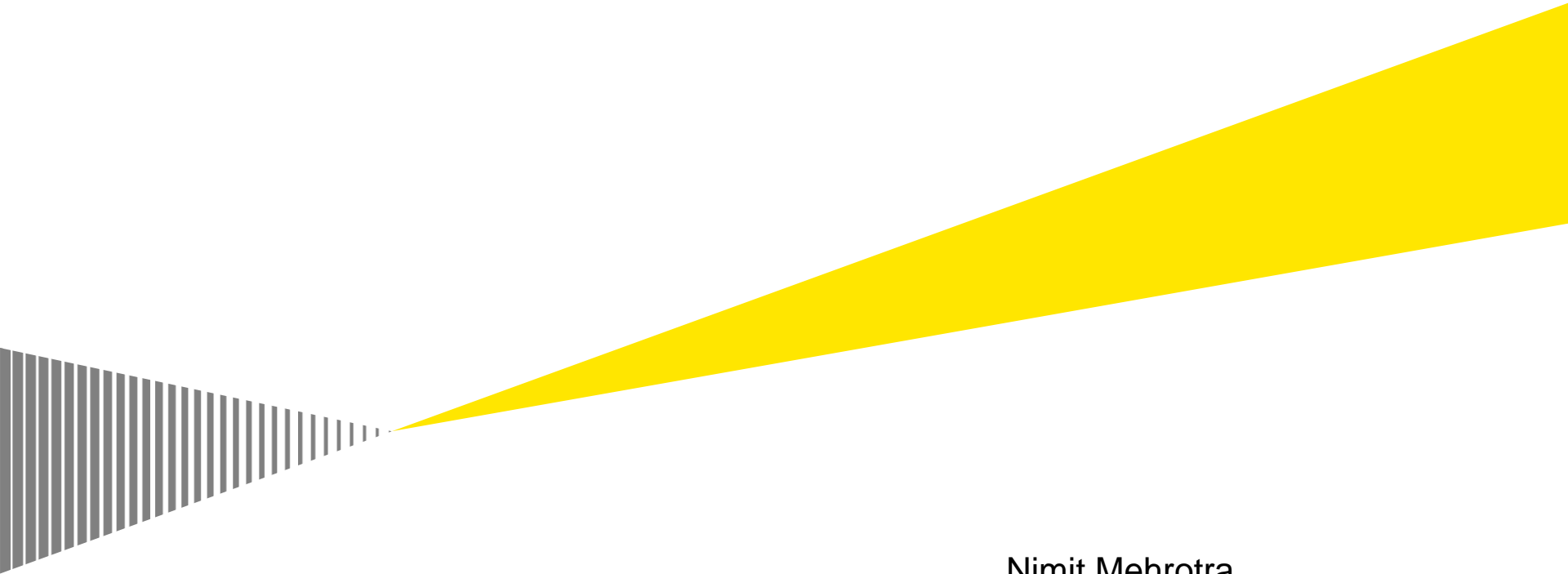


Tax compliance considerations for universities operating abroad



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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