



Southern Methodist University Foreign Payees - Frequently Asked Questions

1. What is the review process for payments made to foreign payees?

All payments to foreign payees must be reviewed and approved by SMU's [Foreign Nationals Office](#) (foreignnationals@smu.edu) prior to the payment being made. SMU recommends that a department contacts the Foreign Nationals Office as soon as the engagement of, or purchase from, a foreign individual or entity is being considered. Information and procedures are provided on the [Non-Payroll Payments](#) page.

2. What information is required to request a payment to a foreign individual?

Refer to the information and procedures on the [Non-Payroll Payments](#) page. A payment request to a foreign individual should be supported by the following documentation (submitted with the payment request):

- SMU's [Foreign National Information Form](#) (FNI Form)
- Copy of Passport Identity Page
- Additional identification documents requested on the FNI Form per the foreign individual corresponding visa type
- [Form W-8BEN](#) if foreign payee is a new "supplier" (vendor) for SMU
- SMU's [Independent Contractor Determination Checklist](#) (only required for payments for services, such as honorarium payments)
- Receipts for reimbursement of travel, lodging, and business expenses

3. What information is required to request a payment to a foreign entity?

A payment request to a foreign entity should be supported by the following documentation (submitted with the payment request or invoice):

- Invoice, SMU purchase order (PO), or contract
- The applicable Form W-8 if the foreign entity is a new "supplier" (vendor) for SMU

→ Form [W-8BEN-E](#) is the most common form used but there are other various W-8 Forms applicable per the entity type. Refer to the chart below in FAQ #6.

4. When is a Form W-8 required?

Reporting requirements differ for U.S. (domestic) and non-U.S. (foreign) payees. Form W-8 is the equivalent of Form W-9 for a foreign payee. Form W-8 represents certification that the payee is a non-U.S. person or entity, and it contains certain payee identification information (formal name, tax identification number, address) that enables SMU to determine if tax reporting and/or tax withholding is required for the payment. There are several versions of the Form W-8 to address different payees. (See chart below in FAQ #6.)

The tax treatment of payments to foreign payees depends on what SMU is paying for and where the transaction takes place (the "source" of the income). Certain sections of the Form W-8 may be completed by the payee to claim a tax treaty exemption (if applicable) for otherwise taxable income.

5. Does an SMU employee need to complete or obtain a Form W-8 if traveling abroad and making payments abroad?

An SMU employee who is traveling abroad on SMU business may purchase goods or services from a foreign vendor when traveling outside of the U.S. by using an SMU Credit Card, a cash advance, or the employee's own personal funds. Regardless of the method of payment, the expense documentation (receipt, etc.) for legitimate business expenses should include a note that the expense pertains to goods purchased or services performed outside the U.S., while the traveler is abroad. **A Form W-8 is not required in this instance.**

6. Where are Forms W-8 located?

Current Forms W-8 are available on the IRS Website. There are several versions of the Form W-8 to address different payees. Please refer to the chart shown below.

Type of Payee	Form W-8	Other Documentation Required	Links on IRS Website
Foreign Individual	W-8BEN	Identification documents per visa type. See the Visa Information Section on SMU's Alien Determination of Residency Form	https://www.irs.gov/pub/irs-pdf/fw8ben.pdf
Foreign Entity	W-8BEN-E	None	https://www.irs.gov/pub/irs-pdf/fw8bene.pdf
Foreign tax-exempt institution (e.g., University)	W-8EXP	IRS exemption letter or opinion of counsel for tax exemption	https://www.irs.gov/pub/irs-pdf/fw8exp.pdf
Foreign Entity with effectively connected U.S. Income	W-8ECI	None	https://www.irs.gov/pub/irs-pdf/fw8eci.pdf
Foreign Intermediaries and Agents	W-8IMY	Form W-9, W-8BEN, or W-8BEN-E from beneficial owner	https://www.irs.gov/pub/irs-pdf/fw8imy.pdf

7. Is a Form W-8 required every time a payment request is submitted for a foreign payee?

Generally a Form W-8 will remain valid for three years unless a change in circumstance makes any information on the form incorrect or incomplete. Because the IRS updates Form W-8 frequently, SMU requests our vendors to have the most current updated version of Form W-8 on file when submitting a payment request. Submit the payee's applicable Form W-8 with the payment request or invoice.

8. What is the expected timeframe for the Foreign Nationals Office's payment review?

SMU's Foreign Nationals Office will review the payment request within 5 business days of receiving it. If any additional information is required and/or tax withholding is applicable, the Foreign Nationals Office will contact the department.

9. What are "Goods and Services"?

Goods are something that one can use or consume. Goods are tangible property owned by the purchaser and can be used once or repeatedly. Goods must be legitimate business expenses to be eligible for payment.

Examples of Goods:

- Books
- Food
- Furniture
- Office supplies
- Printers, computers, and computer hardware

Services are actions that performed for, or on behalf of, SMU. The purchaser of services does not receive any tangible goods.

Examples of Services:

- Labor to install, assemble, dismantle, adjust, repair, or maintain tangible property
- Labor to install, configure, modify or upgrade a computer program
- Maintenance contracts; contracts for service (but not the purchase of a warranty agreement itself)
- Rental of items to be used abroad only (i.e. hotel room rental fees, car rental fees, etc.)
- Other services (i.e. cab services, restaurant charges for meals, copying or printing services, mailing services, etc.)

The following are NOT **Services**:

- Licenses for usage – permission to use [someone else’s] property (including software licenses)
- Rental of property to be used in the U.S.
- Royalty or copyright fees
- Patent fees

10. Are rental and royalty fees subject to tax?

Rental and royalty fees for intangible and tangible property to be used in the U.S. may require tax reporting and withholding by the University. In some cases, there may be applicable tax treaty benefits (reduced rate of withholding) for the payee, but the payee must provide additional information on the appropriate Form W-8 to claim tax treaty benefits.