

29.204 Federal excise tax on specific foreign contract payments.

(a) Title 26 U.S.C. 5000C and its implementing regulations at 26 CFR 1.5000C-1 through 1.5000C-7 require acquiring agencies to collect this excise tax via withholding on applicable contract payments (see [29.402-3](#), 31.205-41(b)(8)). Agencies merely withhold the tax (section 5000C tax) for the Internal Revenue Service (IRS). All substantive issues regarding the underlying section 5000C tax, e.g., the imposition of, and exemption from the tax, are matters under the jurisdiction of the IRS. The *contracting officer* will refer all questions relating to the interpretation of the IRS regulations to <https://www.irs.gov/help/tax-law-questions>.

(b) In accordance with the clause [52.229-12](#), Tax on Certain Foreign *Procurements*, contractors that are subject to the section 5000C tax will complete IRS Form W-14, Certificate of Foreign Contracting Party Receiving Federal *Procurement* Payments, and submit this form with each voucher or *invoice*. In the absence of a completed IRS Form W-14 accompanying a payment request, the default withholding percentage is 2 percent for the section 5000C withholding for that payment request. Information about IRS Form W-14 is available via the internet at www.irs.gov/w14.

(c)

(1) Exemptions from the withholding in the IRS regulations at 26 CFR 1.5000C-1(d)(1) through (4) are captured under the provision prescription at [29.402-3\(a\)](#) (i.e., the *contracting officer* will not include the provision when one of the [29.402-3\(a\)](#) exceptions applies).

(2) The exemptions at 26 CFR 1.5000C-1(d)(5) through (7) *must* be claimed by the *offeror* when it submits an IRS Form W-14 with the *offer*. If not submitted with the *offer*, exemptions will not be applied to the contract.

(3) Any exemption claimed and self-certified on the IRS Form W-14 is subject to audit by the IRS. Any disputes regarding the imposition and collection of the section 5000C tax are adjudicated by the IRS as the section 5000C tax is a tax matter, not a contract issue.

(d) The exemptions in [29.201](#) through [29.302](#) do not apply to this section 5000C tax.

(e) Additional information about this excise tax on specific foreign contract payments is available via the internet at <https://www.irs.gov/government-entities/excise-tax-on-specified-federal-foreign-procurement-payments>.

Parent topic: [Subpart 29.2 - Federal Excise Taxes](#)