



# US Expatriates Abroad

## Your US Tax Filing Obligations

# Do any of these questions apply to you?

- Are you a US Citizen or Green Card Holder living abroad?
- Have you been filing US income tax return each year and other reports (FBAR)?
- Are you aware of the civil and criminal penalties for not filing returns or other reports?
- Did you know that an IRS penalty amnesty program for late return filings may be available?
- Are you aware that there are favorable US tax benefits for expatriates?
- Do you need help with tax planning and return, report filing (FBAR) preparation?

## Your drivers for these services

- Compliance with US tax filing and report requirements
- Reports to IRS of accounts by your financial services provider abroad (FATCA)
- Possible US Citizens passport restrictions.

## US Tax filing requirements

US citizens, dual citizens, green card holders and certain resident aliens must file US income tax returns every year if they have income over a low threshold amount. They must include their worldwide income in their returns, no matter where it is from, or if it is taxed in another country. Even though an income tax treaty with a foreign country may apply, all US tax treaties have a treaty override clause that gives the US the right to tax its citizens and residents.

Tax returns for citizens and residents abroad are due to be filed by June 15 of each year, and a further extension of time to file is also available.

In addition, US persons and residents must separately report and file information with respect to their foreign bank and financial accounts (FBARs) every year by June 30, if the total value of the accounts exceeds USD 10,000 at any point in the year.

Payment of US Social Security and Medicare tax may also be required, depending on whether you are an employee or self-employed, and whether the US and your host country have a Social Security totalization agreement in place.

## Favorable expatriate tax benefits

Many expatriates qualify for certain special tax exclusions, such as the foreign earned income exclusion and the foreign housing exclusion. Expatriates living and working abroad can exclude from income up to USD 100,800 of earned income from tax for 2015. But the exclusions are available only if a tax return is filed.

If the expatriate pays income tax to a foreign country, a foreign tax credit is available for the foreign taxed income that is not excluded under the earned income exclusion.

Normal US tax deductions for personal exemptions, business expenses and itemized deductions are also available to expatriates.

These earned income exclusions, foreign tax credit, and deductions can significantly reduce an expatriate's US tax liability, sometimes even eliminating the US tax entirely.

## Civil and criminal penalties can apply

Tax penalties for non-filing or late filing of tax and information returns can be severe. Late filing and late payment of tax penalties can be as high as 50% of the tax, plus interest. Penalties for late or non-filing of FBARs and other required foreign information forms can be USD 10,000 per form, or higher.

If the non-filing of returns is deemed to be willful, additional fraud and negligence penalties can apply, and severe criminal penalties could also be applicable.

## Tax filing in your host country

It is also very important that an expatriate comply with the tax filing requirements in their host country. Failure to do so could result in legal and immigration issues for both the expatriate and their employer.

## Evaluating your late tax filing options

Although tax and interest must always be paid, there are penalty amnesty options available to expatriates that can significantly reduce or eliminate the related tax penalties. Depending on the taxpayer fact pattern, there is an Offshore Voluntary Disclosure Program available, which results in reduced penalties and provides for criminal protection.

A Streamlined Foreign Offshore Filing Program is also available to certain qualifying expatriates, which eliminates most or all penalties, and provides for filing fewer late income tax returns.

## Considering renouncing your citizenship

Certain US citizens have made the decision to renounce their US citizenship. It is important to note that renouncing citizenship for US legal and immigration purposes does not mean you have successfully renounced for US tax filing purposes.

There is a separate tax expatriation statement filing required, which includes certifying that you have filed US income tax returns for the past 5 years, and an exit tax could also apply.

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In doing so, we continue to grow and build the value of our international business network.

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# How We Can Help

We are prepared to assist you with your US tax compliance and planning needs including:

- Preparation of your US income tax returns and FBARs
- Evaluation and recommendation of your best penalty amnesty option for filing your late returns
- Tax planning from a US and host country tax standpoint to optimize your tax position, including taking advantage of available expatriate exclusions and deductions
- Assistance with filing your local host country foreign tax returns and qualification for available tax exemptions

We have significant experience in assisting expatriates with their tax filing requirements, including providing them with the best options to minimize their risks and tax liabilities. You can feel comfortable knowing that your obligations will be satisfied.

## Crowe Horwath International

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We adhere to impeccable quality and service standards and combine our global reach with local delivery.

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- Foreign GAAP Conversions
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- Merger Integration Services
- Acquisition Strategy
- Due Diligence
- IT Compatibility Reviews
- Advice on Negotiation Strategies

### RISK

- Enterprise Risk
- Regulatory Risk
- Technology Risk
- Fraud Risk
- Operational Risk
- Financial Risk

### Key figures

**9%** Growth

**\$ 3.4B** Global Revenues

**125** countries

**726** offices

**30,000** people

**One** brand

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## Contact

Gregory Buteyn  
Crowe GHP Horwath  
Denver, Colorado  
Tel. + 1 303 831 5000  
Fax. +1 720 221 9845  
gbuteyn@croweghphorwath.com

Stéphane Bernard-Migeon  
President - CEO  
Cabinet Fidelio - Crowe Horwath France  
15 rue de la Baume - 75008 Paris  
Tel.+33(0)1 42 89 28 63  
sbernard-migeon@groupe-fidelio.com