COLORADO STATE UNIVERSITY
Financial Procedure Instructions FPI 2-23

1. **Procedure Title:** CSU International Employment

2. **Procedure Purpose and Effect:** The purpose is to define the procedures for international hires.

3. **Application of Procedure:** A hire meeting any of the following criteria is considered an international hire:
   
   A. A U.S. national who will live and work in a foreign country ("Expatriate")
   
   B. A non-U.S. national who will work in their home country ("Local National")
   
   C. A non-U.S. national who will work in a country that is not their country of citizenship ("Third Country National")

4. **Exemptions:** None.

5. **Definitions:** The following are frequently used terms specific to international assignments:

   A. **Cost of Living Adjustments (COLA)** – is a set of allowances granted to expatriate employees to help offset the cost of deployment in an expensive location overseas. Often, a flat rate as a percentage of base salary is used, based on U.S. State Department rates.

   B. **Currency Fluctuation** – if local currency devalues more than five percent each year due to inflation or exchange rates – therefore seriously compromising the purchasing parity of the employee – department management may need to review the situation. Typically, this situation is mitigated by either an increase to salary, or by a one-time currency shortfall payment.

   C. **Expatriate (expat)** - is an individual temporarily or permanently living in a country and culture other than where she/he was brought up. For the purpose of this guide, this strictly refers to U.S. nationals (citizens, or permanent residents) working abroad on international assignments.

   D. **Foreign Corrupt Practices Act (FCPA)** – is a law enforced by the Securities and Exchange Commission/Department of Justice which dictates that no employee or individual working on behalf of CSU is permitted to provide anything of value to foreign officials in order to garner a preferred business environment for the University. Definitions of both “value” and “foreign official” are extremely broad and penalties for non-compliance are severe. Contact OGC for guidance.
E. **Local National (host country national, local hires, locals)** – are staff who are hired within their home country to work on an assignment in that location. These individuals will generally be granted fringe benefits customary with local practice, but not any additional allowances. Typically, salaries are based on local pay scales rather than CSU systems.

F. **Home-based** – relating to the country of origin for an employee (generally the U.S.) and most used in terms of benefit or compensation packages.

G. **Host-based** – relating to the country of assignment, and most referenced in benefit or compensation packages

H. **Permanent Establishment (PE)** – refers to a fixed place of business, and can be triggered by a variety of actions, including hiring of staff, leasing office or other real estate space, creation of a bank account, sale of products or services, etc. Once classified as permanently established in a foreign location, CSU could in some cases become liable for income or value added taxes. In addition, there may be other operational fees or regulations triggered by PE.

I. **Professional Employment Organization (PEO)** - is a company through which CSU can engage employees abroad while limiting exposure to permanent establishment or other regulatory risks. The PEO becomes the Employer of Record, for tax and insurance purposes, and manages tasks such as payroll, benefits, risk/safety, and other issues. However, the actual work conducted generally includes formal or informal reporting lines to CSU to ensure monitoring and performance of tasks. Mauve Group (DBA Coral Sunset) is the PEO that CSU has contracted with to place employees abroad.

J. **Tax Treaty** – a bilateral agreement made by two countries to resolve issues involving double taxation of certain items of active and passive income.

K. **Tax Residence** – defines the country in which an individual will be responsible to pay taxes in a given year. The definition varies from country to country, but in most places, physical presence is the critical factor. In other countries, ownership of a home or availability of accommodation, family, financial interests, and immigration status come into play. Residence should not be confused with “Domicile”, which is in common law a different legal concept.

L. **Third-Country National (TCN)** – an employee working in an assigned country who is neither a national of the assignment country nor the U.S.

6. **Procedure Statement:**

Regardless of the duration of the assignment, the global employment environment is very complex, and each case is unique. Visa requirements, work authorizations, employment laws, tax regulations, and employee benefits vary by country, and they can change with little to no notice. Poor planning can result in immigration issues, tax penalties and other avoidable costs.

We must be cognizant of each country’s regulations and strive to responsibly and fairly engage staff to balance the financial, legal, and reputational risks for the University and for our staff members.

Although CSU does not directly employ foreign nationals abroad, this procedure instruction identifies potential options available to meet international hiring needs.

The Foreign Tax Office is the first point of contact for overall assistance with questions about operating internationally. It assists faculty and staff with developing solutions to doing business abroad and serves as the primary liaison with CSU’s outside consulting firm, specializing in global employment and expansion.
The following options for international hires are based on university policy and are guided by country laws. Please be aware that consultation with an outside specialist may be necessary. The selected option must be approved by Foreign Tax.

Four options exist for international hires:

A. Affiliate with an established organization in the host country

1. Department identifies the affiliate partner in host country. Office of International Program’s Coordinator for International Partnerships may be able to help. Reach out to OIP for more information.

2. Department contacts partner organization to conduct due diligence regarding their capacity to hire.

3. Department drafts agreement, including scope of work, with affiliate partner organization and forwards to department chair for approval, seeking assistance from Office of General Counsel as needed.

4. The department chair forwards the agreement to CSU’s Export Control Officer for export control review. Copy the department’s OSP Senior Research Administrator (SRA), if services will be billed to a 53 account.

5. The department submits a Kuali Requisition (REQ), attaching the agreement/SOW.
   
   i. REQ should be requested in amount sufficient to cover all anticipated expenditures or $10,001, whichever is greater.

6. REQ is assigned to a Purchasing Agent, who signs the contract/SOW or obtains necessary signature(s).

7. Department pays partner organization’s invoices for services rendered, as due.

   i. Affiliate org sends invoices to responsible A/P tech who creates Payment Request (PREQ), attaching invoice and sending for review and approval by department

   ii. Department reviews and approves invoice for payment

B. Place the employee with CSU’s professional employment organization (PEO)

1. Department provides Foreign Tax Office with worker’s name, country of residence and salary. With this information, Foreign Tax may request a cost proposal from PEO.

2. Department provides assignment details to CSU’s Export Control Officer for export control review.

   i. Copy the department’s OSP Senior Research Administrator (SRA), if services will be billed to a 53 account.

3. Foreign Tax will then:

   i. Receive cost proposal from Mauve Group

   ii. Forward to department for department head signature

   iii. Return signed cost proposal to Mauve, along with a copy of the job description

   iv. Request that Mauve proceed with preparing the Statement of Work (SOW)
4. Department submits Kuali Requisition (REQ)
   i. Amount should equal anticipated expenditure or $10,001, whichever is greater
   ii. Note: select Coral Sunset (Mauve’s U.S. entity) as vendor
   iii. Attach cost proposal and SOW
   iv. The assigned Purchasing Agent will create a P.O. from the REQ and sign the SOW or obtain necessary signature(s)

5. Foreign Tax and Department collect additional employee information, as needed, and coordinate with PEO to complete remaining documentation.

6. On a monthly basis, the Department and Accounts Payable share the following responsibilities:
   i. Accounts Payable receives invoice from PEO, referencing P.O. number. A/P creates Payment Request (PREQ) and sends to departmental P.O. arranger for review and approval.
   ii. Department reviews and approves invoice; pays invoice by due date*. Department notifies Foreign Tax of any changes to payroll, authorizes reimbursements, and notifies Foreign Tax of same.

*PEO billing terms are Net 10. It is critical that invoices be paid promptly when received.

C. Remain on, or join, CSU payroll

1. Contact HR – consult HR Liaison on new hiring needs (can be omitted for existing hires).
2. Consult Foreign Tax regarding tax threshold for days presence allowed in-country. Excessive days of presence in-country may trigger PE and may also subject the expat to host country personal tax obligations.
3. Consult with CSU’s Export Control Officer for export control recommendations. Copy the department’s OSP Senior Research Administrator (SRA), if services will be billed to a 53 account.
4. Employee obtains passport, visa, and work permits as required.
5. Register all CSU-sponsored employee travel in the Kuali-TEM system through Risk Management and Insurance.

*The option to join, or remain on, CSU payroll is only available to U.S. nationals who will work from a treaty country and will maintain a U.S. residence. This is because different rules apply to individuals without U.S. tax residency.

D. Engage an independent contractor

1. Complete Independent Contractor Questionnaire
2. Forward to Accounts Payable
3. A/P and Foreign Tax verify that Independent Contractor (IC) classification may be used in the host country and confirm that the host country does not impose employer-related obligations on ICs that may result in reporting obligations.
4. In some cases, a locally compliant contract is required, which may result in consulting fees. These fees will be charged to the department. Foreign Tax will inform you if this is the case.
5. Consult with CSU’s Export Control Officer for export control recommendations. Copy the department’s OSP Senior Research Administrator (SRA), if services will be billed to a 53 account.

6. Draft contract with SOW. Consult with Office of General Counsel for assistance, as needed.

7. Department prepares for payment, setting up the vendor in Kuali if necessary.

8. Set-up Kuali Requisition (REQ). The assigned Purchasing Agent will create a P.O. from the REQ and obtain the necessary signature(s).

9. Once invoice, referencing P.O. number, is received,
   i. A/P creates a Payment request (PREQ)
   ii. A/P sends to department for review and approval
   iii. Department approves for payment if work meets standards outlined in the agreement.
