

# TaxNewsFlash

## United States

No. 2018-124  
April 2, 2018

### **Notice 2018-29: Transfers of non-publicly traded partnership interests, withholding on transfers**

The IRS today released an advance version of Notice 2018-29 concerning the rules on withholding when there is a transfer of non-publicly traded partnership interests, by a nonresident alien or foreign corporation, under new measures added to the Code by the new U.S. tax law (Pub. L. No. 115-97, enacted December 22, 2017).

The purpose of this report is to provide text of [Notice 2018-29](#) [PDF 188 KB] (22 pages). Initial impressions will be provided in future reports by KPMG LLP.

#### **Overview**

As the IRS explained in a related release—[IR-2018-81](#)—the new tax law treats a foreign taxpayer's gain or loss on the sale or exchange of a partnership interest as effectively connected with the conduct of a trade or business in the United States to the extent that gain or loss would be treated as effectively connected with the conduct of a trade or business in the United States if the partnership sold all of its assets. In these situations, the new law also imposes a withholding tax on the disposition of a partnership interest by a foreign taxpayer.

#### Notice 2018-29:

- States the U.S. Treasury Department and IRS intend to issue regulations, including rules and procedures relating to qualifying for exemptions from withholding or reductions in the amount of withholding under this provision
- Includes interim guidance designed to allow for the effective and orderly implementation of this section
- Suspends secondary partnership-level withholding requirements

- Does not affect the tax liability imposed as a result of the new law, and does not affect the suspension of the application of withholding in the case of a disposition of certain publicly traded partnership interests as announced in Notice 2018-08—read [TaxNewsFlash](#)
- Requests comments on the rules described in the notice and also comments on what additional guidance is needed to assist taxpayers in applying section 1446(f)
- States the IRS and Treasury expect to issue additional future guidance

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