

Foreign National Procedures

Sandhills Community College

August 1, 2017

Proposed Foreign National Procedures

Overview

Determine if vendor, contractor, individual, student, or employee is a foreign vendor

If payment is made to a third party the vendor, contractor, or individual must still be determined to be a Foreign National (example: US agency located in California is representing an individual from the Netherlands – individual is a Foreign National – payment is made to agency but will still be considered a Foreign National Payment for tax purposes)

If a Foreign National is recognized, gather the following information:

Copy of Itinerary

Passport

VISA

W-8BEN, W-8BEN-E, 8233

Information will be sent to the System Office to Jessica Balazsi (for determination of tax liabilities)

System Office then notifies College if taxes are to be withheld, and the percent to withhold, along with any Treaty notifications

Decision to work with vendor, contractor, or individual can then be made by VP, Department Chair, or Supervisor.

When payment to vendor, contractor, or individual is made ...required tax withholdings are calculated and electronically submitted to NCDOR and IRS.

Once tax payment(s) are made, Joe Brown is notified to make the corresponding entries to the General Ledger.

Quarterly reports are submitted to System Office.

Year End 1042's are processed by System Office.

Steps for processing tax withholdings

Individual/Contractor Foreign National/Artist/Performer

Including services, speaker fees, performances, etc.

Step 1 Collect the following information **before** entering into a contract with an individual/Contractor.

W-8BEN Tax Withholding and Reporting form

Procurement

Includes software and royalties, excluding **physical goods**.

Step 1 Collect the following information **before** entering into a contract with a vendor.

W-8BEN-E Tax Withholding and Reporting form

PART III is imperative to complete to receive any Tax Treaty Benefits

Copy of proposed contract, quote and purchase order requisition

Step 2 Gathered information sent to Accounts Payable and then forwarded to System Office to Jessica Balazsi.

Step 3 System Office then notifies Accounts Payable if taxes are to be withheld and the percent to withhold along with any Treaty notifications.

Step 4 Decision to purchase from vendor can then be made by VP, Department Chair, and/or Supervisor.

Step 5 When payment to vendor is made ...required tax withholdings are calculated and electronically submitted to NCDOR and IRS.

Step 6 Accounts Payable

Foreign National Tax Payment Procedures

Step 1 t Collected information is forwarded to System Office

Step 2 t System Office will provide notification if tax payments are to be withheld. Exact dollar amounts are provided for Federal and State.

Step 3 t Information is provided to VP, Department Chair, Faculty or Staff responsible for contract or purchase order request for final approval.

Step 4- Accounts Payable issues check to individual/contractor/vendor.

Step 5 t Payment is made via EFTPS and/or NCDOR payment center.

Step 6 t Confirmation is provided to Joe Brown for General Ledger Adjustments

Step 7 t All correspondence, backup, and other information is compiled and filed in Accounts Payable Filing.

Foreign National Helpful Information

Definition

Owes allegiance to or who is under the protection of a country other than the United States

f Nonresident Alien

Not US Citizen, permanent residents or resident aliens

Factors of Payment

Who are you paying?

- f* Individual or Entity
- f* Who is the beneficial owner of the income?
 - No assignment
 - Determine cash value for the "in-kind" items
- f* Payments to Foreign Performers
 - Agent for the Foreign National – CWA Required for tax exemption
 - Agent's fee is not excluded from performers income

What does your payment represent?

- f* Employment
- f* Scholarship
- f* Vendor – Goods
- f* Contracted Service/Independent Contractor?
 - Does the contract address tax withholding?
 - Location of services being performed?
 - Is there a taxable and non-taxable portion of the contract?
 - Have you been invoiced?
- f* What is the source of the payment?
 - US Source
 - Foreign Source
 - What is the foreign liability in country of where services are performed?
- f* Who is eligible to perform services?
- f* What is the Tax Status (SPT)
- f* How is payment being processed?
 - HR System
 - Student Financials
 - Accounting

Steps in Processing Vendor/Artist/Performer Payments

Foreign National Data Gathering Form (FNDG)

- f* Completed by each foreign national
- f* Original documents should be presented by the foreign national
- f* Copies of documents should be maintained to support FNDG and provide the ability for a reviewer to ensure processing is correct

Checklist

- f* Pre-arrival planning
- f* Documentation needed
- f* Responsibilities of Departments
- f* Processing data determines
- f* Eligibility for payments dependent on visa type
- f* Substantial Presence Test
Tax status as Nonresident Alien or Resident Alien

Suggested Procedural Steps

Step 1 t Tax Assessments/Checklist

Step 2 t Collection of Immigration Documentation

Step 3 t Assessing Tax Status

W-8 ECI, W-8 BEN, W-8 BENE, 8233, Treaty Benefit Eligibility

Step 4 t Tax Reporting

Step 5 t Final Review

Tax Withholding Forms

See links below to access the appropriate withholding forms:

Form W-8BEN-E

<https://www.irs.gov/pub/irs-pdf/fw8bene.pdf>

Form W-8BEN

<https://www.irs.gov/pub/irs-pdf/fw8ben.pdf>

Revised Date: 7/5/2016

Foreign National Compliance Policy

All North Carolina state government agencies, universities, community colleges, and institutions have been tasked with the responsibility of withholding and reporting on payments to nonresident aliens (foreign nationals) and foreign vendors in accordance with Internal Revenue Code (IRC) Section 1441 and policies established by the Office of the State Controller (OSC). These policies and procedures can be accessed using the following link:

<https://www.osc.nc.gov/stateagencyresources/statewidepolicies/600foreign-nationals>

The Tax Navigator software package is contracted through OSC and provided at a cost to state

Revised Date: 7/5/2016

B. Colleges Managed by System Office Responsibilities

The fifty-three (53) colleges managed centrally through the System Office must also submit and maintain a Foreign National College Authorized Signature Form. The designated individuals are responsible for signing the Foreign National Data Gathering Form and the Foreign National Payment Certification Form, certifying that the information being submitted has been reviewed and is accurate to the best of his/her knowledge. These individuals are also responsible for signing the forms to be submitted to the IRS for foreign person or vendor when necessary. It is recommended that authorized signature designees for each college include the Chief Financial Officer and the Human Resources Director.

When presented with a foreign national vendor, contractor, student, or employee, the college should complete either the Foreign National Vendor Data Gathering Form or the Foreign National Data Gathering Form found on the Business and Finance website and return to the Systems Accounting and Special Projects section of the Division of Finance and Operations. Once the form has been reviewed and processed, Systems Accounting staff will notify the college of the applicable taxation rules.

, W LV WKH FROOHJH TV UHVS RQVLELOLW\ WR JDWCKEDU DOO GDV through Tax Navigator, whether processing the data locally or through the System Office, before payment is issued. No payments should be made to foreign individuals or organizations until an analysis of the facts and circumstances surrounding the transaction has been performed.

If payments made by the college to the foreign vendor, contractor, student, or employee are taxable, the college must withhold federal and/or state taxes as instructed. Payments and tax withholdings must be certified to the Systems Accounting and Special Projects Division of Business and Finance every quarter using the Foreign National Payment Certification Form.

C. Workflow for Colleges Managed through the System Office

1. College identifies a foreign national or foreign vendor that will be compensated via payroll, accounts payable or student services. The appropriate department should maintain a copy of evidentiary and supporting documentation, such as I-20, I-94, I-797, passport, employment authorization card, visa, SSN, 2019, W-8BEN,

W-8BEN-E, W-ECI, etc.

2. College completes the FNIS Data Gathering Form or FNIS Vendor Data Gathering Form and submits via email with supporting documentation to the System Office to balazsij@ncccommunitycolleges.edu

3. System Office establishes the record containing demographic data in Tax Navigator, performs the Substantial Presence Test (SPT) and/or Treaty Analysis, if applicable, and notifies the college contact via email of the appropriate taxation rules.

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4. College certifies payment and withholding information to the System Office on the Foreign National Payment Certification Form for each individual or company added to the system for tracking. This form will be submitted on a quarterly basis to update the information in the Tax Navigator.
5. System Office will update all records quarterly from the payment information submitted by the college.
6. At the end of the calendar year, IRS Forms 1042, ~~1042~~ 1042S will be created by the System Office and sent to the college to be submitted to the IRS by March 15 each year. Form 1042 S must also be distributed by the college to the foreign national individuals and companies by March 15 each year.