Understanding Tax Reform:

Opportunities and Strategies

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International-Outbound

Presented by André Benayoun, JD

with Panelists:

Barry M. Brant, CPA

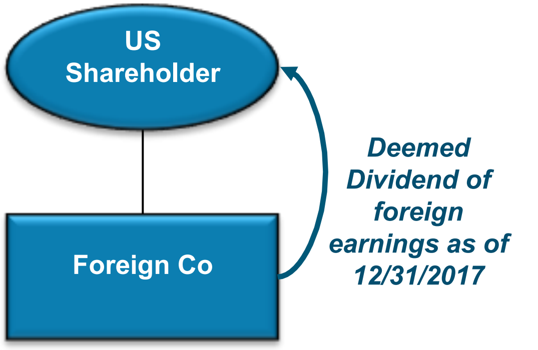
Ken Vitek, CPA

Guillermo Campos, CPA

Deemed Dividend of Foreign Earnings

Toll Charge on Unrepatriated Earnings

- Deemed repatriation of foreign earnings and profits (E&P) to U.S. shareholders on last day of tax year beginning prior to January 1, 2018
- Effective tax rate on such earnings will be between 8% and 17.5% depending upon liquidity of the balance sheet and the type of U.S. taxpayer
- Toll charge may be paid over 8 years
- Planning instituted after November 1, 2017, to reduce foreign deferred E&P is ignored; dividends made during the year are also ignored
- E&P deficits from one entity may be used to reduce inclusion from another entity
- 44.3% of corporate-level foreign taxes may be taken into account to reduce the inclusion for U.S. corporations and potentially for individuals who make a § 962 election
- NOLs must be used against the inclusion unless an election is made not to reduce the inclusion by the NOLs
- Subpart F income generated during the year is still picked up at ordinary rates (e.g., 35% or 39.6%)
- E&P studies will be needed to truly understand the amount of tax to be included



Tax Rates on Deemed Dividend (Toll Charge)

	C-Corporations	Trusts and Individuals Other Than S Corporation Shareholders**
Liquid Assets	15.5%*	17.5%*
Non-liquid Assets	8%* * - Payable over 8 years commencing on due date of 2017 tax return	9.05%* * - Payable over 8 years commencing on due date of 2017 tax return ** - S Corporation can elect to defer tax to shareholders on accumulated E&P until “triggering event”

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Participation Exemption

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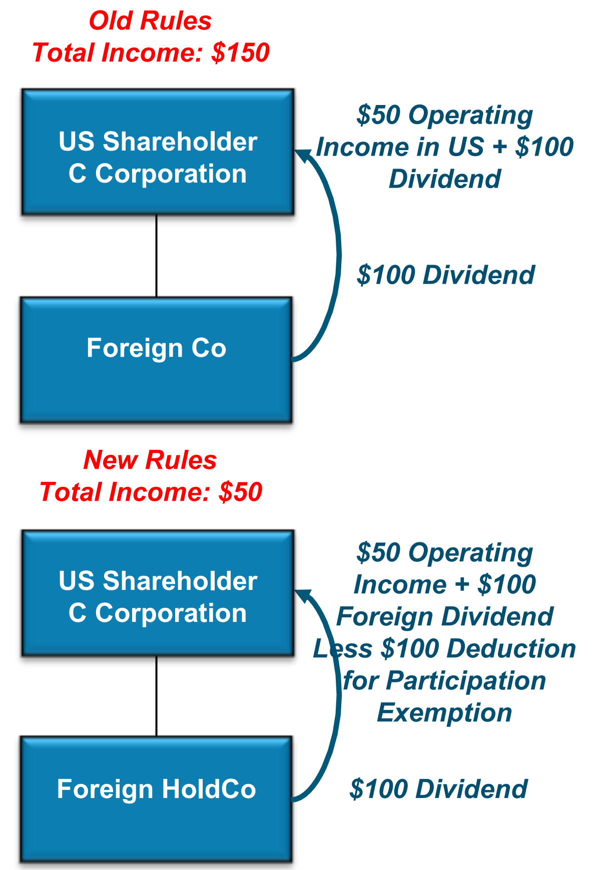
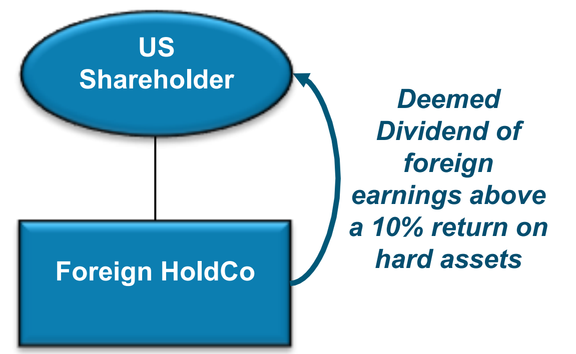
- After 2017, U.S. C-Corps (ONLY) may effectively exempt dividends received from certain foreign corporations:
  - 10% or greater ownership required
  - Greater than one (1) year holding period required
- Any foreign withholding tax on dividends from foreign corporation will not be creditable in the U.S.
- Subpart F income is excluded from the exemption



New Anti-Deferral Regime – GILTI

Global Intangible Low-Taxed Income (“GILTI”)

- A new anti-deferral mechanism has been instituted. In short, it taxes, each year, the excess return above 10% on all foreign depreciable assets
- The effective tax rate on this income is 10.5% for C-Corps and as high as 37% for individuals and S-Corp shareholders. After 2025, the rate for C-Corps jumps to 13.125%
- Some items of income are excluded from this calculation, including any U.S. income, foreign income already picked up under other anti-deferral provisions, high-taxed income, related party dividends, and certain oil & gas extraction related income
- The GILTI inclusion is calculated after Subpart F income, but before potential § 956 inclusions



Other Notable Provisions

- Foreign Derived Intangible Income (FDII)
  - New U.S. patent box regime
  - Only applicable to U.S. C-Corps
  - Certain sales and services consumed abroad may be eligible for a reduced corporate tax rate from 21% to 13.125%
  - FDII tax rate will increase to 16.4% in 2026
- § 863(b) sourcing rules have changed to only source such income by place of activity (not where title passes)

Other Notable Provisions

- Deductions denied for certain hybrid entities or hybrid transactions (e.g. CPECS and PPLs)
- IC-DISCs (Interest Charge Domestic International Sales Corporations) were not repealed and are still viable on their own or potentially in conjunction with FDII

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Provenance Wealth Advisors

Offices in Miami, Ft. Lauderdale, Boca Raton,
West Palm Beach and New York

www.bpbcpa.com
www.provwealth.com

800-999-1CPA
info@bpbcpa.com