



TaxNewsFlash

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New FAQs from IRS concerning QI / WP / WT

The IRS today issued a release announcing updates to a list of “frequently asked questions” (FAQs) concerning consolidated compliance group (CCG) on the FAQ page for qualified intermediaries / withholding foreign partnerships / withholding foreign trusts (QI / WP / WT).

As noted in the [IRS transmittal message](#), the changes concern FAQ Q5 and FAQ Q18 under the heading “Certifications and Periodic Reviews.”

Text of the FAQs revised or added on March 24, 2020, are provided below:

Q5. How can a group of Qualified Intermediaries or Withholding Foreign Partnerships apply to form a CCG?

A5. An application to form a CCG should be submitted by the responsible officer, or other authorized user of the proposed Compliance Entity account, no earlier than January 1st of the year following the proposed year of periodic review, and no later than April 1st of the year the certification is due. The submission should not be made before a complete application, including statistics required to propose a statistical sampling plan, can be submitted. If the submission is made on or after January 1st of the year the certification is due, the submission must be made using the QI/WP/WT Application and Account Management system. If the submission is made earlier, it must be sent via e-mail to the Financial Intermediaries Team (FI Team) at lbi.fi.qiwpissues@irs.gov. If the submission is made by e-mail before 1/1 of the year the certification is due, the submission must still be made using the QI/WP/WT system, to allow for automated internal tracking, no later than April 1st of the year the certification is due, even if the CCG request was already approved by the IRS.

Upon submission of an application to form a CCG, the IRS will contact the applying Compliance Entity to request any further information necessary to determine if the CCG is acceptable to the IRS. This ongoing discussion will also address such issues as the final composition of group members and sample design for any statistical sampling to be utilized for the periodic review.

Updated: 03-24-2020

Q18. Will the IRS accept applications to form a consolidated compliance group (CCG) if the application proposes using the first year of its certification period as its periodic review year?

A18. Yes, the IRS will accept an application proposing to use the first year of the certification period when the responsible officer (RO), or other authorized user of the proposed Compliance Entity submits a CCG application that includes:

1. Forms 872 (Consent to Extend the Time to Assess Tax) validly executed for each entity to be included in the CCG, extending the time to assess tax on Forms 1042 and 945 until no earlier than 12/31 of the second full calendar year following the certification due date. CCG applications proposing to use the first year for periodic review will not be evaluated until all Forms 872 are submitted and approved. For example:

If a proposed compliance entity, with a certification period covering 2017, 2018 and 2019, and a certification due date of 7/1/20, wants to have a periodic review performed for 2017 (the first year of their certification cycle), the QI must submit Forms 872 consenting to extend the time to assess tax on Forms 1042 and 945 for calendar years 2017 and 2018 until 12/31/22 (at the earliest) on all entities included in the CCG.

2. A time line that proposes the start and completion dates of the periodic review, along with a due date for delivery of the periodic review report by the reviewer(s) to the RO of the compliance entity. The periodic review report must be submitted to the IRS by the earlier of:

1. 30 days after delivery of the periodic review report by the reviewer(s) to the RO of the compliance entity; or
2. the Certification Due Date.

The entity must also agree to:

3. Include in the periodic review report, the review plan that directed the reviewer(s), along with any deviations from that plan. Any such deviations from the review plan should be explained in detail. Any such description must explain the reason the reviewer deviated from the review plan, and what alternate steps the reviewer(s) took.
4. Notify the IRS of any material failures or events of defaults within 30 days of identification.

Added: 03-24-2020

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