

# KEY SERVICE INSIGHTS

## INDIVIDUAL TAX NEWSLETTER

### TAX FILINGS FOR THE INTERNATIONAL EXECUTIVE

The tax filing of a U.S. citizen or U.S. tax resident residing outside the U.S. can be complicated and we often see errors that can cost the taxpayer significantly in penalties or erroneous tax even when the tax returns have been prepared by the largest accounting firms in the U.S. For example, in order to make their individual international tax practice profitable, the largest accounting firms frequently offshore the work where the tax returns can be prepared at a much lower cost.

There is nothing wrong *per se* with offshoring the individual tax compliance work, but it goes without saying that the best U.S. international income tax professionals are located in the U.S. and not outside the U.S. The required international informational forms, potential penalties, and complicated income tax reporting for certain foreign assets requires professionals that understand the legal, compliance, and complex reporting rules in order to avoid the potential for significant penalties or erroneous payment of taxes.

For example, recently we were transitioning to take over the tax



filing for an executive who was a U.S. tax resident because he had a green card but resided outside the U.S. The prior tax preparer was a partner at one of the largest accounting firms in the world. This executive has considerable income and the country that he resided in also taxed at higher rates than the U.S. federal income tax rates.

We reviewed the prior year tax return that was filed for this executive and noticed several errors. The typical problem is that these large accounting firms send a long questionnaire to the executive, require them to complete the questionnaire with little to no guidance, and then if there are errors in the tax filing, use the responses provided in the questionnaire to avoid liability. **This is simply no way to handle the complicated tax filings for these individuals.**

TAX FILINGS FOR THE INTERNATIONAL EXECUTIVE



In order to get the tax filing correct, it requires knowledgeable professionals who know the complicated tax reporting requirements to review the executive's tax information and coordinate with the executive and their other professionals to ensure all of the information is correct in order to ensure the tax filing is correct. That is, the tax professional handling these tax filings must do more than send the client a long questionnaire, they must be proactive to get all needed information to ensure proper tax planning and tax reporting.

Our review of the executive's tax return not only found there were informational reporting errors, but that the income of the executive had been over reported by more than **\$160,000**, which is just sloppy and cost this executive more than **\$60,000** in additional U.S. tax. Based on our review, the executive amended his tax return and received a refund of the \$60,000+ of the erroneous U.S. tax previously paid.

Unfortunately, we routinely encounter tax preparers who do not understand the complexities of the tax filings for the international executive and find significant errors requiring amending the tax filing to get the reporting correct. Executives take comfort in having one of the large accounting firms prepare their U.S. tax filings, rightfully they believe this ensures they are compliant with their U.S. tax obligations. Unfortunately, the service model that many of these large accounting firms have turned to leave room for significant errors we see all too often.

It is important that the international executive has the right professional preparing their tax returns to ensure the right result. The tax professionals at Praestans have significant experience in preparing tax returns for the international executive and these professionals have legal, tax, and accounting backgrounds that are necessary for the successful preparation of these tax filings.



Strategic Business Planning that is collaborative, integrated, and bespoke.

Praestans Global Advisors is neither a law firm nor a CPA firm.