

Foreign Vendors for Use by TAMUCC

Purpose: TAMUCC uses many foreign individual and/or entity vendors in the process of procurement of goods and services. Each foreign vendor must have the correct paperwork on file with TAMUCC to become a vendor. It is the responsibility of the Procurement and Disbursements Department (P&D) to create and maintain an appropriate tax compliance program for procurement that allows for convenient, efficient method of collection, analysis of complete and relevant forms and data for taxation of foreign vendors. P&D is to be the Withholding Agent on all procurement to foreign vendors. Based on the foreign vendor's status, P&D is required to withhold tax from all U.S. Source Payments. They will perform this task by collection of all forms and to communicate with the vendor for consideration of withholding taxation as prescribed by the Internal Revenue Service (IRS).

Fundamental Question: Is the individual/entity treated as a U. S. "resident/taxpayer" or a "nonresident alien, not a U. S. taxpayer thus subject to the Foreign Account Tax Compliance Act (FATCA)" for U. S. tax purposes.

Question to Ask: Is TAMUCC procuring goods/product or services?

Goods or Product – The Department procuring will only be responsible to provide to the foreign vendor a Certificate of Foreign Status form (on Vendor Care Website) to fill out and return. The form must be complete and returned to VendorCare@tamucc.edu for processing. Based on the Certificate of Foreign Status, indicating the goods/product will be procured, the vendor will be contacted by P&D to provide the correct documents needed to become a vendor with TAMUCC. The forms must be complete and signed by an authorized person from the company or the individual, if a sole proprietor. P&D thru Vendor Care will determine based on analysis of the vendor, the W-8Ben, W-8Ben E, Form 8233, W-8ECI, W-8EXP, W-8IMY or in some cases a W-9. The vendor will be reviewed and then Vendor Care will submit the request to create the vendor in IslanderBuy/AggieBuy. No taxation will be required on the procurement of Goods or Product, but all the correct forms are still required.

Services/Stipends/Reimbursement/Royalty: Doing business with a foreign vendor for any service, stipend, reimbursement or royalty must be considered based on applicability of tax, the tax withholding rate, the eligibility of the payment for a tax treaty exemption, the reporting of the payment as income and the actual payment of the withholding tax to the IRS.

The department procuring will only be responsible to provide the foreign vendor a Certificate of Foreign Status form to fill out and return. The form must be complete and returned to VendorCare@tamucc.edu for processing. Based on the Certificate of Foreign Status indicating that service/stipend/reimbursement/royalty will be procured, the vendor will be contacted through Glacier. Glacier is a software that helps TAMUCC comply with all tax rules for foreign vendors. The software sends an email (support@online-tax.net) asking the foreign vendor to provide the correct documents, (see above list) or to log into the Glacier system to provide what is needed to become a vendor with TAMUCC. The forms must be fully completed and signed by an authorized person from the company or the individual, if a sole proprietor, and returned to Vendor Care. The vendor will be reviewed and then Vendor Care will submit the request to create the vendor in IslanderBuy/AggieBuy. If the vendor is exempt, then no tax will be withheld at the time of payment but they will be reported in Glacier for submission of form 1042-S. If the foreign vendor does not qualify for exemption, they will need to be taxed at the time of payment based on the determination of their status by Glacier, max rate of 30% but can be lower based on Exemption. Review of the foreign vendor for taxation is done for each purchase at the time of payment.

Payment of Foreign Vendors – all foreign vendors must be paid by Wire Transfer only. Select the Wire Transfer payment method in IslanderBuy.

Note: Procurement with a foreign vendor does not have an immigration component. Although immigration laws may have an impact on U.S. tax residency determinations, they are completely different concepts.

Foreign Vendor Tax forms are only good for **3 calendar years** from the date signed by the vendor.

For more information please contact VendorCare@tamucc.edu or Cynthia.Turner@tamucc.edu