

An aerial photograph of the London skyline at dusk, featuring prominent skyscrapers like The Shard and the Gherkin. The sky is filled with soft, golden light from the setting sun, creating a dramatic backdrop for the event information.

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International Forum of Sovereign Wealth Funds

# IFSWF General Counsel Summit

Active Portfolio Management in Private Funds - Key U.S. Tax Considerations

London | 7 - 9 June 2023

# Tax Considerations of Secondary Sales

- Allocation of fund partners' distributive shares
  - If taxed on allocated income, need to confirm how the allocation will be done
- Inside/outside basis disparities
  - Will the an acquisition of a secondary interest allow for a tax basis step-up in the relevant jurisdictions
- Income taxes on dispositions of fund interests
- Withholding tax requirements
  - Forms and exemption certificates

# US Tax Withholding

- Section 1445 – Dispositions of “United States real property interests” (USRPI) by non-US persons, which includes certain partnership interests, are subject to a withholding tax of 15% of the gross amount realized on disposition, unless an exemption applies.
- Section 1446 - The transferee of a partnership interest must withhold 10% of certain amounts realized from disposition of a partnership interest, unless an exemption applies.
  - If the transferee fails to withhold tax, the fund must withhold an amount equal to the withholding tax from distributions to the transferee.
  - Fund cooperation is often needed to qualify for an exemption.



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