



BDO Seidman, LLP
Accountants and Consultants

Using a Qualified Intermediary to Help Reduce Costs and Administrative Burden

The Tax Practice at **BDO Seidman, LLP** is among the largest tax advisory practices in the United States. With more than 30 offices and 250 independent alliance firm locations in the United States, BDO Seidman, LLP has the bench strength and coverage to serve you.

If you are interested in improving compliance under your QI agreement and/or if you have any other QI related issues, we invite you to call or email us:

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July 2006

Tax Ideas Greater Efficiencies

U.S. private equity funds are withholding agents with respect to all payments to their foreign investors. They are thus generally responsible for the correct withholding of U.S. income tax. However, fund managers can shift these responsibilities to someone else at no extra cost. By involving a “qualified intermediary” (QI) all parties may benefit: the U.S. fund, the foreign investor, and the QI.

Potential Benefits:

- Receive only one Form W-8IMY (instead of perhaps hundreds of Forms W-8BEN).
- File only a few Forms 1042-S instead of hundreds.
- Make only gross payments with no need for withholding.
- The foreign individual investor needs no U.S. taxpayer ID.
- Adding only one customer to its existing customer base does not overburden the QI with additional responsibility.
- Savings in administrative costs can be split between the fund, the QI and the investor.

Details:

This tax planning idea requires no complex restructuring; rather, it is process of connecting the dots between the world of private equity investment and the world of QIs. However, the correct implementation of this idea requires intimate knowledge of the QI agreement.

The IRS will not lose any revenues because the QI will assume the withholding for the fund and report income and taxes on a pooled basis.

Also, organizations that may have been reluctant in the past to invite foreign investors because of the withholding responsibilities may find relief in this QI planning idea.

How BDO Seidman Can Help:

BDO Seidman, LLP has the experience, international resources, and commitment to service your needs efficiently in this very complicated area of U.S./international tax law.

Our QI Services team is located in New York and would be happy to assist you in implementing this tax idea. Please call us to find out if this tax planning idea may work for you and your investors.