**Subject: Tax opinion on withholding of payments made to foreign contractors**

**Date:** January 18, 2018

The Bluth Company should withhold income tax from payments made to foreign contractors.

Generally, foreign nationals are subject to withholding if they are engaged in a US trade or business, and receive a US-source payment of income. Depending on the country of residence of the foreign contractor, certain tax treaty provisions may provide an exemption from withholding.

In addition, the Bluth Company should also obtain and retain a Form W-8BEN-E from the foreign contractor. The Form W-8BEN-E certifies the foreign contractor’s foreign status, the amount of withholding, if any, to which the foreign contractor is entitled and any other supporting information.

In conclusion, the Bluth Company should ensure that it complies with all federal and state laws and regulations regarding withholding of income from payments made to foreign contractors.