



# TaxNewsFlash

## United States

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### **Notice 2018-05: Transition rules for withholding agents extended for 2018, 2019**

The IRS today released an advance version of Notice 2018-05 that permits withholding agents to apply transition rules from Notice 2010-46 for payments made in calendar years 2018 and 2019.

#### **Background**

Notice 2010-46 provided a solution to the problem of over-withholding on a chain of dividends and dividend equivalents by, in part, providing an exception from withholding for payments to a qualified securities lender (QSL). The QSL regime requires that a person agreeing to act as a QSL must comply with certain withholding and documentation requirements. The IRS permitted withholding agents to rely on transition rules under Notice 2010-46, Part III, until guidance was developed that would include documentation and substantiation of withholding.

Subsequently, the IRS and Treasury Department issued guidance—including Rev. Proc. 2017-15, setting forth the final QI Agreement (qualified intermediary agreement). That guidance also provided that taxpayers could rely on Notice 2010-46 during calendar year 2017. Read [TaxNewsFlash-United States](#)

#### **Extension of transition rules for 2018 and 2019**

[Notice 2018-05](#) [PDF 15 KB], as released today, explains that in response to comments received, the QSL regime is being extended for a longer transition period. Today's notice extends the QSL regime under Notice 2010-46, Part III, "but only for payments made in calendar years 2018 and 2019."

Today's notice also states that during the extended period, the IRS and Treasury intend to consider whether additional guidance is appropriate to address foreign lenders of U.S. dividend-paying stocks.

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