



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON

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OCT 24 2002

DFAS-DFM

MEMORANDUM FOR DIRECTOR, MILITARY PAY OPERATIONS, DEFENSE FINANCE
AND ACCOUNTING SERVICE (DFAS-PM/CL)

SUBJECT: Interim Change to the DoDFMR, Volume 7B, Regarding Taxes on SBP Annuities to Annuitants Residing in Foreign Countries and Are Citizens or Nationals of that Foreign Country (DFAS Item #L-62)

Attached is a Interim Change **R 13-02** to Chapter 53 of the Defense Financial Management Regulation (DoDFMR), Volume 7B. This change updates Table 53-1 to reflect no tax withholding for an annuitant who is a citizen and resident of the countries of New Zealand, Russia, and Kazakhstan. This change also adds no tax withholding for an annuitant who is a national and resident in the countries of China, Estonia, Hungary, India, Ireland, Latvia, Lithuania, Luxembourg, Mexico, Portugal, South Africa, Switzerland, Thailand, Turkey, and Venezuela. IC R 13-02 is effective immediately.

We have evaluated your comments on the proposed change and included your comments where appropriate. Assignment of the interim change number is your authority to initiate procedural modifications to implement this change. Use the attached to initiate the formal change to the DoDFMR, Volume 7B.

Jerry S. Hinton
Director for Finance

Attachment:
As stated

cc: DASD (MMP)(Comp)
OUSD (C)(ODCFO)(FP)
ODGC (F)
DFAS-GAM/DE
DFAS-PRR/CL
DFAS-PRR/DE
DFAS-PMJE/DE
Services Liaisons
USCG/NOAA/PHS Liaisons

Taxability of SBP/RSFPP – Foreign Nationals

1. Insert the following new Table 53-1:.

| TAXABILITY OF SURVIVOR BENEFIT PLAN/RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN-NON-RESIDENT ANNUITANTS RESIDING OUTSIDE THE UNITED STATES | | | | |
|---|--|--|--------------------------------|-----------------------|
| R U L E | A | B | C | D |
| | If the SBP annuitant resides in the country of | and | then the SBP annuity is | at the rate of |
| 1 | Australia, Belgium, Cyprus, Egypt, Finland, France, Germany, Iceland, Kazakhstan, Korea, Morocco, Netherlands, New Zealand, Norway, Pakistan, Romania, Sweden, Russia, Trinidad and Tobago, and United Kingdom | is a citizen of the country in which residing | not taxable (note) | |
| 2 | China, Estonia, Hungary, India, Ireland, Italy, Latvia, Lithuania, Luxembourg, Mexico, Portugal, Spain, South Africa, Switzerland, Thailand, Turkey, and Venezuela | is a national of the country in which residing | | |
| 3 | | is not a national of the country in which residing | taxable | 30 percent. |

Note: In order to claim entitlement to exemption from taxation based upon a tax convention or Treaty, a non-resident alien annuitant is required to file Treasury Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding).

Table 53-1. Taxability Of Survivor Benefit Plan/Retired Serviceman's Family Protection Plan—Non-Resident Annuitants Residing Outside the United States