



# TRANSCRIPT

## W-8BEN LESSON 3

Hello! We're going to jump right into this lesson,

On Line 5, we see a familiar term, U.S. taxpayer identification number or TIN. This includes Social Security Numbers or Individual Taxpayer Identification Numbers. Line 5 is only required in certain instances and for those that actually have an SSN or ITIN. So, let's talk about this a bit. An ITIN is for tax use only, which is different than an SSN, which entitles U.S. persons to social security benefits. SSNs generally are tied to citizenship or immigration status under U.S. law, so you can see where this is going. Why would a non-U.S. person need an ITIN for tax use only? Well, if they were to claim treaty benefits, of course. Generally, if an individual does not have a tax identifying number from his or her own residence jurisdiction, then he or she is required to provide an ITIN in order to request treaty benefits.

An individual would not need an ITIN to request treaty benefits for certain types of income. We will talk about those more in our deep dive module on section 1441, but to touch upon them quickly here, an ITIN is not required to claim treaty benefits relating to:

- Dividends and interest from actively traded stocks and debt obligations
- Dividends from any redeemable security issued by a 1940s Act Company or Mutual Fund
- Dividends, interest, or royalties from units of beneficial interest in an SEC registered unit investment trust – SEC stands for Securities and Exchange Commission; and
- Income related to loans of any of these mentioned securities.

Now, let's bounce back to SSNs and TINs for a moment. These would be required by an individual claiming an exemption from withholding under section 871(f), which is for certain annuities he or she received under a qualified plan. SSNs and TINs are also required when the individual is submitting a Form W-8BEN to a partnership that conducts a trade or business in the United States. This is because a partner in a partnership conducting a trade or business in the United States will likely be allocated effectively connected taxable income. The partner is required to file a U.S. federal income tax return and must have a U.S. taxpayer identification number (TIN).

5	U.S. taxpayer identification number (SSN or ITIN), if required (see instructions)
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Moving on to Line 6, which is a bit similar in that it is for the foreign or non-U.S. tax identifying number of the beneficial owner. We call this an FTIN and mentioned it briefly with respect to Line 5. It is a tax identifying number that a country or jurisdiction that is not the United States issues to its residents.



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So, who needs to enter his or her FTIN? First, we have individuals that hold financial accounts with a U.S. office of a financial institution and who receive U.S. source FDAP income that is reportable on Form 1042-S. Generally, FTINs became a bit more important and required on this form, because of chapter 4 and the IGAs. As part of its commitment to the IGAs, the United States is obligated to collect and report the names, address, FTIN, and certain income information to its IGA partner jurisdictions. As such, this line became required for individuals who hold financial accounts at U.S. offices of financial institutions. The FTIN must have been issued by the jurisdiction of tax residence that the individual indicated on Line 3, permanent residence address, on the Form W-8BEN.

Certain jurisdictions do not issue FTINs; however. The IRS has a list of these jurisdictions. Your policies and procedures should have this link and it should be checked periodically to make sure you are using the most current information. There are instructions for folks resident in countries that do not issue FTINs. In that case, where an individual has not been issued a TIN, then the individual must provide the withholding agent or payor with an explanation for why he or she has not been issued a TIN. An explanation here would be a statement that the individual is not legally required to obtain a TIN in his or her jurisdiction of tax residence, in other words, the country listed on Line 3 for a permanent residence address. The individual may write the explanation here in Line 6, or in the margins of Form W-8BEN, or he or she may attach a statement to the form. An example of this would be to write 'not legally required' on Line 6. It is important to note that writing 'not applicable' is not an acceptable explanation for purposes of Line 6.

Now, let's talk about an individual that does not have a financial account with a U.S. office of a financial institution. When might he or she have to provide an FTIN? We touched on this as well. This would be where the individual is requesting treaty benefits that require a US or FTIN. When the individual does not have and is not providing a US TIN, then the individual would provide his or her FTIN.

One last note here is for residents of U.S. possessions. These folks would not be required to provide an FTIN.

<b>6 Foreign tax identifying number (see instructions)</b>
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Okay, enough about TINs, US TINs, FTINs, and any TINs! Let's move on to Line 7, Reference Number. What is this? The reference line is something that the payor or withholding agent will use for certain information that helps connect the Form W-8BEN with other account documents. One example might be withholding agents who are required to associate a Form W-8BEN with another withholding certificate to make that association clear.



When might that happen? Well, there are instances where a person might be a beneficial owner of U.S. source FDAP income, so they would provide a Form W-8BEN indicating status as a non-U.S. individual who is a beneficial owner. That same person may also receive income effectively connected with a U.S. trade or business – maybe as part of a partnership. In that case, he or she might be reporting that income on his or her tax return already, so there is no need for the payor or withholding agent to withhold on payments of ECI made to the individual. In that case, the individual would provide a Form W-8ECI indicating status as a non-U.S. person earning income that is effectively connected to a U.S. trade or business. So, the withholding agent or payor may be making two types of payments to the individual, one of U.S. source FDAP income where the individual is a non-U.S. beneficial owner and one of ECI to a non-U.S. person.

Sometimes, beneficial owners will use this line to associate the form with an account number. One more reason might be where there is a disregarded entity listed on the account, but the individual single owner provided a Form W-8BEN in his or her own name. They might use the reference number line 7 to connect the form with the account number and disregarded entity name.

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### **7** Reference number(s) (see instructions)

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Okay, now line 8. This line is where the beneficial owner would enter his or her date of birth. Similar to what we talked about with respect to FTINs, a non-U.S. individual holding a financial account with a U.S. office of a financial institution will have to provide he is or her date of birth. Without repeating too much detail here, this is related to information that the U.S. has agreed to exchange with its IGA partner jurisdictions. This is particularly important where countries do not issue FTINs, because it is another way to connect and identify the country residents being reported.

It is important to note here that the format of the date of birth is Month Month dash Day Day dash Year Year Year Year. As an example, if a person born on July 20, 1977, would enter 07-20-1977.

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### **8** Date of birth (MM-DD-YYYY) (see instructions)

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And that's all for this lesson! Join us in the next one where we continue this walkthrough.