



CATS – Jan 2018

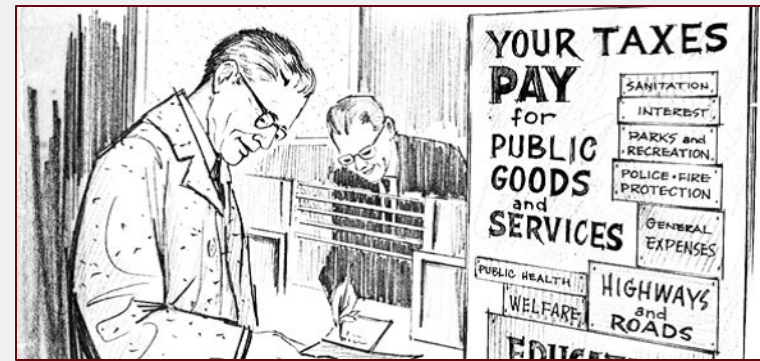
W-8BEN & W-8BEN-E



“The hardest thing
in the world to
understand is the
income tax.” –
Albert Einstein

Form W-8BEN-E

Susan A. Norrell, University Tax Manager
Ravit Shay-Sarraf, Tax Compliance Officer
University Tax Services
January 25, 2018



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]:

Report on 1099	<u>"US person" - W-9</u>	<u>Non-US – W-8</u>	Report on 1042-S
	Citizenship	Non Resident Alien	
	LPR –Green Card		
	Pass the SPT *		

- 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)**

Form W-8BEN-E (Rev. July 2017) Department of the Treasury Internal Revenue Service	Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities) ▶ For use by entities. Individuals must use Form W-8BEN. ▶ Section references are to the Internal Revenue Code. ▶ Go to www.irs.gov/FormW8BENE for instructions and the latest information. ▶ Give this form to the withholding agent or payer. Do not send to the IRS.	OMB No. 1545-1621
--	--	-------------------

2. **W-8BEN: for individuals [one page long]**

Form W-8BEN (Rev. July 2017) Department of the Treasury Internal Revenue Service	Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) ▶ For use by individuals. Entities must use Form W-8BEN-E. ▶ Go to www.irs.gov/FormW8BEN for instructions and the latest information. ▶ Give this form to the withholding agent or payer. Do not send to the IRS.	OMB No. 1545-1621
--	--	-------------------



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 *
- 2017- Good News! Tax approved the use of short version of the official W-8BEN-E Form (Rev. July 2017)
 - 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.

<p>Form W-8BEN-E (Rev. July 2017)</p> <p>Substitute Form for Non-FATCA Payments</p>	<p>Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)</p> <p>▶For use by entities. Individuals must use Form W-8BEN. ▶Section references are to the Internal Revenue Code. ▶Go to www.irs.gov/FormW8BENE for instructions and the latest information. ▶Give this form to the withholding agent or payer. Do not send to the IRS.</p>	<p>Instead use Form:</p> <p>IRS Form W-8BEN-E W-9 W-8BEN (Individual) or 8233 W-8ECI W-8IMY W-8ECI or W-8EXP W-8IMY</p>
<p>Do NOT use this form for:</p> <ul style="list-style-type: none"> ● FATCA withholdable payments ● U.S. entity or U.S. citizen or resident ● A foreign individual ● A foreign individual or entity claiming that income is effectively connected with the conduct of trade or business within the U.S. (unless claiming treaty benefits) ● A foreign partnership, a foreign simple trust, or a foreign grantor trust (unless claiming treaty benefits) (see instructions for exceptions) ● A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession claiming that income is effectively connected U.S. income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (unless claiming treaty benefits) (see instructions for other exceptions) ● Any person acting as an intermediary 		



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:

8	U.S. taxpayer identification number (TIN), if required	9b Foreign TIN	10 Reference number(s) (see instructions)
---	--	----------------	---

Either #8 or #9b REQUIRED for Tax Treaty (Part III)

Part III Claim of Tax Treaty Benefits (if applicable). (For chapter 3 purposes only.)

Part III - REQUIRED for TREATY

14 I certify that (check all that apply):

Check a a The beneficial owner is a resident of "Country Name" - Must Match Country above within the meaning of the income tax treaty between the United States and that country.

Check b b The beneficial owner derives the item (or items) 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 (check only one; see instructions):

Check 1 out of 10 boxes

<input type="checkbox"/> Government	<input type="checkbox"/> Company that meets the ownership and base erosion test *
<input type="checkbox"/> Tax exempt pension trust or pension fund	<input type="checkbox"/> Company that meets the derivative benefits test *
<input type="checkbox"/> Other tax exempt organization	<input type="checkbox"/> Company with an item of income that meets active trade or business test *
<input type="checkbox"/> Publicly traded corporation	<input type="checkbox"/> Favorable discretionary determination by the U.S. competent authority received *
<input type="checkbox"/> Subsidiary of a publicly traded corporation	<input type="checkbox"/> Other (specify Article and paragraph): _____

Do NOT check c 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).

15 Special rates and conditions (if applicable—see instructions):
 The beneficial owner is claiming the provisions of Article and paragraph _____ Article Number and Paragraph
 of the treaty identified on line 14a above to claim a _____ Rate _____ % 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



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

As appear in **KFS Vendor Detail:**

W-8 Type:	
Organization/Citizenship:	
GIIN Code:	W-8BEN-E Part III Tax Exempt Trust/Pens
Foreign Tax Id:	W-8BEN-E Part III Other Tax Exempt Org
Date of Birth:	W-8BEN-E Part III Public Traded Corp
Chapter 3 Status Code:	W-8BEN-E Part III Active Trade/Bus Test
Chapter 4 Status Code:	W-8BEN
Withholding Begin Date:	W-8BEN-E
Withholding End Date:	W-8ECI
Debarred:	W-8EXP
	W-8IMY
	W-8BEN-E Part III Government
	W-8BEN-E Part III Subsidiary Pub Trd Cor
	W-8BEN-E Part III Other ★



Vendor Details in KFS

Vendor Initiator: rshaydar Created: 09:39 AM 08/22/2017

[expand all](#) [collapse all](#)
* required field

Document Overview [hide](#)

Document Overview

* Description:

Organization Document Number: Explanation:

Vendor [hide](#)

Old		New	
General Information		General Information	
Vendor #:	206821-0	Vendor #:	206821-0
Vendor Parent Indicator:	Yes	Vendor Parent Indicator:	Yes
Vendor Name:	Japan Publications Trading Co Ltd	Vendor Name:	<input type="text" value="Japan Publications Trading Co Ltd"/>
Vendor Last Name:	<input type="text"/>	Vendor Last Name:	<input type="text"/>
Vendor First Name:	<input type="text"/>	Vendor First Name:	<input type="text"/>
Corporate Information		Corporate Information	
Vendor Type:	PO - Purchase Order	Vendor Type:	PO - Purchase Order
Is this a foreign vendor:	Yes	* Is this a foreign vendor:	Yes
US Tax Number:	<input type="text"/>	US Tax Number:	<input type="text"/>
Tax Number Type:	NONE	Tax Number Type:	<input type="radio"/> FEIN <input type="radio"/> SSN <input checked="" type="radio"/> NONE
Ownership Type:	CORPORATION	* Ownership Type:	<input type="text" value="CORPORATION"/>
Ownership Type Category:	<input type="text"/>	Ownership Type Category:	<input type="text"/>
W-9 Received:	<input type="text"/>	W-9 Received:	<input type="text"/>
W-9 Signed Date:	<input type="text"/>	W-9 Signed Date:	<input type="text"/>
W-8 Received:	Yes	W-8 Received:	Yes
W-8 Signed Date:	09/26/2016	W-8 Signed Date:	09/26/2016
W-8 Type:	W-SBEN-E	W-8 Type:	<input type="text" value="W-SBEN-E"/> NEW categories with LOB
Country of Incorporation/Citizenship:	Japan	Country of Incorporation/Citizenship:	<input type="text" value="Japan"/>
GIIN Code:	<input type="text"/>	GIIN Code:	<input type="text"/>
Foreign Tax Id:	6010001033273	Foreign Tax Id:	<input type="text" value="6010001033273"/>
Date of Birth:	<input type="text"/>	Date of Birth:	<input type="text"/>
Chapter 3 Status Code:	Corporation	Chapter 3 Status Code:	<input type="text" value="Corporation"/>
Chapter 4 Status Code:	<input type="text"/>	Chapter 4 Status Code:	<input type="text"/>
Backup Withholding Begin Date:	<input type="text"/>	Backup Withholding Begin Date:	<input type="text"/>



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
 - 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 ^a
2. **W-8IMY** – A Foreign Partnership/ Trust/
Disregarded Entity ^{a, b}
3. **W-8EXP** – A foreign government / International
organization /Tax-exempt organization ^a

^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



Financial Management Services University Tax Services



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 \[see for expiration\]](#)
- [W-8BEN Example](#)

Substitute Form W-8BEN-E for non-FACTA payments can be found below. **This version of the form has been reduced to a single page.** A second page of instructions includes electronic delivery consent. Please send both pages to vendors and/or return both pages to IU to consent to electronic delivery.

- [Substitute Form W-8BEN-E for Non-FACTA 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)

*** 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**

go.iu.edu/W-8

