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US Withholding Tax on Dividend Equivalent Payments Under Swaps

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The **US Department of the Treasury** has issued regulations with respect to withholding on “*dividend equivalent*” payments made to a non-US long party on swaps and other financial instruments that are linked to US equities. These regulations are effective for swaps entered into on or after January 1, 2017, and for payments made on or after January 1, 2018 on swaps entered into during 2016. The International Swaps and Derivatives Association is currently working on a revised protocol that will permit the short party to withhold US tax on dividend equivalent payments made to a non-US long party as required under the regulations.

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