

FITAX-QI

To meet the obligations of the legal reporting to the IRS (Internal Revenue Service) in the United States, and the needs for reconciliation, for banks having primary or secondary QI (Qualified Intermediary) status regarding incomes from American stocks held by American citizens (1099) as well as by non-resident aliens (1042-S).

CONTEXT

The financial intermediaries who have obtained the status of Qualified Intermediary from the American tax authorities (IRS) have annual reporting obligations.

This reporting has to be done following the rules of the IRS (Internal Revenue Service) for forms (1042, 1042-S, 1099-INT, 1099-DIV, 1099-OID, 1099-B, 945, 945-A) and/or electronic files for data transfer, according to criteria like payment type, tax rate and client type.

SOLUTION

Our solution, FITAX QI, has already been implemented in more than 50 banks in 5 countries (CH, GE, LU, LI, IT).

Based on our data dictionary we import a file that contains the necessary information for the production of the various reports.

The data imported from the banking system can then be checked and modified manually, or in an automated way.

The software determines automatically, which reports have to be generated according to the characteristics of the payments, the clients and the entities that produce the reporting.

Once the reports have been generated, the audit function allows to return to the data source. It is also possible to export data and reports in .xls format or to print them in .pdf format.

Different rules for the verification of data integrity and the production of exception reports have been implemented.

The software also offers a set of parameters to adapt the available functionalities to the individual needs, depending on the data volume and the number of reports that have to be produced.

The data are transmitted to the IRS once a year, as reports (1042, 945, 945-A, 4804) and electronic data files (1042-S, 1099).

Procedures for data cancellation, correction (Void & Corrected) and replacement are available if required.

ADVANTAGES

- F/TAX QI is a standardized and automated reporting solution
- F/TAX QI has been interfaced with the main banking softwares
- F/TAX QI provides an audit trail and a control of the user's modifications
- F/TAX QI is updated with the support of KPMG Tax Advisers Luxembourg
- F/TAX QI covers the reporting process linked to PAI (Private Arrangement Intermediaries), flow through entities, trusts, NQI and QI.

Functionalities

Reports to the authorities:

- Forms 1042, 945, 945-A
- Electronic delivery files 1042-S and 1099 (INT, DIV, OID, B)
- Form 4804

Reports to the clients:

- Forms 1099 (INT, DIV, OID, B) and 1042-S
- Copies B, C, D, E
- Substitute forms (1099-B, 1099-OID)
- Cover letter with name and address of the client

Internal reports:

- Exception and reconciliation reports (Tax, client status,...)

Correction and replacement procedures:

- Management of the Void & Corrected process
- Management of electronic delivery replacement process

Controls:

- Validation rules: Integrity checks of the data and the results

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