of the Deficit Reduction Act of 1984, certain types of interest income, mainly portfolio interest, previously taxable, became exempt regardless of the country to which it was paid. As a result, only \$214 million of tax was withheld on interest in 1984. This represented only 21 percent of all tax withheld, even though interest represented 59 percent of all income. Dividends, which are rarely exempt from the withholding tax, represented only 33 percent of all income, while tax withheld on dividends comprised 68 percent of the total tax withheld. Figure A shows the percentage of total income paid and the percentage of total tax withheld for several income types.

Interest made up the largest percentage of income paid to all recipients in seven of the nine countries shown in Figure C. Only countries receiving more than \$500 million in U.S. source income were considered for inclusion in Figure C. As Figure C indicates, only Switzerland and France had a larger percentage of dividends than interest. This is in contrast to 1983 when dividends made up a larger percentage of income paid than interest for more than half of the top countries.

As in 1983, non-tax haven countries shown in Figure C received a greater portion of rents and royalties (7 percent average) than the Netherlands Antilles, the Netherlands and Switzerland (2.5 percent average), all of which may be considered, by some, to be tax havens to

some degree. More than half of all rents and royalties paid were industrial royalties. The latter include royalties for the use of, or the privilege of using, trademarks, patents, secret processes and formulas, goodwill, franchises, and similar rights. One would not expect these types of payments to be made to non-industrial countries and most tax havens have a narrow industrial base. Switzerland and the Netherlands, tax haven countries which receive all types of income, are exceptions. Also, some U.S. corporations may use tax haven countries to set up foreign companies that license royalties, therefore, resulting in rents, royalties and license fees paid to tax haven countries. In contrast, rents and royalties accounted for 14 and 12 percent of all income paid to France and Japan, respectively, non-tax haven countries. The Japanese payments were mainly payments by "high-tech" U.S. firms to "high-tech" Japanese firms.

#### Country of Recipient

As is shown in Figure D, recipients in nine countries accounted for nearly 90 percent of all U.S. source income paid to foreigners in 1984. All of these countries showed significant increases in income received over 1983, and six of these nine received income of over \$1 billion.

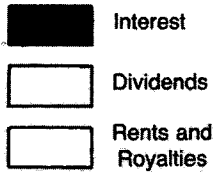
The United Kingdom regained its position as recipient of the most U.S. source income, surpassing the Netherlands Antilles. Belgium posted an exceptionally large rise in income, pushing it for the first time into the position held by France in 1983, as the eighth largest recipient of U.S. source income. The nearly 700 percent rise in U.S. source income paid to Belgium may be somewhat misleading since 90 percent of the income paid to Belgium was received by Belgian nominees who may not have been the final recipients of the income. (For a further discussion of nominees, see the section on recipient types later in this article.)

Tax withheld on payments to all of the countries shown in Figure D also rose from 1983 levels. However, the rise in tax withheld was generally less than the rise in total income since there was a large rise in exempt income in 1984 (due, in part, to the 1984 Act which helped cause increases in total interest paid and, therefore, increases in total income paid to tax treaty countries).

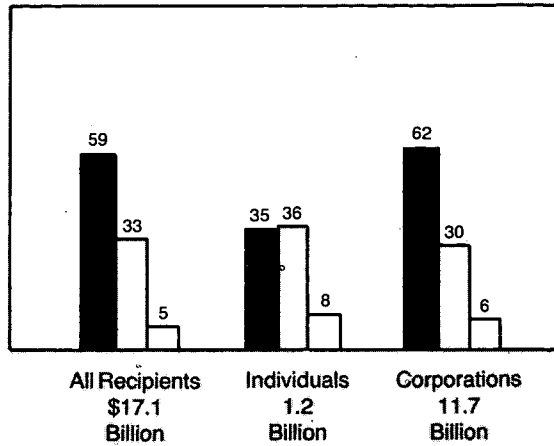
The Netherlands Antilles was an exception to the above generality. It showed a greater rise in tax withheld than in income, thus narrowing the gap between its percentage of income paid and the percentage of tax withheld from 18 percent to 14 percent. However, this was still the largest discrepancy of the countries shown. Income paid to the Netherlands Antilles

Figure C

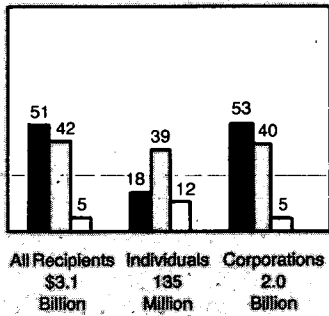
**Percentage of Income Paid by Selected Income Type, Selected Recipient Type, and Selected Country of Recipient, 1984**



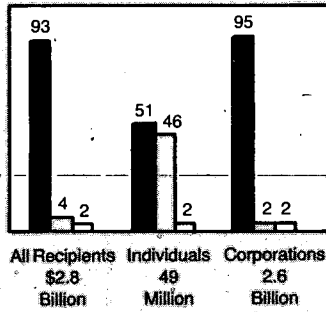
All Countries



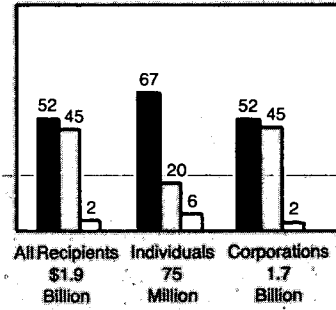
United Kingdom



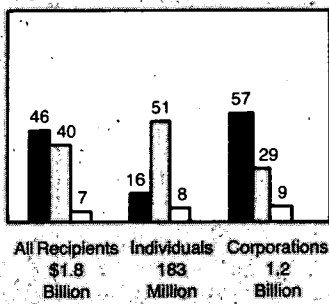
Netherlands Antilles



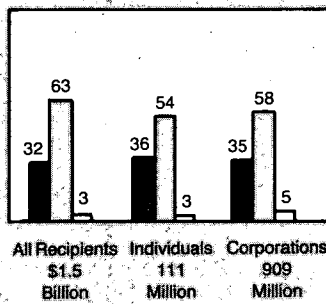
Netherlands



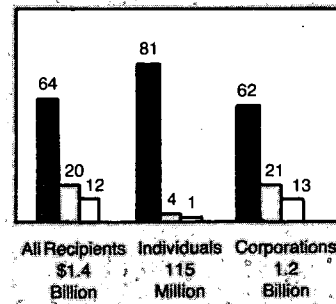
Canada



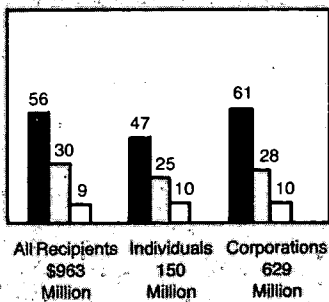
Switzerland



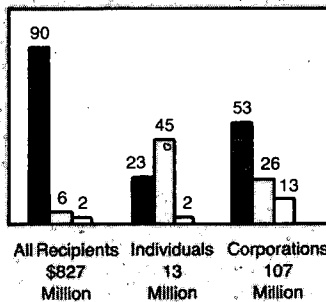
Japan



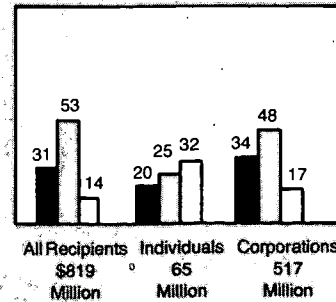
West Germany

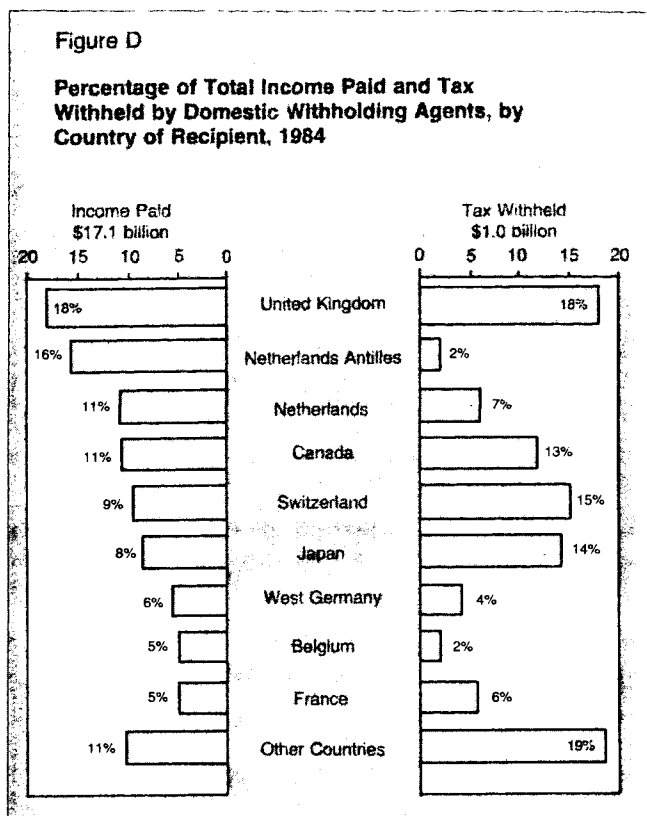


Belgium



France





rose by 34 percent while the rise in tax withheld on payments to Netherlands Antilles residents was 105 percent. This was a reflection of the greater relative rise in taxable income.

**Effective Tax Rate by Country**

Although the basic U.S. withholding tax rate is 30 percent, the actual rate can differ for a variety of reasons. First, tax treaties allow for lower tax rates on certain types of payments to certain countries. Second, as mentioned previously, the Deficit Reduction Act of 1984 exempted most types of interest from withholding tax. Third, income paid to tax exempt or governmental organizations is generally not taxed. Fourth, most U.S. income paid to foreign private foundations is taxed at only a 4 percent rate. Finally, income that is connected with the recipient's U.S. trade or business is taxed as though it were received by a U.S. individual or organization, and is therefore not subject to withholding tax (although it is subject to the regular rates of U.S. income tax on net income and may be additionally reported on Form 1042S). Because of these factors, the effective U.S. withholding tax rate (tax withheld as a percent of total income) varies by country.

Figure E shows the income paid, tax withheld by U.S. withholding agents, and the effective

withholding tax rates for the twelve countries having the lowest effective tax rates. Tax withheld by foreign governments and withholding agents is not included in this table because the tax cannot be properly attributed to income for a particular year. Only countries receiving at least 100 payments and \$1 million or more of income were considered for ranking.

**Figure E.--Ranking of Countries by Effective Tax Rates, 1984**

[Thousands of dollars]

Country	Total income	Tax withheld	Effective tax rate
	(1)	(2)	(3)
All countries 1/.	\$17,106,632	\$969,553	5.67%
United Arab Emirates.....	143,449	182	0.13
Egypt.....	28,580	72	0.25
Saudi Arabia.....	351,990	1,532	0.44
Netherlands Antilles.....	2,812,549	18,844	0.67
Trinidad and Tobago.....	10,929	132	1.21
Belgium.....	826,995	16,896	2.04
Norway.....	49,948	1,118	2.24
Netherlands.....	1,918,889	66,137	3.45
Finland.....	9,352	348	3.72
West Germany.....	963,166	42,398	4.40
Portugal.....	28,816	1,395	4.84
Singapore.....	26,709	1,345	5.03
Other countries 1/....	10,076,727	821,042	8.15

1/Includes all other countries, regardless of number of payments or amount of income paid.

Newcomers to this list are the United Arab Emirates, Belgium, Norway, Finland and Portugal. Four of the previously listed countries, United Arab Emirates, Saudi Arabia, Portugal and Singapore, are not tax treaty countries that received the benefits of reduced tax withholding rates. A substantial portion (78 percent) of Saudi Arabia's U.S. source income (\$352 million) was paid to Saudi Government organizations and therefore not subject to the withholding tax. More than 50 percent of U.S. source income paid to Portugal (\$29 million) was paid to private foundations and therefore was subject only to the 4-percent withholding rate. Former leader, Antigua, lost its position due to the cancellation of its tax treaty with the United States. In 1984, Antigua's effective tax rate rose to 2.0 percent from 0.2 percent in 1983. (Antigua was not included in Figure E because it received less than \$1 million in payments in 1984.)

### Tax Treaty Countries

In order to avoid double taxation of income earned in one country by residents of another country, the United States has negotiated tax treaties with foreign countries that usually reduce the withholding rates in both countries [9]. It is generally believed that any U.S. withholding-tax revenue loss due to the tax treaty rate reduction will be at least partly offset by a decline in the foreign tax credits against U.S. income tax claimed by U.S. individuals and corporations on income from those countries enjoying reciprocal benefits.

Since tax treaties generally provide for a reduced withholding rate for U.S. individuals and corporations receiving foreign income and for foreign recipients receiving U.S. income, U.S. individuals and corporations will have less foreign tax withheld. This, in turn, should lessen their foreign tax credit claimed and consequently raise their U.S. tax liability.

Figure F shows the lower effective tax rates on payments to recipients in treaty countries as compared to payments to recipients in nontreaty countries. Table 1 lists the tax treaty and nontreaty countries and provides corresponding Form 1042S data.

Figure F.--Total Income, Tax Withheld and Effective Tax Rate for Treaty and Nontreaty Countries, 1984

[Thousands of dollars]

Country status	Total income	Tax withheld	Effective tax rate
	(1)	(2)	(3)
All countries...	\$17,106,632	\$969,553	5.67%
Treaty countries.....	15,607,203	822,655	5.27
Nontreaty countries.....	1,499,429	146,897	9.80

Although residents in tax treaty countries typically enjoyed lower U.S. withholding tax rates, if the income were paid to a foreign nominee or fiduciary on behalf of a person not entitled to the treaty benefit, the full 30-percent U.S. tax should be imposed. Those U.S. treaty partners that collected the additional amounts on behalf of the United States are listed in Table 1, Column 7.

### Tax Haven Countries

A tax haven is generally considered to be a country having tax laws favorable to foreign

individuals and organizations in an attempt to attract these investors. The tax haven country typically benefits by collecting certain fees or taxes (at a low rate). Foreign individuals and organizations might not invest in or through the tax haven if taxes comparable to those of their own country were imposed. Tax haven countries tend to have the following characteristics:

- No withholding tax on most payments from the tax haven country to foreign individuals and organizations,
- Low or zero effective income tax rates for foreign individuals and organizations operating within the tax haven country, or performing certain activities, and
- Secrecy laws to prevent foreign governments from obtaining financial information about their own citizens and organizations.

Low or zero withholding tax rates are usually designed to attract foreign individuals and corporations to invest through the tax haven, rather than to provide a tax benefit for their own residents, although a number of tax haven countries have low tax rates in an effort to attract real productive investment into the country also. However, many tax haven countries do not have tax treaties with the United States that allow for low or zero withholding rates on payments to the tax haven. While treaties with non-tax haven countries allow for mutually-reduced withholding tax rates, the lost tax revenue on U.S. source income paid to foreigners is, as mentioned above, at least partially recovered in income taxes due to lower foreign tax credits claimed by U.S. taxpayers. The lower credits are a result of less foreign taxes being paid by U.S. taxpayers on their foreign source income.

Figure G shows the percentage of payments made to corporations, along with their effective tax rate, for selected tax haven countries [10]. Only countries which received more than \$1 million of income and 100 payments were considered for Figure G.

As evidence that tax haven countries attract corporations to them, note that the average percentage of payments to corporations in tax haven countries is greater than the average for non-tax haven countries. The effective tax rate for all but three tax haven countries is greater than the total average effective tax rate of 4.7 percent. For these three countries, the Cayman Islands, the Netherlands and the Netherlands Antilles, as well as for Liberia and Luxembourg, at least 50 percent of income paid was interest which typically was subject to a lower tax withholding rate and was

affected by the Deficit Reduction Act of 1984. Also, two of the three countries with lower than average rates, the Netherlands and the Netherlands Antilles, are countries that benefit from reduced treaty rates.

Figure G.--Corporate Recipients in Selected Tax Haven Countries, 1984

Country	Percent of--		Effective tax rate
	All payments received	All income received	
	(1)	(2)	(3)
All countries.....	7.7%	68.3%	4.7%
All non-tax haven countries..	6.9	59.6	5.7
All tax haven countries.....	17.8	81.5	3.6
Bahamas.....	25.9	48.4	18.5
Barbados.....	29.1	90.9	20.0
Bermuda.....	17.9	60.6	25.0
British Virgin Islands.....	23.4	67.7	19.7
Cayman Islands.....	41.7	59.9	4.0
Liberia.....	16.2	92.6	11.5
Luxembourg.....	31.9	48.6	9.4
Netherlands.....	13.4	80.7	2.3
Netherlands Antilles	47.7	87.6	0.3
Panama.....	27.3	43.6	18.9
Switzerland.....	13.3	61.3	9.1

#### Type of Recipient

Corporations received 68 percent of all income paid to foreign persons in 1984, while individuals, and nominees and fiduciaries (the next largest recipients of income) received only 7 percent and 9 percent, respectively. In contrast, the percentage of tax withheld on payments to individuals and to nominees and fiduciaries was disproportionately large relative to the income received (15 and 12 percent, respectively), while the percentage of tax withheld on corporations was a comparatively low 56 percent of all tax withheld.

This latter discrepancy is reflected in the effective tax rate for corporations of 4.7 percent, which may be compared to an effective tax rate of 7.8 percent for all other types of recipients combined. The effective tax rate for corporations remained unchanged from 1983 but has shown a steady decline after 1979 when the rate was 9.2 percent. The decline has been a result of a steady increase in payments of interest, caused by increasing U.S. interest rates, to foreign corporations which are generally subject to lower withholding tax rates.

Nominees and fiduciaries received 9 percent of all income paid in 1984 making them the sec-

ond largest recipients of income. This may be somewhat misleading due to unusually large amounts of income paid to Belgian nominees in 1984, discussed earlier. If the payments to Belgian nominees were removed, the income paid to nominees would be halved and would represent an amount in proportion to previous years' data. Without nominee payments to Belgium, nominees and fiduciaries would have received 5.7 percent of all income paid in 1983 and 4.3 percent of all income paid in 1984.

Governmental, international and tax-exempt organizations received 2 percent of income paid yet accounted for only 0.4 percent of tax withheld because more than 92 percent of income paid to government, international and exempt organizations was exempt from withholding [11].

The largest average payment (\$301,413) was received by foreign governments; 77 percent of total payments to foreign governments were made to the Government of Saudi Arabia. If Saudi Arabia were excluded, the average payment to foreign governments would have fallen to \$71,253. In contrast, the average payment by corporations was \$193,808, while individuals received by far the smallest average payment, \$2,138.

On the average, most recipient types received more interest than any other type of income, the two exceptions being individuals and private foundations, which received more dividends than interest. Partnerships were more likely to receive rents and royalties, while individuals received over 80 percent of all personal service income [12]. For every recipient type, tax withheld on dividends far exceeded tax withheld on any other income type. Figure H shows the percentages of income paid and tax withheld on various types of income for the different recipient types.

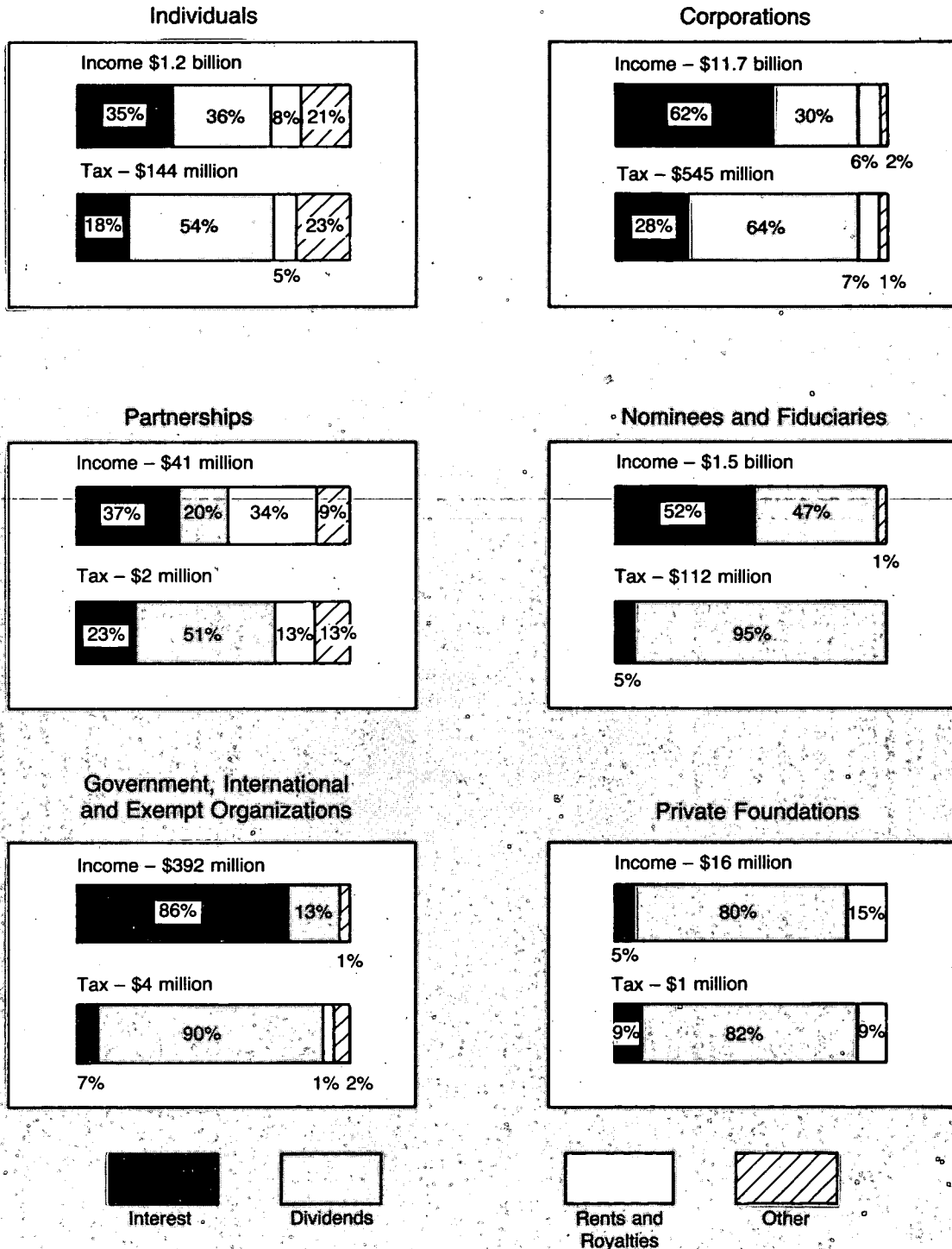
#### U.S. and Foreign Withholding Taxes on Corporations

Most foreign countries impose withholding taxes similar to those of the United States. U.S. individuals and organizations that receive income from foreign countries can usually take a tax credit for the foreign taxes withheld on this income. Although foreign withholding tax rates tend to be similar to the U.S. tax rates, foreign countries, in general, withhold far more total tax on payments to U.S. corporations than the United States withholds on similar payments to foreign corporations. Although similar data dealing with the amount of income paid are not available, this withholding tax disparity is probably due to U.S. corporations receiving more foreign income than foreign corporations receive U.S. income.

While this article is primarily concerned with 1984 data, 1982 is the most recent year for which complete foreign tax credit data also

Figure H

Percentage of Income Paid and Tax Withheld, by Income and Recipient Types, 1984





are available for comparison purposes. For 1982, \$3.2 billion of foreign tax was withheld by foreign governments on the combined total for interest, dividends, rents, royalties and license fees received by U.S. corporations claiming a foreign tax credit [13]. This amount increased by 23 percent from 1980 and was almost eight times the amount of U.S. tax withheld in 1982 (\$0.4 billion) on similar payments to foreign corporations. The latter rose by only 13 percent over the 2-year period.

Figure I shows, for 1982, U.S. tax withheld on certain payments to foreign corporations and foreign taxes withheld on similar foreign payments to those U.S. corporations claiming a foreign tax credit, by income type and country. More tax was withheld by foreign coun-

tries than by the United States for each of the income categories (dividends, interest, and rents, royalties and license fees) shown.

Foreign tax withheld on rents, royalties and license fees paid to U.S. corporations exceeded the U.S. tax withheld on rents, royalties and license fees paid to foreign corporations by more than \$1.1 billion. More than 60 percent of this difference can be accounted for by Norway, which taxed the large oil production-related royalties paid to U.S. corporations.

Foreign tax withheld on dividends paid to U.S. corporations exceeded U.S. tax withheld on dividends paid to foreign corporations by almost \$0.9 billion in 1982. This may have been caused by the excess volume of U.S. investment

Figure I--U.S. Tax Withheld on Certain Payments to Foreign Corporations, Foreign Tax Withheld on Certain Payments to U.S. Corporations Claiming a Foreign Tax Credit, by Income Type and Country, 1982

[Money amounts are in thousands]

Country	Tax withheld on dividends			Tax withheld on interest			Tax withheld on rents, royalties and license fees		
	U.S. payments to foreign corporations <u>1/</u>	Foreign payments to U.S. corporations <u>2/</u>	Column 1 minus column 2	U.S. payments to foreign corporations <u>1/</u>	Foreign payments to U.S. corporations <u>2/</u>	Column 4 minus column 5	U.S. payments to foreign corporations <u>1/</u>	Foreign payments to U.S. corporations <u>2/</u>	Column 7 minus column 8
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All countries.	284,547	1,160,557	-876,010	107,313	868,965	-761,652	19,192	1,156,781	-1,137,589
Argentina.....	37	14,615	-14,578	600	52,835	-52,235	92	5,791	-5,699
Australia.....	818	39,049	-38,231	390	15,240	-14,850	433	57,760	-57,327
Belgium.....	3,838	16,565	-12,727	4,281	4,608	-327	-	642	-642
Brazil.....	58	125,314	-125,256	675	296,927	-296,252	7	9,025	-9,018
Canada.....	25,000	255,364	-230,364	21,987	76,197	-54,210	3,926	82,170	-78,244
France.....	11,796	20,428	-8,632	4,085	2,477	1,608	1,842	24,552	-22,710
Italy.....	536	18,111	-17,575	920	4,879	-3,959	4	23,504	-23,500
Japan.....	13,015	38,481	-25,466	30,215	6,439	23,776	10,403	78,214	-67,811
Mexico.....	289	39,418	-39,129	421	213,827	-213,406	316	38,287	-37,971
Netherlands... Netherlands	51,153	40,650	10,503	1,817	401	1,416	2	227	-225
Antilles.....	3,541	1,657	1,884	5,601	-	5,601	4	-	4
Norway.....	2	2,200	-2,198	317	56,987	-57,304	4	696,939	-696,935
South Africa..	1	29,339	-29,338	2	409	-407	6	8,568	-8,562
South Korea...	26	1,143	-1,117	8	891	-883	-	2,764	-2,764
Switzerland... United Kingdom.....	59,029	28,815	30,214	13,337	193	13,144	186	41	145
Venezuela.....	71,823	143,539	-71,716	1,727	12,448	-10,721	290	4,295	-4,005
West Germany..	529	37,497	-36,968	73	23,848	-23,775	6	5,795	-5,789
Other countries...	10,130	159,303	-149,173	5,604	604	5,000	4	620	-616
	32,927	149,069	-116,142	15,255	99,755	-83,866	1,667	117,587	-115,920

1/Does not include tax remitted by foreign governments and withholding agents since these amounts cannot be allocated to specific years.

2/Does not include tax withheld on income received by U.S. corporations not claiming a foreign tax credit. The amounts shown are for corporation tax returns having accounting periods which ended between July 1982 and June 1983.

in foreign corporations over the volume of foreign investment in U.S. corporations. In 1982, U.S. private direct investment abroad (\$221 billion) was more than twice foreign private direct investment in the United States (\$102 billion) [14].

Another factor contributing to this difference may have been that foreign markets in most developing countries tend to be less stable than U.S. markets. Thus U.S. corporations require a greater return on their investment in these countries than foreign corporations expect on their investment in the United States. Because of the larger amount of dividends received by U.S. corporations, the foreign tax withheld on them far exceeded the corresponding amount withheld by the U.S. government on dividends paid to foreign corporations. However, the difference in tax withheld on dividends declined from \$1.1 billion for 1980 to \$0.9 billion for 1982 and possibly reflected growing investment by foreigners in the United States [15].

For 1982, tax withheld by foreign governments on interest payments to U.S. corporations also exceeded U.S. tax withheld on interest payments to foreign corporations. The difference increased by 26 percent from 1980 (\$607 million) to 1982 (\$762 million). Most of this increase was accounted for by increases in foreign taxes withheld by Brazil and Mexico. These two countries alone accounted for 67 percent of the difference for 1982. Both are heavily indebted to U.S. banks and, therefore, made large interest payments which were subject to foreign tax withholding. For 1982, over 90 percent of all tax withheld by Brazil and Mexico on interest payments to U.S. corporations was withheld on interest paid to U.S. banks (\$461 million).

#### SUMMARY

High U.S. interest rates, a growing U.S. economy and enactment of the Deficit Reduction Act of 1984, which exempted most types of interest from tax withholding, all contributed to a 57 percent rise in U.S. source income paid to foreign persons in 1984. Interest remained the most common type of income, rising to 59 percent of total income even though it only accounted for 21 percent of tax withheld.

Foreign corporations remained the biggest recipients of U.S. source income, receiving 68 percent of all income paid in 1984. Individuals received only 7 percent of income yet accounted for 15 percent of tax withheld. This was because individuals received more dividend income (which is rarely tax-exempt) than interest or any other income type.

Unlike corporations, which received mainly interest, and individuals, who received mainly

dividends, foreign partnerships were more likely to receive rents and royalties than any other type of income.

Foreign governments once again received the largest average payments, over \$300,000 (due mainly to large payments to Saudi Arabia). In contrast, payments to individuals were smaller.

Nine countries, all having tax treaties with the United States, received almost 90 percent of all U.S. source income. The United Kingdom was the largest recipient, receiving \$3.1 billion in 1984. The past leader, the Netherlands Antilles, received \$2.8 billion. Tax haven countries continued to receive mostly interest and to have a greater-than-average percentage of payments to corporations.

#### DATA SOURCES AND LIMITATIONS

Payers of most U.S. income to foreign persons must withhold tax in accordance with the Internal Revenue Code. The Form 1042S, Income Subject to Withholding Under Chapter 3, Internal Revenue Code (now entitled, Foreign Persons' U.S. Source Income Subject to Withholding), is filed to report this income and the U.S. tax withheld. Often the payer has a financial institution act as the withholding agent.

The present statistics are tabulated by calendar year, based on all Forms 1042S filed for 1984. The years indicated in the tables represent the year in which the income was paid and the U.S. tax withheld, except for U.S. tax withheld by foreign governments and withholding agents. These latter amounts are shown by the year the tax was remitted to the United States under treaty agreements. This additional tax cannot be properly attributed to specific income types and years.

Tax withheld amounts and percentages shown in Table 2 and Figures A, B, and D through I, do not include tax withheld by foreign governments and withholding agents (except for Canada which remitted its payments during the same calendar year). Income that is "effectively connected" with a foreign person's U.S. trade or business is not subject to withholding, and is therefore generally not included in these statistics [16, 17].

Since all Forms 1042S are included in the statistics, the data are not subject to sampling error. However, the data are subject to nonsampling error such as computer data entry errors and minor taxpayer reporting errors. Forms 1042S with income greater than \$500,000 were manually verified. A limited computerized program was used to test the data for certain basic numerical relationships, including the calculation of the correct tax withheld.

## EXPLANATION OF SELECTED TERMS

Foreign Person.--For purposes of this article, a foreign person is an individual whose residence (for tax purposes) is not within the United States and who is not a U.S. citizen. Corporations and other organizations created or organized outside the United States are also considered foreign persons.

Resident (of a jurisdiction other than the United States).--A resident is a foreign "person" as described above.

Income Effectively Connected With a Trade or Business.--Income that is "effectively connected" with the conduct of a trade or business in the United States is exempt from withholding. This income is subject to substantially the same tax rates that apply to U.S. citizens, residents, and corporations. Even if a foreign corporation has an unincorporated operation in the United States, a Form 1120F must be filed and appropriate taxes paid for the income of this operation. When income is then remitted to the foreign corporation, it is considered connected with a U.S. trade or business and not retaxed. In all but rare (and indeterminable) circumstances, these amounts are not included in these statistics.

Nominee and Fiduciary.--An entity chosen or appointed to accept income for, or act on behalf of, the eventual recipient of the income. Typically a financial institution acts as a nominee or fiduciary.

Withholding Agent.--Any person (individual, corporation, partnership, estate, or trust) required to withhold tax. Usually the withholding agent is the payer of the income or a "person" (usually a financial institution) acting on behalf of the payer. A foreign nominee or fiduciary required to withhold additional tax under a tax treaty is also a withholding agent.

## NOTES AND REFERENCES

[1] For an explanation of portfolio interest and other types of interest that are exempt from tax, see U.S. Department of the Treasury, Internal Revenue Service, Publication 515, Withholding of Tax on Non-resident Aliens and Foreign Corporations, November 1985.

[2] Senate Report 99-130, "Crime and Secrecy: The Use of Offshore Banks and Companies," Report by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, U.S. Senate., August 28, 1985, pp. 100, 101 and 145.

[3] Eurobond placements are U.S. corporate bonds placed in foreign markets that are denominated and sold in dollars and also yield dollar interest. See Scholl, Russell B., "The International Investment Position of the United States in 1984," Survey of Current Business, U.S. Department of Commerce, June 1985, p. 29.

[4] Ibid., p. 31.

[5] The term "territories" is used here to identify jurisdictions associated with (or formerly associated with) the British Commonwealth as republics, dominions, independent members and republics, associated states, British crown colonies and independent nations. "Territories" affected were Antigua, Belize, Dominica, Falkland Islands, Montserrat, St. Lucia, St. Christopher-Nevis, and St. Vincent. Former "territories" affected are Barbados, Gambia, Grenada, Malawi, Seychelles, Sierra Leone and Zambia.

[6] A new treaty with Barbados became effective on April 1, 1986.

[7] Former Belgian territories affected were Burundi, Rwanda and Zaire. As of 1986, none of these countries has signed a new treaty agreement with the United States.

[8] Computed using the GNP Implicit Price Deflator. See Economic Report of the President, February 1986, p. 256. The computations shown consider the effects of compounding.

[9] IRS Publication 515, op.cit., includes a discussion of specific treaty countries and their appropriate rates.

[10] See Senate Report 99-130, pp. 33 and 34, for a list of tax haven countries used in this figure.

[11] Tax-exempt organizations may be taxed on "unrelated business income". See IRS Publication 515, op.cit.

[12] Business services are generally not included in these data since they are assumed to be "effectively connected" with a U.S. trade or business and, therefore, are not subject to withholding tax.

[13] The \$3.2 billion of foreign taxes withheld does not include tax withheld on payments to U.S. corporations that did not claim a foreign tax credit. No measurement of the excluded tax withheld is available. For additional information

- on foreign withholding taxes by income type and country, see the article entitled "Corporate Foreign Tax Credit, 1982: A Geographic Focus" by Chris R. Carson in this issue of the Statistics of Income Bulletin.
- [14] Scholl, Russell B., "The International Investment Position of the United States in 1982," Survey of Current Business, U.S. Department of Commerce, August 1983, p. 44.
- [15] Ibid.
- [16] Data for foreign corporations with "effectively connected" income derived from U.S. sources are presented in Statistics of Income--1979-1983, Compendium of Studies of International Income and Taxes.
- [17] IRS Publication 515, op.cit., contains additional information about income paid to and tax withheld on foreign persons.

Table 1.--Forms 1042S for 1984: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Non-treaty Countries, 1984

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Income paid			Tax withheld		
		Total	Exempt from withholding	Subject to withholding	Total	By domestic withholding agents	By foreign government and withholding agents
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	780,708	17,106,632	9,368,142	7,738,490	1,057,453	969,553	87,900
Treaty countries,							
total.....	643,716	15,607,203	8,503,088	7,104,119	910,555	822,655	87,900
Australia.....	15,581	62,653	16,703	45,950	7,592	7,592	-
Austria.....	3,411	24,635	15,790	8,845	1,556	1,556	-
Belgium.....	12,264	826,995	710,197	116,798	18,459	16,896	1,563
Canada.....	310,976	1,814,713	966,332	848,381	124,056	124,056	-
Denmark.....	2,497	13,492	8,313	5,179	737	734	3
Egypt.....	452	28,580	28,204	376	72	72	-
Finland.....	683	9,352	6,460	2,892	348	348	-
France.....	18,625	819,238	204,876	614,362	60,601	60,408	193
Greece.....	5,787	9,102	4,819	4,284	1,200	1,200	-
Ireland.....	5,776	16,870	5,781	11,089	1,633	1,633	-
Italy.....	9,190	66,465	25,292	41,173	8,227	8,227	-
Japan.....	12,264	1,393,545	146,343	1,247,202	130,418	130,418	-
Luxembourg.....	2,631	90,090	48,903	41,187	8,782	8,782	-
Netherlands.....	9,919	1,918,889	1,055,443	863,447	66,396	66,137	259
Netherlands Antilles	3,257	2,812,549	2,702,547	110,002	18,844	18,844	-
New Zealand.....	2,116	5,061	615	4,446	576	576	-
Norway.....	3,985	49,948	43,212	6,736	1,118	1,118	-
Poland.....	410	5,109	1,877	3,232	898	898	-
South Africa.....	2,554	5,739	444	5,295	1,452	1,452	-
South Korea.....	541	5,171	1,767	3,405	755	755	-
Sweden.....	6,237	99,950	24,553	75,397	6,723	6,723	-
Switzerland.....	23,904	1,450,913	314,813	1,136,100	226,525	141,565	84,960
Trinidad and Tobago.	449	10,929	10,472	458	132	132	-
United Kingdom.....	136,555	3,091,489	1,462,897	1,628,592	179,093	178,172	921
West Germany.....	46,638	963,166	691,774	271,392	42,398	42,398	-
Other treaty countries.....	7,014	12,560	4,661	7,899	1,964	1,964	-
Nontreaty countries							
total.....	136,989	1,499,429	865,054	634,371	146,898	146,898	-
Argentina.....	5,749	15,879	7,845	8,034	2,185	2,185	-
Bahamas.....	2,430	46,280	14,857	31,423	9,072	9,072	-
Barbados.....	374	19,317	520	18,797	3,749	3,749	-
Bermuda.....	1,902	88,347	21,804	66,543	19,103	19,103	-
Brazil.....	3,440	20,830	12,345	8,485	2,527	2,527	-
British Virgin Islands.....	432	14,393	566	13,827	2,825	2,825	-
Cayman Islands.....	1,023	58,953	46,242	12,711	3,765	3,765	-
Hong Kong.....	10,886	65,494	27,296	38,198	11,235	11,235	-
Israel.....	4,877	12,156	3,044	9,112	2,272	2,272	-
Jersey.....	647	11,641	236	11,405	3,043	3,043	-
Kuwait.....	990	13,119	4,523	8,596	2,377	2,377	-
Liberia.....	439	23,329	13,634	9,694	2,883	2,883	-
Liechtenstein.....	968	26,400	9,162	17,238	5,138	5,138	-
Mexico.....	13,530	52,905	11,593	41,312	12,274	12,274	-
Panama.....	3,499	100,865	52,574	48,291	14,319	14,319	-
Portugal.....	1,381	28,816	876	27,941	1,395	1,395	-
Puerto Rico.....	4,366	7,295	4,494	2,801	824	824	-
Saudi Arabia.....	3,370	351,990	346,818	5,172	1,532	1,532	-
Singapore.....	3,571	26,709	22,144	4,565	1,345	1,345	-
Spain.....	5,726	39,260	22,791	16,469	4,558	4,558	-
Taiwan.....	1,572	11,131	8,589	2,543	738	738	-
United Arab Emirates	1,034	143,449	142,832	617	182	182	-
Venezuela.....	6,124	22,151	13,228	8,923	2,548	2,548	-
Other nontreaty countries.....	58,662	298,720	77,041	221,674	37,009	37,009	-

## Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All countries, total.....	780,708	969,553	17,106,632	10,035,675	5,617,707	899,427	155,629
Individuals.....	572,259	143,611	1,223,373	429,163	436,739	100,000	124,695
Corporations.....	60,256	545,401	11,678,090	7,220,590	3,490,617	725,928	19,778
Antigua.....	66	13	630	514	32	80	-
Individuals.....	46	3	20	2	10	4	-
Corporations.....	6	1	581	500	5	76	-
Argentina.....	5,749	2,185	15,879	9,473	3,614	397	799
Individuals.....	4,497	1,267	7,856	2,899	2,589	125	759
Corporations.....	89	587	2,081	1,591	179	257	35
Australia.....	15,508	7,544	60,856	15,516	23,405	14,415	4,790
Individuals.....	13,109	2,456	14,353	1,334	4,594	1,787	4,677
Corporations.....	681	3,120	30,230	11,918	9,939	7,886	73
Austria.....	3,411	1,556	24,635	13,615	7,952	469	850
Individuals.....	2,218	732	6,553	1,196	2,696	121	836
Corporations.....	122	310	9,378	7,203	1,914	250	10
Bahamas.....	2,430	9,072	46,280	14,210	25,314	2,826	317
Individuals.....	1,098	1,117	4,797	867	2,425	690	185
Corporations.....	630	4,148	22,388	6,110	11,315	2,128	-
Bahrain.....	598	624	3,532	2,470	1,007	13	4
Individuals.....	487	223	800	369	396	13	4
Corporations.....	28	281	2,150	1,907	239	-	-
Barbados.....	374	3,749	19,317	3,857	15,388	1/	-
Individuals.....	200	139	771	265	459	-	-
Corporations.....	109	3,502	17,551	3,263	14,287	-	-
Belgium.....	12,264	16,896	826,995	746,165	53,115	14,242	7,762
Individuals.....	8,717	1,713	13,300	3,039	6,010	291	1,911
Corporations.....	881	11,283	106,701	56,084	27,972	13,815	5,813
Belize.....	88	1,070	3,965	3,794	155	-	-
Individuals.....	70	6	50	2	33	-	-
Corporations.....	11	1,037	3,464	3,393	72	-	-
Bermuda.....	1,902	19,103	88,347	27,621	48,861	4,394	1,572
Individuals.....	1,006	2,224	8,280	1,200	5,900	34	763
Corporations.....	341	13,378	53,527	17,374	26,277	4,354	61
Bolivia.....	550	131	1,228	860	354	1	3
Individuals.....	472	116	763	429	318	1	3
Corporations.....	11	3	29	28	1	-	-
Brazil.....	3,440	2,527	20,830	14,813	2,474	664	2,228
Individuals.....	2,846	1,322	6,808	2,477	1,378	207	2,173
Corporations.....	130	803	12,226	11,481	315	400	-
British Virgin Islands.....	432	2,825	14,393	2,569	11,541	252	-
Individuals.....	192	322	1,357	77	1,228	28	-
Corporations.....	101	1,916	9,740	2,003	7,578	151	-
Bulgaria.....	252	126	444	109	25	1/	193
Individuals.....	226	122	431	105	24	1/	193
Corporations.....	10	1	4	1	-	-	-
Canada.....	310,976	124,055	1,814,713	842,491	715,657	130,400	18,875
Individuals.....	232,092	22,091	183,204	29,386	93,247	13,910	13,641
Corporations.....	25,464	61,763	1,218,893	690,512	349,701	108,658	3,327
Cayman Islands.....	1,023	3,765	58,953	48,515	9,042	1,039	94
Individuals.....	229	690	4,563	3,523	915	43	81
Corporations.....	427	1,415	35,326	30,827	3,306	991	13
Chile.....	1,970	970	4,194	1,160	2,249	290	278
Individuals.....	1,567	570	2,622	596	1,528	43	268
Corporations.....	86	222	743	316	214	212	-
China.....	1,152	813	4,157	275	1,714	261	135
Individuals.....	971	374	2,545	181	431	257	109
Corporations.....	28	335	1,116	22	1,088	2	-
China (Taiwan).....	1,572	738	11,131	8,150	2,384	25	293
Individuals.....	1,376	528	2,431	624	1,234	20	288
Corporations.....	20	53	717	674	33	1/	5
Columbia.....	2,590	746	3,798	1,550	1,757	129	217
Individuals.....	2,150	541	2,468	803	1,255	112	164
Corporations.....	114	72	595	355	194	15	23

Footnote at end of table.

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984--Continued

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Costa Rica.....	964	434	2,188	387	1,143	101	65
Individuals.....	746	267	1,515	272	610	93	63
Corporations.....	42	25	85	3	73	8	-
Czechoslovakia.....	405	505	2,148	278	102	242	1,291
Individuals.....	355	412	1,802	213	89	9	1,291
Corporations.....	12	61	204	21	2	182	-
Denmark.....	2,497	734	13,492	4,174	4,691	3,303	739
Individuals.....	2,182	346	2,941	248	1,303	134	672
Corporations.....	79	165	5,320	490	1,786	3,045	-
East Germany.....	411	257	2,692	1,540	394	330	279
Individuals.....	360	235	2,343	1,531	390	29	253
Corporations.....	8	3	161	9	1/	144	-
Ecuador.....	864	300	2,395	457	506	875	112
Individuals.....	742	275	1,609	266	428	360	112
Corporations.....	23	6	498	1	21	476	-
El Salvador.....	310	227	939	238	592	46	33
Individuals.....	266	196	788	183	504	41	33
Corporations.....	16	10	40	11	28	-	-
Finland.....	683	348	9,352	3,773	1,584	1,982	760
Individuals.....	583	157	1,804	309	201	12	759
Corporations.....	28	70	5,286	2,012	1,354	1,919	-
France.....	18,565	60,396	819,180	251,052	430,028	116,488	8,410
Individuals.....	13,737	5,584	64,669	12,908	16,091	20,863	8,127
Corporations.....	1,012	28,875	516,711	178,130	247,206	86,472	167
Gibraltar.....	87	75	264	18	236	10	-
Individuals.....	61	34	114	1	113	-	-
Corporations.....	18	30	113	7	95	10	-
Greece.....	5,787	1,200	9,102	2,249	3,562	127	569
Individuals.....	5,147	689	6,281	1,073	2,020	117	535
Corporations.....	107	115	1,131	761	368	1	1/
Guam.....	368	22	243	170	52	1/	-
Individuals.....	328	14	67	4	42	1/	-
Corporations.....	10	5	22	20	2	-	-
Guatemala.....	797	298	1,815	803	819	114	2
Individuals.....	665	229	860	157	510	114	2
Corporations.....	28	15	739	597	142	-	-
Guernsey.....	330	1,340	5,427	1,543	3,862	5	-
Individuals.....	74	194	918	350	555	-	-
Corporations.....	209	858	3,506	1,083	2,415	5	-
Honduras.....	738	248	1,366	123	434	17	329
Individuals.....	678	189	1,127	94	234	7	329
Corporations.....	14	38	151	20	122	10	-
Hong Kong.....	10,886	11,235	65,494	29,532	33,034	1,480	871
Individuals.....	8,386	4,285	16,980	2,235	13,139	454	783
Corporations.....	695	4,876	25,448	10,828	13,344	1,019	63
India.....	1,645	1,413	9,603	3,213	481	2,803	462
Individuals.....	1,453	501	5,080	1,924	326	41	429
Corporations.....	42	850	3,639	710	46	2,759	5
Iran.....	965	347	1,658	631	886	15	37
Individuals.....	822	264	1,192	376	681	15	27
Corporations.....	15	1	4	1/	4	-	-
Ireland.....	5,776	1,633	16,870	4,093	10,682	1,122	425
Individuals.....	5,174	469	4,671	554	2,069	1,097	424
Corporations.....	148	700	8,760	3,346	5,413	1/	1
Isle of Man.....	186	232	793	91	631	47	-
Individuals.....	127	108	367	54	241	45	-
Corporations.....	21	54	183	6	177	-	-
Israel.....	4,877	2,272	12,156	4,285	3,503	321	1,267
Individuals.....	3,949	1,241	7,161	1,417	1,647	228	1,256
Corporations.....	140	444	2,518	2,299	116	55	-
Italy.....	9,190	8,227	66,465	19,834	25,111	10,411	5,187
Individuals.....	7,710	5,064	27,906	2,992	7,167	7,327	4,959
Corporations.....	249	2,597	29,827	12,510	15,036	2,021	159
Jamaica.....	719	89	1,204	143	217	204	132
Individuals.....	628	64	868	86	160	20	132
Corporations.....	9	2	11	-	11	1/	-

Footnote at end of table.

## Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984--Continued

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Japan.....	12,264	130,418	1,393,545	886,476	280,717	165,819	10,151
Individuals.....	9,641	10,958	114,850	93,305	5,861	1,645	8,816
Corporations.....	1,833	112,351	1,175,224	722,838	251,901	157,839	1,261
Jersey.....	647	3,043	11,641	789	10,606	19	71
Individuals.....	149	141	483	76	406	-	1
Corporations.....	152	1,415	5,865	239	5,402	-	68
Kuwait.....	990	2,377	13,119	7,347	5,642	12	26
Individuals.....	649	631	2,202	240	1,915	12	26
Corporations.....	89	1,141	4,899	2,757	2,074	-	-
Lebanon.....	1,681	720	4,922	2,017	2,172	205	174
Individuals.....	1,490	542	2,527	366	1,620	65	124
Corporations.....	21	42	139	17	72	-	50
Liberia.....	439	2,883	23,329	14,371	8,531	407	-
Individuals.....	306	240	1,148	337	765	41	-
Corporations.....	71	2,478	21,593	13,871	7,352	366	-
Liechtenstein.....	968	5,138	26,400	5,613	20,109	224	172
Individuals.....	344	1,120	4,880	584	4,202	2	21
Corporations.....	222	1,744	7,039	2,503	4,040	213	151
Luxembourg.....	2,631	8,782	90,090	46,281	42,461	22	112
Individuals.....	540	513	3,590	1,635	1,799	4	91
Corporations.....	839	4,111	43,765	22,121	21,438	17	-
Malaysia.....	1,059	169	1,119	510	466	22	37
Individuals.....	947	132	530	73	334	1	37
Corporations.....	20	11	484	433	31	21	-
Mexico.....	13,530	12,274	52,905	22,688	12,564	6,341	2,281
Individuals.....	11,746	5,593	23,459	5,229	8,433	5,203	2,228
Corporations.....	376	5,283	18,031	10,446	2,429	646	28
Monaco.....	495	1,199	5,756	1,133	3,909	69	368
Individuals.....	346	704	3,566	842	2,079	57	368
Corporations.....	38	159	585	79	506	1/	-
Morocco.....	187	226	1,144	208	695	23	105
Individuals.....	132	92	477	93	177	6	105
Corporations.....	13	15	107	15	92	-	-
Netherlands.....	9,919	66,137	1,918,889	995,643	865,187	39,645	2,770
Individuals.....	6,040	2,934	74,874	49,987	14,902	4,328	2,564
Corporations.....	1,330	53,738	1,723,846	900,950	777,083	34,220	30
Netherlands Antilles.....	3,257	18,844	2,812,549	2,619,895	115,981	62,090	422
Individuals.....	843	3,584	48,713	24,840	22,643	1,130	40
Corporations.....	1,553	11,016	2,608,174	2,475,626	59,230	60,680	98
New Zealand.....	2,116	576	5,061	2,982	1,063	216	349
Individuals.....	1,790	235	1,846	265	687	123	335
Corporations.....	83	42	320	45	212	62	-
Norway.....	3,985	1,118	49,948	41,695	5,542	883	614
Individuals.....	3,345	410	3,948	449	1,344	368	613
Corporations.....	127	478	43,197	40,145	2,671	376	1/
Panama.....	3,499	14,319	100,865	57,483	36,829	3,461	39
Individuals.....	1,617	2,314	12,175	4,889	6,595	246	29
Corporations.....	954	8,388	58,855	33,340	20,183	3,137	4
Peru.....	1,576	319	2,791	1,526	792	46	188
Individuals.....	1,262	241	1,876	945	577	33	116
Corporations.....	37	22	100	19	27	3	18
Philippines.....	4,165	1,034	4,892	1,072	1,464	120	190
Individuals.....	3,597	878	4,026	660	1,101	118	190
Corporations.....	112	34	203	151	37	1	-
Poland.....	410	898	5,109	255	2,807	117	1,552
Individuals.....	376	71	2,105	130	92	14	1,492
Corporations.....	11	814	2,870	73	2,677	90	30
Portugal.....	1,381	1,395	28,816	3,573	24,680	40	326
Individuals.....	1,116	238	1,273	210	555	6	322
Corporations.....	37	15	409	345	26	34	4
Puerto Rico.....	4,366	824	7,295	5,497	478	978	202
Individuals.....	3,842	141	668	127	393	1	23
Corporations.....	266	629	6,243	5,316	30	887	4
Romania.....	149	57	328	78	18	2	201
Individuals.....	132	55	297	66	18	2	201
Corporations.....	10	1	6	4	1/	-	-

Footnote at end of table.



Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984--Continued

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Saudi Arabia.....	3,370	1,532	351,990	327,576	15,969	145	8,169
Individuals.....	2,855	1,164	6,706	816	3,005	145	2,632
Corporations.....	65	183	61,181	48,893	12,272	-	-
Singapore.....	3,571	1,345	26,709	10,809	5,241	81	110
Individuals.....	3,226	856	3,089	133	2,599	76	108
Corporations.....	119	342	14,661	2,769	1,596	5	-
South Africa.....	2,554	1,452	5,739	1,165	3,066	276	555
Individuals.....	2,307	1,025	3,878	1,064	1,481	134	540
Corporations.....	52	258	1,253	44	1,127	77	1/
South Korea.....	541	755	5,171	2,145	2,060	14	581
Individuals.....	435	92	1,247	235	151	13	545
Corporations.....	40	205	1,418	962	447	1	-
Spain.....	5,726	4,558	39,260	26,334	6,733	1,136	3,998
Individuals.....	4,716	2,394	10,896	2,375	3,255	319	3,924
Corporations.....	259	1,226	8,112	6,841	663	608	-
Sweden.....	6,237	6,723	99,950	10,213	66,344	13,006	6,988
Individuals.....	5,496	2,540	14,216	1,361	2,348	476	6,795
Corporations.....	157	3,289	78,939	8,198	58,337	12,297	32
Switzerland.....	23,904	141,565	1,450,913	463,715	909,130	55,332	4,021
Individuals.....	10,693	12,802	110,519	39,440	59,991	3,258	2,928
Corporations.....	3,186	83,094	908,647	321,252	527,160	49,092	1,087
Thailand.....	754	169	1,911	947	513	256	74
Individuals.....	663	117	879	105	340	255	64
Corporations.....	13	22	503	432	65	-	-
Turks and Caicos.....	39	147	518	450	49	19	-
Individuals.....	12	47	175	151	4	19	-
Corporations.....	15	90	304	274	30	-	-
U.S.S.R.....	386	104	906	247	103	501	13
Individuals.....	327	94	410	246	71	39	13
Corporations.....	14	1/	446	-	1	444	-
United Arab Emirates.....	1,034	182	143,449	142,080	1,334	11	12
Individuals.....	930	124	432	121	287	11	1
Corporations.....	13	8	8,210	8,189	21	-	-
United Kingdom.....	136,555	178,172	3,091,489	1,560,455	1,308,979	144,309	33,651
Individuals.....	94,257	15,144	135,471	24,567	52,958	16,638	27,772
Corporations.....	12,230	80,495	1,980,017	1,047,497	794,585	102,864	5,573
Uruguay.....	1,104	710	5,598	3,022	2,352	35	15
Individuals.....	653	226	1,946	1,239	607	3	15
Corporations.....	63	221	1,258	454	719	1/	-
Venezuela.....	6,124	2,548	22,151	12,191	6,976	1,236	914
Individuals.....	4,932	1,931	16,400	9,575	5,284	235	828
Corporations.....	179	242	2,886	1,068	475	983	40
Virgin Islands - U.S.....	2,105	187	1,789	605	887	234	47
Individuals.....	1,830	53	566	161	366	26	-
Corporations.....	39	75	787	335	197	208	47
West Germany.....	46,638	42,398	963,166	539,477	287,934	88,437	10,942
Individuals.....	34,600	8,791	150,133	69,984	37,207	15,756	9,266
Corporations.....	1,711	20,792	629,107	386,154	177,123	61,644	1,086
Yugoslavia.....	870	619	2,236	449	1300	41	67
Individuals.....	773	242	929	326	186	23	67
Corporations.....	11	270	914	27	870	16	-
Zimbabwe.....	129	47	166	20	107	-	-
Individuals.....	96	30	110	18	55	-	-
Corporations.....	14	10	33	2	29	-	-
Other countries.....	35,957	23,250	263,885	124,289	107,327	3,657	5,742
Individuals.....	25,466	6,799	40,823	15,278	14,858	477	5,214
Corporations.....	1,668	6,622	125,663	97,440	15,007	1,776	459

1/ Less than \$500.