

Tax Solutions - Client Alert

February 2017

MD³ logic update for new IRS guidance

The IRS and Treasury Department have recently released multiple guidance packages relating to cross-border withholding tax rules, including information reporting and withholding provisions under chapters 3 and 4 (FATCA), an updated foreign financial institution (“FFI”) agreement, amendments to section 871(m) regulations, and updated Qualified Intermediary, Withholding Foreign Partnership, and Withholding Foreign Trust agreements. Tax Solutions will begin releasing regulatory update patches for these extensive changes by the end of March.

Form W-8BEN 2017 – New form type

On 12 December 2016, the IRS released a new version of the Form W-8BEN. There are two minor changes versus the 2014 version. The Line 10 treaty benefits claim now requires an explanation of why the beneficial owner meets the eligible rate of withholding while the second change is an update to the first jurat. The revised jurat replaces the phrase “...am using this form to document myself as an individual that is an owner or account holder of a foreign financial institution...” with “...am using this form to document myself for chapter 4 purposes...”

Tax Solutions will update MD³ and E-W8 to include the 2017 Form W-8BEN. As neither change impacts the validation logic, the new form type will produce identical results to the 2014 version and thus, there are no new output values from the system.

Separately, as a result of user feedback, both the 2014 and 2017 Form W-BEN logic will be updated to allow a user to select any country from the profile page drop-down. The system will then automatically validate whether the country has a tax treaty in effect with the U.S.

Form W-8BEN – Date of birth required even when foreign TIN provided

Under prior regulations, the Form W-8BEN required a date of birth if there was no foreign taxpayer identification number (FTIN). The updated regulations require that effective January 1, 2017 the filer must provide both an FTIN and a date of birth on the Form W-8BEN. The withholding agent may still rely on a form without a date of birth if it has the individual’s date of birth in its account records.

As a result of this update, MD³ will now require a date of birth (provided on the form or in the account records), regardless of whether the form contains an FTIN.

As of January 1, 2018 a Form W-8BEN without an FTIN will be flagged to provide a reasonable explanation. Tax Solutions will provide a separate update for MD³ later this year to add a queue for collecting this explanation.

Form W-8ECI – U.S. indicia no longer applies

Recognizing that payees with effectively connected income in the U.S. should have U.S. indicia, the updated regulations provide that U.S. indicia on a Form W-8ECI no longer cause the form to be unreliable.

The validation logic will be updated to no longer flag Forms W-8ECI with U.S. indicia.

Forms W-8BEN-E and W-8IMY – NFFEs may complete Part II

Part II of the 2014 versions of the Form W-8BEN-E and W-8IMY was designed to collect the GIIN of a branch of an FFI in order to comply with a regulatory provision which required a presumption of limited branch status if a payment was made outside of the country indicated by the GIIN of the FFI providing the form. By providing a branch or disregarded entity GIIN in Part II, the FFI was able to certify the branch or disregarded entity's status for payments outside of the FFI's permanent residence country.

The Intergovernmental Agreement ("IGAs") requirement to document account holders as opposed to payees under IGAs has caused the purpose of this section to evolve. The IRS now requires that a disregarded entity in a Model 1 IGA country obtain its own GIIN separate from its sole owner. While in most cases the sole owner and disregarded entity will both be treated as financial institutions, there are instances where the sole owner may be an NFFE and the disregarded entity is an FFI. Accordingly, MD³ will be updated to allow for an entity to complete Part II of a Form W-8BEN-E or W-8IMY with an NFFE FATCA status for the sole owner.

Forms W-8BEN-E, W-8IMY, and W-8EXP – Blank GIIN no longer treated as "Applied For"

Currently MD³ will treat a blank GIIN field as an "applied for" GIIN and allow a 90-day grace period before the filer must provide a GIIN. This validation rule is based on §1.1471-3(d)(4)(v):

*"a withholding certificate or written statement pursuant to which the payee claims a status as a participating FFI or registered deemed-compliant FFI but **does not provide the payee's GIIN** or provides a GIIN that does not appear on the current published IRS FFI list will be invalid for purposes of chapter 4 beginning on the date that is **90 days after the date that the claim is made by the payee.**"*

This section appears to conflict with §1.1471-3(e)(3)(i) which states:

*"An FFI whose registration with the IRS as a participating FFI or a registered deemed-compliant FFI is in process but has not yet received a GIIN may provide a withholding agent with a Form W-8 claiming the chapter 4 status it applied for **and writing "applied for"** in the box for the GIIN. In such case, the withholding agent will have 90 days from the date it receives the Form W-8 to obtain a GIIN and to verify the accuracy of the GIIN against the published IRS FFI list before it has reason to know that the payee is not a participating FFI or registered deemed-compliant FFI."*

To address this discrepancy, the IRS was asked at the Fall 2015 EEI conference whether a form with a blank GIIN could be accepted for 90 days and they stated this is acceptable. At the Fall 2016 EEI conference, however, the IRS was asked the same question and indicated that a form with a blank GIIN should be treated as invalid.

Given the conflicting regulations and guidance from the IRS, Tax Solutions will be updating this logic to take the more conservative approach and require the filer to either provide a GIIN on the form or write the phrase "applied for." As many entities have already completed their FFI registration and the IRS now issues GIINs relatively quickly, it is expected that this change will have minimal operational impact.

Form W-8IMY – QSL status available until end of 2017 and “Applied For” QI-EIN status

In early December, the IRS issued transitional guidance for §871(m) which extended the Qualified Securities Lender (QSL) regime until the end of 2017. Based on this guidance, the validation logic for the 2016 Form W-8IMY will be updated to produce QSL validation results:

- 48 - Valid - QI with no withholding responsibility - QSL
- 49 - Valid - QI with Chp. 3 & 4 responsibility only - QSL
- 50 - Valid - QI with 1099 responsibility only - QSL
- 51 - Valid - QI with 1099 and Chp. 3 & 4 responsibility - QSL
- 55 - Valid – QSL

These validations will have an expiration date of 12/31/2017 to correspond to the termination of QSL status.

Even though the QSL regime was extended until the end 2017, the new Qualified Derivative Dealer (QDD) framework is available beginning in 2017. With respect to QDDs, the guidance states that prior to receiving approval and a QI-EIN, a QDD may write in "Awaiting QI-EIN" on the Form W-8IMY and simply forward the QI-EIN once received. A withholding agent may generally continue to treat the Form W-8IMY with this notation as valid until six months following receipt. MD³ will be updated to allow for this six month grace period and a new queue will be added for withholding agents to add the QI-EIN once received.

Additional Updates

Form W-8IMY – U.S. branch may now provide EIN instead of GIIN

A U.S. branch of a non-U.S. entity acting as an intermediary is no longer required to provide a GIIN. However, it is now required to provide its EIN. Furthermore, a U.S. branch acting as an intermediary but who is not treated as U.S. person must certify that they will comply with the reporting requirements specified in Treas. Reg. Sec. 1.1471-4(d)(2)(iii)(c) for all payments made June 30, 2017 and beyond. The validation logic for MD³ will be updated to reflect these new requirements for Forms W-8IMY provided by U.S. branches.

U.S. indicia queue – More documentary evidence options available

The regulations previously required that documentary evidence be “issued by an authorized government body.” This standard appeared to exclude common cure documentation such as partnership agreements and deeds of trust. The updated regulations remove this requirement and accordingly, the U.S. indicia queue will now provide more options in the documentary evidence drop-down to reflect these commonly-accepted forms of documentary evidence.

Form W-8IMY – No longer a conflict between Withholding Foreign Partnership and Sponsored FFI

Based on IRS guidance, MD³ will no longer fail a form that claims a Chapter 3 status of “Withholding Foreign Partnership” and a Chapter 4 status of “Sponsored FFI.”

Forms W-8BEN-E, W-8IMY, W-8EXP, and W-8BEN – Updated dates for when 2014 versions may no longer be accepted

Based on the sunset provisions, the 2014 versions of Forms W-8BEN-E, W-8IMY, W-8EXP, and W-8BEN can no longer be accepted after:

Form W-8BEN-E 2014	31 December 2016
Form W-8IMY 2014	31 March 2017
Form W-8EXP 2014	31 March 2017
Form W-8BEN 2014	31 July 2017

The new IRS guidance states that the prior version of a form may be accepted at the later of either the end of the year in which “the revised version is issued” or six months after release. The 2017 Form W-8BEN was released by the IRS on 12 December 2016, but has a revision date of January 2017. Based on a strict reading of the guidance, this would appear to mean that withholding agents may only accept the old form until six months after the revision date. While this interpretation is likely not the intent of the IRS, to avoid any argument on audit and since the W-8BEN is a relatively simple form, our system will set the sunset date of the 2017 form to 31 July 2017.

Forms W-8BEN-E, W-8IMY, and W-8EXP 2014 – Fail forms that do not claim sponsored status and provide GIINs containing sponsored category codes

GIINs for sponsored investment entities and controlled foreign corporations include new category codes in the third block of the GIIN. MD³ will now fail a form from an entity providing a GIIN with these codes that is not a sponsored entity, such as a Reporting Model 1 FFI.

End-to-End Compliance Ecosystem – IPS and Withholding Module Integration

Tax Solutions has worked extensively over the past several years to incorporate its separate due diligence, withholding and reporting tools into a single, seamless compliance framework. In early 2016, MD³, E-W8 and CRS Due Diligence tools were combined into a single environment with a shared user interface and integration points. Now Tax Solutions has incorporated support for nested intermediary structures and withholding rate calculations into this tool.

Intermediary Processing System (IPS) Integration with MD³/CRS Due Diligence

With the integration of IPS and MD³, withholding agents can efficiently and effectively meet their due diligence compliance obligations for both direct and indirect clients.



When a user validates a Form W-8IMY in MD³ for a direct client, it will automatically appear in IPS for management of the underlying owners – creating the structure by validating the underlying owners, adding standing allocations, and processing payments to the account.

Language: English | Change User: Admin1 Role: Administrator Help

Home MD³ **IPS** CRS Queues CIC Reports Account Management Other

IPS - AC123 (ATHENA PARTNERS LP)

CURRENT VALIDATION STATUS

Account Number: AC123	Client Number: CNO023	Entity Type: Individual	Treaty Country: France	Validation Date: 10/22/2014	Validation Result: Valid
Name: Athena Partners LP	Form Type: W-8IMY 2016	Date Signed: 09/02/2014	Claimed FATCA Status:	Expiration Date: 12/31/2015	FATCA Status: Preexisting Entity

Structure Standing Allocations Payments Income Type: Ordinary Dividends Change Date: 12/15/2016 Change

Indirect Client ID: Search

Expand All Collapse All Export AB Template: Excel Alternate View

	Withholding Rate	Allocation %	% Unallocated
▼ AC123 ABC Partners Ltd.	-	-	-
▼ AC123-1 Northern ILR Partners Ltd.		100%	0%
▶ AC123-3 XYZ Trust		75%	2%
AC123-4 John Smith	15%	25%	

Form Type: W-8BEN 2014 - Onshore Date Signed: 09/02/2014
 Entity Type: Individual Treaty Country: France
 Claimed FATCA Status: Individual
 Validation Date: 10/22/2014 Validation Result: Not valid
 Expiration Date: 12/31/2017 Queue(s): VPUSA VPTM
 FATCA Status: Recalcitrant Account Holder (U.S. Indicta)
 Comments: user1 - 12/21/2016 - Passport received from client
 Revalidate

Withholding Module Integration and Blended Rate Calculation

Following the validation process, MD³ will send the results to the Withholding Module which will calculate the withholding rate and reporting requirements for specified income types. The Withholding Module supports over 150 income types and each client can configure the system to calculate the rates for the specific types of income being paid.

Home	Valid Pending Queues	MD ³	Change in Circumstances	Reports	Account Management	Other
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Profile

Validation Questions

Validation Results

Form Type: W-8BEN-E 2014 - Onshore
 Entity Type: Corporation
 Client Number: CN0023
 Claimed FATCA Status: Participating FFI
 Document ID: 77412

Validation Result: Not Valid
FATCA Status: Nonparticipating FFI
IGA Status: Reportable Account
Expiration Date: -

Rejection Reason(s):
Reason(s) the form did not qualify for the claimed status:
 1. The name on Line 1 does not agree with the name on the account.

Treaty benefits do not apply for the following reasons:
 1. Box 14a is not checked or no country is stated on Line 14a, or both.

Warning(s) regarding this form:
 1. The U.S. taxpayer identification number (TIN) on the form does not match the TIN in the account records.

Valid Pending Queue(s):
 Name Mismatch

Withholding Module:

Income Type	Withholding Rate	Withholding Type	Reporting Type	Reporting Codes
Ordinary Dividends (ITT34)	30%	FATCA	1042-S	View
Portfolio Interest (Non-OID) (ITT37)	30%	FATCA	1042-S	View
U.S. Deposit Interest (ITT47)	30%	FATCA	1042-S	View
Gross Proceeds (ITT79)	0%	-	-	-

[View Withholding Rate Report](#)

Comments:
 Add New Comment

Revalidate
Finish

For intermediary structures, the system will combine these withholding rates with standing allocation information to determine the applicable blended rate at the omnibus account level as part of IPS functionality.

Reporting Extract - Forms 1042-S and 1099

Once withholding rates have been calculated for each account, withholding agents can integrate payment information into the system. This can be done automatically via an API or bulk Excel upload or manually on a payment-by-payment basis. The system will then analyze the payment to determine the overall amount to be withheld as well as the allocation to each payee.

If all payment information is added to the system, at year end, withholding agents can generate the Tax Reporting Extract, which will contain all the data required to comply with Form 1042-S and 1099 information reporting requirements. This includes static data, such as name, address and TIN, as well as payment information and reporting codes.

Section 871(m) Compliance Tool

Withholding Rate Calculation

The January 2017 amendments to the section 871(m) regulations clarified certain points in regard to a taxpayer's amount and timing of tax liability with respect to §871(m) dividend equivalents. Under the updated regulations, the withholding amount is determined based on facts at the time of the underlying dividend payment and not at the time of withholding. Thus if a long party is eligible for tax treaty rate at the time of the underlying dividend payment but not at the time withholding occurs, the treaty reduced rate would still apply.

This clarification on timing requires changes to payment processing in the §871(m) compliance tool since withholding tax rates are traditionally determined at the time of withholding. In accordance with these rules, the §871(m) tool will now calculate the withholding parameters at the time a dividend is paid on the underlying stock, rather than at time of withholding.

Timing of Withholding

The regulations also clarify that a withholding agent can elect to withhold either under the current "later-of" payment or disposition rule or at the time a dividend on the underlying security is paid. However, withholding agents must apply the same election to similar transactions.

The §871(m) tool is adding a configuration setting to allow the withholding agent elect to withhold at the time of a dividend on an underlying security or using the prior "later of" rule by contract type. The configuration election will need to be made during the implementation process to ensure consistent application of the rule.

DEA Calculation

In the initial release of the §871(m) tool, for purposes of determining the Dividend Equivalent Amount (DEA), the accrued §871(m) dividend amount was compared against the actual payments on the associated contract. The DEA amount returned by the tool would be the lesser of these two values whenever a payment was made. Under this approach, the DEA amount calculated by the tool could never be more than the actual payment amount on the contract, although for disposition and termination events the full accrued DEA would be returned as actual DEA. This approach was initially adopted based on the view that the IRS intended the "later of" rule to provide relief from cashless withholding situations to the extent possible.

Language in the final regulations, however, further suggests that the full amount of DEA should be returned at the time the payment is made, regardless of the amount of the payment. The tool has been updated to reflect this. Under the updated model, any payment made on the contract will trigger the full accrued section 871(m) dividend amount as actual DEA, even if the payment on the contract is currently less than the amount accrued.

Only Delta-One Products in Scope for 2017

In December 2016, the IRS issued Notice 2016-76, providing transitional relief for certain §871(m) transactions. Under this notice (and as reflected in the updated regulations), only delta-one products are considered in scope for §871(m) compliance for transactions entered into in 2017. Lower-delta contracts and complex contracts, which presumably would be contracts that do not have a delta of one, will therefore be treated as “Section 871(m) Exempt” for screening purposes in the tool.

Exempt Exchange Traded Notes

The IRS is allowing certain exchange traded notes (ETNs) that were issued prior to the publication of the 2015 final §871(m) regulations and that have been in continuous distribution to be treated as exempt until January 1, 2020. The IRS provides a list of these exempt securities, together with their CUSIPs. If a contract is screened in the Section 871(m) tool that references one of these CUSIPs, the contract will be considered “Section 871(m) Exempt”.

Position Tracking

Based on feedback from our early adopter group, the §871(m) compliance tool's position tracking functionality will be enhanced to include tracking of both long and short positions associated with a counterparty. Previous versions of the position tracking functionality relied on financial institutions to indicate that a position was being closed by sending a separate closing transaction indicator to the system, and assumed only the position of the long party was being tracked. The new position tracking functionality will no longer require the financial institution to indicate if a transaction is a closing or opening transaction, but will automatically track position based on the counterparty's role in the transaction. A financial institution, however, will need to identify the party to be tracked as part of each trade, and the system will only track one party in any transaction.

Changes in Circumstance

Change in circumstance codes have been updated to reflect new functionality within the § 871(m) compliance tool. Due to the updated withholding and payment processing, as well as position tracking functionality, certain change in circumstance codes will no longer be relevant.

Pre-Trade Tool

The Section 871(m) Pre-Trade Tool is currently being finalized. The Pre-Trade tool allows front office users to determine if a transaction is subject to section 871(m) and estimate the potential tax impact section 871(m) may have on the transaction. Front office users enter in contract details into the Section 871(m) Pre-Trade Tool user interface:

CONTRACT SCREENING

Contract ID:

Contract Details

<p>*Contract Type: <input type="text" value="-Select-"/></p>	<p>Contract Tax Classification: <input type="text" value="-Select-"/></p>
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<p>Contract Dates:</p> <p>*Trade Date <input type="text"/></p> <p>Effective Date <input type="text"/></p>	<p>*Termination Date <input type="text"/></p>
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<p>Party Details:</p> <p>*Party A ID <input type="text"/></p> <p>*Party A Account Number <input type="text"/></p> <p>*Party A Name <input type="text"/></p> <p>*Party A Role <input type="text" value="-Select-"/></p>	<p>*Party B ID <input type="text"/></p> <p>*Party B Account Number <input type="text"/></p> <p>*Party B Name <input type="text"/></p> <p>*Party B Role <input type="text" value="-Select-"/></p>
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<p>Contract Details</p> <p>*Contract Underlier Type <input type="text" value="-Select-"/></p> <p>Section 305(c) Adjustment Amount <input type="text"/></p> <p>*Pre-Trade Indicator <input type="text" value="Yes"/></p> <p>Qualified Index Indicator <input type="text" value="-Select-"/></p> <p>Pre-Screened 871(m) Indicator <input type="text" value="-Select-"/></p>	<p>Contractual Estimated Dividend Amount <input type="text"/></p> <p>ISDA 871(m) Protocol Adherence <input type="text" value="-Select-"/></p> <p>Qualified Index Security Indicator <input type="text" value="-Select-"/></p> <p>Implicit Dividend Override Indicator <input type="text" value="-Select-"/></p>
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Counterparty Tax Profile

<p>Long Party Tax Profile:</p> <p>Sample CounterParty Profiles <input type="text" value="Set Details Manually"/></p>	<p>Treaty Country <input type="text" value="-Select-"/></p>
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[Show/Hide Tax Profile Details](#)

Underlier Details

[Add Underlier Details](#)

The information entered into the Section 871(m) Pre-Trade Tool user interface is processed by the tool's rules engine to determine whether a contract is subject to § 871(m) and register the reasons for exemption or non-exemption. If the tool determines the transaction is subject to §871(m), the potential and actual §871(m) dividend equivalent amounts and applicable withholding tax rates are calculated:

Contract ID: 123
Contract Status: Exempt from §871(m)
Accrued Dividend Amount: \$0.00
Accrued Dividend Tax Amount: \$0.00
Potential Dividend Amount: \$0.00
Potential Dividend Tax Amount: \$0.00
Status Detail Code: Exempt - Delta Below Threshold

AEOI Tax Reporting

Recent Updates

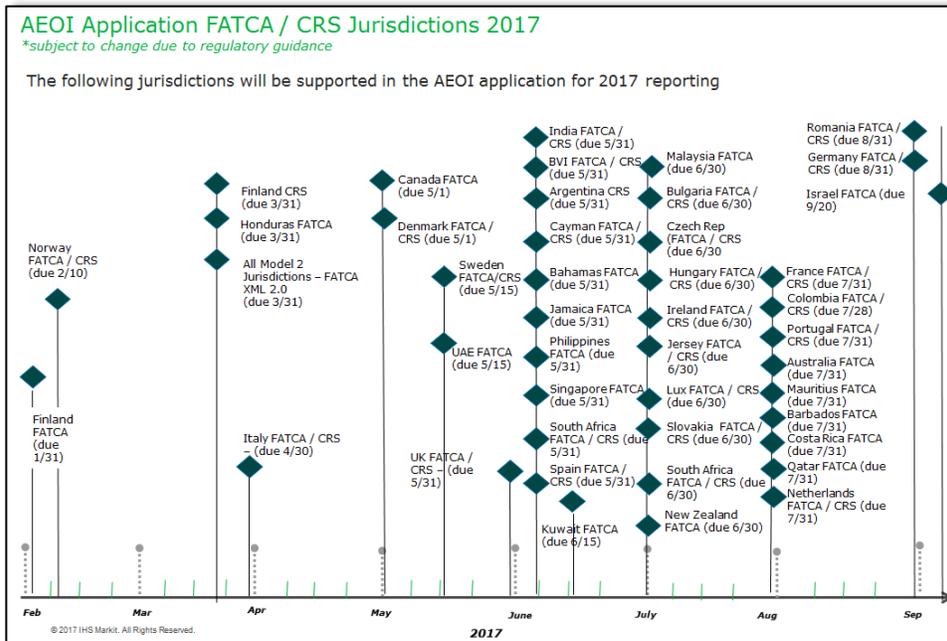
Global FATCA and CRS Schemas

Tax Solution's AEOI Reporting Application is being continuously updated to include the global AEOI reporting schemas required for FATCA and CRS reporting as jurisdictional tax authorities begin to provide guidance for 2016 reporting due in 2017.

Although the AEOI reporting standards have been consistently defined, there may be local variations in the schema and transmission specifications that certain local tax authorities have requested. The application has streamlined these complexities so that the processing is simple and seamless to Tax Solution's clients.

Tax Solutions clients have used the AEOI Reporting application to prepare and file in various locations globally such as Finland and Norway.

The complete set of jurisdictions that will be available in the AEOI Reporting application are listed below. Jurisdiction timelines are subject to change. We expect many of these deadlines to be extended as jurisdictions incorporate the updated FATCA XML schema v2.0 (previous reporting version was 1.1) and prepare for the first year of CRS reporting.

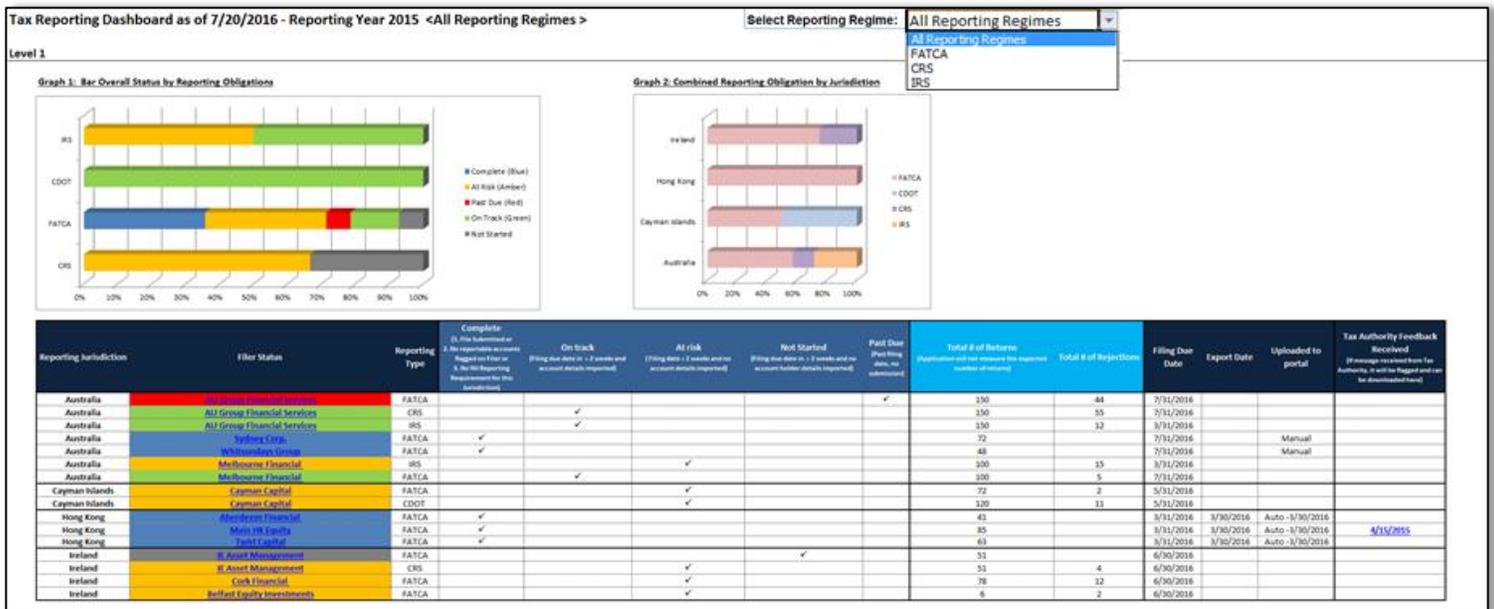


Future Updates

AEOI Reporting Management Dashboard

The Tax Reporting application will include a Dashboard that manages all of the reporting obligations for all regimes for an FI and highlights whether the FI is on track or at risk for failing to meet these obligations.

This dashboard will be available for all reporting that is performed out of the application (CRS, FATCA, 1042-S, and 1099) and provides drill-through capability to allow analysis by region, reporting regime, and reporting type.



Level 2

Graph 1.2: Drill through on Reporting Regime (e.g. FATCA)

Reporting Jurisdiction	Filer Status	Reporting Type	Complete (IE file submitted or 2. No reportable accounts flagged on Filer or submittance)	On Track (Filing due date in < 2 weeks and account details imported)	At Risk (Filing due < 2 weeks and no account details imported)	Not Started (Filing due date in > 2 weeks and no account holder details imported)	Past Due (Past filing date, no submittance)	Total # of Returns (Applications with not measure the expected number of returns)	Total # of Rejections	Filing Due Date	Export Date	Uploaded to portal	Tax Authority Feedback Received (If message received from Tax Authority, it will be Panned and can)
Australia	All Group Financial Services	FATCA	✓				✓	150	44	7/31/2016			
Australia	Sydney Corp.	FATCA	✓					72		7/31/2016			
Australia	Whitboudays Group	FATCA	✓	✓				48		7/31/2016			
Australia	Melbourne Financial	FATCA		✓				100	5	7/31/2016			
Cayman Islands	Cayman Capital	FATCA			✓					5/31/2016			
Hong Kong	Aberdeen Financial	FATCA	✓					41		3/31/2016	3/30/2016	Auto-3/30/2016	
Hong Kong	Main HK Equity	FATCA	✓					65		3/31/2016	3/30/2016	Auto-3/30/2016	
Hong Kong	Totiv Capital	FATCA	✓					63		3/31/2016	3/30/2016	Auto-3/30/2016	4/15/2016
Ireland	IE Asset Management	FATCA				✓		51		6/30/2016			
Ireland	Cork Financial	FATCA			✓			78	12	6/30/2016			
Ireland	Belfast Equity Investments	FATCA			✓			6	2	6/30/2016			

Graph 2.1: Drill through on Jurisdiction (Australia)

Reporting Jurisdiction	Filer Status	Reporting Type	Complete (File submitted)	On Track (Filing due date in < 2 weeks and account details imported)	At Risk (Filing due < 2 weeks and no account details imported)	Not Started (Filing due date in > 2 weeks and no account holder details imported)	Past Due (Past filing date, no submittance)	Total # of Returns	Total # of Rejections	Filing Due Date	Export Date	Uploaded to portal	Tax Authority Feedback Received (If message received from Tax Authority, it will be Panned and can)
Australia	All Group Financial Services	FATCA		✓			✓	150	44	7/31/2016			
Australia	All Group Financial Services	CRS		✓				150	12	7/31/2016			
Australia	All Group Financial Services	IRS		✓				150	12	3/31/2016			
Australia	Sydney Corp.	FATCA	✓					72		7/31/2016			
Australia	Whitboudays Group	FATCA	✓					48		7/31/2016			
Australia	Melbourne Financial	IRS			✓			100	15	3/31/2016			
Australia	Melbourne Financial	FATCA		✓				100	5	7/31/2016			

Level 3

Drill through into Filer's Account Import Rejection / Transmittal for details of filing

- Complete status - Drill into Export Page on Exported Transmittal
- On track status - Drill into Transmittal details filtered on Filer
- At risk - Drill into Account Import filtered on Filer
- Past due - Drill Account Import or Transmittal filtered on Filer

Form 1042-S / Form 1099 Reporting

The AEOI Reporting application will be enhanced to include Forms 1042-S, Forms 1099-B, K, R, DIV, INT, MISC, OID, C, Form 1098, and Form 5498 in 2017.

E-W8 – Electronic Signatures Accepted

Withholding agents may now accept withholding certificates with electronic signatures, regardless of whether the withholding agent maintained an electronic system meeting the requirements of the regulations, as long as it includes the name, date and time stamp, and statement that the certificate has been electronically signed.

Signature

John Smith

Digitally signed by
John Smith
Date: 2017.02.15 13:38:3
-05'00'

Vendor Tax Portal

Transportation

The prior version of Vendor Tax Portal classified income received by individuals for transportation related services as personal services. This required individuals receiving transportation related income to complete a Form 8233 in order to receive treaty benefits. However, individuals claiming treaty benefits for transportation income under the US-Canada tax treaty may do so under the "Transportation" article of the treaty, meaning a W-8BEN may be used to claim the treaty benefits. New questions have been added to identify individuals who are claiming a reduced withholding rate for transportation income under the US-Canadian tax treaty in order to route these vendors to complete a Form W-8BEN as opposed to the Form 8233.

2016 Form W-8IMY - Clients using the VTP without the electronic tax form functionality

For clients using the Vendor Tax Portal in combination with MD³ versus Digital W-8, vendors will be directed to complete the 2016 version of the Form W-8IMY as the 2014 Form W-8IMY can no longer be accepted as of April 1, 2016..

Digital W-8 Updates

2016 Form W-8IMY

The IRS released an updated Form W-8IMY in September 2016. Under the sunset rules, the 2014 version of the Form W-8IMY can be completed for six months following the release of the 2016 version of the form. This sunset period is set to end on April 1, 2016. Accordingly, Digital W-8 will now produce an electronic version of the 2016 Form W-8IMY, rather than the 2014 version. The interview flow has been updated to reflect the changes from the 2014 to 2016 form:

- Added FATCA status "Sponsored FFI" and removed FATCA status "Sponsored FFI that has not obtained a GIIN"
- Edited FATCA certifications for "Nonreporting IGA FFI" and "Sponsored Direct Reporting NFFE"
- Added Certifications for Qualified Intermediaries claiming QDD status

Vendor ID Added to .PDF

Several clients have requested for the Vendor ID to be printed on the final .PDF copy of the Form W-8 or W-9 that is generated through Digital W-8. For Forms W-8 or W-9 that are printed through the "Print Forms" functionality in the Administrative Console, the Vendor ID will now be included on the reference line of the form.

Administrative Console Updates

Finalized Logic for Validating 2016 Form W-8IMY in MD³

A draft version of the 2016 Form W-8IMY validation logic was included with the previous quarter release. The draft version of the Form W-8IMY logic was based off the July 2016 draft which did not include updated

instructions. The draft validation logic in MD³ has been updated to account for the changes in the final version of the form, as well as clarifications from the instructions.

Form 1099 Reporting Type Calculation

The FATCA release of Digital W-8 included the ability to calculate the box income should be reported in on the Form 1099. This information is included in the Vendor Validation Summary Report and returned in the API. However, this functionality was limited to vendor's who were submitting an electronic version of the Form W-9. Form 1099-MISC information was not calculated in if the vendor submitted a paper version of the W-9 that was validated through MD³, because income type was not an input requirement.

Income type has now been added as a field in the account records section of the MD³ Form W-9 profile pages to enable this calculation for manually validated forms. Selecting income type will calculate a value for Form 1099 reporting or determine no reporting is required. Up to five income types may be selected for each validation. Income type will not be a required field, if the field is not populated, no Form 1099 Reporting Type will be calculated.

Report Updates

Vendor Validation Summary Report – Certain validations were not displaying in the report when filtering by date range, even though the validation took place within the specified time frame. This issue only impacted the report functionality, not the API or database information. This issue has been resolved.

Vendor Tax Portal Summary – The income type “Software or Provision of Electronic Data” was populating both the “Both U.S. and Non-U.S. Source” FDAP column of the report even though the vendor certified it was not U.S. source income. This was merely a presentation issue as the report was correctly displaying that no form was required in these scenarios. This issue has been resolved.

Future Updates

Electronic Form 8233

The updated chapter 3 regulations now allow for Forms 8233 to be collected through an electronic collection system meeting the same requirements as a system for collecting electronic Forms W-8. Form 8233 is generally used by a non-U.S. individual to claim an exemption on withholding for compensation independent personal services performed in the U.S.

In accordance with these new regulations, Digital W-8 will be updated to allow vendors to complete the Form 8233 electronically. As part of these updates, MD³ will also be updated to include an enhanced profile page, similar to the profile page already in use by the Forms W-8.

Updating D-W8 to allow for the electronic Form 8233 means a number of new data elements will now be collected. The API will be updated to reflect these changes.