Overseas Campuses: Collective Bargaining, Labor Relations, and Tax Compliance

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Tax compliance considerations for universities operating abroad

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International business trends

► OECD influence (e.g., BEPS)

► Permanent establishment (PE)

► Independent contractor vs employee classification

► VAT/GST (India, GCC)

► U.S. reporting (of foreign activity)
Primary risk areas

1) Are you violating laws or regulations or a foreign country?

- Does your activity need to be approved by a local governing body? (MOE, MOH, etc.)
- Permanent Establishment (PE) – do you have a “fixed place of business”, and report your activities?
- Employer obligations – do you have reporting and labor responsibilities for individuals working locally on your behalf?

2) Collaborative/Partner – “blind reliance” with legal and regulatory responsibilities

3) Discovery - the potential that regulatory violations will be discovered by local officials.
Common assumptions

► “We’ve been doing this for a long time and never been in trouble”

► “Our foreign partners take care of everything and are responsible for issues, not us”

► “Educational or research activities don’t require registration and are non-profit abroad too”

► “Our foreign “contractors” would never turn on us”

► “Employees on U.S. payroll don’t have to pay taxes abroad”

► “Other schools are doing it this way….they must be doing it right”
### Going global – some potential considerations

**As an employer …**

- Those paid as contractors may qualify as employees
- Employees traveling abroad have immigration, tax and social security obligations
- Local labor and employment laws for those hired locally

**As a reporting entity …**

- Activities qualify as fixed place of business in foreign country, which may lead to creating PE
- Required registration
- Required tax filings
- VAT and other statutory reporting
- US reporting obligations
Summary – items to consider

▸ Regulatory considerations:
  ▸ Necessary approvals
  ▸ PE and legal registration
  ▸ Taxes (both direct and indirect taxes)
  ▸ Reporting requirements
  ▸ Labor law and immigration requirements

▸ Consult with advisors with local country expertise