



New FAQ Relating to the Withholding and Reporting on Certain Dividend Equivalent Payments

Closing the distance

On March 15, 2018, the IRS added new [question 23](#) (Q23) to the FATCA FAQ [general webpage](#) providing relief for the 2017 calendar year in situations where a Withholding Agent (WA) has failed to withhold and report on certain dividend equivalent payments. Q23 provides that a WA will not be subject to interest, penalties, or additions to tax on a dividend equivalent payment made with respect to a derivative referencing a partnership provided the WA withholds and reports the payment on Form 1042 and Form 1042-S by September 17, 2018.

If the WA withholds after March 15, 2018, the WA should file a Form 1042 (if the dividend equivalent payments are the only payments reportable for the year) or an amended Form 1042 no later than September 17, 2018, and write "Dividend Equivalent—Partnership" in the top center portion of the 2017 Form 1042. The WA is also required to file Form(s) 1042-S or amended Form(s) 1042-S by September 17, 2018, with respect to the dividend equivalent payments.

Q23 also clarifies that upon depositing the tax withheld for a dividend equivalent payment made in 2017, the withholding agent must designate the payment as being made for the 2017 calendar year in accordance with the instructions to Form 1042.

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