

# Tax Free Expat Implementation

List of action items to implement a tax free structure for American expats living offshore. Review the fill guidebook at <https://pacifico.tax/tax-free-expat> for further detail.

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## Step #0 - Planning & Structure Development

- Determine Source and projected amounts of income
- Schedule a consultation (at <https://pacifico.tax/schedule-consultation>), if needed, to determine best structure that fits your situation. During the consultation, this will help determine the following:
  - Which structure is best based your business needs:
    - ▶ Direct Foreign Corporation
    - ▶ S-Corporation Parent
    - ▶ C-Corporation Parent
    - ▶ Foreign Owned LLC Disregarded Entity
  - Consider if a Domestic Entity is necessary based on your business needs.
  - Determine foreign country of incorporation based on geographical location, customer location(s), and other requirements.
- Develop a written structure and visual org chart showing the source of income, path of cash flow, and projected income tax result, and re-consult with Tax Professional as needed. Review example structures at <https://pacifico.tax/international-tax-structures>

## Step #1 - Entity Formation

- Research the legal office or legal service provider that is the best fit for that country.
- Engage with legal service provider to form foreign corporation, and understand expectations of cost, time, and completing the process.

## Step #2 - Bank Account Opening

- Research the the best banking service providers for the foreign country.
- Apply for a bank account at either a brick and mortar bank or virtual bank that provides the services needed for customer deposits, expenses, and transfers. Understand the KYC process and develop documentation as necessary.
- In addition, consider opening credit accounts as necessary, and available options.

## Step #3 - Create Payment Processor Account(s)

- Research the the best payment processor service providers (if needed) for the foreign country.
- Apply for a payment processor account, and connect to your bank account accordingly. Understand the KYC process and develop documentation as necessary.
- Consider a second “backup” payment processor in case of risk assessment closures by the initial payment processor.

## Step #4 - Setup an Accounting Platform

- Setup an Accounting Platform that will connect with your banking and credit card accounts and is a good fit in terms of cost, feasibility, and functionality. Tools which automate the accounting process should be preferred. The platform should be able to export the following statements at the end of the year:
  - ▶ Profit and Loss (also referred to as an Income Statement)
  - ▶ Balance Sheet
  - ▶ Statement of Owners Equity
  - ▶ Transaction Report of Salary Payments

## Step #5 - Review, Gather, and Organize Documents for Tax Return Preparation

- Review all Financial Statements (for all entities) during a mid-year and year-end review for accuracy and consistency with written plan and projections.
- For the initial year of incorporation of Foreign Corporation provide all cooperate documents for initial disclosure on the tax return. Review Controlled Foreign Corporation Checklist at <https://documents.pacifico.tax/checklists/PacificoTax-Controlled-Foreign-Corporation-Questionnaire.pdf>
- Gather all financial statements, and salary statements in order to claim, and maximize the Foreign Earned Income Exclusion. Review International Checklist at <https://documents.pacifico.tax/checklists/PacificoTax-International-Tax-Return-Checklist.pdf>
- Gather all foreign tax returns, if applicable, to claim the Foreign Tax Credit for relevant years.