America's New Tax Law – International Tax Changes

Transnational Tax Network Conference

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Steven H. Hagen, Esq.
Harper Meyer Perez Hagen O'Connor Albert & Dribin LLP
Miami, FL USA
(305) 577-3443
shagen@harpermeyer.com

Individual Tax Rate Reduction (Highest Rates)

	Single Taxpayer	
Taxable Income	2017	2018
$500,000	39.6% ($418k)	37%

	Married – Filing Separately	
Taxable Income	2017	2018
$300,000	39.6% ($235k)	37%

	Married – Filing Jointly	
Taxable Income	2017	2018
$600,000	39.6% ($470k)	37%

Capital Gains Rate	**Still 20%**	

Corporate Tax Rates

Income	2017	2018
0-50,000	15%	21%
50,000-75,000	25%	21%
75,000-10,000,000	34%	21%
Over 10,000,000	35%	21%

No alternative minimum tax

Net operating losses:

1. no carry back
2. unlimited carry forward
3. limited to 80% of income
4. value reduced

Selected Domestic Tax Changes

*20% deduction allowed if:

1. Not a corporation (applicable to U.S. LLCs, partnerships, “S” Corps and individuals)
2. Applicable only to qualified business income which is the lesser of:
   a. Qualified business income; and
   b. The greater of
      i. 50% of wages; and
      ii. 25% of wages and 2.5% of acquired property
3. Not applicable to certain “service” business such as law, accounting, performing arts, athletics, financial services – and some other personal services income exception
4. Lower income exception
   i. Services
   ii. Reduction in 2 above

Limit on Interest Deduction

1. Not applicable if gross receipts average less than $25M/3 year average
2. Limit on deduction is:
    a. 30% of adjusted taxable income, plus
    b. Business interest income

Important International Tax Changes

1. No tax on dividends from foreign corporation
   a. Only applies to corporate owners
   b. Must be a foreign corporation
   c. Must own at least 10%
   d. Applicable only to “foreign earnings”
   e. 1 year holding period (365/731 rule)
   f. No foreign tax credit (withholding taxes from foreign country are not offset)

2. GILTI (Global Intangible Law Taxed Income)

Definition: (net tested CFC income – 10% qualified business assets)

a. Must be a CFC
b. If U.S. Corp. – 50% deduction (80% Foreign Tax Credit)
c. If *not U*.S. Corp. – fully includable (37% rate), no foreign tax credit even on withheld taxes
d. Not applicable if foreign tax rate is 13.125% (corps), 18.9% non- corps
e. 962(b) election

3. Foreign Derived Intangible Income of U.S. Person (FDII)

Definition: FDII = [deemed intangible income (A) x foreign derived deduction eligible income (B)] /Deduction eligible income (C)

A= income – adjustments - 10% of qualified business assets

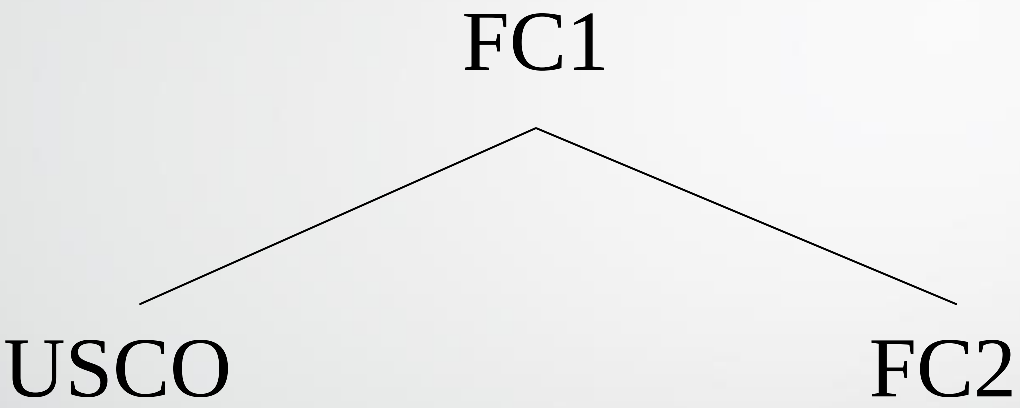
B= property sold to foreign person for foreign use or services for any person as to non U.S. property

C= gross income with adjustments – allowable deductions

Deduction is 37.5% of FDII (tax rate of 13.125%)

4. Source Rules – Sales of Inventory
    a. Place of sale – passage of title no longer relevant
    b. Place of production
    c. Partly in/out of U.S.?

5. CFC Definition



No 30 day requirement

Estate Tax/Gift Tax

1. Exemption for foreign persons - $60,000
2. Exemption for U.S. Citizens/domicile - $11,200,000
3. 2026 – 50% reduction
4. Trusts with foreign settlors and U.S. beneficiaries