

Foreign Recipients of U.S. Income, and Tax Withheld, 1985

By Margaret P. Lewis*

Total income paid to foreign persons (including individuals, corporations and other organizations) from U.S. sources increased 2 percent in 1985 to \$17.5 billion; at the same time, U.S. tax withheld on this income fell to \$940 million, a 3 percent decrease [1]. U.S. source income included such items as interest and dividend payments, rents and royalties, but not income "effectively connected" with a U.S. trade or business, or interest paid on bank deposits. The total income figure included \$748 million in social security and railroad retirement payments which became subject to tax withholding beginning in 1984 and were included for the first time in the statistics for 1985. Nearly \$80 million in tax was withheld on these payments in 1985. The decrease in total tax withheld resulted partially from the removal of the withholding tax on most interest payments to foreign persons when the Deficit Reduction Act of 1984 took effect in mid-1984. This income is generally still subject to reporting and therefore, is included in these statistics [2].

U.S. source income paid to residents of the Netherlands Antilles increased 12 percent in 1985 surpassing the United Kingdom as the largest recipient of this income. Residents of the Netherlands Antilles received 18 percent (\$3.1 billion) of the total \$17.5 billion of U.S. source income paid to foreign persons, while income paid to residents of the United Kingdom fell by \$257 million to \$2.8 billion, an 8 percent decrease.

BACKGROUND

A U.S. individual or organization paying income to a foreign individual (who, for tax purposes, was not a resident or citizen of the United States) or to a corporation or other organization that was not incorporated or organized in the United States reported this income and the U.S. tax withheld on Form 1042S, Foreign Persons' U.S. Source Income Subject to Withholding. While the basic tax rate was 30 percent, certain types of income were taxed at lower rates. Moreover, income paid to residents of countries that entered into tax treaty agreements with the United States was also usually taxed at lower rates. The tax withheld represented final payment of the actual tax liability in most instances; the

foreign recipients did not file a U.S. income tax return because their tax liability had thus been satisfied at its source. The responsibility for withholding this tax belonged to the payer or a representative of the payer (usually a financial institution). Income connected with a foreign recipient's U.S. trade or business was exempt from such withholding. The United States taxed this income separately, the same as though it were received by a U.S. citizen or corporation. Amounts of such "effectively connected" income are not included in the statistics for U.S. source income presented here.

U.S. source income was taxed at a flat rate (generally 30 percent) rather than being subject to graduated tax rates as was the income of U.S. individuals and organizations (and "effectively connected" income of foreign persons). Because most foreign persons receiving income from U.S. sources were not required to file U.S. income tax returns (which would require that they consolidate all of their U.S. income), the flat rate provided for equitable taxation in situations where foreign individuals or organizations received income from more than one U.S. source.

RECENT LEGISLATION AND ITS IMPACT

The Deficit Reduction Act of 1984 removed the U.S. withholding tax on most interest payments made to foreigners. This exemption was effective for all qualified debt issues made after July 18, 1984 [3]. The Act was intended to reduce U.S. borrowing through tax haven countries (which are discussed later in this article) and to encourage U.S. corporations to borrow foreign funds through direct Euro-bond placements [4]. The interest paid on these new issues was exempted from tax withholding regardless of the recipient's country of residence.

The Social Security Amendment Act of 1983 required U.S. tax withholding on certain benefits paid to foreign persons beginning in 1984. At the same time, the Railroad Retirement Act of 1937 was also revised to require withholding on certain payments to foreigners. Almost \$80 million in taxes was withheld in 1985 on social security and railroad retirement payments of \$748 million.

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DATA HIGHLIGHTS AND TRENDS

As previously mentioned, U.S. source income paid to foreigners totaled \$17.5 billion in 1985, a 2-percent increase over 1984. By contrast, U.S. source income paid jumped 57 percent in 1984, an increase largely attributable to continued high U.S. interest rates and the exemption from tax withholding of interest paid on debt issued after July 18, 1984. Interest paid in 1984 rose by 70 percent over 1983, and dropped only 2 percentage points in 1985. The 2-percent increase in total U.S. source income paid in 1985 reflected continued high interest payments (dropping only slightly from the record 1984 level with a slowing down of new debt issues) and a significant drop in direct foreign investment in the United States, affecting dividends, rents and royalties and other types of income [5].

The average income payment fell by 14 percent in 1985, to less than \$19,000, which was indicated by a 2 percent increase in total income paid and an almost 20 percent increase in the number of Forms 1042S filed which grew to nearly 934,000 forms for 1985. The increase in the number of forms filed was due in large part to the inclusion of social security and railroad retirement payments to foreign persons. These payments, while large in number, were comparatively small in size and, therefore, led to a decrease in the average payment.

The average amount of tax withheld per payment fell by 19 percent to \$1,000, which again reflected the large number of social security and railroad retirement payments with small amounts of tax withheld. The average effective tax rate (tax withheld as a percentage of total income paid by U.S. sources to foreign recipients) for all countries for 1985 fell to 5.4 percent, only a small change from the effective tax rate of 5.7 percent in 1984 (the reasons for this low tax rate, as compared to the 30 percent basic tax rate, are discussed below under "Tax Withheld and Effective Tax Rates by Country").

TYPES OF INCOME

The proportion of total U.S. source income paid to foreign persons that was attributable to interest payments fell slightly in 1985. Interest payments totaling nearly \$10 billion accounted for 56 percent of income paid in 1985 (a decrease of 3 percentage points from 1984), while dividends totaling just over \$5 billion represented 29 percent of income paid in 1985 (a 4 percentage-point drop from 1984). Again, these percentage decreases reflected the inclusion of social security and railroad retirement payments which accounted for 4 percent of all 1985 income paid. Without the additional social security and railroad retirement payments, the above percentages for interest and dividends would have been only slightly changed from 1984.

Tax of \$193 million was withheld on interest payments to foreign persons in 1985. As Figure A shows, this represented only 21 percent of the total tax withheld, although interest payments represented more than half of all U.S. source income. By contrast, dividends (which are rarely exempt from the withholding tax) accounted for 60 percent of total tax withheld but represented less than 30 percent of all income paid. [Figure A shows the percentage of total income paid and the percentage of total tax withheld for several income types.]

During periods of high U.S. interest rates (and relatively low foreign interest rates), foreign persons tend to take advantage of these rates by increasing their lending to the United States. The Eurobond rate is based primarily on U.S. interest rates and thus these affect the Eurobond issues which are a major source of foreign lending to the United States. Figures B and C show the relationship between the U.S. prime interest rate, the Eurodollar rate, and the amount of interest paid. Figure B charts the interrelationship of these factors for the 10-year period 1976 through 1985 [6].

The amount of interest paid appears to be influenced by the prime rate and the Eurodollar rate, in addition to other influencing factors such as the removal of withholding on most interest payments to foreigners due to the Deficit Reduction Act of 1984 (discussed elsewhere in this article). However, this influence can sometimes appear after a 2-3-year lag period. Thus, the sharp rise in the prime rate which peaked in 1981 is reflected in a sharp increase (60 percent) in interest paid in 1984. This lag may reflect the various pay schedules corporations may arrange for their outstanding debt.

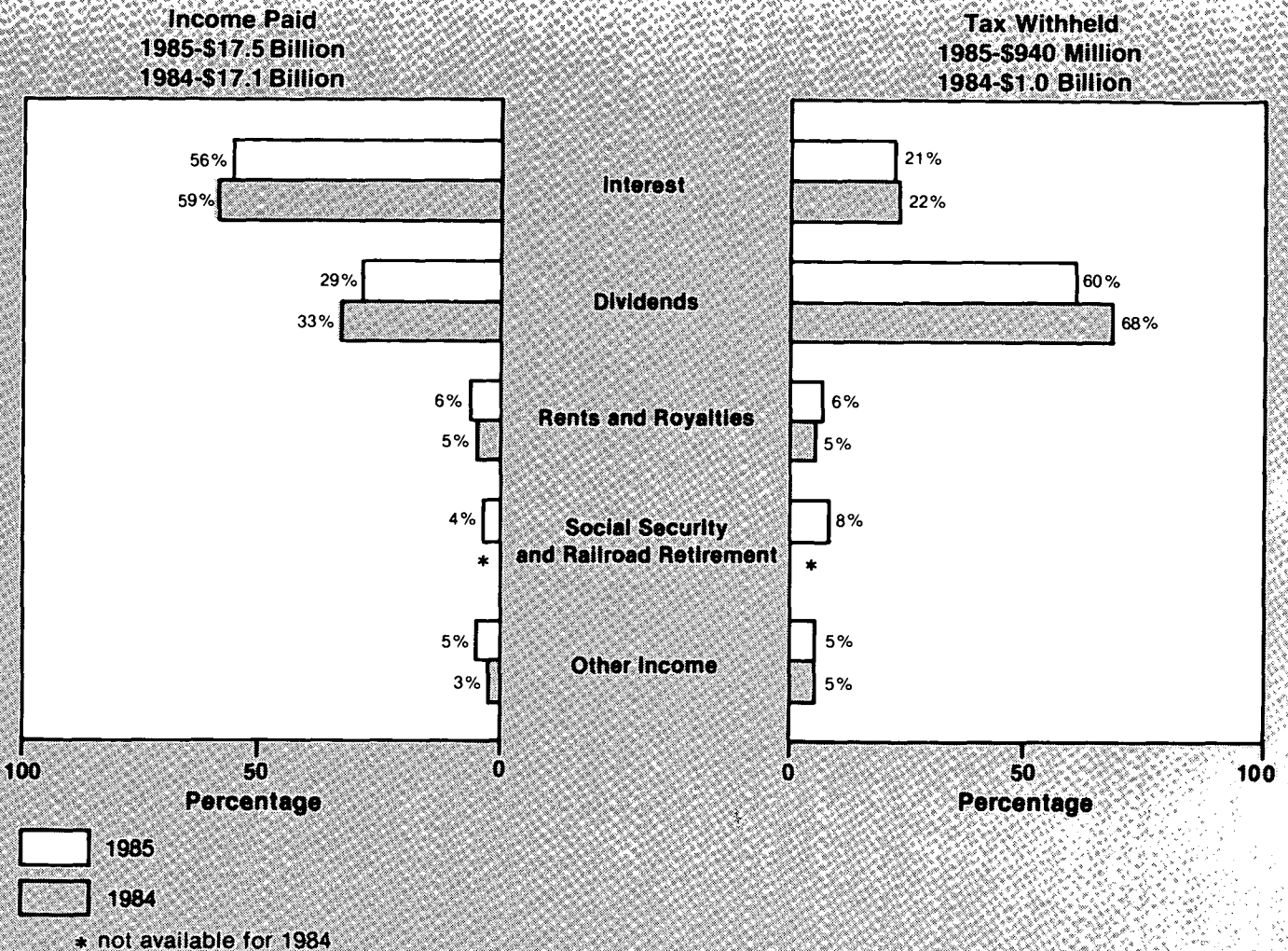
Figure C, which examines this interrelationship more closely, shows that the percentage changes year-to-year in the amount of interest paid are again affected by the pattern of changes in the U.S. prime interest rate and the Eurodollar rate.

Interest payments constituted the largest category of U.S. source income paid to all types of foreign recipients in seven of the nine countries shown in Figure D (which includes only those countries whose residents received a total of more than \$700 million in U.S. source income). The two exceptions were the United Kingdom and France, both of which received more U.S. source income in the form of dividends than interest.

As in past years, the six non-tax-haven countries shown in Figure D received a greater portion of rents and royalties (9 percent average) than the Netherlands Antilles, the Netherlands, and Switzerland (3.7 percent average), all of which may be considered tax havens to some degree (see the section entitled "Tax Haven Countries"). In contrast, rents and royalties accounted for 26 and 11 percent of all income

Figure A

Percentage of Total Income Paid and Total Tax Withheld, by Income Type, 1984 and 1985



paid to France and Japan, respectively, both non-tax-haven countries. More than half of all rents and royalties paid by U.S. sources to foreign recipients in 1985 were industrial royalties (such as royalties for the use of, or the privilege of using, trademarks, patents, secret processes and formulas, goodwill, franchises, and similar rights.) These types of payments are made primarily to industrial countries whereas tax havens generally have a narrow industrial base. Switzerland and the Netherlands are unusual in that they are tax haven countries with more diversified economies. U.S. corporations in some cases may use tax haven countries to set up foreign companies to which they sell or license the use of their patents, trademarks, secret processes and formulas, goodwill, franchises, and other rights. These companies, in turn, license the use of these patents, trademarks, and the like, back to the originating company and others - resulting

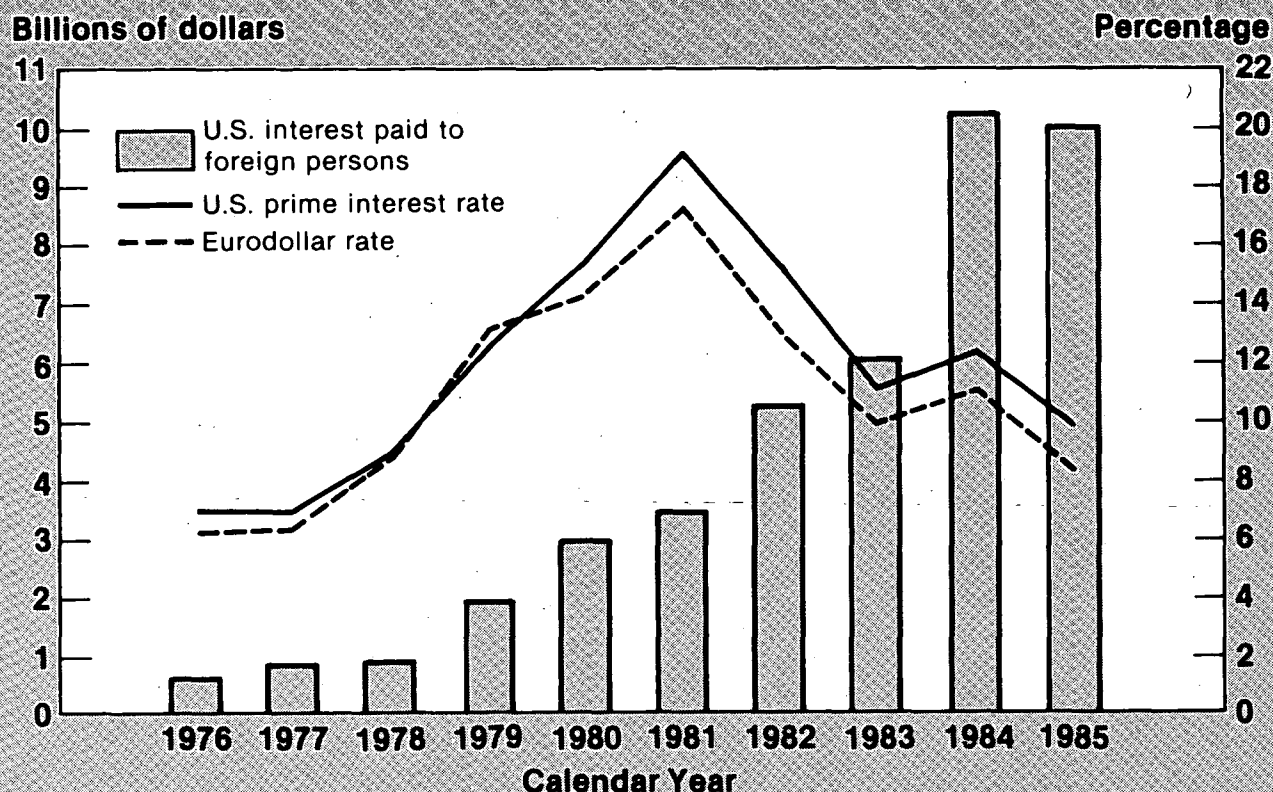
in rents, royalties, and license fees paid to tax haven countries.

The data on Belgium may be somewhat misleading since Belgium nominees once again received large interest payments. Therefore, the final recipients of these payments may not be Belgian residents.

As previously mentioned, certain social security and railroad retirement payments to foreign persons became subject to tax withholding beginning in 1984. The first statistics on these were available for 1985. Over 300,000 social security and railroad retirement payments were made to foreign individuals in 1985 amounting to \$748 million of U.S. source income on which almost \$80 million of tax was withheld, resulting in an effective tax rate of 11 percent. Social security

Figure B

U.S. Interest Paid to Foreign Persons, U.S. Prime Interest Rate, and Eurodollar Rate, 1976-1985



payments accounted for more than 95 percent of this \$748 million. Almost 70 percent of this income was paid to individuals in Canada, Europe, and Mexico. As Figure E shows, Canadians and Mexicans were the principal recipients of such income since many residents of these U.S. border countries worked in the United States at one time or another.

COUNTRY OF RECIPIENT

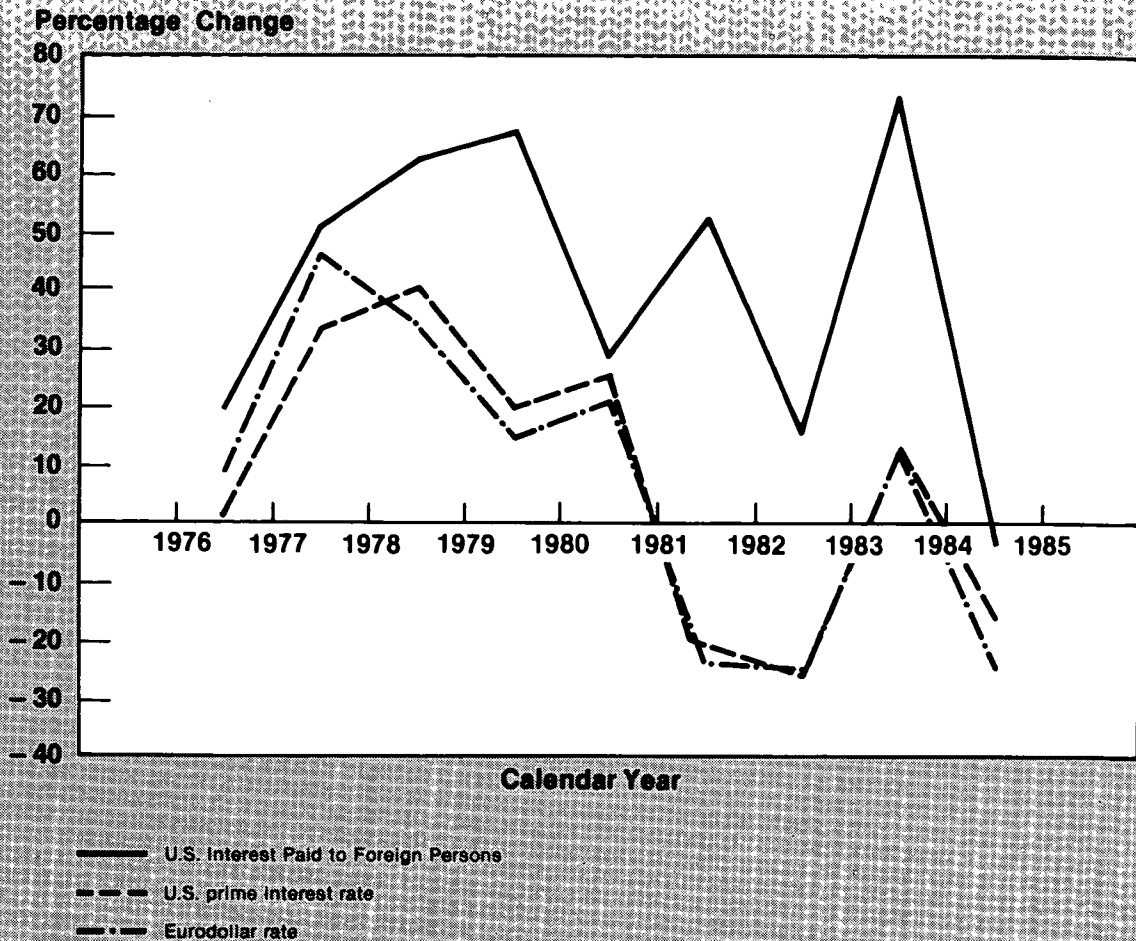
As Figure F shows, recipients in nine countries accounted for 85 percent of all U.S. source income paid to foreigners in 1985. As in 1984, Canada, Japan, the Netherlands, the Netherlands Antilles, Switzerland and the United Kingdom received more than \$1 billion a piece in U.S. source income. Only four of the nine countries showed in-

creased totals for 1985 (led by Japan, up 32 percent). The Netherlands, down 40 percent, experienced the largest drop in U.S. source income of those countries shown.

Total tax withheld on U.S. source income paid to foreign recipients in 1985 fell in six of the countries shown in Figure G (the countries shown in Figure G are the same as those shown in Figure F). Canada and Belgium both received a larger percentage of income that was exempt from withholding in 1985 than in 1984, thus resulting in the large discrepancy in percentage changes in income paid and tax withheld shown in Figure G. West Germany, in contrast, received less income that was exempt from tax withholding in 1985 than in 1984 thus resulting in an increase in tax withheld with a decrease in income paid. Referring back to Figure F, the Netherlands Antilles had the largest discrep-

Figure C

**Percentage Changes In U.S. Interest Paid to Foreign Persons,
U.S. Prime Interest Rate, and Eurodollar Rate, 1976-1985**



ancy between percentage of income paid and percentage of tax withheld, 16 percentage points although tax withheld rose at a faster rate than income paid to Netherlands Antilles recipients.

TAX WITHHELD AND EFFECTIVE TAX RATES BY COUNTRY

Partly because the Deficit Reduction Act of 1984 exempted most types of interest from withholding tax, the overall effective tax rate on U.S. source income paid to foreign persons fell from 5.7 percent in 1984 to 5.4 percent in 1985. The addition of social security and railroad retirement payments prevented this rate from falling further to 5.1 percent. The overall effective tax rate is much lower than the basic U.S. withholding tax rate of 30 percent for a number of

reasons. First, tax treaties allow for lower tax rates on certain types of payments made to residents of certain countries. Second, as mentioned previously, the 1984 Act exempted most types of interest from withholding tax. Third, U.S. income paid to foreign government organizations is generally not taxed. Fourth, most U.S. income paid to foreign private foundations is taxed at only a 4-percent rate. Finally, the statutory rate for social security and railroad retirement payments is 15 percent. These factors result in considerable variation among countries in the effective U.S. withholding tax rate (tax withheld as a percentage of total income paid).

Figure H ranks the 13 countries with the lowest effective U.S. withholding tax rates in 1985. The United Arab Emirates had the lowest rate, 0.07 percent, compared to the average for all countries of 5.37 percent. Tax withheld by

Figure D

**Percentage of Income Paid by
Selected Income Type,
Selected Recipient Type, and
Selected Country of Recipient,
1985**

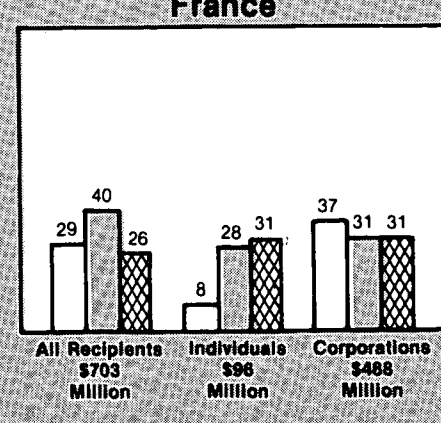
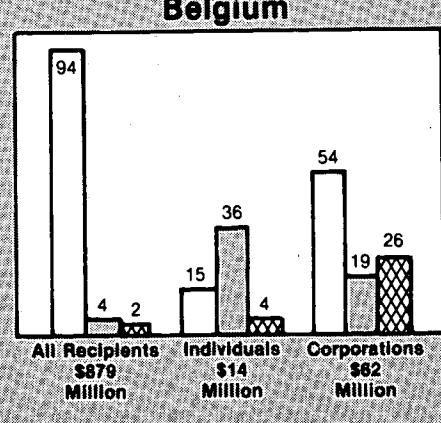
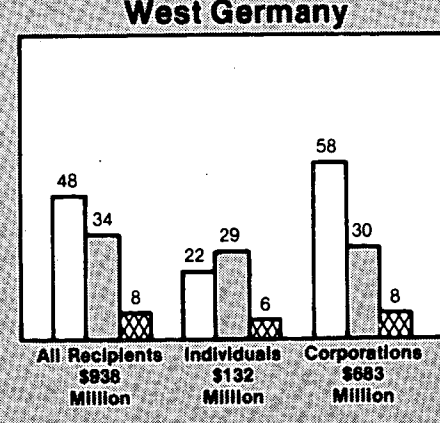
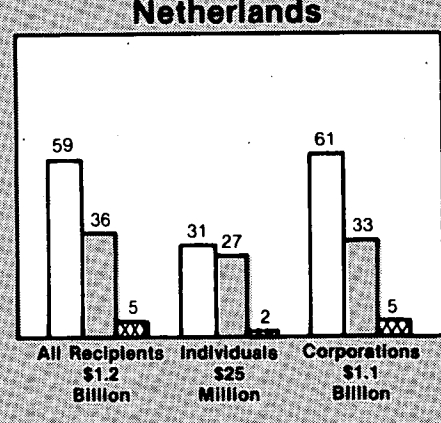
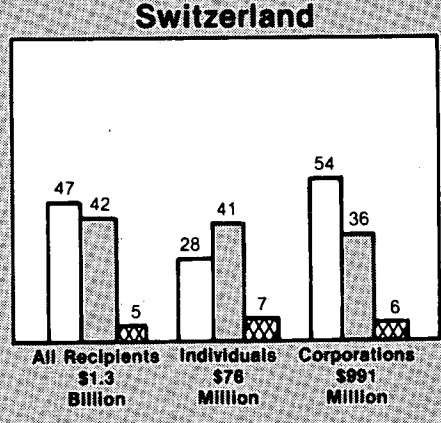
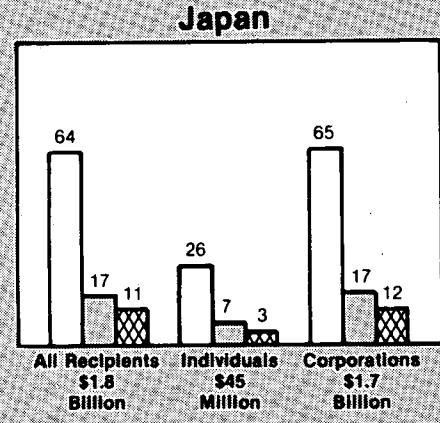
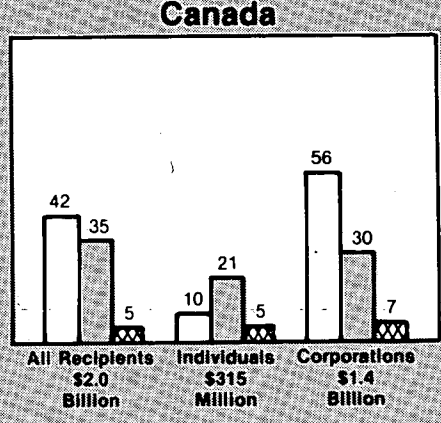
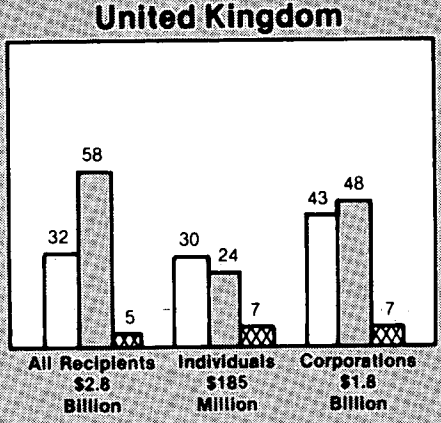
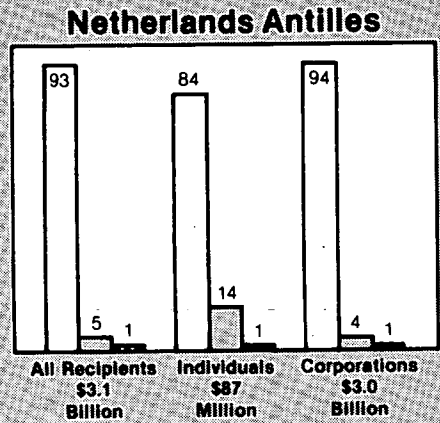
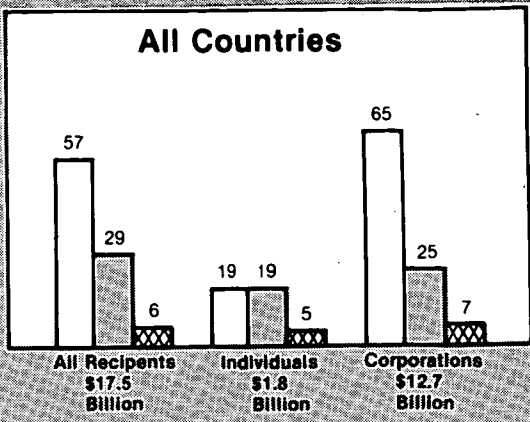
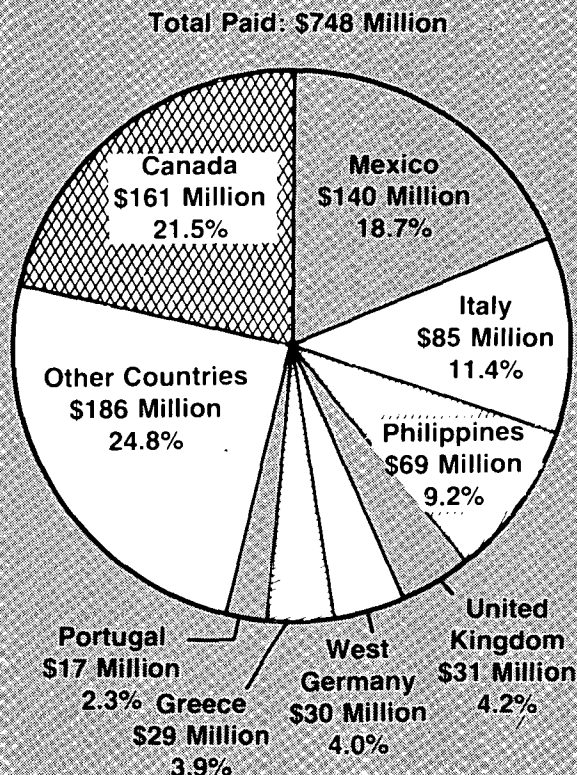


Figure E

Percentage and Amount of Social Security and Railroad Retirement Payments to Recipients in Selected Countries, 1985



foreign governments and foreign withholding agents is not included in this figure (except for Canada) because such tax cannot be properly attributed to income for a particular year (as is discussed in the "Data Sources and Limitations" section). This tax is, however, shown in Table 1. Only countries receiving at least 100 payments and \$1 million or more of U.S. source income were considered for this ranking.

Newcomers to this list for 1985 were New Zealand, Malta, the Cayman Islands and Puerto Rico. New Zealand and Malta are treaty countries that receive the benefits of reduced tax withholding rates. While Puerto Rico and the Cayman Islands are not treaty countries, more than 80 percent of the U.S. source income paid to residents of these two countries was interest and thus generally exempt from tax withholding under the Deficit Reduction Act of 1984. In fact, of the 13 countries shown in Figure H, interest pay-

ments represented 80 percent or more of all payments for 8 of these countries. Only Canada, Egypt, Malta, the Netherlands, and New Zealand received less than 80 percent of U.S. source income as interest payments.

TAX TREATY COUNTRIES

In order to avoid double taxation of income earned in one country by "residents" of another, the United States has negotiated tax treaties with many countries that reduce the withholding rates in both countries [7]. Presumably any losses in withholding-tax revenue resulting from tax treaties are at least partly offset by a reduction in the foreign tax credits against U.S. income tax claimed by U.S. individuals and corporations. In other words, reciprocal tax treaties generally provide for a reduced withholding rate for U.S. recipients of foreign income and for foreign recipients of U.S. income. Since U.S. individuals and corporations consequently have less foreign tax withheld, this either reduces their excess foreign tax credit or raises their U.S. tax liability.

Figure I compares the effective tax rates on payments to recipients in treaty countries (5.1 percent) with those in non-treaty countries (7.8 percent). There is little difference between the effective tax rate for all countries and that for treaty countries since almost 90 percent of all U.S. source income was paid to residents of treaty countries. Also, the exemption of interest from the withholding tax helped to lower the overall effective tax rate for both treaty and non-treaty countries. Table 1 lists many of the tax treaty and nontreaty countries and provides comparative data on income paid and tax withheld.

Residents in tax treaty countries typically enjoyed lower U.S. withholding tax rates than those for recipients in other countries. When U.S. source income was 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 have been imposed. In some cases U.S. treaty partners collected the additional amounts on behalf of the United States (as listed in Table 1, column 7). These amounts are not included in the tax withheld data cited in Figure I and elsewhere in this article (for reasons explained in the "Data Sources and Limitations" section).

Although tax treaties between the United States and various foreign countries are intended to benefit U.S. residents and those residents of the treaty country only, others could benefit indirectly by investing through a treaty country. Some tax treaty countries were also considered tax havens due to favorable tax and secrecy laws (discussed in the section on tax havens below). The most notable of these tax treaty/tax haven countries is the Netherlands Antilles, a U.S. treaty partner for the past 30 years.

For a number of years, the Netherlands Antilles has served as the major conduit for placements of Eurobond

Figure F

Percentage of Total Income Paid and Total Tax Withheld by Domestic Withholding Agents, by Country of Recipient, 1984 and 1985

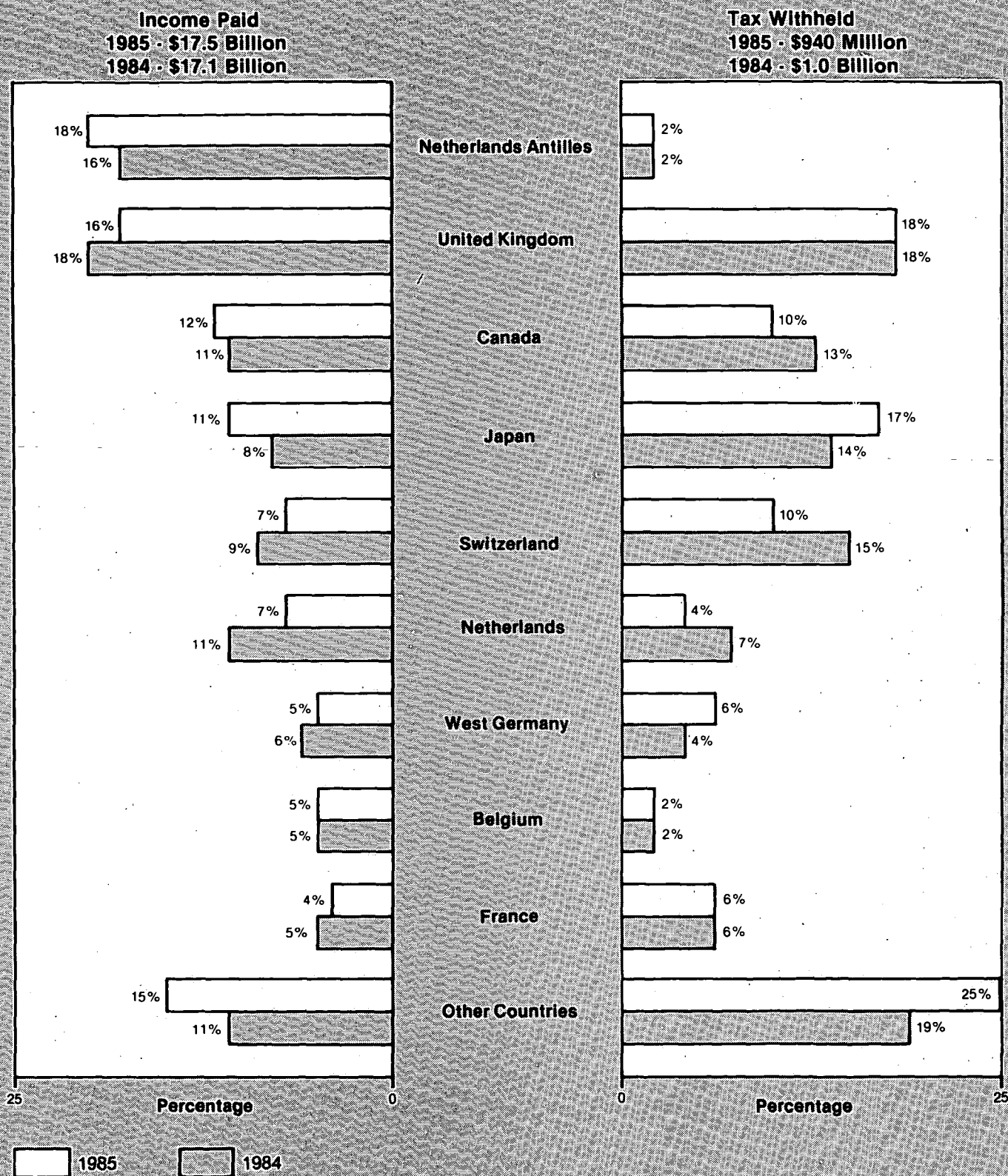


Figure G.—Percentage Increase in Income Paid to and Tax Withheld from Recipients in Selected Countries, 1984 to 1985

Country	Percentage increase in income paid	Percentage increase in tax withheld
Japan	32%	24%
Netherlands Antilles	12	22
Canada	12	-22
Belgium	6	-45
West Germany	-3	35
United Kingdom	-8	-4
Switzerland	-13	-31
France	-14	-11
Netherlands	-40	-37

Figure H.—Ranking of Countries by Effective U.S. Tax Rates, 1985

[Thousands of dollars]

Country	Total income	Tax withheld	Effective U.S. tax rate
	(1)	(2)	(3)
All countries ¹	\$17,501,189	\$940,094	5.37%
United Arab Emirates	269,038	201	0.07
Saudi Arabia	202,821	1,369	0.68
Netherlands Antilles	3,147,132	22,906	0.73
Belgium	878,966	9,221	1.05
Singapore	93,378	1,194	1.28
New Zealand	31,373	586	1.87
Malta	1,385	31	2.23
Trinidad and Tobago	11,671	296	2.53
Netherlands	1,158,252	41,784	3.61
Cayman Islands	90,776	3,413	3.76
Egypt	3,678	149	4.05
Puerto Rico	6,805	323	4.74
Canada	2,032,458	97,650	4.80
Other countries ¹	11,605,914	858,621	7.40

¹ Includes all other countries not listed, regardless of number of payments or amount of income paid.**Figure I.—Total Income, Tax Withheld and Effective U.S. Tax Rate for Treaty and Nontreaty Countries, 1985**

[Thousands of dollars]

Treaty status	Total income	Tax withheld	Effective U.S. tax rate
	(1)	(2)	(3)
All countries	\$17,501,189	\$940,094	5.4%
Treaty countries	15,582,787	790,540	5.1
Nontreaty countries	1,918,403	149,554	7.8

issues and other foreign borrowing by U.S. corporations. U.S. companies set up financial affiliates in the Antilles through which they can borrow large amounts of foreign monies. The interest, which is exempt from U.S. tax withholding under the United States-Netherlands Antilles treaty, is then paid to the financial affiliates in the Antilles by the U.S. corporations (which claim the interest paid as deductions on their Federal income tax returns). The financial affiliates, in turn, receive the interest as income. However, when this income is distributed to foreign investors there is no withholding tax imposed by the Government of the Netherlands Antilles.

Although the Deficit Reduction Act of 1984 exempted most interest payments from withholding tax in an attempt to reduce such borrowing through tax haven countries, as of

July 1987 there remained over \$30 billion of outstanding Eurobond issues made through the Netherlands Antilles before July 18, 1984, the effective date of this portion of the Act [8].

The United States-Netherlands Antilles tax treaty has been undergoing renegotiations for a number of years. In June of 1987, negotiations with the Government of the Netherlands Antilles broke down and on June 29, 1987, U.S. Treasury officials unconditionally cancelled the United States-Netherlands Antilles tax treaty effective January 1, 1988. This created turmoil in the Eurobond market. Most of the estimated \$30 billion of outstanding Eurobond issues carry a high interest rate since interest rates prior to 1984 were much higher than today. These bonds also generally provide that the issuing corporations may call in the bonds should their tax treatment ever change due to a revision in the United States-Netherlands Antilles treaty. The treaty cancellation suddenly caused issuing corporations to be subject to a 30-percent withholding tax which in turn triggered the use of recall options. The corporations could call the outstanding bonds at par value and replace them with new issues at significantly lower interest rates. While the savings for the issuing corporations may have been significant, investors in these Eurobonds stood to lose hundreds of millions of dollars in interest. Because of the high interest rates on these outstanding bonds, they had been trading at a premium whereas, after the Treasury announcement the bond values began to drop as foreign investors lost confidence in U.S. bond issues because of fluctuating tax policy.

In order to calm the markets, U.S. Treasury officials informed the Dutch authorities on July 10, 1987, that it would modify the termination of the United States-Netherlands Antilles treaty, preserving the exemption of interest paid to Netherlands Antilles recipients from U.S. withholding tax. Treasury officials will continue to look for ways to close loopholes to prevent tax evasion without affecting the legitimate foreign investors in Eurobonds.

TAX HAVEN COUNTRIES

Tax havens are generally considered to be countries having tax and secrecy laws favorable to foreign individuals and organizations. They attempt to attract foreign investors by offering lower taxation than that imposed by the investor's own country or by other foreign countries. The tax haven country typically benefits by collecting certain fees or by imposing taxes at a low rate. Tax haven countries tend to have the following characteristics:

- Low or zero 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, and

- Secrecy laws to prevent foreign governments from obtaining financial information about their own citizens and organizations.

Low or zero withholding tax rates are primarily designed to attract foreign individuals and corporations to invest through the tax haven, rather than to provide a tax benefit to the residents of the country, although a number of tax haven countries have low tax rates in an effort to attract real productive investment into the country, as well as financial investment.

In addition to tax haven countries, almost any treaty country can be an attractive conduit for third country residents to invest in the United States with little or no tax withholding. All treaties are subject to abuse by these third country parties and therefore, new treaties with all countries now generally exempt income from U.S. tax withholding only if the tax haven country gives no benefits or tax reductions to the recipients of such income. These treaties also deny exemption to any corporations that are 10 percent or more owned by residents of any country other than the treaty country. This is to prevent income tax avoidance by U.S. corporations or persons not entitled to treaty benefits who funnel U.S. source income through the treaty countries with little or no tax liability.

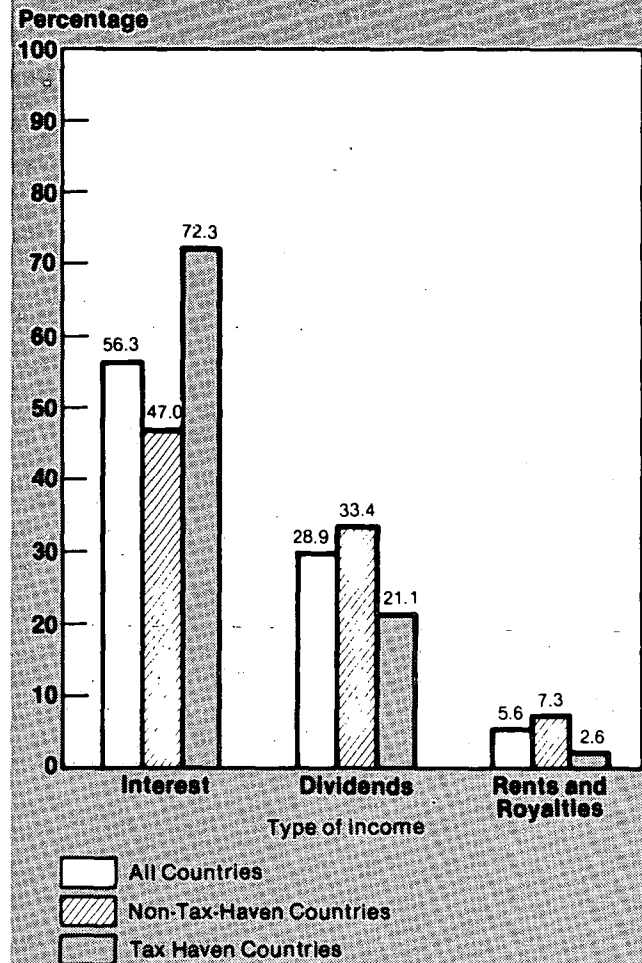
Tax haven countries received a disproportionately large amount of interest payments as shown in Figure J [9]. More than 72 percent of the U.S. source income paid to residents of tax haven countries was in the form of interest. Dividends also accounted for over 21 percent of the income paid to residents of tax havens.

TYPE OF RECIPIENT

Corporations received 72 percent of all U.S. source income paid to foreign persons in 1985, while the percentage of tax withheld on corporations was a comparatively low 58 percent of all tax withheld. One reason for this large difference was that direct investment dividends were subject to a lower tax rate under tax treaties than were portfolio dividends. In contrast, the percentage of tax withheld on payments to the next two largest classes of income recipients, individuals and nominees and fiduciaries, (21 and 10 percent, respectively), was disproportionately large relative to the income they received, (10 and 5 percent respectively). Figure K shows the distribution of income received and tax withheld by various types of income for the various categories of foreign recipients.

This discrepancy is reflected in the effective U.S. withholding tax rate for corporations of 4.4 percent, which compares to the effective tax rate of 8 percent for non-corporate recipients. The effective tax rate for corporations has shown a steady decline since 1979 (when the rate was 9.2 percent) as a result of a steady increase in interest payments, caused by increasing U.S. interest rates, to foreign corporations

Figure J
Percentage of Total Income Paid, by Income Type, for Tax Haven and Non-Tax-Haven Countries, 1985



which were generally subject to low or zero withholding tax rates.

Government, international and foreign tax-exempt organizations received 1 percent of total U.S. source income paid to foreign persons yet accounted for only 0.2 percent of the total tax withheld in 1985 because more than 87 percent of U.S. source income paid to these organizations was exempt from the U.S. withholding tax [10].

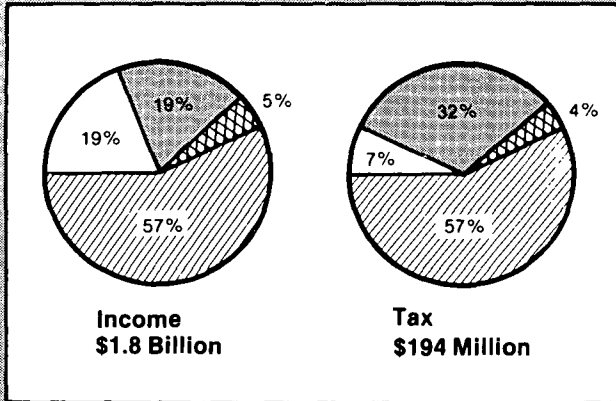
Foreign governments received the largest average payment of U.S. source income (\$360,274) reflecting large interest and dividend payments from their investment in the United States. By comparison, the average payment to corporations was \$223,185, while individuals received by far the smallest average payment, \$2,409.

Unlike the outcome in past years, in 1985 corporations were the only recipients to receive more interest than any other type of income. Nominees and fiduciaries; and government, international, and tax-exempt organizations, re-

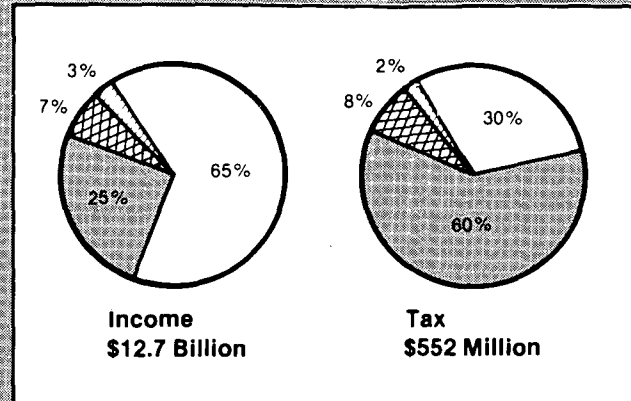
Figure K

Percentage of Income Paid and Tax Withheld, by Income and Recipient Types 1985

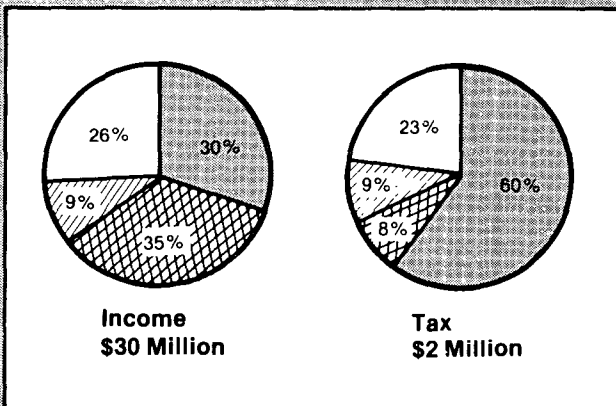
Individuals



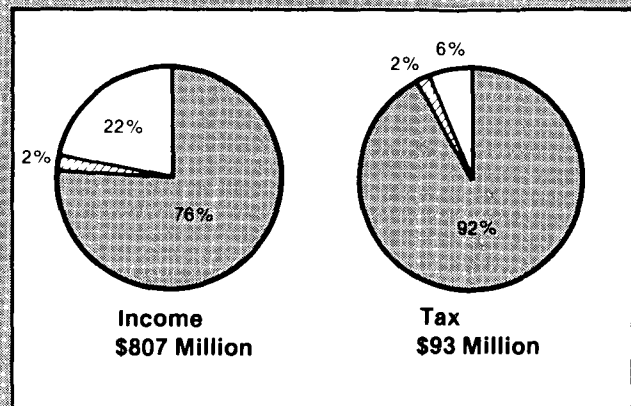
Corporations



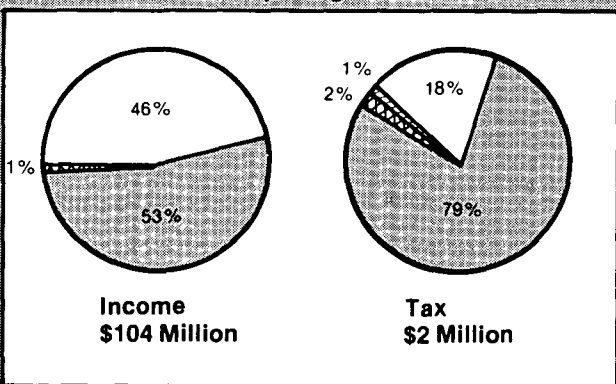
Partnerships



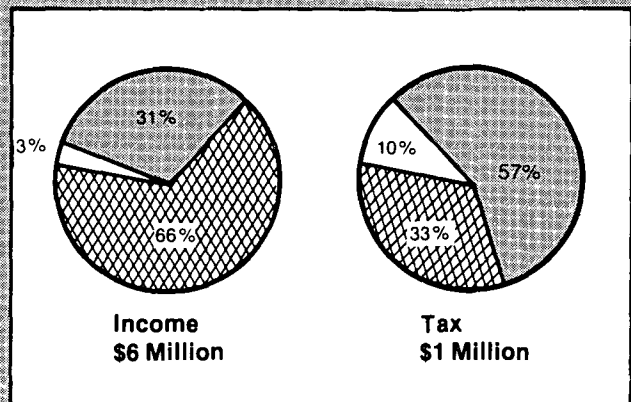
Nominees and Fiduciaries



Government, International and Tax-Exempt Organizations¹



Private Foundations



¹Tax-Exempt Organizations do not include Private Foundations

ceived more dividends while partnerships and private foundations received more rents and royalties. Individuals received primarily "other" types of income, including 100 percent of all social security and railroad retirement income and over 80 percent of all personal service income [11]. For every type of recipient except individuals, tax withheld on dividends far exceeded tax withheld on any other income type.

SUMMARY

U.S. source income paid to foreign persons in 1985 totaled \$17.5 billion, surpassing the previous year's record high of \$17.1 billion. Partly because the Deficit Reduction Act of 1984 exempted most interest payments from withholding tax, tax withheld on U.S. source income fell from \$970 million in 1984 to \$940 million in 1985.

Withholding on social security and railroad retirement payments to foreigners, first tabulated for 1985, accounted for nearly \$750 million of U.S. source income paid and contributed to an almost 20 percent increase in the number of Forms 1042S filed.

Interest payments were the largest category of U.S. source income paid to foreign persons in 1985 accounting for 56 percent of the total. The principal recipients of U.S. source income were foreign corporations which received 72 percent (or \$12.7 billion) of all such income paid in 1985. Foreign governments continued to receive the largest average payments (\$360,274), while individuals received the smallest (\$2,409).

Residents of nine countries accounted for 85 percent of all U.S. source income received in 1985. The Netherlands Antilles was once again, the largest recipient, receiving \$3.1 billion of U.S. source income in 1985.

DATA SOURCES AND LIMITATIONS

Payers of most U.S. income to foreign persons must withhold tax in accordance with the Internal Revenue Code. Form 1042S, Foreign Persons' U.S. Source Income Subject to Withholding, is filed by the payer to report this income and the U.S. tax withheld. Often a financial institution acts as the payer's withholding agent.

The statistics in this article were tabulated by calendar year, based on all Forms 1042S filed with the IRS for 1985. The amounts shown in the tables and figures represent the income that was paid and the U.S. tax that was withheld in 1985, except for U.S. tax withheld by foreign governments and withholding agents (which reflects the amount of tax remitted to the United States under treaty agreements during 1985). This additional tax cannot be properly attributed to specific income types and years. For this reason, tax

withheld amounts and percentages shown in Table 2 and Figures A, F-I and K do not include tax withheld by foreign governments and foreign withholding agents (except for Canada, which remits its payments during the same calendar year that the U.S. income is paid).

Income that is "effectively connected" with a foreign person's U.S. trade or business is not subject to tax withholding, and is therefore generally not included in these statistics [12, 13]. This category of income was subject to the same graduated tax rates and methods of payment as the income of U.S. individuals and corporations.

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 \$1 million 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. Persons residing in U.S. possessions and Puerto Rico are also considered foreign persons for purposes of withholding.

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 tax withholding. This income is subject to substantially the same tax rates that apply to U.S. citizens, residents, and corporations. When a foreign corporation has a business operation in the United States, it must file a Form 1120F and pay appropriate taxes on the income of this operation. When this income is then remitted by the domestic branch to the foreign corporation it is generally not subject to U.S. tax [14]. 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.

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

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. Foreign governments may also act as withholding agents by withholding additional taxes on persons who are not entitled to the treaty rates.

NOTES AND REFERENCES

- [1] U.S. source income includes, but is not limited to, interest, dividends, rents, royalties, capital gains and compensation for personal services paid to foreign persons from sources within the United States. These types of income are subject to a withholding tax at the source. The U.S. source income discussed in this article excludes income "effectively connected" with a U.S. trade or business. See the "Explanation of Selected Terms" section of this article. For a further discussion of U.S. source income, see U.S. Department of the Treasury, Internal Revenue Service, Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*, November 1985.
- [2] For Forms 1042S reporting requirements, see IRS Publication 515, *op.cit.*
- [3] For a further discussion of the 1984 Act, see Lewis, Margaret P., "Foreign Recipients of U.S. Income, and Tax Withheld, 1984", *Statistics of Income Bulletin*, Fall 1986, Vol. 6, No. 2, pp. 61-62.
- [4] Eurobond placements are U.S. corporate bonds placed in foreign markets that are denominated and sold in dollars and that also yield dollar interest.
- [5] U.S. Bureau of Economic Analysis, *Survey of Current Business*, June 1986.
- [6] Board of Governors of Federal Reserve System, *Federal Reserve Bulletin*, monthly, and *Annual Statistical Digest*.
- [7] For a list of specific tax treaty countries and their appropriate withholding rates, see IRS Publication 515, *op.cit.*
- [8] Figures compiled by Salomon Brothers Inc. and reported in the *Wall Street Journal*, June 30, 1987, p. 7.
- [9] For a complete list of tax haven countries used in this figure, see 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. 33 and 34.
- [10] Foreign tax-exempt organizations are those corporations that would be tax-exempt under U.S. law despite the fact that they are incorporated in a foreign country. The tax exemption applies only to income effectively connected with a U.S. trade or business, however, tax-exempt organizations may be taxed on "unrelated business income." See IRS Publication 515, *op.cit.*
- [11] 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. See also "Data Sources and Limitations" and "Explanation of Selected Terms" for further clarification.
- [12] Data for foreign corporations with "effectively connected" income derived from U.S. sources are presented, for 1983, in the *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1 and for 1979-1982 in *Statistics of Income—1979-1983, Compendium of Studies of International Income and Taxes*.
- [13] IRS Publication 515, *op.cit.*, contains additional information about income paid to, and tax withheld on, foreign persons.
- [14] For further information on foreign corporations with effectively connected income, see Hobbs, James R., "Foreign Investment and Activity in the United States by Corporations, 1983," *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1, pp. 53-68.

Foreign Recipients of U.S. Income, 1985

Table 1.—Forms 1042S: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries

[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	933,512	\$17,501,189	\$9,936,663	\$7,564,526	\$1,041,722	\$940,094	\$101,628
Treaty countries, total	719,183	15,582,787	8,718,327	6,864,460	892,168	790,540	101,628
Australia	15,713	92,799	30,590	62,209	8,874	8,874	—
Austria	3,901	37,006	24,768	12,238	3,533	2,019	1,514
Belgium	10,948	878,966	819,287	59,679	9,221	9,221	—
Canada	305,758	2,032,458	1,227,972	804,486	97,650	97,650	—
Denmark	3,044	18,456	9,222	9,234	1,273	1,272	1
Egypt	452	3,678	2,947	731	149	149	—
Finland	1,157	32,563	8,562	24,001	1,679	1,679	—
France	19,439	703,754	186,293	517,461	54,569	53,689	880
Greece	14,962	37,929	5,076	32,853	5,326	5,326	—
Ireland	8,051	25,577	5,883	19,694	2,925	2,925	—
Italy	34,320	161,685	45,221	116,464	19,304	19,304	—
Jamaica	1,820	5,574	722	4,852	679	679	—
Japan	16,657	1,840,381	348,091	1,492,290	161,185	161,185	—
Luxembourg	2,505	107,441	68,598	38,843	8,837	8,837	—
Netherlands	9,084	1,158,252	743,378	414,874	41,962	41,784	178
Netherlands Antilles	3,022	3,147,131	2,975,333	171,798	22,906	22,906	—
New Zealand	2,054	31,373	26,673	4,700	586	586	—
Norway	6,243	24,161	9,615	14,546	2,256	2,256	—
Philippines	30,681	75,999	2,574	73,425	11,394	11,394	—
Poland	2,830	11,956	2,469	9,487	1,404	1,404	—
South Africa	2,432	5,173	558	4,615	1,282	1,282	—
Sweden	8,358	86,667	15,554	71,113	7,784	7,784	—
Switzerland	21,683	1,268,858	373,243	895,615	195,043	98,322	96,721
Trinidad and Tobago	767	11,671	9,832	1,839	296	296	—
United Kingdom	135,496	2,834,161	1,204,092	1,630,069	173,627	171,293	2,334
West Germany	54,623	937,931	565,471	372,460	57,361	57,361	—
Other treaty countries	3,183	11,187	6,303	4,884	1,063	1,063	—
Nontreaty countries, total	214,329	1,918,403	1,218,336	700,066	149,554	149,554	—
Argentina	6,351	17,700	8,233	9,467	2,217	2,217	—
Bahamas	2,303	72,960	36,127	36,833	10,294	10,294	—
Barbados	575	5,677	1,648	4,029	954	954	—
Bermuda	1,713	176,131	132,586	43,545	12,568	12,568	—
Brazil	3,874	15,945	7,650	8,295	2,025	2,025	—
British Virgin Islands	517	10,813	1,908	8,905	2,396	2,396	—
Cayman Islands	1,066	90,776	78,188	12,588	3,413	3,413	—
Hong Kong	11,687	125,491	45,413	80,078	11,571	11,571	—
Israel	5,689	17,128	5,812	11,316	2,386	2,386	—
Jersey	428	12,680	1,757	10,923	2,977	2,977	—
Kuwait	833	24,175	17,603	6,572	1,928	1,928	—
Liberia	368	23,646	14,037	9,609	2,848	2,848	—
Liechtenstein	857	17,498	4,978	12,520	3,739	3,739	—
Mexico	74,950	209,810	35,404	174,406	30,763	30,763	—
Panama	3,919	106,128	54,601	51,527	14,830	14,830	—
Portugal	6,613	19,051	914	18,137	2,791	2,791	—
Puerto Rico	3,729	6,805	5,692	1,113	323	323	—
Saudi Arabia	3,714	202,821	197,635	5,186	1,369	1,369	—
Singapore	3,621	93,378	89,305	4,073	1,194	1,194	—
Spain	8,155	41,800	17,380	24,420	5,469	5,469	—
Taiwan	1,808	5,312	2,331	2,981	799	799	—
United Arab Emirates	740	269,038	268,360	678	201	201	—
Venezuela	5,876	21,217	12,895	8,322	2,310	2,310	—
Other nontreaty countries	64,943	332,425	177,879	154,546	30,189	30,189	—

Foreign Recipients of U.S. Income, 1985

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

[Money amounts are in thousands of dollars]

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All countries, total	933,512	\$940,094	\$17,501,189	\$9,852,256	\$5,050,519	\$975,896	\$748,374	\$147,451
Individuals	764,303	194,060	1,841,153	342,085	342,040	99,395	748,374	116,510
Corporations	56,682	552,387	12,650,590	8,164,336	3,175,898	829,987	—	28,615
Argentina	6,351	2,217	17,700	9,602	2,983	331	3,014	944
Individuals	5,356	1,581	10,026	2,850	2,285	133	3,014	919
Corporations	88	435	2,092	1,755	237	95	—	5
Australia	15,713	8,874	92,799	25,149	30,849	21,557	3,377	7,550
Individuals	13,568	2,487	16,957	1,438	4,270	2,518	3,377	2,682
Corporations	829	4,573	62,129	23,135	16,609	15,926	—	4,832
Austria	3,901	2,019	37,006	22,497	7,855	368	2,827	1,297
Individuals	2,960	1,298	17,416	8,028	2,999	199	2,827	1,290
Corporations	208	483	14,577	11,082	3,288	168	—	(¹)
Bahamas	2,303	10,294	72,960	39,845	30,454	73	661	153
Individuals	1,247	1,049	5,298	1,322	2,713	34	661	143
Corporations	554	5,861	52,576	31,100	20,102	28	—	2
Bahrain	446	520	5,059	3,778	1,209	18	4	(¹)
Individuals	363	131	52	354	140	18	4	—
Corporations	41	336	4,351	3,380	928	—	—	—
Barbados	575	954	5,677	1,728	2,917	24	906	(¹)
Individuals	460	217	1,938	603	302	24	906	(¹)
Corporations	57	649	2,410	245	2,165	—	—	—
Belgium	10,948	9,221	878,966	823,571	31,641	16,865	1,598	2,391
Individuals	8,463	1,541	13,582	2,102	4,947	533	1,598	2,051
Corporations	1,221	5,194	62,109	33,320	11,936	16,265	—	339
Bermuda	1,713	12,568	176,131	65,072	30,937	7,370	468	2,318
Individuals	894	1,924	7,247	794	5,517	2	468	302
Corporations	375	8,597	154,060	56,892	18,087	7,290	—	2,013
Bolivia	541	158	2,827	2,127	501	2	164	(¹)
Individuals	449	128	728	218	311	2	164	—
Corporations	11	2	239	113	126	—	—	—
Brazil	3,874	2,025	15,945	8,381	1,631	679	2,682	1,425
Individuals	3,437	1,546	9,897	2,894	1,213	560	2,682	1,407
Corporations	87	318	4,617	4,387	148	73	—	(¹)
British Virgin Islands	517	2,396	10,813	1,266	8,608	192	—	1
Individuals	269	89	626	231	352	38	—	(¹)
Corporations	133	1,510	6,965	500	5,767	150	—	—
Canada	305,758	97,650	2,032,458	850,363	710,137	110,306	160,902	19,443
Individuals	246,755	17,724	315,181	30,511	65,907	15,017	160,902	12,236
Corporations	21,517	63,544	1,352,437	752,425	401,274	90,828	—	6,929
Cayman Islands	1,066	3,413	90,776	81,772	8,166	79	404	50
Individuals	314	508	8,540	7,327	737	13	404	—
Corporations	520	1,735	71,101	66,380	4,373	66	—	50
Chile	2,129	842	5,801	2,349	1,608	365	945	280
Individuals	1,772	631	3,597	879	1,178	82	945	265
Corporations	88	134	702	150	285	250	—	(¹)
China	1,321	1,195	6,724	2,808	1,873	74	55	294
Individuals	1,201	405	2,570	165	464	9	55	269
Corporations	28	351	1,224	51	1,135	1	—	25
Colombia	3,230	1,064	7,427	3,026	1,480	182	2,342	76
Individuals	2,823	861	5,380	1,429	1,061	163	2,342	70
Corporations	78	78	566	442	103	15	—	—
Costa Rica	1,690	796	5,229	1,176	1,098	352	2,264	15
Individuals	1,532	666	4,003	357	709	336	2,264	15
Corporations	54	80	385	154	228	1	—	—
Czechoslovakia	1,268	931	5,515	218	80	200	3,949	981
Individuals	1,247	866	5,279	203	78	4	3,949	963
Corporations	13	12	59	15	2	37	—	—
Denmark	3,044	1,272	18,456	5,073	6,384	2,114	3,442	690
Individuals	2,785	820	6,301	506	823	150	3,442	650
Corporations	102	239	9,532	3,473	4,121	1,879	—	40
Dominican Republic	2,605	918	6,286	212	283	147	5,469	102
Individuals	2,559	904	6,169	135	252	38	5,469	102
Corporations	16	7	23	4	9	9	—	—
Ecuador	1,707	666	5,036	597	667	776	2,706	134
Individuals	1,591	640	4,093	232	588	277	2,706	134
Corporations	24	6	581	85	19	477	—	—
Egypt	452	149	3,678	474	214	1	21	329
Individuals	380	129	1,169	415	153	1	21	329
Corporations	17	4	2,422	14	19	—	—	—
El Salvador	611	247	1,840	559	278	69	891	11
Individuals	567	208	1,643	485	182	51	891	1
Corporations	24	29	133	43	90	(¹)	—	—
Finland	1,157	1,679	32,563	5,475	19,737	2,045	2,075	713
Individuals	1,078	457	8,208	4,387	148	7	2,075	713
Corporations	30	979	22,725	1,081	19,573	2,035	—	—
France	19,302	53,646	703,357	204,622	278,712	184,645	9,058	12,213
Individuals	14,215	8,827	95,754	8,083	26,755	29,852	9,058	12,141
Corporations	1,098	29,160	487,740	180,920	151,529	151,032	—	63
Greece	14,962	5,326	37,929	2,264	2,485	132	29,128	767
Individuals	14,389	4,915	36,337	1,565	1,633	1	29,128	757
Corporations	114	92	352	94	248	(¹)	—	10
Guatemala	1,115	399	2,697	910	585	134	908	131
Individuals	999	346	1,992	342	454	134	908	124
Corporations	29	17	266	218	47	—	—	—
Guernsey	249	1,738	6,978	1,419	5,545	6	—	2
Individuals	60	226	968	341	610	(¹)	—	—
Corporations	119	903	3,929	461	(¹)	5	—	2

Footnote at end of table

Foreign Recipients of U.S. Income, 1985

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

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Honduras	1,167	339	2,311	188	326	22	943	299
Individuals	1,106	311	2,071	61	221	22	943	299
Corporations	25	15	117	71	39	—	—	—
Hong Kong	11,687	11,571	125,471	48,308	28,958	1,785	5,050	664
Individuals	9,354	5,470	63,928	5,719	13,068	737	5,050	635
Corporations	812	4,864	48,976	33,899	13,019	875	—	28
India	1,716	734	6,849	2,551	788	58	523	261
Individuals	1,532	637	4,034	239	513	43	523	241
Corporations	34	50	1,021	668	128	12	—	20
Indonesia	674	200	2,495	1,147	1,033	9	27	47
Individuals	506	155	1,831	730	852	8	27	47
Corporations	68	22	440	325	102	(1)	—	—
Iran	967	320	2,487	1,620	677	13	2	8
Individuals	849	274	1,342	591	561	13	2	8
Corporations	9	10	40	—	40	—	—	—
Ireland	8,051	2,925	25,577	4,594	11,511	516	7,763	582
Individuals	7,587	1,501	11,547	534	1,842	232	7,763	581
Corporations	143	986	11,061	4,025	6,771	280	—	(1)
Israel	5,689	2,386	17,128	6,563	3,066	466	3,521	877
Individuals	4,764	1,565	9,968	1,351	1,504	239	3,521	873
Corporations	116	367	2,947	2,417	222	155	—	—
Italy	34,320	19,304	161,685	37,947	16,197	10,908	85,359	5,317
Individuals	33,373	17,185	112,401	2,838	4,399	8,779	85,359	5,181
Corporations	276	1,467	43,092	34,442	6,558	1,918	—	91
Jamaica	1,820	679	5,574	318	470	207	4,081	46
Individuals	1,724	653	5,042	72	315	77	4,081	45
Corporations	25	5	145	(1)	15	129	—	(1)
Japan	16,657	161,185	1,840,381	1,185,670	317,994	208,425	9,914	13,608
Individuals	14,111	2,201	44,863	11,809	3,308	1,127	9,914	7,959
Corporations	2,093	153,667	1,727,538	1,126,335	301,524	200,402	—	5,629
Jersey	428	2,977	12,680	2,584	9,955	2	—	8
Individuals	93	92	351	128	220	—	—	—
Corporations	184	1,651	8,124	2,087	5,899	2	—	8
Kuwait	833	1,928	24,175	18,866	4,906	56	4	56
Individuals	600	506	1,853	148	1,553	55	4	55
Corporations	111	915	20,357	17,727	2,380	—	—	—
Lebanon	1,401	601	5,037	3,107	1,312	48	360	52
Individuals	1,262	489	2,700	981	1,158	48	360	52
Corporations	25	21	1,559	1,497	62	—	—	—
Liberia	368	2,848	23,646	14,731	8,746	104	47	(1)
Individuals	245	188	1,056	511	481	(1)	47	—
Corporations	78	1,947	19,942	13,806	6,031	103	—	—
Liechtenstein	857	3,739	17,498	6,848	10,305	176	9	127
Individuals	318	1,145	4,542	1,250	3,264	1	9	—
Corporations	286	1,270	5,190	1,183	3,711	156	—	127
Luxembourg	2,505	8,837	107,441	69,259	37,696	62	158	76
Individuals	564	203	2,478	1,353	884	9	158	27
Corporations	871	5,719	65,850	43,047	22,564	53	—	49
Malaysia	1,049	556	5,070	4,432	372	64	24	4
Individuals	978	122	555	32	258	64	24	4
Corporations	26	414	2,437	2,386	51	—	—	—
Mexico	74,950	30,763	209,810	44,367	10,864	5,352	139,621	1,446
Individuals	73,446	26,011	167,003	8,908	9,092	4,500	139,621	1,410
Corporations	412	4,200	30,587	24,885	805	615	—	18
Monaco	499	1,765	8,103	1,876	3,634	1,245	98	782
Individuals	379	1,366	5,760	1,052	2,304	1,066	98	782
Corporations	42	108	1,133	618	350	164	—	—
Netherlands	9,084	41,784	1,158,252	677,650	411,682	53,451	4,582	3,001
Individuals	6,718	2,729	25,388	7,936	6,808	602	4,582	2,905
Corporations	1,203	32,714	1,074,477	656,294	351,186	51,879	—	41
Netherlands Antilles	3,022	22,906	3,147,131	2,931,232	167,083	29,954	363	224
Individuals	902	2,025	88,625	74,550	12,630	461	363	30
Corporations	1,464	17,287	2,961,710	2,782,790	129,309	29,294	—	143
New Zealand	2,054	586	31,373	3,149	853	388	298	313
Individuals	1,768	266	2,223	226	599	130	298	258
Corporations	77	42	26,385	348	175	53	—	55
Norway	6,243	2,256	24,161	7,890	3,516	1,237	10,075	716
Individuals	5,796	1,864	13,627	387	1,112	679	10,075	659
Corporations	159	264	8,158	6,044	1,596	458	—	55
Panama	3,919	14,830	106,128	68,268	28,545	3,647	905	333
Individuals	1,873	2,223	13,216	5,793	5,780	63	905	314
Corporations	1,132	11,034	70,206	45,693	17,980	3,534	—	7
Peru	1,664	481	3,994	1,790	772	255	718	294
Individuals	1,510	432	2,864	823	625	255	718	294
Corporations	34	20	67	1	60	—	—	—
Philippines	30,681	11,394	75,999	2,608	1,241	49	69,038	224
Individuals	30,140	11,286	73,725	641	1,001	43	69,038	224
Corporations	93	46	382	278	59	1	—	—
Portugal	6,613	2,791	19,051	811	509	45	17,172	294
Individuals	6,397	2,728	18,137	603	373	27	17,172	209
Corporations	62	21	627	151	8	18	—	—
Puerto Rico	3,729	323	6,805	5,527	622	225	18	126
Individuals	3,299	156	880	290	462	44	18	3
Corporations	255	129	5,274	4,981	108	181	—	4
Saudi Arabia	3,714	1,369	202,821	171,315	26,137	85	2	5,065
Individuals	3,335	1,050	4,072	688	2,014	82	2	1,091
Corporations	65	221	192,841	164,983	23,859	2	—	3,974

Footnote at end of table.

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

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Singapore	3,621	1,194	93,378	39,276	36,759	92	115	170
Individuals	3,276	709	3,914	1,051	2,386	90	115	170
Corporations	114	397	75,487	18,808	34,057	2	—	—
South Africa	2,432	1,282	5,173	933	1,870	337	472	726
Individuals	2,225	833	3,583	340	1,053	169	472	725
Corporations	49	169	601	95	461	34	—	—
South Korea	650	311	3,408	649	978	(1)	94	1,230
Individuals	560	128	1,971	119	216	(1)	94	1,108
Corporations	34	64	493	100	370	—	—	—
Spain	8,155	5,469	41,800	20,241	6,360	1,033	11,524	1,643
Individuals	7,485	3,338	18,072	1,058	2,811	197	11,524	1,629
Corporations	165	1,701	16,777	13,545	2,754	322	—	12
Sweden	8,358	7,784	86,667	9,958	52,340	2,869	11,478	7,309
Individuals	7,866	4,066	25,579	1,493	2,558	228	11,478	7,251
Corporations	181	3,302	55,917	7,355	46,391	2,060	—	4
Switzerland	21,683	98,322	1,268,858	595,145	538,115	67,558	3,685	4,048
Individuals	10,739	7,420	76,471	21,490	28,019	5,513	3,685	2,830
Corporations	3,340	65,072	990,842	538,033	356,399	60,828	—	1,159
Taiwan	1,808	799	5,312	2,920	1,437	24	157	69
Individuals	1,561	716	3,650	1,433	1,297	24	157	65
Corporations	25	62	310	250	35	—	—	—
Thailand	754	259	2,138	601	344	290	644	37
Individuals	691	225	1,509	63	278	289	644	33
Corporations	10	27	572	505	55	(1)	—	—
Trinidad and Tobago	767	296	11,671	9,614	175	163	1,571	35
Individuals	714	285	6,129	4,108	139	163	1,571	35
Corporations	13	8	884	858	26	—	—	—
United Arab Emirates	740	201	269,038	229,104	39,915	5	1	3
Individuals	649	166	589	282	284	5	1	—
Corporations	16	22	258,212	218,622	39,590	—	—	—
United Kingdom	135,496	171,293	2,834,161	918,691	1,651,616	154,193	31,082	27,153
Individuals	96,008	12,529	184,994	56,125	45,097	13,555	31,082	23,722
Corporations	11,815	84,016	1,795,346	772,022	860,478	125,298	—	2,810
Uruguay	1,106	706	5,938	3,283	2,065	317	91	44
Individuals	687	241	2,299	1,194	608	316	91	43
Corporations	89	310	1,850	789	968	(1)	—	1
Venezuela	5,876	2,310	21,217	12,838	5,884	939	877	222
Individuals	5,065	1,756	13,923	7,594	4,483	337	877	208
Corporations	183	350	3,650	2,259	771	591	—	2
West Germany	54,623	57,361	937,931	454,617	320,936	72,628	30,159	10,601
Individuals	45,432	14,214	131,649	29,294	38,524	8,214	30,159	10,338
Corporations	1,627	30,095	683,489	397,594	206,054	57,291	—	62
Yugoslavia	3,862	2,030	14,385	1,731	407	146	11,651	130
Individuals	3,771	1,932	12,550	167	174	112	11,651	130
Corporations	13	50	166	40	121	2	—	—
Other Countries	38,672	14,923	232,348	61,106	92,631	7,342	43,838	6,871
Individuals	31,312	9,545	76,767	8,284	10,131	581	43,838	6,474
Corporations	1,353	1,938	115,009	50,111	70,500	6,645	—	6

¹ Less than \$500