



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

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Mr. Glenn Kirkland
Internal Revenue Service (IRS)
Room 6512, 1111 Constitution Avenue NW.
Washington, DC 20224
U.S.A.

Dear Mr. Kirkland:

Re: IIAC Comments on Draft Form 1042-S

The Investment Industry Association of Canada (IIAC) is pleased to have an opportunity to provide the following comments of the Canadian Qualified Intermediary (QI) community on the recently released Draft Form 1042-S – Foreign Person’s U.S. Source Income Subject to Withholding.

Proposed Box 8 – Withholding by other agents

The requirement to separately report on the Form 1042-S, taxes withheld by other agents will present difficulties to QIs that have a combination of tax withheld by others and also withhold and remit taxes themselves. The amount of tax withheld by other agents is currently reported on Line 66 of the Form 1042 and QIs should receive Forms 1042-S from withholding agents that support the amount of tax reported on Line 66. If QIs are required to report tax withheld by other agents in Box 8 of Form 1042-S, significant and costly systems changes will be required to capture this information at the time of payment. We are uncertain as to what value this additional level of detail provides to the IRS.

If the proposed box is added to the Form 1042-S, it is too late in the year to have any system changes implemented by January 1, 2008. Although the forms are not prepared until March or April 2009, given the transactional nature of the information, it would need to be captured at the time of payment. Therefore, if a change were to take effect for the 2008 reporting year, a labour-intensive manual process would need to be implemented.

Removal of Existing Box 11 – Recipient’s Account Number (Optional)

Many QIs populate Recipient’s Account Number on the Forms 1042-S. This information is important for purposes of allowing both the QI and the recipient to quickly associate a particular Form 1042-S with the underlying account to which the form relates, and also facilitates the reconciliation process. We request that this box not be removed from the Form 1042-S.

Proposed Box 15 – Recipient’s foreign tax identifying number, if any

In a letter dated July 9, 2007, the IIAC submitted comments to the IRS regarding draft Form W-8BEN in which it expressed its concerns regarding the requirement to obtain a foreign tax identifying number. Consistent with these concerns, we request that providing a recipient’s foreign tax identifying number should remain optional. QIs may have these numbers on file for purposes of satisfying their domestic tax reporting obligations, but as indicated in our earlier letter, there may be issues related to reporting these numbers for other purposes. In addition, indirect beneficiaries that provide Documentary Evidence, do not provide their tax identifying number.

We would be pleased to answer any questions that you may have on our comments and hope to receive notification of the requested changes as soon as possible if the new form is to be implemented at year-end.

Yours truly,



cc:

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