



# Policy for Non-U.S./ Foreign Vendors

## Flowserve policy for foreign (non-U.S.) vendors

Effective immediately, in order to comply with the United States Internal Revenue Service (IRS) withholding and reporting requirements, Form W-8 is now required to be provided by all non-US (foreign) vendors to certify their foreign status.

The foreign vendor that sells only tangible goods, such as parts, tools, land, buildings, equipment, and "off the shelf" computer software packages to Flowserve will only need to certify their foreign status. In addition, the foreign vendor that NEVER provides services in the United States will only need to certify their foreign status. However, certification of foreign status **and** substantiation are required for any service as defined and described below. Please note that if the sole purpose of the Form W-8 is to certify foreign status, the vendor will be required only to complete the portion of the relevant Form W-8 showing name, entity type and certification of the form. (See "IRS Tax Forms/Instructions" page for the various Form W-8. The correct form to use will depend on the foreign vendor's facts. This page is also where you will find links to the actual forms and instructions.)

### U.S. source income/potential treaty benefit claim:

The IRS requires that all payments made to foreign vendors be made in accordance with IRS regulations. These regulations require that when services (see "Service Definition/Required Documentation") are provided **inside the U.S.** (i.e., U.S. Source Income), tax of 30% be withheld from payments made to foreign vendors **unless** the income is exempt, or subject to a lesser rate of withholding, under a provision of a tax treaty between the foreign vendor's country and the U.S. If a treaty exemption is claimed to avoid withholding, the vendor generally must have a United States taxpayer identification number. (See "Obtaining a U.S. Taxpayer Identification Number".) If the foreign vendor has no U.S. source income, the Form W-8 will still be necessary to certify the vendor's foreign status.

### FATCA status disclosure:

New regulations, effective July 1, 2014, now require a new type of foreign withholding. The new rules were put in place as part of the Foreign Account Tax Compliance Act (FATCA). The term "withholdable payment" is used for the payments subject to the new withholding.

### Withholdable payments include:

- Interest
- Dividends
- Lending transaction payments
- Forward, futures, options, or notional principal contracts
- Investment advisory fees
- Custodial fees
- Bank or brokerage fees
- Premiums for insurance or annuity contracts
- Cash-value insurance or annuity payments

FATCA withholding only applies if withholdable payments are to a foreign bank or other foreign financial institution that has not signed a FATCA agreement with the IRS or a passive nonfinancial foreign entity (NFFE) with undisclosed substantial U.S. owners. The vendor must indicate its FATCA status on the Forms W-8 which have been revised to include this information. Under FATCA, withholding will be required if certain payments are made to a foreign entity that does not disclose the U.S. account holders. **In general, FATCA withholding will not apply to Flowserve foreign vendors; however, if Flowserve is making a payment to the vendor that is a "withholdable payment", the FATCA status of the vendor must be disclosed on the Form W-8 provided to Flowserve to prevent unnecessary withholding.**