International tax essentials at a glance

Crowe

What's the Impact of the 2017 Tax Reform on Your Global Business?

The *Tax Cuts and Jobs Act* of 2017 affects U.S. companies with overseas earnings – both U.S. multinationals and foreign-based companies doing business in the U.S. Here's what you need to know about three of the most significant new provisions.

GILTI

(Global Intangible Low-Taxed Income)

A new category of foreign income
U.S. taxpayers with foreign subsidiaries (10% or more ownership of one or more controlled foreign corporations)

Foreign income
From one or more controlled foreign corporations (CFCs)

After-tax income reduced by 10% return on assets
Income exceeding 10% of qualified business asset investment (QBAI) — tangible fixed assets depreciable as trade or business assets

50% deduction (C-corps only)
37.5% in 2026

C-corps: 10.5% effective tax rate
Pass-throughs: 37% rate in top bracket
C-corp effective rate becomes 13.125% in 2026

Only 80% of foreign taxes paid on GILTI allowed as foreign tax credit

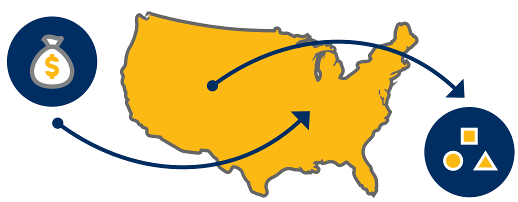
Does your business have 10% or more ownership of any foreign company? If so, assess the ratio of fixed assets to income for each CFC, and evaluate how GILTI may affect your taxes and what measures you can take.

FDII

(Foreign Derived Intangible Income)

A new kind of deduction
U.S. C-corporations only

Sale of goods and services outside the U.S. or sale or licensing of intangible assets for use outside the U.S. generating income exceeding 10% of U.S. QBAI



With FDII
13.125% effective tax rate
16.406% in 2026

Without FDII
21% tax rate

Does your company execute its transactions to maximize tax savings? Now is a good time to review, reassess, and adjust your strategies to take advantage of the FDII tax incentive by bringing profits back to the U.S.

BEAT

(Base Erosion Anti-Abuse Tax Provision)

A new type of minimum tax
U.S. C-corporations or foreign corporations with a U.S. trade or business that make deductible payments to related foreign parties exceeding 3% of all deductible payments

U.S. group companies and U.S. trades or businesses of related parties generating gross receipts of

$500M+*

may pay an additional tax

*Deductible payments do not include cost of goods sold, payments for services without a markup, and certain other payments

5% tax rate in 2018
10% from 2019 to 2025
12.5% in 2026*

*Of adjusted taxable income, resulting from add-back of certain expenses less the regular computed tax

Does your company make deductible payments to related foreign companies? Be aware of how BEAT can reduce the benefit of the deductions. Consider how restructuring your supply chain can help minimize the impact.

Calculating the precise effect of these new provisions may be difficult. They can affect one another and be affected by other parts of the tax code, not to mention have an impact on state income tax. Your global supply chain and legal structure may also deserve a fresh look in light of the changes. Let our international tax professionals work with you to see how your company can respond. Learn more: https://www.crowe.com/services/tax