

# IRP Alert

## Taking the complexity out of compliance

Information reporting and withholding tax services



Compliance with global withholding tax procedures continues to be challenging, and the failure to comply can be costly. More so tax information reporting and withholding (IRW) regulations and forms are constantly evolving and subject to changing interpretation.

KPMG LLP (KPMG) Information Reporting and Withholding Tax Services professionals closely monitor these areas and provide a timely, electronic news service—**IRP Alert**—that keeps subscribers abreast of changes and developments.

While our news alerts primarily focus on technical tax issues and compliance initiatives, they also consider the practicalities of implementation and the potential business impact on companies. Subscription to IRP Alert news service includes an arrangement for subscribers to discuss the content of news alerts, including related U.S. withholding or reporting issues, with KPMG's experienced IRW professionals.



## About IRP Alert service

IRP Alert subscribers receive news alerts periodically via e-mail with updates on Internal Revenue Service (IRS) IRW developments, such as new regulations, notices, and rulings, as well as changes to forms and filing requirements. Areas, among others, covered can include:

- Updates to Forms 1099 (series), 1042-S, 8966, 945, and 1042
- New versions of withholding certificates (i.e., Forms W-8 and W-9)
- Backup withholding and nonresident alien (NRA) withholding requirements
- Updates with respect to the qualified intermediary (QI), withholding foreign partnership (WP), and withholding foreign trust (WT) regimes
- Responsible officer (RO) certifications under the foreign financial institution (FFI) Agreement and QI/WP/WT agreements
- Information reporting penalties (e.g., penalties under sections 6721 and 6722)
- Deposit requirements and timelines
- Informal guidance received from the IRS as a result of industry conferences
- IRS frequently asked questions and answers
- IRS hot topics (e.g., audits and technology updates)



# IRP Alert samples

These are snapshots of IRP e-Alerts. Each issue contains detailed information on the primary topic.\*



**KPMG**

## Information Reporting Practice

**Alert**



**Issue Number: 2022-39 | October 21, 2022**

Access the IRP e-Alerts in an interactive format through KPMG's Digital Gateway Platform by clicking [here](#).

### OECD Published CARF and Amendments to CRS

On October 10th, the Organization for Economic Co-operation and Development (OECD) published a new global tax transparency framework, the *Crypto-Asset Reporting Framework* (CARF), which is designed to initiate automatic tax information exchange of transactions involving crypto-assets. CARF also includes amendments to the OECD Common Reporting Standard (CRS) which broadens the scope of requirements to cover certain digital financial products, and includes additional changes to enhance reporting as jurisdictions have gained experience in the area of CRS compliance and reporting.

#### Background:

The CRS was developed in 2014 to facilitate the automatic exchange of information (AEOL) of certain financial accounts by providing participating jurisdictions with means to identify amounts held overseas by their tax residents who may be evading tax. The CRS regime has been considered a very successful international effort. As recently noted by OECD Secretary-General Mathias Cormann, over 100 jurisdictions exchanged information on 111 million transactions in 2021, covering assets of EUR 11 trillion. However, a key tenet of digital assets is the lack of administrator, meaning that they can be exchanged outside of traditional financial intermediaries, thus bypassing legacy reporting checkpoints. In addition, the proliferation of digital assets for investment and financial uses gave rise to a new forms of intermediaries and service providers, such as crypto-asset exchanges and digital wallets, which remain unregulated under legacy systems. These developments reduced the visibility of foreign transactions, leading to difficulties in verifying whether the associated tax liabilities are appropriately reported and



**KPMG**

## Information Reporting Practice

**Alert**



**Issue Number: 2022-38 | October 20, 2022**

Access the IRP e-Alerts in an interactive format through KPMG's Digital Gateway Platform by clicking [here](#).

### IRS Issues XML Schema and Business Rules for Electronic Filing of Form 1042

The Internal Revenue Service (IRS) announced that it has distributed Form 1042 XML Schemas and Business Rules packages for the 2022 tax year. As discussed on a new IRS webpage, [2022 Valid XML Schemas and Business Rules for 1042 Modernized e-File \(MeF\)](#), the packages were provided to assist software developers and transmitters in developing software for Form 1042 for the 2022 tax year. Registered users can access the packages by logging into their Secure Object Repository (SOR) e-services mailbox. As mentioned on the webpage, developers should pay attention to the Release Memo issue date to ensure that they are referring to the latest version, as multiple versions of the XML Schemas and Business Rules will be published throughout the year. Note that the schemas and rules were provided for planning purposes, but will not be used in the Assurance Testing System (ATS) or Production, which will open for testing on October 24. For further information, see the general MeF ATS webpage, [here](#), and the [Tax Year 2022 Form 1042 MeF ATS Information](#) webpage, [here](#). KPMG will continue to monitor for updates.

#### KPMG Reminders and Observations:

In 2021, the IRS published proposed regulations to lower the threshold for electronically filing information returns, once finalized. As discussed in KPMG IRP e-Alert #2021-25, [here](#), the update is expected to increase the timeliness and accuracy of processing refunds and credits claimed by foreign persons that have amounts withheld and reported on Form 1042-S. During a recent IRS training webinar, see [KPMG IRP e-Alert #2022-25](#), [here](#), the speakers noted that the proposed regulations will also require certain filers to electronically file Form 1042. Specifically, withholding agents (other than an individual, estate, or trust) will be required to file the Form 1042 electronically if the withholding agent is required to file 10 or more information returns annually. Partnerships with more than 100 partners will be required to file the Form 1042 electronically regardless of the number of information returns required.

\* The information contained in KPMG's IRP Alerts is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.



KPMG Digital Gateway has been established as the content sharing site for the KPMG IRP Alerts. As a subscriber, you will be able to access alerts through the KPMG Digital Gateway site, providing an efficient and user-friendly research format.

### IRW IRP Alert Digital Gateway Portal\_Federal:

Subscribers have access to archived federal IRP news alerts through links on the KPMG Digital Gateway dashboard, including IRS developments related to the Form 1099 series, changes to the qualified intermediary (QI) regime, information reporting penalties, and insights into IRS guidance through industry conferences.

The screenshot shows the KPMG Digital Gateway portal. The top navigation bar includes 'KPMG', 'What's in the News', 'Information Reporting and Withholding', 'Search News', 'Map Disclaimer', and 'KPMG'. A sidebar on the left features a world map with a blue-to-white gradient, a date selector ('2022'), and icons for 'Home', 'Search', 'Help', 'Email', and 'MM'. The main content area has tabs for 'AEOL News', 'Federal News' (which is selected), and 'State News'. The 'Federal News' tab is under 'Federal Bulletins'. It lists several IRS bulletins with details like date, issue number, and subject:

- Oct 31, 2022: Issue Number: 2022-41 Back to Basics: The Combined Federal State Filing Program
- Oct 21, 2022: Issue Number: 2022-40 IRS Issued Inflation Adjustments to Information Return Penalties
- Oct 21, 2022: Issue Number: 2022-39 OECD Published CARF and Amendments to GRS
- Oct 20, 2022: Issue Number: 2022-38 IRS Issues XML Schema and Business Rules for Electronic Filing of Form 1042
- Oct 18, 2022: Issue Number: 2022-37 IRS Updated Q/WP/WTs Certification and Periodic Review FAQs
- Oct 14, 2022: Issue Number: 2022-36 IRS Issued Notice for Sponsoring Entities with no Registered Sponsored Entities
- Oct 14, 2022: Issue Number: 2022-35 IRS Published 2022 Version of Publication 1220

On the right, there's a 'Quick References' sidebar with links to 'Oct 14, 2022: Forms and Instructions' (FEATURED), 'Jan 31, 2022: Form 1099 Series Deadlines' (FEATURED), 'Oct 21, 2022: Penalties' (FEATURED), and 'Aug 17, 2022: Federal Interest Rates' (FEATURED). The bottom right corner shows the date 'Oct 12, 2022'.

## Contact us

To learn more about KPMG's Information Reporting and Withholding Tax Services, which offers a wide range of information reporting consulting services and technology solutions to help financial services entities and multinational companies comply with U.S. and foreign withholding requirements and reporting regimes, contact one of the following professionals or visit [read.kpmg.us/irw](http://read.kpmg.us/irw):

### **Laurie Hatten-Boyd**

#### **Principal**

**T:** 206-213-4001

**E:** [lhattenboyd@kpmg.com](mailto:lhattenboyd@kpmg.com)

### **Cyrus Daftary**

#### **Principal**

**T:** 212-954-6096

**E:** [cdaftary@kpmg.com](mailto:cdaftary@kpmg.com)

### **Kelli Wooten**

#### **Principal**

**T:** 617-875-0462

**E:** [kwooten@kpmg.com](mailto:kwooten@kpmg.com)

### **Philip Garlett**

#### **Managing Director**

**T:** 202-365-0812

**E:** [pgarlett@kpmg.com](mailto:pgarlett@kpmg.com)

### **Paul Malboeuf**

#### **Managing Director**

**T:** 212 954 1267

**E:** [pmalboeuf@kpmg.com](mailto:pmalboeuf@kpmg.com)

### **Mark Naretti**

#### **Managing Director**

**T:** 212-872-7896

**E:** [marknaretti@kpmg.com](mailto:marknaretti@kpmg.com)

### **Elis Prendergast**

#### **Managing Director**

**T:** 212-954-1968

**E:** [eprendergast@kpmg.com](mailto:eprendergast@kpmg.com)

### **Nelson Suit**

#### **Managing Director**

**T:** 617-988-1432

**E:** [nsuit@kpmg.com](mailto:nsuit@kpmg.com)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



[kpmg.com](http://kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. USCS021312-2C