

Introduction:

1. This presentation focuses on preparing Expats' tax returns, covering essential international tax considerations and streamlined procedures.
2. Understanding and managing these considerations and procedures are crucial for compliance and optimizing tax positions.

I. Foreign Earned Income Exclusion (FEIE):

3. Expats can utilize FEIE to exclude foreign earned income from US taxation.

Form 2555, Up to \$112,000 per person

No EIC, No refundable Child tax Credit.

4. Qualification requires meeting the bona fide residence or physical presence test.
More than 330 days in Foreign countries (PPT)
5. FEIE helps reduce US tax liability on foreign earned income.
6. Calculate the maximum exclusion amount based on the tax year.

II. Foreign Tax Credit (FTC):

7. FTC allows Expats to claim a credit for foreign taxes paid on foreign-sourced income.

Form 1116, 7 Categories (General, Passive, others)

Reduction in foreign tax (If using FEIE)

Carryover 10 years, carryback 1 year.

8. It prevents double taxation by offsetting US tax liabilities.
9. Ensure accurate reporting of foreign taxes paid using Form 1116.

III. Passive Foreign Investment Company (PFIC):

11. PFICs are foreign corporations with passive income or significant passive assets.

Form 8621

Foreign Mutual Funds, ETF, check ISIN

De minimis Rule : Under \$50,000, \$25,000

12. Expats must navigate complex tax rules and reporting requirements for PFIC investments.
13. Determine PFIC status and choose between the QEF or **Mark-to-Market election**.
Loss can be up to Unreversed Gain
14. File Form 8621 to report PFIC ownership and income.

IV. Controlled Foreign Corporation (CFC):

15. CFCs are foreign corporations with significant US shareholder ownership.

CFC when U.S. shareholders have more than 50%

U.S. shareholder = having or more than 10%.

16. CFCs generate Subpart F income subject to immediate US taxation.

17. Compliance with reporting requirements, such as Form 5471, is essential.

18. Determine the appropriate category of Form 5471 based on ownership percentage.

9 Categories

V. Global Intangible Low-Taxed Income (GILTI):

19. GILTI provision taxes excess profits of certain foreign corporations.

No Deferral, Previously Taxed E&P

Form 8992

Section 962 Election (treat individual as if domestic C Corp)

20. Expats must assess GILTI income and comply with calculations and reporting requirements.

Income > 10% of unadjusted PPE.

21. Understand the GILTI inclusion calculation and its impact on overall tax liability.

22. File Form 8992 to report GILTI income and compute the GILTI tax.

VI. Foreign Disregarded Entity (FDE): 23. FDEs are foreign entities disregarded for US tax purposes.

24. Expats utilizing FDEs need to understand their tax treatment and reporting obligations.

25. Determine if the FDE should be treated as a disregarded entity or as a corporation for tax purposes.

26. Comply with reporting requirements such as Form 8858 or Form 8865, depending on entity type.

VII. Totalization Agreements:

27. Totalization Agreements prevent double social security taxation.

SS tax on Foreign Self Employment Income.

28. Expats benefit from reduced social security contributions through these agreements.

29. Determine eligibility for Totalization Agreement benefits based on country-specific rules.
30. Ensure proper documentation and coordination with the appropriate social security authorities.

VIII. Streamlined Foreign Offshore Procedures:

31. The Streamlined Foreign Offshore Procedures provide a compliance option for Expats.

32. It allows non-willful taxpayers to catch up on their tax obligations without severe penalties.
33. Determine eligibility for the Streamlined Foreign Offshore Procedures based on specific criteria.
34. File amended tax returns for the **past three years and delinquent FBARs for the past six years.**

IX. Streamlined Foreign Offshore Procedures Process:

35. Provide a certification statement of non-willfulness regarding previous tax non-compliance.
Form 14653

36. Calculate and pay any tax due for the amended returns under the Streamlined Foreign Offshore Procedures.
37. File all required information returns and foreign asset disclosure forms.

X. Benefits of Streamlined Foreign Offshore Procedures:

38. Expats can rectify tax compliance issues with reduced penalties.

39. Avoid potential criminal charges for non-compliance with offshore reporting requirements.
40. Obtain a fresh start in meeting US tax obligations.
41. Benefit from the elimination of certain late filing and accuracy-related penalties.

Conclusion:

42. Understanding international tax considerations and streamlined procedures is vital for Expats' tax return preparation.

43. Navigating **FEIE, FTC, PFIC, CFC, GILTI, FDE, Totalization Agreements, and Streamlined Foreign Offshore Procedures is essential.**

44. Compliance and accurate reporting are paramount to ensure tax obligations are met.
 45. Optimize tax positions while minimizing tax liabilities through proper planning.
 46. Stay updated with evolving international tax regulations.
 47. Conduct thorough research to enhance understanding of relevant regulations.
 48. Consider the benefits of Streamlined Foreign Offshore Procedures for non-willful taxpayers.
 49. Take advantage of the program to rectify tax compliance issues with reduced penalties.
 50. Emphasize the importance of timely and accurate filing to avoid penalties and legal consequences.
 51. Maintain organized records of income, expenses, and foreign transactions for smooth tax preparation.
 52. Address any specific **tax treaty provisions that may impact Expats' tax obligations**.
 53. Educate Expats about the potential impact of exchange rates on their tax liabilities.
 54. Provide resources and tools to help Expats track and report their foreign income accurately.
 55. Offer guidance on available deductions and credits to minimize tax liabilities.
 56. Highlight the importance of maintaining proof of foreign taxes paid.
 57. Discuss the impact of foreign investments on Expats' tax returns, including reporting requirements.
 58. Address any limitations or restrictions on certain deductions or exclusions based on Expats' specific circumstances.
 59. Encourage Expats to keep up-to-date with changes in tax laws and regulations.
 60. Inform Expats about the consequences of non-compliance with international tax obligations.
Hefty penalty (at least \$10,000)
 61. Discuss the potential consequences of failing to report foreign financial accounts or assets.
 62. Educate Expats on the importance of maintaining accurate records and supporting documentation.
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63. Address common misconceptions or myths regarding Expats' tax obligations.
 64. Provide resources for Expats to stay informed about international tax regulations and updates.
 65. Emphasize the significance of proactive tax planning for Expats to minimize tax liabilities.