

International Tax Compliance

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Agenda

- Sprintax Calculus
- Residency Status for Tax Purposes
- International New Employee Tax Process
- Payments to Employees
- Gifts, Awards, and Prizes
- Scholarship Payments
- Tax Treaty Benefits
- Tax Reporting
- Resources
- Additional Information



Sprintax Calculus

- Sprintax Calculus is an online platform that helps international students, faculty, and staff determine their residency status, review tax treaty eligibility, and generate tax forms.
- The system allows users to securely enter their information into the system anywhere, anytime.
- How to videos are available on the Sprintax website.
 - <https://hs.sprintax.com/sprintax-calculus-questionnaire-knowledge-base>

sprintax



Residency Status for Tax Purposes

- Resident (RA)
 - Green Card Test (Lawful Permanent Resident)
 - Substantial Presence Test (SPT)
 - Total must exceed 182 days
 - Exemptions from SPT
 - F-1 or J-1 Student Visa for 5 calendar years
 - J-1 Researcher Visa for 2 years in a 6-year lookback period
- Nonresident (NRA)
 - No standard deduction
 - Only taxed on U.S. sourced income
 - Exempt from FICA tax
- [IRS Publication 519](#)



International New Employee Tax Process

- Sprintax Questionnaire
- Form W-4
- Form NC-4/NC-4NRA
- Treaty documents (if available)



Payments to Employees

- Wages
- Travel Reimbursements – Accountable Plan
- Gifts, Awards, and Prizes
- Scholarships



Gifts, Awards, and Prizes

- Gifts, awards, and prizes paid to NRAs might be subject to 30% withholding
- [University Policy 602.11](#)
- Forms:
 - [Appendix B](#) – Reportable Gifts, Awards & Prizes Documentation Form
 - [Sprintax](#) (if employee)
 - [Foreign National Information Form](#) (if non-employee)



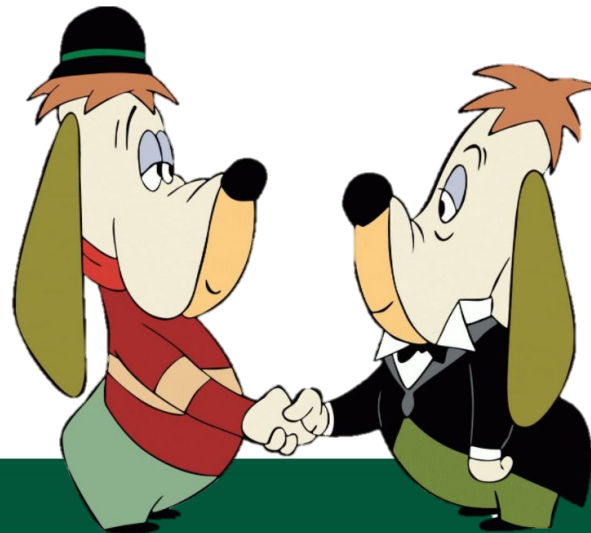
Scholarship Payments

- Qualified Expenses
 - Expenses required for enrollment (Tuition and Fees)
 - Not taxable
- Nonqualified Expenses
 - Expenses that are not required for enrollment
 - Examples:
 - Travel awards
 - Room and Board
 - Ancillary Fees
 - Subject to a 14% withholding for students on an F, J, M, or Q visa
 - Subject to a 30% withholding for all other visa types



Tax Treaty Benefits

- Treaties offer tax exemptions to international employees who are tax residents (not necessarily citizens) of a treaty country and meet specific criteria as defined by the treaty
- Treaty Forms:
 - [Form 8233](#)
 - [Form W-8BEN](#)



Reportable Payments

- International employees may receive a Form W-2, Form 1042-S or both for the calendar year
- [Form W-2](#)
 - Provided to employees
 - Includes employment wage and withholding information
 - Must be provided to the individual by January 31st
- [Form 1042-S](#)
 - Provided to all international people who received a payment that was subject to withholding or was exempt from withholding under tax treaty benefits
 - The information included in this form is necessary to accurately complete their tax returns
 - Must be provided to the individual by March 15th



Reporting Requirements

- Nonemployee with no U.S. income
 - Complete [Form 8843](#)
- Employee
 - Receive your tax forms from all U.S. employers
 - Complete federal and state tax forms
 - [Form 1040NR](#)
 - [Form D-400](#)
 - [Form 8843](#)
- Due Date: April 15th
- Sprintax Returns
 - Limited number of discount codes provided by ISSO



Questions?



Resources

- Tax Office website
 - <https://finance.charlotte.edu/about-us/offices/controllers-office/tax-office>
- IRS Website
 - <https://www.irs.gov/>
- NCDOR Website
 - <https://www.dor.state.nc.us/>



Contacts

- Tax Office
 - Reese Building, 3rd Floor
- Tax Accountants
 - Ramon Robinson 7-5758
 - Lisa Hall 7-5742
- Assistant Controller – Tax and Payroll
 - Marlo Hardiman 7-1147



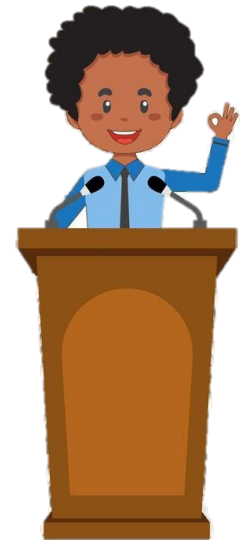
Additional Info...



Payments to Independent Contractors

General Rule

- Must withhold federal income tax from all income payments made to or on behalf of an NRA
 - Withhold at 30% unless
 - The payment falls under a tax treaty
- and**
- All the requirements for the treaty are met



Payments to Independent Contractors

- Step 1: Complete Vendor Setup Forms
 - Complete Independent Contractor Checklist
 - Foreign National Information Form
 - Nonstudent and Student Versions
 - Form W-8BEN
 - Copies of immigration documents may be requested
- Step 2: Complete Electronic Check Request (eCR)
 - Be sure to indicate that the payment is to a foreign payee and whether you would like the payment grossed up



Honorarium Payments

9-5-6 Rule

- Restrictions include:
 - Payment must be for usual academic activity
 - Lasting not longer than 9 days at any single institution, and
 - The individual has not accepted similar payments from more than 5 institutions,
 - In the previous 6-month period
- Applies to covered visitors on a temporary visa
- Covered visitors include:
 - B-1 & B-2 visas
 - Visa Waivers
 - Valid border crossing card (Canada)



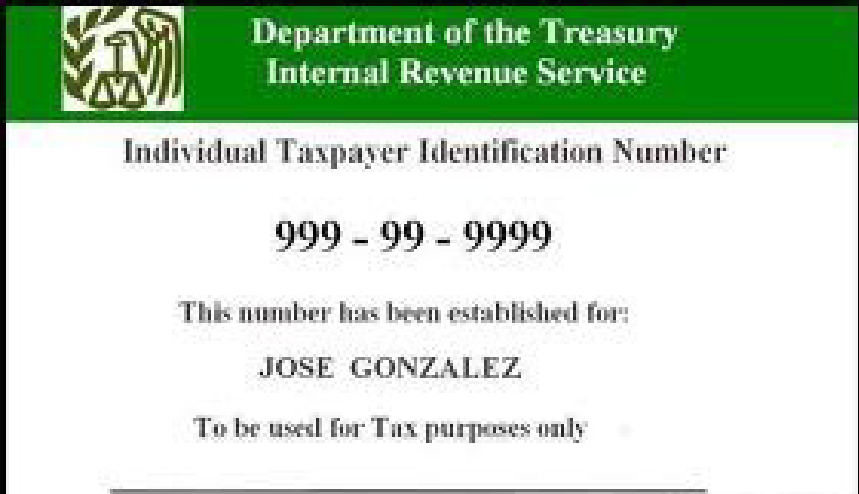
NC 4% Withholding

- NC Statute requires withholding at a rate of 4% on cumulative payments over \$1,500 during a calendar year for certain personal services performed in NC by nonresidents and ITIN holders
- For purposes of the 4% withholding, the personal services subject to withholding are limited to the following personal services in connection with:
 - A performance
 - An entertainment or athletic event
 - A speech, or
 - The creation of a film, radio, or television program
- [What is the North Carolina 4% withholding tax?](#)



Services provided in NC by ITIN Holders

- An ITIN is an Individual Taxpayer Identification Number issued by the IRS
- Usually NRAs have ITINs unless they have been employed on a working or student visa
- Only applicable to individuals
- Services are defined as services performed in NC for compensation paid to a non-employee



Department of the Treasury
Internal Revenue Service

Individual Taxpayer Identification Number

999 - 99 - 9999

This number has been established for:

JOSE GONZALEZ

To be used for Tax purposes only



Royalties

- Payment for the use of intellectual property
 - Examples include:
 - Rights to music, movies, literature
 - Software licenses
- Submit Form W-8BEN-E
 - To determine the residency status of the payee prior to payment
 - To determine if treaty benefits are available, depending on the country



Royalties – Canadian Example



- Maple Software Inc.
 - Canadian software vendor providing the University with software licenses
 - Received their Form W-8BEN-E

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

14 I certify that (check all that apply):

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

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):

<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 checked="" 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): _____

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 12
of the treaty identified on line 14a above to claim a 0% rate of withholding on (specify type of income): Software Royalties
Explain the additional conditions in the Article the beneficial owner meets to be eligible for the rate of withholding: Tax resident of Canada
with no permanent establishment deriving profits in the U.S.



Gross-up Option

- Additional amount added to a payment to cover the tax withholding due
- The IRS considers taxes paid on behalf of an individual to be taxable income to the individual; therefore, the tax withholding will exceed 4%, 30% or 34% of the invoiced price
- Select gross up option on eCR

Step 2: Request Type

Identify Payment Type* IRB(Institutional Review Board) # IF
Applicable

Please select...

This payment MAY be taxable, click here to gross up the payment.

- Include fund to charge if different from one used on eCR
 - Restricted funds cannot be used for gross up
 - Federal 30% NRA withholding
 - NC 4% out-of-state payee withholding



Summary

General Rule: All payments are subject to withholding unless an exclusion exists

- **Compensation to Non-US Citizens**

- Employee

- Wages / Salary
 - Travel Reimbursement / Payment

Taxable

Accountable Plan

- Independent Contractor

- Ind Per Services / Consulting Fees
 - Honorarium / Guest Speaker Fees
 - Travel Reimbursement / Payment
 - Other

Taxable (30%)

Taxable (30%)

Accountable Plan

Taxable (30%)

- **Royalties**

Taxable (30%)

- **Scholarships to Non-US Citizens**

- Tuition / Fees
 - Room / Board
 - Book Allowances
 - Travel Award

Excluded under Section 117

Taxable (14%)

Excluded under Section 117

Taxable (14%)

- **Gifts, Awards, and Prizes**

Taxable (30%)

