“The hardest thing in the world to understand is the income tax.” – Albert Einstein
Today’s Agenda:

1. Overview of Form W-8, it’s purposes and who needs to provide it

2. New! Short, Substitute W-8BEN-E for businesses

3. Ensure proper completion of all required parts of the form:
   - Review Treaty Part with the Article and Rate
   - Review Limitation of Benefit – New requirements for Treaty

4. Locate and use the available resources created to assist departments with multiple questions related to Form W-8
Form W-8: Who, When & Why?

• Foreign payees receiving US source income
• Ensure solicitation of the right Form [for tax purposes]:
  - “US person” - W-9
    - Citizenship
    - LPR – Green Card
    - Pass the SPT *
  - Non-US – W-8
    - Non Resident Alien
• W-8 / W-9 not based on foreign address or SSN.
• Collect Form W-8 before time of payment
• Two main purposes of Form W-8:
  - To establish a foreign residency of payee
  - To claim tax treaty benefits

* Substantial Presence Test
When are payments taxable?

• Apply 30% federal tax withholding
  • 14% on scholarship (visa type F, J, Q or M)

• Examples:
  • Royalty Copyright
  • Software licensing fees
  • Prize and Award
  • Honorarium

• Non-taxable payments:
  • Goods [merchandise]
  • Foreign grants
  • When treaty is claimed [* unless reduced rate]
  • Foreign Source [services performed outside the US]
2014 FATCA Changes Caused the Complications

- FATCA = Foreign Account Tax Compliance Act
- Chapter 4 of IRS Code was created to implement the FATCA rules. Generally, are financial activities, Dividend, Interest, Loan, fees, Insurance
- Applies to foreign businesses only
- The Result - IRS split W-8 into Two separate Forms
  1. **W-8BEN-E**: 8-page long form - for companies (entities)
  2. **W-8BEN**: for individuals [one page long]
Good News – IU created a new Short, Substitute W-8BEN-E

- 2016- Tax consulted with Cokala Group {Legal firm}
- Since IU is not making any FATCA payments *
  - Approval of Tax Director, Chief Accountant & Legal Dept.
- In the Substitute Form, Part II, Chapter 4(FATCA status) has been removed along with all other sections related to FATCA.
How to claim Tax Treaty Benefits on Form W-8?

- Does the country have a tax treaty?
- Then Part III needs to be fully completed for IU to grant tax treaty benefits on the payment.
- A US or foreign tax ID # must be available depending on type of income. Example:

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Part III - REQUIRED for TREATY

Check 1 out of 10 boxes

Check a
- The beneficial owner is a resident of
  within the meaning of the income tax treaty between the United States and that country.

Check b
- The beneficial owner derives the item(s) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits. The following are types of limitation on benefits provisions that may be included in an applicable tax treaty:

  - Company that meets the ownership and base erosion test
  - Company that meets the derivative benefits test
  - Company with an item of income that meets active trade or business test
  - Favorable discretionary determination by the U.S. competent authority received
  - Other (specify Article and paragraph):

Check c
- The beneficial owner is claiming treaty benefits for U.S. source dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation and meets qualified resident status (see instructions).

Special rates and conditions (if applicable—see instructions): Article Number and Paragraph

The beneficial owner is claiming the provisions of Article and paragraph of the treaty identified on line 14a above to claim a % rate of withholding on (specify type of income): Specify Type

Explain the additional conditions in the Article the beneficial owner meets to be eligible for the rate of withholding: Detailed Explanation
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How to complete the LOB requirement?

- New for 2017 - Have to have w/ treaty
- LOB = Limitation of Benefits Provisions
- Anti- treaty shopping
- The only way to get LOB into KFS was to create new drop-down
Vendor Details in KFS

<table>
<thead>
<tr>
<th>Vendor Type: PO - Purchase Order</th>
<th>Vendor Type: PO - Purchase Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is this a foreign vendor? Yes</td>
<td>Is this a foreign vendor? Yes</td>
</tr>
<tr>
<td>US Tax Number:</td>
<td>US Tax Number:</td>
</tr>
<tr>
<td>Tax Number Type: NONE</td>
<td>Tax Number Type: NONE</td>
</tr>
<tr>
<td>Ownership Type: Corporation</td>
<td>Ownership Type: Corporation</td>
</tr>
<tr>
<td>Ownership Type Category: W-9 Received</td>
<td>W-9 Received</td>
</tr>
<tr>
<td>W-9 Signed Date: Yes</td>
<td>W-9 Signed Date: Yes</td>
</tr>
<tr>
<td>W-8 Received: Yes</td>
<td>W-8 Received: Yes</td>
</tr>
<tr>
<td>W-8 Signed Date: 09/26/2016</td>
<td>W-8 Signed Date: 09/26/2016</td>
</tr>
<tr>
<td>W-8 Type: W-BEEN-E</td>
<td>W-8 Type: W-BEEN-E</td>
</tr>
<tr>
<td>Country of Incorporation/Citizenship: Japan</td>
<td>Country of Incorporation/Citizenship: Japan</td>
</tr>
<tr>
<td>Foreign Tax Id: 6010001033273</td>
<td>Foreign Tax Id: 6010001033273</td>
</tr>
<tr>
<td>Date of Birth:</td>
<td>Date of Birth:</td>
</tr>
<tr>
<td>Chapter 3 Status Code: Corporation</td>
<td>Chapter 3 Status Code: Corporation</td>
</tr>
<tr>
<td>Chapter 4 Status Code: Corporation</td>
<td>Chapter 4 Status Code: Corporation</td>
</tr>
<tr>
<td>Backup Withholding Begin Date:</td>
<td>Backup Withholding Begin Date:</td>
</tr>
</tbody>
</table>
Vendor Details in KFS/ Common Errors appearing on Audit Reports

- Last Name - no more than 40 characters (KFS allows 45)
- Address - no more than 40 characters for each line
- Postal code - no more than 10 characters
- Avoid **Invalid Characters** in Names and Addresses: * / ( ) - : & , ; ‘ -
  Remove all symbols, accents, characters and non-English alphabet

  The IRS does not like them!
Expiration of W-8 Form?

General Rules:

- W-8 Form expires
- W-9 forms do not

- A form W-8 is valid for three calendar years following the year in which the form was signed, and will expire on the last date of the third year.
  
  Example: A W-8 form signed on Jun-10-2016 will remain valid until Dec-31-2019 unless a change in circumstances that make information on the certificate inaccurate occurs earlier.

- A Form W-9 is valid indefinitely unless a significant change occurs (such as citizenship or tax ID number, which are unlikely).
Where to send the forms?

- Send forms W-8 and W-9 to DV Vendor Workgroups (for DV vendors), or to Purchasing (for PO vendors)
  - Do not send W-8 and W-9 forms to Tax!
- Upload all (other) immigration forms into Tax uploader tool: [go.iu.edu/nra-visit-upload](go.iu.edu/nra-visit-upload)
  - IU Tax is no longer accepting forms via fax
- NEW: Ask your vendors to provide their business email address & update in KFS. To elect for electronic consent of tax forms [Tax future project]
Other Types of W-8 Forms

1. **W-8ECI** – Effectively Connected Income
2. **W-8IMY** – A Foreign Partnership/ Trust/ Disregarded Entity
3. **W-8EXP** – A foreign government / International organization / Tax-exempt organization

a No need to collect W-8BEN/ W-8BEN-E, in addition (unless claiming treaty benefits)

b Exceptions apply
W-8BEN-E- Resources

1. Tax Website: go.iu.edu/W-8
2. IRS instructions to Form W-8BEN or W-8BEN-E
3. Email University Tax Services with questions: taxpayer@iu.edu
The W-8BEN for individuals and instructions can be found on the IRS website. It should be used by individuals to document their foreign status and claim any applicable treaty benefits.

**New Form Rev January 2017**

- [IRS Form W-8BEN](#)
- [IRS Form W-8BEN Instructions](#)
- [W-8BEN Example](#)

**For Individuals**

Form W-8BEN

(Rev. January 2017)

Department of the Treasury
Internal Revenue Service

**For Businesses**

Form W-8BEN-E

(Rev. July 2017)

Substitute Form for Non-FATCA Payments

Substitute Form W-8BEN-E for Non-FATCA Payments

Instructions for Substitute W-8BEN-E and electronic delivery consent (Page 2)

Substitute Form Example Template

Substitute Form Example Template with Examples (IU Internal Only, CAS Required)