



# TaxNewsFlash

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## IRS issues new FAQ for qualified intermediaries (QIs)

The IRS has issued a new [“frequently asked question”](#) (FAQ) on the qualified intermediary (QI), withholding foreign partnership (WP), and withholding foreign trust (WT) [FAQs website](#), under the heading “Provisions for 2023 QI agreement.”

According to the [IRS transmittal release](#) (June 5, 2024), FAQ 3 provides guidance to QIs acting as intermediaries for payments of substitute dividends and clarifies whether such QIs are required to assume primary withholding responsibilities for all such payments they receive and pay as an intermediary. Full text of the new FAQ is provided below.

**Q3. For purposes of the 2023 QI agreement, is a QI that acts as an intermediary for payments of substitute dividends required to assume primary withholding responsibilities for all such payments it receives and pays as an intermediary? (added June 5, 2024)**

A3. Not in all cases. The 2017 and 2023 QI agreements both contain provisions requiring that a QI that is acting as a QSL for payments of substitute dividends assume primary withholding responsibilities for all such payments regardless of whether the QI acts an intermediary or counterparty for these payments. Section 3.03 of the 2023 QI agreement contains a further provision, which provides that a QI not acting as a QSL and acting as an intermediary under the agreement for a U.S. source substitute dividend payment must also assume primary withholding responsibility for all U.S. source substitute dividends received and paid by QI as an intermediary.

This further provision is intended to apply only to a QI acting as an intermediary for substitute dividend payments after the period for which it is permitted to act as a QSL pursuant to section 1.01 of the 2023 QI agreement and, accordingly, does not apply before such time. Moreover, for purposes of section 3.03 of the 2023 QI agreement, a QI is required to, after such time, assume primary withholding responsibility for a substitute dividend payment received or paid by QI as an intermediary only when the QI is unable to establish that the withholding agent paying the substitute payment to QI is a QI, WP, or U.S. withholding agent that is withholding on the payment. For cases in which a QI does not assume primary withholding responsibilities, see section 3.02(C) of the 2023 QI agreement for withholding requirements that may nevertheless apply to a QI.

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