

CONTROLLER'S UNIT BUSINESS PROCESS FORUM

INTERNATIONAL PAYMENTS & TAX WITHHOLDING



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Oregon State
University

What are
they?

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What are International Payments

Oregon State is subject to specific IRS rules when engaging with both Individuals and Businesses who are based outside of the United States.

IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities

IRS Publication 515 is applied when OSU makes any payment to:

- Nonresident aliens.
- Foreign corporations.
- Foreign partnerships.
- Foreign trusts.
- Foreign estates.
- Foreign governments.
- International organizations.

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Process Flow



International payments are sometimes also submitted to AP on a Payment Request form, particularly when foreign individuals are paid stipends.



Process Flow



International vendors can be onboard during the contracting, sourcing, or requisition phase, but often they are onboarded at the time we need to make payment for goods or services.



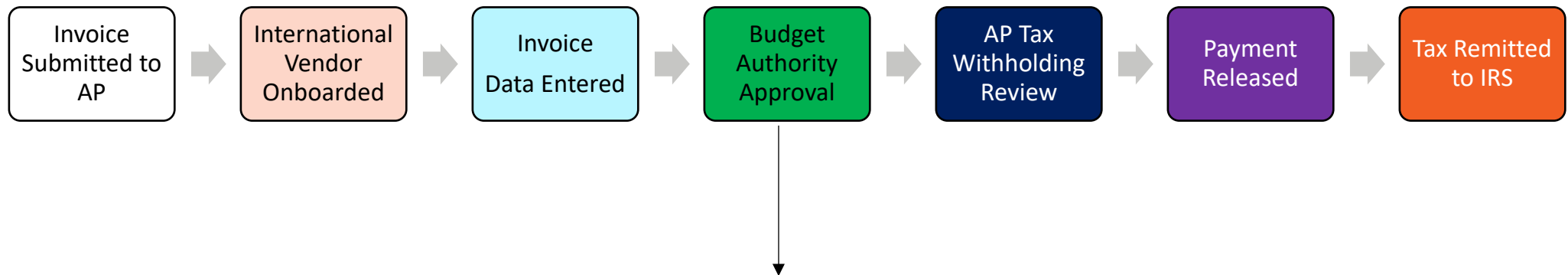
Process Flow



International invoices are data entered into BennyBuy by Accounts Payable the same as any other invoice for goods or services.



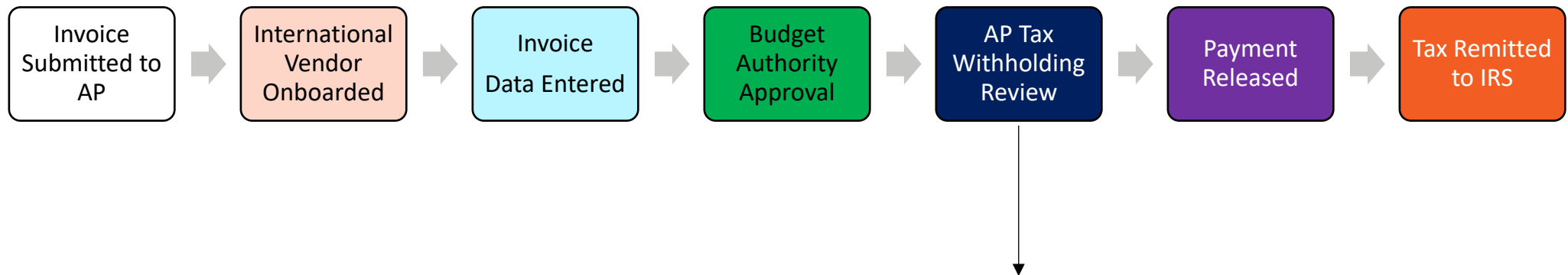
Process Flow



The same invoice approval workflow is invoked in BennyBuy as any other invoice, which ensures proper unit Budget Authority is obtained along with any other compliance approval steps that might be warranted.



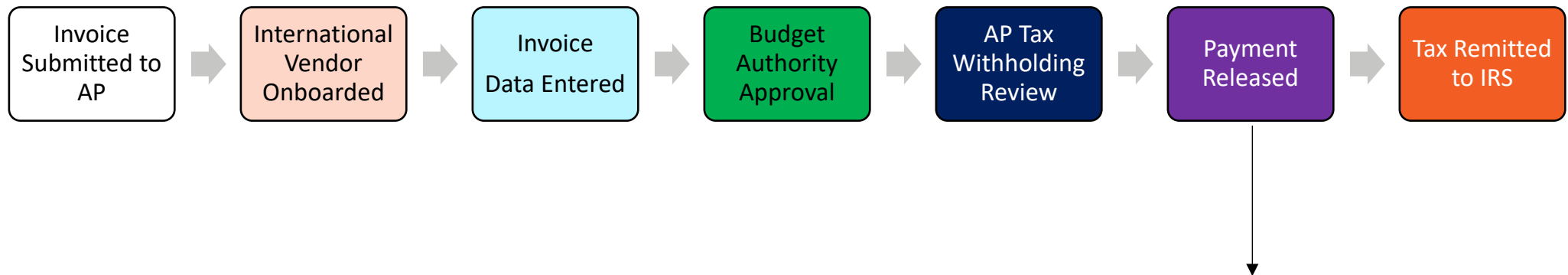
Process Flow



The AP NRA Review step in the BennyBuy workflow is a crucial step to collect additional information to help ensure a payment does not go out the door without proper tax withholding.



Process Flow



ACH and Checks are released in our regularly scheduled check runs Tuesday and Friday. Wire transfers must be directly entered and released at OSU's bank JPMorgan Chase.

*Invoices in BennyBuy paid by wire will ultimately get Rejected at the very end because neither BennyBuy or Banner is integrated with our bank for outbound Wires.



Process Flow



Every month OSU remits to the IRS all taxes withheld from International Payments. With swift penalties enforced on any tax payments paid late.

Penalties can be assessed up to 10% of the late tax payment.



Tax Withholding

Tax Withholding Basics

- Source of Income → US Source vs Foreign Source
- Tax Treaties → Business Profits, Services, Royalties, Students & Trainees
- Green Card & Substantial Presence → Treated as US Resident for Taxation
- F1 & J1 Visa Holders → Scholarships, Fellowships, & Grants
- Additional forms are required to claim treaty benefits. → W8 or 8233

Default tax rate for most types of income is 30%

Tips

- Departments can gross up payments to cover tax for International Payees.
- Expediting International Payments can be challenging.
- Get international invoices submitted to AP for processing as soon as possible.
- Not all foreign businesses are familiar with US Tax Laws.
- Find alternative US Based vendors for procurements when feasible.
- If any sort of Services are involved with a payment notating where services were performed can really speed things up.
- Software is the most complicated category of purchase to evaluate.



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