

UCLA CORPORATE FINANCIAL SERVICES

OPERATING ABROAD – TAX AND OTHER ISSUES

Scott Monatlik
Director of Tax Services

Hiring Independent Contractors Abroad

- To minimize risk
 - Work with with a local university and use their employees, or
 - local employment agency.
- Avoids local employment tax issues since the local university or agency assumes the responsibility for payroll administration and reporting.
- If the above options cannot be identified, hiring a foreign contractor directly may be necessary. However, the degree of risk posed to the University in the foreign country should be considered.

Hiring Independent Contractors Abroad - Risks

- Improper classification of an employee as an independent contractor
 - Laws regarding what constitutes a contractor may vary by country. Improper classification can result in penalties and fines from the local government and claims from the contractors for employment benefits, insurance etc.
- Compliance with local income tax withholding, tax filing and tax reporting requirements.
 - Laws vary as to whether the paying agent or the contractor must make the required income tax payments.
 - Payments to human subjects may be subject to withholding and reporting requirements.
- Although not advisable, cash payments may be necessary in remote areas where banking facilities are not available. Employees making cash payments should maintain adequate documentation and account for expenses timely, to avoid being subject to income tax liability.

Permanent Establishment

- University activities conducted in a foreign country will be subject to taxation and other regulatory requirements in that country if the University has a taxable presence or permanent establishment
 - The University does not automatically enjoy non-profit status in a foreign country).
- Tax treaty Countries - In general, PE is created when the entity conducts operations through a fixed place of business
 - Hiring an independent contractor who does not have the ability to conclude contracts will not likely create PE.
- If the U.S. does not have a tax treaty with the country, then the local laws will determine whether the University's activities are subject to the taxing jurisdiction of the country.

Resources

- UC System wide contract with outside consulting firm that advises on international operations issues.
 - If a department wants advice on a particular country you can work with UCLA Tax Services and our outside consultants. UCOP may cover a portion of the charges and the rest would be charged to the department.

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TRAVEL ADVANCES

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Qualification for Travel Advance

- **Travel advances made via EFT to employee's bank account. Also, we can issue a check.**
- **Employees**
Employee's on payroll that meet one of the following criteria
- **Long term travel**
Travel 30 days or more
- **Student groups**
Group leader's for student groups
Group leader's must be on payroll
Group leader's must travel with the student group
- **Last minute business travel for new employees**
Travel within 5 business days
** T&E visa cards can typically be issued and delivered within 3 business days.

TRAVEL ADVANCE POLICY

- **G-28 Travel Regulations, page 11, 3.b**
<http://policy.ucop.edu/doc/3420365/G-28>
- **Issuance of an advance**
No more than 7 days prior to trip
- **Reconciliation**
Travel advances must be received in travel accounting within **21** days from the return date of the trip. Outstanding travel advances exceeding **45** days or more will be charged to the FAU listed on the travel advance and the employee will be taxed for the entire amount issued in the travel advance.
- **Department Approval**
Travel advances must be approved by the funding departments
CAO/CFO

Expenses

- **Approved Travel Expense**

Hotels, apartment rentals, non-commercial facilities

*camp grounds

Meals, incidentals and tips

Taxi, bus, train, shuttles

- **Approved Non-Travel Expenses** (expenses incurred while on travel)

Hosting Entertainment events

Miscellaneous business items such as printing and office supplies

Day labors – not advisable but *maximum \$20 per day per person

Museums tickets, event tickets *business purposes only

UNAPPROVED EXPENSES

- Airfare
- Salaries
- Electronic items such as computers, camera's, printers
- Building materials
- Donations and sponsorships
- Travel expenses for family members who are not on business travel

REQUESTING ADVANCE

- Email travelacct@finance.ucla.edu a copy of your anticipated expenses and budget.
- Upon approval you will receive a Travel Advance form to complete
- Please be sure the advance form is approved by the funding department's CAO/CFO or higher.