

Expat Global Tax – *US Expat Tax Firm*

# Annual Expat Tax Update

*for Americans living abroad*

Presented by:

Affan Khadir, EA

*Senior US Expat Tax Specialist*

*February 15, 2022*



# Table of Contents

---

- 1 US Taxation Overview (for Expats)
- 2 Foreign Earned Income and Housing Exclusion
- 3 Foreign Bank Account Reporting (FBAR) & FATCA Filings
- 4 State Tax Residency and Tax Filing
- 5 Filing requirements with Business ownership abroad
- 6 Filing options for delinquent tax filers
- 7 2021 Tax Filing Key Updates
- 8 Expat Global Tax – Our Firm
- 9 Q&A Session

---

# US Taxation Overview (for Expats)

1

# US Taxation Overview (for Expats)

## US Expat Tax Return Filing

### ❑ Who is required to file a US Tax Return?

- Americans and Green Card Holders are required to file annual US Tax Returns if income earned in a calendar year
  - Single Filers – Above \$12,550 annual income
  - Joint Filers – Above \$25,100 annual income
  - Married Filing Separately - \$5 annual income
  - Self Employed Individuals - \$400 annual income

### ❑ Worldwide Taxation

- Americans and Green Card Holders are subject to taxation on worldwide income

### ❑ Residency based Taxation

- Unlike most other jurisdictions, Americans and Green Card Holders are required to file and report worldwide income irrespective of residency (US or abroad)

---

# Foreign Earned Income and Housing Exclusion

# 2

# Foreign Earned Income and Housing Exclusion

## Foreign Earned Income (FEI) and Housing Exclusion

- ❑ Provided certain criteria is met, Expats living abroad can exclude all or part of their income from US Taxation
  - Foreign Earned Income Exclusion
    - \$108,700 per qualifying person (each spouse)
  - Foreign Housing Exclusion
    - Base Amount - \$17,392 (16% of Foreign Earned Income Exclusion)
    - IRS has set different limits for housing exclusion for various cities around the world
      - ❖ Abu Dhabi maximum limit - \$49,687
      - ❖ Dubai maximum limit - \$57,174

## Qualifying For the Exclusions

- ❑ To qualify for the FEI and housing exclusion, your tax home must be in a foreign country and you must meet one of the two below tests:
  - **The physical presence test** - which requires that you be present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months; or
  - **The bona fide residence test** - which requires that you be a “bona fide resident” of a foreign country or countries for an uninterrupted period that includes a full tax year

---

# Foreign Bank Account Reporting (FBAR) & FATCA Filings

3

# Foreign Bank Account Reporting (FBAR) & FATCA

## Foreign Bank and Financial Accounts Reporting

### ☐ Foreign Bank Account Reporting

- In addition to filing a US tax return, US persons must file an FBAR if they have a financial interest in or signature authority over foreign financial accounts
  - Filing Threshold - \$10,000. If the aggregate value of the foreign financial accounts exceeds \$10,000 at any time during the calendar year
  - All Financial accounts have to be reported (Foreign Bank Accounts, Foreign Investment Accounts, Foreign Retirement Accounts etc.)

### ☐ FATCA Filing Requirements (Form 8938)

- US Expats with financial assets meeting certain thresholds are required to report all financial assets on tax returns, in addition to FBAR filing
  - Joint Tax Filers - \$400,000 on the last day of the year or \$600,000 at any point in the year
  - All other Tax Filers - \$200,000 on the last day of the year or \$300,000 at any point in the year

## Penalties for non Compliance

- ☐ FBAR - \$12,921 up to 50% of account value per account (non-willful violation)
- ☐ FATCA - \$10,000 per year (additional penalties applicable for continued failure to report)



---

# State Tax Residency and Tax Filing

**4**

# State Tax Residency and Tax Filing

## State Tax Filing Requirements

- ❑ Significant Ties to the State
  - May continue to have US State Tax Filing requirements if significant ties to the State
    - Spouse / dependents living in the State
    - Spending significant time in the State
    - Working in the State part of the year
    - Ownership of rental property in the state
- ❑ Breaking State Residency
  - Dependent upon duration of Expat assignment and foreign stay
  - Ties to the State
  - Resident vs. Non-Resident State Tax Filing
- ❑ State Tax Rates
  - Varies from State to State
  - Some States allow Foreign Earned Income Exclusion Deduction

---

# Filing requirements with Business ownership abroad

5

# Filing requirements with Business ownership abroad

## US Business Owners Abroad

- ❑ Additional Filing requirements for US persons with foreign ownership in a business
  - Form 5471 / Form 8865
    - Requirement to submit additional forms on personal tax returns for foreign company (Form 5471) or foreign partnership (Form 8865) if more than 10% ownership
    - Potential Taxation limited to ownership of US person in the company
    - No taxation on the company

## Penalties for non Compliance

- ❑ Non-timely filing of Business Information returns can result in significant penalties.
  - Form 5471 - \$10,000 per company information return not filed (increased if non-filing continues)
  - Form 8865 - \$10,000 per partnership information return not filed (increased if non-filing continues)

---

# Filing options for Delinquent Tax Filers

6

# Filing options for Delinquent Tax Filers

## Streamlined Foreign Offshore Filing (Amnesty Filing)

- Amnesty Program available to individuals who have not filed tax returns, FBARs or missed to report certain information forms which were required to be filed (non-willful non-compliance)
  - Requirement to file last 3 years of “delinquent” tax returns only (currently delinquent tax returns qualify as 2018, 2019 and 2020)
  - Requirement to file last 6 years of foreign bank account reporting forms "FBAR" (for years 2015-2020)
  - Any prior years tax returns not filed (prior to 2018) are no longer required to be filed or reported (IRS is waiving filing requirement for prior years)
  - Penalties associated with non-filing / late filing of annual tax returns and FBAR forms are being waived by the IRS (as long as non-willful non-compliance)

---

# 2021 Tax Filing Key Updates

7

# 2021 Tax Filing Key Updates

## 2021 Tax Filing Updates

### ❑ Tax Filing Deadlines

- April 18th - First Tax Filing Deadline (if any tax liability due, has to be paid by April 18th, to avoid interest being accrued)
- June 15th - Tax Filing Deadline for Americans living abroad
- October 17th - Tax Filing Deadline if an extension has been applied for (FBAR final deadline also)

### ❑ Stimulus COVID relief Payments

- Can apply for 3<sup>rd</sup> COVID Relief Stimulus Payment if payment not received (\$1,400 per US household member, income limitations apply)

### ❑ Advanced Child Tax Credit Payments

- US persons with homes outside the US for more than 6 months of the year are not eligible for advanced child tax credit payments.

### ❑ Deductions for Expats

- Foreign Earned Income Exclusion - \$108,700 (per eligible spouse)
- Foreign Housing Exclusion – varies depends on actual rent paid and city of residence
- Standard Deduction – Single filer (\$12,550); Joint Filers (\$25,100); Head of Household (\$18,800)
- IRA contributions - \$6,000 (each eligible spouse); if not enrolled in an employer provided retirement program
- Various deductions – Mortgage interest, property taxes, medical expenses, child care etc.



---

# Expat Global Tax – Our Firm

8

# Expat Global Tax ([www.expatglobaltax.com](http://www.expatglobaltax.com))

## Our Services

- ❑ US Expat Specialist firm with offices in Dubai, London, Toronto and Houston.
- ❑ Our tax team offers a wide range of US individual income tax compliance and advisory services. We have a highly experienced US tax team (CPAs and EAs) based in Dubai specializing in US tax matters for expatriates including:
  - US federal income tax return preparation for expatriates
  - US State tax return preparation for expatriates
  - Amended tax returns preparation
  - Foreign bank and asset reporting
  - Compliance for delinquent taxpayers (Amnesty Filing)
  - US tax planning for expatriate individuals
  - Review of expatriate contracts
  - US federal and state residency issues for individuals
  - IRS Audit support
  - Advising and compliance obligations with Individual Retirement Accounts.
- ❑ We offer competitive pricing as compared to any other large accounting firms, while providing high quality services
- ❑ Our accountants are ex big 4 trained (PwC and EY) with over 75 years combined experience

## Contact Details

Affan Khadir, EA, MBA

Senior US Expat Tax Advisor

Email: [akhadir@expatglobaltax.com](mailto:akhadir@expatglobaltax.com)

Tel UAE: +971 4 223 5559

Mob UAE: +971 52 680 9232

Website: [www.ypatglobaltax.com](http://www.ypatglobaltax.com)

Mohammad A K Khan, CPA

Senior US Expat Tax Advisor

Email: [mohdk@ypatglobaltax.com](mailto:mohdk@ypatglobaltax.com)

Tel UAE : +971 4427 3658

Tel UAE : +971 56 140 2305

Website: [www.ypatglobaltax.com](http://www.ypatglobaltax.com)



## Expat Global Tax

*"American Expat Tax Filing and Consulting CPA Firm"*

USA | UAE | UK | Canada

Tel (UAE): +971 4 223 5559 / Tel (USA): +281 899 0443

Tel (UK): +44 203 126 4860

Email: [info@expatglobaltax.com](mailto:info@expatglobaltax.com)



### **Our Area of Specialist Services include:**

- US Expat Tax Return preparation
- State tax return preparation
- Foreign Bank Account Reporting Forms (FBAR)
- Historical tax return filing including Amending tax returns
- Reporting of certain foreign assets (Form 8938, FATCA)
- Delinquent tax returns compliance
- Audit support in case of IRS Audit
- Form 5471 – Filing for taxpayers with businesses in foreign country
- Tax Consulting and Advice

### **Our Pricing**

**We pride ourselves in providing highest quality service for the best pricing as compared to other tax firms.**

**Our pricing is tailored to individual needs and is generally fraction of the cost charged by other expat tax firms in the region.**

**Call us or email us to set up your FREE CONSULTATION**

### **Who we are?**

*We are American Expat Tax Specialist firm with offices in Dubai, London, Toronto and Houston. We specialize in providing Expat US Tax Preparation Services and consulting services to Americans living in more than 25 countries.*

*Our dedicated Dubai office has been serving more than 1,500 American Expats in the Middle East region for over 7 years with all of their tax related matters.*

*We have a dedicated team of American CPAs and Enrolled Agents with over 75 years combined experience in the area of US Expat Tax Filing and assisting individuals who may not have filed in some time.*

### **US Tax Filing**

*U.S. citizens and Green Card Holders have annual US tax return filing requirement, regardless of where they work and live, to report worldwide income to the IRS. There are certain exclusions and deductions available to US Expats which can help reduce or completely eliminate tax liability, if certain conditions are met.*

*The deadline to file US tax returns annually is April 15<sup>th</sup>. Expats living abroad can claim an automatic extension to file their tax returns until June 15<sup>th</sup>.*

### **FBAR and FATCA**

*In addition to filing tax returns to report income, Americans and green card holders also have an obligation to report foreign bank accounts annually if the aggregate account value of the accounts exceeds USD 10,000.*

### **Delinquent Tax Filers**

*IRS recognizes there may be many Americans and green card holders living abroad who may not have filed a tax return in many year or may not have ever filed a tax return. There are a number of ways available including amnesty programs (i.e. streamline filing) to bring these individuals in compliance with their tax filings obligations and have penalties waived.*

*We have assisted hundreds of individuals globally to become compliant with their US tax filings with minimal to zero payment, depending on each individual situation.*

### **Why Choose us**

*We guarantee 100% satisfaction and invest in building long term relationships! We are a highly rated firm based on comments left by may of our clients on 3rd party website Trustpilot:  
<https://www.trustpilot.com/review/www.expatglobaltax.com>*

---

# Q&A Session

9