15, 1984 (whether or not such debt was issued by a Netherlands Antilles corporation).

§ 1.881–4 Recordkeeping requirements concerning conduit financing arrangements.

- (a) *Scope*. This section provides rules for the maintenance of records concerning certain financing arrangements to which the provisions of § 1.881–3 apply.
- (b) Recordkeeping requirements—(1) In general. Any person subject to the general recordkeeping requirements of section 6001 must keep the permanent books of account or records, as required by section 6001, that may be relevant to determining whether that person is a party to a financing arrangement and whether that financing arrangement is a conduit financing arrangement.
- (2) Application of Sections 6038 and 6038A. A financed entity that is a reporting corporation within the meaning of section 6038A(a) and the regulations under that section, and any other person that is subject to the recordkeeping requirements of § 1.6038A–3, must comply with those recordkeeping requirements with respect to records that may be relevant to determining whether the financed entity is a party to a financing arrangement and whether that financing arrangement is a conduit financing arrangement. Such records, including records that a person is required to maintain pursuant to paragraph (c) of this section, shall be considered records that are required to be maintained pursuant to section 6038 or 6038A. Accordingly, the provisions of sections 6038 and 6038A (including, without limitation, the penalty provisions thereof), and the regulations under those sections, shall apply to any records required to be maintained pursuant to this section.
- (c) Records to be maintained—(1) In general. An entity described in paragraph (b) of this section shall be required to retain any records containing the following information concerning each financing transaction that the entity knows or has reason to know comprises the financing arrangement—
- (i) The nature (e.g., loan, stock, lease, license) of each financing transaction;
- (ii) The name, address, taxpayer identification number (if any) and country of residence of—
- (A) Each person that advanced money or other property, or granted rights to use property;
- (B) Each person that was the recipient of the advance or rights; and

- (C) Each person to whom a payment was made pursuant to the financing transaction (to the extent that person is a different person than the person who made the advance or granted the rights);
 - (iii) The date and amount of-
- (A) Each advance of money or other property or grant of rights; and
- (B) Each payment made in return for the advance or grant of rights;
- (iv) The terms of any guarantee provided in conjunction with a financing transaction, including the name of the guarantor; and
- (v) In cases where one or both of the parties to a financing transaction are related to each other or another entity in the financing arrangement, the manner in which these persons are related.
- (2) Additional documents. An entity described in paragraph (b) of this section must also retain all records relating to the circumstances surrounding its participation in the financing transactions and financing arrangements. Such documents may include, but are not limited to—
- (i) Minutes of board of directors meetings;
- (ii) Board resolutions or other authorizations for the financing transactions;
 - (iii) Private letter rulings;
- (iv) Financial reports (audited or unaudited);
 - (v) Notes to financial statements;
 - (vi) Bank statements;
 - (vii) Copies of wire transfers;
 - (viii) Offering documents;
- (ix) Materials from investment advisors, bankers and tax advisors; and
 - (x) Evidences of indebtedness.
- (3) Effect of record maintenance requirement. Record maintenance in accordance with paragraph (b) of this section generally does not require the original creation of records that are ordinarily not created by affected entities. If, however, a document that is actually created is described in this paragraph (c), it is to be retained even if the document is not of a type ordinarily created by the affected entity.
- (d) Effective date. This section is effective September 11, 1995. This section shall not apply to interest payments covered by section 127(g)(3) of the Tax Reform Act of 1984, and to interest payments with respect to other debt obligations issued prior to October 15, 1984 (whether or not such debt was issued by a Netherlands Antilles corporation).
- **Par. 4.** In § 1.1441–3, the OMB parenthetical at the end of the section is removed and paragraph (j) is added to read as follows:

§1.1441–3 Exceptions and rules of special application.

* * * * *

- (j) Conduit financing arrangements— (1) Duty to withhold. A financed entity or other person required to withhold tax under section 1441 with respect to a financing arrangement that is a conduit financing arrangement within the meaning of $\S 1.881-3(a)(2)(iv)$ shall be required to withhold under section 1441 as if the district director had determined, pursuant to § 1.881–3(a)(3), that all conduit entities that are parties to the conduit financing arrangement should be disregarded. The amount of tax required to be withheld shall be determined under § 1.881-3(d). The withholding agent may withhold tax at a reduced rate if the financing entity establishes that it is entitled to the benefit of a treaty that provides a reduced rate of tax on a payment of the type deemed to have been paid to the financing entity. Section 1.881-3(a)(3)(ii)(E) shall not apply for purposes of determining whether any person is required to deduct and withhold tax pursuant to this paragraph (j), or whether any party to a financing arrangement is liable for failure to withhold or entitled to a refund of tax under sections 1441 or 1461 to 1464 (except to the extent the amount withheld exceeds the tax liability determined under § 1.881-3(d)). See § 1.1441–7(d) relating to withholding tax liability of the withholding agent in conduit financing arrangements subject to § 1.881-3.
- (2) Effective date. This paragraph (j) is effective for payments made by financed entities on or after September 11, 1995. This paragraph shall not apply to interest payments covered by section 127(g)(3) of the Tax Reform Act of 1984, and to interest payments with respect to other debt obligations issued prior to October 15, 1984 (whether or not such debt was issued by a Netherlands Antilles corporation).
- **Par. 5.** In § 1.1441–7, the OMB parenthetical at the end of the section is removed and paragraph (d) is added to read as follows:

§1.1441–7 General provisions relating to withholding agents.

* * * * *

(d) Conduit financing arrangements—(1) Liability of withholding agent.
Subject to paragraph (d)(2) of this section, any person that is required to deduct and withhold tax under § 1.1441–3(j) is made liable for that tax by section 1461. A person that is required to deduct and withhold tax but fails to do so is liable for the payment