INTERNATIONAL TAX STRUCTURES

For Americans Living Abroad

FIRST EDITION

PACIFICO TAX

A collection of tax charts that visually detail outbound International Tax transactions in relation to the United States tax system.

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By **Marcus Marcial**

www.pacifico.tax

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About The Author

Marcus Marcial is a seasoned tax professional with experience predominantly dealing with International Taxation. Originally from Southern California, he attended Hunter College in New York City and has resided abroad for many years.

While employed at the IRS, he learned from examining and preparing tax returns for individuals residing and businesses operating offshore. After leaving the IRS, he started his own tax firm, helping various international clients with tax compliance, accounting, and consultation.

Tax Consultations

To schedule a consultation to discuss the concepts, structures, and tax law references found in this book or for a custom tax structure development or consultation for tax compliance, planning, and strategy, visit https://pacifico.tax/schedule-appointment

PacificoTax, LLC is a professional tax firm specializing in International Tax and providing income tax return filing, consultation, tax planning, sub-contracted accounting and IRS representation/resolution services.

Concepts Covered in This Book

This book is developed as a primer to understanding the most basic concepts of international tax transactions for U.S. citizens living abroad or conducting offshore transactions. It is not meant to replace international tax law references, comprehensive client planning/strategy, or a singular reference for international structures.

This book only describes the BASIC understanding of the *most relevant and commonly occurrent* concepts for the American citizens living overseas, which include:

1. Foreign Earned Income Exclusion
    - Claiming the Exclusion for Self-Employed Individual (Physical Presence Test)
    - Claiming the Exclusion for Self-Employed Individual (Bona Fide Residence Test)
    - Claiming the Exclusion through a U.S. Limited Liability Company
    - Claiming the Exclusion through a Foreign Limited Liability Company
    - Claiming the Exclusion though an S-Corporation
    - Claiming the Exclusion though an S-Corporation (Married Filing Joint Consultants)
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    - Claiming the Exclusion though a Controlled Foreign Corporation
    - Claiming the Exclusion though a Foreign Owned U.S. LLC Subsidiary
    - Claiming the Exclusion though a Controlled Foreign Corporation (As a Subsidiary of an S-Corporation) with a Down-flow Transfer Pricing Agreement
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    - Claiming Claiming the Exclusion with a Foreign Tax Credit Eliminated
2. Foreign Tax Credit
    - Claiming the Foreign Tax Credit as a Foreign Salary Earner (U.S. Tax Rate is Lower)
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    - Dividends to Individuals Received from CFC (Not a Tax Treaty Country)
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    - E-Commerce CFC (Tax Treaty Country)
    - E-Commerce CFC (Not a Tax Treaty Country)

- CFC Real Estate Flow-Tough Loss (Disregarded Entity)
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- CFC with U.S. Employees
- CFC with U.S. Permanent Establishment & Effectively Connected Income

4. Subpart F
   - Subpart F Exclusions
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   - GILTI Inclusion for Individuals
   - GILTI Inclusion for S-Corporations
   - GILTI Inclusion for C-Corporations (Section 250 Deduction)
   - GILTI High Tax Exemptions

Concepts NOT Covered in This Book

Concepts related to the U.S. International Tax system are vastly complex and a continually growing and changing field. This book does not claim to describe every situation and every legal reference in a given structure. Each real-world structure is factually unique, and extensive planning should be completed by a tax professional for an in-depth analysis.

There could be an immeasurable number of scenarios given the complexity of the Internal Revenue Code. Instead, this book only describes the basic understanding of the most relevant and commonly used concepts for the average international tax transaction, which do not include the following concepts not covered in this book:

- Expatriation
- Taxation of Individual Non–Residents & Dual Residents
- Foreign Financial Reporting Requirements
- Foreign Trusts, Foreign Estates & Foreign Gifts
- U.S. Taxation of Foreign Partnerships
- Passive Foreign Investment Companies
- Tax Effects of Entity Acquisitions, Dispositions, and Reorganizations
- Certain CFC Ownership Attribution Rules
- Certain Foreign Source and U.S. Source Income Apportionments
- IC-DISC (Interest Charge Domestic International Sales Corporation)
- Subjective Tax Law regarding a number of opinionated issues such as Arm's Length, Form vs. Substance, Agency, etc...
- Other Complex Concepts (Redemptions, Financial Hedging, Derivatives, Foreign Currency Straddles, etc...)
- Transfer Pricing Models
- Certain Subpart F Scenarios of Increased Complexity
- Certain Global Intangible Low Tax Income (GILTI) Scenarios of Increased Complexity
- Certain Tax Effects of Intercompany Transactions (Such as the Base Erosion and Anti-Abuse Tax)
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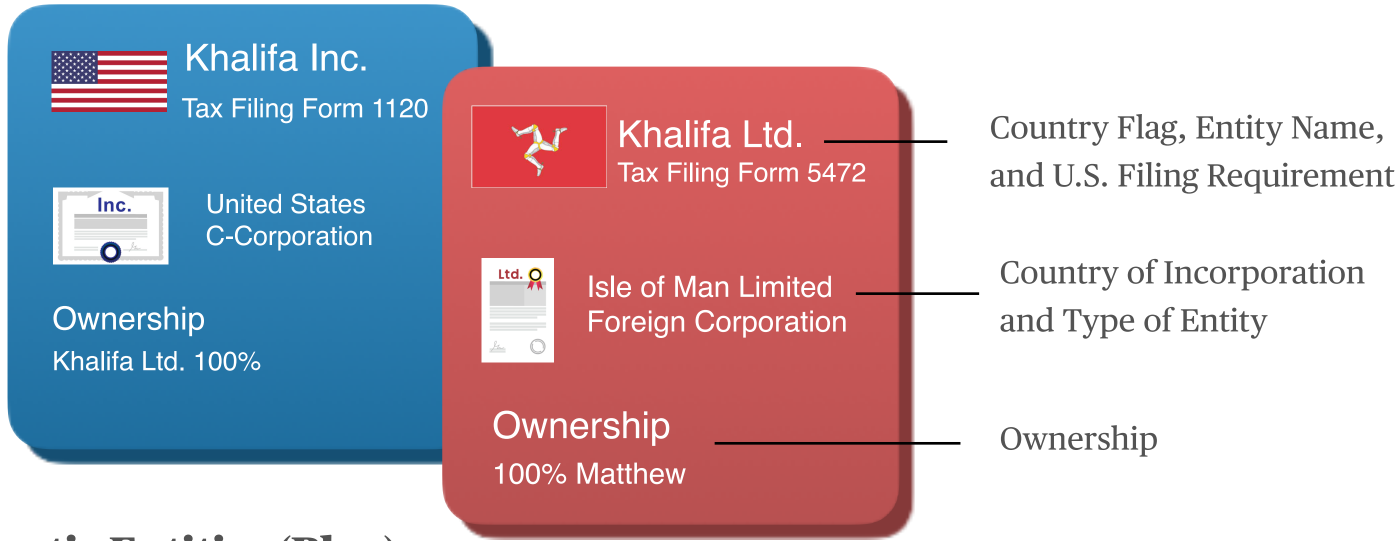
Structure Icon Legend



Domestic Entities (Blue)

Foreign Entities (Red)

Flow of Cash & Character of Income

Legal Entities are two-dimensional flat icons that portray U.S. entities (in blue) and foreign entities (in red), including a country flag, name, U.S. filing requirement, and ownership. The cash transfer is shown in a lined arrow, generally colored based on the character of income.

Customer Income, and Other Payments

Dividends

Wages/Salary

Royalties/Passive

Humans

Humans are shown with a photo, with a background/ border in blue for U.S. citizens and residents and red for non-resident aliens

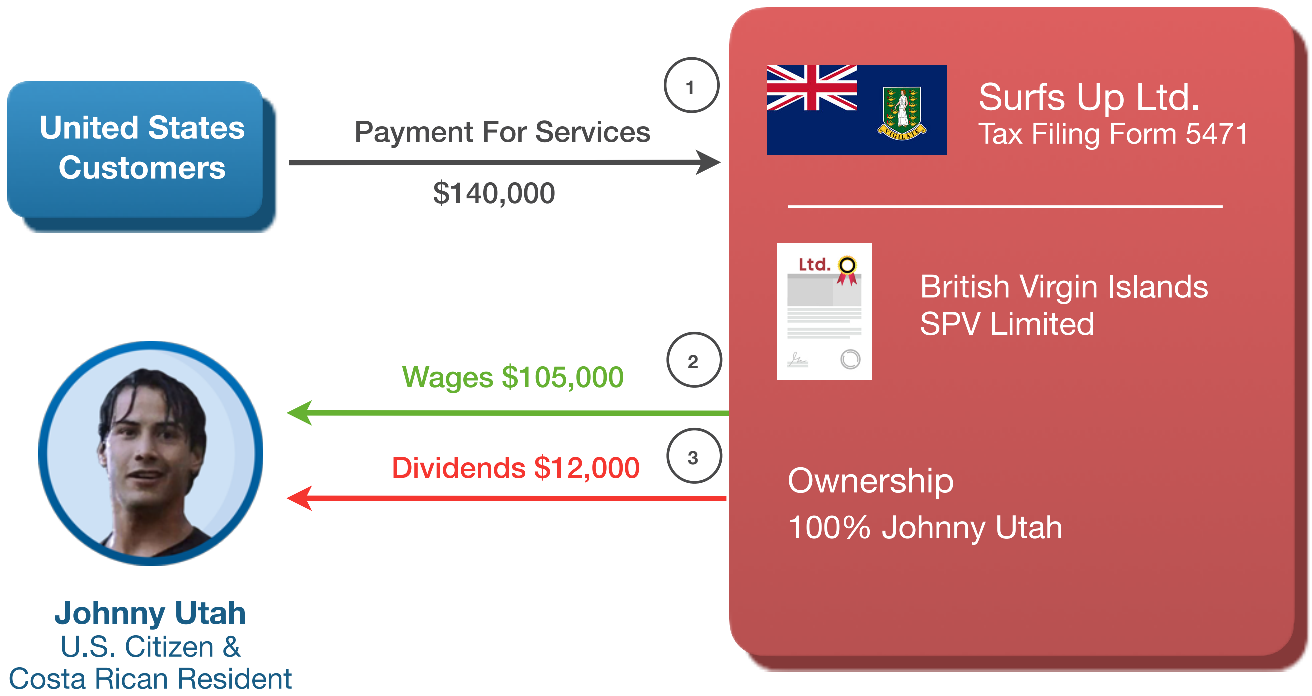
*Note, certain electronic readers and print publications do not display colors, but are instead in greyscale.

Offshore Consultant
(Foreign Wages From BVI Ltd.)

Structure # 1.1

Structure Summary

A consultant working overseas receives wages and dividends from a foreign corporation in order to claim the Foreign Earned Income Exclusion to reduce his U.S. tax liability. This structure is a simplistic method of receiving wages from a foreign corporation in order to claim the Foreign Earned Income Exclusion, and at the same time be exempt from U.S. Social Security taxes while working in a foreign country.



Offshore Consultant (Foreign Wages From BVI Ltd.)

Structure Background

A British Virgin Islands SPV, Surfs Up Ltd. (owned wholly by Johnny Utah) received compensation from customers based in the United States for advisory consultation related to the surfing industry. Johnny, a U.S. citizen, resides in Costa Rica as Permanent Resident where he spends his free time surfing great waves and watching the sunset.

Johnny did not travel to the United States during the year, and qualifies for the Foreign Earned Income Exclusion under both the bona-residence test, and physical presence test per Internal Revenue Code §911.

Monetary Transactions & Accounting

1. The total payments from U.S. customers to the BVI corporation for consultation services were $140,000 for the entire year.
2. During the year, the BVI corporation compensates Johnny $105,000 of wages.
3. Additionally, $12,000 of dividends for the year were also paid to Johnny.
4. Surfs Up, Ltd. earned a total of $140,000 for consultation income, paid $105,000 of wages expense to Johnny, had other Administrative expenses of $10,000, resulting in Net Income of $25,000.

U.S. Tax Filing Compliance

5. **Form 1040 (Johnny Utah).** Based on his U.S. worldwide income of $117,000, he elects a Foreign Earned Income Exclusion to exclude his wages of $105,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $0. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Surfs Up, Ltd. to satisfy the reporting requirements of Internal Revenue Code §6038.

Offshore Consultant (Foreign Wages From BVI Ltd.)

Summarized Tax Returns and Financial Statements

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Form 1040	Johnny Utah (Single)
Wages	$105,000
Dividends	$12,000
Income	$117,000
Standard Deduction	- $12,000
Foreign Earned Income Exclusion	- $105,000
Taxable Income	$0

Form 5471	(Surfs Up Ltd.)

4

Surfs Up Ltd. Income Statement	
Consultation Income	$140,000
Wages Expense	$105,000
Administrative Expenses	$10,000
Net Income	**$25,000**

Resulting Tax Implications

As a result of this structure, the personal U.S. tax liability of Johnny Utah is $0.

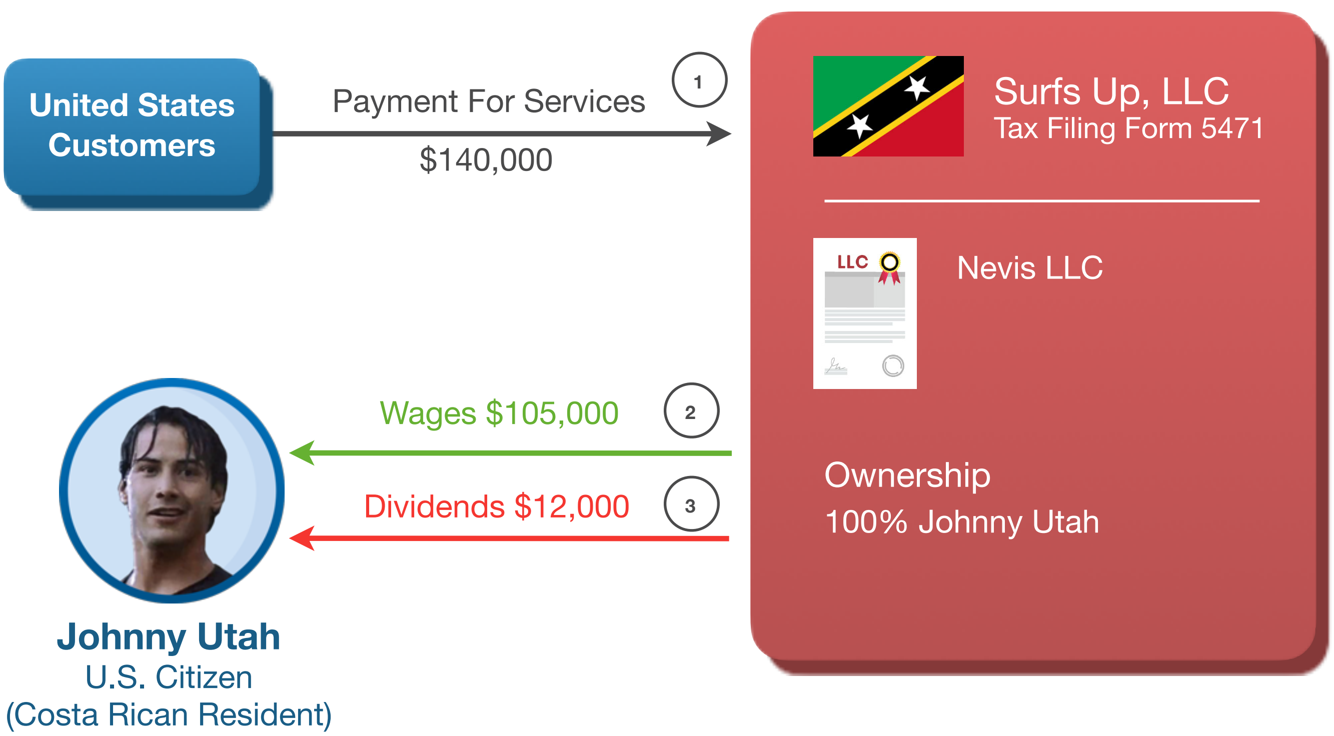
Note, this tax liability *does not* address or otherwise assume anti-deferral income recognized from the foreign corporation.

Offshore Consultant
(Foreign Wages From Nevis LLC)

Structure # 1.2

Structure Summary
A consultant working overseas receives wages and dividends from a foreign Limited Liability Company (taxed as a foreign corporation for U.S. tax purposes) in order to claim the Foreign Earned Income Exclusion to reduce his U.S. tax liability.

This structure is a simplistic method of receiving wages from a foreign Limited Liability Company (LLC), taxed as a corporation for Federal tax purposes, in order to claim the Foreign Earned Income Exclusion, and at the same time be exempt from U.S. Social Security taxes while working in a foreign country.



Structure Background

A Nevis LLC, Surfs Up LLC. (owned wholly by Johnny Utah) received compensation from customers based in the United States for advisory consultation related to the surfing industry.

Johnny, a U.S. citizen, resides in Costa Rica as Permanent Resident, where he spends his free time surfing great waves and watching the sunset. Johnny did not travel to the United States during the year and qualifies for the Foreign Earned Income Exclusion under both the bona-residence test and physical presence test per Internal Revenue Code §911.

Foreign LLC Taxed as A Foreign Corporation

The Nevis LLC, although a Single Member LLC, is taxed as a Controlled Foreign Corporation per Internal Revenue Code §957.

A foreign corporation is one that does not fit the definition of a domestic corporation per Internal Revenue Code §7701. A domestic corporation is one that was created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia[1].

Monetary Transactions & Accounting

1. The total payments from U.S. customers to the LLC for consultation services were $140,000 for the entire year.
2. During the year, the Nevis LLC compensates Johnny $105,000 of wages.
3. Additionally, $12,000 of dividends for the year were also paid to Johnny.
4. Surfs Up, LLC. earned a total of $140,000 for consultation income, paid $105,000 of wages expense to Johnny, had other Administrative expenses of $10,000, resulting in Net Income of $25,000.

U.S. Tax Filing Compliance

5. **Form 1040 (Johnny Utah).** Based on his U.S. worldwide income of $117,000, he elects a Foreign Earned Income Exclusion to exclude his wages of $105,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $0. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Surfs Up, LLC., to satisfy the reporting requirements of Internal Revenue Code §6038.

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[1] https://www.irs.gov/individuals/international-taxpayers/foreign-persons

Summarized Tax Returns and Financial Statements

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Form 1040 — Johnny Utah (Single)

Salary	$105,000
Dividends	$12,000
Income	$117,000
Foreign Earned Income Exclusion	- $105,000
Standard Deduction	- $12,000
Taxable Income	**$0**

Form **5471** (Surfs Up, LLC)

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Surfs Up, LLC
Income Statement

Consultation Income	$140,000
Wages Expense	$105,000
Administrative Expenses	$10,000
Net Income	**$25,000**

Resulting Tax Implications
As a result of this structure, the U.S. tax liability of Johnny Utah is $0.

Note, this tax liability *does not* address or otherwise assume anti-deferral income recognized from the foreign corporation.

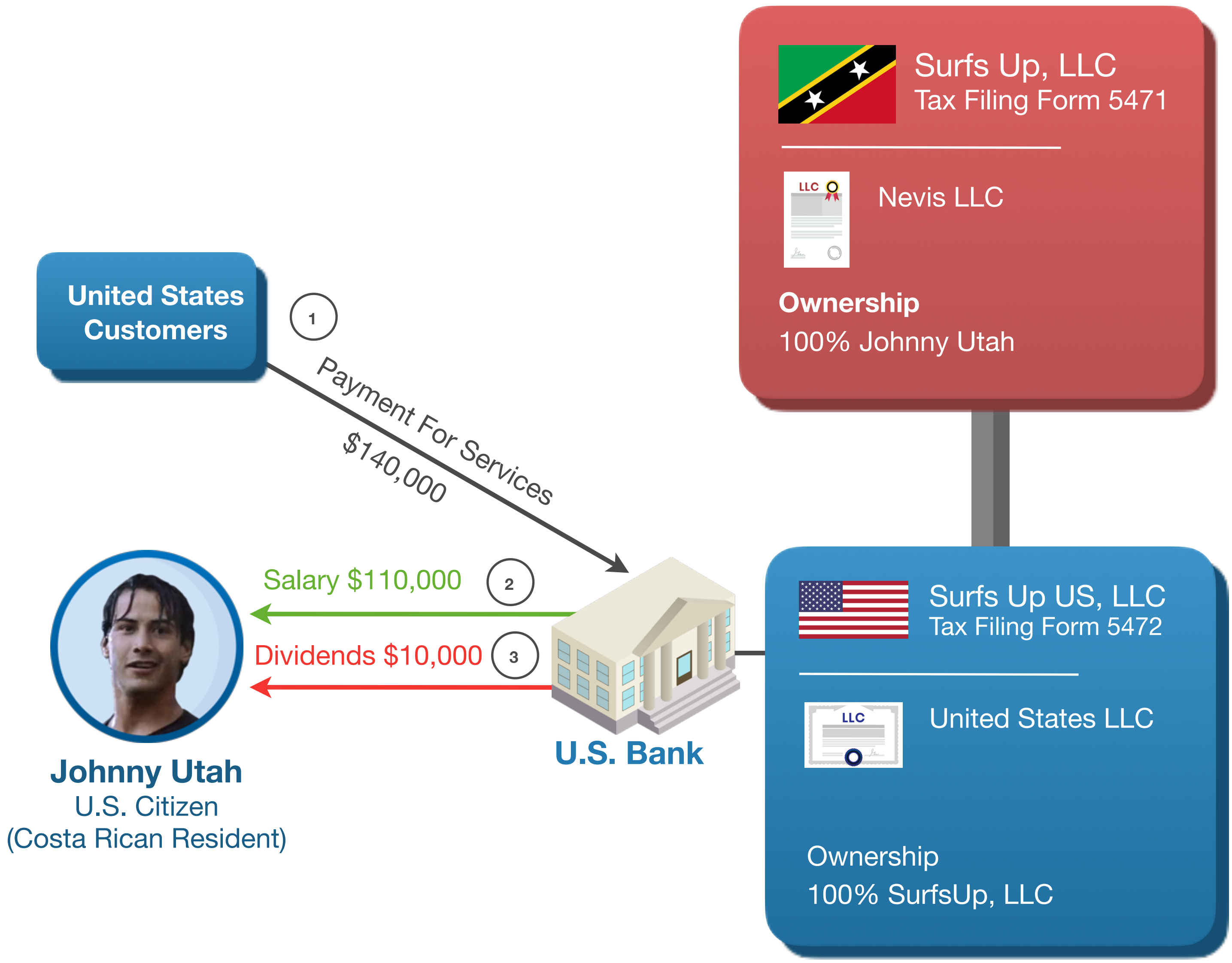
Offshore Consultant (Payment Processor Subsidiary LLC)

Structure # 1.3

Structure Summary

A consultant working overseas receives wages and dividends from a foreign Limited Liability Company (taxed as a foreign corporation for U.S. tax purposes), indirectly through a U.S. Limited Liability Company (classified as a Disregarded Entity for U.S. tax purposes) in order to claim the Foreign Earned Income Exclusion to reduce his U.S. tax liability.

This structure is an ideal situation in which a taxpayer intents to receive a salary from a foreign corporation, but unable to open a U.S. bank account to process customer payments, without a U.S. entity.



Structure Background

Surfs Up LLC, a Nevis LLC owned wholly by Johnny Utah, provides consultation services related to the surfing industry. Johnny, a U.S. citizen, resides in Costa Rica as Permanent Resident where he spends his free time surfing great waves and watching the sunset. He is the sole owner and only employee of this business activity.

The vast majority of clients from this business are based in the United States, and provide payment for services with a U.S. credit card or debit card. Due to strict banking laws in the United States, and in foreign countries, Johnny found it was essentially impossible to open a bank account for the Nevis LLC in order to accept payments.

As a solution, Surfs Up US, LLC was formed as a United States (Delaware) subsidiary owned wholly by the Nevis LLC. The subsidiary was able to open a bank account, accept payments from U.S. customers, and be extended credit to easily conduct business worldwide.

Throughout the year, clients send payments for services which are deposited into a U.S. bank account held by Surfs Up US, LLC. Funds from this bank account pay for administrative expenses for the business and also pay a salary and dividends to Johnny during the year.

Johnny did not travel to the United States during the year, and qualifies for the Foreign Earned Income Exclusion under both the bona-residence test, and physical presence test per Internal Revenue Code §911. His salary from a foreign corporation wile working in a foreign country are not subject to U.S. Social Security and Medicare tax per per Internal Revenue Code §3121.

Subsidiary Classified as a Disregarded Entity

As a Single-Member LLC, Surfs Up US, LLC is classified as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3, and conducts no business in the United States (further explanation below).

Not 'Engaged in a U.S. Trade or Business' in the United States

The primary purpose of the United States LLC is to easily collect payment from U.S. customers, obtain credit (primarily via credit cards), pay for expenditures, and easily conduct business from the use of the domestic banking system. Surfs Up US, LLC also owns a virtual mailbox in the state of California in order to receive U.S. mail, and as required by financial institutions. Based on the circumstances, the foreign corporation is determined

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

not to be "conducting business" in the United States solely by owning a U.S. LLC for banking and mailing purposes per Internal Revenue Code §862 and related definitions found in §864.

The subsidiary disregarded entity nor the foreign parent maintain a Permeant Establishment in the United States within the meaning of the Article 5 of the OECD Model Convention with respect to taxes[2].

Foreign LLC Taxed as A Foreign Corporation
The Nevis LLC, although a Single Member LLC, is taxed as a Controlled Foreign Corporation per Internal Revenue Code §957.

A foreign corporation is one that does not fit the definition of a domestic corporation per Internal Revenue Code §7701. A domestic corporation is one that was created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia[3].

Monetary Transactions & Accounting

1. The total payments from U.S. customers to the U.S. LLC for consultation services were $140,000 for the entire year.

2. During the year, the U.S. LLC compensates Johnny a salary of $110,000.

3. Additionally, $10,000 of dividends for the year were also paid to Johnny.

4. Surfs Up, LLC earned a total of $140,000 for consultation revenue, paid $110,000 of salary expense to Johnny, had other Administrative expenses of $20,000, resulting in Net Income of $10,000 all of which were paid out as dividends during the current year.

U.S. Tax Filing Compliance

5. **Pro Forma 1120, with Form 5472 (Surfs Up US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

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2 https://www.oecd.org/ctp/treaties/articles-model-tax-convention-2017.pdf

3 https://www.irs.gov/individuals/international-taxpayers/foreign-persons

Offshore Consultant (Payment Processor Subsidiary LLC)

6. **Form 1040 (Johnny Utah).** On his Federal income tax return, Johnny's U.S. worldwide income is $120,000 (Comprising $110,000 of a salary from a foreign corporation and $10,000 of Ordinary Dividends). He elects a Foreign Earned Income Exclusion to exclude his wages of $110,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $0. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Surfs Up, LLC. to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

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Form 1040	Johnny Utah (Single)
Salary	$110,000
Dividends	$10,000
Income	$120,000
Foreign Earned Income Exclusion	- $108,000
Standard Deduction	- $12,000
Taxable Income	**$0**

Form 5471	(Surfs Up, LLC)

4

Surfs Up, LLC Income Statement	
Consultation Income	$140,000
Salary Expense	- $110,000
Administrative Expenses	- $20,000
Net Income	**$10,000**

5

Form 5472	(Surfs Up, LLC)
Foreign Owned DE	

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of Johnny Utah is $0.

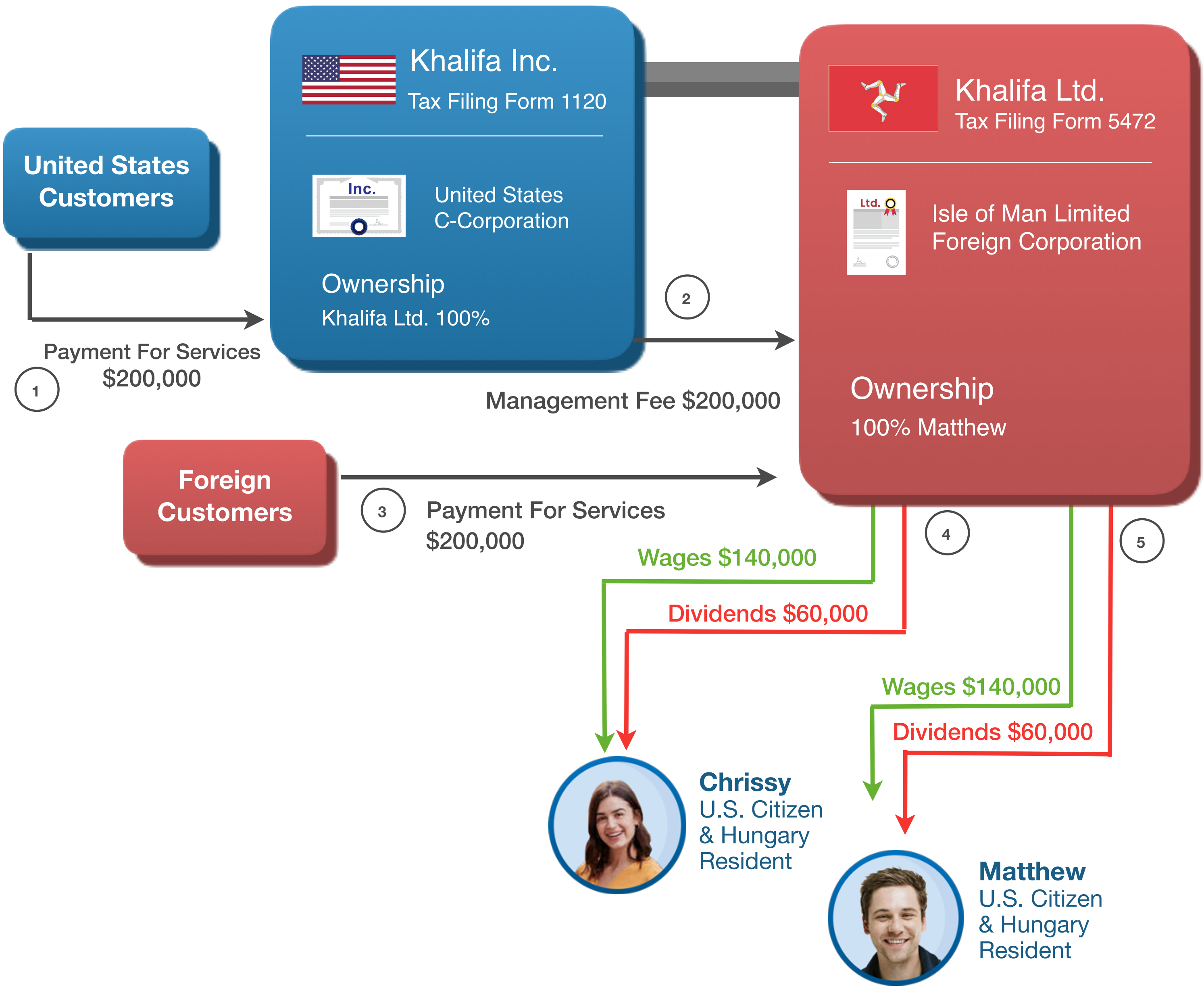
Note, this tax liability *does not* address or otherwise assume anti-deferral income recognized from the foreign corporation.

MFJ Consultants Corporate Subsidiary (Isle of Man)

Structure # 1.4

Structure Summary

A married couple provides consulting services overseas, and receives initial payment from U.S. clients through a C-Corporation for payment processing, which in turn compensates a foreign subsidy for management of consulting services provided. The foreign subsidiary also received payment from foreign clients, and in turn compensates each spouse in order for them to claim the Foreign Earned Income Exclusion based on wages originating from a foreign corporation, and avoiding Social Security taxes.



MFJ Consultants Corporate Subsidiary (Isle of Man)

Structure Background

An Isle of Man Limited company, Khalifa, Ltd. (owned 100% by Matthew, a U.S. citizen and resident of Hungary) is the parent company of Khalifa Inc., a U.S. Corporation. Matthew, as the manager of each business works with clients throughout the world. Khalifa, Inc. Collects payments from U.S. customers, and Khalifa, Ltd. collects payments from foreign customers, largely located in the European Union. However, Khalifa, Inc. primarily acts as a payment processor for the purposes collecting payments from U.S. customers, and pays a management fee to Khalifa Ltd., as the parent business operations are location offshore.

Khalifa Ltd. then pays a wage throughout the year, and also issues dividends for the any remaining earnings at the close of the year.

Both Matthew and his wife Chrissy operate each business together from their resident country in Hungary. Each spouse was a resident of Hungary for the entire year qualifying them for the Foreign Earned Income Exclusion under the bonafide residence test per Internal Revenue Code §911. While traveling and living abroad, they each incur a significant amount of housing expenses also partially excludable per Treasury Regulation §1.911-7.

Monetary Transactions & Accounting

1. The total payments to Khalifa, Inc. from U.S. customers for services were $200,000 for the entire year. The business recognizes income under the cash basis of accounting,
2. Khalifa, Inc. pays a Management Fee to Khalifa Ltd. of $200,000 for the same year to provide services to customers.
3. The total payments to Khalifa, Ltd., from foreign customers for services were $200,000 for the entire year.
4. During the year, Khalifa, Ltd. compensates Chrissy $140,000 of wages, and dividends totaling $60,000.
5. During the year, Khalifa, Ltd. compensates Matthew $140,000 of wages, and dividends totaling $60,000.

U.S. Tax Filing Compliance

6. **Form 1120, with Form 5472 (Khalifa, Inc.).** At the conclusion of the year, the U.S. corporation receives revenue of $200,000, and pays a management fee for services also of $200,000, resulting is $0 of Net Income. Additionally, a Foreign Owned disclosures is required on Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation

or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

7. **Form 5471 (Khalifa Ltd.).** The Isle of Man corporation earned a total of $400,000 for the year ($200,000 from foreign customers and $200,000 from management fees from its U.S. subsidiary). Wages are then paid to each spouse respectively of $140,000 each ($280,000 in total), resulting in a Net Income of $120,000. All earnings are paid out as dividends, resulting in a $60,000 dividend payment to each spouse. The couple filing a joint tax return must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of the foreign corporation on their personal tax return Form 1040, to satisfy the reporting requirements of Internal Revenue Code §6038.
8. **Form 1040 (MFJ Chrissy and Matthew).** On their individual Married Filing Joint tax return, each spouse report a total income of $400,000 ($280,000 of wages, $60,000 of Dividends. They elect to claim the Foreign Earned Income Exclusion on Form 2555, Foreign Earned Income, for a maximum exclusion of $216,000. Additionally, their foreign housing costs are partially deducible, resulting in a foreign housing exclusion of $16,000 (*total foreign housing expenses of $32,000 were paid during the year). After also claiming the Standard Deduction of $24,000, their taxable income is reduced to $144,000.

Summarized Tax Returns and Financial Statements

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Form 1120	Khalifa Inc.
Revenue	$200,000
Management Expense	- $200,000
Net Income	**$0**

Form 5472	(Khalifa Ltd.)
Foreign Owned Corporation	

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Khalifa Ltd. Income Statement	
Revenue	$200,000
Management Fee	$200,000
Wages Expense	- $280,000
Net Income	$120,000
Dividends Paid	- $120,000
Retained Earnings	$0

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Form 1040 (MFJ)	Matthew & Chrissy
Wages	$280,000
Dividends	$120,000
Total Income	$400,000
Foreign Earned Income Exclusion	- $216,000
Foreign Housing Expenses	- $16,000*
Standard Deduction	- $24,000
Taxable Income	$144,000
U.S. Tax	$34,560*

Form 5471	(Khalifa Ltd.)

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of Chrissy and Matthew filing jointly is $34,560.

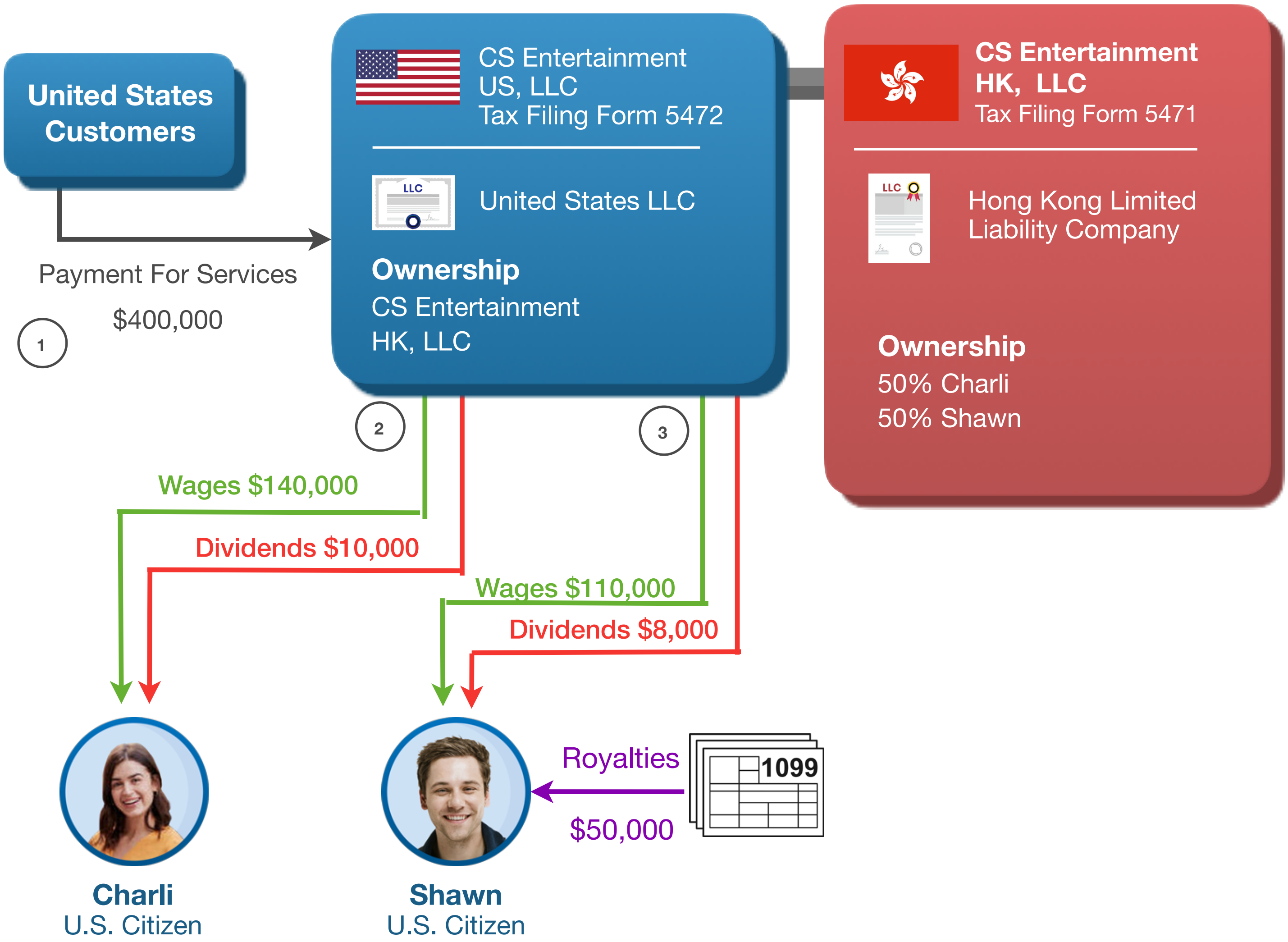
*To note, the effective tax rate for this year is 24% based on the "stacking rule" per Internal Revenue Code §911(f), which taxes remaining taxable income at a higher marginal tax rate when income was excluded under the Foreign Earned Income Exclusion, which would have otherwise been taxed at a lower rate.

MFJ Offshore Consultants (Foreign Wages & Dividends from Hong Kong LLC)

Structure # 1.5

Structure Summary

A foreign-owned U.S. LLC is classified as a disregarded entity in order to receive payments from U.S. customers and compensate the ultimate indirect owners whom are a married couple by way of a Hong Kong LLC (A Controlled Foreign Corporation). This structure is ideal for a situation in which a foreign corporation is unable to open a U.S. bank account to receive and process payments from U.S. customers.



MFJ Offshore Consultants (Foreign Wages & Dividends from Hong Kong LLC)

Structure Background

A Hong Kong LLC, CS Entertainment HK, LLC (owned 50% by Charli and 50% by Shawn, a married couple and both of whom are U.S. citizens) received payment for social media video services for the year from U.S. customers. CS Entertainment HK, LLC owns a wholly owned subsidiary CS Entertainment US, LLC (a Delaware LLC). As a Single-Member LLC, CS Entertainment US, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3, and conducts no business in the United States (further explanation below). The U.S. LLC pays wages and dividends to both Charli and Shawn throughout the year.

Both Charli and Shawn remain outside the United States for more than 330 days during the year, qualifying them for the Foreign Earned Income Exclusion under the physical presence test per Internal Revenue Code §911. While traveling and living abroad, they each incur a significant amount of housing expenses also partially excludable per Treasury Regulation §1.911-7. Additionally, Shawn also receives royalties from U.S. sources reported on Form 1099.

Not 'Engaged in a U.S. Trade or Business' in the United States

The primary purpose of the United States LLC is to easily collect payment from U.S. customers, obtain credit (primarily via credit cards), pay for expenditures, and easily conduct business from the use of the domestic banking system. CS Entertainment US, LLC also owns a virtual mailbox in the state of California in order to receive U.S. mail, and as required by financial institutions. Based on the circumstances, the foreign corporation is determined not to be "conducting business" in the United States simply by owning a U.S. LLC for banking and mailing purposes per Internal Revenue Code §862 and related definitions found in §864.

Additionally, CS Entertainment US, LLC as a disregarded entity nor the foreign parent maintains a Permeant Establishment in the United States within the meaning of the Article 5 of the OECD Model Convention with respect to taxes[2].

Monetary Transactions & Accounting

1. The total payments from U.S. customers for services were $400,000 for the entire year. The business recognizes income under the cash basis of accounting.
2. During the year, CS Entertainment US, LLC compensates Charli $140,000 of wages, and dividends totaling $10,000.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

[2] https://www.oecd.org/ctp/treaties/articles-model-tax-convention-2017.pdf

MFJ Offshore Consultants (Foreign Wages & Dividends from Hong Kong LLC)

3. During the year, CS Entertainment US, LLC compensates Shawn $110,000 of wages, and dividends totaling $8,000.
4. At the conclusion of the year, CS Entertainment HK, LLC has Net Income of $50,000 (Revenue of $400,000 less $100,000 of Cost of Sales, less $250,000 of wages expenses). Dividends of $18,000 are paid to Charli and Shawn, and the remaining $32,000 are deferred retained earnings. *In this example, the retained earnings are not Subpart F income as defined in Internal Revenue Code §951 and §952.

U.S. Tax Filing Compliance

5. **Pro Forma Form 1120, with Form 5472 (CS Entertainment US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.
6. **Form 1040 (MFJ Charli and Shawn).** On their individual Married Filing Joint tax return, Charli and Shawn report a total income of $318,000 ($250,000 of wages, $18,000 of Dividends, and $50,000 of Royalties. They elect to claim the Foreign Earned Income Exclusion on Form 2555, Foreign Earned Income for a maximum exclusion of $216,000. Additionally, their foreign housing costs are partially deducible resulting in a foreign housing exclusion of $16,000 (*total foreign housing expenses of $32,000 were paid during the year). After also claiming the Standard Deduction of $24,000, their taxable income is reduced to $62,000.
7. **Form 5471 (CS Entertainment HK, LLC).** The couple must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of CS Entertainment HK, LLC to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

6

Form 1040 (MFJ)	Charli & Shawn
Wages	$250,000
Ordinary Income	$18,000
Royalties	$50,000
Total Income	$318,000
Foreign Earned Income Exclusion	- $216,000
Foreign Housing Expenses	- $16,000*
Standard Deduction	- $24,000
Taxable Income	$62,000
U.S. Tax	$18,000*

7

Form **5471** (CS Entertainment HK, LLC)

4

CS Entertainment HK, LLC Income Statement	
Revenue	$400,000
Cost of Sales	- $100,000
Wages Expense	- $250,000
Net Income	$50,000
Dividends Paid	- $18,000
Retained Earnings	$32,000*

5

Form **5472** (CS Entertainment HK, LLC)

Foreign Owned DE

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of Charli and Shawn filing jointly is $18,000.

*To note, the effective tax rate for this year is 29% based on the “stacking rule” per Internal Revenue Code §911(f), which taxes remaining taxable income at a higher marginal tax rate when income was excluded under the Foreign Earned Income Exclusion, which would have otherwise been taxed at a lower rate.

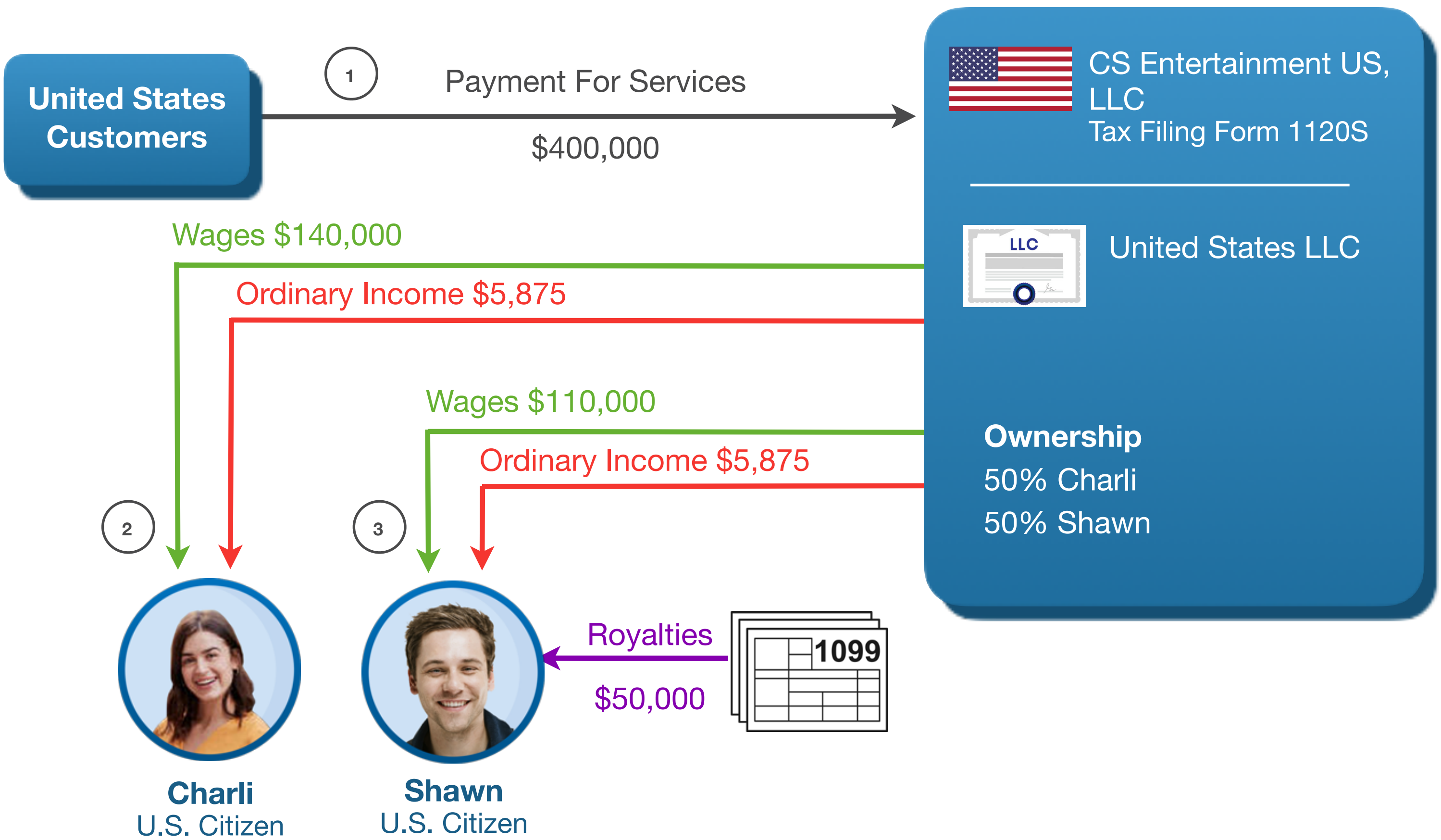
MFJ Offshore Consultants (Foreign Wages from S-Corporation)

Structure # 1.6

Structure Summary

A married couple provides consulting services through an S-Corporation while working overseas to claim the Foreign Earned Income Exclusion and foreign housing exclusion.

This structure is ideal for married couples who are claiming the Foreign Earned Income Exclusion, and have a S-Corporation structure, and would rather not incorporate a foreign corporation for additional costs and compliance.



Structure Background

CS Entertainment US, LLC (owned 50% by Charli and 50% by Shawn, a married couple and both of whom are U.S. citizens) is taxed as an S-Corporation per Internal Revenue Code §1361 received payment for social media video services for the year from U.S. customers. As each shareholder is actively is employed by the corporation, they receive wages, in addition to their ordinary income from profits of the business.

Both Charli and Shawn remain outside the United States for more than 330 days during the year, qualifying them for the Foreign Earned Income Exclusion under the physical presence test per Internal Revenue Code §911. While traveling and living abroad, they each incur a significant amount of housing expenses also partially excludable per Treasury Regulation §1.911-7. Additionally, Shawn also receives royalties from U.S. sources reported on Form 1099.

Monetary Transactions & Accounting

1. The total payments from U.S. customers for services were $400,000 for the entire year. The business recognizes income under the cash basis of accounting.
2. During the year, CS Entertainment US, LLC compensates Charli $140,000 of wages. Additionally, net income from the S-Corporation of $5,875 was allocable to her during the year.
3. During the year, CS Entertainment US, LLC compensates Shawn $110,000 of wages. Additionally, net income from the S-Corporation of $5,875 was allocable to him during the year.

U.S. Filing Tax Compliance

4. **Form 1120S (CS Entertainment US, LLC).** At the conclusion of the year, CS Entertainment US, LLC has Ordinary Net Income of $11,750 (Revenue of $400,000 less $100,000 of Cost of Sales, less $250,000 of wages expenses, less $11,750 of Payroll Expenses). As income is shared equally, Charli receives a Schedule K-1 reporting $5,875 of Ordinary Income, and Shawn receives a Schedule K-1 reporting $5,875 of Ordinary Income as well.
5. **Form 940/941 (CS Entertainment US, LLC).** Employment tax for the payment of wages totaled $38,250 during the year.
6. **Form 1040 (MFJ Charli and Shawn).** On their individual Married Filing Joint tax return, Charli and Shawn report total income of $311,750 ($250,000 of wages, $11,750 of Ordinary Income, and $50,000 of Royalties. They elect to claim the Foreign Earned

MFJ Offshore Consultants (Foreign Wages from S-Corporation)

Income Exclusion on Form 2555, Foreign Earned Income for a maximum exclusion of $216,000. Additionally, their foreign housing costs are partially deducible resulting in a foreign housing exclusion of $16,000 (*total foreign housing expenses of $32,000 were paid during the year). After also claiming the Standard Deduction of $24,000, their taxable income is reduced to $55,750.

Summarized Tax Returns and Financial Statements

6

Form 1040 (MFJ)	Charli & Shawn
Wages	$250,000
Ordinary Income	$11,750
Royalties	$50,000
Total Income	$311,750
Foreign Earned Income Exclusion	- $216,000
Foreign Housing Expenses	- $16,000*
Standard Deduction	- $24,000
Taxable Income	**$55,750**
U.S. Tax	**$16,000***

4

Form **1120-S** CS Entertainment US, LLC	
Revenue	$400,000
Cost of Sales	- $100,000
Wages Expense	- $250,000
Payroll Expense	- $38,250
Net Ordinary Income	**$11,750**

5

Form **940/941** CS Entertainment US, LLC	
Payroll Tax Due	$38,250

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of Charli and Shawn filing jointly is $16,000.

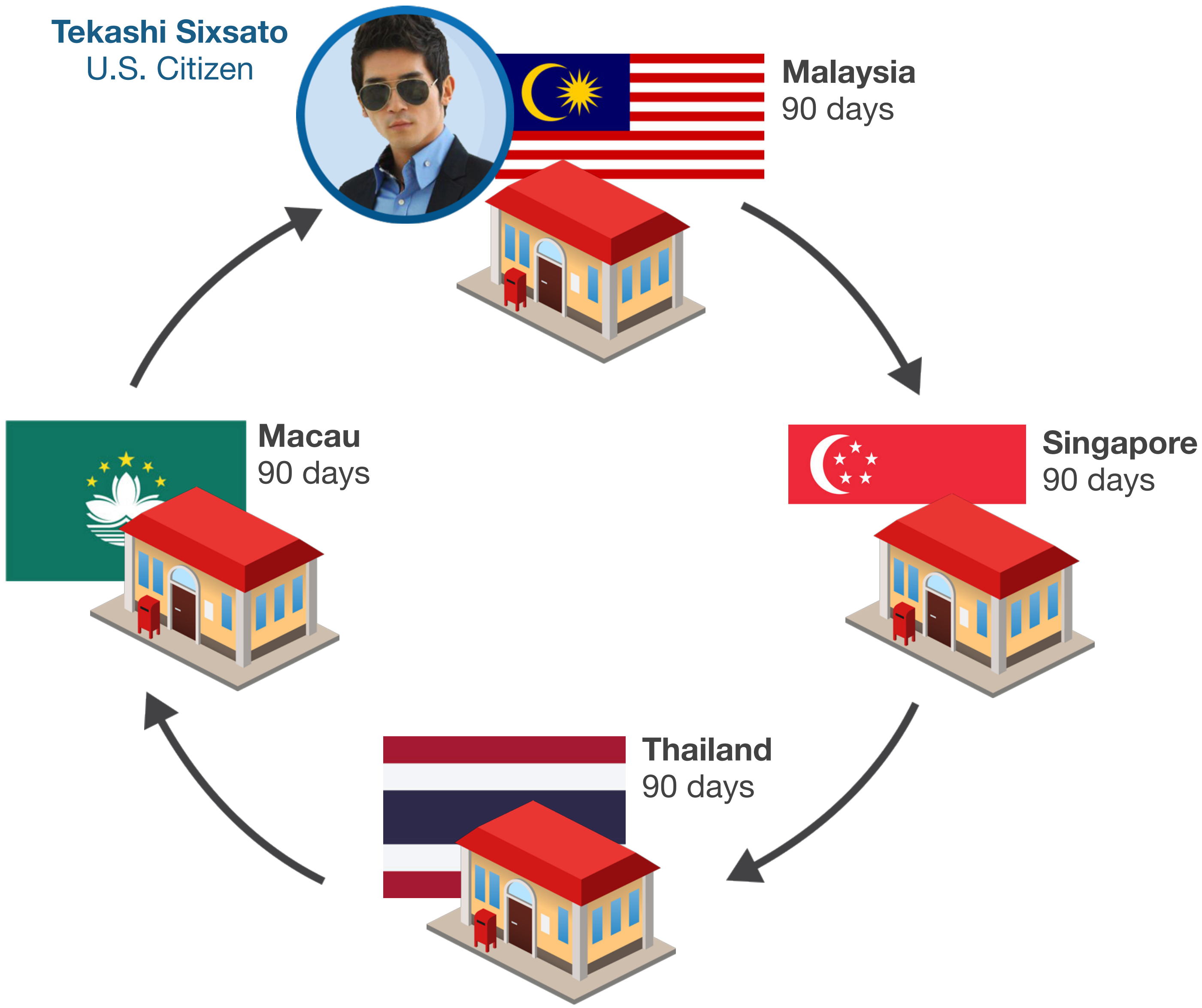
*To note, the effective tax rate for this year is 29% based on the "stacking rule" per Internal Revenue Code §911(f), which taxes remaining taxable income at a higher marginal tax rate when income was excluded under the Foreign Earned Income Exclusion, which would have otherwise been taxed at a lower rate.

Self Employed Perpetual Traveler

Structure # 1.7

Structure Summary

A musician performs services in various counties and continually travels outside the United States as a Self-Employed individual to claim a Foreign Earned Income Exclusion, but still subject to Self-Employment Tax. An ideal structure for a traveling artist claiming the Foreign Earned Income Exclusion, who does not prefer to incorporate a business, and receives income personally.



Self-Employed Perpetual Traveler

Structure Background

Tekashi Sixsato, a Musician by trade, is a U.S. citizen who continually travels throughout Asia a self-employed performing artist.

During the year, he obtains a tourist visa in each country and spent 90 days in Malaysia, then 90 days in Singapore, then 90 days in Thailand, and 90 days in Macau before returning to Malaysia.

Tekashi did not travel to the United States during the year, and qualifies for the Foreign Earned Income Exclusion under the physical presence test per Internal Revenue Code §911.

Monetary Transactions & Accounting

1. During the year, Tekashi earns $120,000 of Self-Employed Income he earned individually for his musical performances. Expenses related to his performances total $40,000.

U.S. Tax Filing Compliance

2. **Form 1040 (Tekashi Sixsato).** Based on his U.S. worldwide net income of $80,000, he elects a Foreign Earned Income Exclusion to exclude his self-employment earnings on Form 2555, Foreign Earned Income. The method in which the exclusion is claimed the entire amount of his net earnings are not excludable, and the maximum exclusion is only $70,000. However, his Standard Deduction of $12,000 for the year reduces his taxable income to $0. As a self-employed musician, his Self-Employment Tax is $12,240 for the year.

Summarized Tax Returns and Financial Statements

Form 1040	Tekashi Sixsato
Self Employed Income	$120,000
Self Employed Expenses	$40,000
Total Income	$80,000
Foreign Earned Income Exclusion	- $70,000
Standard Deduction	- $12,000
Taxable Income	**$0**
Self Employment Tax	$12,240

Resulting Tax Implications

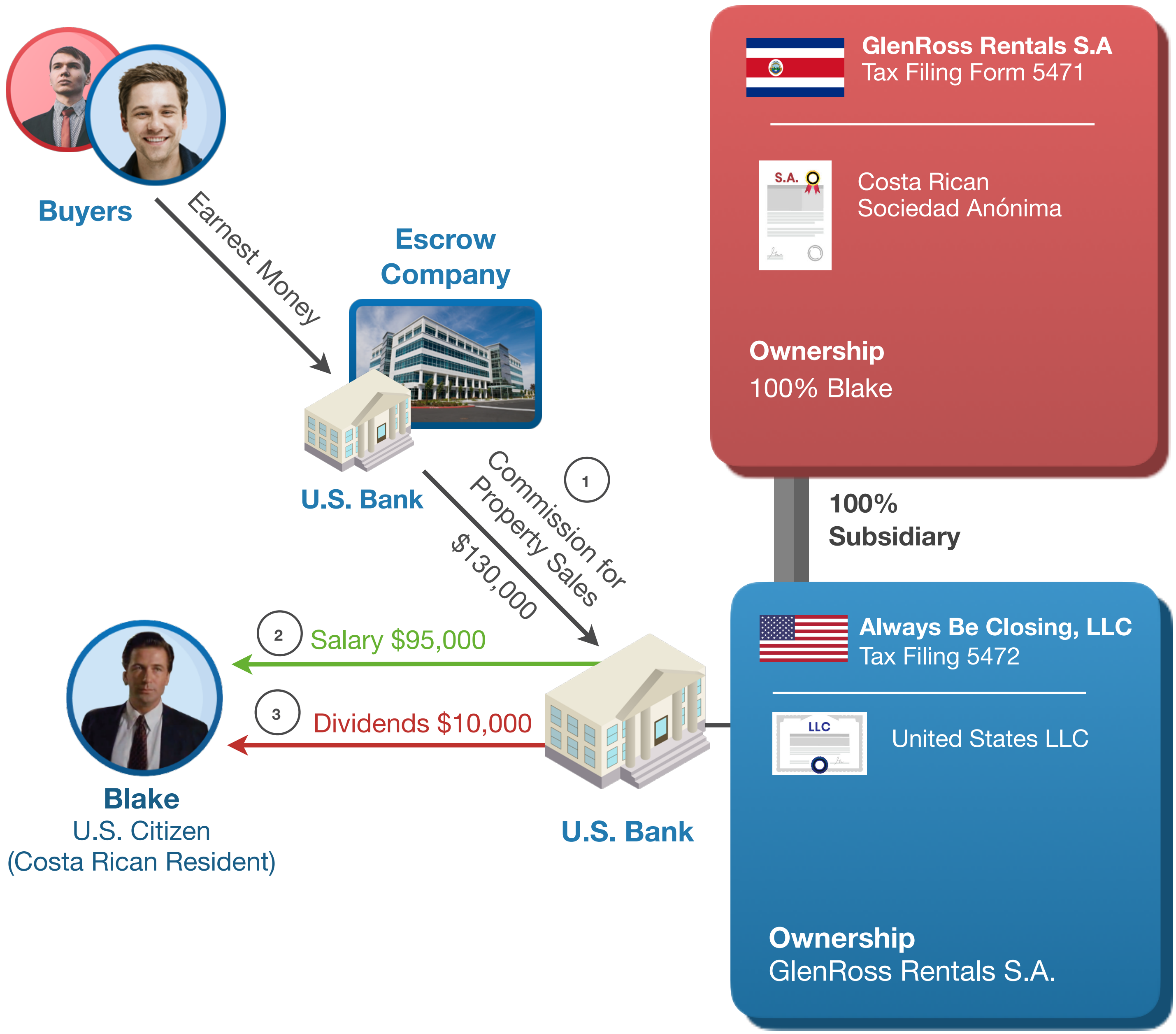
As a result of this structure, the U.S. tax liability of Tekashi Sixsato is $12,240.

Real Estate Agent (Costa Rican SA Parent U.S. LLC Subsidiary)

Structure # 1.8

Structure Background

A Real Estate salesman receives a salary and dividends through a U.S. Limited Liability Company (taxed as a Disregarded Entity for U.S. tax purposes), which is the subsidiary of a Costa Rican corporation parent company. This structure is ideal for real estate professionals who prefer to receive commissions into a U.S. bank account while at the same time qualify for the Foreign Earned Income Exclusion.



Real Estate Agent (Costa Rican SA Parent U.S. LLC Subsidiary)

Structure Background

Blake, a U.S. citizen and Costa Rican Resident, is the owner and manager of GlenRoss Rentals S.A. (Sociedad Anónima), which provides rental management services for Glen Ross Farms, luxury real estate units along the shoreline of Costa Rica.

Occasionally, a unit within Glen Ross Farms is sold, and Blake, being a highly motivated salesman acts as a real estate agent for the transaction. However, the buyer is often paying in U.S. Dollars and requires escrow services to be completed by a U.S. escrow provider. As a result, a U.S. bank account is required for Blake to receive commission revenue. In order to accept payments in U.S. dollars, Always Be Closing, LLC, a Delaware Limited Liability Company is formed as a subsidiary of GlenRoss Rentals S.A., and a bank account is opened to have funds wired to the account for commission revenue. Funds from this bank account also pay for administrative expenses for the business activity related to sales commission, and also pay a salary and dividends to Blake during the year.

Blake did not travel to the United States during the year, and qualifies for the Foreign Earned Income Exclusion under both the bona-residence test, and physical presence test per Internal Revenue Code §911. His salary from a foreign corporation while working in a foreign country are not subject to U.S. Social Security and Medicare tax per Internal Revenue Code §3121.

Subsidiary Classified as a Disregarded Entity (DE)

As a Single-Member LLC, Always Be Closing, LLC is classified as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3, and conducts no business in the United States (further explanation below).

Not 'Engaged in a U.S. Trade or Business' in the United States

The primary purpose of the United States LLC is to easily collect payment from customers in U.S. Dollars, easily pay for expenditures, and easily conduct business from the use of the domestic banking system. Always Be Closing, LLC also owns a virtual mailbox in the state of Florida in order to receive U.S. mail, and as required by financial institutions. Blake performs his services related to sales in Costa Rica. Based on the circumstances, the foreign corporation is determined not to be "conducting business" in the United States solely by owning a U.S. LLC for banking and mailing purposes per Internal Revenue Code §862 and related definitions found in Internal Revenue Code §864.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

Real Estate Agent (Costa Rican SA Parent U.S. LLC Subsidiary)

The subsidiary disregarded entity nor the foreign parent maintain a Permeant Establishment in the United States within the meaning of the Article 5 of the OECD Model Convention with respect to taxes[2].

Monetary Transactions & Accounting

1. The total payments from all sales originating from the United States escrow company to the United States LLC for commission revenue was $130,000 for the entire year.
2. During the year, the U.S. LLC compensates Blake a salary of $95,000.
3. Additionally, $10,000 of dividends (total Net Earnings of the LLC business activity) were also paid to Blake during the year.
4. On its annual Income Statement, Always Be Closing, LLC earned a total of $130,000 for commission revenue, paid $95,000 of salary expense to Blake, had other Administrative expenses of $25,000, resulting in Net Income of $10,000 all of which were paid out as dividends during the current year.

U.S. Tax Filing Compliance

5. **Pro Forma Form 1120, with Form 5472 (Always Be Closing, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.
6. **Form 1040 (Blake).** On his U.S. Federal income tax return, Blake's worldwide income is $105,000 (Comprising $95,000 of a salary and $10,000 of ordinary dividends). He elects a Foreign Earned Income Exclusion to exclude his wages of $95,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $0. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of GlenRoss Rentals S.A. to satisfy the reporting requirements of Internal Revenue Code 6038.

[2] https://www.oecd.org/ctp/treaties/articles-model-tax-convention-2017.pdf

Real Estate Agent (Costa Rican SA Parent U.S. LLC Subsidiary)

Summarized Tax Returns and Financial Statements

4

Always Be Closing, LLC
Income Statement

Commission Revenue		$130,000
Salary Expense	-	$95,000
Administrative Expenses	-	$25,000
Net Income		**$10,000**

5

Form **5472** (Always Be Closing, LLC)

Foreign Owned DE

6

Form **1040** Blake (Single)

Salary		$95,000
Dividends		$10,000
Income		$105,000
Foreign Earned Income Exclusion	-	$95,000
Standard Deduction	-	$12,000
U.S. Taxable Income		**$0**

Form **5471** (GlenRoss Rentals S.A.)

Resulting Tax Implications

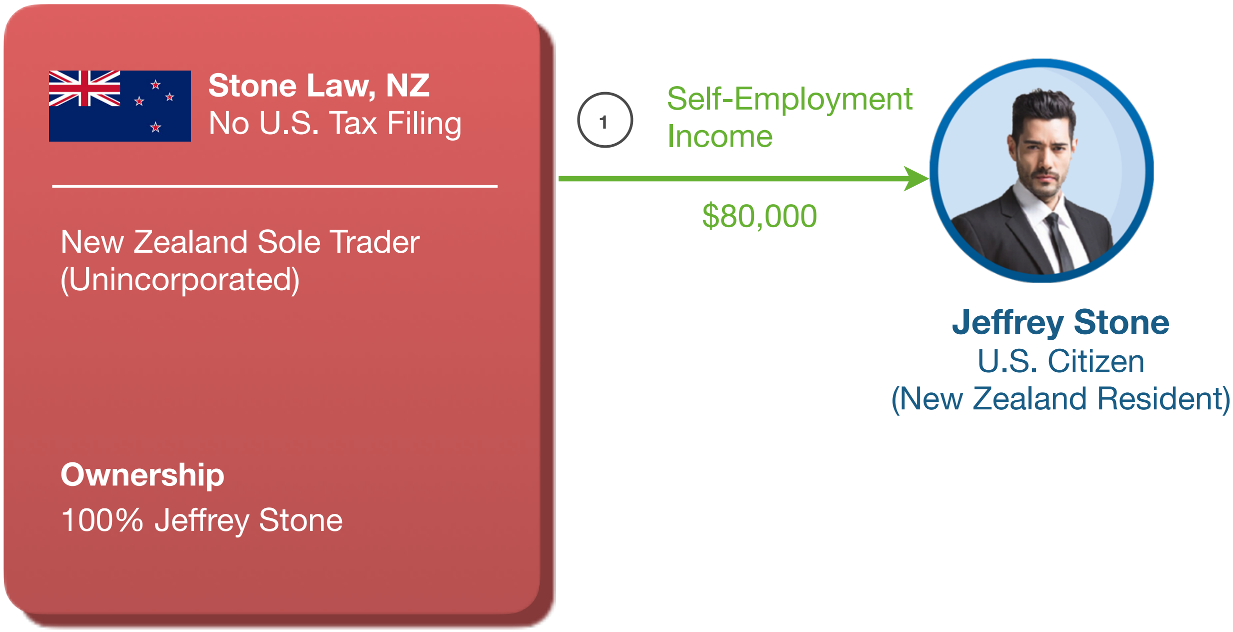
As a result of this structure, the U.S. tax liability of Blake is $0.

Sole Trader (New Zealand)
Schedule C Exclusion

Structure # 1.9

Structure Summary

A Self-Employed U.S. citizen Attorney performed work outside the United States to claim the Foreign Earned Income Exclusion. Although his income tax liability is eliminated, Self-Employment Tax is owed. This structure is a summary of a sole trader conducting business as an unincorporated personal business, ideal for simplicity and low compliance costs.



Structure Background

Jeffrey Stone, an Attorney by trade, is a U.S. citizen residing in New Zealand. He forms a sole trader entity in New Zealand, allowing him to conduct a licensed business and operate a separate bank account.

As a sole trader, there is no Controlled Foreign Corporation requirements under Internal Revenue Code §957. This entires also does not have limited liability per Treasury Regulation §301.7701-3b. As a result, the income and expenses are reported on Schedule C of Jeffrey's personal income tax return.

Jeffrey did not travel to the United States during the year, and qualifies for the Foreign Earned Income Exclusion under the physical presence test per Internal Revenue Code §911.

Monetary Transactions

1. During the year, Jeffrey earns $120,000 of Self-Employed Income he earned individually for his musical performances. Expenses related to his performances total $40,000.

Tax Compliance

2. **Form 1040 (Jeffrey Stone).** Based on his U.S. worldwide net income of $80,000, he elects a Foreign Earned Income Exclusion to exclude his self-employment earnings on Form 2555, Foreign Earned Income. The method in which the exclusion is claimed, the entire amount of his net earnings are not excludable, and the maximum exclusion is only $70,000. However, his Standard Deduction of $12,000 for the year reduces his taxable income to $0. As a self-employed Attorney, his Self-Employment Tax is $12,240 for the year.

Summarized Tax Returns and Financial Statements

2

Form 1040	Jeffrey Stone
Self Employed Income	$120,000
Self Employed Expenses	$40,000
Total Income	$80,000
Foreign Earned Income Exclusion	- $70,000
Standard Deduction	- $12,000
Taxable Income	**$0**
Self Employment Tax	$12,240

Resulting Tax Implications

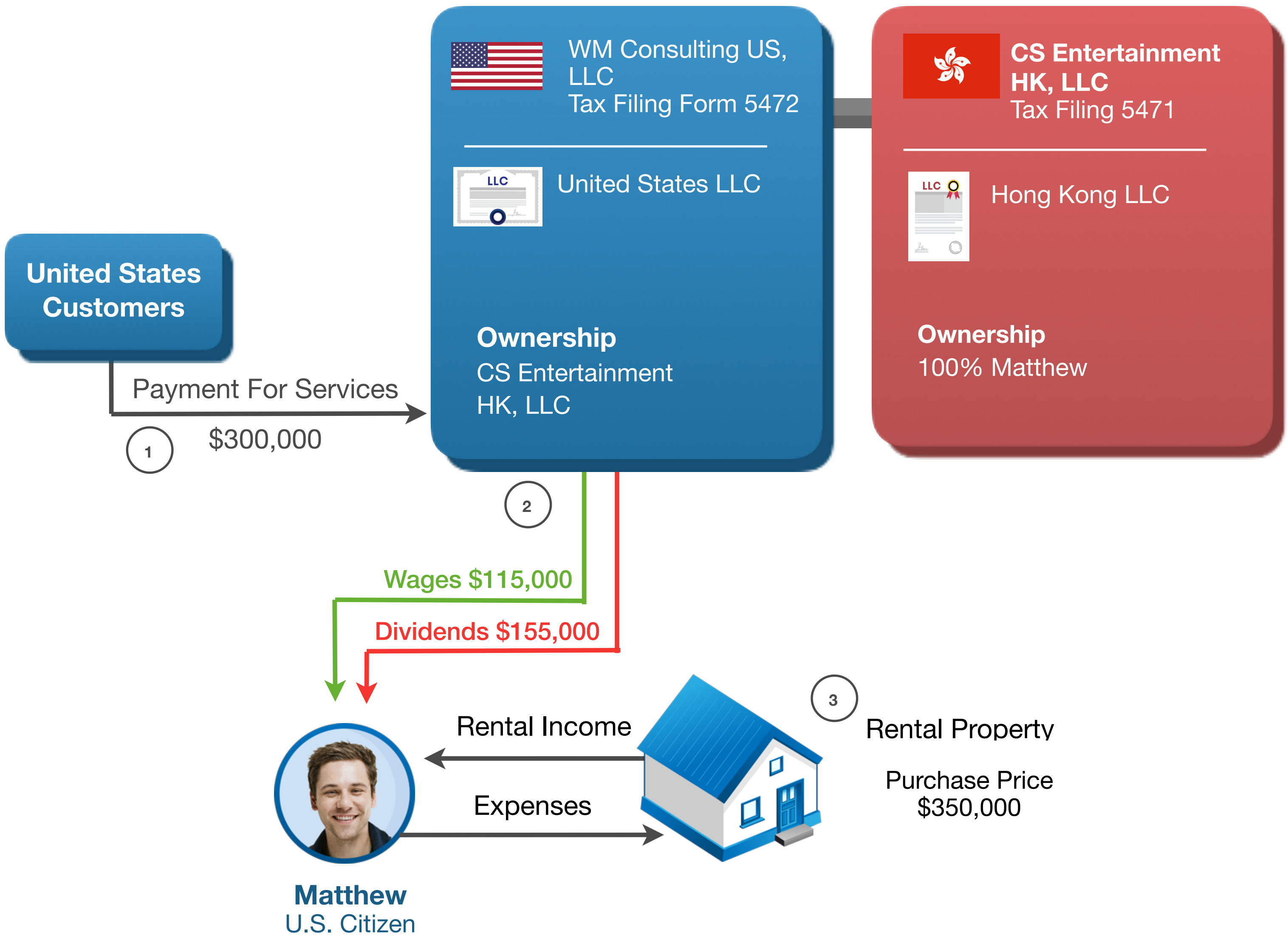
As a result of this structure, the U.S. tax liability of Jeffrey Stone is $12,240.

MFS Offshore Consultant (Foreign Wages & Cost Segregation)

Structure # 1.10

Structure Summary

An individual claiming the Foreign Earned Income Exclusion (compensation paid via a U.S. Disregarded Entity LLC), whom exceeds the exclusion limit can invest in rental property to defer income tax through a Cost Segregation strategy on invested real estate.



Structure Background

A Hong Kong LLC, WM Consulting HK, LLC (owned 100% by Matthew, a married U.S. citizen individual filing separately) received payment for software consulting and marketing for the year from U.S. customers. WM Consulting HK, LLC owns a wholly owned subsidiary WM Consulting US, LLC (a Delaware LLC). As a Single-Member LLC, WM Consulting US, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3, and conducts no business in the United States (further explanation below). The U.S. LLC pays wages and dividends to Matthew throughout the year.

Matthew remains outside the United States for more than 330 days during the year, qualifying for the Foreign Earned Income Exclusion under the physical presence test per Internal Revenue Code §911. While traveling and living abroad, they each incur a significant amount of housing expenses also partially excludable per Treasury Regulation §1.911-7.

Cost Segregation

Additionally, Matthew purchased a residential U.S. real estate property for a purchase price of $350,000, in which a Cost Segregation study was completed to claim accelerated depreciation in its first year of operation.

Not 'Engaged in a U.S. Trade or Business' in the United States

The primary purpose of the United States LLC is to easily collect payment from U.S. customers, obtain credit (primarily via credit cards), pay for expenditures, and easily conduct business from the use of the domestic banking system. WM Consulting US, LLC also owns a virtual mailbox in the state of Delaware in order to receive U.S. mail, and as required by financial institutions. Based on the circumstances, the foreign corporation is determined not to be "conducting business" in the United States simply by owning a U.S. LLC for banking and mailing purposes per Internal Revenue Code §862 and related definitions found in §864. Additionally WM Consulting US, LLC as a disregarded entity nor the foreign parent maintain a Permeant Establishment in the United States within the meaning of the Article 5 of the OECD Model Convention with respect to taxes[2].

Monetary Transactions & Accounting

1. The total payments from U.S. customers for services were $300,000 for the entire year. The business recognizes income under the cash basis of accounting.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

[2] https://www.oecd.org/ctp/treaties/articles-model-tax-convention-2017.pdf

MFS Offshore Consultant (Foreign Wages & Cost Segregation)

2. During the year, WM Consulting US, LLC compensates Matthew $115,000 of wages, and remaining Net Income as dividends of $155,000.
3. The accelerated deprecation an addition to initial year purchase costs preparing the property for rental use totaled $90,000.
4. At the conclusion of the year, WM Consulting HK, LLC has Net Income of $155,000 (Revenue of $300,000 less $30,000 of Administrative Costs, less $115,000 of wages expenses). Dividends of $155,000 are paid to Matthew, with no remaining retained earnings. *As a result, there is no Subpart F income as defined in Internal Revenue Code §951 and §952.

U.S. Tax Filing Compliance

5. **Pro Forma Form 1120, with Form 5472 (WM Consulting US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.
6. **Form 1040 (MFS Matthew).** On his individual Married Filing Separate tax return, Matthew report total income of $180,000 ($115,000 of wages, $155,000 of Dividends, and a Rental Loss of $-90,000. He elects to claim the Foreign Earned Income Exclusion on Form 2555, Foreign Earned Income, for a maximum exclusion of $108,000. Additionally, their foreign housing costs are partially deducible, resulting in a foreign housing exclusion of $16,000 (*total foreign housing expenses of $32,000 were paid during the year). After also claiming the Standard Deduction of $12,550, their taxable income is reduced to $43,500.
7. **Form 5471 (WM Consulting HK, LLC).** He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of WM Consulting HK, LLC to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

6

Form 1040 (MFS)	Matthew
Wages	$115,000
Dividends	$155,000
Rental Income/Loss	$-90,000
Total Income	$180,000
Foreign Earned Income Exclusion	- $108,000
Foreign Housing Expenses	- $16,000*
Standard Deduction	- $12,550
Taxable Income	$43,500
U.S. Tax	$10,440*

7

Form **5471** (WM Consulting HK, LLC)

4

WM Consulting HK, LLC Income Statement	
Revenue	$300,000
Administrative Costs	- $30,000
Wages Expense	- $115,000
Net Income	$155,000
Dividends Paid	- $155,000
Retained Earnings	$0*

5

Form **5472** (WM Consulting HK, LLC)

Foreign Owned DE

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of Matthew filing separately is $10,440.

*Note, the effective tax rate for this year is 24% based on the “stacking rule” per Internal Revenue Code §911(f), which taxes remaining taxable income at a higher marginal tax rate when income was excluded under the Foreign Earned Income Exclusion, which would have otherwise been taxed at a lower rate.

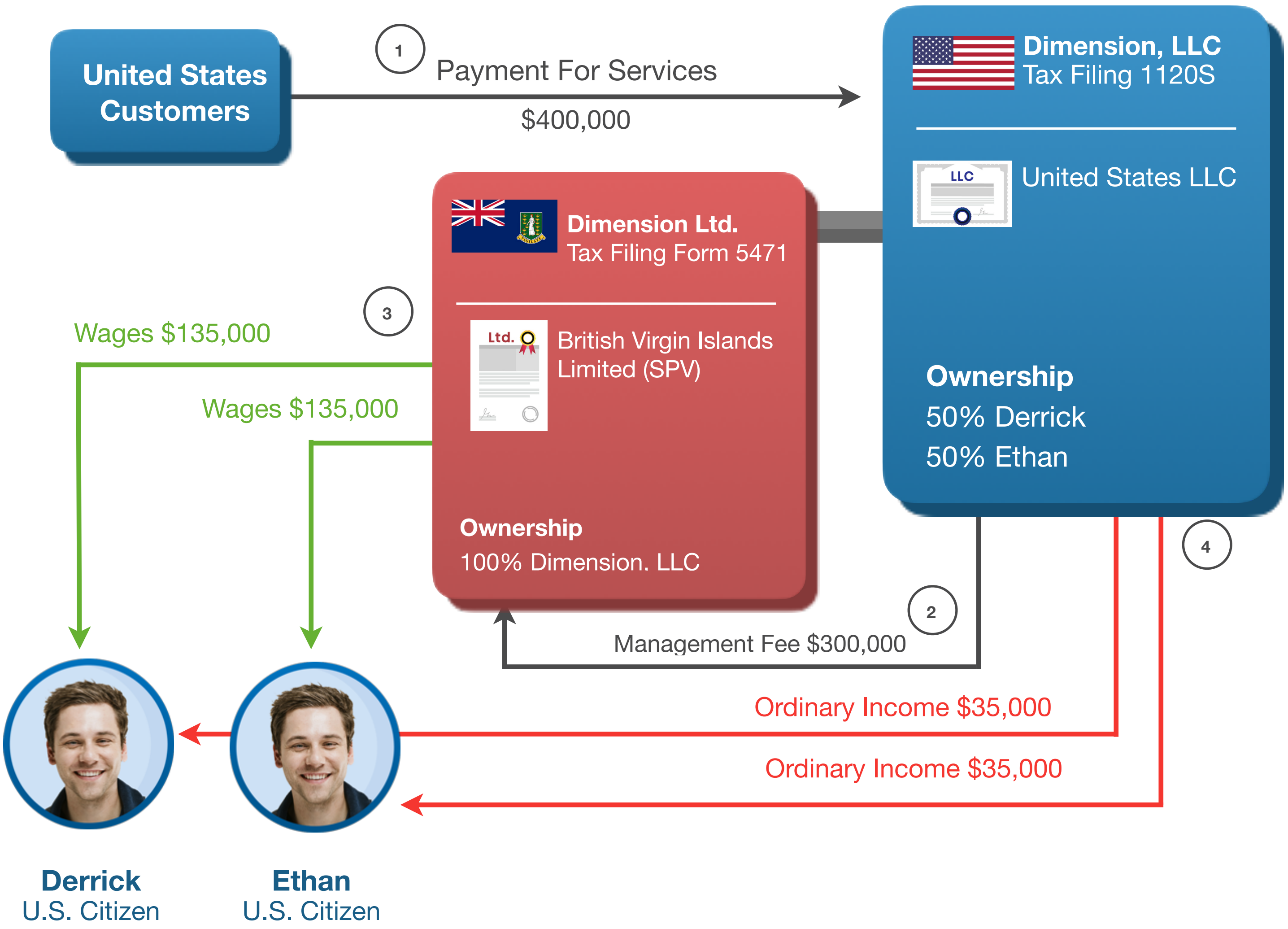
BVI Offshore Consultants (Foreign Wages from BVI Entity with S-Corporation Agreement)

Structure # 1.11

Structure Summary

Co-owners of an S-Corporation (with a foreign subsidiary) provides consulting services while working overseas to claim the Foreign Earned Income Exclusion, and foreign housing exclusion, from their salaries paid from the foreign corporation in the British Virgin Islands.

This is an ideal structure for owners of an S-Corporation claiming the Foreign Earned Income Exclusion, and prefer to be compensated from a foreign corporation in order to be exempt from U.S. Social Security Taxes on their salary



BVI Offshore Consultants (Foreign Wages from BVI Entity with S-Corporation Agreement)

Structure Background

Dimension, LLC (owned 50% by Ethan and 50% by Derrick, brothers who are U.S. citizens) is taxed as an S-Corporation per Internal Revenue Code §1361 received payment from U.S. customers for consulting services.

The S-Corporation is a parent company of a foreign subsidiary Dimension Ltd. a British Virgin Islands wholly owned subsidiary. The S-Corporation has an intracompany agreement to compensation the foreign subsidiary for management services provided on its behalf. Both Ethan and Derrick are employed by the foreign corporation, Dimension Ltd. and they receive wages, in addition to their ordinary income from the S-Corporation.

Both Ethan and Derrick are residents of Sudan, and also remain outside the United States for more than 330 days during the year, qualifying them for the Foreign Earned Income Exclusion under the physical presence test per Internal Revenue Code §911. While traveling and living abroad, they each incur a significant amount of housing expenses also partially excludable per Treasury Regulation §1.911-7.

Monetary Transactions & Accounting

1. The total payments from U.S. customers for services were $400,000 for the entire year. The business recognizes income under the cash basis of accounting.
2. There is an Intracompany Agreement between Dimension, LLC and Dimension, Ltd. for an annual Management Fee of $300,000 per year.
3. During the year, Dimension, Ltd. compensates both Ethan and Derrick $135,000 each of an annual salary.
4. During the year, Dimension, LLC has $70,000 of Net Income, and compensates Derrick and Ethan $55,000 each, as to be shown on their Schedule K-1 as Ordinary Income.

U.S. Tax Filing Compliance

5. **Form 1120S (Dimension, LLC).** At the conclusion of the year, Dimension, LLC has Ordinary Net Income of $70,000 (Revenue of $400,000 less $300,000 of Management Expenses, less $30,000 of Administrative Expenses). As income is shared equally, Ethan receives a Schedule K-1 reporting $35,000 of Ordinary Income, and Derrick receives a Schedule K-1 reporting $35,000 of Ordinary Income as well.
6. **Form 5472 (Dimension Ltd.).** A Foreign Owned disclosure is required on Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation

Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

7. **Form 1040 (MFJ Derrick).** On his Married Filing Joint tax return, Derrick reported a total income of $250,000 ($135,000 of wages from Dimension, Ltd., $80,000 of wages from his spouse, and $35,000 of Ordinary Income from Dimension LLC. He elects to claim the Foreign Earned Income Exclusion on Form 2555, Foreign Earned Income, for a maximum exclusion of $216,000. Additionally, their foreign housing costs are partially deducible, resulting in a foreign housing exclusion of $16,000 (*total foreign housing expenses of $32,000 were paid during the year). After also claiming the Standard Deduction of $24,000, their taxable income is reduced to $0. It will also be noted Ethan's tax situation is similar.

Summarized Tax Returns and Financial Statements

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Form 1040 (MFJ)	Derrick
Wages (Derrick)	$135,000
Wages (Spouse)	$80,000
Ordinary Income	$35,000
Total Income	$250,000
Foreign Earned Income Exclusion	- $216,000
Foreign Housing Expenses	- $16,000*
Standard Deduction	- $24,000
Taxable Income	**$0**
U.S. Tax	**$0**

5

Form 1120-S Dimension, LLC	
Income	$400,000
Management Expense	- $300,000
Administrative Expenses	- $30,000
Net Ordinary Income	**$70,000**

6

Form 5472 Dimension Ltd.	
Management Disclosure	$300,000
Wage Disclosure	$270,000

BVI Offshore Consultants (Foreign Wages from BVI Entity with S-Corporation Agreement)

Resulting Tax Implications

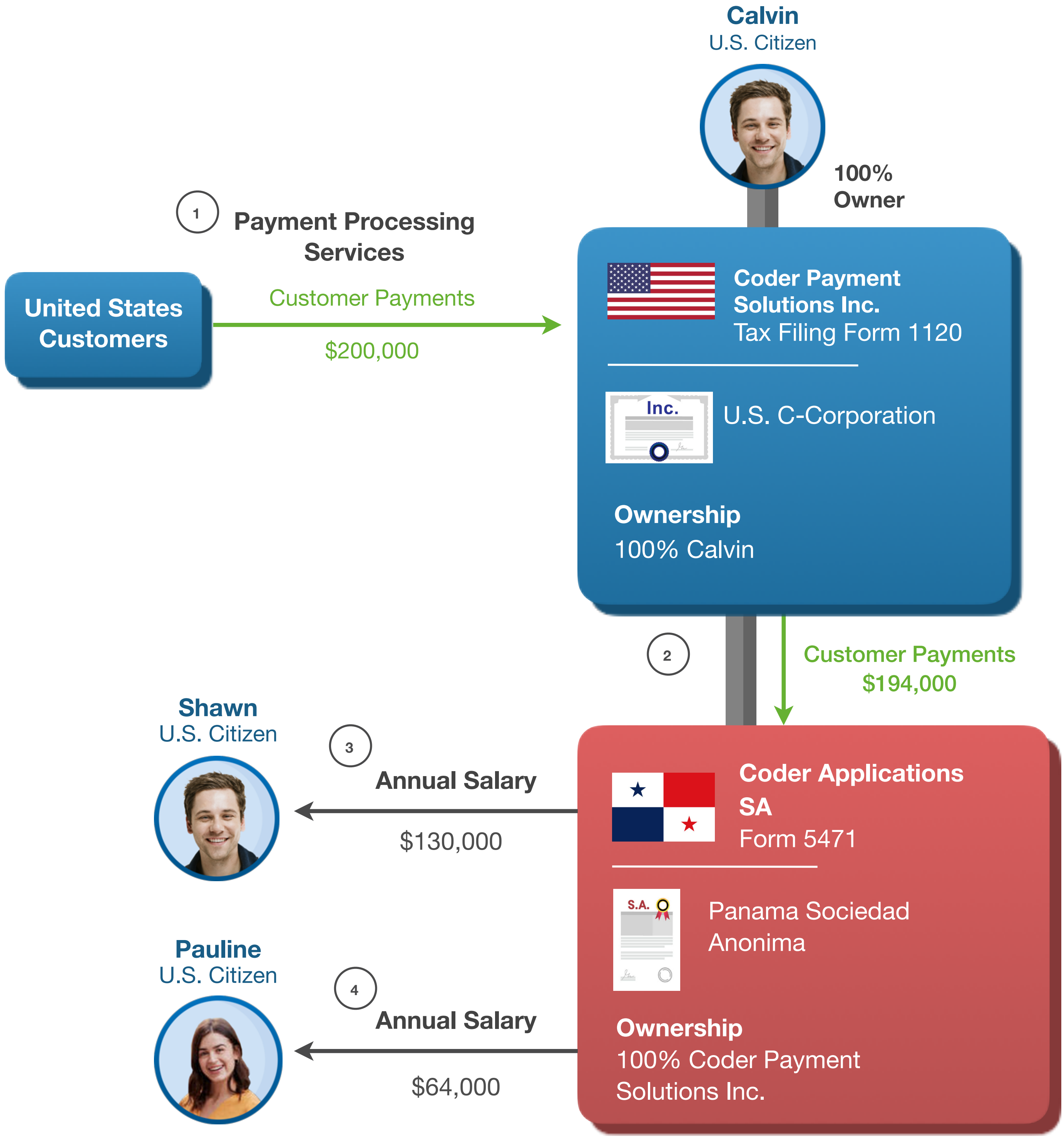
As a result of this structure, the U.S. tax liability of Derrick is $0.

C-Corporation Payment Processor with Panamanian Subsidiary & MFJ FEIE

Structure # 1.12

Structure Background

A U.S. corporation processes payments from U.S. customers for income sourced by a foreign subsidiary in Panama. The Panamanian subsidiary, in turn, compensates a Married Filing Joint couple's salaries for the year.



Structure Background

A U.S. C-Corporation, Coder Payment Solutions Inc., is owned 100% by Calvin, a citizen of the United States. The U.S. corporation's primary purpose is to process payments from U.S. customers and distribute the income to its Panamanian subsidiary, Coder Applications Sociedad Anonima (SA).

Being solely owned by a U.S. Corporation, Coder Applications SA. is classified as a Controlled Foreign Corporation per Internal Revenue Code §957.

During the year, Coder Payment Solutions Inc. collects payments from U.S.-based customers and charges a 3% markup for payment processing services. The U.S. Corporation is subject to 21% Federal corporate tax rate on all remaining net earnings per Internal Revenue Code §11. Coder Payment Solutions Inc. remits all remaining Customer Payments to Coder Applications SA.

During the year, Coder Applications SA pays a salary to Calvin and Pauline. Both Calvin and Pauline (A married couple filing a joint tax return) remain outside the United States for more than 330 days during the year, qualifying them for the Foreign Earned Income Exclusion under the physical presence test.

Monetary Transactions & Accounting

1. Coder Payment Solutions Inc. collects payments from U.S.-based customers totaling $200,000, and charges a 3% fee ($6,000) for payment processing.
2. Coder Payment Solutions Inc. remits the remaining $194,000 to Coder Applications SA.
3. Coder Applications SA pays a salary of $130,000 to Calvin.
4. Coder Applications SA pays a salary of $60,000 to Pauline.

U.S. Tax Filing Compliance

3. **Form 1120 (Coder Payment Solutions, Inc.) with Form 5471.** During the year the corporation receives $200,000 of gross income, remits $194,000 to its foreign subsidiary, and has administrative costs of $2,500, resulting in Net Income of $3,500. The U.S. Corporation files an income tax return subject to a 21% rate ($735), and must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Coder Applications SA to satisfy the reporting requirements of Internal Revenue Code §6038.

4. **Form 1040 (MFJ Calvin and Pauline).** On their individual Married Filing Joint tax return, Calvin and Pauline and report total income of $194,000 of wages. They elect to claim the Foreign Earned Income Exclusion on [Form 2555, Foreign Earned Income] for a maximum exclusion of $184,000 (Calvin's FEIE is maxed out). After also claiming the Standard Deduction of $24,000, their taxable income is reduced to $0.

Summarized Tax Returns and Financial Statements

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Form 1120	Coder Payment Solutions, Inc.
Gross Income	$200,000
Cost of Sales (Payment Processing)	-$194,000
Administrative Costs	- $2,500
Taxable Income	$3,500
U.S. Corporate Tax	**$735**

Form 5471	Coder Applications SA
Controlled Foreign Corporation	

6

Form 1040 (MFJ)	Calvin & Pauline
Wages	$194,000
Total Income	$194,000
Foreign Earned Income Exclusion	- $184,000
Standard Deduction	- $24,000
Taxable Income	$0
U.S. Tax	$0

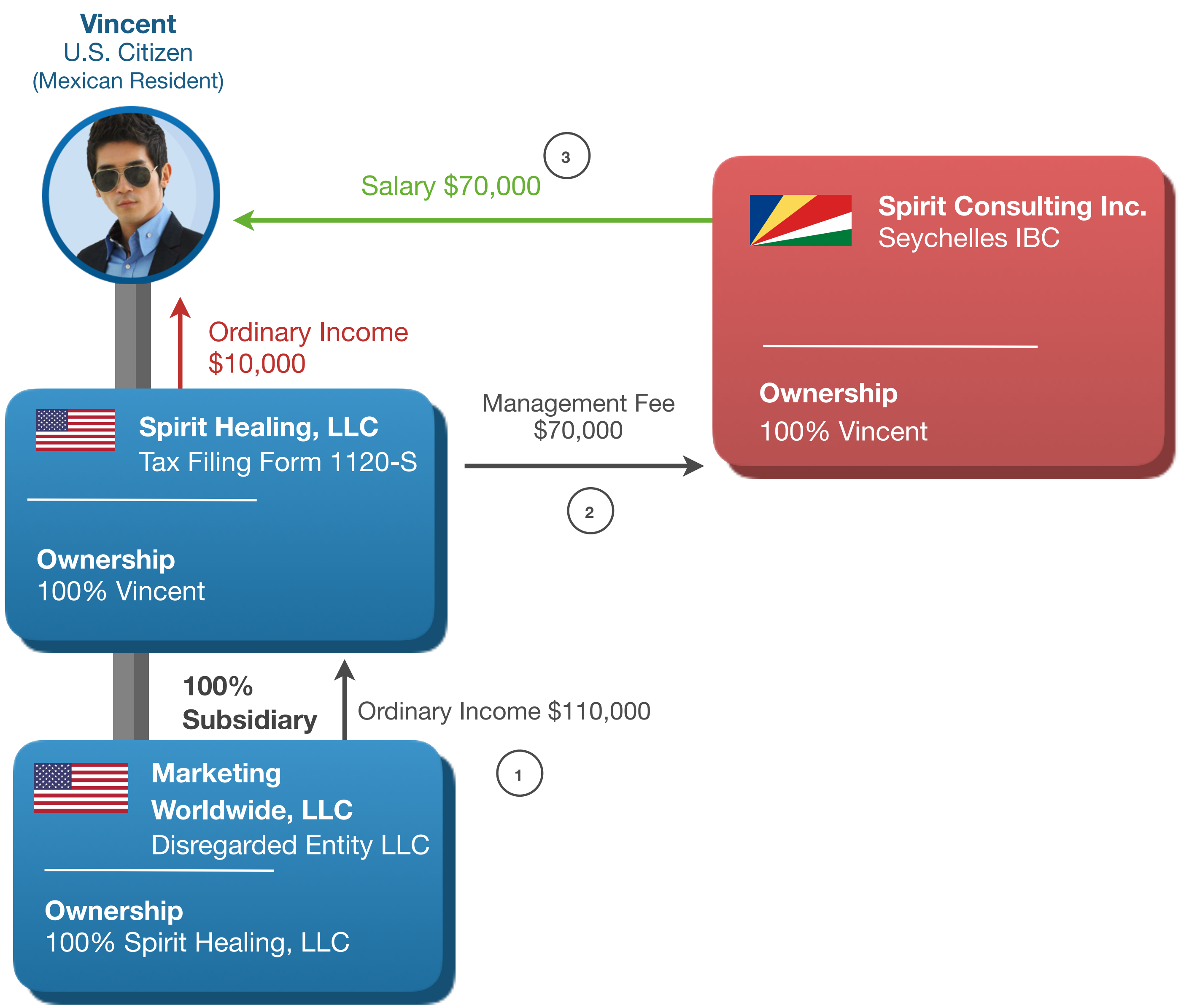
Resulting Tax Implications

As a result of this structure, the U.S. Corporate Income Tax of Coder Payment Solutions Inc. SA is $735, and the Personal Income Tax for Calvin/Pauline is $0.

Seychelles IBC S-Corporation Management Agreement

Structure # 1.13

Structure Summary
An S-Corporation has a Management Agreement with a Foreign Corporation in Seychelles. The Seychelles IBC then in turn pays a wage to its owner to claim the Foreign Earned Income Exclusion.



Structure Background

Vincent, a U.S. citizen and Mexican Resident, is the sole owner of Spirit Healing, LLC, is a provider of spiritual content and Limited Liability Company taxed as an S-Corporation. Marketing Worldwide, LLC is a Single Member subsidiary Spirit Healing, LLC and taxed as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

Spirit Consulting, Inc. is a Seychelles IBC which is solely owned by Vincent. The Seychelles (taxed as a traditional foreign corporation, with no election to be treated otherwise) provides management services.

Spirit Healing, LLC engages in an agreement with Spirit Consulting, Inc. to pay a monthly sum for services rendered for management of the business operations. Spirit Consulting, Inc. compensates Vincent a wage paid monthly for the performance of management services.

Fair Market Price

As the provider of management services, and the purchaser of services are under common ownership control (directly by Vincent), a fair market price was set in the contractual terms of the transaction described consistent with the Arm's Length Principle. The Fair Market Price for company management of similar services unrelated parties averages $70,000.

Based on this contractual agreement, the price of the management services would meet the standard and scrutiny of Internal Revenue Code §482, Allocation of income and deductions among taxpayers.

Monetary Transactions & Accounting

1. Customer payments received through Marketing Worldwide, LLC totaled $110,000 during the year. As a Disregarded Entity, this gross income is reflected by Spirit Healing, LLC.
2. Spirit Healing, LLC compensates Spirit Consulting, Inc. management fees of $70,000 throughout the year.
3. Spirit Consulting, Inc. pays a wage to Vincent of $70,000 during the year.
4. On its annual Income Statement, Spirit Consulting earned a total of $70,000 for management revenue, paid $70,000 of wage expense to Vincent, had other Administrative expenses of $4,000, resulting in Net Loss of -$4,000.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

U.S. Tax Filing Compliance

5. **Form 1120S (Spirit Healing, LLC).** On its annual U.S. Federal Income Tax Return, Form 1120S Spiritual Service reports Ordinary Income of $10,000 which is reported on Schedule K-1 issued to Vincent.
6. **Form 1040 (Vincent), with Form 5471 (Spirit Consulting, LLC).** On his U.S. Federal income tax return, Vincent worldwide income is $80,000 (Comprising $70,000 of a wage and $10,000 of ordinary income). He elects a Foreign Earned Income Exclusion to exclude his wages of $70,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $0. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Spirit Consulting, Inc. to satisfy the reporting requirements of Internal Revenue Code 6038.

Summarized Tax Returns and Financial Statements

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Spiritual Mangement, Inc.
Income Statement

Management Revenue	$70,000
Wage Expense	-$70,000
Administrative Expenses	-$4,000
Net Income	**$-4,000**

5

Form **1120S** Spirit Healing, LLC

Gross Income	$110,000
Administrative Expenses	-$30,000
Management Expenses	-$70,000
Net Income (Ordinary Income)	$10,000

6

Form **1040** Vincent

Salary	$70,000
Ordinary Income	$10,000
Total Income	$80,000
Foreign Earned Income Exclusion	- $70,000
Standard Deduction	- $12,000
Taxable Income	**$0**

Form **5471** Spirit Consulting, Inc.

Resulting Tax Implications

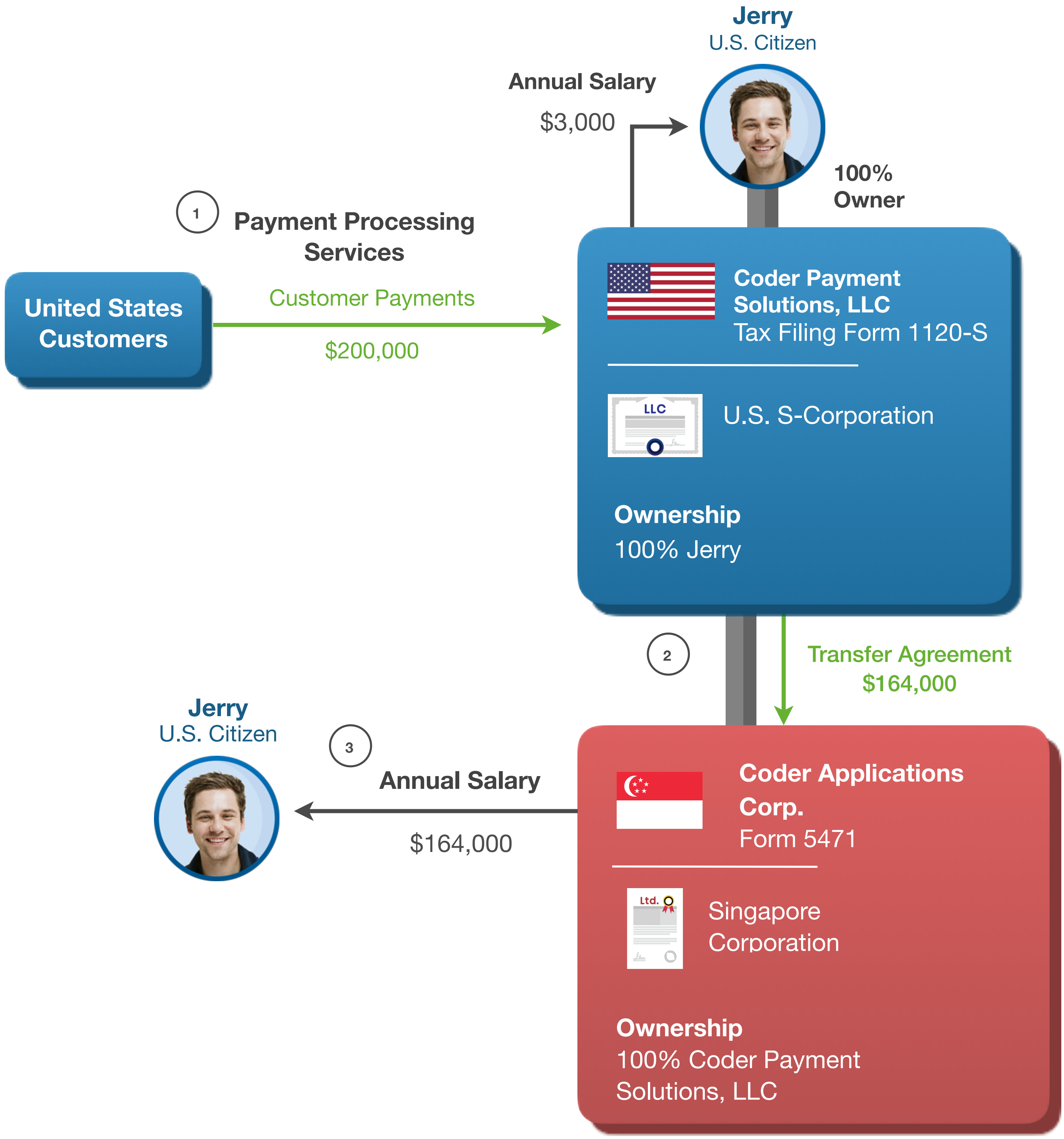
As a result of this structure, the U.S. tax liability of Vincent is $0.

S-Corporation Payment Processor with Singaporean Subsidiary for FEIE

Structure # 1.14

Structure Background

A U.S. S-Corporation processes payments from U.S. customers for income sourced by a foreign subsidiary in Singapore. The Singaporean subsidiary, in turn, compensates the indirect owner's salaries for the year.



S-Corporation Payment Processor with Singaporean Subsidiary & MFJ FEIE

Structure Background

A U.S. LLC Formed in the state of Delaware, Coder Payment Solutions, LLC, elects to be taxed an an S-Corporation and is owned 100% by Jerry, a citizen of the United States. The U.S. LLC's primary purpose is to process payments from U.S. customers and distribute the income to its Singaporean subsidiary, Coder Applications Corporation, and also pay for other administrative costs.

Being solely owned by a U.S. entity, Coder Applications Corp. is classified as a Controlled Foreign Corporation per Internal Revenue Code §957.

During the year, Coder Payment Solutions, LLC collects payments from U.S.-based customers and charges a significant markup for payment processing services. The U.S. Corporation is subject to a Federal corporate tax rate on all remaining net earnings. Coder Payment Solutions, LLC remits the majority of its earnings based on its Transfer Pricing agreement to Coder Applications Corp to ints Singapore bank.

During the year, Coder Applications Corp payments a salary to Jerry, whom remains outside the United States for more than 330 days during the year, and is also a resident of Nepal qualifying them for the Foreign Earned Income Exclusion under the physical presence test, as well as the bona fide resistance test per Internal Revenue Code §911.

Monetary Transactions & Accounting

1. Coder Payment Solutions, LLC collects payments from U.S.-based customers totaling $200,000, charges a fee ($36,000) for payment processing and administrative cost.
2. Coder Payment Solutions, LLC remits $164,000 to Coder Applications Corp.
3. Coder Applications Corp. pays a salary of $164,000 to Jerry.

U.S. Tax Filing Compliance

4. **Form 1120-S (Coder Payment Solutions, LLC) with Form 5471.** During the year the corporation receives $200,000 of gross income remits $164,000 to its foreign subsidiary, and has administrative costs of $36,000, resulting in Net Income of $0. The U..S. S-Corporation files an income tax return reporting $0 on Schedule K-1, and must also attach Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Coder Applications Corp to satisfy the reporting requirements of Internal Revenue Code §6038.
5. **Form 1040 (Jerry).** On his individual Married Filing Joint tax return, Jerry and his spouse report total income of $164,000 of wages. They elect to claim the Foreign

Earned Income Exclusion on Form 2555, Foreign Earned Income for a maximum exclusion of $120,000 (Jerry's FEIE is maxed out). After also claiming the Standard Deduction of $24,000, their taxable income is reduced to $23,000. The resulting tax rate is 10% for which his total tax liability is $2,300.

Summarized Tax Returns and Financial Statements

4

Form 1120-S	Coder Payment Solutions, LLC
Gross Income	$200,000
Cost of Sales (Payment Processing)	-$164,000
Administrative Costs	- $36,000
Schedule K-1	$0

Form 5471	Coder Applications Corp.
Controlled Foreign Corporation	

5

Form 1040 (MFJ)	Jerry & Spouse
Wages	$167,000
Total Income	$167,000
Foreign Earned Income Exclusion	- $120,000
Standard Deduction	- $24,000
Taxable Income	$23,000
U.S. Tax	$2,300

Resulting Tax Implications

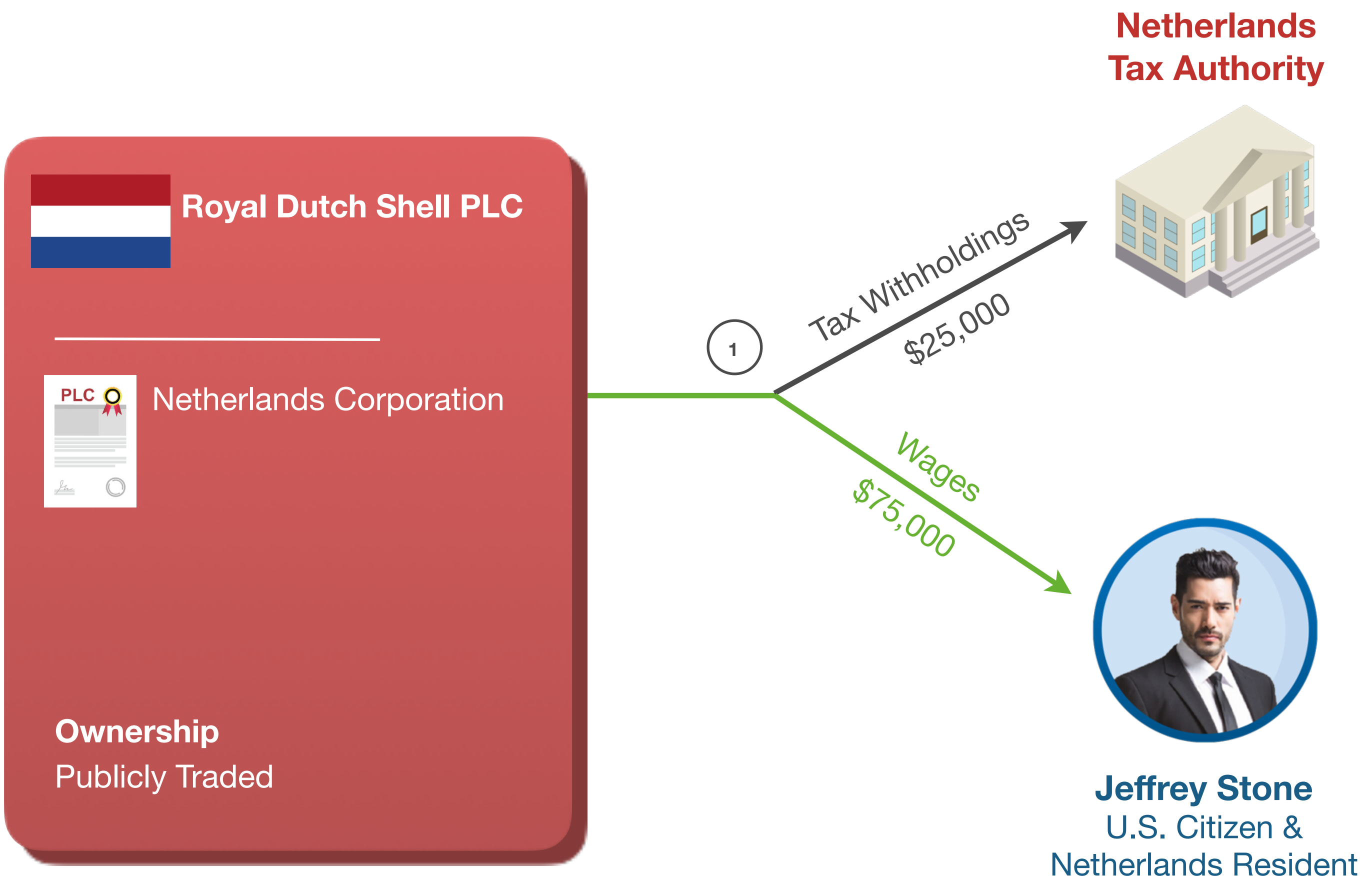
As a result of this structure, the Personal Income Tax for Jerry and his spouse is $2,300.

Offshore Wage Earner (Netherlands Foreign Tax Credit)

Structure # 2.1

Structure Summary

A U.S. citizen employee and resident in the Netherlands claims a foreign tax credit for taxes taxes paid in the Netherlands to eliminate double taxation. This structure occurs when foreign taxes are withheld automatically from a foreign wage.



Offshore Wage Earner (Netherlands Foreign Tax Credit)

Structure Background

A Netherlands Corporation, Royal Dutch Shell PLC. (a publicly traded company) hired Jefferey Stone, a United States citizen, and resident of Netherlands as an employee for an annual compensation of $100,000.

Jeffrey travels to the United States and listed for work and pleasure for 60 days during the year. Although he would have otherwise qualified for the Foreign Earned Income Exclusion under the bona-residence test, he chose instead to claim a Foreign Tax Credit per Internal Revenue Code §901.

Monetary Transactions & Accounting

1. During the year, the corporation compensates Jeffrey $100,000 for the year. Of his annual compensation $25,000 is withheld and paid directly to the Netherlands Tax Authority, and his remaining net earnings of $75,000 are paid to him.

U.S. Tax Filing Compliance

2. **Form 1040 (Jeffrey Stone).** Based on his U.S. tax of $13,200, he claims a Foreign Tax Credit of $13,200 of Form 1116, Foreign Tax Credit (Individual,Estate, or Trust). The remaining $11,800 foreign taxes paid are a carryover for 10 per Treasury Regulation §1.904-2 years to be claimed against foreign source income in future years.

Summarized Tax Returns and Financial Statements

2

Form 1040	Jeffrey Stone (Single)
Wages	$100,000
Standard Deduction	- $12,000
Taxable Income	$88,000
U.S. Tax	$13,200
Foreign Tax Credit	- $13,200
Total U.S. Tax	**$0**

Resulting Tax Implications

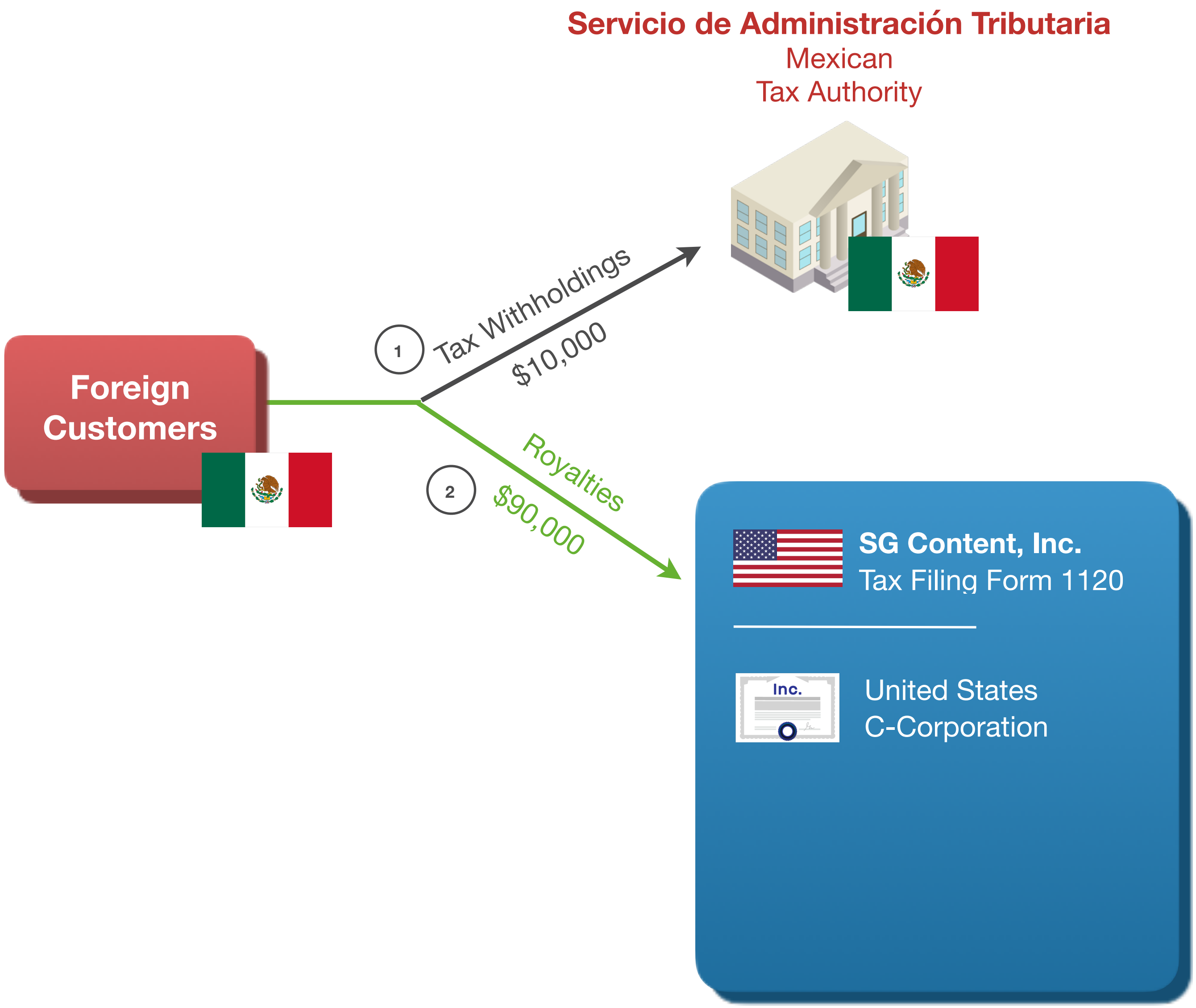
As a result of this structure, the U.S. tax liability of Jeffrey Stone is $0

C-Corporation Foreign Tax Credit for Royalty Withholding

Structure #2.2

Structure Summary

A U.S. C-Corporation claims a Foreign Tax Credit for Royalty Withholding taxes paid in lieu of foreign income taxes to Mexico.



Structure Background

SG Content, Inc. a United States Corporation sells digital content and software subscriptions worldwide.

One of its largest customers, a Mexican entity, is invoiced for content from the U.S. Corporation. According to the tax treaty rate[1] for royalty payments, there is a 10% withholding payable to the Mexican Tax Authority.

Generally a Foreign Tax Credit is claimed on the U.S. Corporations income tax return only if an income tax. However creditable foreign taxes also include tax assessed in lieu of an income tax per Internal Revenue Code §903[2].

Monetary Transactions

1. During the year, the U.S. C-Corporation invoiced it's Mexican Customer $100,000 for content and digital subscriptions. Based on tax treaty rates, 10% is withheld, and paid directly to the Mexican Tax Authority.

2. The remaining $90,000 of royalty income is paid to the C-Corporation for compensation of the digital content and subscription.

Tax Compliance

3. **Form 1120 (SG Content, Inc.).** Based on its foreign source royalty income, the C-Corporation claims a Foreign Tax Credit of $10,000, on https://www.irs.gov/forms-pubs/about-form-1118.

[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

[2] https://www.law.cornell.edu/uscode/text/26/903

Summarized Tax Returns and Financial Statements

3

Form **1120** — **SG Content, Inc.**

U.S. Corporation Income Tax Return

U.S Source Royalties	$1,000,000
Foreign Royalties	$100,000
Administrative Expenses	- $80,000
Taxable Income	$1,020,000
U.S. Corporate Tax	$214,200
Foreign Tax Credit	- $10,000
Total U.S. Corporate Tax	**$204,200**

Resulting Tax Implications

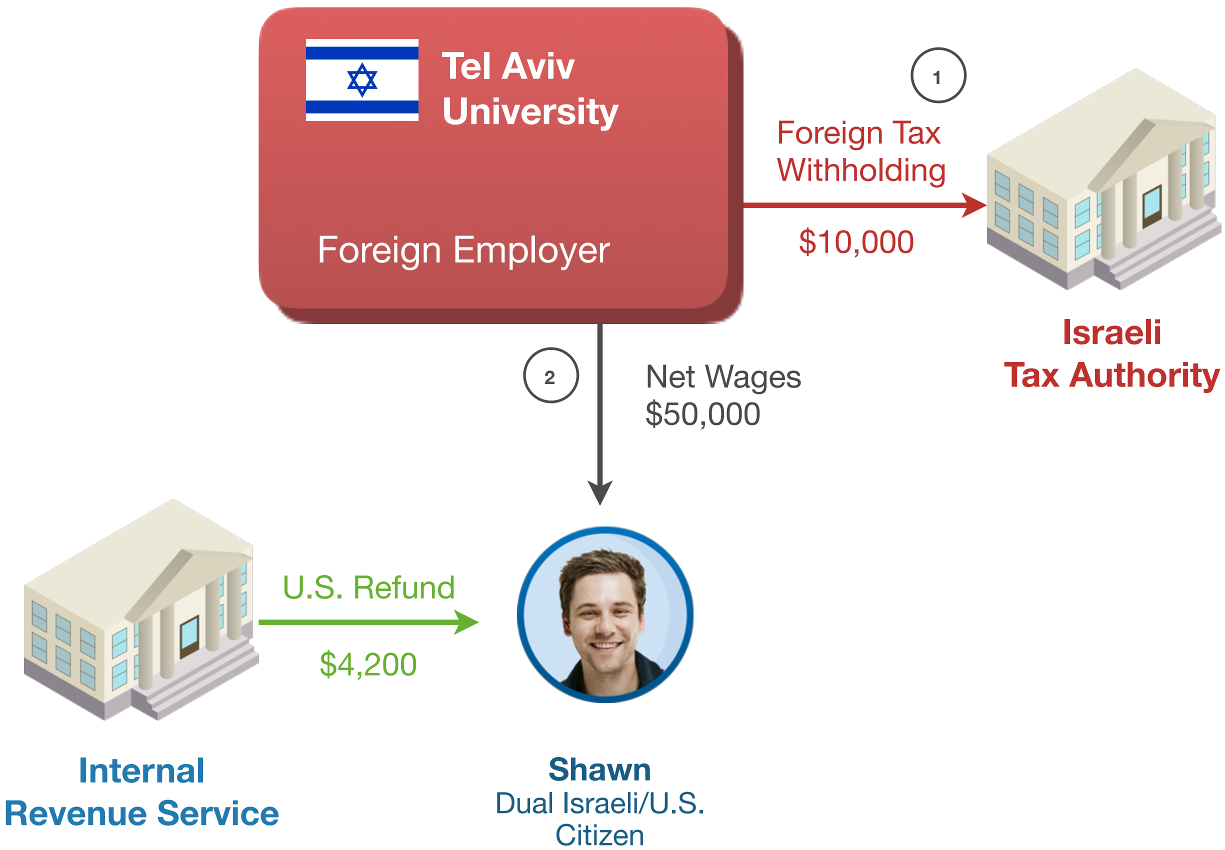
As a result of this structure, the creditable foreign taxes is $10,000 and the U.S. income tax liability of SG Content Inc. is $204,200 based on tax from U.S. source royalty income.

Israeli FTC Refundable Child Tax Credit

Structure # 2.3

Structure Summary

A U.S. citizen, employee and resident in Israel claims a foreign tax credit for taxes paid in Israel to eliminate double taxation and receive a child tax credit. This structure is a situation in which a U.S. citizen paying foreign taxes can eliminate their U.S. tax liability and claim an additional child tax credit refund from the United States.



Structure Background

David Levi, a dual United States and Israeli citizen and resident of Israel, works as a Teacher at Tel Aviv University. David is also married with three children living with him at his foreign residence.

His wages are subject to Israeli income tax, which is automatically withheld from his pay, and sent directly to the Israeli Tax Authority. On his U.S. tax return, David claims a Foreign Tax Credit per Internal Revenue Code §901.

Monetary Transactions & Accounting

1. During the year, David receives $60,000 of gross wages from his employment as a teacher, of which $10,000 is withheld throughout the year and sent automatically to the Israeli Tax Authority.

2. The remaining earnings $50,000 is sent to David throughout the year.

U.S. Tax Filing Compliance

3. **Form 1040 (David Levi).** Based on his U.S. taxable income, his U.S. tax is $3,600, which he claims a Foreign Tax Credit of $3,600 on Form 1116, Foreign Tax Credit (Individual, Estate, or Trust). The remaining $6,400 foreign taxes paid are a carryover for 10 years per Treasury Regulation §1.904-2 to be claimed against foreign source income in future years. David is eligible for a refundable Additional Child Tax Credit per Foreign Tax Credit per Internal Revenue Code §24, in which he receives a refund of $4,200 (based on $1,400 per child).

Summarized Tax Returns and Financial Statements

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Form 1040	David Levi (Married Joint)
Wages	$60,000
Standard Deduction	- $24,000
Taxable Income	$36,000
Tax	$3,600
Foreign Tax Credit	$3,600
Total Tax	**$0**
Refundable Child Tax Credit	($4,200)

Resulting Tax Implications

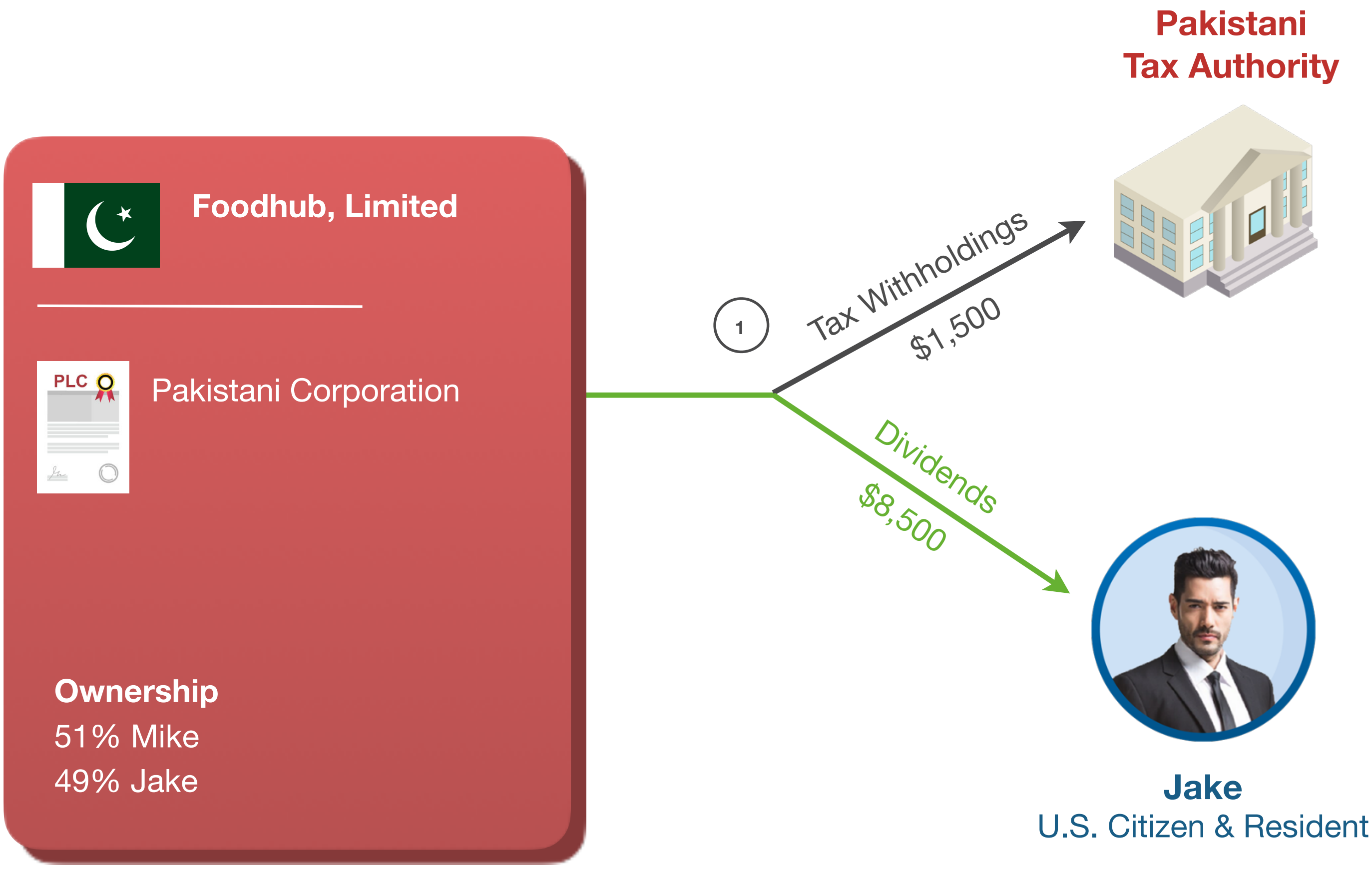
As a result of this structure, the U.S. tax liability of David Levi is $0, and he receives a refundable credit of $4,200.

Foreign Corporation Withholding Tax and U.S. Foreign Tax Credit

Structure # 2.4

Structure Summary

A U.S. citizen is an investor in a Foreign Corporation. Upon issuing dividends to the U.S. shareholder, a foreign withholding tax applies for non-residents. This structure occurs when foreign taxes withheld are lower than the U.S. tax paid from the dividends.



Foreign Corporation Withholding Tax and U.S. Foreign Tax Credit

Structure Background

Jake, a U.S. citizen and resident owns 49% of a Pakistani Corporation (Foodhub, Limited), and Mike, a Pakistani citizen and resident, owns the remaining 51% of the corporation.

As the Foreign corporation is not controlled (ownership more than 50% by U.S. persons), the entity is classified as a Controlled Foreign Corporation per Internal Revenue Code §957 . Additionally, Jake does not have signature authority of a foreign bank account in the corporations's ownership, therefore FinCEN Form 114 is not required[1].

Additionally, the Pakistani is a Limited company and classified as a Per Se Corporation per Treasury Regulation §301.7701-2. As a result, an election to treat the entity as a flow-through entity is not possible. The resulting effect being losses do not flow to the shareholders, and income is recognized by Jake when dividends are received.

Per Pakistani law, a withholding tax of 15% applies for all dividends paid to non-residents, and this amount is withheld upon payment to Jake.

On his U.S. personal tax return, Jake claims a Foreign Tax Credit per Internal Revenue Code §901 for all foreign taxes withheld to reduce his U.S. tax liability. As the U.S. rate is higher than the Pakistani tax rate in relation to dividends, additional tax is owed to the U.S.

Monetary Transactions & Accounting

1. During the year, the foreign corporation compensates Jake $10,000 of dividends. Of this amount $1,500 is withheld and paid directly to the Pakistani Tax Authority, and his remaining dividends of $8,500 are paid to him.

U.S. Tax Filing Compliance

2. **Form 1040 (Jake).** On his personal tax return Jake claims a Foreign Tax Credit of $1,500 of Form 1116, Foreign Tax Credit (Individual,Estate, or Trust) to offset his remaining U.S. tax liability.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/report-of-foreign-bank-and-financial-accounts-fbar

Summarized Tax Returns and Financial Statements

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Form 1040	Jeffrey Stone (Single)
Wages	$160,000
Ordinary Dividends	$10,000
Standard Deduction	- $12,000
Taxable Income	$158,000
U.S. Tax	$39,500
Foreign Tax Credit	- $1,500
Withholding (Wages)	- $40,000
Total U.S. Tax or (Refund)	**-$2,000**

Resulting Tax Implications

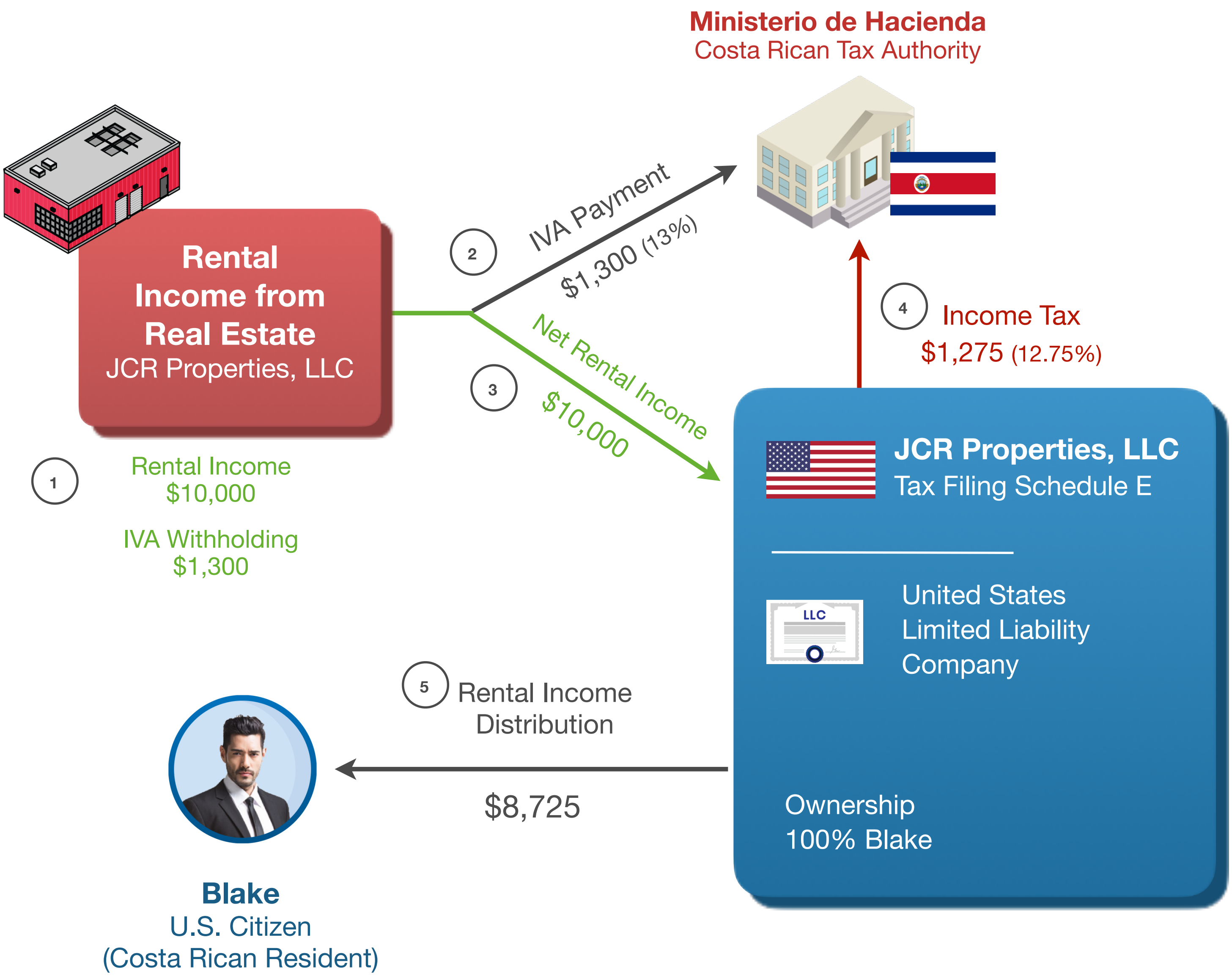
As a result of this structure, Jake must include $10,000 of Ordinary Dividends from the Foreign Corporation, and claim a Foreign Tax Credit of $1,500.

Foreign Tax Credit for Costa Rican Rental Property (U.S. Higher Rate)

Structure #2.5

Structure Summary

A U.S. Individual claims a Foreign Tax Credit for Real Estate Property rented in Costa Rica, for with a Value Added Tax (IVA), and a Foreign Income Tax applies. As his U.S. tax rate is higher than the foreign tax imposed in Costa Rica, the difference in higher tax is paid to the United States.



Structure Background

Blake, a U.S. Citizen, and Costa Rica resident, is the sole owner of JCR Properties, LLC, a Single Member LLC which owns properties for rent in Costa Rica. The income, expenses, and related credits are reported on his individual tax return (Schedule E) as JCR Properties, LLC is a Disregarded Entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

There are two taxes imposed on rental income:

- El Impuesto sobre el Valor Agregado (IVA), a Value Added Tax of 13% charged based on the sales income from rental properties.
- An Income Tax of 12.75% based on Gross Receipts of income from business activities generated in the country.

Blake claims a Foreign Tax Credit for taxes which are an Income Tax, per Internal Revenue Code §901.

Monetary Transactions

1. During the year, the rental property generates $10,000 of rental income, of which $1,300 is withheld from customers for IVA, totaling $13,000 of gross income.

2. The IVA payment is made to the Ministerio de Hacienda, in the amount of $1,300.

3. Net Rental Income of $10,000 is deposited into the bank account held by JCR Properties, LLC.

4. An Income Tax payment is made to the Ministerio de Hacienda, in the amount of $1,275.

5. A rental income distribution is made to Blake of $8,725 for the remaining profits.

Tax Compliance

6. **Form 1040 (Blake).** Based on its foreign source rental income, Blake reports $11,300 of gross income, $1,300 as an IVA Expense from the rental property, and a Foreign Tax Credit of $1,275. As his effective tax rate in the U.S. is 20% ($2,000 liability), the difference in the higher tax in the United States is owed of $725.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

Summarized Tax Returns and Financial Statements

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Form 1040 — Blake

U.S. Individual Income Tax Return

Foreign Rental Income	$11,300
IVA Expense	- $1,300
Taxable Income	$10,000
U.S. Individual Tax	$2,000
Foreign Tax Credit	- $1,275
Total U.S. Individual Tax	**$725**

Resulting Tax Implications

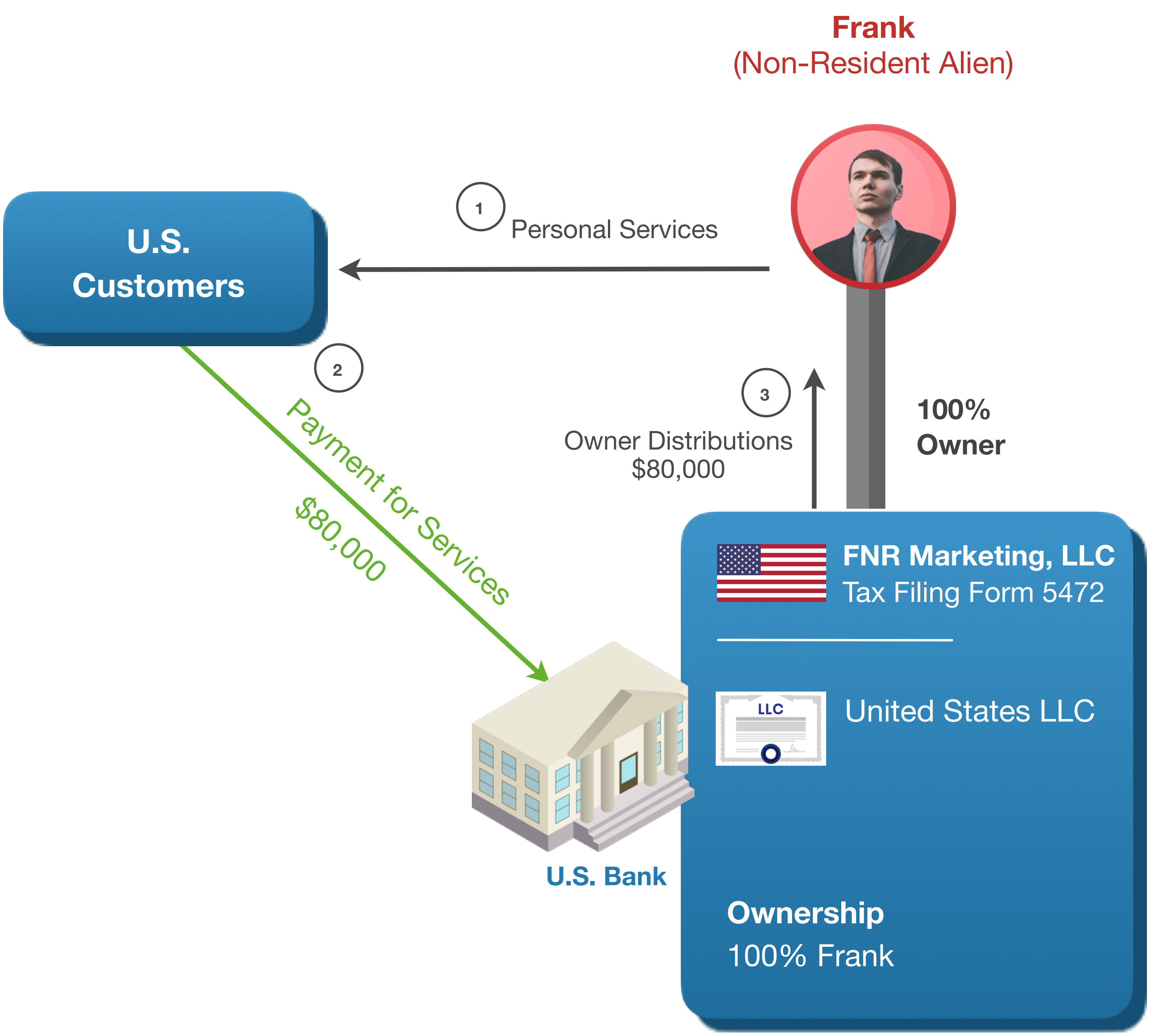
As a result of this structure, the creditable foreign taxes are $1,275 and Blake's U.S. income tax liability is $725.

Non-Resident Alien U.S. LLC Foreign Consultant

Structure # 3.1

Structure Summary

A Non-Resident Alien provides personal consulting services through his solely owned LLC, and not subject to U.S. tax for the work he performs in a foreign country.



Structure Background

A United States Limited Liability Company, FNR Marketing, LLC, provides Marketing services, and is owned 100% by Frank, a Canadian resident. As a Single-Member LLC (SMLLC), FNR Marketing, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation §301.7701-3.

FNR Marketing, LLC provides Marketing to U.S. customers, while Frank as the sole owner and manager is physically located in Canada. Payments from U.S. customers are paid to a U.S. bank account held by the LLC. During the year, all net earnings are distributed from the bank account to Frank.

As Frank does not physically provide services in the United States, nor maintains a permanent establishment, or conduct business in a regular and continuing basis, the LLC's portion of income for Frank's services are determined not to be Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

Monetary Transactions & Accounting

1. In exchange of payment, Frank provides marketing services as a manger of the LLC. Frank is physically located in Canada while providing these services.
2. During the year, FNR Marketing, LLC received service income of $80,000 from U.S Customers, which is deposited into a U.S. bank account.
3. At the conclusion of the year, the LLC has Net Income of $80,000, of which the entire $80,000 is distributed to Frank.

U.S. Tax Filing Compliance

4. **Pro Forma 1120, with Form 5472 (FNR Marketing, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

Summarized Tax Returns and Financial Statements

3

FNR Marketing, LLC
Income Statement

Consultation Revenue	$80,000
Net Income	**$80,000**

4

Form **5472** **(FNR Marketing, LLC)**

Foreign Owned DE

Reportable Compensation	$80,000

Resulting Tax Implications

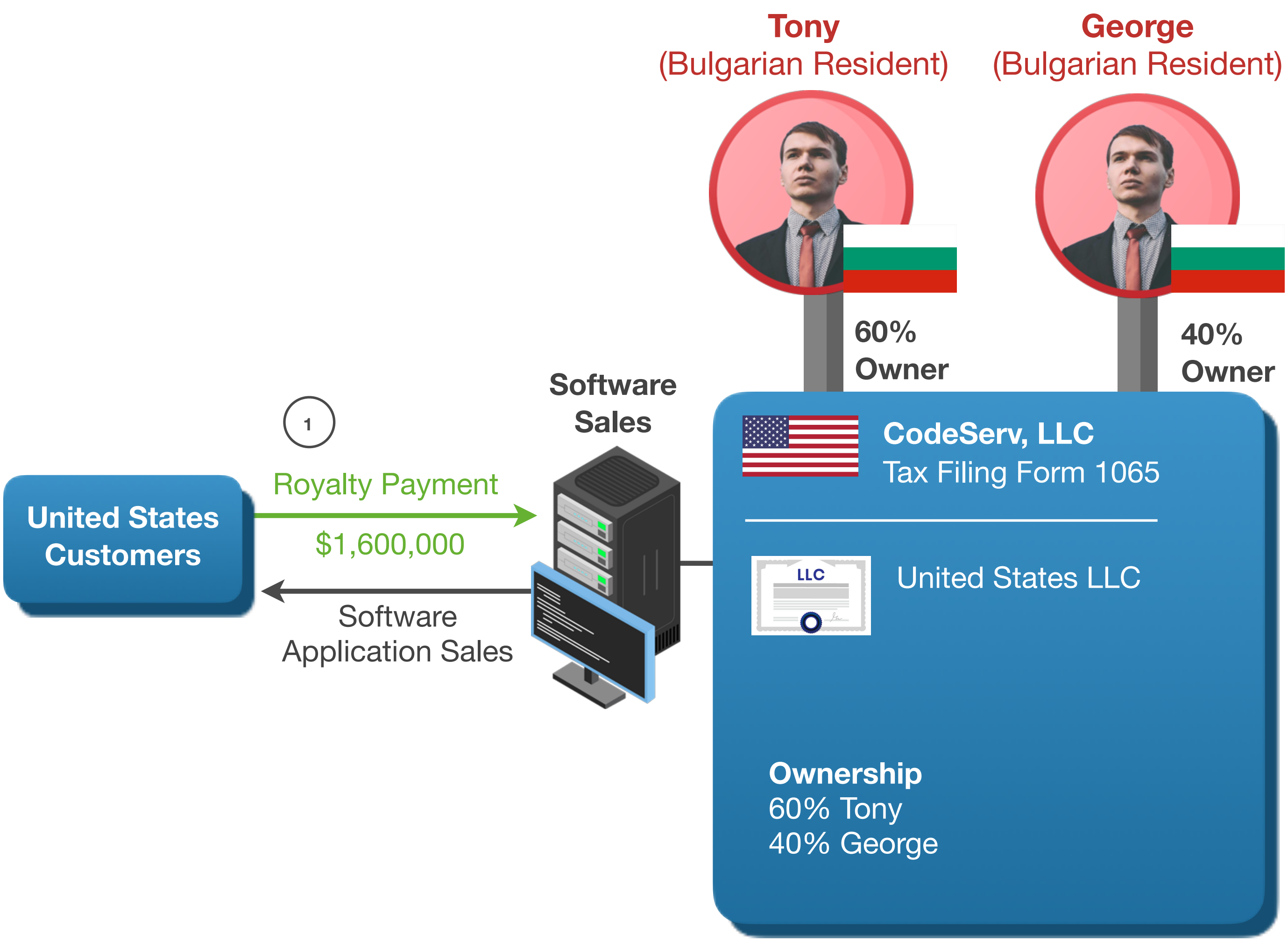
As a result of this structure, the total U.S. income tax liability paid by Frank (as the result of the disregarded United States LLC) is $0.

Bulgarian NRA LLC Partnership Software Sales

Structure # 3.2

Structure Summary

Two Non-Resident Alien Partners of a Limited Liability Company receive royalties from U.S. customers, which are subject to a special 5% tax treaty withholding rate. This structure occurs when non-resident aliens receive royalties from U.S. sources.



Structure Background

CodeServ, LLC is a United States Limited Liability Company that sells software to U.S. customers. Both Tony and George are citizens and residents of Bulgaria and owners of CodeServ, LLC. Tony owns 60%, and George owns 40%.

Both maintain offices in Bulgaria and are not physically present in the United States. As a Multi-Member LLC, CodeServ, LLC is classified as a Partnership for Federal tax purposes.

Source and Taxation of Royalty Income (Software)

For the use of copyrighted software (either used as a web application subscription or one time purchase), royalties are sourced where the property was used[1] per Internal Revenue Code §861. Therefore, software sold to U.S. customers is U.S. source of royalty income.

Based on the Tax Treaty rate of Royalties earned in the United States, residents of Bulgaria are taxed at a flat rate of 5%[2].

No Trade or Business & Effectively Connected Income (ECI)

As the LLC does not physically operate in a particular state nor sell physical goods directly to clients, and therefore was not determined to conduct a trade or business in the U.S., resulting in Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

Monetary Transactions

1. CodeServ, LLC sells software totaling $1,600,000, all of which are to U.S. customers using the software in the United States.

U.S. Tax Filing Compliance

2. **Form 1065 (CodeServ, LLC).** On its Income Statement and related Form 1065, U.S. Return of Partnership Income CodeServ, LLC reports a Net Income of $1,600,000.

3. **Form 1042 (CodeServ, LLC).** Withholding tax applies for dividends paid to non-residents per Internal Revenue Code §1441. In this structure, at tax treaty rate of 5% applies to residents of Bulgaria for Royalties. As a result, $80,000 is withheld from dividends ($1,600,000 x 5%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

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[1] https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

[2] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Bulgarian NRA LLC Partnership Software Sales

4. **Form 1040NR (Tony).** As an owner of a Partnership LLC (issuing a Schedule K-1, Tony files Form 1040NR, U.S. Nonresident Alien Income Tax Return, to report the royalty income of $960,000 taxed at 5% rate, or a $48,000 withholding tax. As the tax has already been withheld at the source, there is no tax due. [This tax return is shown on the chart]

5. **Form 1040NR (George).** As an owner of a Partnership LLC (issuing a Schedule K-1, George files Form 1040NR, U.S. Nonresident Alien Income Tax Return, to report the royalty income of $640,000 taxed at 5% rate, or a $32,000 withholding tax. As the tax has already been withheld at the source, there is no tax due. [This tax return is not shown on the chart but follows the same principle as Tony's Form 1040NR]

Summarized Tax Returns and Financial Statements

4

Form **1040NR**	**(Tony)**
Schedule NEC	
Total U.S. Source Royalty Income	$960,000
Royalty FDAP Withholding (Bulgaria)	5%
Withholding Tax	$48,000
Tax Liability	$48,000
Tax Due	**$0**

2

Form **1065**	**CodeServ, LLC** Partnership Tax Return
Software Sales to U.S. Customers (U.S. Royalties)	**$1,600,000**
Net Income	**$1,600,000**

3

Form **1042**	**CodeServ, LLC**

U.S Source Royalties

$1,600,000 x 5% = $80,000 Tax

Resulting Tax Implications

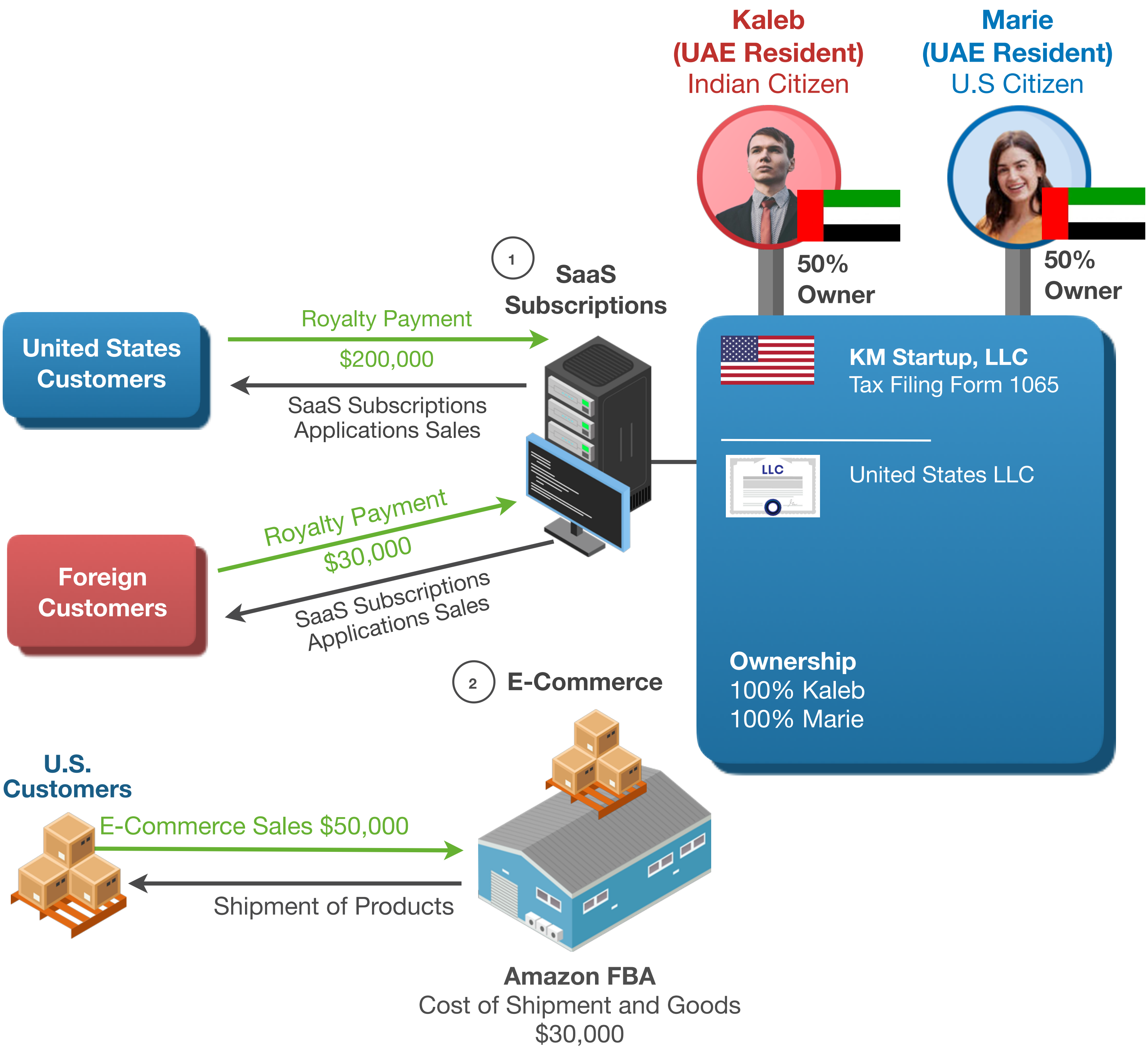
As a result of this structure, the U.S. tax lability of CodeServ, LLC (and by extension each non-resident partner) is $80,000.

Partnership ECI Resource for UAE SaaS Subscription, and E-Commerce

Structure # 3.3

Structure Summary

A Non-Resident's income from an LLC Partnership is resourced to U.S. Effectively connected income when only a portion of income is effectively connected to a U.S. trade or business by virtue of having a U.S. partner.



Structure Background

KM Startup, LLC is a United States Multi-Member Limited Liability Company which sells mostly subscription based web services in addition to a small amount of physical goods to U.S. customers. The LLC is owned equally by Kaleb (an Indian citizen and resident of UAE), Marie (a U.S. citizen and resident of UAE) both owning 50% of the business. Each maintains offices in UAE, and are not physically present in the United Staes. As a Multi-Member LLC, KM Startup, LLC is classified as a Partnership for Federal tax purposes.

The following is a summary of the products sold:

1. Software as a Service (SaaS) monthly web application subscriptions. The majority of the subscriptions sold is to U.S. customers using the software in the United States, and the remaining portion to foreign customers.

2. E-Commerce; Physical Widgets sold and shipped through Amazon FBA warehouse located in the United States and directly to U.S. customers.

U.S. Effectively Connected Income (Kaleb)

Non-Resident Alien are generally taxed on their U.S. Effectively Connected Income[1].

However, all partnerships engaged in a U.S. trade or business who have foreign partners that Internal Revenue Code §875(1) treats each foreign partner as being directly engaged in the same trade or business for U.S. federal tax purposes. Additionally, Internal Revenue Code § 1446 imposes a partnership-level withholding tax (1446 tax) for each foreign partner's allocable share of the partnership's effectively connected taxable income. The foreign partner, considered engaged in a U.S. trade or business, must also file the appropriate income tax return with the U.S.[2]

As a result, Kaleb's ordinary net income from the LLC as reported is resourced as U.S. Effectively Connected Income.

Guaranteed Payments (Kaleb & Marie)

In lieu of wages, compensation for services from a Partnership are classified as Guaranteed Payments.

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1 https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

2 https://www.irs.gov/businesses/us-tax-withholding-on-effectively-connected-income-allocable-to-foreign-partners

Partnership ECI Resource for UAE SaaS Subscription, and E-Commerce

In the case of Kaleb, his guaranteed payments are not taxable in the United States so as long as he performed the services in a foreign country.

As a U.S. citizen, Marie is subject to a self-employment tax of 15.3% on the Guaranteed Payments. However, if qualified, this income may be excluded under the Foreign Earned Income Exclusion per IRC §911.

Disclaimer (Controlled Foreign Corporation & Partnership Withholding)

Note, this chart does not address the filing requirement for foreign partner withholding per Internal Revenue Code §1446 on Form 8804, Annual Return for Partnership Withholding Tax.

Monetary Transactions & Accounting

1. KM Startup, LLC sells SaaS Subscriptions totaling $230,000, of which $200,000 is by U.S. customers using the software in the United States and $30,000 of foreign customers using the software outside the United States.
2. KM Startup, LLC pays a third-party supplier company to manufacture widgets for $30,000, which are then shipped to the Amazon FBA warehouse. The widgets are then sold to U.S. customers for $50,000, resulting in a net profit from this activity of $20,000.

U.S. Tax Filing Compliance

3. **Form 1065 (KM Startup, LLC).** The Partnership reports Net Income of $50,000 ($200,000 U.S. SaaS Subscriptions + $30,000 Foreign. SaaS Subscriptions + $20,000 Product Sales through Amazon FBA E-Commerce - Minus $100,000 Guaranteed Payments to Kaleb - Minus $100,000 Guaranteed Payments to Marie). The Partnership produces two Schedule K-1's to each partner of $25,000 each.
4. **Form 1040NR (Kaleb).** Kaleb files Form 1040NR, U.S. Nonresident Alien Income Tax Return, to report U.S. ECI of $25,000 taxed at 10% rate, or a $2,500 withholding tax.
5. **Form 1040 (Marie).** Marie files Form 1040, U.S. Individual Income Tax Return, to report her Guaranteed Payments of $100,000, and the $25,000 of Partnership Income. She claimed a Foreign Earned Income Exclusion on Form 2555, Foreign Earned Income, pays Self-Employment tax of $15,300 based on her Guaranteed Payments, and her U.S. Income Tax Liability is $2,500.

Summarized Tax Returns and Financial Statements

3

Form **1065** Partnership Tax Return	KM Startup, LLC
SaaS Subscriptions (U.S. Royalties)	$200,000
SaaS Subscriptions (Foreign Royalties)	$30,000
Net E-Commerce Sales (U.S Locations)	$20,000
Guaranteed Payments (Kaleb)	- $100,000
Guaranteed Payments (Marie)	- $100,000
Net Income	$50,000
Schedule K-1 (Marie)	$25,000
Schedule K-1 (Kaleb)	$25,000

4

Form **1040NR**	**Kaleb**
U.S. Effectively Connected Income	$25,000
U.S. Tax	$2,500

5

Form **1040**	**Marie**
Guaranteed Payments	$100,000
K-1 Income	$25,000
Foreign Earned Income Exclusion	- $100,000
Self-Employment Tax	$15,300
U.S. Tax	$2,500

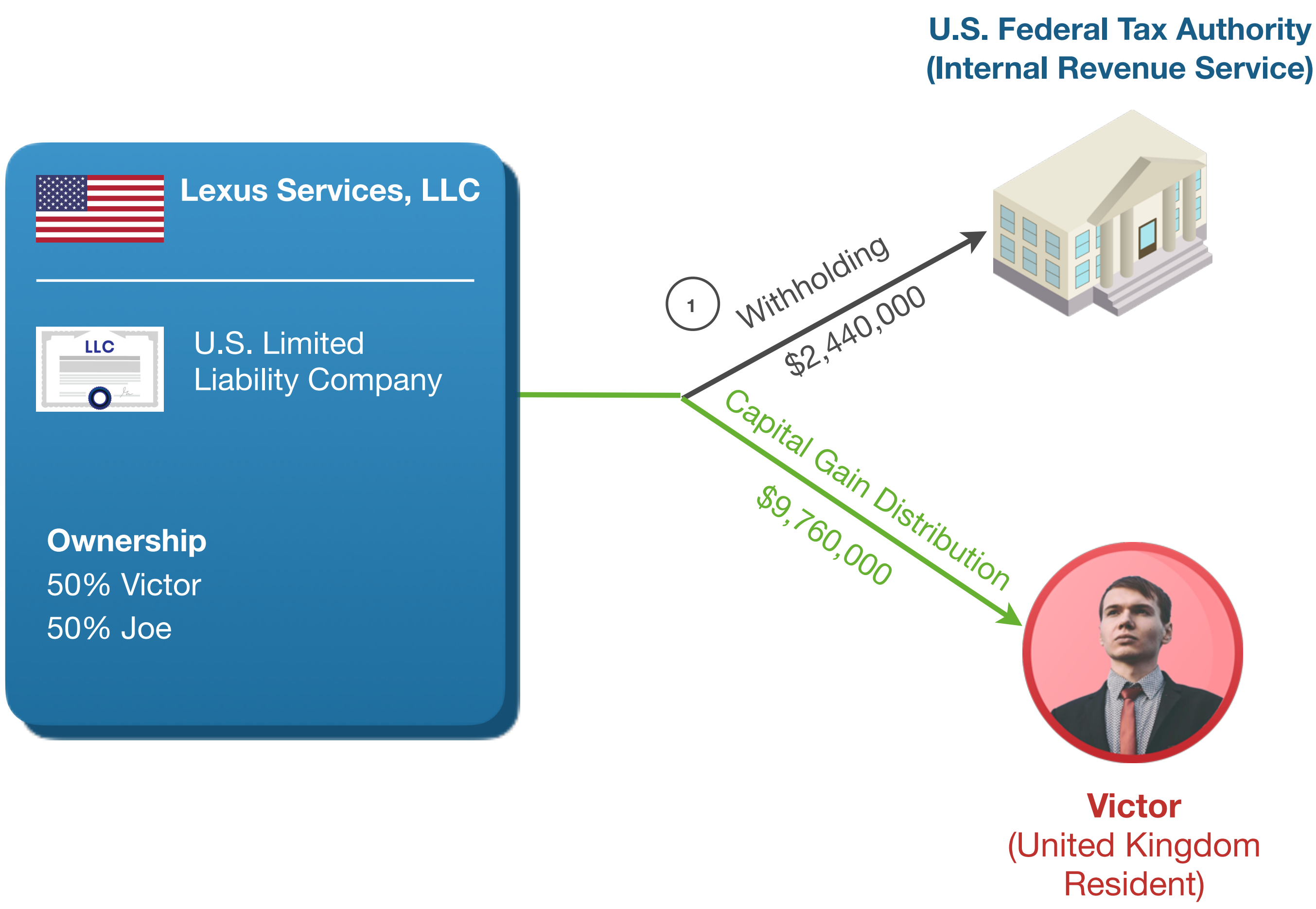
Resulting Tax Implications

As a result of this structure, the combined U.S. income tax liability of Kaleb and Marie is $5,000, and self-employment tax of $15,300 for Marie.

Sale of Partnership Interest of NRA Member

Structure # 3.4

Structure Summary
A non-resident client sells his interest in a United States LLC Partnership, subject to U.S. income tax withholding.



Structure Background

Victor, a resident of the United Kingdom, sells his 50% partnership interest of Lexus Services, LLC, a California Limited Liability Company.

Over 10 years ago, Victor was originally gifted 50% of the LLC by Joe, and at the time, the value of the gifted amount of shares was $800,000. At the time of the sale, the 50% interest sells for $13,000,000, resulting in a long-term Capital Gain of $12,200,000 per Internal Revenue Code §864(c)(8)(A). There is no state taxable income by the state of California.

Monetary Transactions & Accounting

1. Upon the sale, the withholding agent (the escrow company conducting the sale), withholds 20% of the gross proceeds, which is sent to the IRS. The remaining Capital Gain distribution is sent to Victor directly. The escrow company will provide Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, reporting the withholding of $2,440,000.

U.S. Tax Filing Compliance

2. Victor files a U.S. tax return Form 1040NR, U.S. Nonresident Alien Income Tax Return, and reports the Capital Gain of $12,200,000. As the tax liability withholding of $12,200,000 was already paid, there is no further tax due.

Summarized Tax Returns and Financial Statements

2

Form **1040NR**	**(Victor)**
Capital Gain	$12,200,000
Capital Gains Tax	20%
Withholding Tax	$2,440,000
Tax Liability	$2,440,000
Tax Due	$0

Resulting Tax Implications

As a result of this structure, the Federal income tax is $2,400,000.

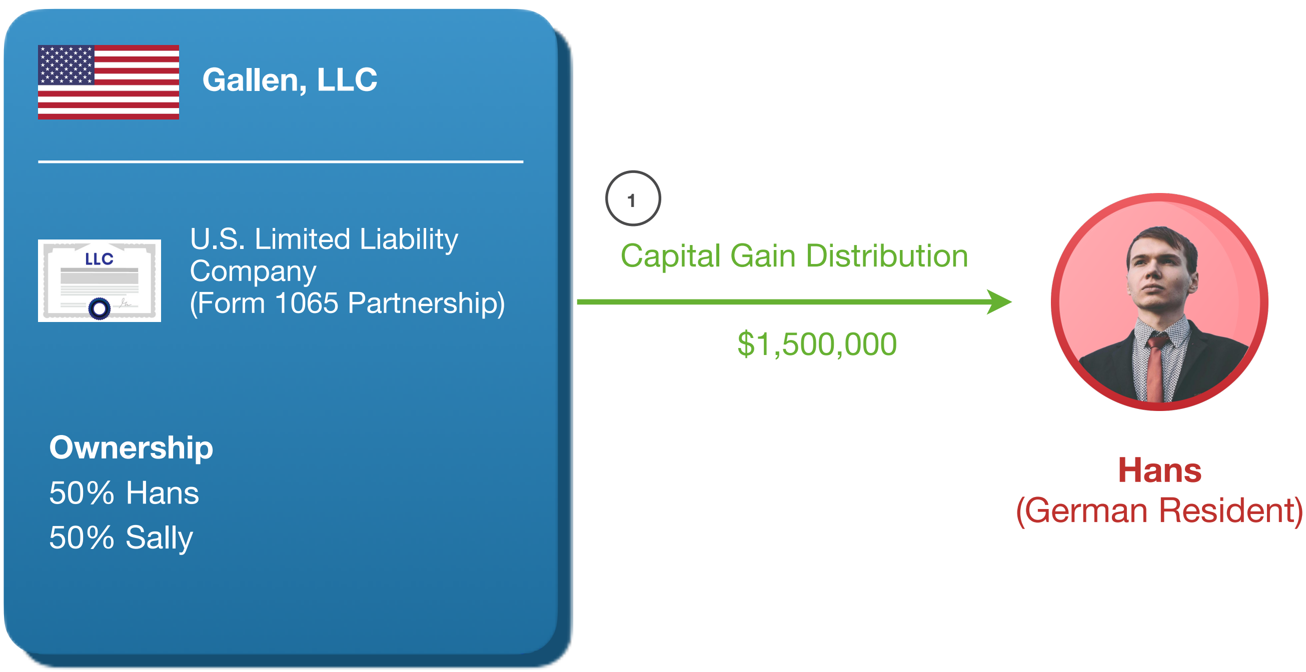
Sale of Partnership Interest of NRA Member (No U.S. Assets, Real Property and No ECI)

Structure # 3.5

Structure Summary

A nonresident alien sells his interest in a United States LLC Partnership, which owns no U.S. Real Property or any assets in the United States generating Effectively Connected Income.

As a result, the Capital Gain received by the Non-Resident Alien is not subject to U.S. tax or withholding.



Sale of Partnership Interest of NRA Member (No U.S. Assets, Real Property and No ECI)

Structure Background

Hans, a resident of Germany, sells his 50% partnership interest of Gallen, LLC, a United States Limited Liability Company, filing Form 1065 as a Partnership. The Partnership is equally owned by Hans and Sally (also a non-resident alien), each owning 50%.

The LLC ownership is being sold in its entirety to a U.S. Corporation buyer for a lump sum amount of $3,000,000, of which $1,500,000 is attributable to Hans and $1,500,000 to Sally as equal owners.

Foreign persons generally do not pay U.S. tax on Capital Gains from the sale of U.S. assets except for capital gains on the sale of U.S. real property interests per Treasury Regulation §1.1441-2(b)(2). Additionally, the Partnership has no place in business, and generates no U.S. Effectively Connected Income. As a result, no Capital Gain applies per Internal Revenue Code §865(a).

Monetary Transactions & Accounting

1. The Capital Gain Distribution is made directly to Hans of $1,500,000, and no withholding applies reported on Form 1042.

U.S. Tax Filing Compliance

2. There is no U.S. Income Tax filing requirement for Hans with respect to the Capital Gain transaction, reported on Form 1040NR.

Resulting Tax Implications

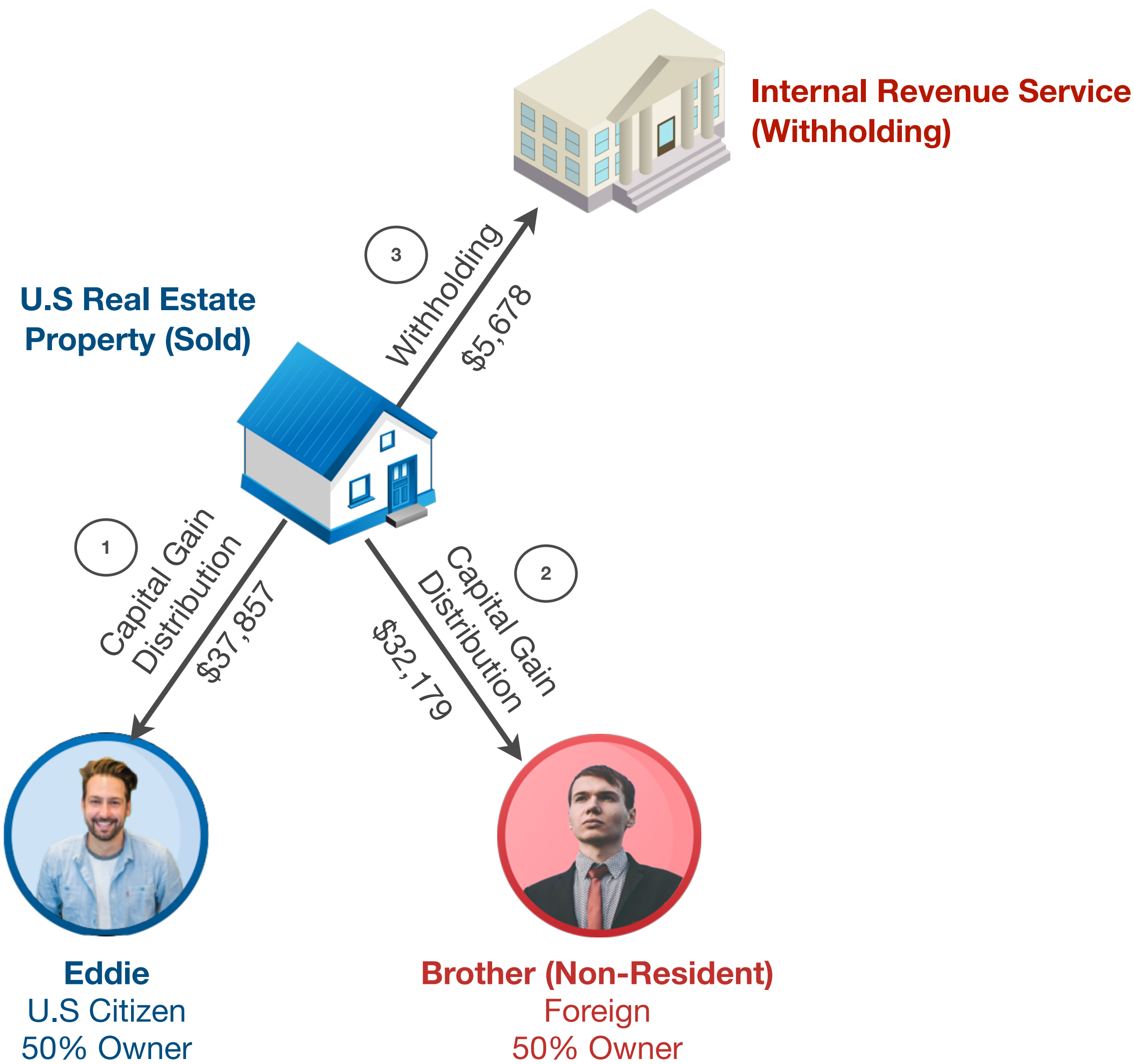
As a result of this structure, the U.S. Federal Income tax for Hans from the Capital Gain as a Non-Resident Alien is $0.

Co-Ownership FIRPTA Withholding

Structure # 3.6

Structure Summary

Upon the sale of a real estate property partially owned by a Non-Resident Alien, an income tax that is imposed on foreign sellers by the Foreign Investment In Real Estate Property Act (FIRPTA) is withheld and paid to the IRS.



Co-Ownership FIRPTA Withholding

Structure Background

A United States Real Estate Property is owned equally as 50% owners between Eddie (a U.S. citizen) and his brother (a Non-Resident Alien).

The home is sold and subject to Capital Gains tax, and in the case of the brother subject to FIRTPA withholding under Internal Revenue Code §1445, normally a 15% withholding based on the gross sale price, or request a holding certification for a reduced withholding amount.

Prior the the sale, documentation is submitted to escrow with supporting documents of the expected capital gain attributable to the Brother along with Form 8288-B, Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests for a reduced rate of withholding.

Monetary Transactions & Accounting

1. Upon the sale, the U.S. Real Estate Property results in a Capital Gain of $75,715 (Sale Price $360,000 - Basis in Building $196,806 - Land Basis $48,195 - Improvements $35,000 + Recaptured Deprecation $13,716 - $18,000 Selling Expenses). A Capital Gain distribution of $37,857 is paid to Eddie's Brother with no withholding.

2. A Capital Gain distribution is paid to Eddie of $32,179 less the FIRPTA withholding paid to the IRS.

3. Withholding of $5,678 is sent to the IRS based on the estimated tax liability of the Brother.

U.S. Tax Filing Compliance

4. **Form 1040 (Eddie).** Based on his Capital Gain, taxed at 15%, the tax due resulting from the sale is $5,678.

5. **Form 1040NR (Brother).** Based on his Capital Gain, taxed at 15%, the tax due resulting from the sale is $5,678, however as there was already withholding paid to the IRS, the tax due is $0.

Summarized Tax Returns and Financial Statements

1

Real Estate Property Gain	
Sale Price	**$360,000**
Less Basis (Building)	- $196,806
Less Basis (Land)	- $48,195
Improvements	- $35,000
Recaptured Depreciation	**+ $13,716**
Gain on Sale	**$93,715**
Selling Expenses	**$18,000**
Total Capital Gain	**$75,715**

4

Form **1040**	**Eddie**
Capital Gain	**$37,857**
Capital Gain Tax Rate	**(15%)**
Tax Due	**$5,678**

5

Form **1040NR**	**Brother**
Capital Gain	**$37,857**
Capital Gain Tax Rate	**(15%)**
Tax	**$5,678**
Withholding	**- $5,678**
Tax Due	**$0**

Resulting Tax Implications

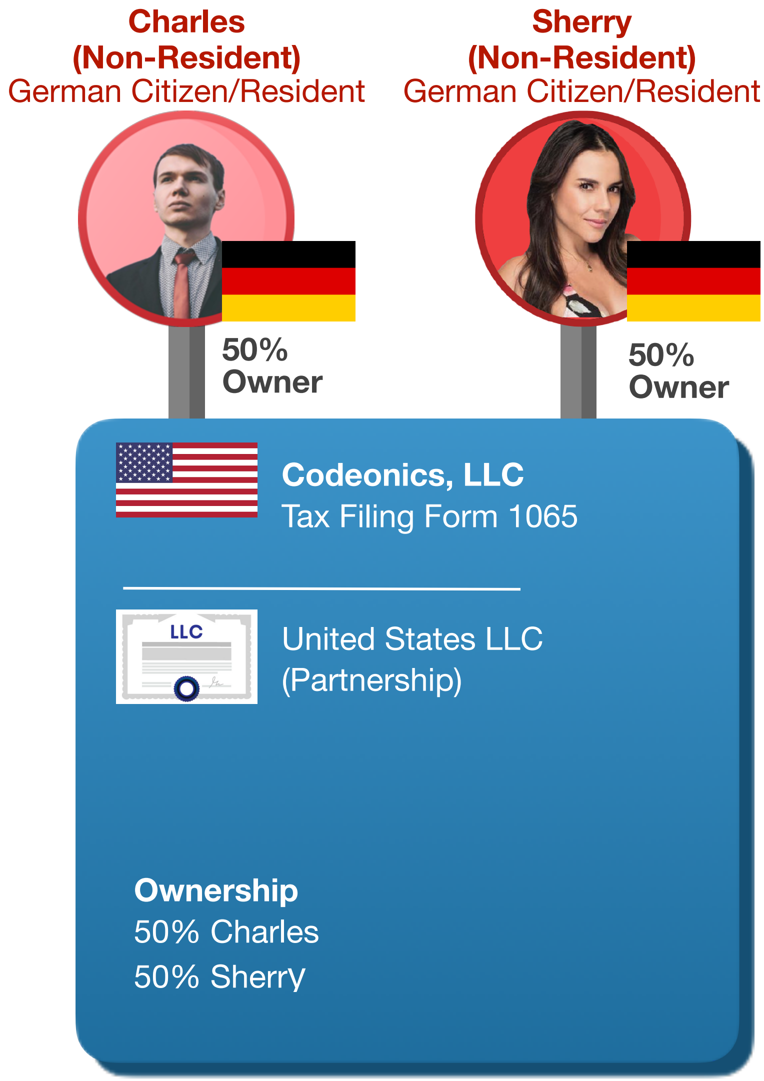
As a result of this structure, the U.S. tax liability of the Brother is $5,678, paid via a lower withholding rate.

German LLC Partners (No USTOB/ECI) Reduced Withholding

Structure # 3.7

Structure Summary

A multi-member LLC Partnership owned and operated by two non-resident aliens working in a foreign country is not subject to U.S. tax as they are each providing personal services aboard, have no Permanent Establishment in the U.S. and have no Effectively Connected Income.



German LLC Partners (No USTOB/ECI) Reduced Withholding

Structure Background

Codeonics, LLC is a United States Limited Liability Company which provides a mix of computer programming services for clients thought out the world, as well as sells web applications for user use. The LLC has two partners, Charles (a German citizen and resident) owning 50%, and Sherry (also a German citizen and resident) also owning 50%. Each partner receives and contributes an equal portion of profit/loss, and capital into the partnership.

Both partners physically work in Germany while providing personal services for computer programming. They maintain a permeant establishment in Germany, and are not physically present in the United States. Their clients for programming services are based both in the United States, and in foreign countries. The web applications are sold through a variety of digital marketplaces, and clients both in the United States and in foreign countries use the web applications for use.

Source and Taxation of Personal Services of Foreign Partners (Coding/Programming)

In regards to business income from personal services (coding/programming services) the source of income is based on the location where the service was performed[1]. Per Internal Revenue Code §864, U.S. source income does not include the personal services for a non-resident alien individual not engaged in trade of business within the United States.

As a result, the compensation for programming services performed in Germany is not U.S. source income.

No U.S. Trade or Business & Effectively Connected Income (ECI)

There is no legal definition of what constitutes a "U.S. Trade or Business", however, case law had indicated business that is "considerable, continuous and regular"[1] meets that definition. There is no supporting case law that indicates the use of a Limited Liability Company solely triggers a U.S. trade or business.

As the income sourced from the business does not physically operate, market, or perform services in the United States and therefore is not determined to conduct a trade or business in the U.S., resulting in Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

Internal Revenue Code §875, Partnerships; beneficiaries of estates and trusts, does not apply as there are no other partners engaged in a U.S. Trade or business.

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[1] https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

German LLC Partners (No USTOB/ECI) Reduced Withholding

Royalty Income (Taxed at 0% for Germany)

For the use of copyrighted software (either used as a web application subscription, or one time purchase), royalties are sourced where the property was used[5] per Internal Revenue Code § 861.

Based on the Tax Treaty rate of Royalties earned for application used in the United States, residents of Germany are taxed at a flat rate of 0%[2].

Royalties for applications used by foreign customers is not U.S. source income.

Reduced Foreign Partnership Withholding

Foreign partners are subject to a flat withholding based on their allocable share of the LLC Net Income per Internal Revenue Code §1446 - Withholding of tax on foreign partners' share of effectively connected income.

However, this withholding can be reduced by filing 8804-C, Certificate of Partner-Level Items to Reduce Section 1446 Withholding, based on certification of Effectively Connected Income.

Monetary Transactions & Accounting

1. Codeonics, LLC generates $240,000 of Net Income during the year, based on the following:

    - Coding Services to U.S. Customer + $150,000
    - Coding Services to Foreign Customers + $100,000
    - Application Sales U.S. Royalties + $50,000
    - Application Sales Foreign Royalties + $20,000
    - Administrative Expenses - $80,000

U.S. Tax Filing Compliance

2. **Form 1065, Schedule K-1,Form 8804/8805.** The tax return for the LLC is prepared, Form 1065, A U.S. Return of Partnership Income, to include Schedule K-1, and Forms 8804/8805. However, as there is no Effectively Connected Income shown Form 8805,

[2] https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

Foreign Partner's Information Statement of Section 1446 Withholding Tax reports $0 of U.S. ECI allocable to both foreign partners.

3. **Reduction in Foreign Partner Withholding.** Form 8804-C, Certificate of Partner-Level Items to Reduce Section §1446 Withholding, is filed to the partnership to reduce the withholding for each foreign partner.

4. **Form 1040NR (Charles).** On his personal tax return Form 1040, U.S. Individual Income Tax Return Allen reports $0 of Effectively Connected Income, and claims the 0% flat tax of Royalties on Form 8833, Treaty-Based Return Position Disclosure Under Section §6114 or §7701(b).

5. **Form 1040NR (Sherry).** On her personal tax return Form 1040, U.S. Individual Income Tax Return Allen reports $0 of Effectively Connected Income and claims the 0% flat tax of Royalties on Form 8833, Treaty-Based Return Position Disclosure Under Internal Revenue Code §6114 or §7701(b).

German LLC Partners (No USTOB/ECI) Reduced Withholding

Summarized Tax Returns and Financial Statements

1

Income Statement	Codeonics, LLC
Coding Services (U.S. Customers)	$150,000
Coding Services (Foreign Customers)	$100,000
Application Sales (U.S. Royalties)	$50,000
Application Sales (Foreign Royalties)	$20,000
Administrative Expenses	- $80,000
Net Income	$240,000

2

Form **1065** U.S. Partnership Tax Return	Codeonics, LLC
Coding Services (U.S. Customers)	$150,000
Coding Services (Foreign Customers)	$100,000
Application Sales (U.S. Royalties)	$50,000
Application Sales (Foreign Royalties)	$20,000
Administrative Expenses	- $80,000
Net Income	$240,000

3

Form **8804/8804-C**

Reduction in Foreign Partner Withholding (on Effectively Connected Income)

ECI	$0

4

Form **1040NR**	Charles
Ordinary Income/ECI	$0
Schedule NEC	
Total U.S. Source Royalty Income	$25,000
Royalty FDAP Withholding (Germany)	0%
U.S. Tax	$0

Form **8832** **Tax Treaty Exclusion**

5

Form **1040NR**	Sherry
Ordinary Income/ECI	$0
Schedule NEC	
Total U.S. Source Royalty Income	$25,000
Royalty FDAP Withholding (Germany)	0%
U.S. Tax	$0

Form **8832** **Tax Treaty Exclusion**

Resulting Tax Implications

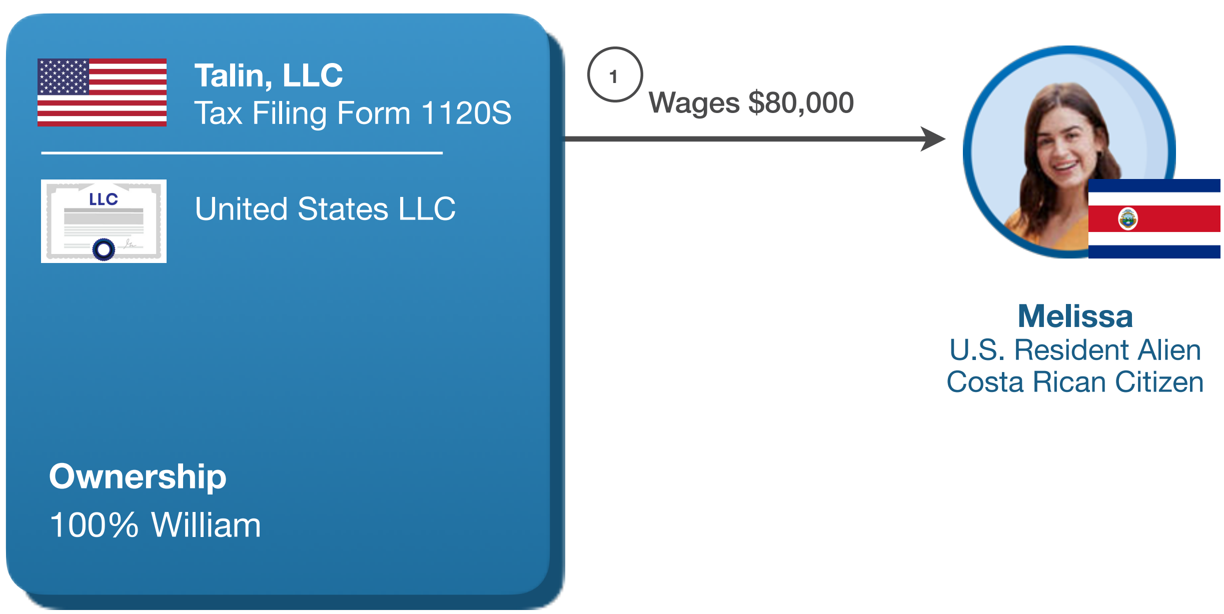
As a result of this structure and the facts and circumstances outlined, each foreign partner's U.S. taxable income is $0.

Resident Alien Social Security Exempt Wages

Structure # 3.8

Structure Summary

A Resident Alien (deemed so as the result of electing to file jointly with her U.S. citizen husband) is exempt from U.S. Social Security taxes on her wages from a U.S. employer as she is a Non-Citizen working in a foreign country.



Structure Background

Melissa, a Costa Rican citizen lives and works aboard in a foreign country with her Husband William, who is the owner of Talin, LLC, an S-Corporation. The LLC pays each of them a wage, in which Melissa received $80,000 of wages during the year.

As defined in Internal Revenue Code §3121 and §7702, Melissa is a Resident Alien for U.S. Federal Income Tax purposes but not eligible for Social Security benefits as she is a Non-Citizen and not working in the United States. This is further explained in IRS Publication 15[1], and by the Social Security Administration[2].

Monetary Transactions & Accounting

1. During the year, Talin LLC compensates Melissa $80,000 in wages.
2. On her annual Wage Statement, her wages are shown as $60,000 in Salary and $20,000 in bonus.

U.S. Tax Filing Compliance

3. **Form 1040 (William and Melissa).** On their joint income tax return Form 1040, $180,000 of wages are reported ($100,000 earned from William and $80,000 from Melissa). As each reside and work abroad, the Foreign Earned Income Exclusion is claimed on the full amount of wages, resulting in taxable income of $0.

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[1] https://www.irs.gov/pub/irs-pdf/p15.pdf

[2] https://www.ssa.gov/pubs/EN-05-10096.pdf

Resident Alien Social Security Exempt Wages

Summarized Tax Returns and Financial Statements

2

Wage Statement
(Melissa)

Salary $60,000

Bonus $20,000

Total Wages $80,000

3

Form **1040**
William & Melissa

Wages	$180,000
Foreign Earned Income Exclusion	$-180,000
Taxable Income	$0

Resulting Tax Implications

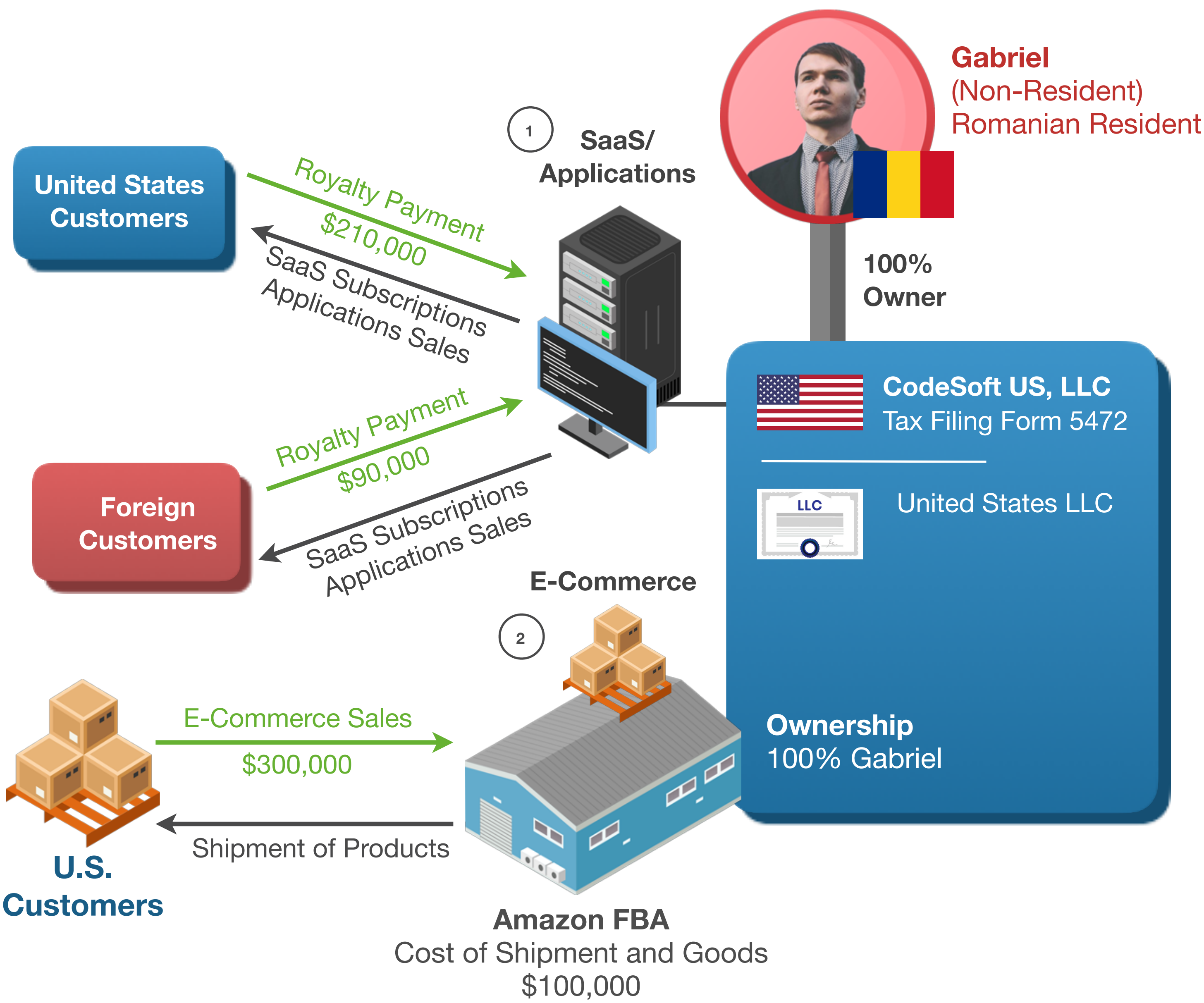
As a result of this structure, the Federal income tax for Melissa, and her husband William whom she is filing jointly is $0.

Romanian NRA SaaS, Digital Sales, and E-Commerce from DE LLC

Structure # 3.9

Structure Summary

A Non-Resident Alien conducts business worldwide through a U.S. LLC selling both physical products through e-commerce, and royalty income through the sale of SaaS subscriptions. Royalties from U.S. customers are subject to a withholding tax based on a special tax treaty rate, whereas the royalties from foreign customers are not. Additionally, the E-Commerce sales have a tax treaty exemption.



Structure Background

CodeSoft US, LLC is a United States Limited Liability Company which sells a variety of software and physical goods to U.S. and foreign customers. Gabriel is citizen and resident of Romania, and the sole owner of CodeSoft US, LLC. He maintains his offices in Romania, and is not physically present in the United States. As a Single-Member LLC (SMLLC), CodeSoft US, LLC is classified as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

The following is a summary of the products sold:

1. Software as a Service (SaaS) monthly web application subscriptions and onetime purchase applications. The majority of the software sold is to U.S. customers using the software un the United States, and the remaining portion to foreign customers.

2. E-Commerce; Physical Widgets sold and shipped through Amazon FBA warehouse located in the United States and directly to U.S. customers.

Source and Taxation of Royalty Income (SaaS Applications)

For the use of copyrighted software (either used as a web application subscription, or one time purchase), royalties are sourced where the property was used[2] per Internal Revenue Code §861.

Based on the Tax Treaty rate of Royalties earned in the United States, residents of Romania are taxed at a flat rate of 10%[3].

Source and Taxation of Royalty Income (SaaS Applications)

All sales in the United States are sold and fulfilled through Amazon FBA. Once manufactured, the widgets are shipped directly from the supplier to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Amazon then pays CodeSoftUS, LLC for the revenue related to the purchase of goods (less any fulfillment/ shipping fees).

Although the sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the LLC per IRC 864(c)(3) , as the result of

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

2 https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

3 https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code §865(e)(2) and §882, the business profits of the Limited Liability Company (and that of its Sole Non-Resident Owner) qualifies for a Tax Treaty Exclusion under the Romanian-U.S. Income Tax Treaty Articles 5 and 7[4].

Article 5 of the Romanian-U.S. Tax Treaty describes the definition of a Permanent Establishment.

Article 7 of the Tax Treaty states, "Industrial or commercial profits of a resident of one of the Contracting States shall be exempt from tax by the other Contracting State unless the resident has a permanent establishment in that other Contracting State."

Monetary Transactions & Accounting

1. CodeSoftUS, LLC sells SaaS Subscriptions totaling $300,000, of which $210,000 is by U.S. customers using the software in the United States and $90,000 of foreign customers using the software outside the United States.

2. CodeSoftUS, LLC pays a third-party supplier company to manufacture widgets for $100,000, which are then shipped to the Amazon FBA warehouse. The widgets are then sold to U.S. customers for $300,000, resulting in a net profit from this activity of $200,000.

3. On its Income Statement, CodeSoftUS, LLC reports Net Income of $500,000 ($210,000 U.S. SaaS Subscriptions/Applications + $90,000 U.S. SaaS Subscriptions/Applications + $300,000 Product Sales through Amazon FBA E-Commerce - Less $100,000 Cost of Goods Sold).

U.S. Tax Filing Compliance

4. **Form 1040NR (Gabriel).** As a sole owner of the disregarded LLC, Gabriel files Form 1040NR, U.S. Nonresident Alien Income Tax Return, to report the royalty income of $210,000 taxed at 10% rate or a $21,000 withholding tax. Additionally, a Tax Treaty exclusion is claimed on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b) for the E-Commerce widget sales. The tax treaty article which directly applies is Article 7, Business Profits.

[4] https://www.irs.gov/pub/irs-trty/romania.pdf

Summarized Tax Returns and Financial Statements

3

CodeSoft, LLC
Income Statement

SaaS Subscriptions (U.S. Royalties)	$210,000
SaaS Subscriptions (Foreign Royalties)	$90,000
SaaS Subscriptions (Foreign Royalties)	$300,000
Cost of Goods	- $100,000
Net Income	**$500,000**

4

Form **1040NR** **Gabriel**

Schedule NEC

Total U.S. Source Royalty Income	$210,000
Royalty FDAP Withholding (Romania)	10%
Withholding Tax	**$21,000**

Form **8833**

Tax Treaty Exemption (Article 7)
E-Commerce Sales

Resulting Tax Implications

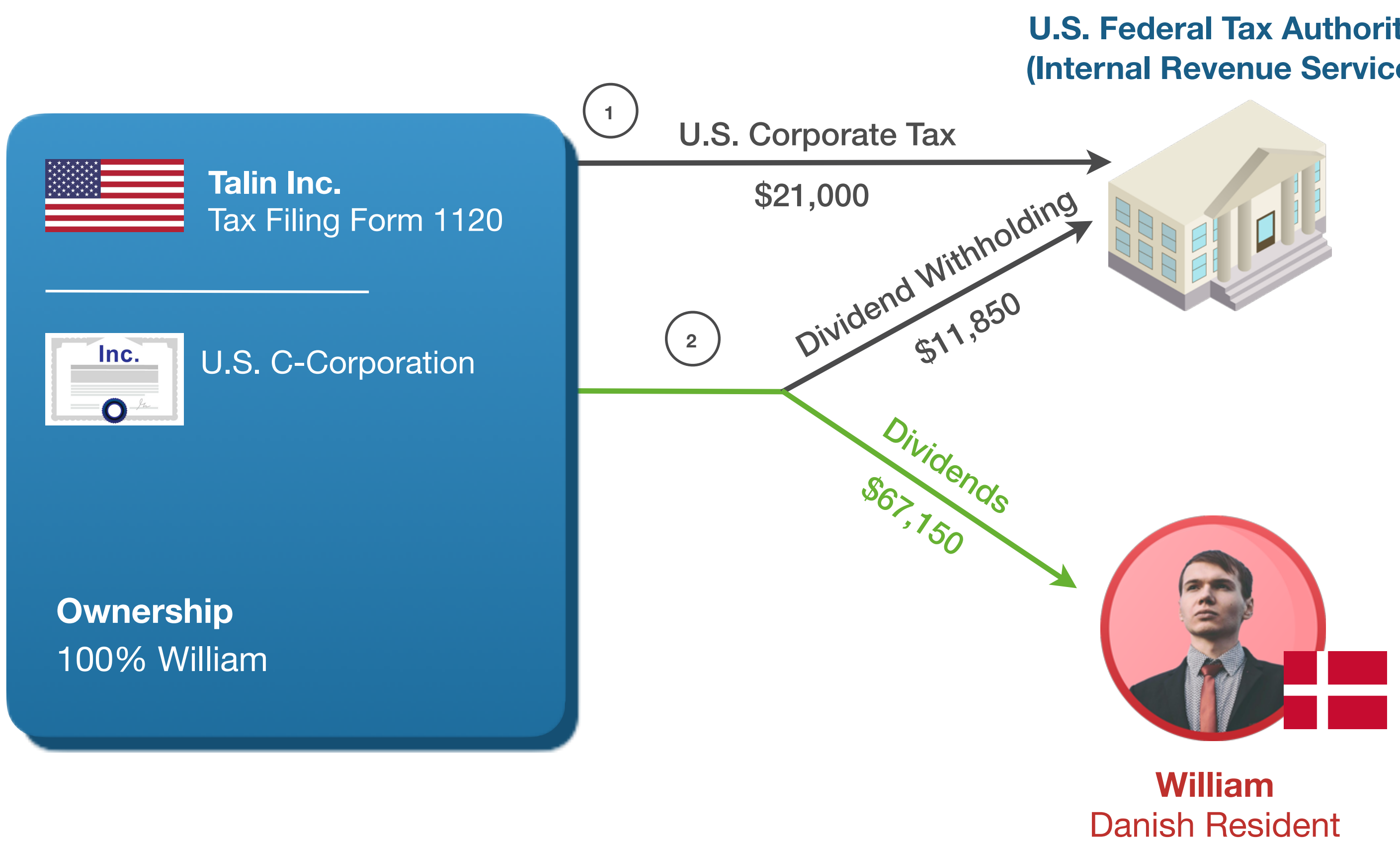
As a result of this structure, the U.S. tax liability of Gabriel (as a Disregarded Entity Single Member LLC owner of CodeSoftUS, LLC) is $21,000.

Foreign Owned U.S. Corporation (Danish Resident) Dividend Withholding

Structure # 3.10

Structure Summary

A Non-Resident Alien and sole owner of a U.S. corporation, is subject to tax at the corporate level and an additional withholding tax upon the payment of dividends to him directly.



Foreign Owned U.S. Corporation (Danish Resident) Dividend Withholding

Structure Background

A United States Corporation, Talin Inc., is a provider of marketing and sales platforms owned 100% by William, a Danish resident. The U.S. Corporation is subject to 21% Federal corporate tax rate on all net earnings per Internal Revenue Code §11. The corporation does not physically operate in a particular state, nor sell physical goods directly to clients, and therefore is not required to pay state income tax.

At the end of the year, it was decided all retained earnings are paid as dividends to the sole foreign shareholder. In addition to the corporate tax, dividends paid to William as a non-resident shareholder are subject to a 15% withholding tax based on the tax treaty rate for Denmark[1].

Monetary Transactions & Accounting

1. During the year, Talin Inc. earns a Net Income of $100,000, resulting in$21,000 federal income tax based on a corporate tax rate of 21%.
2. After the Federal tax is paid, retained earnings of $79,000 are distributed to the sole non-resident shareholders. A withholding tax of $11,850 (15% for Denmark) applies, which is paid directly to the Internal Revenue Service, and the remaining $67,150 is paid to the sole shareholder.

U.S. Tax Filing Compliance

3. **Form 1120, with Form 5472 (Talin Inc.).** The U..S. Corporation files an income tax return subject to a 21% rate, and certain Foreign Owned Corporations must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions with its foreign-owned parent company.
4. **Form 1042 (Talin Inc.).** Withholding tax applies for dividends paid to nonresidents per Internal Revenue Code §1441. In this structure, a tax treaty rate of 15% applies to both residents of Denmark. As a result, $11,850 is withheld from dividends ($79.000 x 15%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. Assuming William has no other U.S. source income, he is not required to file a personal tax return as a result of the dividend withholding tax already being paid.

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[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Summarized Tax Returns and Financial Statements

3

Form **1120**
Talin, Inc.

Revenue	$100,000
Net Income	$100,000
Corporate Income Tax	$21,000

Form **5472** **Talin, Inc.**

Foreign Owned U.S. Corporation

4

Form **1042** **Talin, Inc.**

U.S Source Dividends

$79,000 x 15% = $11,850 Tax

Resulting Tax Implications

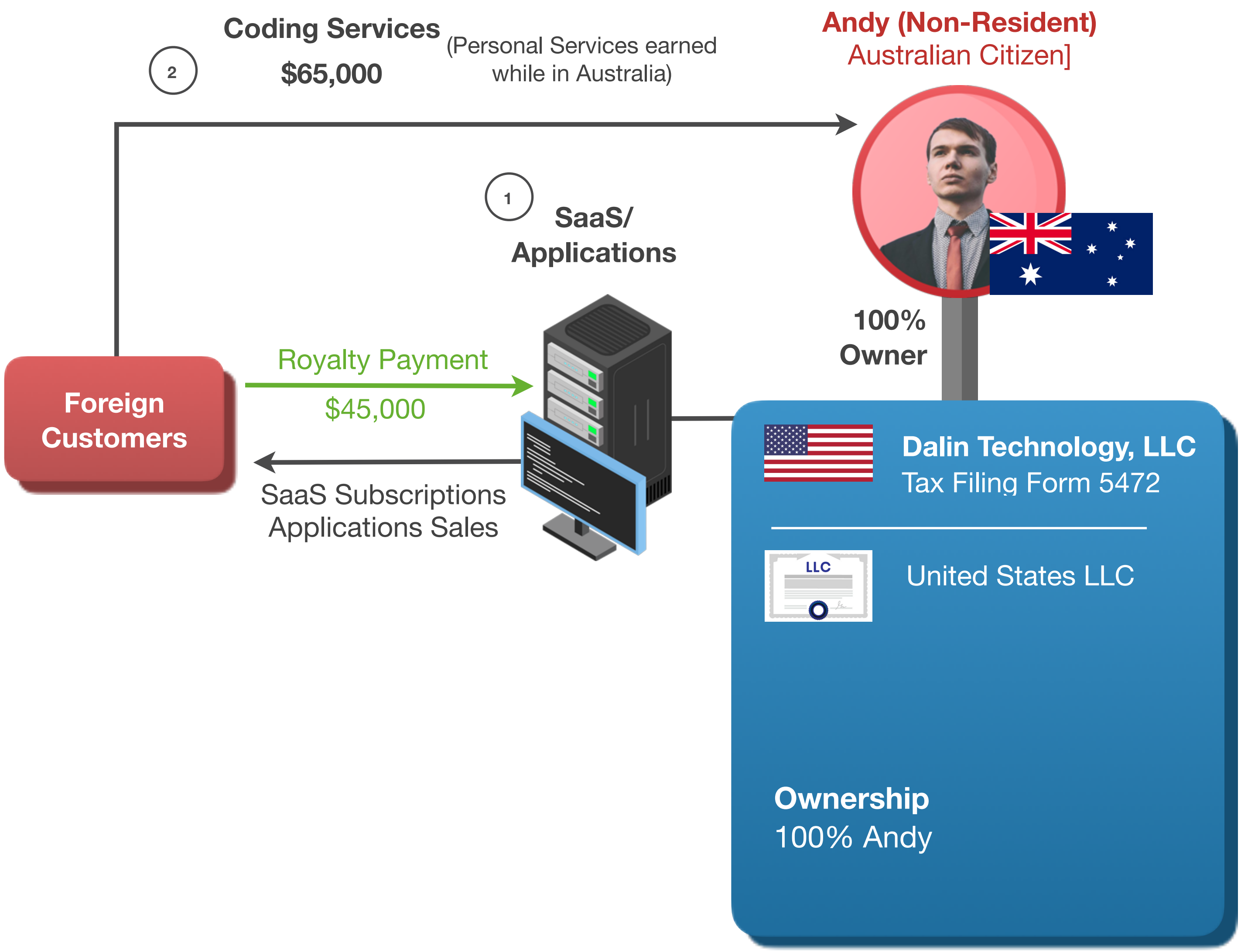
As a result of this structure, the Federal corporate income tax is $21,000, and the U.S. tax liability of the foreign shareholder is $11,850.

Australian SaaS and Coding Services

Structure # 3.11

Structure Summary

A non-resident alien of Australia is the sole owner of a U.S. LLC, which provides foreign customers with software sales and coding services. This structure is an ideal method of for non-resident aliens to provide both software sales, and personal services, while not being subject to U.S. tax in certain tax treaty favorable countries.



Structure Background

Dalin Technology, LLC is a United States Limited Liability Company that provides custom coding services to foreign clients, as well as Subscriptions as a Service (SaaS) also to foreign customers.

Andy is a citizen and resident of Australia and the sole owner of Dalin Technology, LLC. He maintains his offices in Australia and is not physically present in the United Staes. As a Single-Member LLC (SMLLC), Dalin Technology, LLC is classified as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

The following is a summary of the services provided by the LLC:

1. Software as a Service (SaaS) monthly web application subscriptions and onetime purchase applications. All of the software sold is to foreign customers.

2. Coding Services in which Andy performs while he is physically present in Australia.

Source and Taxation of Royalty Income (SaaS Applications)

For the use of copyrighted software (either used as a web application subscription or one-time purchase), royalties are sourced where the property was used[2] per Internal Revenue Code §861. As a result, there is no U.S. source royalties as the customers are located outside the United States.

Source and Taxation of Coding Services

As Andy does not physically provide services in the United States, nor maintain a permanent establishment, or conduct business on a regular and continuing basis, the LLC is determined not to conduct a trade or business in the U.S., resulting in Effectively Connected Income (ECI) per Treasury Regulation §1.355-3. As a result, there is no U.S. source income related to the performance of coding.

Monetary Transactions & Accounting

1. Dalin Technology, LLC sells SaaS Subscriptions totaling $45,000 during the year to foreign customers.

2. Dalin Technology, LLC earns $65,000 relating to custom coding services.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

[2] https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

Australian SaaS and Coding Services

3. On its Income Statement, Dalin Technology, LLC reports Net Income of $100,000 ($65,000 SaaS Subscriptions + $45,000 Coding Services - Less $10,000 of Administrative Expense).

U.S. Tax Filing Compliance

4. **Pro Forma 1120, with Form 5472 (Dalin Technology, LLC).** Foreign Owned Disregarded Entities must generally file [Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business]() to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

3

Dalin Technology LLC
Income Statement

Coding Services	**$65,000**
SaaS Subscriptions (Foreign Royalties)	**$45,000**
Administrative Expenses	**- $10,000**
Net Income	**$100,000**
U.S. Taxable Income	**$0**

4

Foreign Owned DE

Form **1120** **Dalin Technology, LLC**

Form **5472** **Dalin Technology, LLC**

Compensation to Owner

$65,000

Resulting Tax Implications

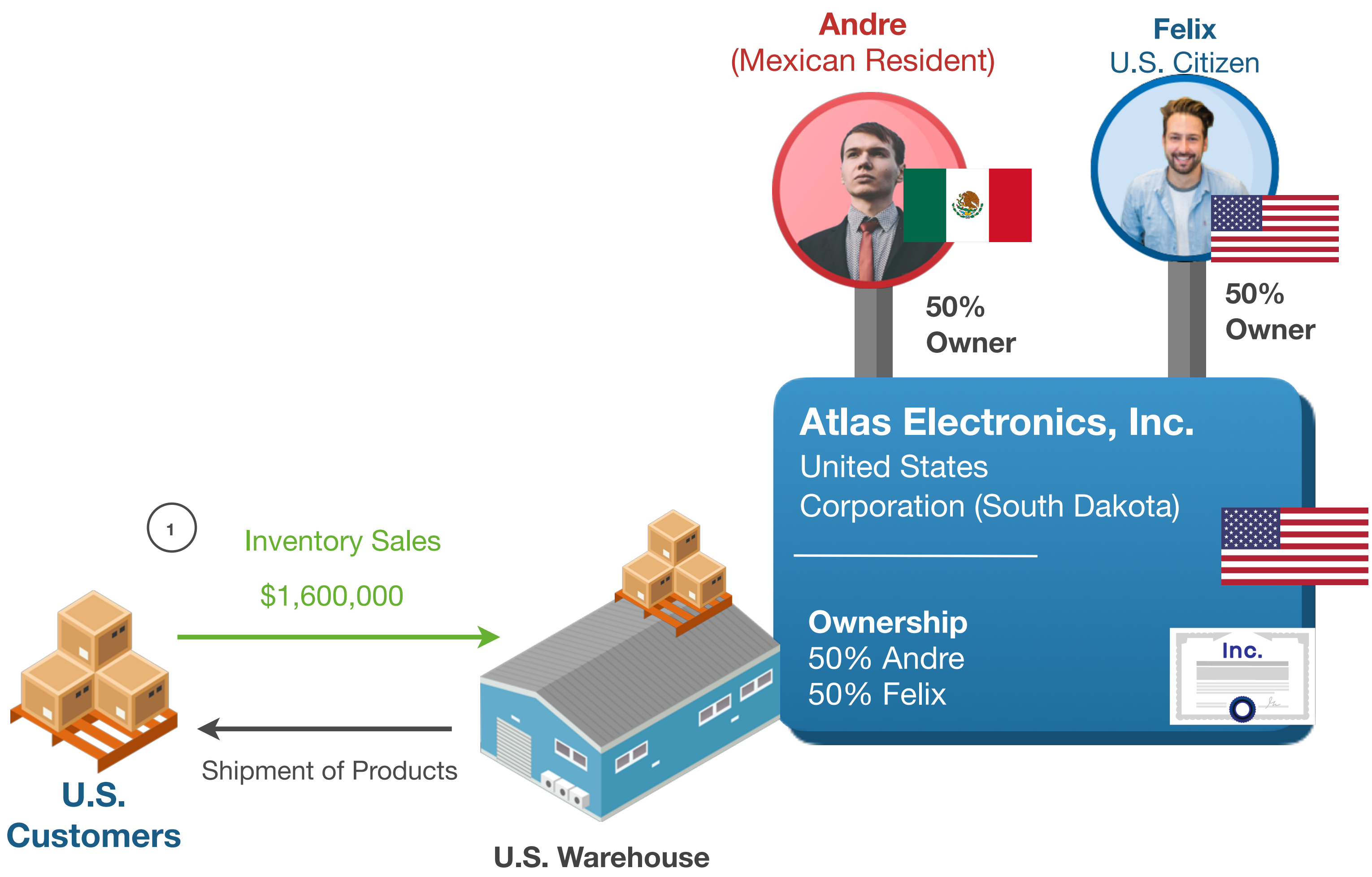
As a result of this structure, the U.S. tax lability of Andy (as a Disregarded Entity Single Member LLC owner of Dalin Technology, LLC) is $0

Mexican Resident Contractor as C-Corporation Shareholder

Structure # 3.12

Structure Summary

A Non-Resident Alien Shareholder of a U.S. Corporation receives dividends, which are subject to a 10% withholding rate in his home country of Mexico. Additionally, he provides services as a contractor for the Corporation, which are not subject to U.S. tax as the income is a foreign source while he is working in a foreign country.



Mexican Resident Contractor as C-Corporation Shareholder

Structure Background

Atlas Electronics, Inc. is a Corporation that sells electronics equipment to U.S. customers. Andre is a U.S. Non-Resident Alien and Mexican Resident, and Felix is a United States citizen, and each is 50% owner of the corporation.

Foreign Source Income (Contractor Income for Andre)

Andre provides services as a contractor for the corporation for management, marketing, and other services. Generally, foreign source income received by a nonresident alien is not subject to U.S. taxation[1].

The performance of personal services by a Non-Resident Alien outside the United States is not subject to U.S. tax per Internal Revenue Code §871.

Source and Taxation of Dividend Income

Upon the issuance of dividends to Andre, a withholding tax applies. Based on the Tax Treaty rate of Dividends earned in the United States, residents of Mexico are taxed at a flat rate of 10%[2].

Monetary Transactions & Accounting

1. Atlas Electronics, Inc. sells inventory totaling $1,600,000 originating from the warehouse in the United States, all of which are sent to U.S. customers.

U.S. Tax Filing Compliance

2. **Form 1120 (Atlas Electronics, Inc.).** On its Income Statement and related Form 1120, U.S. Corporation Income Tax Return, Atlas Electronics, Inc. reports a Net Income of $780,000. As a result, $163,800 of corporate tax is owed.
3. **Form 1042-S (Andre).** Withholding tax applies for dividends paid to non-residents per Internal Revenue Code §1441. During the year, $135,000 of dividends were paid to Andre at a tax treaty rate of 10%, which applies to residents of Mexico for Dividends. As a result, $13,500 is withheld from dividends ($135,000 X 10%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

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1 https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-exclusions-from-income

2 https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Mexican Resident Contractor as C-Corporation Shareholder

4. **Form 1040NR (Andre).** As a non-resident with Not Effectively Connected Income (NEC), Andre files Form 1040NR, U.S. Nonresident Alien Income Tax Return, to report the dividend income of $135,000 taxed at 10% rate, or a $13,500 withholding tax. As the tax has already been withheld at source, there is no tax due.

Summarized Tax Returns and Financial Statements

2

Form 1120	Atlas Electronics, Inc. U.S. Corporation Income Tax Return
Sales to U.S. Customers (Inventory)	**$1,600,000**
Cost of Goods Sold	**$600,000**
Contractor Payments (Andre)	**$120,000**
Administrative Expenses	**$100,000**
Net Income	**$780,000**
Tax (21%)	**$163,800**

4

Form **1040NR**	**(Andre)**
Schedule NEC	
Total U.S. Source Dividend Income	$135,000
Dividend FDAP Withholding (Mexico)	10%
Withholding Tax	$13,500
Tax Liability	$13,500
Tax Due	**$0**

3

Form **1042-S**	**Andre**

U.S Source Dividends

$135,000 x 10% = $13,500 Tax

Resulting Tax Implications

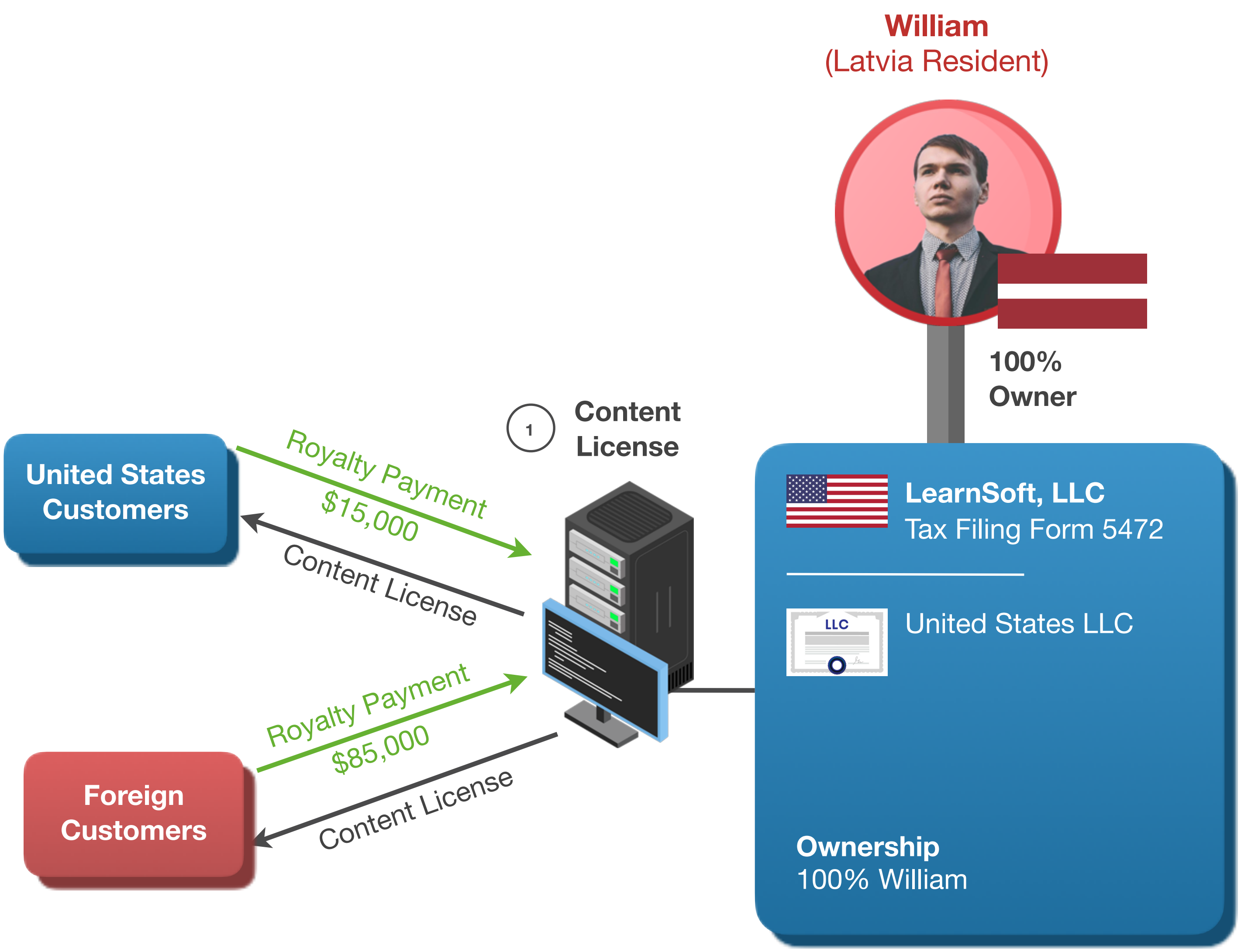
As a result of this structure, the U.S. tax liability of Atlas Electronics, Inc. is $163,800 of corporate tax, and Andre is $13,500 of dividend tax.

SMLLC Royalty License Latvia Resident

Structure # 3.13

Structure Summary

A Non-Resident Alien from Latvia provides both personal consultations and subscriptions services (royalty income) through his solely owned U.S. LLC. Only royalty income from U.S. customers is subject to a withholding tax based on the special tax treaty rate.



Structure Background

A United States Limited Liability Company, LearnSoft, LLC, is a provider of video content, examinations, and 1-on-1 consultation. The LLC is owned 100% by William, a Latvian resident. As a Single-Member LLC (SMLLC), LearnSoft, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

LearnSoft, LLC provides a mix of content and services both to U.S. customers and foreign customers. Video content is sold for a fee for use (determined to be royalties), and also 1-on-1 consultations (determined to be personal services).

As the LLC does not physically operate in a particular state nor sell physical goods directly to clients, and therefore was not determined to conduct a trade or business in the U.S., resulting in Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

At the end of the year, it was decided that a portion of retained earnings would be paid as compensation to the sole foreign shareholder. The U.S. source royalties received are subject to a 10% withholding tax based on the tax treaty rate for Latvia[2].

Monetary Transactions & Accounting

1. During the year, LearnSoft, LLC earns royalties of $100,000, resulting in$15,000 from U.S. customers, and $85,000 from foreign customers.

2. At the end of the year the Net Income of the LLC is $130,000 [$15,000 of royalties from U.S. customers, $85,000 of royalties from foreign customers, $40,000 of 1-on-1 consultations, less $10,000 of Administrative Expenses.]

U.S. Tax Filing Compliance

3. **Pro Forma 1120, with Form 5472 (LearnSoft, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

4. **Form 1042 (LearnSoft, LLC).** Withholding tax applies for royalties paid to non-residents per Internal Revenue Code §1441. In this structure, at tax treaty rate of 10% applies for residents of Latvia. As a result, $11,850 is withheld from royalties ($15,000 X 10%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax

[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

[2] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Return for U.S. Source Income of Foreign Persons. Assuming William has no other U.S. source income, he is not required to file a personal tax return as the result of the royalties withholding tax already being paid.

Summarized Tax Returns and Financial Statements

2

LearnSoft, LLC
Income Statement

U.S. Customer License (Royalties)	$15,000
Foreign (Non-U.S.) License (Royalties)	$85,000
1-on-1 Consultation	$40,000
Administrative Expenses	- $10,000
Net Income	**$130,000**

3

Form **1042** **LearnSoft, LLC**

U.S Source Royalties
(Latvia Resident)

$15,000 x 10% Form = $1,500 Tax

4

Form **1120** **LearnSoft, LLC**

Foreign Owned DE

Form **5472** **LearnSoft, LLC**

Compensation
$90,000

Resulting Tax Implications

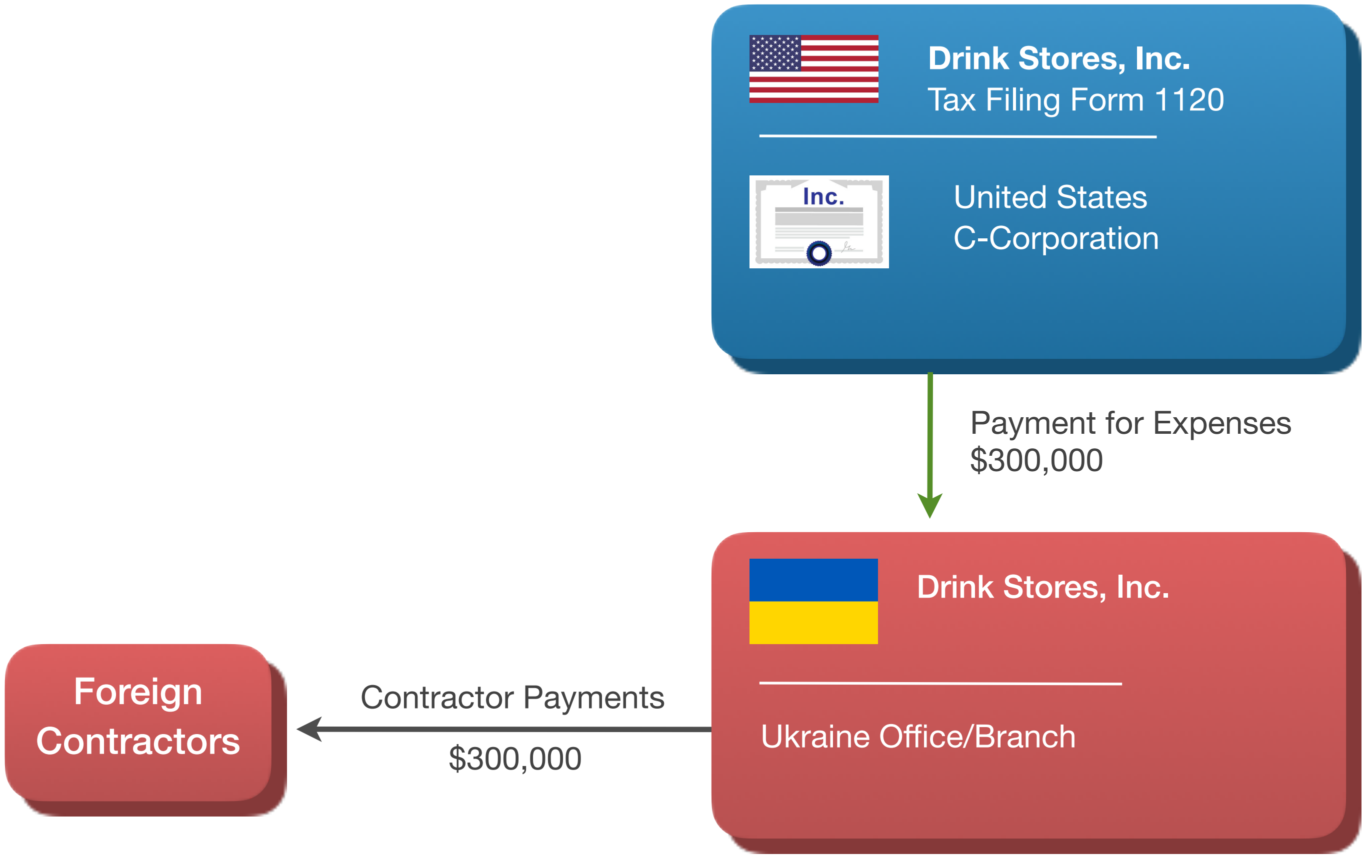
As a result of this structure, the Federal withholding tax on royalties is $1,500.

C-Corporation Ukraine Branch with Foreign Contractors

Structure # 3.14

Structure Summary

A U.S. Corporation transfers funds to its foreign branch in order to compensate foreign contractors, and required to obtain Form W8-BEN for each contractor. This arrangement is ideal when a U.S. C-Corporation has foreign contractors and no foreign subsidiary, and required to obtain withholding exemptions for each contractor.



C-Corporation Ukraine Branch with Foreign Contractors

Structure Background

Drink Stores, Inc., a United States C-Corporation, is a distributor of liquor in the U.S. To manage its operations, the U.S. Corporation opens an office in Ukraine to hire and pay contractors.

Per Internal Revenue Code §871, foreign source income earned by a non-resident contractor in a foreign country is not subject to U.S. tax.

However, Form W8-BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) is filed to certify the contractor is a non-resident and not subject to U.S. tax.

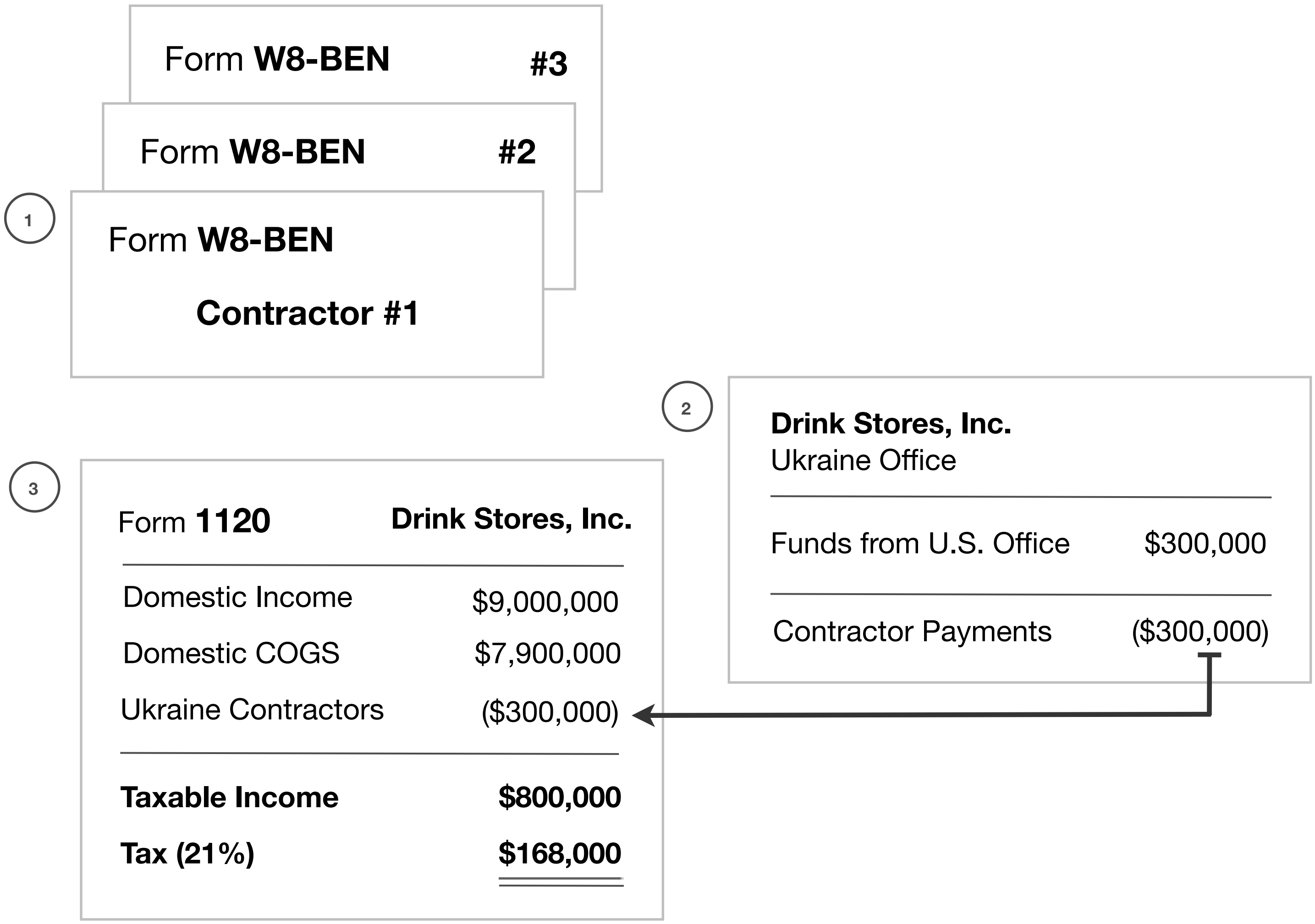
During the year, Drink Stores, Inc. sends funds from its U.S. bank account to Ukraine to pay for local contractors.

U.S. Tax Filing Compliance

1. **Form W8-BEN.** Each contractor completes Form W8BEN to certify their foreign status and be exempt from U.S. tax. The corporation sends $300,000 from its U.S. bank account to a Ukrainian account.
2. Payments are made to contractors for the year totaling $300,000, and a deduction for contractor payments is claimed as an expense on the Federal tax return for Drink Stores, Inc.
3. **Form 1120 (Drink Stores, Inc.).** On its annual tax return, the U.S. C-Corporation files Form 1120, U.S. Corporation Income Tax Return, claims a deduction of $300,000, a reduction of income subject to a 21% U.S. corporate tax rate.

C-Corporation Ukraine Branch with Foreign Contractors

Summarized Tax Returns and Financial Statements



Resulting Tax Implications

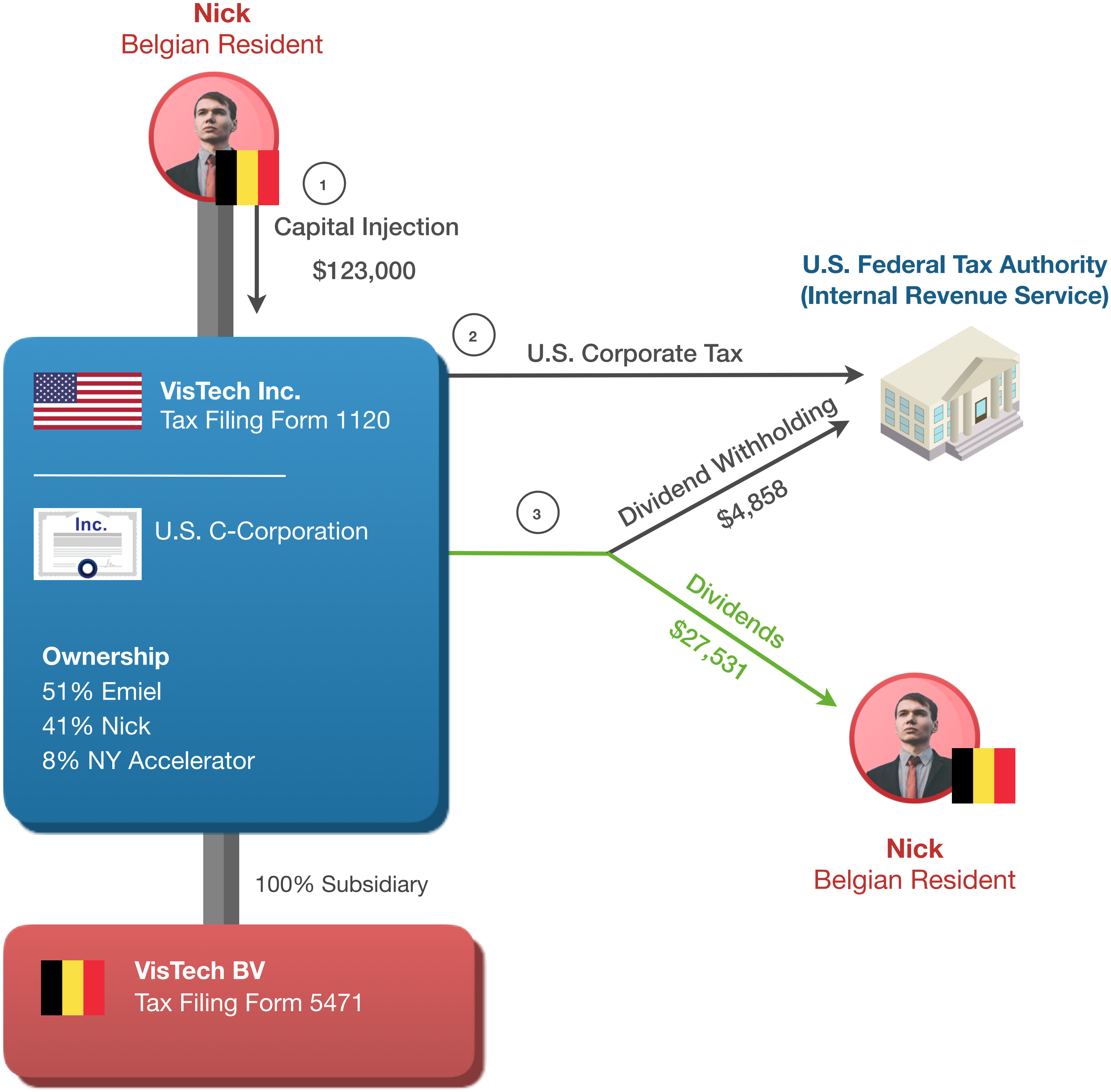
As a result of this structure, the foreign contractor is not subject to U.S. tax, and the C-Corporation receives a taxable deduction.

Capital Injection and Dividend Withholding for Foreign Owned U.S. Corporation (Belgian Resident)

Structure # 3.15

Structure Summary

A Non-Resident Alien and shareholder of a U.S. corporation, makes a capital injection into the corporation and is subject to tax at the corporate level and an additional withholding tax upon the payment of dividends to him directly with a special tax treaty rate as a Belgian Resident.



Capital Injection and Dividend Withholding for Foreign Owned U.S. Corporation (Belgian Resident)

Structure Background

A United States Corporation, VisTech Inc., is a provider of services and is owned 51% by Emile, a Belgian Resident, 41% by Nick, also a Belgian resident, and 8% by NY Accelerator, a United States Investor. VisTech Inc. also is the sole owner of a foreign subsidiary VisTech BV, a Belgian Foreign Corporation. The U.S. Corporation is subject to 21% Federal corporate tax rate on all net earnings per Internal Revenue Code §11. The corporation does not physically operate in a particular state nor sell physical goods directly to clients, and therefore is not required to pay state income tax under current law.

Prior to operations, all shareholders decided to invest $300,000 of capital into the U.S. S-Corporation. Of this amount, Nick made a capital injection of $123,000 based on his allocable share of ownership. This capital injection is not subject to tax in the United States, as it is not gross income per Internal Revenue Code §61.

During the year, the U.S. corporation generates $100,000 of earnings as the result of services performed overseas. At the end of the year, it was decided all retained earnings are paid as dividends to the sole foreign shareholder. In addition to the corporate tax, dividends paid to Nick as an individual non-resident shareholder are subject to a 15% withholding tax based on the tax treaty rate for Belgium[1], per Internal Revenue Code §1441.

Monetary Transactions & Accounting

1. Nick makes a Capital contribution of $123,000 based on his share of ownership.
2. During the year, VisTech Inc. earns a Net Income of $100,000, resulting in $21,000 of U.S. Federal income tax based on a corporate income tax rate of 21%.
3. After the Federal tax is paid, retained earnings of $79,000 are distributed to all shareholders. Of this amount, $32,390 was Nick's allocable share of dividends. A withholding tax of $4,858 (15% for Belgium Residents) applies, which is paid directly to the Internal Revenue Service, and the remaining $27,531 is paid to Nick.

U.S. Tax Filing Compliance

4. **Form 1120 (VisTech Inc.) with Form 5471 and 5472 Attachments.** The U..S. Corporation files an income tax return subject to a 21% rate, and certain Foreign Owned Corporations must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions with its foreign-owned parent company.

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[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Additionally, the U.S. corporation must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of VisTech BV to satisfy the reporting requirements of Internal Revenue Code §6038.

5. **Form 1042 (Dividends from VisTech Inc. Paid to Nick).** Withholding tax applies for dividends paid to nonresidents per Internal Revenue Code 1441. In this structure, at tax treaty rate of 15% applies for individual residents of Belgium. As a result, \$4,858 is withheld from dividends (\$32,390 x 15%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. Assuming Nick has no other U.S. source income, he is not required to file a personal tax return as a result of the dividend withholding tax already being paid.

Summarized Tax Returns and Financial Statements

4

Form **1120**
VisTech, Inc.

Revenue	\$100,000
Net Income	\$100,000
Corporate Income Tax	\$21,000

Form **5472** **VisTech, Inc.**

Foreign Owned U.S. Corporation

Form **5471** **VisTech BV**

Controlled Foreign Corporation

5

Form **1042** **VisTech, Inc.** (Nick)

U.S Source Dividends

\$32,390 x 15% = \$4,858 Tax

Resulting Tax Implications

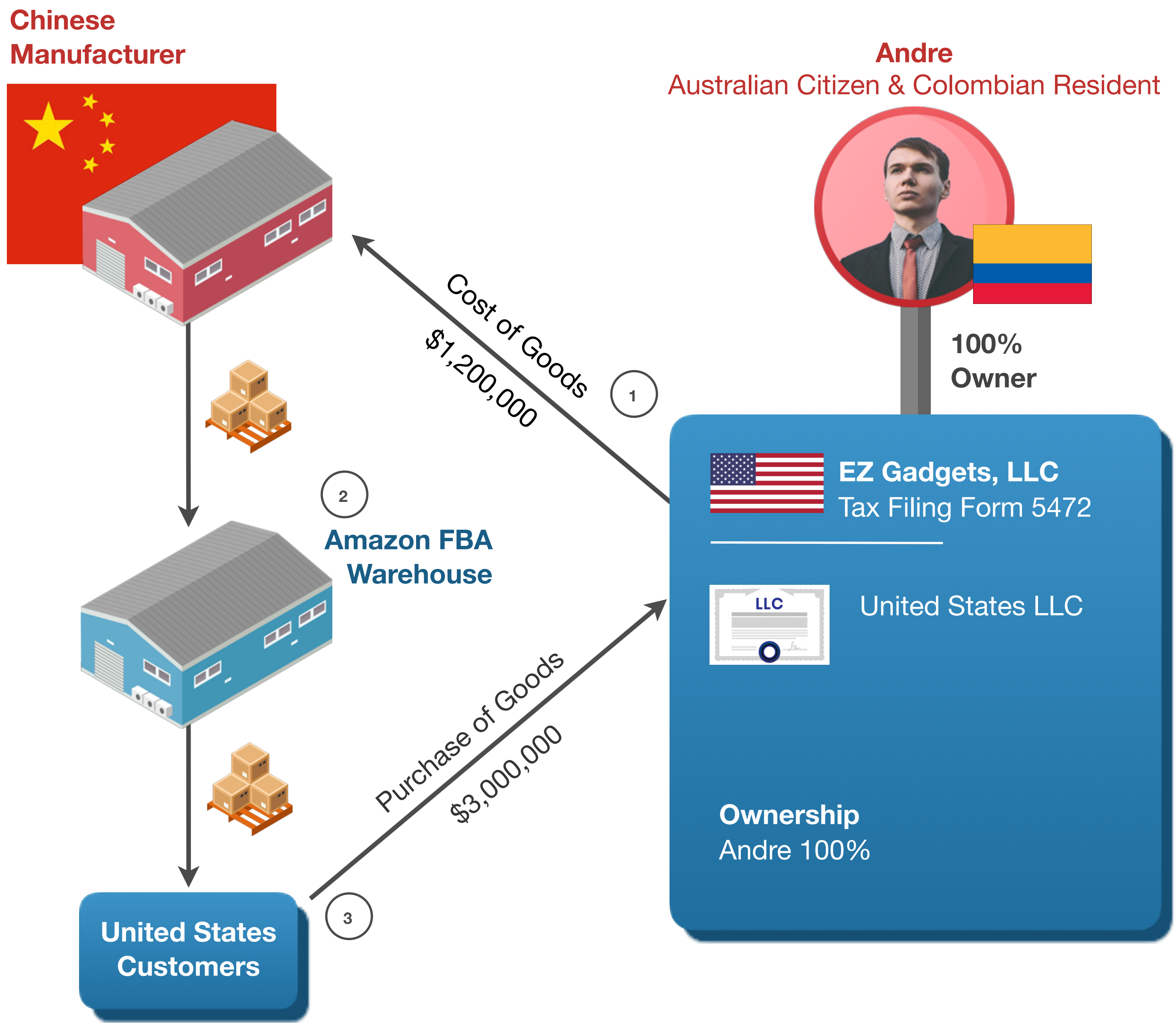
As a result of this structure, the Federal corporate income tax is \$21,000 and the U.S. withholding tax liability of Nick as a foreign shareholder is \$4,858.

Colombian Resident with SMLLC E-Commerce

Structure # 3.16

Structure Background

A Non-Resident Alien of Colombian resident and owner of a U.S. LLC selling goods on Amazon is subject to income as no tax treaty provision exists in his country of residency.



Structure Background

Andre is an Australian citizen and Colombian resident, and also the sole owner of EZ Gadgets, LLC, a U.S. Delaware Limited Liability Company which sells various products related to pain relief in the United States.

As a Single-Member LLC (SMLLC), EZ Gadgets, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3. An election was not made to treat the LLC as a C-Corporation for U.S. tax purposes. As a result, Andre files all U.S. source income related to the sale of gadgets on Schedule C of his nonresident tax return Form 1040NR.

The gadgets are first produced in China, which are then shipped to an Amazon FBA warehouse, then subsequently sold and fulfilled through the same Amazon FBA held by an account of EZ Gadgets, LLC.

Once sold to a U.S. customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Payment for the purchase of goods to customers is made to the U.S. LLC's bank account.

Effectively Connected Income

The sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign nonresident per Internal Revenue Code 864(c)(3), as the result of the sale of inventory attributable to a U.S. shipping and destination location (Amazon FBA) per Internal Revenue Code §865(e)(2) and §882.

As a resident of Colombia, Andre is unable to claim any tax treaty exclusion from the U.S.-Australian tax treaty. There is no U.S.-Colombian tax treaty.

Monetary Transactions & Accounting

1. EZ Gadgets, LLC pays a third-party China company $1,200,000 for the manufacture of the gadgets.
2. The gadgets are then shipped from China to the Amazon FBA warehouse in the United States. EZ Gadgets, LLC is the Amazon account holder and title owner of the goods.
3. The United States customers pay for the purchase of the gadgets totaling $3,000,000. This payment is processed though Amazon's payment system.

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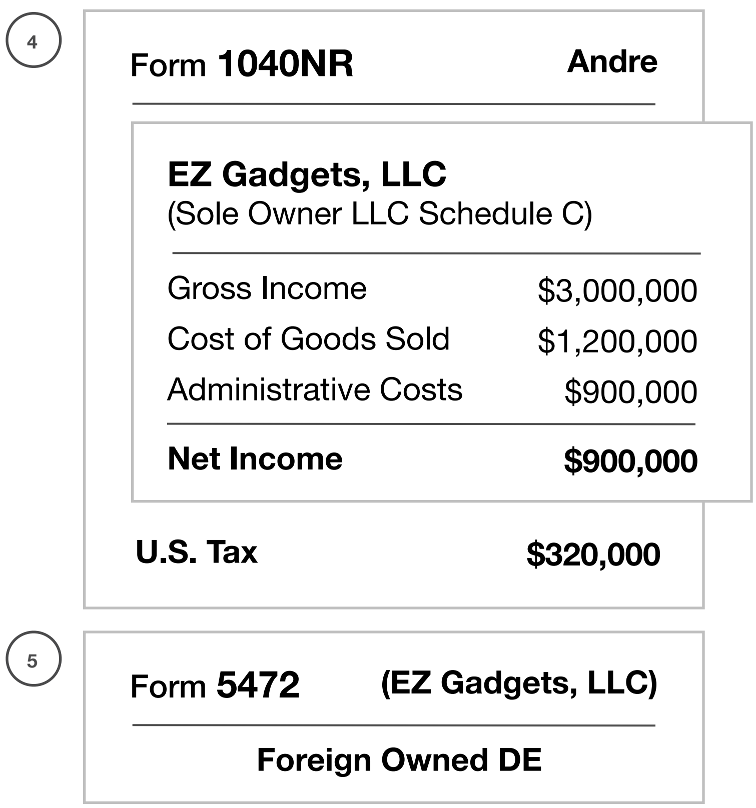
[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

U.S. Tax Filing Compliance

4. **Form 1040NR (Andre).** Based on this structure, the Andre files a personal non-resident tax return Form 1040NR, U.S. Nonresident Alien Income Tax Return, and reports net income from the business on Schedule C, Profit and Loss from Business totaling $900,000 (Gross Income of $3,000,000 - $1,200,000 Cost of Goods Sold - $900,000 Administrative Costs). No tax treaty exemption applies, and the resulting U.S. tax is $320,000.

5. **Pro Forma 1120, with Form 5472 (EZ Gadgets, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements



Resulting Tax Implications

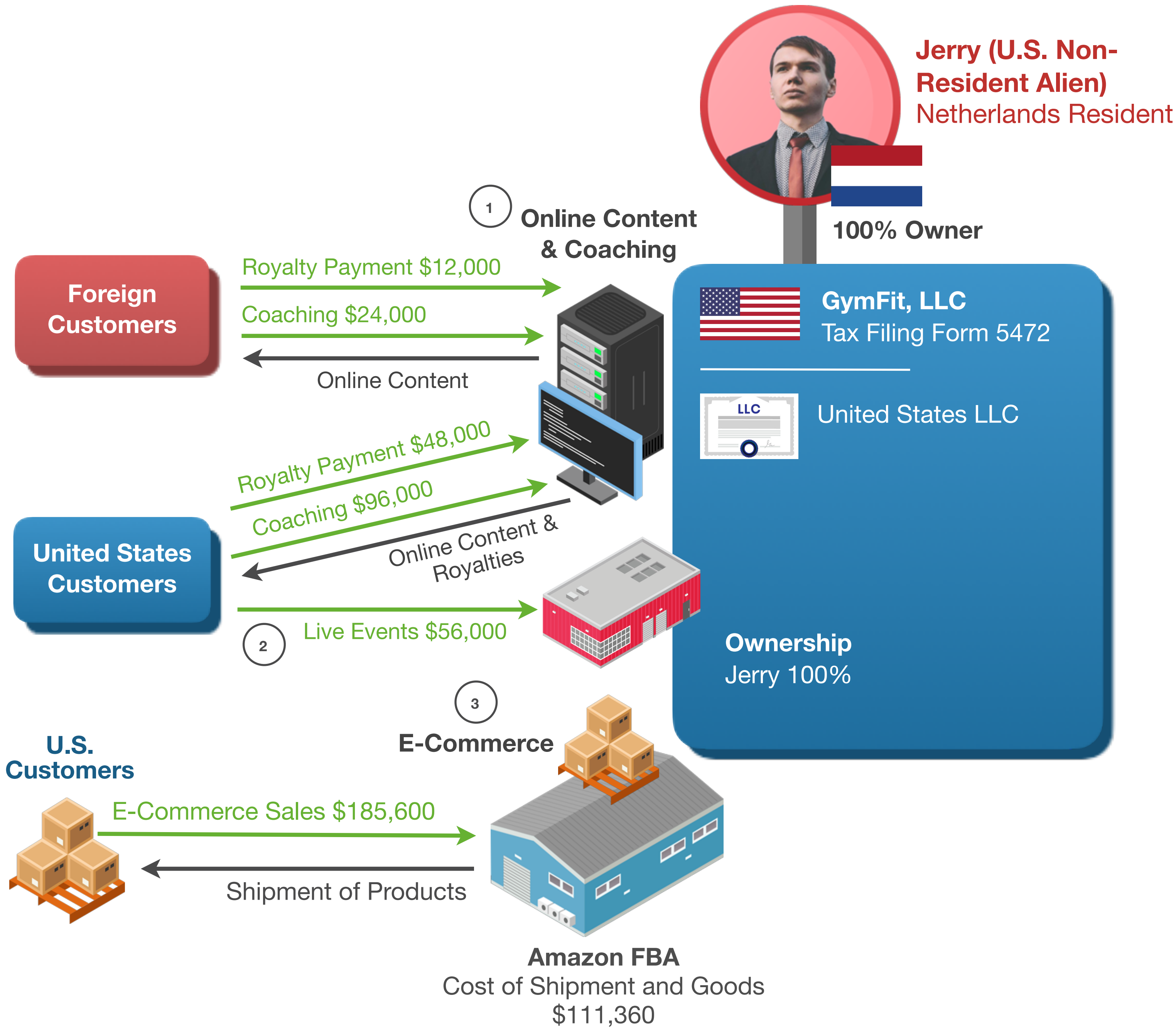
As a result of this structure, the U.S. tax liability of Andre (by extension of EZ Gadgets, LLC, as a disregarded entity) is $320,000.

Netherland NRA Royalties, E-Commerce, and Events from SMLLC

Structure # 3.17

Structure Summary

A Non-Residnet Alien residing in the Netherlands is exempt from U.S. income tax as based on a tax treaty exclusion and no Permanent Establishment in the United States. Additionally, online coaching content sold to U.S. customers has a special 0% tax rate for Netherlands residents.



Netherland NRA Royalties, E-Commerce, and Events from SMLLC

Structure Background

GymFit, LLC is a United States Limited Liability Company that sells a variety of online content, physical goods to U.S. and foreign customers, online coaching, as well as host live fitness events in the United States.

Jerry is a resident of the Netherlands and the sole owner of GymFit, LLC. He maintains his offices in the Netherlands and is not physically present in the United States. As a Single-Member LLC (SMLLC), GymFit, LLC is classified as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

The following is a summary of the products sold:

1. Online Content. The majority of the online content sold is to U.S. customers, and the remaining portion to foreign customers.
2. Coaching Services. Jerry provides online coaching services from his working location in the Netherlands.
3. Live Events. Throughout the year there are live events location in the United States.
4. E-Commerce; Physical products sold and shipped through Amazon FBA warehouse located in the United States and directly to U.S. customers.

Source and Taxation of Royalty Income (Online Content)

For the use of copyrighted content (either used as a web application subscription or one-time purchase), royalties are sourced where the property was used[2] per Internal Revenue Code § 861.

Based on the Tax Treaty rate of Royalties earned in the United States, residents of the Netherlands are taxed at a flat rate of 0%[3].

Source and Taxation of Coaching Services

As Jerry provides coaching services while in the Netherlands, the source of income is foreign source based on the location of the service provided.

Source and Taxation of Live Events

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

2 https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

3 https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Netherland NRA Royalties, E-Commerce, and Events from SMLLC

As Jerry provides live events location in the United States, the source of income is U.S. source based on location of service provided[4].

Source and Taxation of Physical Goods (E-Commerce)

All sales in the United States are sold and fulfilled through Amazon FBA. Once manufactured, the widgets are shipped directly from the supplier to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Amazon then pays GymFit, LLC for the revenue related to the purchase of goods (less any fulfillment/shipping fees).

Although the sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the LLC per IRC 864(c)(3)[5], as the result of sale of inventory attributable to a U.S. shipping and destination location per IRC, §865(e)(2)[6] and 882[7], the business profits of the Limited Liability Company (and that of its Sole Non-Resident Owner) qualifies for a Tax Treaty Exclusion under the Netherlands-U.S. Income Tax Treaty Articles 5 and 7[8].

Article 5 of the Netherlands-U.S. Tax Treaty describes the definition of a Permanent Establishment.

Article 7 of the Tax Treaty states "Industrial or commercial profits of a resident of one of the Contracting States shall be exempt from tax by the other Contracting State unless the resident has a permanent establishment in that other Contracting State."

Monetary Transactions & Accounting

1. GymFit, LLC sells Online Content and Coaching Services. From foreign customers the LLC receives Royalties for content of $12,00 and Coaching of $24,000. From U.S. customers, the LLC receives Royalties of $48,000 and Coaching of $96,000.
2. GymFit, LLC hosts live events in the United States of which $56,000 was earned.
3. E-Commerce Sales to U.S. customers were $185,600 with Cost of Goods Sold of $111,360.
4. GymFit, LLC has Net Income of $254,240

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4 https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

5 https://www.law.cornell.edu/uscode/text/26/864

6 https://www.law.cornell.edu/uscode/text/26/865

7 https://www.law.cornell.edu/uscode/text/26/882

8 https://www.irs.gov/pub/irs-trty/nether.pdf

U.S. Tax Filing Compliance

5. **Form 1040NR (Jerry).** As a sole owner of the disregarded LLC, Jerry files Form 1040NR, U.S. Nonresident Alien Income Tax Return, to report the live events on Schedule C of $56,000, resulting in an effective tax rate of 10% and resulting income tax of $5,600. Additionally, U.S. source royalty income of $48,000 is taxed at a 0% rate for $0 of withholding tax. Additionally, a Tax Treaty exclusion is claimed on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b) for the E-Commerce widget sales. The tax treaty article which directly applies is Article 7, Business Profits.

Summarized Tax Returns and Financial Statements

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GymFit, LLC
Income Statement

Online Content (Foreign Royalties)	$12,000
Online Content (U.S. Royalties)	$48,000
Coaching Services to U.S/Foreign Clients	$120,000
Live Events in U.S.	$56,000
E-Commerce Sales (U.S Locations)	$185,600
Cost of Goods	- $111,360
Net Income	$254,240

5

Form **1040NR** — **Jerry**

Schedule C	
Live Events	$56,000
Federal Income Tax	$5,600
Schedule NEC	
Total U.S. Source Royalty Income	$48,000
Royalty FDAP Withholding (Netherlands)	0%
Withholding Tax	$0

Form **8833**

Tax Treaty Exemption (Article 7)
E-Commerce Sales

Resulting Tax Implications

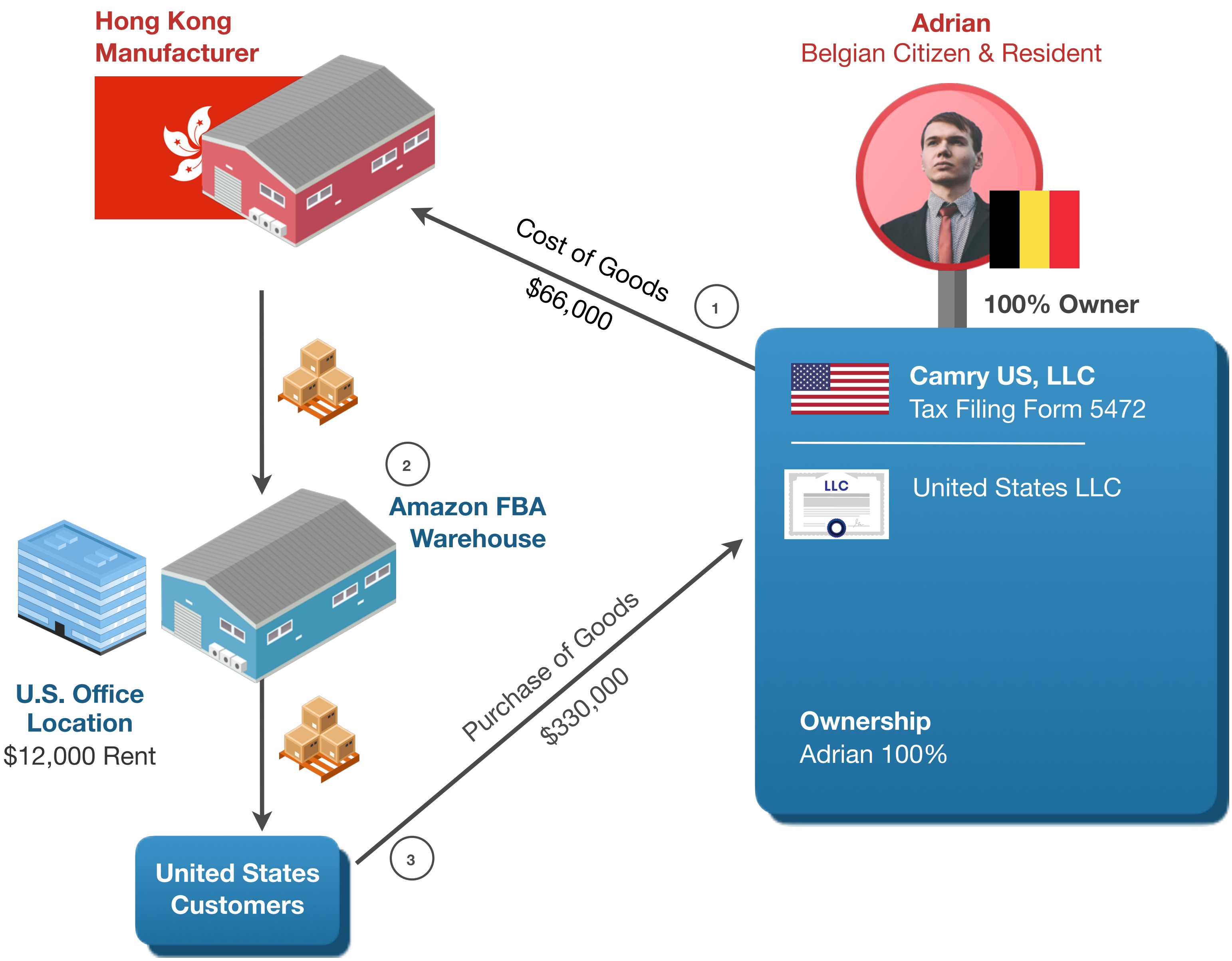
As a result of this structure, the U.S. tax lability of Jerry (as a Disregarded Entity Single Member LLC owner of GymFit, LLC) is $5,600.

Belgian NRA LLC Owner with Office Permanent Establishment

Structure # 3.18

Structure Summary

A Non-Residnet owner of a U.S. LLC selling goods and maintains a U.S. office location is subject to tax in the United States as a result of a Permanent Establishment.



Belgian NRA LLC Owner with Office Permanent Establishment

Structure Background

Adrian is a Belgian citizen and resident, and also the sole owner of Camry US, LLC, a Delaware Limited Liability Company which sells widgets in the United States.

As a Single-Member LLC (SMLLC), Camry US, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3. An election was not made to treat the LLC as a C-Corporation for U.S. tax pursues.

The widgets are first produced in Hong Kong, which are then shipped to an Amazon FBA warehouse, then subsequently sold and fulfilled through the same Amazon FBA held by an account of Camry US, LLC. Additionally, the LLC operates an office in a New York Office Location where employees perform marketing and administrative services.

Once sold to a U.S. customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Payment for the purchase of goods to customers is made to the U.S. LLC's bank account.

Permanent Establishment

Although the sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per IRC §864(c)(3), as the result of sale of inventory attributable to a U.S. shipping and destination location (Amazon FBA) per Internal Revenue Code §865(e)(2) and §882, the business profits of the Belgian normally company qualifies for a Tax Treaty Exclusion under the Belgian-U.S. Income Tax Treaty Articles 5 and 7[2].

However, Article 5 of the Belgian-U.S. Tax Treaty describes the definition of a Permanent Establishment, which meets the criteria given the office location in New York. Although Article 5(4)(a) explicitly describes a warehouse strictly for the purpose of storage and delivery of goods, indicating a Permanent Establishment does not include "the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise," the office location was employees perform marketing and sales does include the definition of a Permanent Establishment.

In this instance, Article 7 of the Tax Treaty does not apply, and income attributable to United States' Effectively Connected Income is subject to tax on Adrian's personal non-resident U.S. tax return reportable on Form 1040NR.

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

2 https://www.irs.gov/pub/irs-trty/belgiumtt06.pdf

Monetary Transactions & Accounting

1. Camry US, LLC pays a third-party Hong Kong company $66,000 for the manufacture of the widgets.
2. The widgets are then shipped from Hong Kong to the Amazon FBA warehouse in the United States. Camry US, LLC is the Amazon account holder and title owner of the goods.
3. The United States customers pay for the purchase of the widgets totaling $330,000. This payment is processed through Amazon's payment system.

U.S. Tax Filing Compliance

4. **Form 1040NR (Adrian)**. Based on this structure, Alain files a personal non-resident tax return Form 1040NR, U.S. Nonresident Alien Income Tax Return, and reports net income from the business on Schedule C, Profit and Loss from Business totaling $252,000 (Gross Income of $330,000 - $66,000 Cost of Goods Sold - $12,000 Rent for U.S. Office Location). No tax treaty exemption applies as there is a Permanent Establishment in the United States. The resulting tax is $61,751.
5. **Pro Forma 1120, with Form 5472 (Camry US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

4

Form 1040NR	Adrian
Taxable Income (Schedule C)	$252,000
U.S. Tax	$61,751

5

Form 5472	Camry US, LLC
Foreign Owned DE	

Resulting Tax Implications

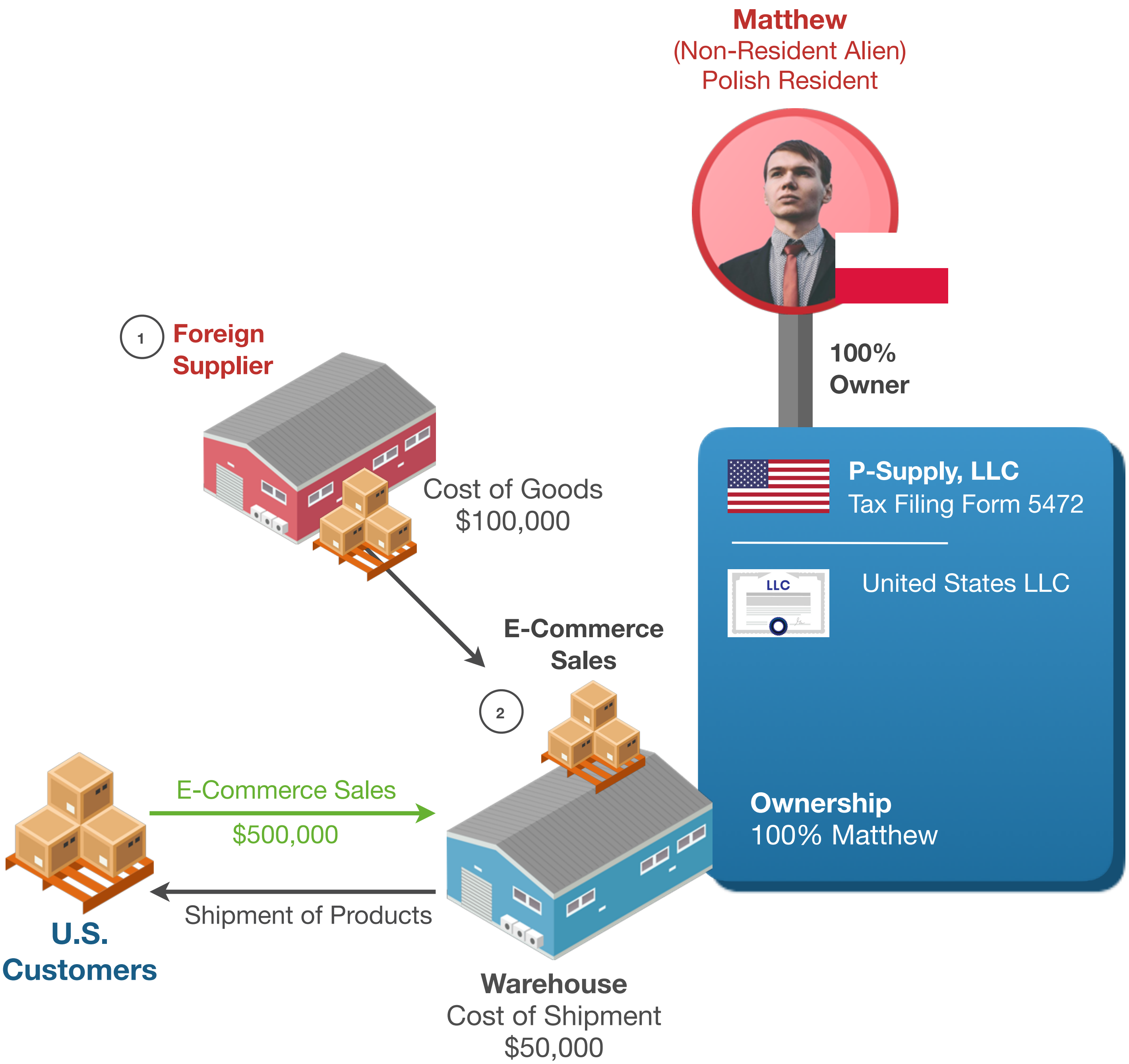
As a result of this structure, the U.S. tax liability of Adrian (by extension of Camry US, LLC, as a disregarded entity) is $61,751, assuming a Permanent Establishment is present in the United States.

Polish NRA E-Commerce from Disregarded Entity LLC

Structure # 3.19

Structure Summary

A Non-Resident Alien is the sole owner of a U.S. LLC (classified as a Disregarded Entity), which sells physical products in the United States shipped from a temporary warehouse location. These E-Commerce sales have are exempt from income tax, based on a treaty exemption.



Structure Background

P-Supply, LLC is a United States Limited Liability Company which sells a variety of physical goods to U.S. customers. Matthew is citizen and resident of Poland, and the sole owner of P-Supply, LLC. He maintains his offices in Poland, and is not physically present in the United States. Additionally, there are no staff, contractors, or offices located in the United States. As a Single-Member LLC, P-Supply, LLC is classified as a disregarded entity for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

The LLC conducts E-Commerce; the sale of Physical Wooden Widgets, manufactured by a foreign supplier, and shipped/sold through warehouse located in the United States en route directly to U.S. customers.

Source and Taxation of Royalty Income (SaaS Applications)

All sales in the United States are sold and fulfilled through a Domestic Warehouse. Once manufactured, the widgets are shipped directly from the supplier to a warehouse in the United States. Once sold to a customer, the goods are then shipped from the warehouse directly to customers throughout the United States.

Although the sale of goods originating from the U.S. warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the LLC per Internal Revenue Code §864(c)(3), as the result of sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code, §865(e)(2) and §882, the business profits of the Limited Liability Company (and that of its Sole Non-Resident Owner) qualifies for a Tax Treaty Exclusion under the Polish-U.S. Income Tax Treaty Articles 5 and 7[2].

Article 6 of the Polish-U.S. Tax Treaty describes the definition of a Permanent Establishment.

Article 8 of the Tax Treaty states "The profits of an enterprise of a Contracting State shall be taxable only by that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein."

Monetary Transactions & Accounting

[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

[2] https://www.irs.gov/pub/irs-trty/poland.pdf

Polish NRA SaaS, Digital Sales, and E-Commerce from DE LLC

1. P-Supply, LLC pays a third party supplier company to manufacture wooden widgets for $100,000 which are then shipped to the warehouse.
2. The widgets are then sold to U.S. customers for $500,000, of which costs $50,000 of shipping costs.
3. On its internal Income Statement, P-Supply, LLC reports Net Income of $350,000 ($500,000 Product Sales through E-Commerce - Less $100,000 Cost of Goods Sold - Less $50,000 of Shipping Costs).

U.S. Tax Filing Compliance

4. **Form 1040NR (Matthew).** As a sole owner of the disregarded LLC, Matthew files Form 1040NR, U.S. Nonresident Alien Income Tax Return to claim a Tax Treaty exclusion is reported on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b) for the E-Commerce wooden widget sales. The tax treaty article which directly applies is Article 8, Business Profits.
5. **Pro Forma 1120, with Form 5472 (P-Supply LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

3

P-Supply, LLC
Income Statement

E-Commerce Sales	$500,000
Cost of Goods	- $100,000
Cost of Shipment	- $50,000
Net Income	**$350,000**

4

Form **1040NR**	**Matthew**
Schedule C	
Total U.S. Effectively Connected Income	$0
NEC FDAP Withholding (Poland)	0%
Income Tax	**$0**

Form **8833**

Tax Treaty Exemption (Article 8)
E-Commerce Sales

5

Form **5472**	**(P-Supply, LLC)**
Foreign Owned DE	

Resulting Tax Implications

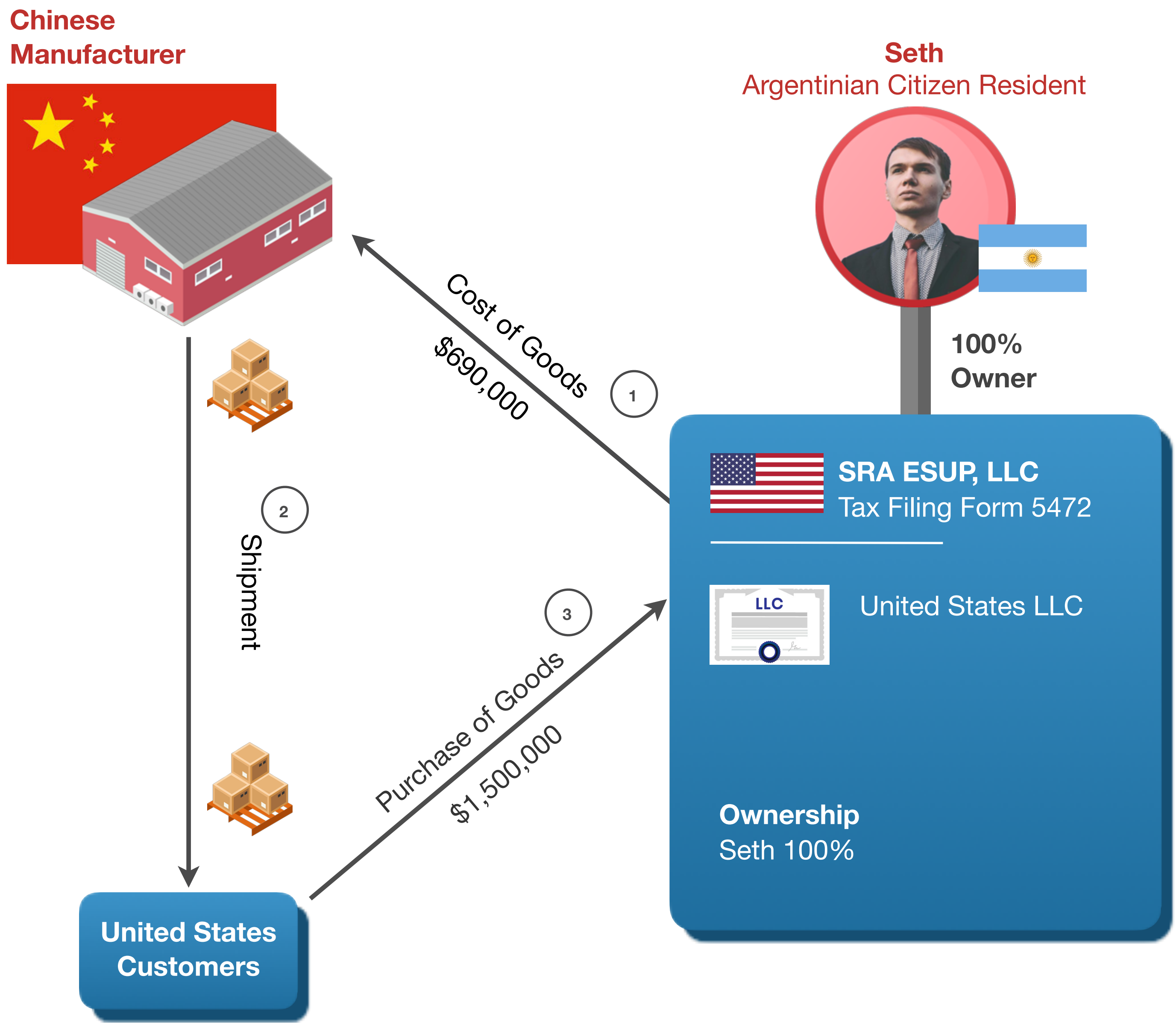
As a result of this structure, the U.S. tax lability of Matthew (as a Disregarded Entity Single Member LLC owner of P-Supply, LLC) is $0.

Argentinian Resident with SMLLC E-Commerce (China Direct)

Structure # 3.20

Structure Background

A U.S. Non-Resident Alien (Argentinian Resident) and owner of a U.S. LLC selling goods directly to customer from a Chinese warehouse is not subject to U.S. income tax as the originating location of goods is from a foreign location.



Structure Background

Seth is an Argentinian citizen resident and also the sole owner of SRA ESUP, LLC, a U.S. Wyoming Limited Liability Company which sells various tool-related products to customers located in the United States.

As a Single-Member LLC (SMLLC), SRA ESUP, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3. An election was not made to treat the LLC as a C-Corporation for U.S. tax purposes.

The tools are produced in China and shipped directly to the customer in the United States, originating from the Chinese warehouse. There is no shipping intermediary involved in the delivery.

No Effectively Connected Income

The sale of goods from the Chinese warehouse directly to the U.S. customer is not considered Effectively Connected Income (ECI) earned by the foreign nonresident per Internal Revenue Code §864(c)(4), as the result of the sale of inventory is attributable to a foreign origination per IRC, §865(e)(2) and §882.

Monetary Transactions & Accounting

1. SRA ESUP, LLC pays a third-party China company $690,000 for the manufacture of the tools.
2. Once sold, the tools are then shipped from China directly to the customer in the United States.
3. The United States customers pay for the purchase of the tools totaling $1,500,000 throughout the year.

U.S. Tax Filing Compliance

4. **Pro Forma 1120, with Form 5472 (SRA ESUP, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

Summarized Tax Returns and Financial Statements

4

Form **5472** **(SRA ESUP, LLC)**

Foreign Owned DE

Resulting Tax Implications

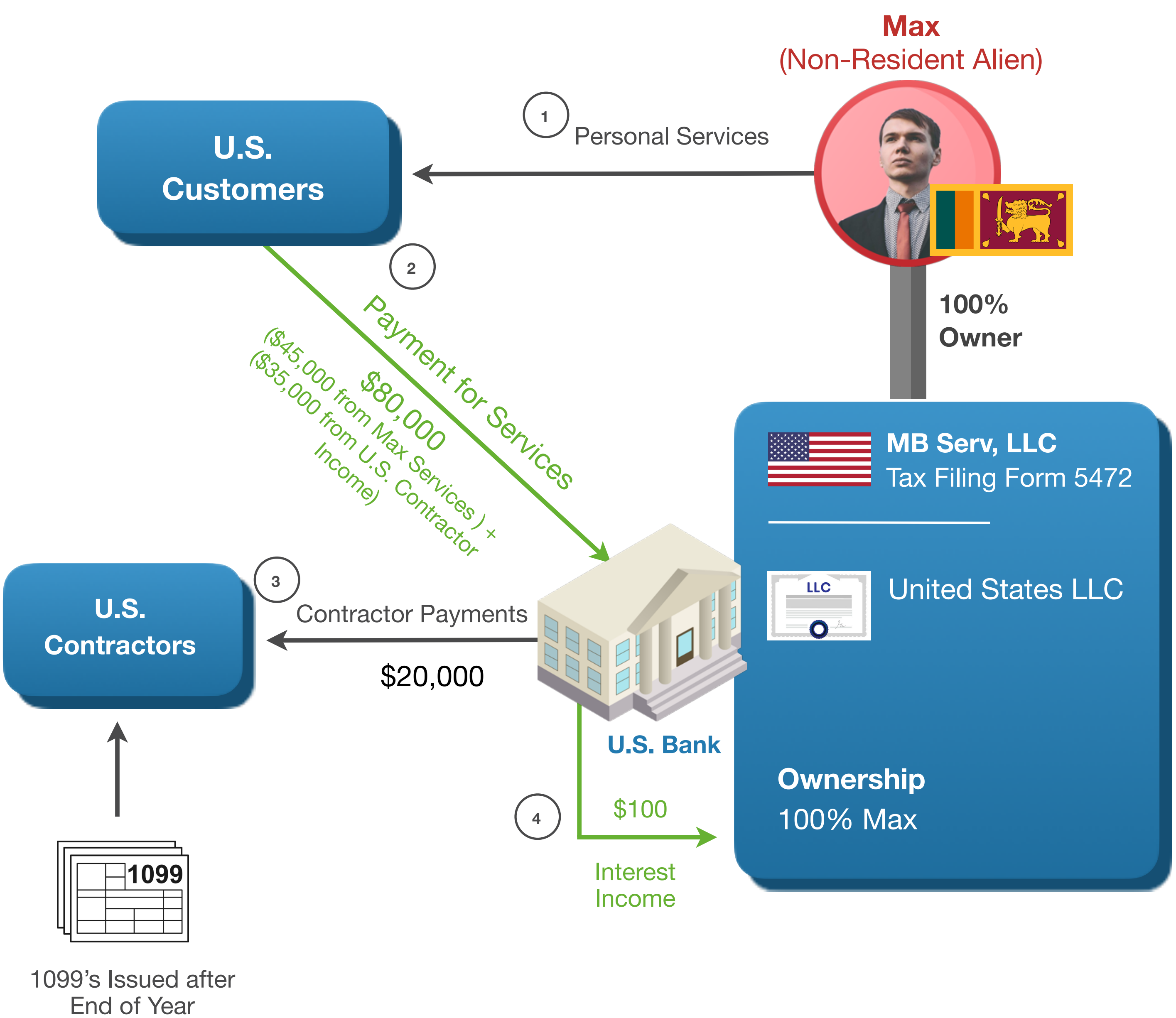
As a result of this structure, the U.S. tax liability of Seth (by extension of SRA ESUP, LLC, as a disregarded entity) is $0, as there is no Effectively Connected Income.

Non-Resident Alien U.S. LLC Foreign Consultant (With Interest and Contractor Payments)

Structure # 3.21

Structure Summary

A Non-Resident Alien provides personal consulting services through his solely owned LLC, and not subject to U.S. tax for the work he performs in a foreign country. However, the LLC hires U.S. contracts, in which an allocation of U.S. source income is made, and also required to issue a Form 1099. Additionally, the bank pays a small amount of interest subject to U.S. tax which the the LLC owner must pay a flat tax based on his country of residency.



Non-Resident Alien U.S. LLC Foreign Consultant (With Interest and Contractor Payments)

Structure Background

A United States Limited Liability Company, MB Serv, LLC, provides web development services, and is owned 100% by Max, a Sri Lankan resident. As a Single-Member LLC (SMLLC), MB Serv, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation §301.7701-3.

MB Serv, LLC provides web development to U.S. customers, while Max as the sole owner and manager is physically located in Sri Lanka. Payments from U.S. customers are paid to a U.S. bank account held by the LLC. During the year, all net earnings are distributed from the bank account to Max.

As Max does not physically provide services in the United States, nor maintains a permanent establishment, or conduct business in a regular and continuing basis, the LLC's portion of income for Max's services are determined not to be Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

Yet, the LLC also hires United States contractors which performs services in the United States. The allocation of gross income earned is subject to U.S. Tax as this portion of income generated by U.S. contractors is Effectively Connected Income (ECI) per Treasury Regulation §1.355-3. As a result, Max files a personal tax return to report this allocation of income subject to U.S. taxation. A Form 1099 is required to be issues from the LLC to the U.S. contractor at the end of the year per Treasury Regulation §1.6041-1.

Additionally, the bank for the LLC pays interest income, subject to a flat tax of withholding (10%) based on the tax treaty rate for Sri Lanka[2]. As the bank failed to withholding tax, it will be Max's responsibility to report the income and pay tax on his personal tax return.

Monetary Transactions & Accounting

1. In exchange of payment, Max provides web developments services as a manger of the LLC. Max is physically located in Sri Lanka while providing these services.

2. During the year, MB Serv, LLC received service income of $80,000 from U.S Customers, which is deposited into a U.S. bank account. Of this amount $45,000 was for work Max performed personally, and $35,000 for work performed by U.S. contractors.

3. During the year, there are subcontractors expense of $20,000 paid to U.S. Contractors.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

[2] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Non-Resident Alien U.S. LLC Foreign Consultant (With Interest and Contractor Payments)

4. The bank pays $100 of interest income.

5. At the conclusion of the year, the LLC has Net Income of $60,100.

U.S. Tax Filing Compliance

6. **Pro Forma 1120, with Form 5472 (MB Serv, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

7. **Form 1040NR, Max.** On his personal U.S. income tax return as a Non-Resident, Max files Form 1040NR, U.S. Nonresident Alien Income Tax Return to report the U.S. source income of $15,000 ($35,000 generated by contracts, minus the contractor payments of $20,000). Additionally, Max also pays a 10% withholding tax for interest income paid by the bank of $10.

Summarized Tax Returns and Financial Statements

5

MB Serv, LLC
Income Statement

Consultation Revenue	$80,000
Contractor Payments	- $20,000
Interest Income	$100
Net Income	**$60,100**

3

Form **1040NR**
Max

ECI	$35,000
Contractor Payments	$-20,000
Taxable Income	$15,000
Income Tax	$1,500
FDAP Tax (Interest) $100 x 10%	$10
Total Tax	$1,510

6

Form **5472** **(MB Serv, LLC)**

Foreign Owned DE

Reportable Compensation	$45,000

Resulting Tax Implications

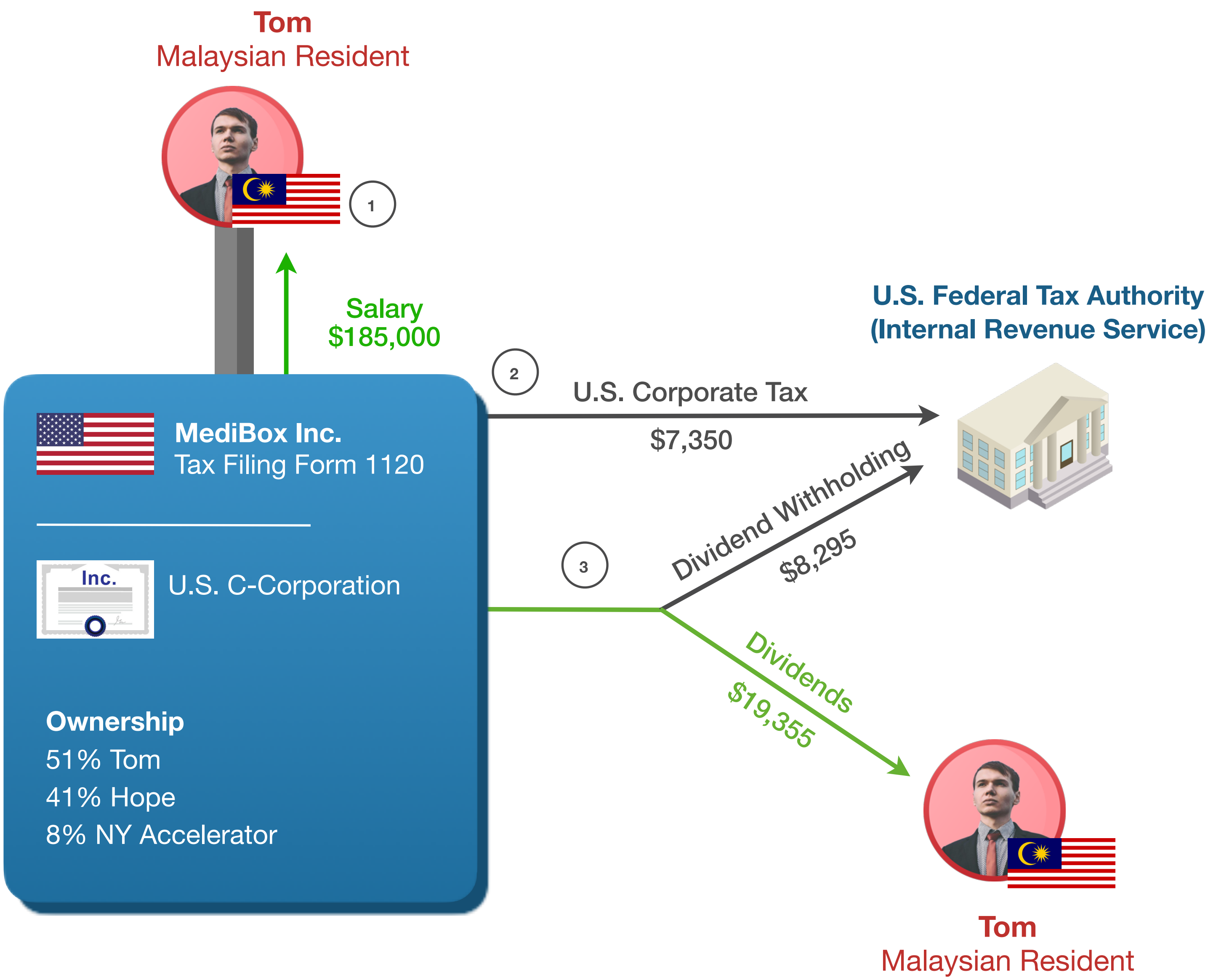
As a result of this structure, the total income tax liability paid by Max (as the result of the disregarded United States LLC) is $1,510.

Non-Resident Salary and Dividends from C-Corporation

Structure # 3.22

Structure Summary

A Non-Resident Alien and shareholder of a U.S. corporation earns a salary from the corporation. The U.S. C-Corporation is also subject to tax at the corporate level and an additional withholding tax upon the payment of dividends to him as a Malaysian Resident.



Non-Resident Salary and Dividends from C-Corporation

Structure Background

A United States Corporation, MediBox Inc., is a provider of services and is owned 51% by Tom, a Malaysian Resident, his wife 41% Hope, also a Malaysian resident, and 8% by New York Accelerator, a United States Investor. The U.S. Corporation is subject to 21% Federal corporate tax rate on all net earnings per Internal Revenue Code §11.

During the year, the U.S. corporation generates $600,000 of gross revenue, incurs Cost of Goods Sold of $180,000, Marketing and Administrative costs of $200,000, and also pays a Salary to Tom of $185,000. As Tom performs work in Malaysia, his salary is not subject to U.S. taxation[1].

At the end of the year, it was decided all retained earnings are paid as dividends to Tom. In addition to the corporate tax, dividends paid to Tom as an individual non-resident shareholder are subject to a 30% withholding tax based on the no-tax treaty rate for Malaysia[2], per Internal Revenue Code §1441.

Monetary Transactions & Accounting

1. Tom receives a salary of $185,000 from the Corporation.
2. During the year, MediBox Inc. earns a Net Income of $35,000, resulting in $7,350 of U.S. Federal Corporate Income Tax based on a corporate income tax rate of 21%.
3. After the Federal tax is paid, the remaining earnings of $27,650 are declared dividends. Of this amount, the entire $27,650 was Tom's allocable share of dividends. A withholding tax of $8,295 (30% for Malaysian Residents) applies, which is paid directly to the Internal Revenue Service, and the remaining $19,355 is paid to Tom.

U.S. Tax Filing Compliance

4. **Form 1120 (MediBox Inc.) with Form 5472 Attachment.** The U.S. Corporation files an income tax return subject to a 21% rate, and certain Foreign-Owned Corporations must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions with its foreign-owned parent company to satisfy the reporting requirements of Internal Revenue Code §6038.
5. **Form 1042 (Dividends from MediBox Inc. Paid to Tom).** Withholding tax applies for dividends paid to nonresidents per Internal Revenue Code 1441. In this structure, at tax treaty rate of 30% applies to individual residents of Malaysia. As a result, $8,295 is

[1] https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

[2] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

withheld from dividends ($27,650 x 30%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. Assuming Tom has no other U.S. source income, he is not required to file a personal tax return as a result of the dividend withholding tax already being paid.

Summarized Tax Returns and Financial Statements

4

Form 1120
MediBox, Inc.

Gross Revenue	$600,000
COGS	$180,000
Administrative & Marketing	$200,000
Salary	$185,000
Net Income	$35,000
Corporate Income Tax	$7,350

Form 5472 **MediBox, Inc.**

Foreign Owned U.S. Corporation

5

Form 1042 **MediBox Inc.** (Tom)

U.S Source Dividends

$27,650 x 30% = $8,295 Tax

Resulting Tax Implications

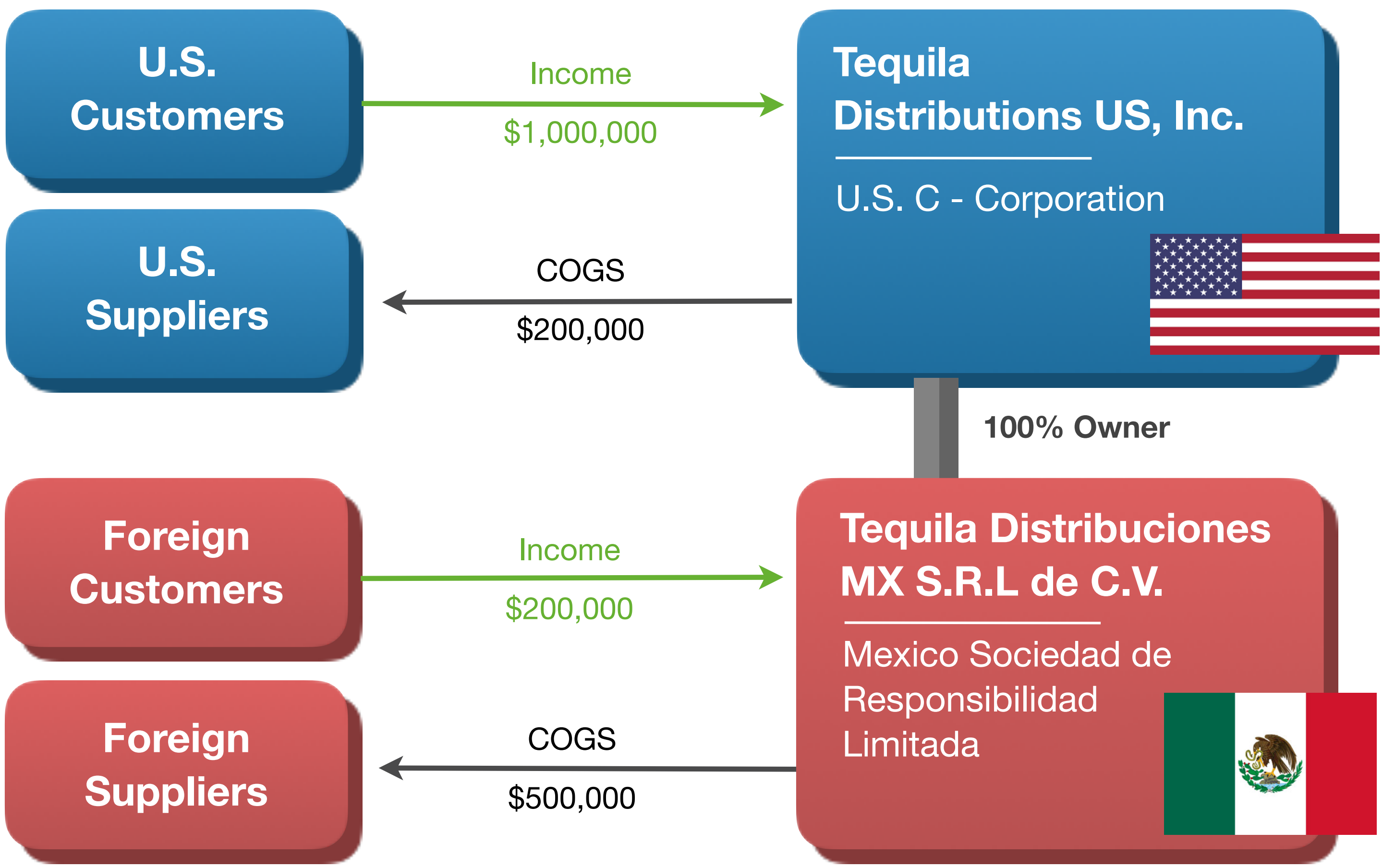
As a result of this structure, the Federal corporate income tax is $7,350 and the U.S. withholding tax liability of Terry as a foreign shareholder is $8,295.

Mexico SRL Hybrid Entity Flow-Through Loss

Structure # 4.1

Structure Background

A United States C-Corporation has a foreign subsidiary which incurred a loss for the year. As the foreign entity is disregarded for tax purposes, the loss is deducible on the parent C-Corporations U.S. income tax return.



Structure Background

Tequila Distributions US, Inc. a United States C-Corporation, is a distributor of liquor in the U.S.. To distribute liquor in Mexico, the U.S. Corporation forms Tequila Distribuciones MX S.R.L. de C.V., as Mexican private company (Sociedad de Responsabilidad Limitada) that is a 100% subsidiary of Tequila Distributions US, Inc.

Tequila Distribuciones MX S.R.L. de C.V. makes a "Check the Box" Election to be treated as a disregarded entity for U.S. tax purposes per Treasury Regulation §301.7701-3, and therefore the foreign entities income, loss, and tax items are reflected directly on the tax return for Tequila Distributions US, Inc. as a flow-through entity. The Mexican S.R.L. is *not* identified as a Per Se Corporation prohibiting the election per Treasury Regulation §301.7701-2. The Mexican entity is referred to as a 'hybrid' as it is disregarded for U.S. tax purposes, yet remains a corporation for Mexican tax purposes.

During the year, all foreign losses recognized by Tequila Distribuciones MX S.R.L. de C.V. are reported on Tequila Distributions US, Inc.'s tax return to offset the domestic income generated by the U.S. C-Corporation, thereby reducing it's taxable income.

During the year, Tequila Distributions US, Inc. earns Net Income of $800,000 (Based on total domestic income of $1,000,000 and domestic Cost of Goods Sold of $200,000).

During the same year, Tequila Distribuciones MX S.R.L. de C.V operated as Net Loss -$300,000 (Based on total foreign source income of $200,000 and foreign Cost of Goods Sold of $500,000).

U.S. Tax Filing Compliance

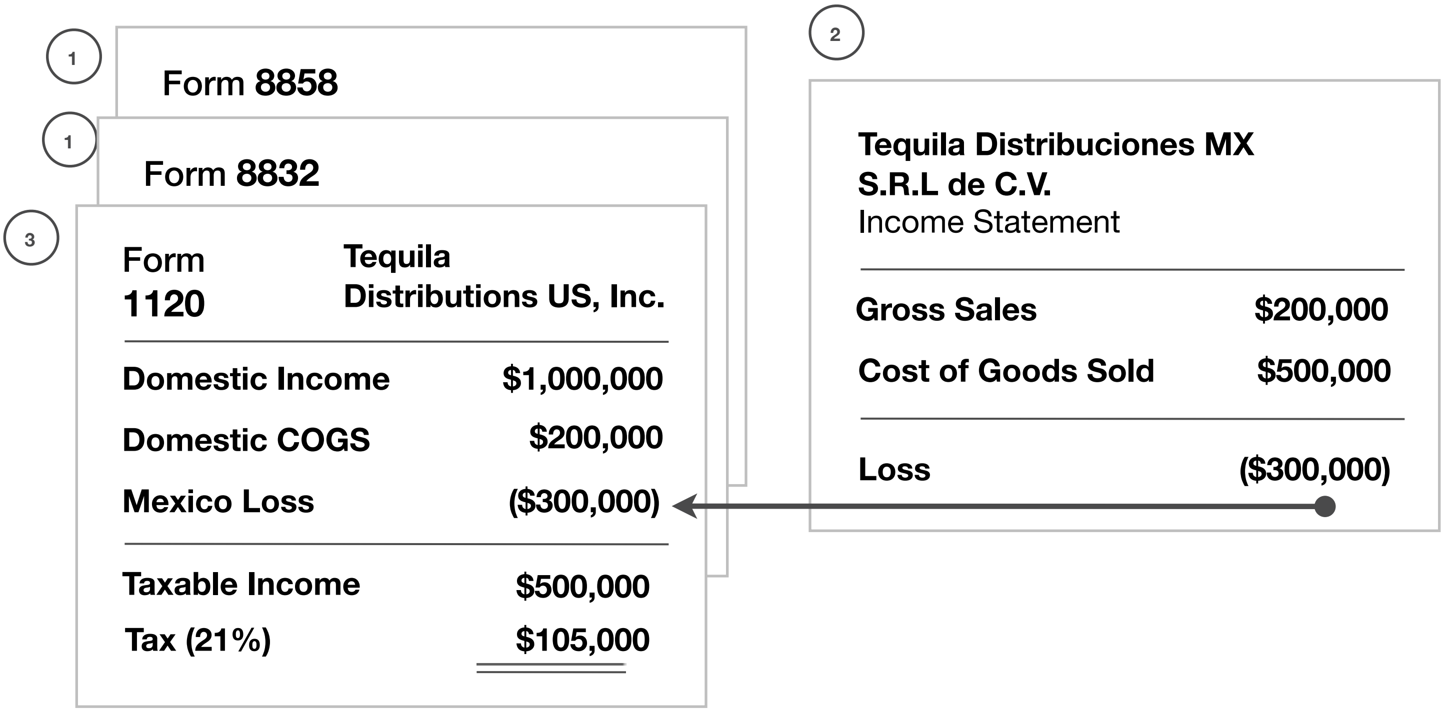
1. **Form 8858 & 8832 (Tequila Distribuciones MX S.R.L. de C.V.).** The U..S. Corporation files an income tax return to include Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs) and 8832 Entity Classification Election in order to elect the foreign entity as a disregarded entity.

2. The Net Operating Loss from Tequila Distribuciones MX S.R.L. de C.V. is reported on Form 1120 to offset the Net Income from Tequila Distributions US, Inc.

3. **Form 1120 (Tequila Distributions US, Inc.).** On its annual tax return, the U.S. C-Corporation files Form 1120, U.S. Corporation Income Tax Return reporting taxable

income of $500,000 (Domestic Income of $800,000 less foreign losses of $300,000), and subject to a 21% U.S. corporate tax rate.

Summarized Tax Returns and Financial Statements



Resulting Tax Implications

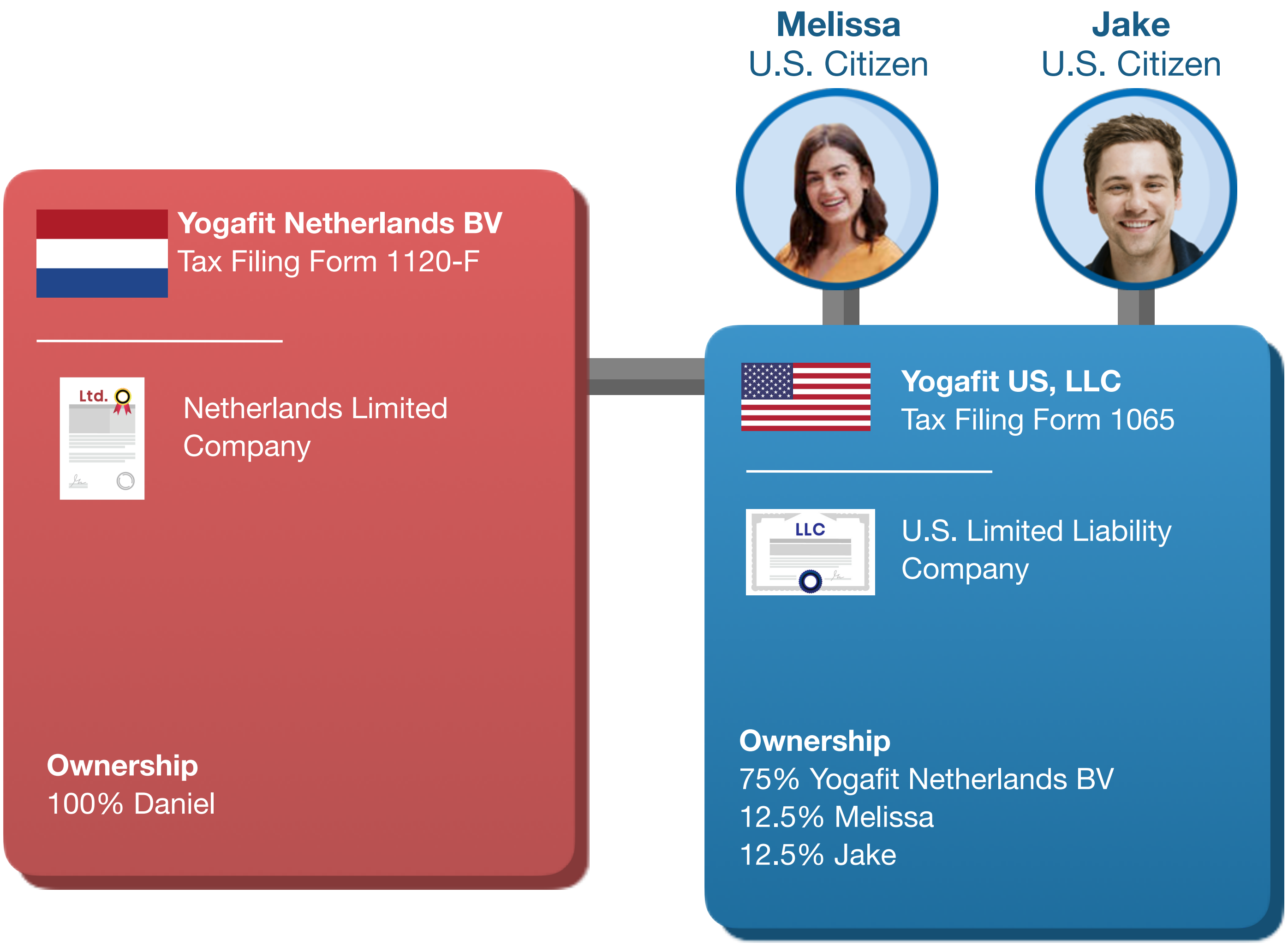
As a result of this structure, the U.S. corporate income tax liability for Tequila Distributions US, Inc. is $105,000 (Taxable Income of $500,000 x 21%).

Foreign Owned LLC Partnership (Netherlands Parent)

Structure # 4.2

Structure Background

A foreign corporation is a majority partner in a United States LLC, in which its earnings are subject to U.S. tax.



Structure Background

A Netherlands limed company, Yogafit Netherlands BV, is owned 100% by Daniel, a citizen of France and resident of the Netherlands.

Yogafit Netherlands BV is a 75% partner of Yogafit US LLC, a United States Limited Liability Company. The remaining partners include Melissa and Jake, both U.S. citizens both owning each 12.5% each.

At the end of the year, distributions are paid from retained earnings in accordance with ownership percentage. Distributions allocable to Yogafit Netherlands BV are initially subject to a 37% withholding rate, and a 15% tax (The same tax treaty rate applies to residents Netherlands and residents of France)[1]. Distributions paid to Melissa and Jake, as U.S. citizens, are not subject to withholding but reported other personal income tax returns as Ordinary Income. However, any guaranteed payments based on the active participation of either U.S. citizen partner are subject to self-employment tax rates of 15.3%.

Monetary Transactions & Accounting

1. During the year, Yogafit US, LLC earns Net Income of $150,000, resulting in $31,500 federal income tax tax tased on a corporate tax rate of 21%. After the tax is paid, retained earnings of $118,500 are distributed to shareholders in the following amounts:
   - Yogafit Netherlands BV - $88,875 ($118,500 x 75%)
   - Melissa - $14,812 ($118,500 x 12.5%)
   - Jake - $14,812 ($118,500 x 12.5%)

U.S. Tax Filing Compliance

1. **Form 1065 (Yogafit US LLC).** The U..S. Partnership files an income tax return as an information return and provides Schedule K-1(Form 1065), Partner's Share of Income, Deductions, Credits, etc. to the U.S. citizen partners, and Form 8804, Foreign Partner's Information Statement of Section 1446 Withholding Tax to foreign partners. No federal income tax is due on the partnership filing, but each individual partners pays tax separately.

[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Foreign Owned LLC Partnership (Netherlands Parent)

2. **Form 1120-F (Yogafit Netherlands BV).** A branch profits tax applies for foreign corporations doing business in the United States through a branch of flow though LLC classified as a partnership per per Internal Revenue Code §882. The branch profits tax is calculated on Form 1120-F, U.S. Income Tax Return of a Foreign Corporation. In this structure, at tax treaty rate of 15% applies for both residents of Netherlands and beneficial owners residing in France. As a result, $13,331 is withheld from distributions ($85,875 x 15%). The withholding is recorded and paid on Forms 8804/8804/8813.

3. **Schedule K-1 (Melissa).** At the end of the year the partnership will issue Schedule K-1 totaling $14,812 of Ordinary Income (or Guaranteed Payments if the partner is actively employed by the partnership).

4. **Schedule K-1 (Jake).** At the end of the year the partnership will issue Schedule K-1 totaling $14,812 of Ordinary Income (or Guaranteed Payments if the partner is actively employed by the partnership).

Summarized Tax Returns and Financial Statements

2

Form **1120-F** **Yogafit Netherlands BV**

Branch Profits Tax

$88,875 x 15% = $13,331 Tax

3

Schedule **K-1** **Melissa**

$14,812

4

Schedule **K-1** **Jake**

$14,812

1

Form **1065** **Yogafit US, LLC.**

Revenue	$1,000,000
Cost of Goods	- $250,000
Payroll Expense	- $600,000
Net Ordinary Income	**$150,000**

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of the foreign shareholder is $13,331.

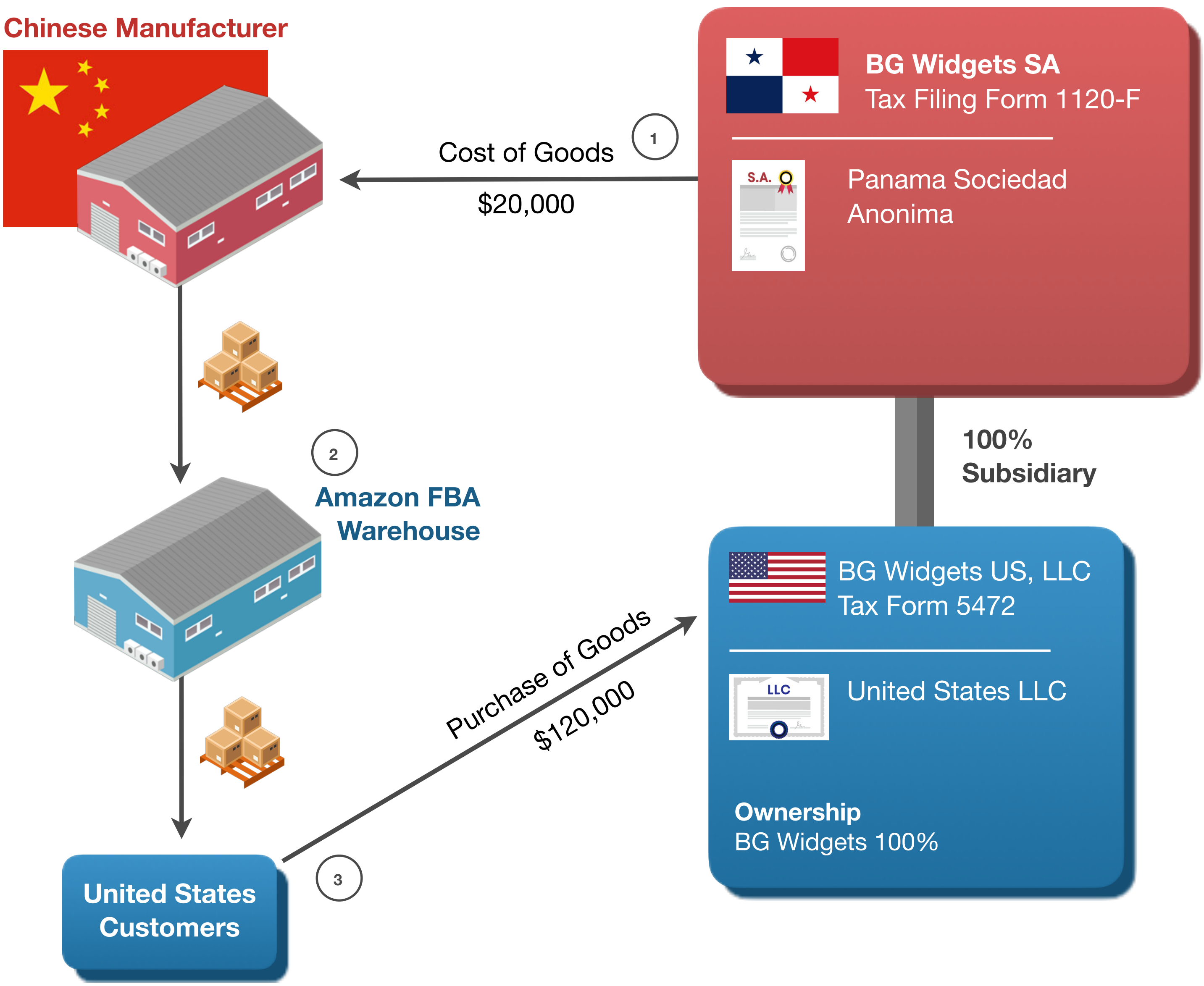
The personal tax liability of the U.S. citizens Melissa and Jake are based on their personal income, deductions, and respective tax rates.

Branch Profits Tax from SMLLC Amazon Sales (Panama)

Structure # 4.3

Structure Summary

A Foreign Corporation Panamanian Sociedad Anonima sells widgets primarily in the United States, which are produced by a third-party Chinese manufacturer. In order to sell in the U.S.



Branch Profits Tax from SMLLC Amazon Sales (Panama)

Structure Background

BG Widgets SA is a Panamanian Sociedad Anonima selling widgets primarily in the United States, which are produced by a third-party Chinese manufacturer. In order to sell in the United States market easily, a U.S. Limited Liability Company, BG Widgets US, LLC was formed as a wholly-owned subsidiary of BG Widgets SA. All sales in the United States are sold and fulfilled through Amazon FBA held by an account of BG Widgets US, LLC.

As a Single-Member LLC (SMLLC), BG Widgets US, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

Once manufactured, the widgets are shipped directly from China to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Payment for the purchase of goods to customers is made to the U.S. LLC.

The sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3), as the result of sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code §865(e)(2) and §882 is subject to U.S. Corporate Income Tax.

Additionally, a Branch Profits tax applies based on Internal Revenue Code §884(a) imposes the same rate of tax on deemed remittances to a home office (30% or lower treaty rate) as on dividends (or amounts deemed repatriated) paid by a U.S. subsidiary to a foreign parent.

Monetary Transactions & Accounting

1. BG Widgets SA pays a third party Chinese company $20,000 for the manufacture of the widgets.
2. The widgets are then shipped from China to the Amazon FBA warehouse in the United States. BG Widgets US, LLC is the Amazon account holder and title owner of the goods.
3. The United States customers pay for the purchase of the widgets totaling $120,000. This payment is processed though Amazon's payment system.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

U.S. Tax Filing Compliance

4. **Form 1120-F (BG Widgets SA).** Based on this structure, the Panamanian Sociedad Anonima files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation. A corporate income tax of $21,000 applies ($100,000 Effectively Connected Income multiplied by a corporate tax rate of 21%). Additionally, a Branch Profits Tax of $23,700 also applies based on amounts deemed repatriated ($79,000 multiplied by 30%).

5. **Pro Forma 1120, with Form 5472 (BG Widgets US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

4

Form 1120-F	BG Widgets BV
Effectively Connected Income (ECI)	$100,000
Corporate Tax (21%)	- $21,000
Amounts Deemed Repatriated	$79,000
Branch Profits Tax (30%)	- $23,700

5

Form 5472	(BG Widgets US, LLC)
Foreign Owned DE	

Resulting Tax Implications

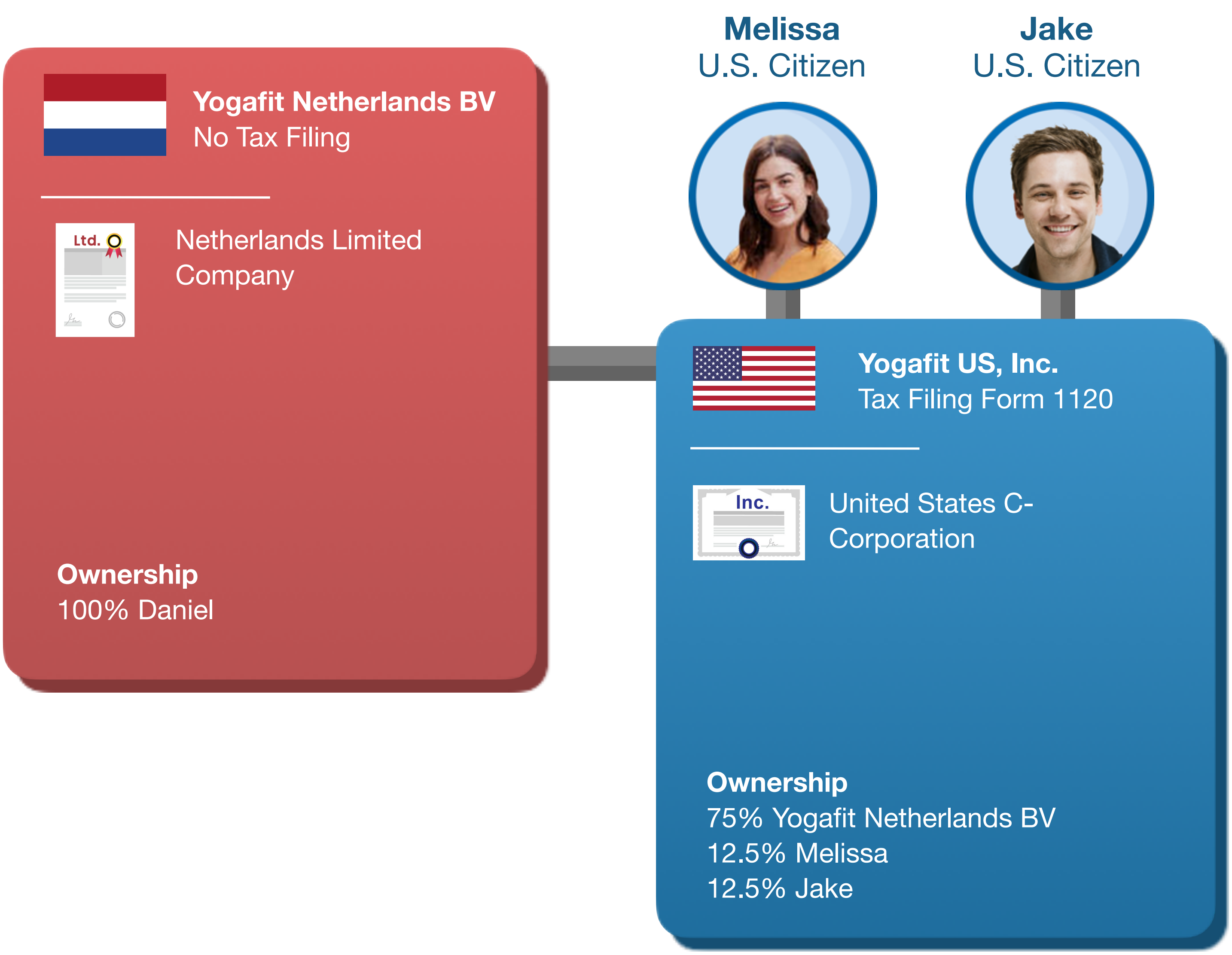
As a result of this structure, the total U.S. tax lability of BG Widgets SA (to include BG Widgets US, LLC by extension, as a disregarded entity) is $44,700.

Foreign Owned Corporation (Netherlands Parent)

Structure # 4.4

Structure Background

A Netherlands limed company is the majority owner of a U.S. corporation in which its earnings are subject to U.S. withholding tax.



Foreign Owned Corporation(Netherlands Parent)

Structure Background

A Netherlands limed company, Yogafit Netherlands BV, is owned 100% by Daniel, a citizen of France and resident of the Netherlands.

Yogafit Netherlands BV is a 75% shareholder of Yogafit US Inc., a United States Corporation. The remaining shareholders include Melissa and Jake, both U.S. citizens both owning each 12.5% each.

At the end of the year, dividends are paid from retained earnings in accordance with the ownership percentage. Dividends paid to Yogafit Netherlands BV are subject to a 15% withholding tax (The same tax treaty rate applies to residents Netherlands and residents of France)[1]. Dividends paid to Melissa and Jake, as U.S. citizens, are not subject to withholding, but reported other personal income tax returns as Qualified Dividends.

Monetary Transactions & Accounting

1. During the year, Yogafit US, Inc. earned Net Income of $150,000, resulting in $31,500 federal income tax based on a corporate tax rate of 21%. After the tax is paid, retained earnings of $118,500 are distributed to shareholders in the following amounts:
    - Yogafit Netherlands BV - $88,875 ($118,500 x 75%)
    - Melissa - $14,812 ($118,500 x 12.5%)
    - Jake - $14,812 ($118,500 x 12.5%)

U.S. Tax Filing Compliance

2. **Form 1120, with Form 5472 (Yogafit US Inc.).** The U..S. Corporation files an income tax return subject to a 21% rate, and and certain Foreign Owned Corporations must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions with its foreign owned parent company.
3. **Form 1042 (Yogafit Netherlands BV).** Withholding tax applies for dividends paid to non-residents per Internal Revenue Code §1441. In this structure, at tax treaty rate of 15% applies for both residents of the Netherlands and beneficial owners residing in France. As a result, $13,331 is withheld from dividends ($85,875 X 15%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Foreign Owned Corporation(Netherlands Parent)

4. **Form 1099-DIV (Melissa).** At the end of the year Form 1099-DIV is required to be issued reporting Qualified Dividends totaling $14,812.

5. **Form 1099-DIV (Jake).** At the end of the year Form 1099-DIV is required to be issued reporting Qualified Dividends totaling $14,812.

Summarized Tax Returns and Financial Statements

1

Form 1120 — **Yogafit US, Inc.**

Revenue	$1,000,000
Cost of Goods	- $250,000
Payroll Expense	- $600,000
Net Ordinary Income	$150,000
Corporate Income Tax	$31,500

Form 5472 — **Yogafit Netherlands BV**

Foreign Owned U.S. Corporation

2

Form 1042 — **Yogafit Netherlands BV**

U.S Source Dividends

$88,875 x 15% = $13,331 Tax

3

Form 1099-DIV — **Melissa**

$14,812

4

Form 1099-DIV — **Jake**

$14,812

Resulting Tax Implications

As a result of this structure, the corporate income tax is $31,500 and the U.S. tax liability of the foreign shareholder is $13,331.

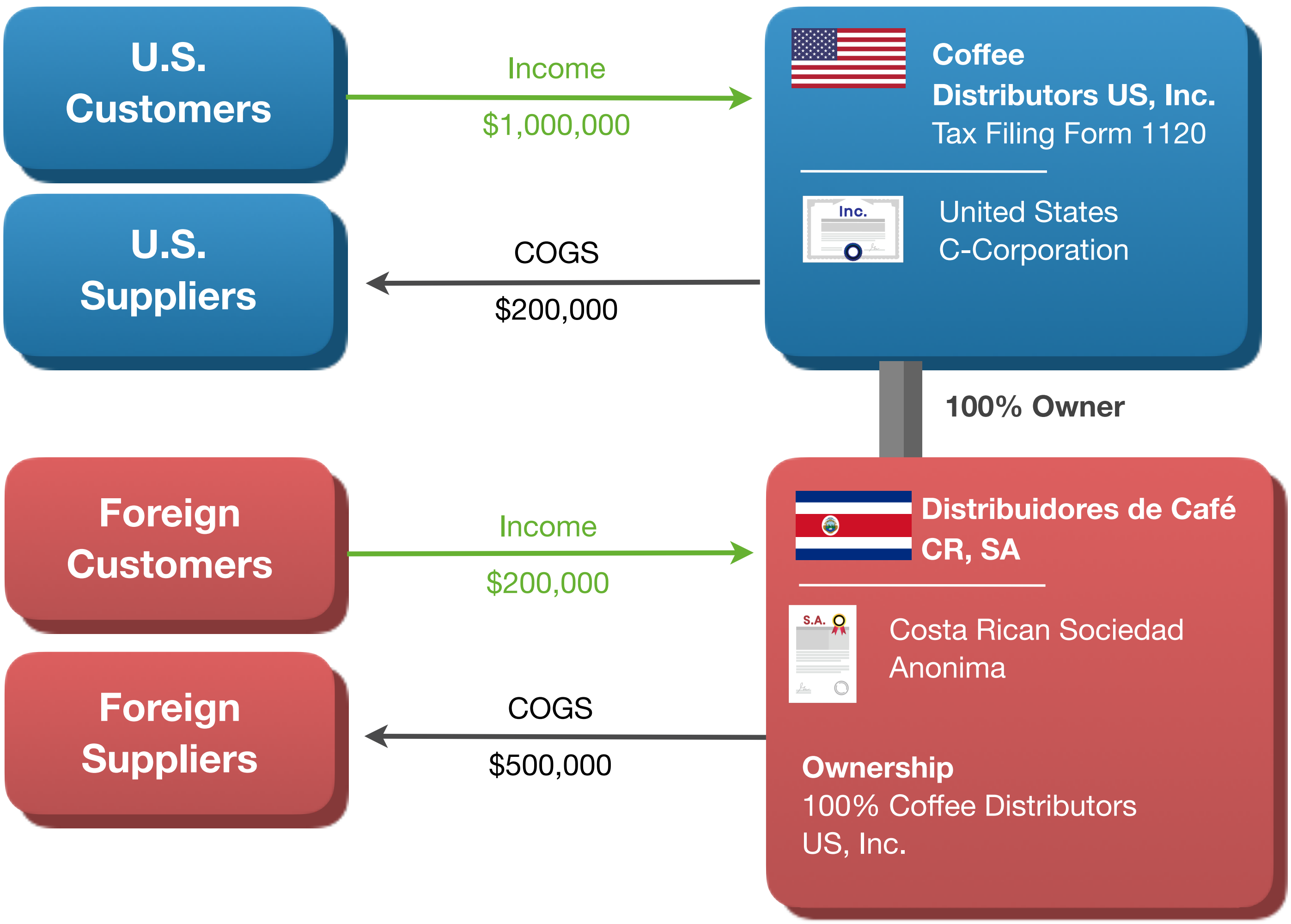
The personal tax liability of the U.S. citizens Melissa and Jake are based on their personal income, deductions, and respective tax rates.

Costa Rican SA Per Se Corporation Loss

Structure # 4.5

Structure Summary

A United States C-Corporation wholly owns a foreign subsidiary, which incurred a loss during the year. As the foreign subsidiary is a Per Se corporation, the entity cannot elect to be treated as a disregarded entity, and losses do not flor to the parent C-Corporation.



Costa Rican SA Per Se Corporation Loss

Structure Background

Coffee Distributions US, Inc., a United States C-Corporation, is a distributor of coffee in the U.S. To distribute liquor in Costa Rica, the U.S. Corporation forms Distribuidores de Café CR, S.A., as a Costa Rican private company (Sociedad Anonima) that is a 100% subsidiary of Coffee Distributions US, Inc.

Distribuidores de Café CR, S.A. is considered a “Per Se” Corporation per Treasury Regulation §301.7701-2, and is prohibited from making a “Check the Box” Election to be treated as a disregarded entity for U.S. tax purposes per Treasury Regulation §301.7701-3. Therefore the foreign entity's loss cannot flow directly to the U.S. partner subsidiary and is maintained at the foreign entity level. At the same time, any *income* generated is subject to GILTI and Subpart F inclusions per Internal Revenue Code §951A and §954, respectively.

During the year, all foreign losses recognized by Distribuidores de Café CR, S.A. are reported on Coffee Distributions US, Inc.’s Controlled Foreign Corporation disclosure (Form 5471) attached to the U.S. income tax return but do not offset the domestic income generated by the U.S. C-Corporation, thereby having no effect on its overall taxable income.

During the year, Coffee Distributions US, Inc. earns a Net Income of $800,000 (Based on a total domestic income of $1,000,000 and a domestic Cost of Goods Sold of $200,000).

During the same year, Distribuidores de Café CR, S.A. operated a Net Loss of $-300,000 (Based on a total foreign source income of $200,000 and foreign Cost of Goods Sold of $500,000).

Monetary Transactions & Accounting

1. The Net Operating Loss as reported on their Income Statement from Distribuidores de Café CR, S.A. is $-300,000, and no dividends or other payments are distributed to the parent company.

U.S. Tax Filing Compliance

2. **Form 1120 (Coffee Distributions US, Inc.).** On its annual tax return, the U.S. C-Corporation files [Form 1120, U.S. Corporation Income Tax Return] reporting taxable income of $800,000 (which the losses from the foreign corporation cannot offset), and subject to a 21% U.S. corporate tax rate.

Costa Rican SA Per Se Corporation Loss

Summarized Tax Returns and Financial Statements

2

Form 1120 — Coffee Distributors US, Inc.

Domestic Income	$1,000,000
Domestic COGS	$200,000
Taxable Income	$800,000
Tax (21%)	$168,000

1

Distribuidores de Café CR, SA
Income Statement

Gross Sales	$200,000
Cost of Goods Sold	$500,000
Loss	($300,000)

Resulting Tax Implications

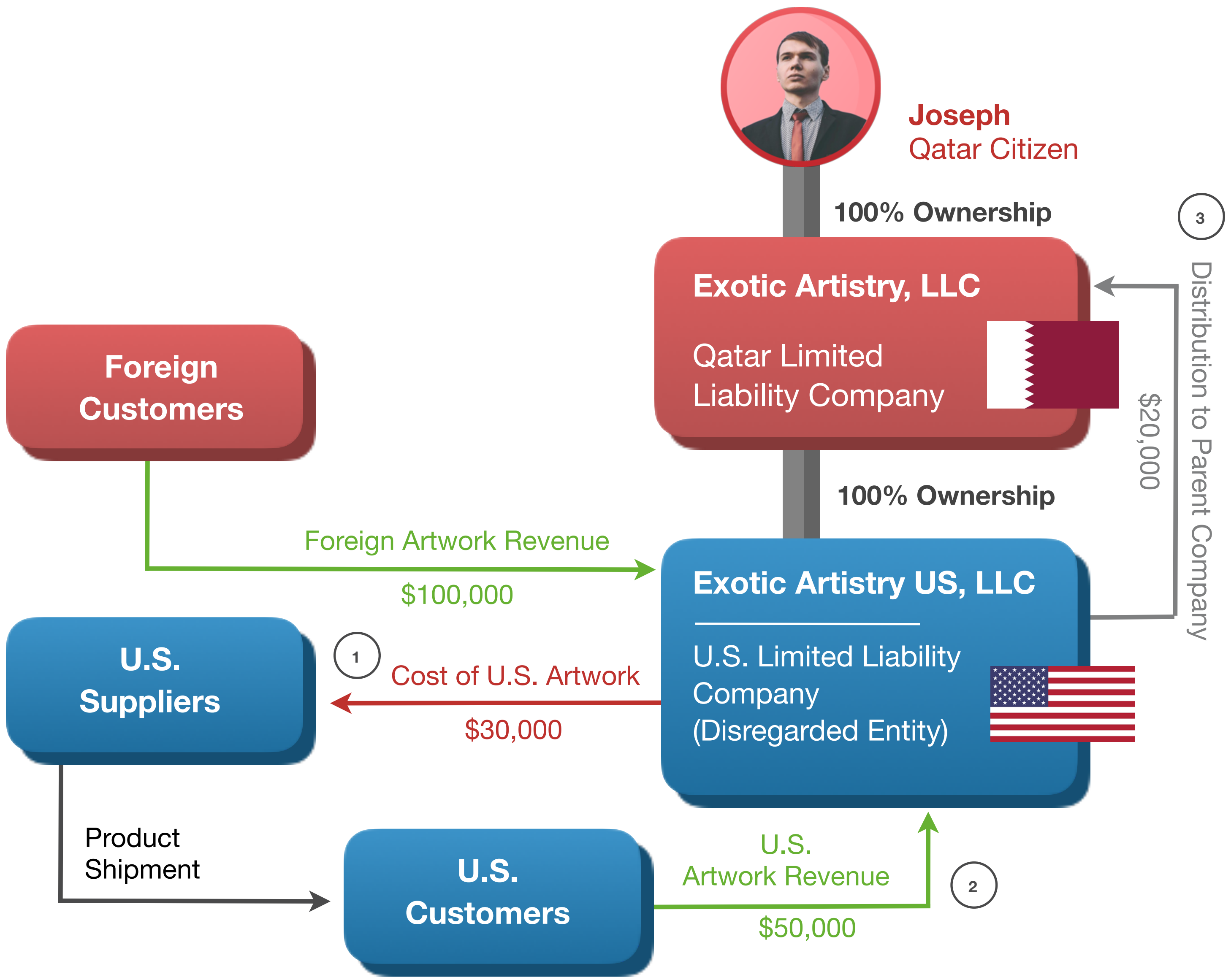
As a result of this structure, the U.S. corporate income tax liability for Coffee Distributions US, Inc. is $168,000 (Taxable Income of $800,000 x 21%).

Qatar Foreign Owned LLC Manufactured Product ECI with Branch Profits

Structure # 4.6

Structure Summary

A Branch Profits Tax applies for a foreign-owned LLC with Effectively Connected Income in the United States based on Artwork being supplied and shipped within the United States.



Qatar Foreign Owned LLC Manufactured Product ECI with Branch Profits

Structure Background

Joseph, a Qatar citizen and resident, is the sole owner of Exotic Artistry, LLC, a Qatar Limited Liability Company selling artwork worldwide, including the United States. Exotic Artistry, LLC (Qatar) is the parent company of Exotic Artistry US, LLC, a United States LLC classified as a Single-Member LLC, and disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

The artwork is created by U.S. suppliers, and sold to customers worldwide. Once sold to a U.S. customer, the artwork is then shipped directly to the customer. Customer payment for the purchase of artwork is made to the U.S. LLC. The artwork is also sold to foreign customers as well.

The sale of artwork from the U.S. supplier to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per IRC 864(c)(3), as the result of sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code, §865(e)(2) and §882 is subject to U.S. Corporate Income Tax. The artwork sold to foreign customers is not U.S.-sourced income.

Additionally, a Branch Profits tax applies based on Internal Revenue Code §884(a) imposes the same rate of tax on deemed remittances to a home office (30% or lower treaty rate) as on dividends (or amounts deemed repatriated) paid by a U.S. subsidiary to a foreign parent.

Monetary Transactions & Accounting

1. Exotic Artistry US, LLC pays a third-party supplier $30,000 for the creation of the of the artwork.
2. The artwork is then shipped from the supplier's U.S. location to the U.S. customer location. Upon receipt, U.S. customers then pay Exotic Artistry US, LLC $50,000 for the purchase of the artwork.
3. At the end of the year, the U.S. LLC pays a distribution of $20,000 to its parent Qatar company, Exotic Artistry, LLC. This distribution was made prior to the tax preparation to determine the U.S. tax liability.

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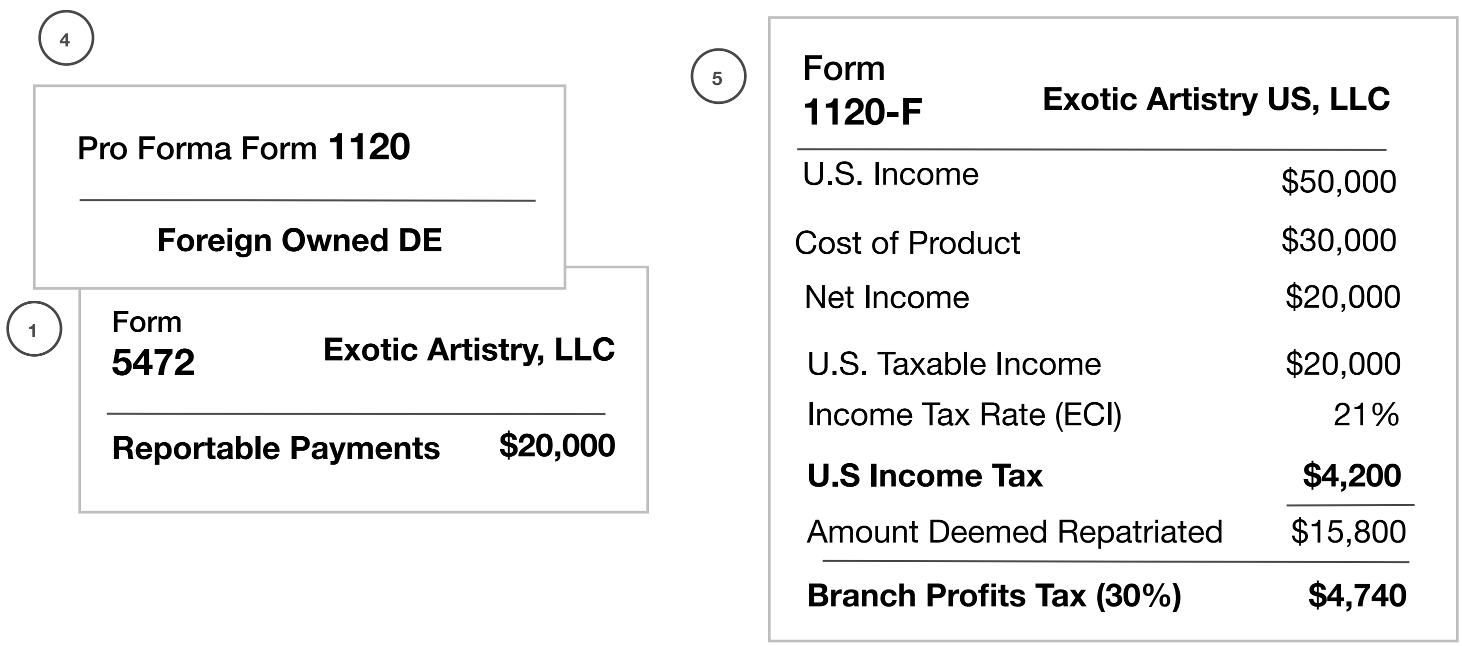
[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

U.S. Tax Filing Compliance

4. **Pro Forma 1120, with Form 5472 (Exotic Artistry, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

5. **Form 1120-F (Exotic Artistry, LLC).** Based on this structure, Qatar LLC files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation. A corporate income tax of $4,200 applies ($20,000 Effectively Connected Income multiplied by a corporate tax rate of 21%). Additionally, a Branch Profits Tax of $4,740 also applies based on amounts deemed repatriated ($15,800 multiplied by the default tax rate of 30%).

Summarized Tax Returns and Financial Statements



Resulting Tax Implications

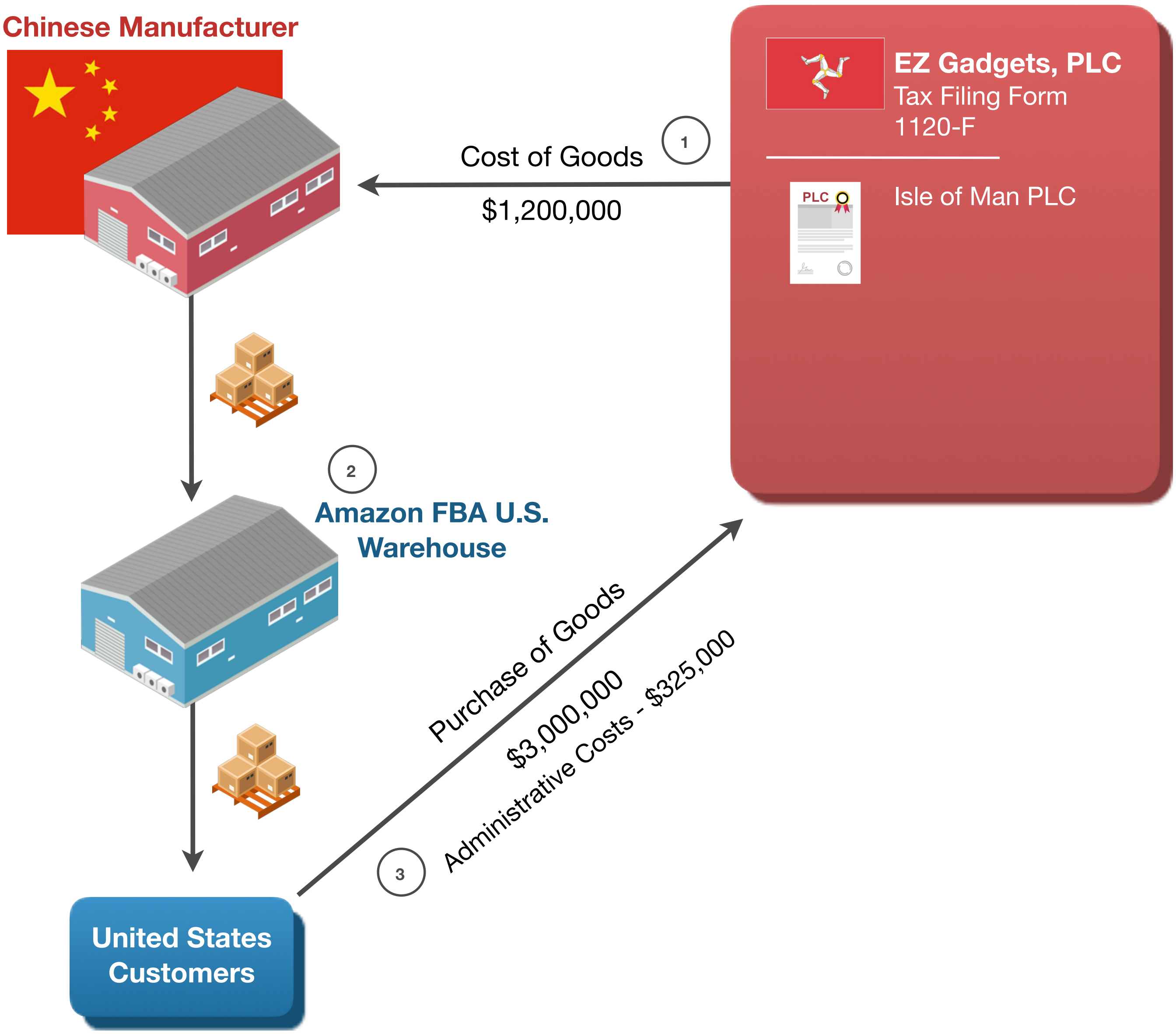
As a result of this structure, the total U.S. tax liability of Exotic Artistry, LLC (to include Exotic Artistry US, LLC, by extension, as a disregarded entity) is $8,940.

Branch Profits Tax Isle of Man PLC

Structure # 4.7

Structure Summary

An Isle of Man Private Limited Company sells goods in the United States directly, and is subject to both the U.S. Corporate Tax, and Branch Profits Tax.



Branch Profits Tax Isle of Man PLC

Structure Background

EZ Gadgets, PLC is an Isle of Man Private Limited Company selling widgets primarily in the United States, which are produced by a third-party Chinese manufacturer. All sales made directly in the United States are sold and fulfilled through Amazon FBA held by an account of EZ Gadgets, PLC.

Once manufactured, the widgets are shipped directly from China to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Payment for the purchase of goods to customers is made directly to the foreign corporation.

The sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3) as the result of the sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code §865(e)(2) and §882 is subject to U.S. Corporate Income Tax.

Additionally, a Branch Profits tax applies based on Internal Revenue Code §884(a). It imposes the same rate of tax on deemed remittances to a home office (30% or lower treaty rate) as on dividends (or amounts deemed repatriated).

Monetary Transactions

1. EZ Gadgets, PLC pays a third-party Chinese company $1,200,000 for the manufacture of the widgets.
2. The widgets are then shipped from China to the Amazon FBA warehouse in the United States.
3. The United States customers pay for the purchase of the widgets totaling $3,000,000. This payment is processed through Amazon's payment system and paid to the foreign corporation.

U.S. Tax Filing Compliance

4. **Form 1120-F (EZ Gadgets, PLC).** Based on this structure, the Isle of Man PLC files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation. A corporate income tax of $309,750 applies ($100,000 Effectively Connected Income multiplied by a corporate tax rate of 21%). Additionally, a Branch Profits Tax of $349,575 also applies based on amounts deemed repatriated ($1,165,250 multiplied by 30%).

Summarized Tax Returns and Financial Statements

4

Form 1120-F	EZ Gadgets, PLC
Effectively Connected Income (ECI)	$1,475,000
Corporate Tax (21%)	- $309,750
Amounts Deemed Repatriated	$1,165,250
Branch Profits Tax (30%)	- $349,575
Total U.S. Tax	- $659,325

Resulting Tax Implications

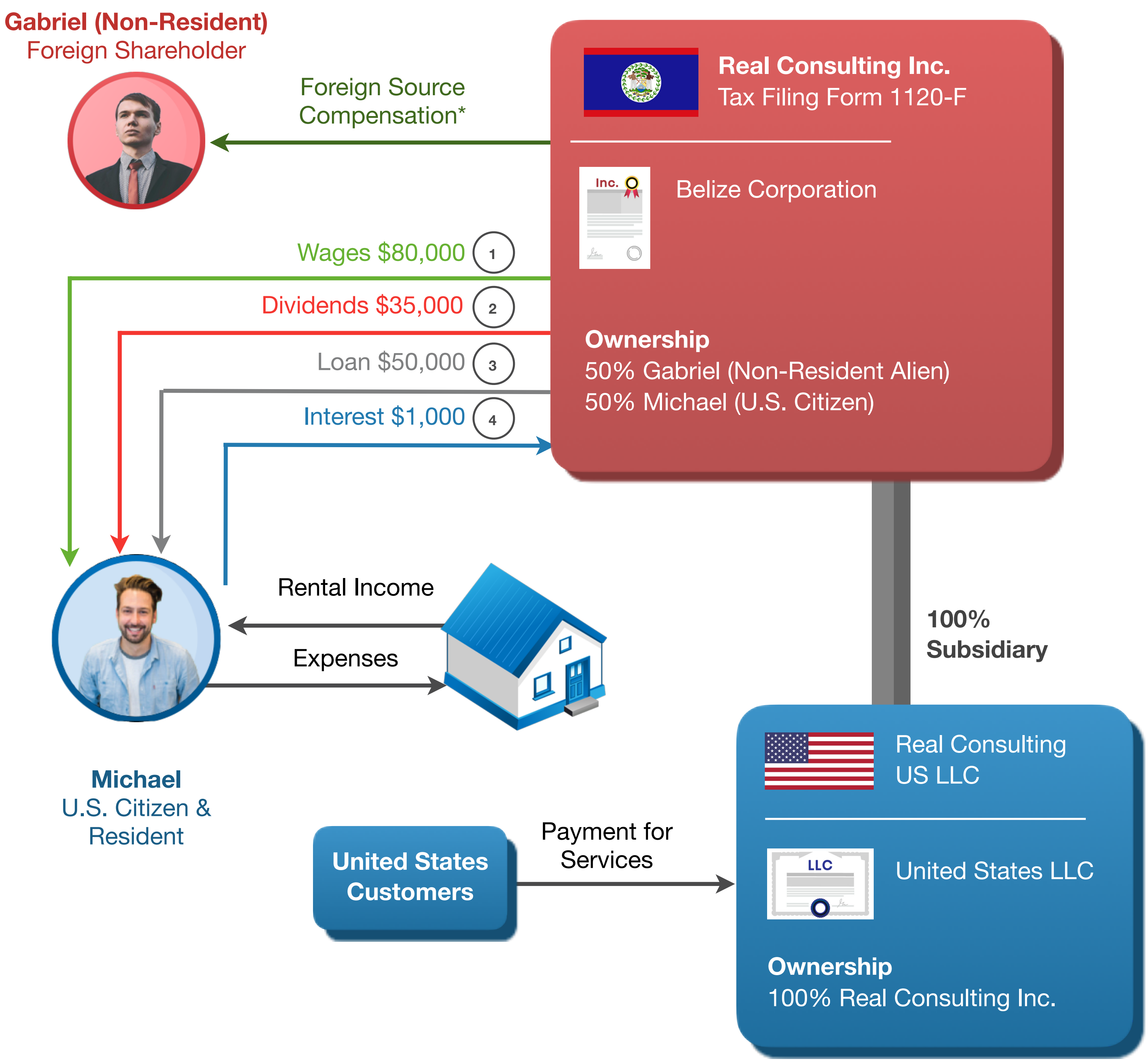
As a result of this structure, the total U.S. tax liability of EZ Gadgets, PLC, is $659,325.

U.S. Wages From Belize Employer Plus Cost Segregation

Structure # 4.8

Structure Summary

A U.S. shareholder of a Belize corporation receives wages and dividends, in addition to a loan in which interested is paid back subject to a withholding tax. With the loan proceeds, he invests in U.S. Real Estate, in which a Cost Segregation deduction is claimed.



U.S. Wages From Belize Employer Plus Cost Segregation

Structure Background

A Belize Corporation, Real Consulting Inc., owned 50% by Gabriel, a nonresident alien, and 50% by Michael, a U.S. resident and citizen. Real Consulting Inc. is the parent company of Real Consulting US, LLC, a 100% owned subsidiary.

During the year, Michael receives wages, dividends, and a loan from the Belize corporation. He then makes repayments of the loan throughout the year which includes interest. Additionally, Michael purchased a residential U.S. real estate property, in which a Cost Segregation study was completed to claim accelerated depreciation in its first year of operation.

The foreign source compensation received by Gabriel (either from personal services or dividends) from the Belize Corporation are s not subject to U.S. tax, so as long as he is a non-resident alien working in a foreign country[1].

Monetary Transactions & Accounting

1. Wages of $80,000 paid from Real Consulting Inc. to Michael. Wages from foreign corporations while working in the United States are subject to Self Employment tax[2] per Revenue Ruling 92-106, 1992-2 C.B. 258.
2. Dividends of $35,000 were paid from Real Consulting Inc. to Michael. Dividends from a country that does not have a tax treaty in the United States are taxed at Ordinary Tax rates [not a Qualified Foreign Corporation per Internal Revenue Code §1(h)(11)(C(i)].
3. Loan Distribution of $50,000 was paid from Real Consulting Inc. to Michael. Loan Distributions are generally non-taxable.
4. Interest Payments of $1,000 (or a pre-determined amount based on contractual terms) from Michael to Real Consulting Inc. Interests from a U.S. payor to the Belize corporation is subject to a 30% withholding or in this case, $300.

U.S. Tax Filing Compliance

5. **Form 1120-F (Real Consulting Inc.).** In the event no withholding was made, the foreign corporation would be required to file a corporate tax return if no withholding is reported. In this structure, a 30% tax applies on all U.S. source interest payments per Internal Revenue Code §1442.

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1 https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-source-of-income

2 https://www.irs.gov/individuals/international-taxpayers/persons-employed-by-a-foreign-employer

U.S. Wages From Belize Employer Plus Cost Segregation

6. **Pro Forma 1120, with Form 5472 (Real Consulting US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions.

7. **Form 1040 (Michael).** As a U.S. citizen, Michael must report his worldwide income on his Federal Income tax return, which includes $115,000 of wages and dividends from the Belize corporation. In this particular case, the amount of loss and accelerated depreciation claimed for the rental property totaling $91,000, along with his stand deduction of $24,000 reduced his taxable income to $0. Yet, Michal is liable for self-employment tax for the amount of wages earned from a foreign corporation while performing services in the United States.

Summarized Tax Returns and Financial Statements

7

Form **1040**	Michael (MFJ)
Wages	**$80,000**
Dividends	**$35,000**
Income	**$115,000**
Rental Loss & Cost Segregation	**- $91,000**
Standard Deduction	**- $24,000**
Taxable Income	**$0**
Self-Employment Tax	**$7,500**

5

Form **1120-F**	**Real Consulting Inc.**
U.S. Source Interest	
$1,000 x 30% = $300 Tax	

6

Form **5472**	**Real Consulting US, LLC**
Foreign Owned Disregarded Entity (DE)	

Resulting Tax Implications

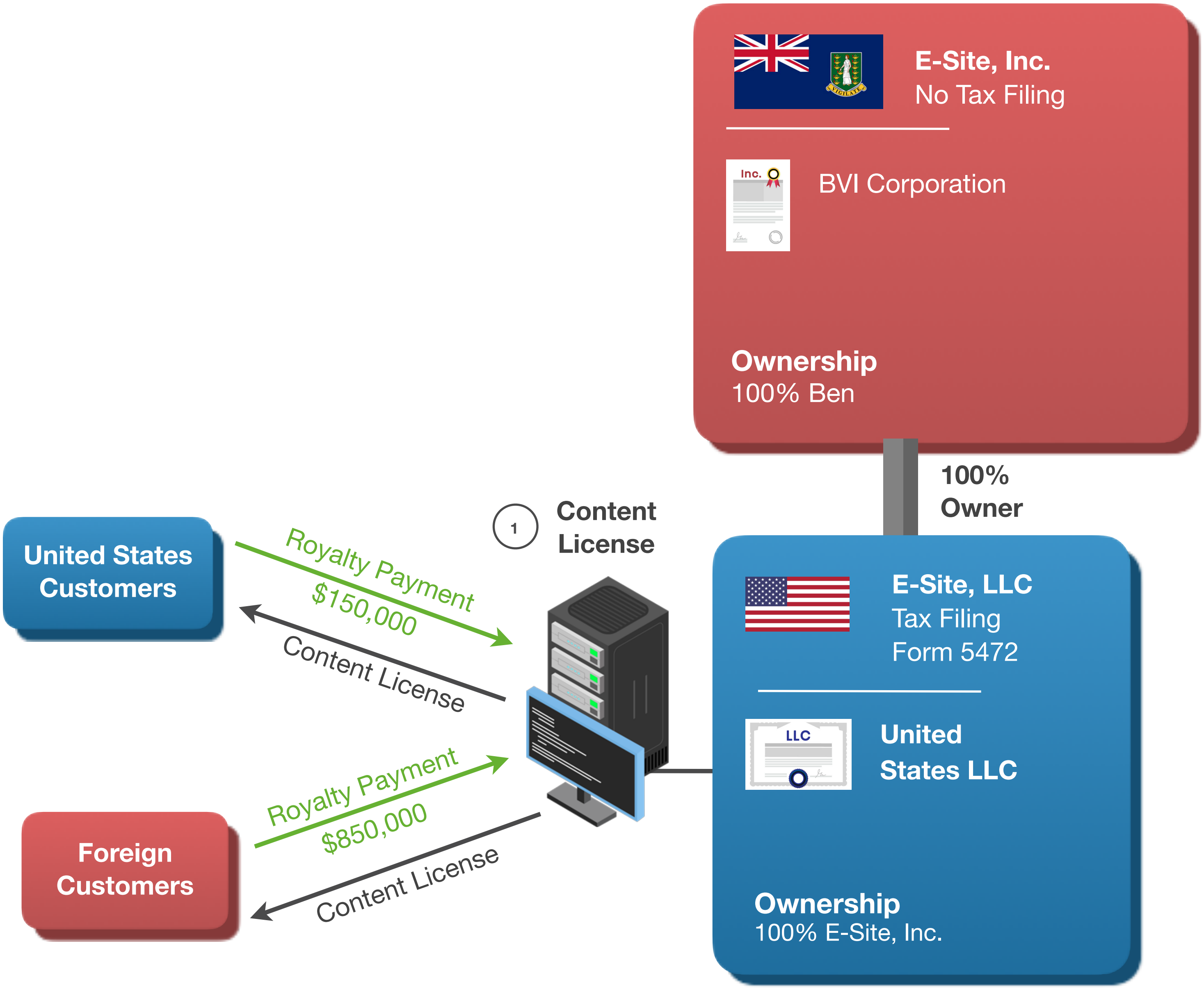
As a result of this structure, the U.S. tax liability of Michael is $7,500, and for Real Consulting Inc. is $300.

BVI Corporation Royalty Withholding U.S. LLC Disregarded Entity

Structure # 4.9

Structure Summary

A British Virgin Islands provides both consultations and Software as a Service (SaaS) subscription services through its solely owned U.S. LLC, treated as a Disregarded Entity.



Structure Background

A United States Limited Liability Company, E-Site, LLC, is a provider of employee management subscriptions as well as 1-on-1 training. The LLC is owned 100% by E-Site, Inc., a British Virgin Islands corporation. As a Single-Member LLC (SMLLC), E-Site, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

E-Site, LLC provides a mix of digital subscriptions and services both to U.S. customers, and foreign customers. SaaS subscriptions are sold for a fee for use (determined to be royalties), and also 1-on-1 training (determined to be personal services).

As the LLC does not physically operate in a particular state, nor sell physical goods directly to clients, and therefore was not determined to conduct a trade or business in the U.S. resulting in Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

At the end of the year, it was decided a portion of retained earnings are paid as compensation to the sole foreign shareholder. The U.S. source royalties received are subject to a 30% withholding tax based as there is no special tax treaty rate for the British Virgin Islands.

Monetary Transactions & Accounting

1. During the year, E-Site, LLC earns SaaS royalties of $1,000,000, resulting in $150,000 from U.S. customers, and $850,000 from foreign customers.
2. At the end of the year the Net Income of the LLC is $1,300,000 [$150,000 of royalties from U.S. customers, $850,000 of royalties from foreign customers, $400,000 of 1-on-1 training, less $100,000 of Administrative Expenses.]

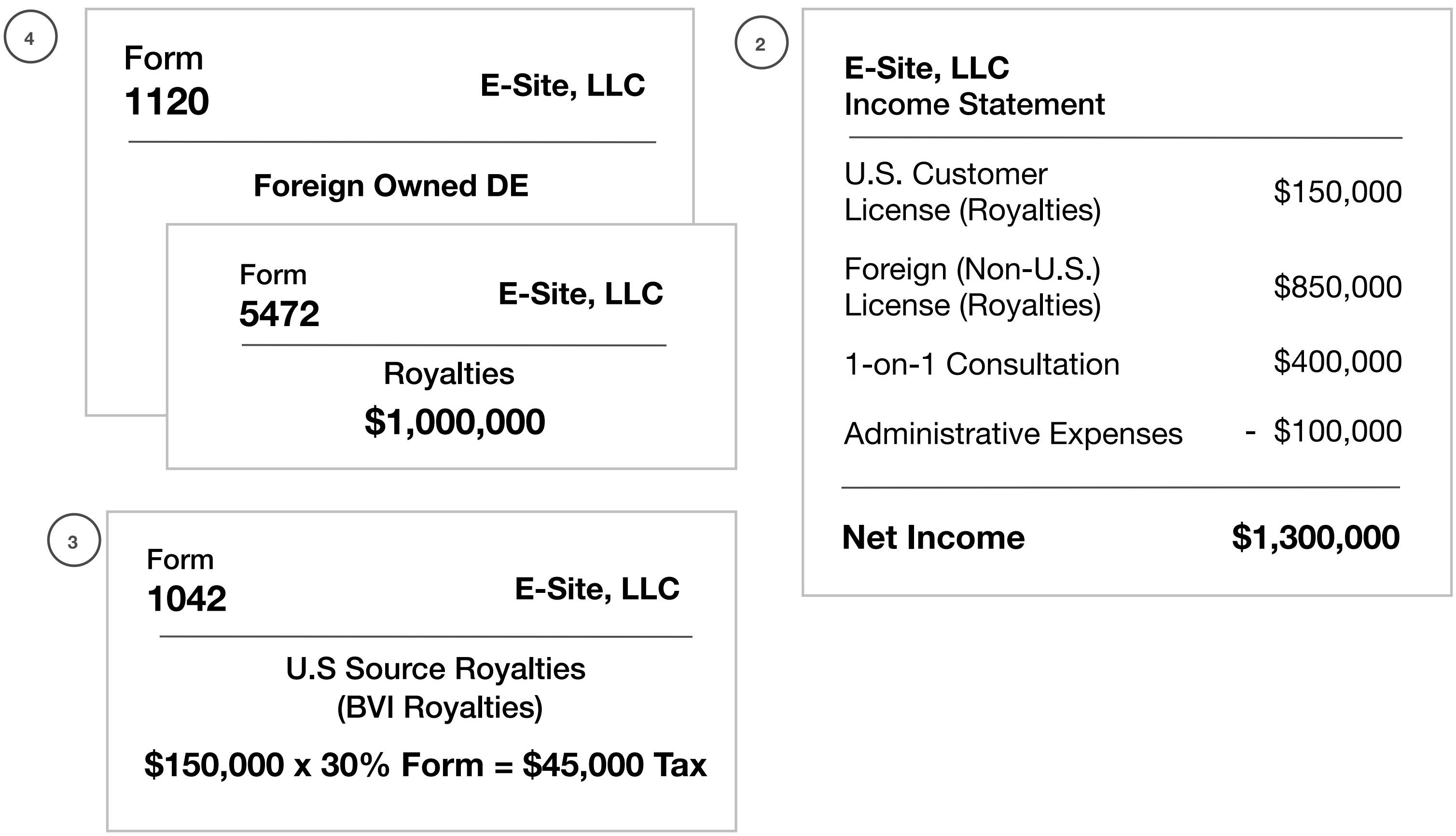
U.S. Tax Filing Compliance

3. **Pro Forma 1120, with Form 5472 (E-Site, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.
4. **Form 1042 (E-Site, LLC).** Withholding tax applies for royalties paid to non-residents per Internal Revenue Code 1441. In this structure, at tax treaty rate of 30% applies for corporations of British Virgin Islands. As a result, $45,000 is withheld from royalties

[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

($150,000 X 30%). The withholding is recorded and paid on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. Assuming E-Site, Inc. has no other U.S. source income, he is not required to file a Foreign Corporate tax return as the result of the royalties withholding tax already being paid.

Summarized Tax Returns and Financial Statements



Resulting Tax Implications

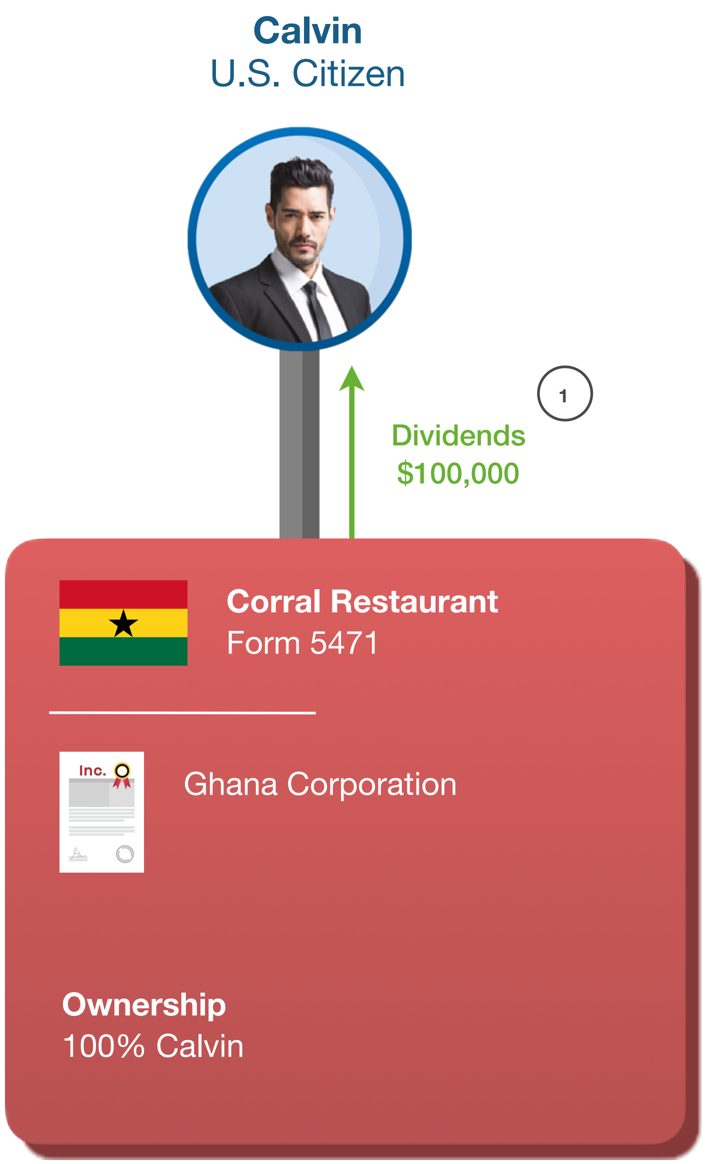
As a result of this structure, the Federal withholding tax on royalties is $45,000.

Ordinary Dividends from a Non-Treaty CFC (Ghana)

Structure # 4.10

Structure Background

A Ghana corporation pays dividends to its sole U.S. individual shareholder. As there is no tax treaty between Ghana and the United States, the dividends are subject to ordinary graduated tax rates on the individual's U.S. income tax return.



Ordinary Dividends from a Non-Treaty CFC (Ghana)

Structure Background

A Ghana corporation, Corral Restaurant, is owned 100% by Calvin, a citizen of the United States. Being solely owned by a U.S. citizen, Corral Restaurant is classified as a Controlled Foreign Corporation per Internal Revenue Code §957.

The net earnings for Corral Restaurant are not subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A due to a high tax exemption based on the tax rate in Ghana of 25%. Additionally, there is no inclusion of Subpart F Income per Internal Revenue Code §951 and §952 as the restaurant operates solely in the country of Ghana, and all employees are working in the country of formation.

During the year, Corral Restaurant pays dividends from retained earnings to Calvin.

As there is no Tax Treaty between the United States and Ghana, the dividends paid to Calvin are subject to ordinary graduated tax rates per Internal Revenue Code §1(h)(11) from 0% to a 37% maximum.

Monetary Transactions & Accounting

1. Of the retained earnings, $100,000 was distributed to its sole shareholder, Calvin.
2. During the year, Corral Restaurant earns a Gross Income of $10,000,000, operational expenses of $9,00,000, and a Net Income of $1,000,000. As a result, $250,000 was paid in Ghana Income Tax, and $750,000 was retained as earnings.

U.S. Tax Filing Compliance

3. **Form 1040 (Calvin), with Form 5471 (Corral Restaurant).** On his Federal income tax return, Calvin's U.S. worldwide income is $210,000 (Comprising $110,000 of a salary and $100,000 of Ordinary Dividends). He elects a Foreign Earned Income Exclusion to exclude his wages of $110,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $88,000, which is taxed at an effective rate of 22%, resulting in $19,360 of U.S. income. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, in relation to his ownership of Surfs Up, LLC., to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

3

Form 1040	Calvin
Salary	$110,000
Ordinary Dividends	$100,000
Total Income	$210,000
Foreign Earned Income Exclusion	- $110,000
Standard Deduction	- $12,000
Taxable Income	$88,000
U.S. Tax	**$19,360**

Form **5471** (Corral Restaurant)

2

Corral Restaurant Income Statement	
Gross Income	$10,00,000
Operational Expenses	- $9,000,000
Net Income	$1,000,000
Ghana Tax	- $250,000
Retained Earnings	$750,000

Resulting Tax Implications

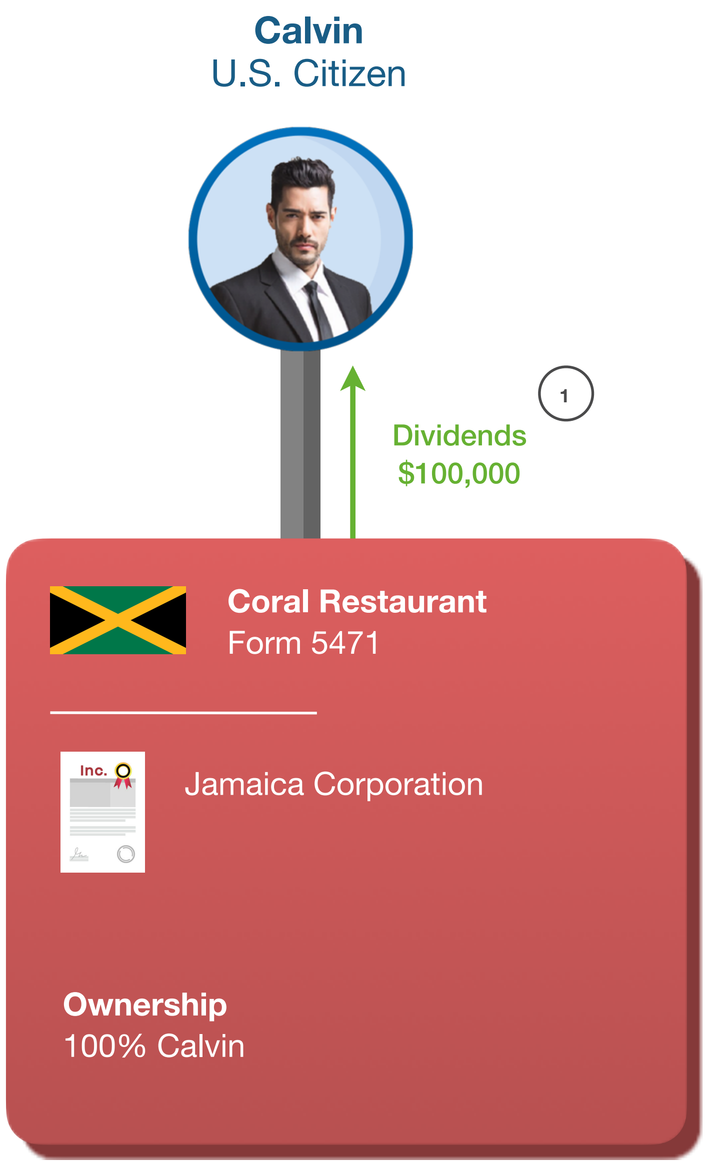
As a result of this structure, the U.S. personal income tax of Calvin is $19,360.

Qualified Dividends from a Treaty CFC (Jamaica)

Structure # 4.11

Structure Background

A Jamaican corporation pays dividends to its sole U.S. individual shareholder. As there is a tax treaty between Jamaica and the United States, the dividends meet the criteria for qualified preferred tax rates on the individual's U.S. income tax return.



Ordinary Dividends from a Non-Treaty CFC (Jamaica)

Structure Background

A Jamaican corporation, Coral Restaurant, is owned 100% by Calvin, a citizen of the United States. Being solely owned by a U.S. citizen, Coral Restaurant is classified as a Controlled Foreign Corporation per Internal Revenue Code §957.

The net earnings for Coral Restaurant are not subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A due to a high tax exemption based on the tax rate in Jamaica of 25%. Additionally, there is no inclusion of Subpart F Income per Internal Revenue Code §951 and §952 as the restaurant operates solely in the country of Jamaica, and all employees are working in the country of formation.

During the year, Coral Restaurant pays dividends from retained earnings to Calvin.

As there is a Tax Treaty between the United States and Jamaica, the dividends paid to Calvin meet the criteria for qualified tax rates per Internal Revenue Code §1(h)(11), either at 0%, 15% or a 20% maximum.

Monetary Transactions & Accounting

1. Of the retaining earnings, $100,000 was distributed to its sole shareholder, Calvin.
2. During the year, Coral Restaurant earns Gross Income of $10,000,000, operational expenses of $9,00,000, and Net Income of $1,000,000. As a result, $250,000 was paid in Jamaican Income Tax, and $750,000 was retained as earnings.

U.S. Tax Filing Compliance

3. **Form 1040 (Calvin), with Form 5471 (Coral Restaurant).** On his Federal income tax return, Calvin's U.S. worldwide income is $210,000 (Comprising $110,000 of a salary and $100,000 of Ordinary Dividends). He elects a Foreign Earned Income Exclusion to exclude his wages of $110,000 on Form 2555, Foreign Earned Income. After also claiming the Standard Deduction of $12,000, his taxable income is reduced to $88,000, which is taxed at an effective rate of 15%, resulting in $13,200 of U.S. income. He must also file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations in relation to his ownership of Surfs Up, LLC. to satisfy the reporting requirements of Internal Revenue Code 6038.

Summarized Tax Returns and Financial Statements

3

Form 1040	Calvin
Salary	$110,000
Ordinary Dividends	$100,000
Total Income	$210,000
Foreign Earned Income Exclusion	- $110,000
Standard Deduction	- $12,000
Taxable Income	$88,000
U.S. Tax	**$13,200**

Form 5471	(Coral Restaurant)

2

Coral Restaurant Income Statement	
Gross Income	$10,00,000
Operational Expenses	- $9,000,000
Net Income	$1,000,000
Jamaica Tax	- $250,000
Retained Earnings	$750,000

Resulting Tax Implications

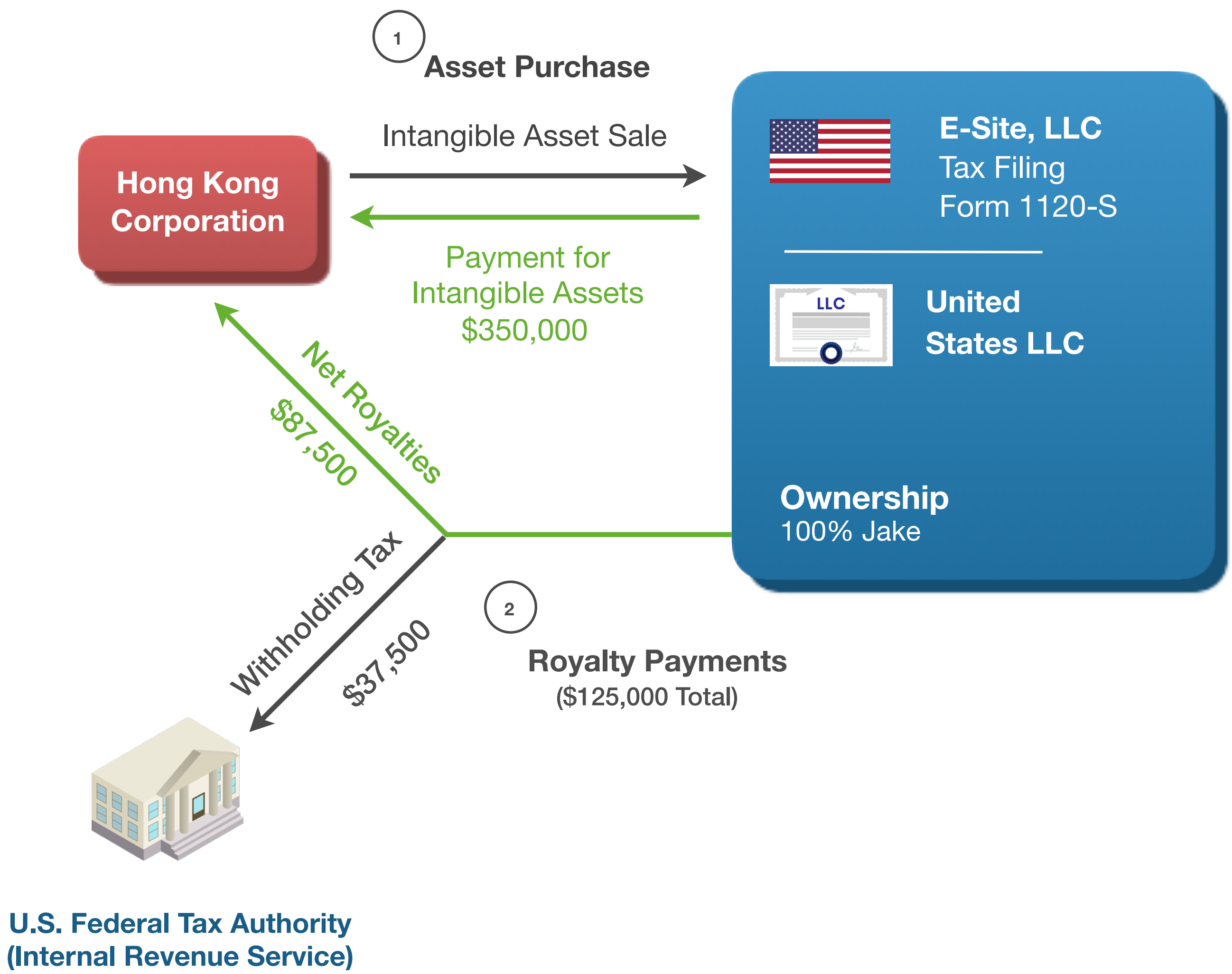
As a result of this structure, the U.S. personal income tax of Calvin is $13,200.

Hong Kong Royalty Withholding by U.S. S-Corporation

Structure # 4.12

Structure Summary

An S-Corporation purchases intangible assets from a Hong Kong entity, which includes a Royalty inventive bonus based on the use and performance of intangible assets. These royalty payments are subject to a flat 30% withholding tax.



Structure Background

A United States S-Corporation, E-Site, LLC, is a provider of e-commerce services for U.S. customers. The LLC is owned 100% by Jake, a United States citizen.

During the year, the LLC purchases a series of intangible assets from a Hong Kong corporation. The sale of these intangible assets in their entirety is *not* considered U.S. source income or Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3). As a result, no U.S. tax is owed by the Hong Kong Entity in relation to the intangible asset sale. However, as part of the sale, there was a performance Royalty Bonus to be paid from the S-Corporation to the Hong Kong entity based on the use and performance of these assets. As a result, the royalties paid are subject to a 30% per Internal Revenue Code §861 withholding tax, as there is no special tax treaty rate for Hong Kong[1].

On its tax return, E-Site, LLC claims Amortization on its tax return for a first-year tax deduction from the purchase of the intangible assets.

Monetary Transactions & Accounting

1. During the year, the Hong Kong entity sells its intangible assets to E-Site, LLC, in exchange for total consideration of $350,000. The purchase price of the assets includes the following:
    - Client Relationships - $250,000
    - Brand - $50,000
    - Website - $200,000
    - Goodwill $100,000
2. A gross royalty of $125,000 is payable to the Hong Kong entity, of which $37,500 (30% is taxed and sent to the IRS directly), and the remaining $87,500 net royalty is paid to the foreign corporation

U.S. Tax Filing Compliance

3. **Form 1042 (E-Site, LLC).** Withholding tax applies for royalties paid to non-residents per Internal Revenue Code §861. In this situation, a tax treaty rate of 30% applies for corporations of Hong Kong. As a result, $37,500 is withheld from royalties ($125,000 x 30%). The withholding is recorded and paid on [Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.]() Assuming E-Site, Inc. has no other

[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

U.S. source income, he is not required to file a Foreign Corporate tax return as the result of the royalties withholding tax already being paid.

4. On its Federal Income Tax Return, E-Site, LLC reports its income and deductions to include an Amortization deduction of $350,000 (Accelerated).

Summarized Tax Returns and Financial Statements

3

Form 1042	E-Site, LLC
U.S Source Royalties (Hong Kong Royalties)	
$125,000 x 30% Form = $37,500 Tax	

4

Form 1120-S	E-Site, LLC
Gross Income	$2,000,000
Administrative Expenses	$1,500,000
Amortization	$350,000
Net Income	**$150,000**

Resulting Tax Implications

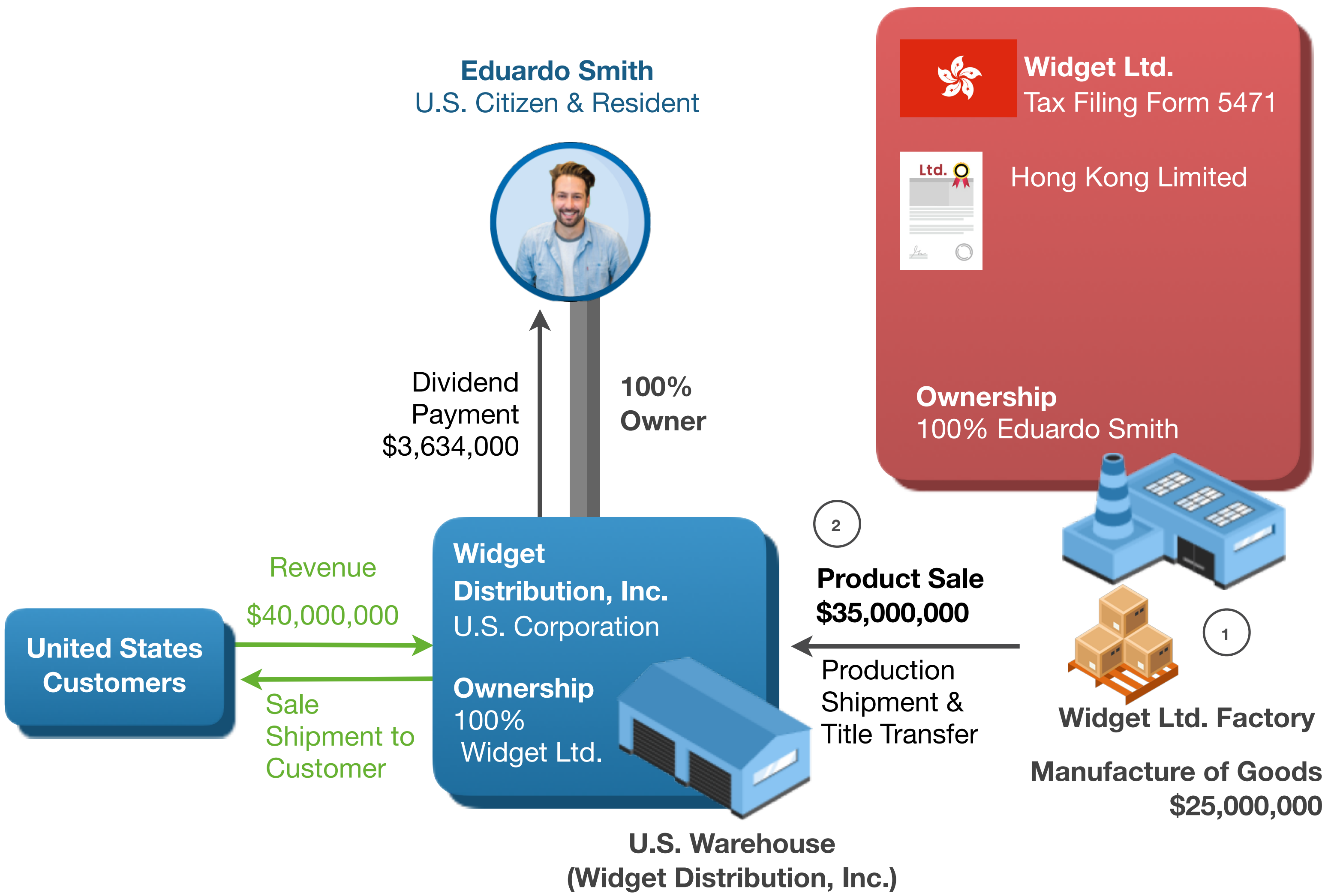
As a result of this structure, the Federal withholding tax relating to foreign royalties is $37,500.

Transfer Pricing Arrangement for Product Sales of Hong Kong CFC

Structure # 4.13

Structure Summary

A Transfer Pricing Agreement occurs between Hong Kong Limited Company and U.S. Corporation subsidiary of the sale of products for a fair market price of goods, shipped from Hong Kong to the United States.



Transfer Pricing Arrangement for Product Sales of Hong Kong CFC

Structure Background

A Hong Kong Limited Company, Widget Ltd., is a worldwide manufacturer and supplier of widgets (physical products manufactured and sold for consumer use). Widget Ltd. is wholly owned by Eduardo Smith, a United States Citizen and Resident.

A separate legal entity, Widget Distribution, Inc., a U.S. Corporation, is also wholly owned by Eduardo Smith. Widget Distribution, Inc. forms a contractual agreement to purchase widgets from Widget Ltd. and sells widgets within the United States. The price of the widget was set as the Fair Market Price, as described further below.

At the close of the year, Widget Distribution, Inc. pays a dividend to Eduardo Smith after the payment of the Cost of Goods Sold, administrative expenses, and Federal income tax expenditures.

Fair Market Price

As the purchaser of the goods and the supplier are under common ownership control (indirectly by Eduardo Smith), a fair market price was set in the contractual terms of the transaction described consistent with the Arm's Length Principle. The Fair Market Price for the same widgets sold in bulk in the open market among unrelated parties averages $35,000,000.

Based on this contractual agreement, the price of the widgets would meet the standard and scrutiny of Internal Revenue Code §482, Allocation of income and deductions among taxpayers.

Monetary Transactions & Accounting

1. Widget Ltd. manufactures widgets in Hong Kong, costing a total of $25,000,000.
2. The widgets are then sold to Widget Distribution, Inc. for $35,000,000.
3. As sown on Widgets Ltd.'s Income Statement, the sale results in a profit of $10,000,000 (Sale of $35,000,000 less the cost of $25,000,000). The products are then shipped from Hong Kong to a United States warehouse under the control of Widget Distribution, Inc., in which the transfer of title occurs.

U.S. Tax Filing Compliance

4. **Form 1120 (Widget Distribution, Inc.).** The products are later sold to U.S. customers for $40,000,000 of revenue during the year, originating from the United States warehouse. After the payment the of Cost of Goods ($35,000,00and administrative expenses, and expenses related to the operation of the warehouse (totaling $400,000), there is a Net Income of $4,600,000. The Net Income from U.S. sales is subject to a 21% corporate tax rate amounting to $966,000.

Summarized Tax Returns and Financial Statements

3

Widget Ltd.
Income Statement

Sales Revenue	**$35,000,000**
Cost of Goods Sold	**- $25,000,000**
Net Income	**$10,000,000**

4

Form **1120** **Widget Distribution, Inc.**

Revenue	**$40,000,000**
Cost of Goods	**$35,000,000**
Gross Income	**$5,000,000**
Administrative Expenses	**- $400,000**
Net Income	**$4,600,000**
U.S. Tax (21%)	**$966,000**

Resulting Tax Implications

As a result of this structure and monetary transactions, the total U.S. corporate tax liability of is $966,000.

Note, this structure does not address the personal income tax liability of Eduardo Smith, Current Year taxable income per Internal Revenue Code §951, nor the reporting requirements of Internal Revenue Code §6038 for Widget. Ltd.

Transfer Pricing Arrangement for U.S. LLC (Belize Parent and Hong Kong Supplier)

Structure # 4.14

Structure Summary

A Belize International Business Company (IBC) conducts a transfer pricing agreement with a related Hong Kong Limited company.

Transfer Pricing Arrangement for U.S. LLC (Belize Parent and Hong Kong Supplier)

Structure Background

A Belize International Business Company (IBC), Widget Co., is a worldwide supplier of widgets (physical products manufactured and sold for consumer use). Widget Co. (owned by Joe Smith) is the parent company Widget Distribution, LLC, a United States Limited Liability Company. As a Single-Member LLC, Widget Distribution LLC, is disregarded for U.S. Federal tax purposes[1] per Treasury Regulation §301.7701-3.

Widget Ltd., a Hong Kong Limited company (also owned by Joe Smith), manufactures widgets in Hong Kong. Based on a contractual agreement Widget Distribution, LLC, Widget Ltd. manufactures widgets and ships the product to an Amazon FBA warehouse under the account of the U.S. LLC. The price of the widget was set as the Fair Market Price, as described further below. The widgets are later sold by Amazon to domestic consumers and shipped to U.S. customers from their warehouses.

At the close of the year, Widget Distribution, LLC pays a dividend distribution to Widget Co. after the payment of administrative/FBA and U.S. tax expenditures.

Fair Market Price

In order to easily sell products in the United States, the parent Belize company formed a subsidiary Widget Distribution, LLC. The United States LLC arranges a Transfer Pricing agreement with the Hong Kong supplier, Widget, Ltd., for the sum of $300,000 of widgets, which cost $280,000 for Widget Ltd. to manufacture.

As the purchaser of the goods and the supplier are under common ownership control (indirectly by Joe Smith), a fair market price was set in the contractual terms of the transaction described consistent with the Arm's Length Principle. The Fair Market Price for the same widgets sold in the open market among unrelated parties averages $300,000.

Based on this contractual agreement, the price of the widgets would meet the standard and scrutiny of Internal Revenue Code §482, Allocation of income and deductions among taxpayers.

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[1] https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

Transfer Pricing Arrangement for U.S. LLC (Belize Parent and Hong Kong Supplier)

Monetary Transactions & Accounting

1. Widget Ltd. manufactures widgets, costing a total of $280,000. The widgets are then sold to Widget Distribution, LLC for $300,000, resulting in a profit the to the Hong Kong entity of $20,000. The products are then shipped from Hong Kong to an Amazon FBA warehouse under the account of Widget Distribution, LLC, in which the transfer of title occurs.

U.S. Tax Filing Compliance

2. **Form 1120 (Widget Co.).** The products are later sold to U.S. customers for $400,000 in revenue for the year, originating from the Amazon FBA warehouse. After the payment of Cost of Goods ($300,000), and administrative expenses, and expenses related to the operation of the warehouse (totaling $40,000), there is Net Income of $60,000. The Net Income from the U.S. sales are subject to a 21% tax rate, or $12,600.
3. **Pro Forma Form 1120 with Form 5472 (Widget Distribution, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.
4. **Form 1042 (Widget Distribution, LLC).** Any payments to a foreign corporation which are Fixed, Determinable, and Periodic (FDAP), which include dividends, are subject to a 30% withholding tax without the existence of a lower tax treaty rate per Internal Revenue Code § 1442. The withholding and payment are made to the IRS on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and related Form 1042-S. In this particular case, is issuance of a $47,400 dividend results in a withholding tax of $14,220.

Summarized Tax Returns and Financial Statements

2

Form 1120-F	Widget Co.
Revenue	$400,000
Cost of Goods	$300,000
Gross Income	$100,000
Administrative Expenses & FBA	- $40,000
Net Income	$60,000
U.S. Tax (21%)	**$12,600**

3

Form 5472	Widget Distribution LLC
U.S. LLC Foreign Owned DE	

4

Form 1042	Widget Distribution LLC
Dividends to Parent	$47,400
Withholding Tax	$14,220 (30%)

Resulting Tax Implications

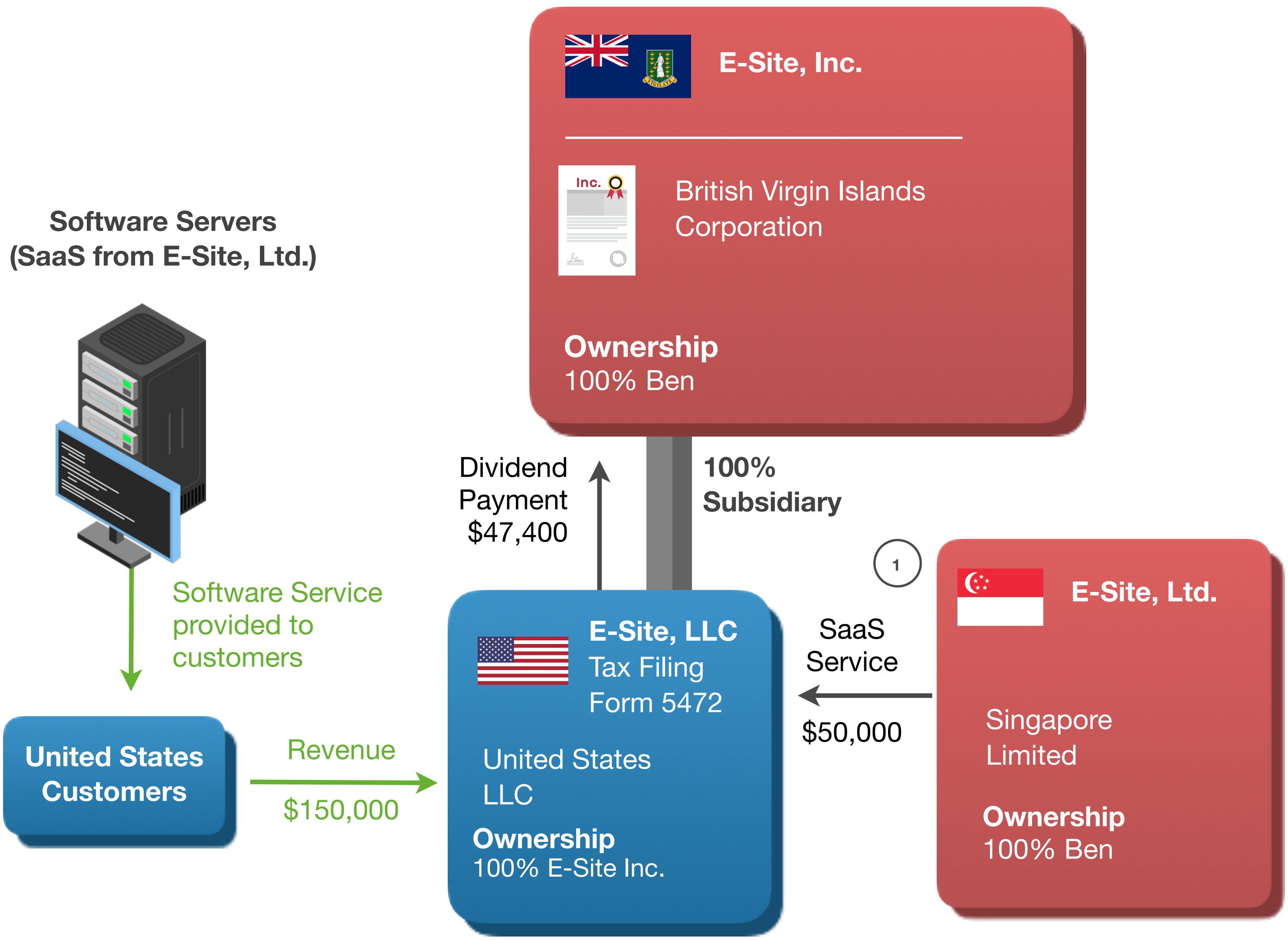
As a result of this structure and monetary transactions, the total U.S. tax liability is $26,820 ($12,600 of corporate tax and $14,220 of withholding tax).

Transfer Pricing Arrangement for U.S. LLC (BVI Parent and Singapore SaaS Supplier)

Structure # 4.15

Structure Summary

A British Virgin Islands Corporation's wholly owned subsidiary conducts a Transfer Pricing Agreement with a related Singapore limited company for the sale of software services to customers in the United States.



Transfer Pricing Arrangement for U.S. LLC (BVI Parent and Singapore SaaS Supplier)

Structure Background

A British Virgin Islands Corporation, E-Site Inc., is a worldwide supplier of software services. E-Site, Inc. (owned by Ben), is the parent company E-Site, LLC, a United States Limited Liability Company. As a Single-Member LLC, E-Site, LLC, is disregarded for U.S. Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

E-Site, Ltd., a Singapore Limited company (also owned by Ben), provides software services and is based in Singapore. Based on a contractual agreement with E-Site, LLC, E-Site, Ltd. provides SaaS services to the U.S. LLC. The price of the software services are set as the Fair Market Price, as described further below. The services are later sold by the LLC to United States consumers.

At the close of the year, E-Site, LLC pays a dividend distribution to E-Site, Inc. after the payment of administrative/employee expenses and U.S. expenditures.

Effectively Connected Income (ECI)

As the LLC physically operates with employees and offices in the United States, it determined to conduct a trade or business in the U.S., resulting in Effectively Connected Income (ECI) per Treasury Regulation §1.355-3.

Fair Market Price

In order to easily sell products in the United States, the parent BVI corporation formed a subsidiary E-Site, LLC. The United States LLC arranges a Transfer Pricing agreement with the Singapore supplier of services, E-Site, Ltd., for the sum of $50,000 of software services.

As the purchaser of the services and the supplier are under common ownership control (indirectly by Ben), a fair market price was set in the contractual terms of the transaction described consistent with the Arm's Length Principle. The Fair Market Price for the same services sold in the open market among unrelated parties averages $50,000.

Based on this contractual agreement, the price of the SaaS would meet the standard and scrutiny of Internal Revenue Code §482, Allocation of income and deductions among taxpayers.

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

Transfer Pricing Arrangement for U.S. LLC (BVI Parent and Singapore SaaS Supplier)

Monetary Transactions & Accounting

1. E-Site, Ltd. provides Software as a Service, costing a total of $50,000 for the LLC. The services are then provided to U.S. customers.

U.S. Tax Filing Compliance

2. **Form 1120 (E-Site, Inc.).** The services are later sold to U.S. customers for $150,000 for the revenue of the year. After the payment of Cost of SaaS ($50,000), and employee expenses (totaling $40,000) there is Net Income of $60,000. The Net Income from the U.S. sales are subject to a 21% tax rate, or $12,600.
3. **Pro Forma Form 1120 with Form 5472 (E-Site, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.
4. **Form 1042 (E-Site, LLC).** Any payments to a foreign corporation which are Fixed, Determinable, and Periodic (FDAP), which include dividends, are subject to a 30% withholding tax without the existence of a lower tax treaty rate per Internal Revenue Code §1442. The withholding and payment are made to the IRS on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and related Form 1042-S. In this particular case, is the issuance of a $47,400 dividend results in a withholding tax of $14,220.

Transfer Pricing Arrangement for U.S. LLC (BVI Parent and Singapore SaaS Supplier)

Summarized Tax Returns and Financial Statements

2

Form 1120-F	E-Site, Inc.
Revenue	$150,000
Cost of SaaS	$50,000
Gross Income	$100,000
Employee Expenses	- $40,000
Net Income	$60,000
U.S. Tax (21%)	**$12,600**

3

Form 5472	E-Site, LLC
U.S. LLC Foreign Owned DE	

4

Form 1042	E-Site, LLC
Dividends to Parent	$47,400
Withholding Tax	$14,220 (30%)

Resulting Tax Implications

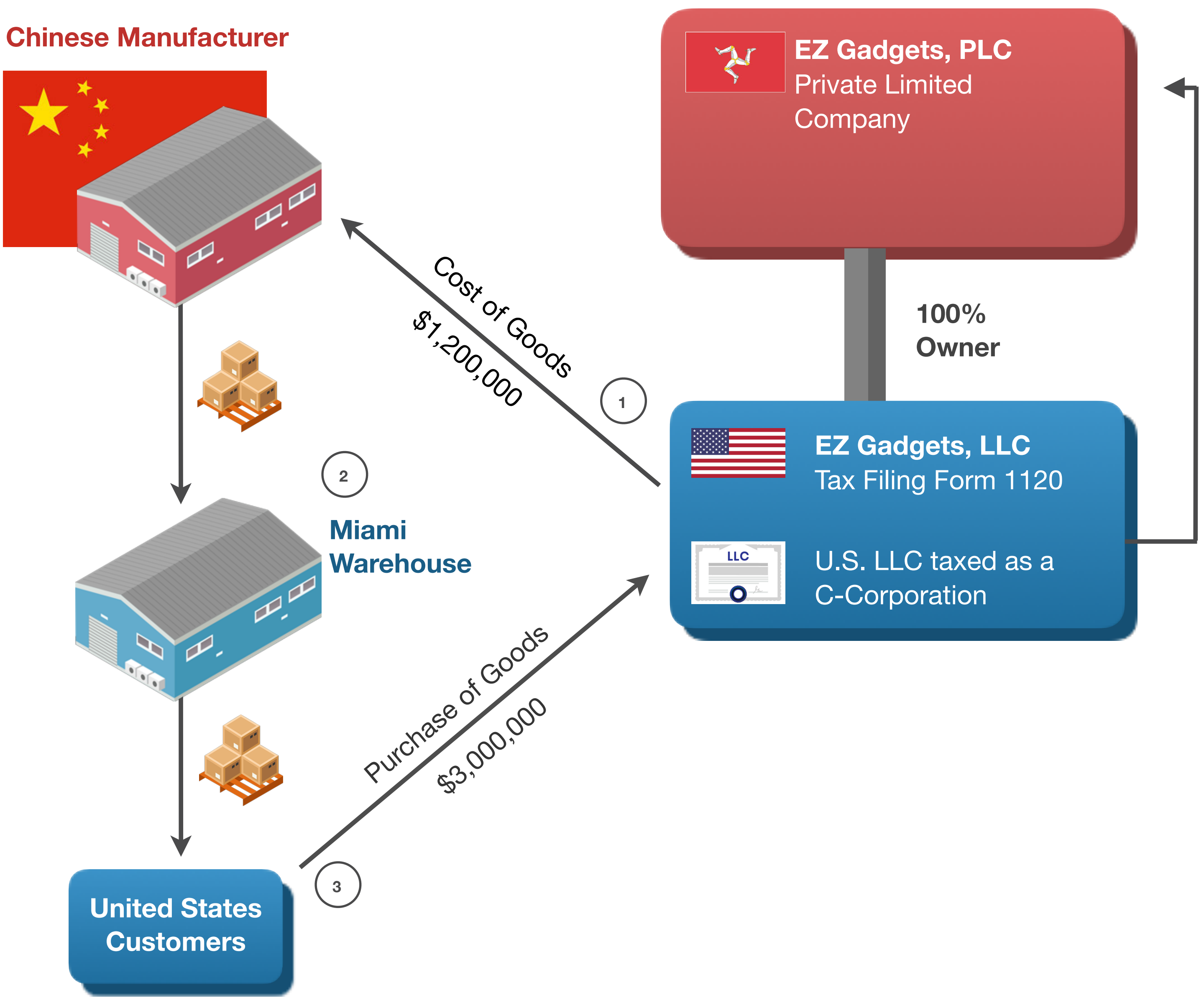
As a result of this structure and monetary transactions, the total U.S. tax liability of is $26,820 ($12,600 of U.S. corporate income tax, and $14,220 of divided withholding tax).

Isle of Man E-Commerce C-Corporation with Transfer Price Agreement

Structure # 4.16

Structure Summary

An Isle of Man Private Limited Company conducts business with its Delaware Limited Liability Company subsidiary through a Transfer Pricing agreement.



Isle of Man E-Commerce C-Corporation with Transfer Price Agreement

Structure Background

EZ Gadgets, PLC is an Isle of Man Private Limited Company and the sole owner of EZ Gadgets, LLC, a U.S. Delaware Limited Liability Company which sells various products related to pain relief gadgets in the United States. The subsidiary EZ Gadgets, LLC elects to be taxed as a C-Corporation per Treasury Regulation § 301.7701-3, and files Form 1120, U.S. Corporation Income Tax Return.

The gadgets are first produced in China, which are then shipped to a Miami warehouse, then subsequently shipped and fulfilled through the same Miami warehouse upon the sale to a U.S. Customer. Payment for products is then paid to the LLC.

Agreement for Marketing Services & Fair Market Price

A marketing agreement exists between the parent Isle of Man company and the U.S. subsidiary LLC for $30,000 per month.

Based on this contractual agreement, the price of the marketing services would meet the standard and scrutiny of Internal Revenue Code §482, Allocation of income and deductions among taxpayers.

Monetary Transactions & Accounting

1. EZ Gadgets, LLC pays a third-party China company $1,200,000 for the manufacture of the gadgets.
2. The gadgets are then shipped from China to the Miami warehouse in the United States
3. The United States customers pay for the purchase of the gadgets totaling $3,000,000. This payment is processed through the LLC account and paid to its bank account.

U.S. Tax Filing Compliance

4. **Form 1120 (EZ Gadgets, LLC).** Based on this structure, the LLC files a corporate tax return, Form U.S. Corporation Income Tax Return, and reports net income totaling $540,000 (Gross Income of $3,000,000 - $1,200,000 Cost of Goods Sold - $360,000 Marketing Services - $900,000 Administrative Costs). The resulting U.S. corporate tax is $113,400.

5. **Form 5472 (EZ Gadgets, LLC).** Attached to its corporate tax return is 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

6. **Form 1042-S (EZ Gadgets, PLC).** At the conclusion of the year, the remaining cash available is out as dividends of $426,600. Form 1042, Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons is filed, and payments are subject to a 30% tax to Isle of Man corporations, totaling $127,980.

Summarized Tax Returns and Financial Statements

4

Form **1120**	**EZ Gadgets, LLC**
Gross Income	$3,000,000
Cost of Goods Sold	- $1,200,000
Administrative Costs	- $900,000
Marketing	- $360,000
Net Income	**$540,000**
U.S. Tax	**$113,400**

5

Form **5472**	**(EZ Gadgets, LLC)**
Foreign Owned DE	

6

Form **5472**	**(EZ Gadgets, PLC)**
U.S Source Dividends	
$426,600 x 30% = $127,980 Tax	

Resulting Tax Implications

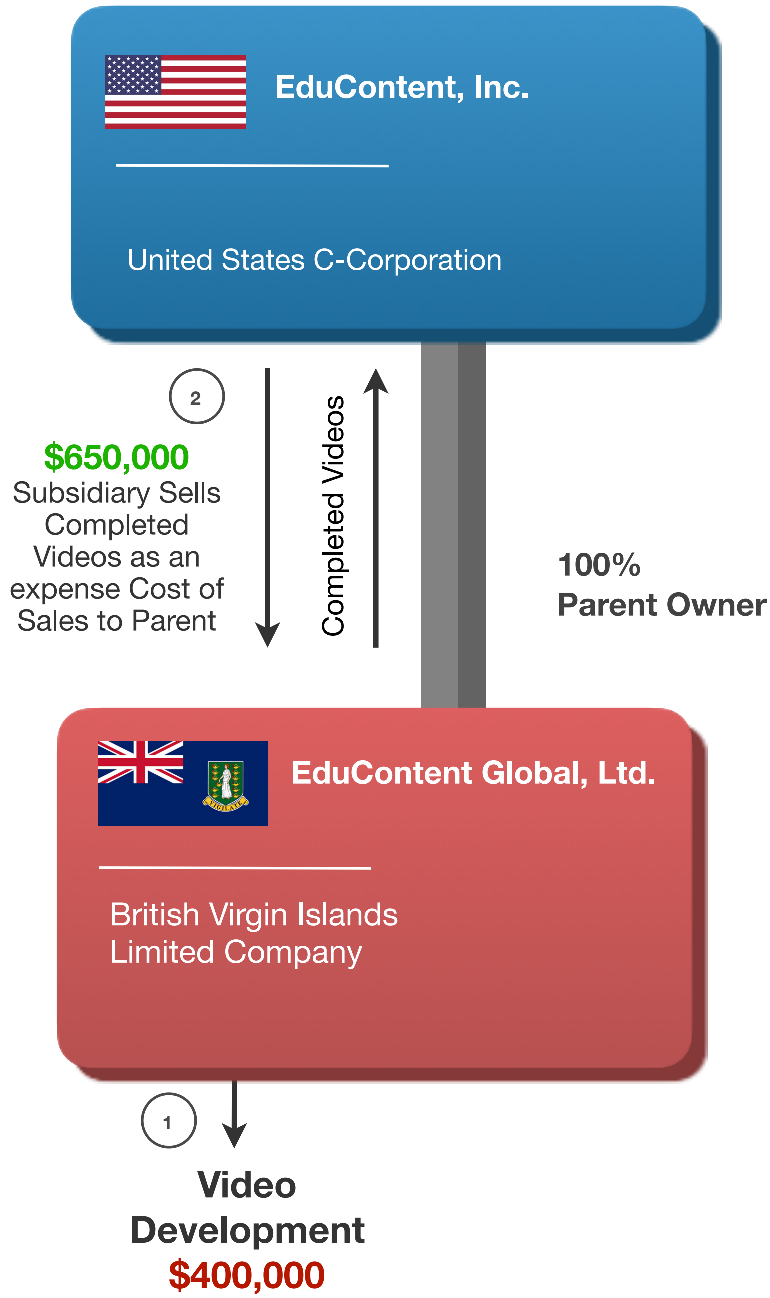
As a result of this structure, the total tax liability is $241,380 (which includes $113,400 of corporate tax and $127,980 of dividends withholding tax).

Royalty Transfer Pricing Arrangement Between C-Corporation Parent and BVI Subsidiary

Structure #4.17

Structure Summary

A U.S. C-Corporation wholly owns a British Virgin Islands subsidiary and has a Transfer Pricing Arrangement for the purchase of videos. The parent company excludes the foreign subsidiary's earnings from Subpart F Income as the result of an active trade or business from the development of videos. However, the income is subject to GILTI, which is eligible for a Section 250 Deduction, thereby deferring half of its foreign source earnings.



Royalty Transfer Pricing Arrangement Between C-Corporation Parent and BVI Subsidiary

Structure Background

EduContent, Inc., a U.S. C-Corporation, is the parent company of EduContent Global, Ltd., a British Virgin Islands Limited Company. As a result, EduContent Global, Ltd. is a Controlled Foreign Corporation per Internal Revenue Code §957.

EduContent Global, Ltd.. develops and sells completed videos. The British Virgin Islands company is directly involved in the development of the videos, pays all expenses related to development, and actively conducts a trade or business of developing the videos to generate income. As the result of operating a trade or business, Subpart F Income is excluded from current year income per Internal Revenue Code Internal Revenue Code §954(c)(2)(A). However, the income is subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

There is, however, a 50% deduction for any §951A inclusion of an LLC taxed as a C-Corporation.

Monetary Transactions & Accounting

1. EduContent Global, Ltd. expenses $400,000 for the development of videos.
2. EduContent Global, Ltd. sells the completed videos to EduContent, Inc. for $650,000.
3. On its Income Statement, EduContent Global, Ltd. has a Net Income of $230,000

U.S. Tax Filing Compliance

4. EduContent, Inc., files **Form 1120**, U.S. Corporation Income Tax Return, reports $1,000,000 of gross income from the re-sale of videos, Cost of Sales for videos of $650,000, deducts administrative expenses of $80,000 and includes GILT of $230,000 with a $115,000 deduction.

Royalty Transfer Pricing Arrangement Between C-Corporation Parent and BVI Subsidiary

Summarized Tax Returns and Financial Statements

4

EduContent, Inc.
Income Statement

Revenue	$1,000,000
Cost of Sales (Videos)	- $650,000
Administrative Expenses	- $80,000
GILTI Inclusion	$230,000
Section 250 Deduction	- $115,000
Taxable Income	**$385,000**
Corporate Tax (21%)	**$80,850**

3

EduContent Global, Ltd.
Income Statement

Revenue	$650,000
Video Development	- $400,000
Administrative Expenses	- $20,000
Net Income	**$230,000**

Resulting Tax Implications

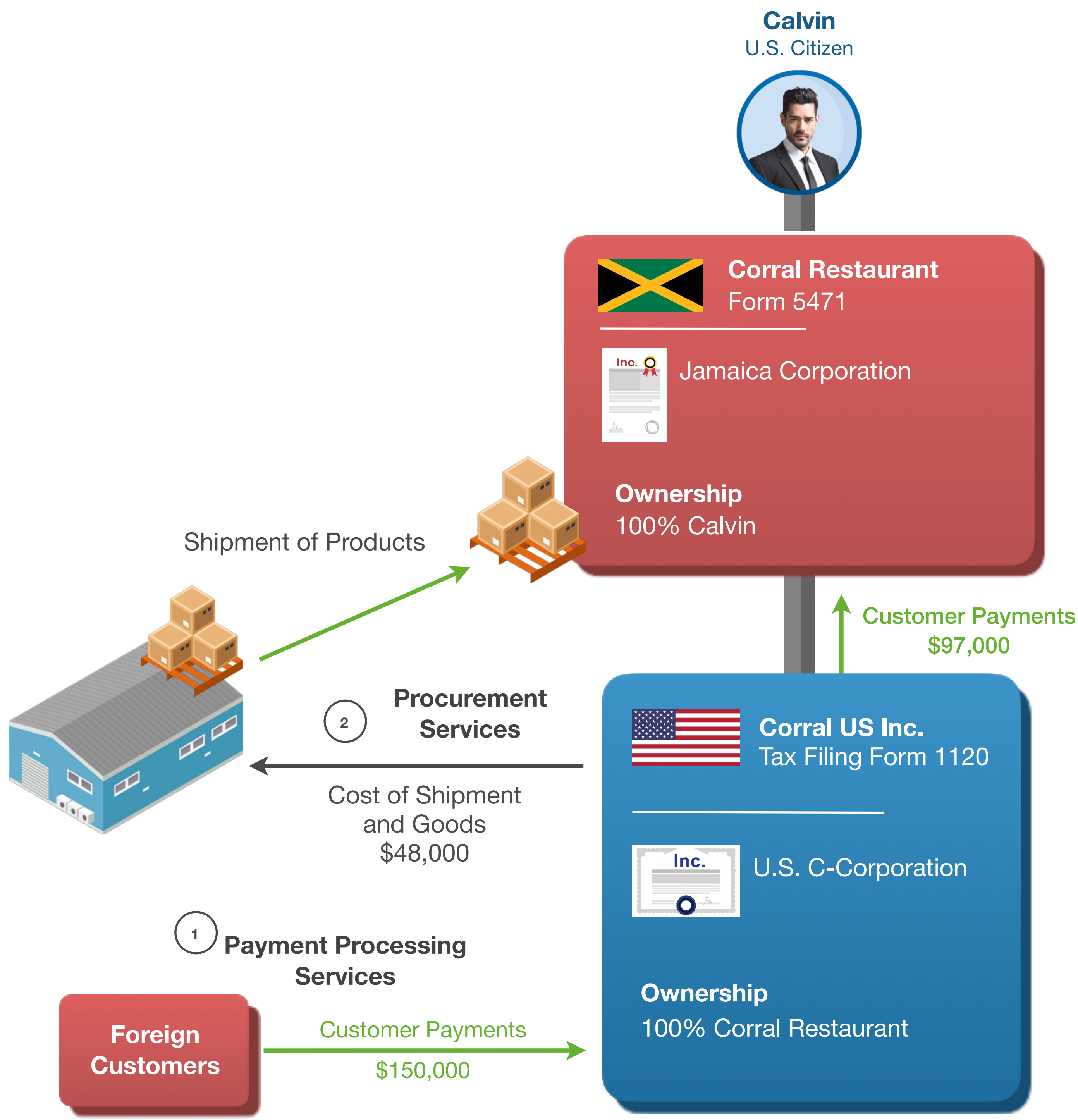
As a result of this structure, EduContent, Inc. pays a corporate tax of $80,850, based on a corporate tax rate of 21% and Net Income of $385,000

Payment Processing and Cost of Goods Sold Markup
C-Corporation (Jamaica Parent Company)

Structure #4.18

Structure Background

A U.S. corporation processes payments and procurement of goods for a Jamaican parent company corporation with markup for services.



Payment Processing and Cost of Goods Sold Markup C-Corporation (Jamaica Parent Company)

Structure Background

A Jamaican corporation, Corral Restaurant, is owned 100% by Calvin, a citizen of the United States. Being solely owned by a U.S. citizen, Corral Restaurant is classified as a Controlled Foreign Corporation per Internal Revenue Code §957. Corral Restaurant is the parent company of a U.S. C-Corporation Corral US Inc., which provides payment processing and procurement services.

During the year, Corral US Inc. collects payments from foreign-based customers and charges a 3% markup for payment processing services. Additionally, Corral US Inc. purchases goods from vendors and charges a 4% markup for procurement services. The U.S. Corporation is subject to 21% Federal corporate tax rate on all remaining net earnings per Internal Revenue Code §11.

As there is a Tax Treaty between the United States and Jamaica, any dividends paid from Corral US Inc. to Corral Restaurant are subject to a 10% withholding tax based on the direct corporate dividends rate[1], as opposed to the traditional 15% withholding rate.

Monetary Transactions & Accounting

1. Corral US Inc. collects payments from foreign-based customers totaling $150,000 and of an allocatable portion of $100,000, charges a 3% fee for payment processing, and remits $97,000 to Corral Restaurant.

2. Of the remaining $50,000, Corral US Inc. purchases goods to Corral Restaurant in the amount of $48,000, the equivalent of a 4% markup, maintains the remaining $2,000, and the goods are shipped from the vendor directly to Corral Restaurant.

U.S. Tax Filing Compliance

3. **Form 1120 (Corral US Inc.) with Form 5472. T**he U..S. Corporation files an income tax return subject to a 21% rate, and certain Foreign Owned Corporations must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions with its foreign-owned parent company.

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[1] https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables

Payment Processing and Cost of Goods Sold Markup C-Corporation (Jamaica Parent Company)

Summarized Tax Returns and Financial Statements

3

Form 1120	Corral US Inc.
Gross Income	$150,000
Cost of Sales (Payment Processing)	-$97,000
Cost of Goods Sold (Procurement)	- $48,000
Taxable Income	$5,000
U.S. Corporate Tax	**$1,050**

Form 5472	**Corral US Inc.**
Foreign Owned U.S. Corporation	

Resulting Tax Implications

As a result of this structure, the U.S. Corporate Income Tax of Corral US Inc. is $1,050.

In the event retained earnings of $3,950 are paid to the Jamaican parent as Qualified dividends, a 5% withholding tax, or $198 will apply.

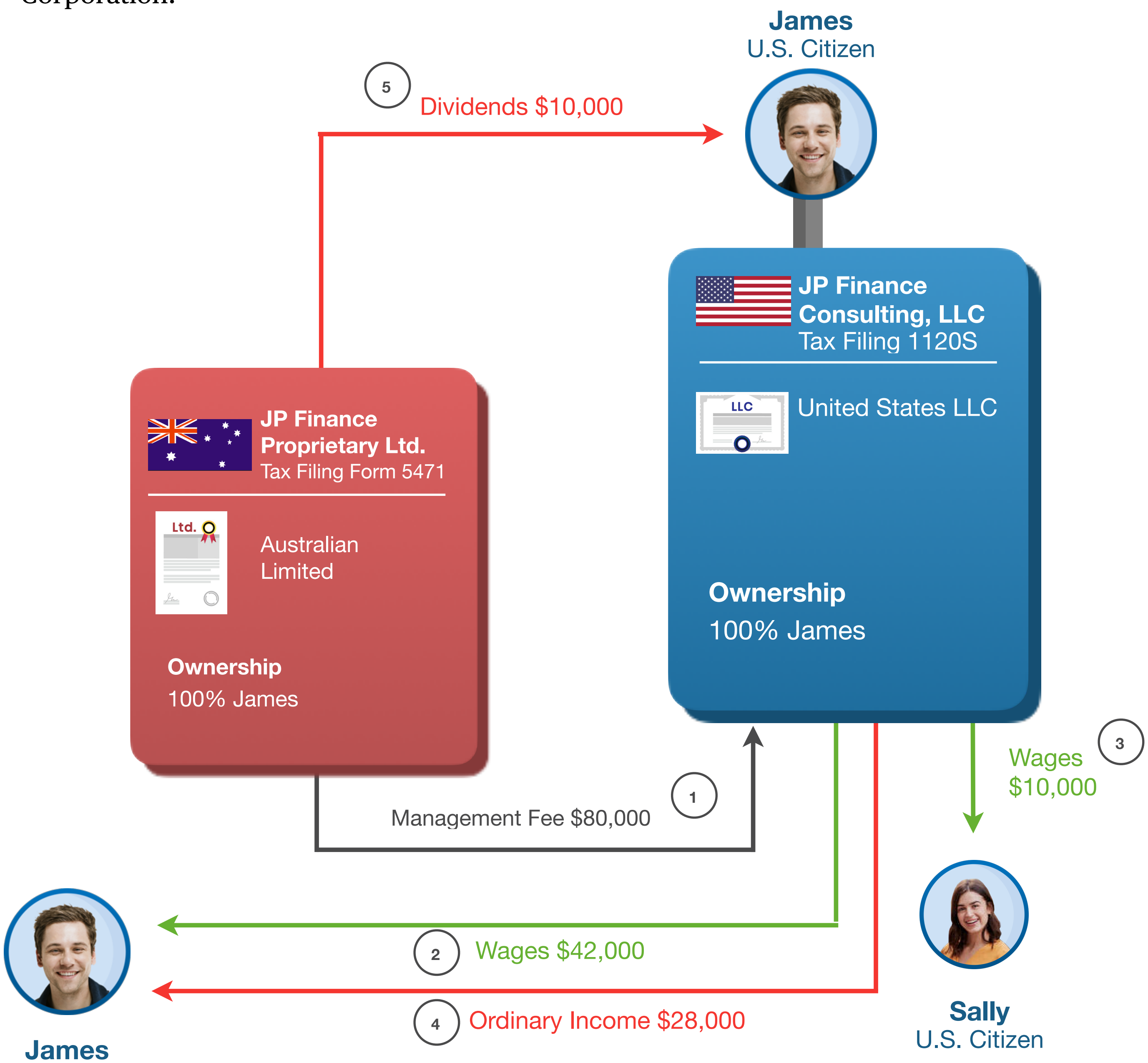
Australian Parent Entity with S-Corporation Agreement

Structure # 4.19

Structure Summary

A resident alien working in the United States is the owner of a Foreign Corporation and establishes an S-Corporation as an intermediary to receive salary and ordinary income through a Management Fee from the Foreign Corporation.

This is an ideal structure for owners of a Foreign Corporation who operate in the United States and can avoid a Branch Profits tax by conducting business in the U.S. through an S-Corporation.



Australian Parent Entity with S-Corporation Agreement

Structure Background

James, a U.S. resident alien, owns JP Finance Proprietary Limited, an Australian corporation providing financial services. To operate in New York, an S-Corporation, JP Finance Consulting, LLC, is formed to conduct business in the United States, which is also owned by James separately.

During the year, JP Finance Proprietary Limited pays a Management Fee to JP Finance Consulting, LLC, and in turn, the U.S. LLC compensates James, and his wife Sally, an annual salary. This arrangement prevents JP Finance Proprietary Limited conducting business in the United States, and a result a Branch Profits Tax. The Branch Profits tax would have applies based on Internal Revenue Code §884(a) imposes a 21% corporate tax rate in addition to the same rate of tax on deemed remittances to a home office (15% lower treaty rate for Australia) as on dividends (or amounts deemed repatriated) paid by a U.S. subsidiary to a foreign parent.

The remaining Net Income from the LLC would be taxed as Ordinary Income to James. Additionally, the Foreign Corporation also pays James a Qualified Dividend during the year.

Monetary Transactions & Accounting

1. There is an Intracompany Agreement between JP Finance Proprietary Ltd. and JP Finance Consulting, LLC for an annual Management Fee of $80,000.
2. Wages are paid from JP Finance Consulting, LLC to James $42,000.
3. Wages are paid from JP Finance Consulting, LLC to Sally $1,000.
4. The remaining Net Income from JP Finance Consulting, LLC of $28,000 is taxed as Ordinary Income by James.
5. During the year, JP Finance Proprietary Ltd. also pays James a (Qualified) Dividend.

U.S. Tax Filing Compliance

6. **Form 1120S (JP Finance Consulting, LLC).** At the conclusion of the year, JP Finance Consulting, LLC has Ordinary Net Income of $28,000 (Revenue of $80,000 less $52,00 of Wages Paid).
7. **Form 1040 (MFJ James).** On his Married Filing Joint tax return, James and Sally report total income of $52,000 of Wages, $28,000 of Ordinary Income, and $10,000 of Qualified Dividends.
8. **Form 5471 (JP Finance Proprietary Ltd.).** Attached to their personal tax return James and Sally must file Form 5471, Information Return of U.S. Persons With Respect To

Certain Foreign Corporations in relation to his ownership of JP Finance Proprietary Ltd. to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

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Form 1040 (MFJ)	James
Wages (James)	$42,000
Wages (Sally)	$10,000
Ordinary Income	$28,000
Qualified Dividends	$10,000
Total Income	$90,000
Standard Deduction	- $24,000
Taxable Income	**$66,000**
U.S. Tax	**$7,920**

6

Form **1120-S** JP Finance Consulting, LLC	
Income	$80,000
Salary Expense	- $52,000
Net Ordinary Income	**$28,000**

8

Form **5471**
JP Finance Proprietary Ltd.

Resulting Tax Implications

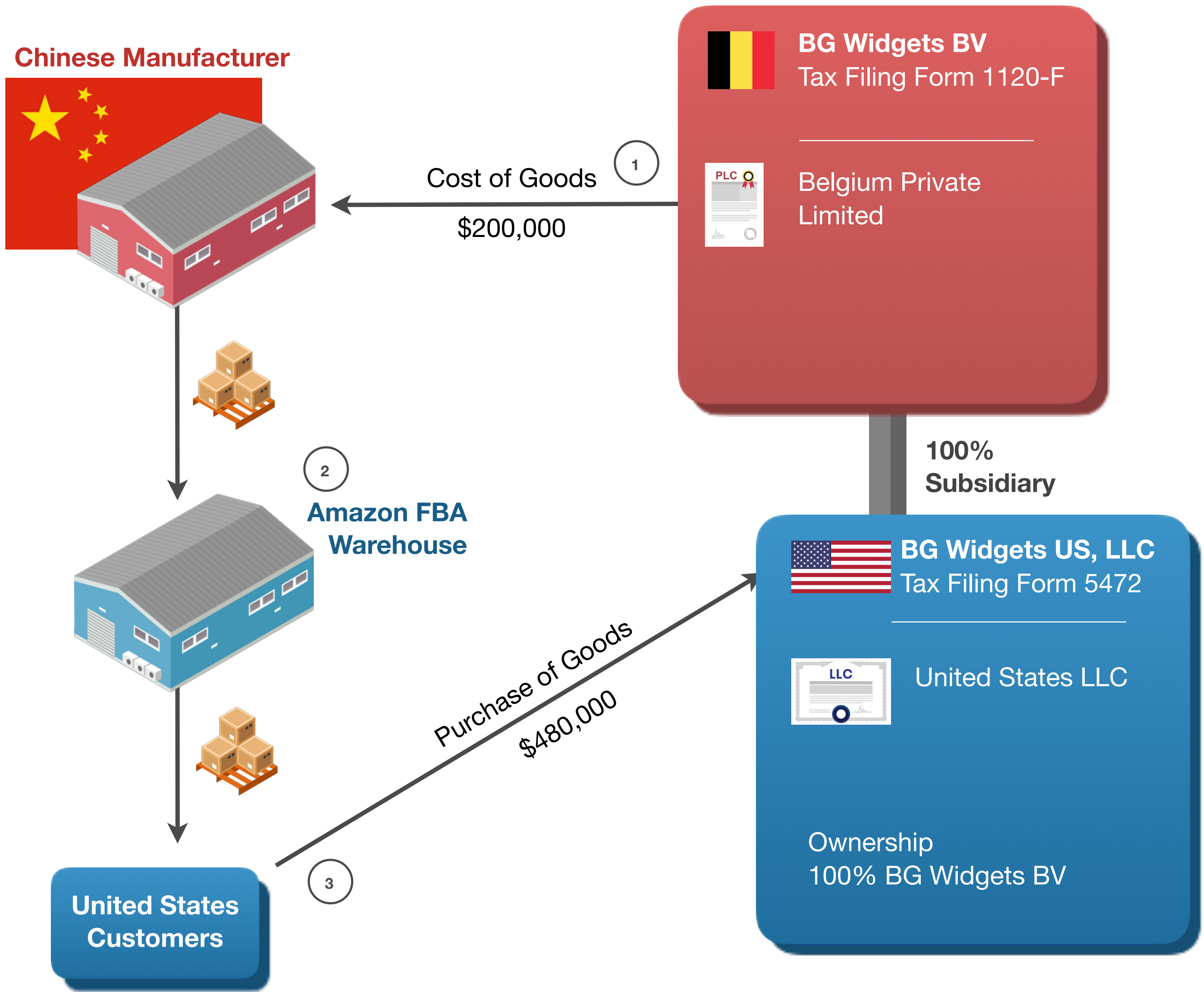
As a result of this structure, the U.S. tax liability of James is $0.

Tax Treaty Exemption E-Commerce (SMLLC Belgian Permanent Establishment)

Structure # 5.1

Structure Summary

A Belgian entity as a parent entity of a United States Single Member LLC is exempt from U.S. income taxes as there is no Permeant Establishment in the United States.



Structure Background

BG Widgets BV is a Belgian private limited company selling widgets globally, which are produced by a third-party Chinese manufacturer. In order to sell in the United States market easily, a U. S. Limited Liability Company, BG Widgets US, LLC was formed as a wholly-owned subsidiary of BG Widgets BV. All sales in the United States are sold and fulfilled through Amazon FBA held by an account of BG Widgets US, LLC.

As a Single-Member LLC (SMLLC), BG Widgets US, LLC is disregarded for Federal tax purposes[1] per Treasury Regulation §301.7701-3.

Once manufactured, the widgets are shipped directly from China to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Payment for the purchase of goods to customers is made to the U.S. LLC.

Although the sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3), as the result of sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code §865(e)(2) and §882, the business profits of the Belgian company qualifies for a Tax Treaty Exclusion under the Belgian-U.S. Income Tax Treaty Articles 5 and 7[2].

Article 5 of the Belgian-U.S. Tax Treaty describes the definition of a Permanent Establishment. In particular, Article 5(4)(a) specifically describes a warehouse strictly for the purpose of storage and delivery of goods, indicating a Permanent Establishment *does not* include "the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise".

Article 7 of the Tax Treaty states, "The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein."

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

2 https://www.irs.gov/pub/irs-trty/belgiumtt06.pdf

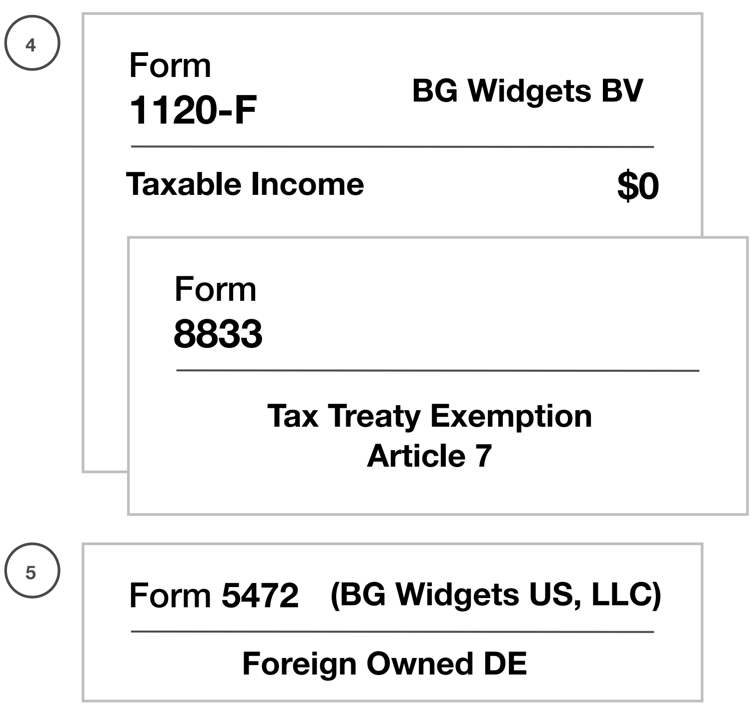
Monetary Transactions & Accounting

1. BG Widgets BV pays a third-party Chinese company $200,000 for the manufacture of the widgets.
2. The widgets are then shipped from China to the Amazon FBA warehouse in the United States. BG Widgets US, LLC is the Amazon account holder and title owner of the goods.
3. The United States customers pay for the purchase of the widgets totaling $480,000. This payment is processed through Amazon's payment system.

U.S. Tax Filing Compliance

4. **Form 1120-F (BG Widgets BV).** Based on this structure, the Belgian Limited Company files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, and claimed a Tax Treaty exclusion on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b). The tax treaty article which directly applies is Article 7, Business Profits.
5. **Pro Forma 1120, with Form 5472 (BG Widgets US, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements



Resulting Tax Implications

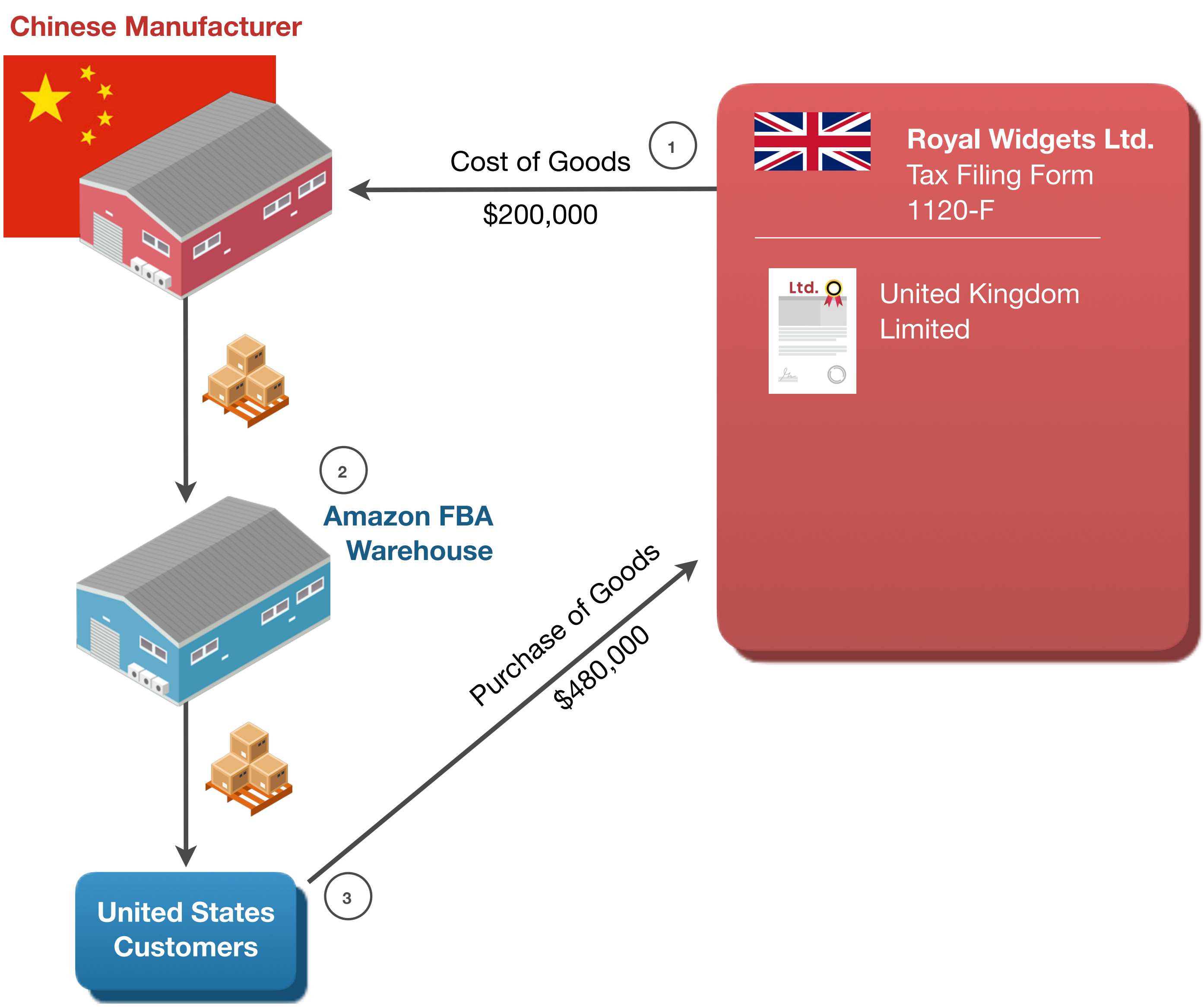
As a result of this structure, the U.S. tax liability of BG Widgets BV (and BG Widgets US, LLC, by extension, as a disregarded entity) is $0, so as long as a Permanent Establishment is not present in the United States.

Tax Treaty Exemption E-Commerce (United Kingdom Permanent Establishment)

Structure # 5.2

Structure Summary

A United Kingdom corporation sells goods in the United States and is exempt from income tax due to tax treaty provisions.



Structure Background

Royal Widgets Ltd. is a United Kingdom-limited corporation that sells widgets, which are produced by a third-party Chinese manufacturer. All sales in the United States are sold and fulfilled through Amazon FBA. Once manufactured, the widgets are shipped directly from China to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States.

Amazon then pays Royal Widgets Ltd. for the revenue related to the purchase of goods (less any fulfillment fees).

Although the sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3), as the result of sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code §865(e)(2) and §882, the business profits of the United Kingdom company qualifies for a Tax Treaty Exclusion under the UK-U.S. Income Tax Treaty Articles 5 and 7[1].

Article 5 of the UK-U.S. Tax Treaty describes the definition of a Permanent Establishment.

Article 7 of the Tax Treaty states, "The business profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein."

Monetary Transactions & Accounting

1. Royal Widgets Ltd. pays a tthird-party Chinese company $200,000 for the manufacture of the widgets.

2. The widgets are then shipped from China to the Amazon FBA warehouse in the United States.

3. The United States customers pay for the purchase of the widgets totaling $480,000. This payment is processed though Amazon's payment system.

U.S. Tax Filing Compliance

4. **Form 1120-F (Royal Widgets, Ltd).** Based on this structure, the UK Limited Corporation files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, and claimed a Tax Treaty exclusion on Form 8833, Treaty-Based Return Position Disclosure

[1] https://www.treasury.gov/resource-center/tax-policy/treaties/Documents/uktreaty.pdf

Tax Treaty Exemption E-Commerce (United Kingdom Permanent Establishment)

Under Section 6114 or 7701(b). The tax treaty article which directly applies is Article 7, Business Profits.

Summarized Tax Returns and Financial Statements

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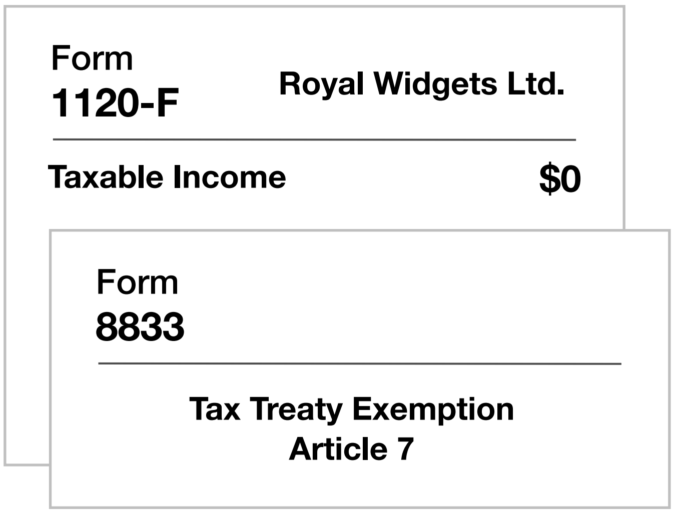


Resulting Tax Implications

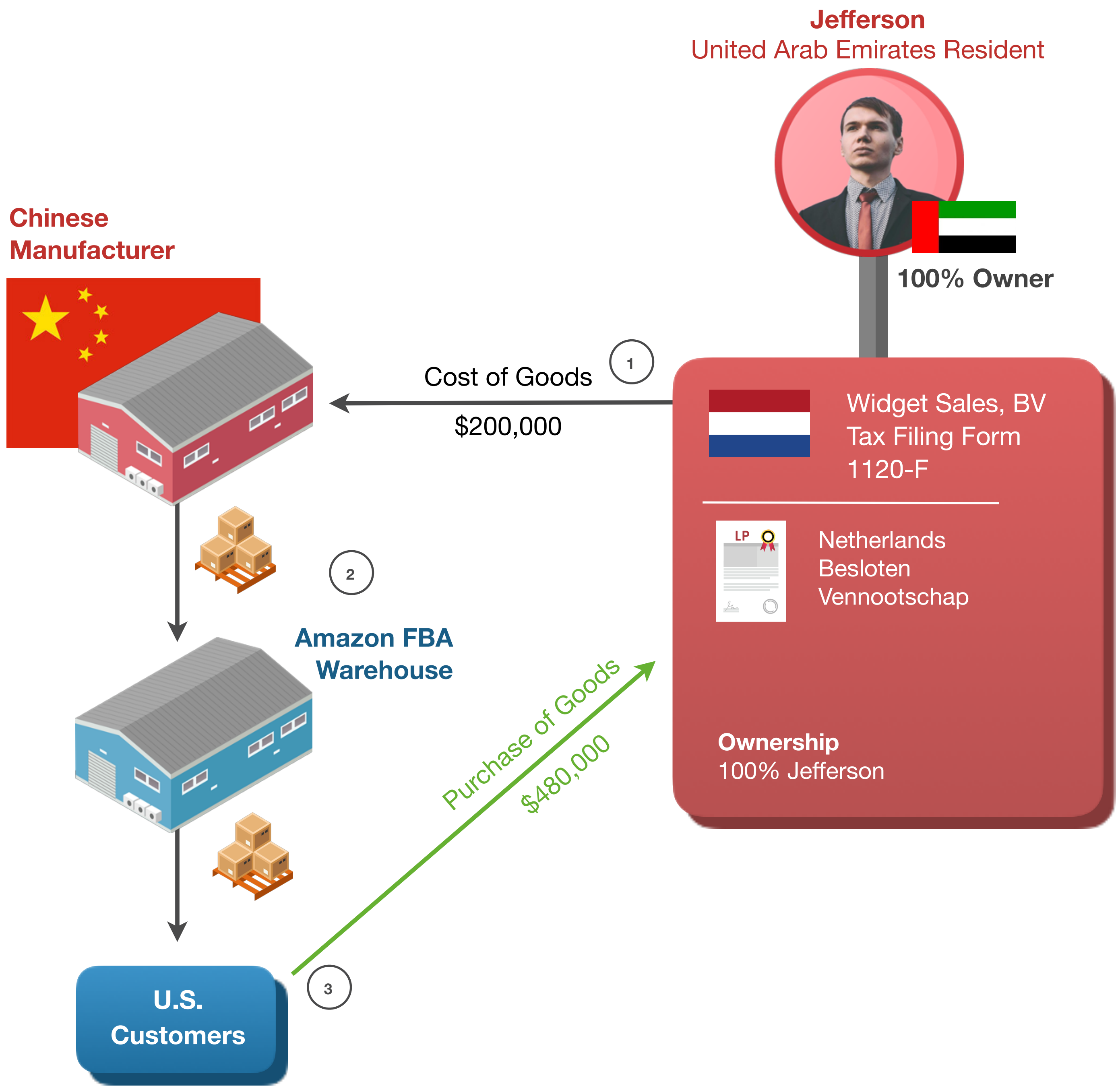
As a result of this structure, the U.S. tax liability of Royal Widgets Ltd. is $0.

Limitations of Benefits (Netherlands)
UAE Non-Resident Alien

Structure # 5.3

Structure Summary

A Non-Resident Client from the United Arab Emirates resident owns a Netherlands private limited company, and Tax Treaty benefits are limited due to his residency.



Structure Background

Jefferson, a United Arab Emirates resident, is the sole 100% owner of Widget Sales, BV is a Netherlands private limited company (Besloten Vennootschap) that sells widgets produced by a third-party Chinese manufacturer. Once the widgets are manufactured, the Chinese manufacturer drop-ships directly to an Amazon FBA warehouse in the United States.

All sales of widgets to customers located in the United States are sold and fulfilled through Amazon FBA. Once sold to a U.S. customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Amazon then pays Widget Sales, BV, for the revenue related to the purchase of goods (less any fulfillment fees).

Generally, the sale of goods from the Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3) as the result of the sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code, §865(e)(2) and §882. When the beneficial owner of a Netherlands company is a resident and citizen of the Netherlands, the business profits then qualify for a Tax Treaty Exclusion under the Netherlands-U.S. Income Tax Treaty Articles 5 and 7[1].

Article 5 of the Netherlands-U.S. Tax Treaty describes the definition of a Permanent Establishment. Article 7 of the Tax Treaty states, "The business profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein."

Yet, in this particular case, the beneficial owner of the Netherlands company is a resident of the United Arab Emirates and *does not* qualify for the tax treaty exemption per Treasury Regulation §1.1441-1, Requirement for the deduction and withholding of tax on payments to foreign persons. The purpose of the tax treaty benefit was intended only for residents of the country which contained the tax treaty exemption. In this case, the Netherlands treaty benefit was only intended for residents of the Netherlands.

As a result, Jefferson's U.S. tax rate of Effectively Connected Income (ECI) is subject to the U.S. corporate tax rate of 21%, and any dividends paid to Jefferson are subject to a Branch Profits tax of 30% per Internal Revenue Code §884.

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[1] https://www.irs.gov/pub/irs-trty/nether.pdf

Monetary Transactions & Accounting

1. Widget Sales, BV pays a third-party Chinese company $200,000 for the manufacture of the widgets.
2. The widgets are then shipped from China to the Amazon FBA warehouse in the United States.
3. The United States customers pay for the purchase of the widgets totaling $480,000. This payment is processed through Amazon's payment system.

U.S. Tax Filing Compliance

4. **Form 1120-F (Widgets Sales, BV).** Based on this structure, the Netherlands Private Limited Company files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, subject to a 21% corporate tax rate. In this case, the corporate tax is $39,690 ($280,000 x 21%). Additionally, any dividends paid to Jefferson personally are subject to a default tax rate of 30%.

Summarized Tax Returns and Financial Statements

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Form 1120-F	Widget Sales, BV
Gross Income	$480,000
COGS	$200,000
Total Income	$280,000
Tax (21%)	$39,690

Resulting Tax Implications

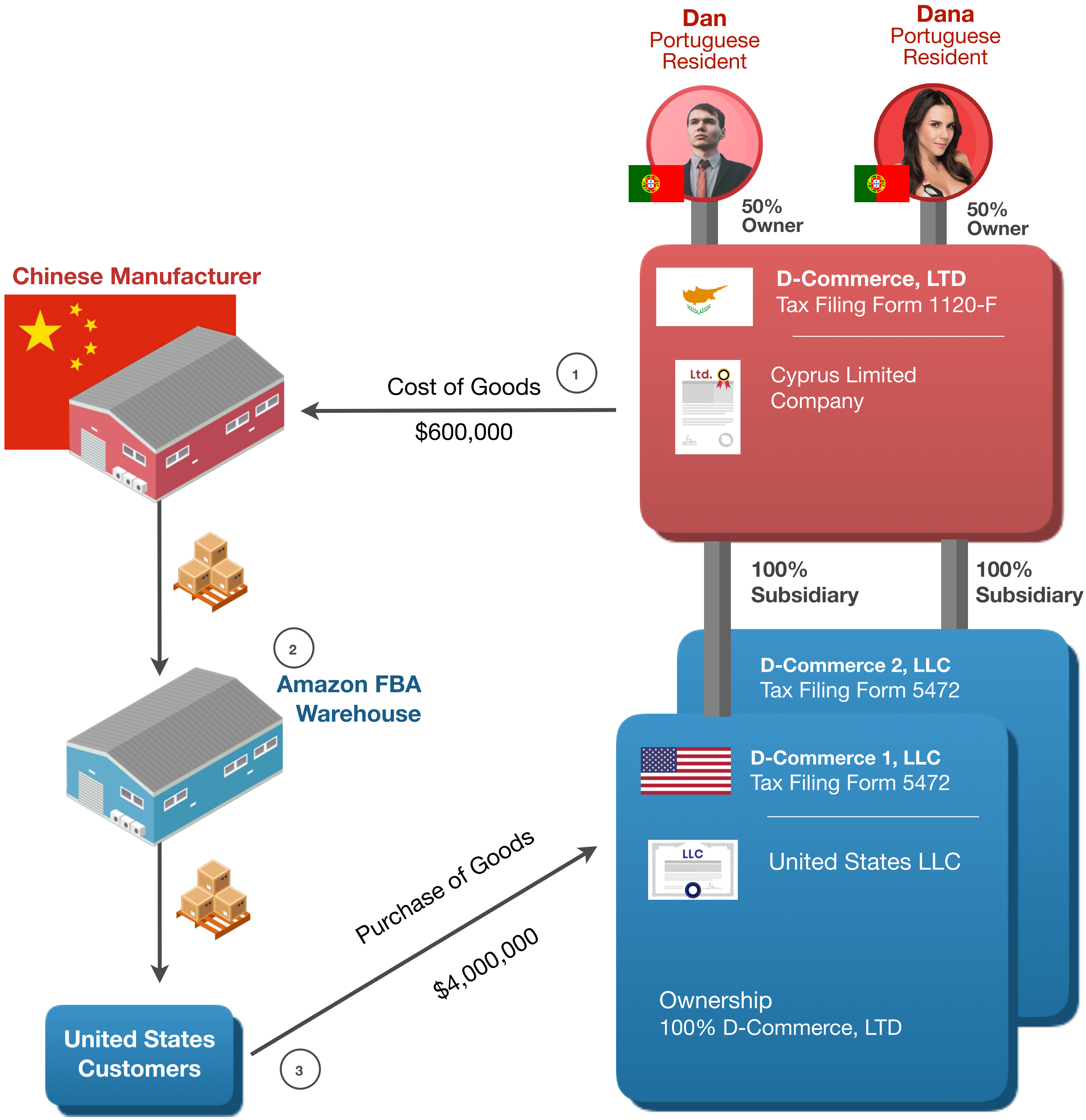
As a result of this structure, the U.S. tax lability of Widget Sales, BV is $39,690.

Tax Treaty Exemption E-Commerce (SMLLC Portugal Permanent Establishment)

Structure # 5.4

Structure Summary

A Cyprus entity, owned by two Portuguese residents, is the parent company of two United States Single Member LLCs and is exempt from U.S. income taxes as there is no Permeant Establishment in the United States.



Tax Treaty Exemption E-Commerce (SMLLC Portugal Permanent Establishment)

Structure Background

D-Commerce, LTD (owned by two Portuguese residents, Dan and Dana) is a Cyprus private limited company selling widgets globally. The widgets are produced by a third-party Chinese manufacturer and shipped to the United States. In order to sell in the United States market easily, a U. S. Limited Liability Company, D-Commerce 1, LLC, was formed as a wholly owned subsidiary of D-Commerce, LTD. Additionally, another U.S. LLC was formed, D-Commerce 2, LLC, which provides the same function of selling goods in the United States. All sales in the United States are sold and fulfilled through Amazon FBA held by an account of D-Commerce 1, LLC and D-Commerce 2, LLC.

As a Single-Member LLC (SMLLC), D-Commerce 1, LLC and D-Commerce 1, LLC are disregarded for Federal tax purposes[1] per Treasury Regulation § 301.7701-3.

Once widgets are manufactured, the widgets are shipped directly from China to an Amazon FBA warehouse in the United States. Once sold to a customer, the goods are then shipped from Amazon's warehouse directly to customers throughout the United States. Payment for the purchase of goods to customers is made to each U.S. LLC's bank account.

Although the sale of goods from Amazon FBA warehouse to the U.S. customer is considered Effectively Connected Income (ECI) earned by the foreign corporation per Internal Revenue Code §864(c)(3), as the result of the sale of inventory attributable to a U.S. shipping and destination location per Internal Revenue Code §865(e)(2) and §882, the business profits of the Cyprus company qualifies for a Tax Treaty Exclusion under the Cyprus-U.S. Income Tax Treaty Articles 5 and 7[2], or under the same Portuguese-U.S. Income Tax Treaty Articles 5 and 7[3], as operations are performed in Portugal.

Article 5 of the Portugal-U.S. Tax Treaty describes the definition of a Permanent Establishment. In particular, Article 5(a) specifically describes a warehouse strictly for the purpose of storage and delivery of goods, indicating a Permanent Establishment *does not* include "the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise."

Article 7 of the Tax Treaty states, "The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein."

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1 https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

2 https://www.irs.gov/pub/irs-trty/cyprus.pdf

3 https://www.irs.gov/pub/irs-trty/portugal.pdf

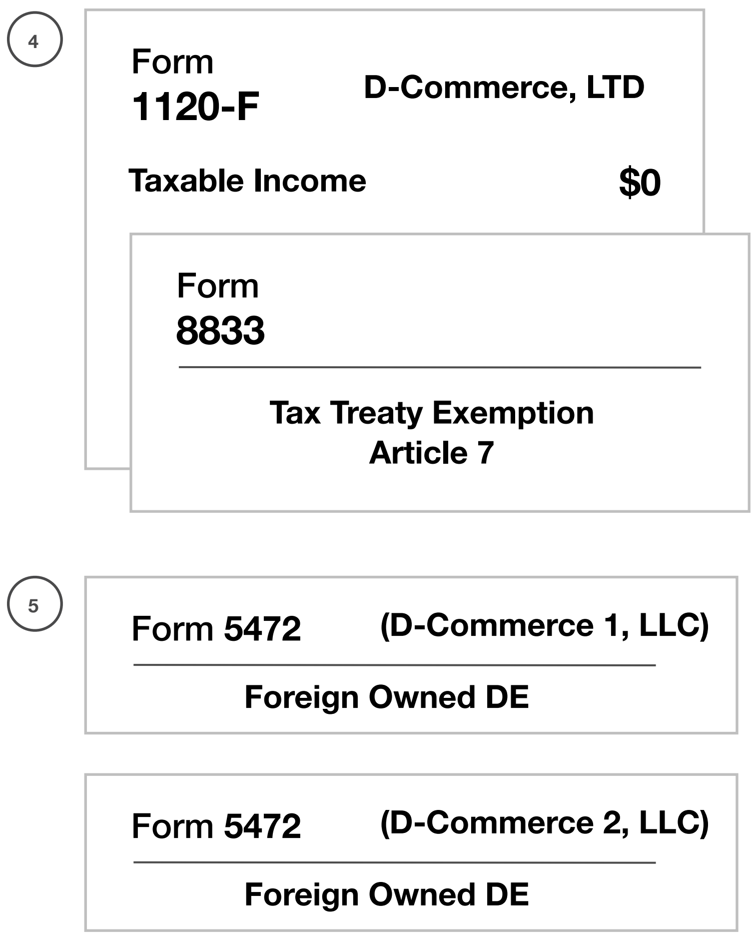
Monetary Transactions & Accounting

1. D-Commerce, LTD pays a third-party Chinese company $600,000 for the manufacture of the widgets.
2. The widgets are then shipped from China to the Amazon FBA warehouse in the United States. D-Commerce 1, LLC is the Amazon account holder and title owner of the goods.
3. The United States customers pay for the purchase of the widgets totaling $4,000,000. This payment is processed though Amazon's payment system.

U.S. Tax Filing Compliance

4. **Form 1120-F (D-Commerce, LTD).** Based on this structure, the Cyprus Limited Company files Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, and claimed a Tax Treaty exclusion on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), under the Portuguese tax tartly exemption. The tax treaty article which directly applies is Article 7, Business Profits.
5. **Pro Forma 1120, with Form 5472 (D-Commerce 1, LLC and D-Commerce 2, LLC).** Foreign Owned Disregarded Entities must generally file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business to report certain reportable transactions per Internal Revenue Code §6038.

Summarized Tax Return Filings



Resulting Tax Implications

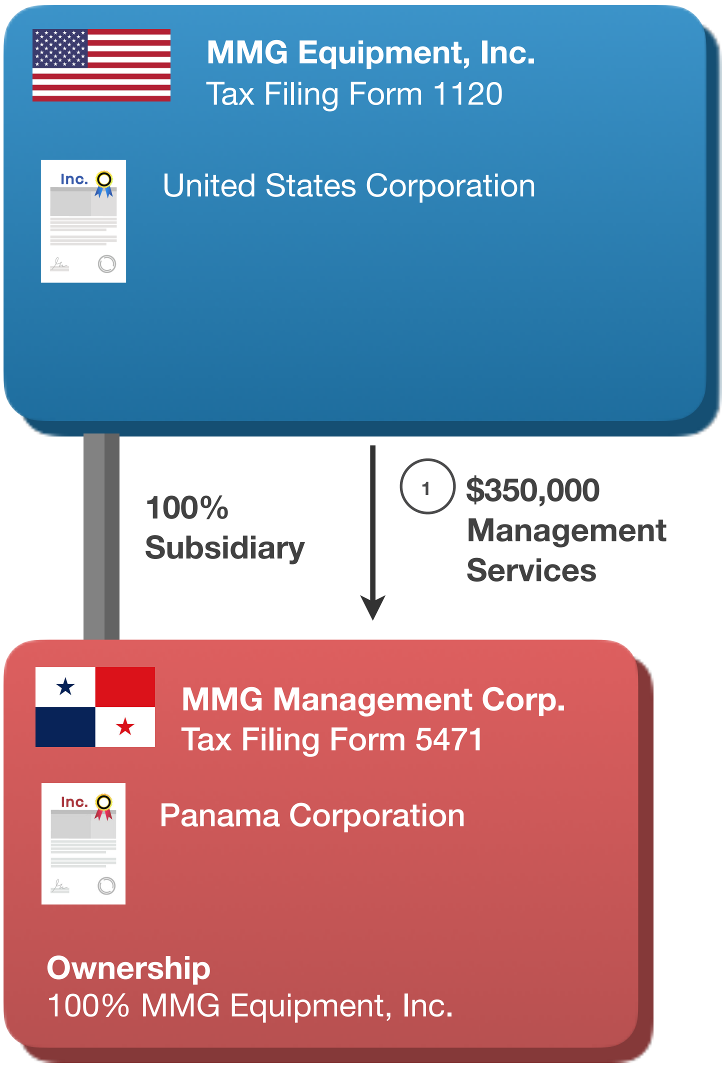
As a result of this structure, the U.S. tax liability of D-Commerce, LTD (and D-Commerce 1, LLC and D-Commerce 2, LLC by extension, as disregarded entities) is $0, so as long as a Permanent Establishment is not present in the United States.

GILTI C-Corporation Section 250 Deduction Panama

Structure # 6.1

Structure Summary

A United States C-Corporation with a foreign subsidiary as a Controlled Foreign Corporation claims an IRC Section 250 deduction against its Global Intangible Low-Taxed Income (GILTI).



Structure Background

MMG Equipment, Inc., a United States C-Corporation, is a provider of safety equipment sold to U.S. customers online. To manage the sales platforms and administration of the business, a Panamanian corporation was formed as a wholly-owned subsidiary. The foreign corporation, MMG Management Corp. is a Controlled Foreign Corporation per Internal Revenue Code §957 and hires local staff working physically in Panama for administration and management. A management fee is paid from the C-Corporation to the foreign subsidiary. In this situation, there is no inclusion of Subpart F (Foreign Base Company Sales Income) per Internal Revenue Code §951 and §952 as the employees are working in the country of formation.

During the year, MMG Equipment, Inc. sells goods directly to customers in the United States. In addition to its Cost of Goods Sold, the U.S. Corporation also pays a management fee to the Panama entity. The net earnings for MMG Management Corp. are subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

There is however a 50% deduction for any Internal Revenue Code §951A inclusion of a C-Corporation.

Monetary Transactions & Accounting

1. The total payments for management services are $350,000 for the entire year.
2. At the close of the year, the Net Income from the Panama corporation, MMG Management Corp. was $100,000 ($350,000 of Revenue less $250,000 of Expenses for wages). On the Balance Sheet, the business had the following assets: $200,000 of Cash, $150,000 of Fixed Assets (office equipment), and $500,000 of Equity.

U.S. Tax Filing Compliance

3. **Form 1120, with Form 8992 (MMG Equipment, Inc.).** The U.S. Corporation must file Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI) in order to calculate the includable income. The Net Income is $192,500 [$1,000,000 of Revenue - $500,000 of Cost of Goods Sold - minus $350,000 for management fee + GILTI $85,000 - minus Section 250 deduction of $42,500]. For this year, GILTI is equal to $85,000 [Tested Income of $100,000 (Net Income) Minus $15,000 (10% of Tangible Assets)].

GILTI C-Corporation Section 250 Deduction Panama

*Although not shown, the foreign corporation must also be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, to satisfy the reporting requirements of Internal Revenue Code §6038.

*Per Internal Revenue Code §245A, the C-Corporation received a deduction for any dividends received from a wholly-owned Controlled Foreign Corporation.

Summarized Tax Returns and Financial Statements

2

MMG Management Corp.
Income Statement

Revenue	**$350,000**
Wage Expenses	**- $250,000**
Net Income	**$100,000**

MMG Management Corp.
Balance Sheet

Cash $200,000	**Equity** $500,000
Fixed Assets $150,000	

3

Form **1120**
MMG Equipment, Inc.

Revenue	**$1,000,000**
Cost of Goods Sold	**- $500,000**
Management	**- $350,000**
GILTI	**+ $85,000**
Section 250	**- $42,500**
Net Income	**$192,500**
Corporate Tax (21%)	$40,425

Form **8992**
Global Intangible Low Taxed Income

Tested Income	**$100,000**
Deemed Tangible Income Return (DTIR) [10% of Tangible Assets]	**- $15,000**

GILTI = $85,000

Resulting Tax Implications

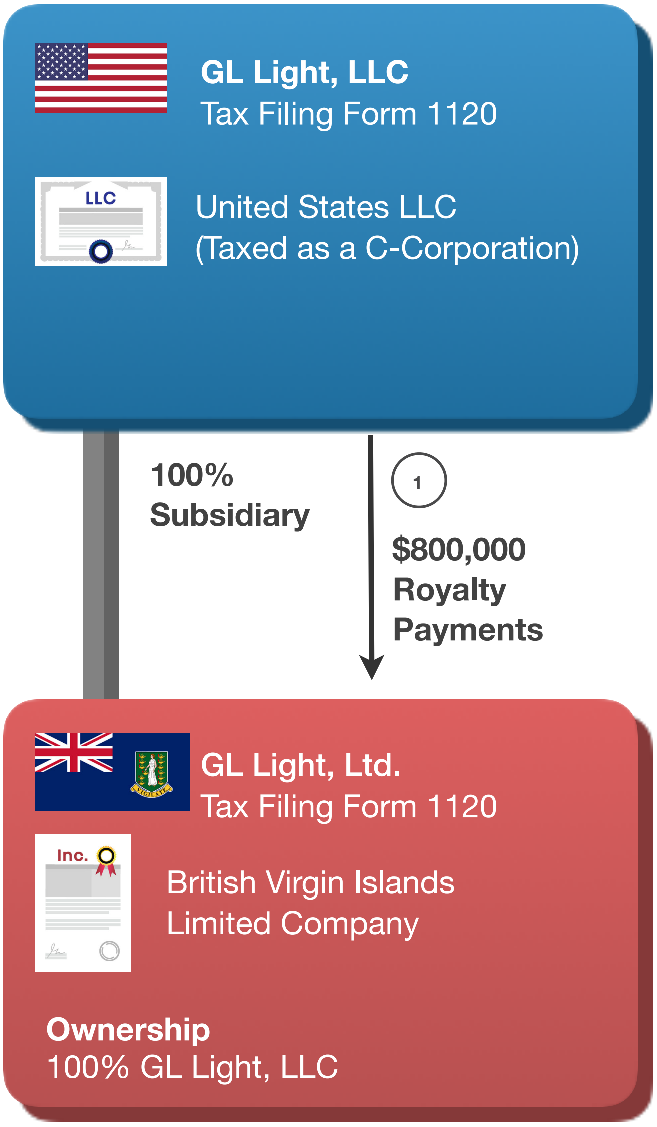
As a result of this structure, the tax liability of MMG Equipment, Inc. is $40,425 (a 21% rate on $192,500 of net income).

GILTI LLC Section 250 Deduction BVI

Structure # 6.2

Structure Summary

A corporation owning a foreign subsidiary in the British Virgin Islands claimed a Section 250 deduction upon the inclusion of Global Intangible Low Taxed Income.



Structure Background

GL Light, LLC, a United States Limited Liability Company taxed as a C-Corporation, is a provider of red light health equipment. To manage the sales of licensing, a British Virgin Islands limited company was formed as a wholly-owned subsidiary. The foreign corporation, GL Light, Ltd. is a Controlled Foreign Corporation per Internal Revenue Code §957 and hires staff to develop a patent.

A royalty payment is paid from the LLC to the foreign subsidiary. In this situation, there is no inclusion of Subpart F (Foreign Base Holding Company Income) per Internal Revenue Code §954 as the employees are working in the country of formation.

During the year, GL Light, LLC sells products in the United States. In addition to its Cost of Goods Sold, the U.S. Corporation also pays a royalty fee to the BVI entity. The net earnings for GL Light, Ltd. are subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

There is, however, a 5,0% deduction for any §951A inclusion of an LLC taxed as a C-Corporation.

Monetary Transactions & Accounting

1. The total payments for management services $800,000 for the entire year.
2. At the close of the year, the Net Income from the BVI company, GL Light, Ltd. was $370,000 ($800,000 of Revenue less $200,000 of Patent Development Expenses, and less $150,00 of wage expenses, and $80,000 of Administrative Expenses). On the Balance Sheet, the business had the following assets: $200,000 of Cash, $150,000 of Fixed Assets (office equipment), and $500,000 of Equity.

U.S. Tax Filing Compliance

3. **Form 1120, with Form 8992 (GL Light, LLC).** The U.S. Corporation must file [Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)] in order to calculate the includable income. The Net Income is $1,177,500 [$3,000,000 of Revenue - $1,200,000 of Cost of Goods Sold - minus $800,000 for royalty fees + GILTI $355,000 - minus Section 250 deduction of $177,500]. For this year, GILTI is equal to $355,000 [Tested Income of $370,000 (Net Income) Minus $15,000 (10% of Tangible Assets)].

GILTI LLC Section 250 Deduction BVI

*Although not shown, the foreign corporation must also be disclosed on [Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations], to satisfy the reporting requirements of Internal Revenue Code §6038.

*Per Internal Revenue Code §245A, the C-Corporation received a deduction for any dividends received from a wholly-owned Controlled Foreign Corporation.

Summarized Tax Returns and Financial Statements

2

GL Light, Ltd.
Income Statement

Revenue	$800,000
Patent Development	- $200,000
Wage Expenses	- $150,000
Administrative Expenses	- $80,000
Net Income	**$370,000**

GL Light, Ltd.
Balance Sheet

Cash $200,000	**Equity** $500,000
Fixed Assets $150,000	

3

Form **1120**
GL Light, LLC

Revenue	**$3,000,000**
Cost of Goods Sold	**- $1,200,000**
Royalty Payments	**- $800,000**
GILTI	**+ $355,000**
Section 250	**- $177,500**
Net Income	**$1,177,500**
Corporate Tax (21%)	$247,275

Form **8992**
Global Intangible Low Taxed Income

Tested Income	**$370,000**
Deemed Tangible Income Return (DTIR) [10% of Tangible Assets]	**- $15,000**

GILTI = $355,000

Resulting Tax Implications

As a result of this structure, the tax liability of GL Light, LLC is $247,275 (a 21% rate on $1,177,500 of net income).

GILTI Product Sales of Hong Kong CFC

Structure # 6.3

Structure Summary

A Foreign Corporation is subject to Global Intangible Low-Taxed Income (GILTI) for the sales of physical goods in the United States.

Structure Background

Widgets Ltd., a Hong Kong limited company, is a seller of widgets to U.S. customers. The widgets are produced in Hong Kong and shipped directly to customers located in the United States in bulk. The sole owner of Widgets Ltd. is Eduardo Smith, a United States citizen and resident. As Eduardo is the sole owner, Widgets Ltd. is a Controlled Foreign Corporation per Internal Revenue Code §957.

During the year, Widgets Ltd. earned Net Income from the sale of widgets in which no foreign taxes were paid, and no dividend distributions were paid to Eduardo.

Exempt from Subpart F

As the widgets are manufactured in the country of incorporation (Hong Kong), there is no inclusion of Subpart F Foreign Base Company Sales Income (FBCSI) per Internal Revenue Code §954(d).

Subject to GILTI

However, the gross income from the sale of widgets described in this structure is subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

As Widgets Ltd. does not conduct a trade or business in the United States within the meaning of Internal Revenue Code §862 having no Permanent Establishment, nor is its income subject to Subpart F, the gross income of the corporation is subject to GILTI "Tested Income" subject per Internal Revenue Code §951A(c)(2).

Monetary Transactions & Accounting

1. Widgets Ltd. manufactured goods during the year costing $25,000,000
2. The goods were later sold for $40,000,000 and shipped directly from the manufacturing warehouse in Hong Kong to the U.S. customer warehouse.
3. At the close of the year, the Net Income from the business was $15,000,000 ($40,000,000 of Revenue less $25,000,000 of Cost of Goods Sold). On the Balance Sheet the business had the following assets: $2,000,000 of Cash, $12,000,000 of Equipment*, and $30,000,000 inventory ready for sale.

Specified Tangible Property

Specified tangible property (used in the calculation of GILTI) generally is defined tangible property eligible for depreciation used in the production of gross tested income per

Treasury Regulation §1.951A-3 referring to Qualified Business Asset Investment (QBAI).For the purposes of this example the Equipment of $12,000,000 is Specified Tangible Property, whereas the $30,000,000 of inventory is not.

U.S. Tax Filing Compliance

4. **Form 5472 (Widgets Ltd.)** The foreign corporation must be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations to satisfy the reporting requirements of Internal Revenue Code §6038.
5. **Form 8992 (Widgets Ltd.).** The gross income from the foreign corporation must be reported on Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI) in order to calculate the includable income. For this year, GILTI is equal to $13,800,000 [Tested Income of $15,000,000 (Net Income) Minus $1,200,000 (10% of Specified Tangible Property)].
6. **Form 1040 (Eduardo Smith).** On his personal Federal income tax return, Eduardo includes his GILTI inclusion resulting in U.S. tax of $5,067,000 (even if no dividends were paid during the year).

GILTI Product Sales of Hong Kong CFC

Summarized Tax Returns and Financial Statements

3

Widgets Ltd.
Income Statement

Sales Revenue	**$40,000,000**
Cost of Goods Sold	**- $25,000,000**
Net Income	**$15,000,000**

Widgets Ltd.
Balance Sheet

Cash $2,000,000	**Liabilities** $30,000,000
Equipment $12,000,000	**Equity** $14,000,000
Inventory $30,000,000	

4

Form **5471** **Widgets Ltd.**

5

Form **8992**
Global Intangible Low Taxed Income

Tested Income	**$15,000,000**
Deemed Tangible Income Return (DTIR) [10% of Tangible Assets]	**- $1,200,000**

GILTI = $13,800,000

6

Form **1040** **Eduardo Smith (Single)**

GILTI Inclusion	**$13,800,000**
Total Income	**$13,800,000**
Standard Deduction	**- $12,000**
Taxable Income	**$13,788,000**
U.S. Tax	**$5,067,000**

Resulting Tax Implications

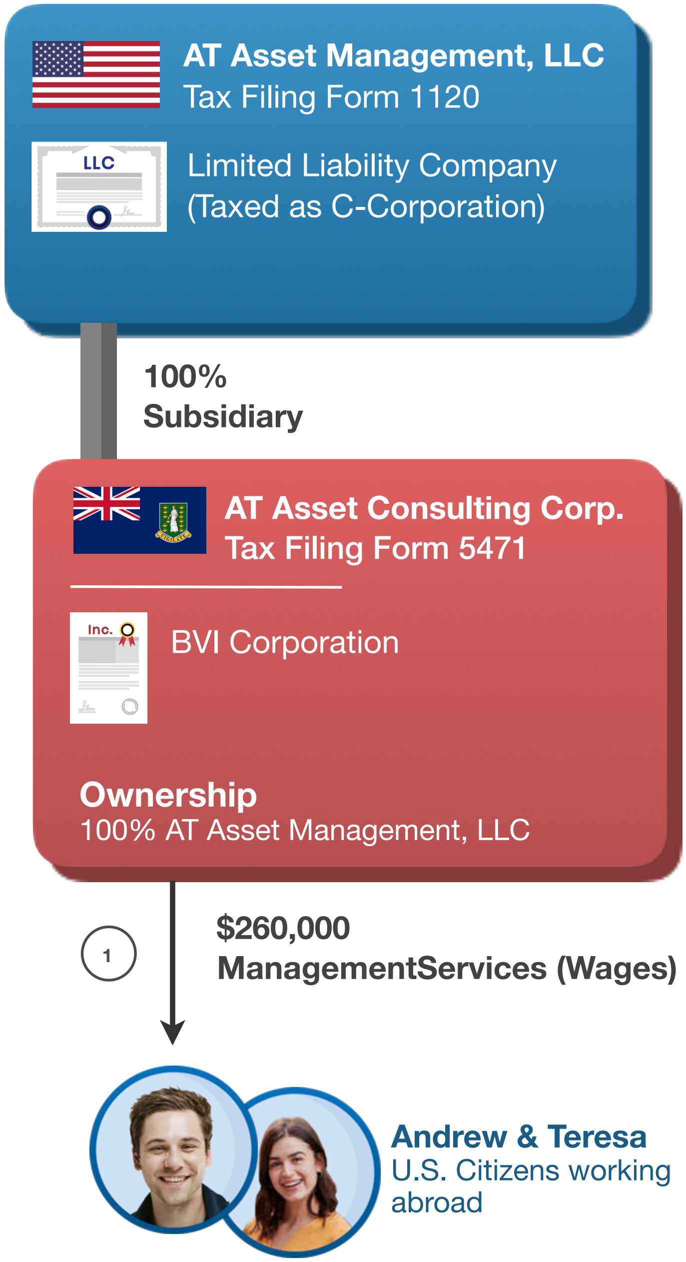
As a result of this structure, the U.S. Global Intangible Low Taxed Income is $13,800,000, and the tax owed personally by Eduardo Smith is $5,067,000.

GILTI LLC Section 250 Deduction and FEIE Wages to Manager

Structure # 6.4

Structure Summary

Managers of a foreign corporation earn wages that qualify for the Foreign Earned Income Exclusion, and the parent C-Corporation claims an Internal Revenue Code §250 deduction on the remaining GILTI income.



GILTI LLC Section 250 Deduction and FEIE Wages to Manager

Structure Background

AT Asset Management, LLC, a United States Limited Liability Company which made an election to be taxed as a C-Corporation, is a provider of asset management services.

To manage employees working offshore, a British Virgin Islands corporation was formed as a wholly-owned subsidiary. The foreign corporation, AT Asset Consulting Corp., is a Controlled Foreign Corporation per Internal Revenue Code §957 and hires offshore employees working physically in outside the United States to provide asset consulting services. For the purposes of this situation, there is no inclusion of Subpart F (Foreign Base Company Sales Income) per Internal Revenue Code §951 and §952.

During the year, AT Asset Management, LLC generates no domestic income, and all of its foreign-service income is directly earned through its sole foreign subsidiary. The net earnings for AT Asset Consulting Corp. are subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250. There is, however, a 50% deduction for any Internal Revenue Code §951A inclusion of a C-Corporation, referred to as a 'Section 250 Deduction'.

Monetary Transactions & Accounting

1. Wages of $240,000 are paid to both Andrew & Teresa from the foreign BVI corporation.
2. At the close of the year, the Net Income from the BVI corporation, AT Asset Consulting Corp., was $610,000 ($850,000 of Revenue less $240,000 of Expenses for wages).

U.S. Tax Filing Compliance

3. **Form 1120, with Form 8992 (AT Asset Management, LLC).** On its Federal Income Corporate Tax Return, the LLC reports a Net Income of $305,000 [$0 of Revenue + GILTI Inclusion of $610,000 - minus Section 250 deduction of $305,000]. The U.S. Corporation must file Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI) in order to calculate the includable income. As a result the corporation tax is $64,050 (21% corporate tax rate).
4. **Form 1040 (Andrew & Teresa)**. On their personal tax returns, both spouses report $320,000 of wages ($240,000 from AT Asset Consulting Corp., plus additional wages Teresa earned from outside employment), a Foreign Earned Income Exclusion of $216,000, a Foreign Housing Exclusion of $16,000, resulting in $88,000 of taxable income. The taxable income results in $22,000 of personal income tax, less a $2,000

foreign tax credit from the remaining allowable Foreign Tax Credit Teresa paid from outside employment. The resulting total tax is $20,000.

*Although not shown, the foreign corporation must also be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

2

AT Asset Consulting Corp.
Income Statement

Revenue	**$850,000**
Wage Expenses	**- $240,000**
Net Income	**$610,000**

3

Form **1120**
AT Asset Management, LLC

Revenue	**$0**
GILTI	**+ $610,000**
Section 250 Deduction	**- $305,000**
Net Income	**$305,000**
Corporate Tax (21%)	$64,050

4

Form **1040**
Andrew & Teresa

Wages	**$320,000**
Foreign Earned Income Exclusion	**- $216,000**
Foreign Housing Exclusion	**- $16,000**
Taxable Income	**$88,000**
Personal Tax	**$22,000**
Foreign Tax Credit	**$2,000**
Total Tax	$20,000

Resulting Tax Implications

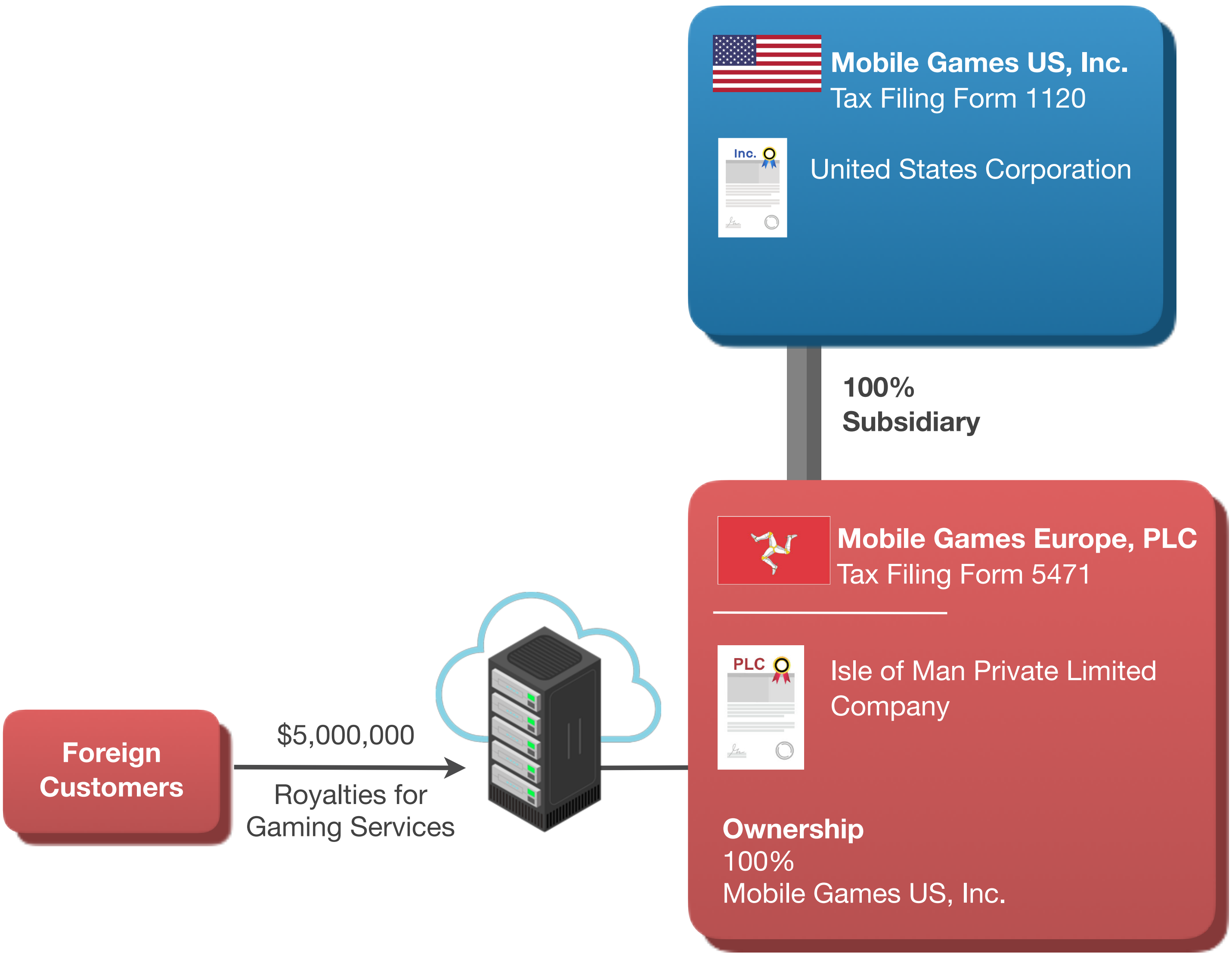
As a result of this structure, the total tax liability of AT Asset Management, LLC is $64,050 of corporate tax, and Andrew/Teresa is $20,000 of personal tax.

GILTI SaaS Royalties Isle of Man

Structure # 6.5

Structure Summary

A United States corporation foreign subsidiary is subject to Global Intangible Low Taxed Income (GILTI) based on the royalties it receives from foreign customers.



Structure Background

Mobile Game US, Inc., a United States publicly traded company, is a provider of mobile gaming services with customers throughout the world. In order to easily provide services to a worldwide audience, subsidiaries are formed in various countries.

In order to serve the European market, Mobile Games Europe, PLC was formed and is an Isle of Man Private Limited Company which is a wholly owned subsidiary of Mobile Game US, Inc. As a result, Mobile Games Europe PLC is a Controlled Foreign Corporation per Internal Revenue Code §957.

During the year, Mobile Games Europe, PLC receives royalties from gaming services from foreign customers located outside the United States. These gaming services are provided from a server located physically in the Isle of Man. Installed on the servers is Gaming Software (a proprietary intangible asset that incurred costs for its creation).

The royalty income described in this structure is subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250. For the purposes of this example, it is assumed this income was not initially subject to the inclusion of Subpart F income per Internal Revenue Code §951 and §952.

Monetary Transactions & Accounting

1. The total payments from foreign customers for gaming services were $5,000,000 for the entire year.
2. At the close of the year, the Net Income from the business was $1,000,000 ($5,000,000 of Revenue less $4,000,000 of Expenses). On the Balance Sheet the business had the following assets: $500,000 of Cash, $1,500,000 of Servers, and $500,000 of Gaming Software (an Intangible asset).

U.S. Tax Filing Compliance

3. **Form 1120, with Form 8992 (Mobile Games US, Inc.).** The U.S. Corporation must file Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI) in order to calculate the includable income. For this year, GILTI is equal to $850,000 [Tested Income of $1,000,000 (Net Income) Minus $150,000 (10% of Tangible Assets)].

*Although not shown, the foreign corporation must also be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

Form **1120** — **Mobile Games US, Inc.**

Form **8992**

Global Intangible Low Taxed Income

Tested Income	**$1,000,000**
Deemed Tangible Income Return (DTIR) [10$ of Tangible Assets]	**- $150,000**

GILTI = $850,000

Mobile Games Europe, PLC
Income Statement

Revenue	**$5,000,000**
Expenses	**- $4,000,000**
Net Income	**$1,000,000**

Mobile Games Europe, PLC
Balance Sheet

Cash $500,000	**Equity** $2,500,000
Servers $1,500,000	
Gaming Software (Intangible) $500,000	

Resulting Tax Implications

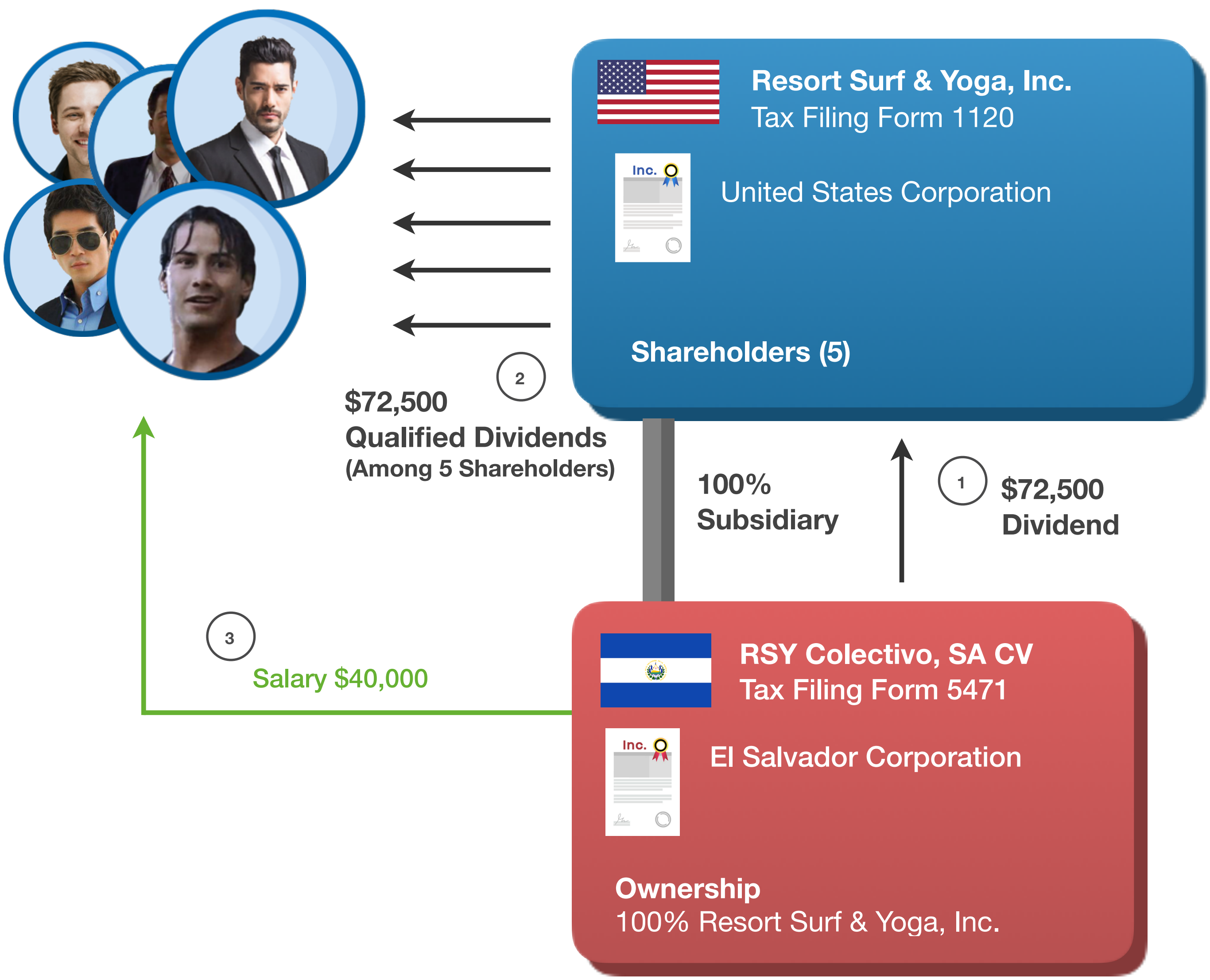
As a result of this structure, the U.S. Global Intangible Low Taxed Income taxable in current year income is $850,000.

GILTI High-Tax Exemption and C-Corporation DRD from El Salvador

Structure # 6.6

Structure Summary

A United States C-Corporation with a foreign subsidiary as a Controlled Foreign Corporation claims a high-tax exemption to Global Intangible Low-Taxed Income (GILTI), and a Dividends Receives Deduction from expatriated dividends. Additionally, salaries are paid from the Foreign Subsidiary to the indirect shareholders.



GILTI High-Tax Exemption and C-Corporation DRD from El Salvador

Structure Background

Resort Surf & Yoga, Inc., a United States C-Corporation, and a provider of travel and leisure services.

To operate overseas, an El Salvadorian corporation was formed as a wholly owned subsidiary and owned assets offshore. The foreign corporation, RSY Colectivo, SA CV is a Controlled Foreign Corporation per Internal Revenue Code §957 and hires local staff working physically in El Salvador for administration and management. There is no inclusion of Subpart F (Foreign Base Company Sales Income) per Internal Revenue Code §951 and §952 as the employees are working in the country of formation.

The net earnings for RSY Colectivo, SA CV are not subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A due to a high tax exemption based on the tax rate in El Salvador. The Net Income from RSY Colectivo, SA CV was $150,000, of which $37,500 was paid at a 25% tax rate.

Dividends from the foreign subsidiary to the parent U.S. company qualify for a Dividend Received Deduction per Internal Revenue Code §243.

Monetary Transactions & Accounting

1. Dividends paid from the Foreign Corporation to the U.S. parent company total $72,500. The U.S. corporation claims a Dividend Received Deduction.
2. Qualified Dividends paid from the U.S. Corporation to the shareholders total $72,500. Each shareholder reports these dividends on their personal tax return, subject to qualified rates.
3. Salaries are paid to indirect shareholders who provide personal services to the Foreign Corporation as employees.

U.S. Tax Filing Compliance

4. **Form 1120, with Form 5471 (Resort Surf & Yoga, Inc.).** The U.S. Corporation must file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, in relation to its ownership of the foreign corporation to satisfy the reporting requirements of Internal Revenue Code §6038.

Summarized Tax Returns and Financial Statements

3

Form 1120
Resort Surf & Yoga, Inc.

Dividend Income	$72,000
Dividend Received Deduction	- $72,000
GILTI	+ $0
Taxable Income	$0
Corporate Tax (21%)	$0

RSY Colectivo, SA CV
Income Statement

Income	$150,000
Wage Expenses	- $40,000
Tax Expense	- $37,500
Dividend Distribution	$72,000

Form 5471
RSY Colectivo, SA CV

Resulting Tax Implications

As a result of this structure, the corporate tax liability of Resort Surf & Yoga, Inc. is $0.

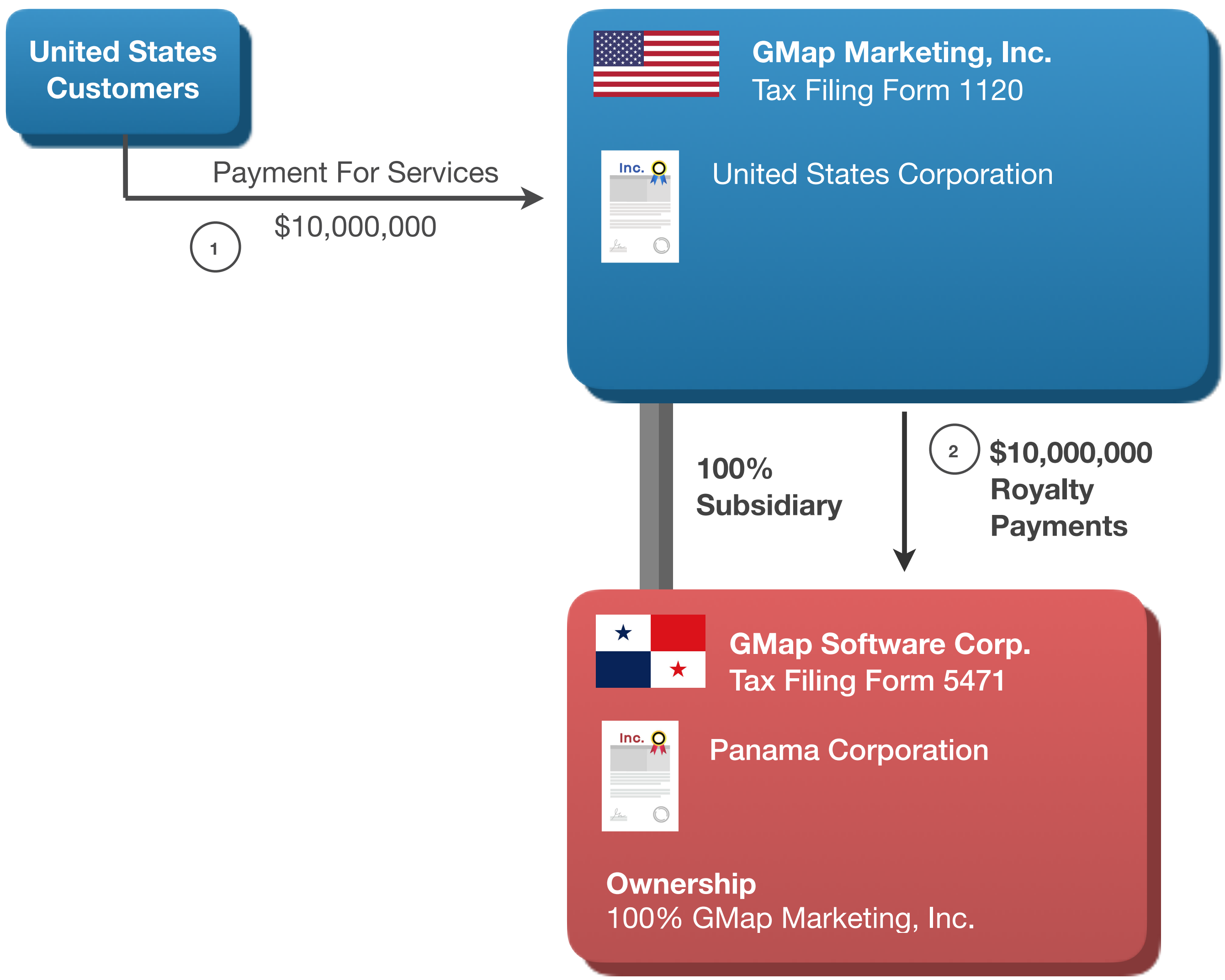
The Personal Income Tax rate for Qualified Divines being 15% among all shareholders results in $10,875 of personal income tax among all shareholders combined.

GILTI (IP) C-Corporation Section 250 Deduction Panama

Structure # 6.7

Structure Summary

A United States C-Corporation with a foreign subsidiary as a Controlled Foreign Corporation claims an Internal Revenue Code Section §250 deduction against its Global Intangible Low-Taxed Income (GILTI) related to Intellectual Property royalties.



GILTI (IP) C-Corporation Section 250 Deduction Panama

Structure Background

GMap Marketing, Inc., a United States C-Corporation, is a provider of financial consultation services to U.S. customers. To provide its intellectual property software, a Panamanian corporation was formed as a wholly-owned subsidiary. The foreign corporation, GMap Software Corp., is a Controlled Foreign Corporation per Internal Revenue Code §957 and is the legal owner of the software application developed to provide these services. A royalty fee is paid from the C-Corporation to the foreign subsidiary. In this situation, there is no inclusion of Subpart F (Foreign Base Company Service Income) per Internal Revenue Code §951 and §952, as the development and operations of the software took place in Panama.

During the year, GMap Marketing, Inc. sells services directly to customers in the United States. The net earnings for GMap Software Corp. are subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

There is, however, a 50% deduction for any §951A inclusion of a C-Corporation.

Monetary Transactions & Accounting

1. U.S. Customers pay GMap Marketing, Inc. for financial consulting services.
2. The total payments are made from GMap Marketing, Inc. to GMap Software Corp. for royalties in the amount of $10,000,000 in exchange of the use of software for the entire year.
3. At the close of the year, the Net Income from the Panama corporation, GMap Software Corp. was $10,000,000. On the Balance Sheet, the business had the following assets: $10,000,000 of Cash, $0 of Fixed Assets (office equipment), and $0 of Equity, and $10,000,000 of retained earnings.

U.S. Tax Filing Compliance

4. **Form 1120, with Form 8992 (GMap Marketing, Inc.).** The U.S. Corporation must file Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI) in order to calculate the includable income. The Net Income is $5,000,000 [$10,000,000 of Revenue - $10,000,000 of Royalty Payments + GILTI Inclusion $10,000,000 - minus Section 250 deduction of $500,000]. For this year, GILTI is equal to $5,000,000 [Tested Income of $10,000,000 (Net Income) Minus $0 (10% of Tangible Assets)].

GILTI (IP) C-Corporation Section 250 Deduction Panama

*Although not shown, the foreign corporation must also be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations to satisfy the reporting requirements of Internal Revenue Code §6038.

*Per Internal Revenue Code §245A, the C-Corporation received a deduction for any dividends received from a wholly-owned Controlled Foreign Corporation.

Summarized Tax Returns and Financial Statements

2

GMap Software Corp.
Income Statement

Revenue	**$10,000,000**
Net Income	**$1,000,000**

GMap Software Corp.
Balance Sheet

Cash $10,000,000	**Equity** $0
Fixed Assets $0	**Retained Earnings** $10,000,000

3

Form **1120**
GMap Marketing, Inc.

Revenue	**$10,000,000**
Royalty Payments	**- $10,000,000**
GILTI Inclusion	**+ $10,000,000**
Section 250 Deduction	**- $5,000,000**
Net Income	**$5,000,000**
Corporate Tax (21%)	$1,050,000

Form **8992**
Global Intangible Low Taxed Income

Tested Income	**$10,000,000**
Deemed Tangible Income Return (DTIR) [10% of Tangible Assets]	**- $0**

GILTI = $10,000,000

Resulting Tax Implications

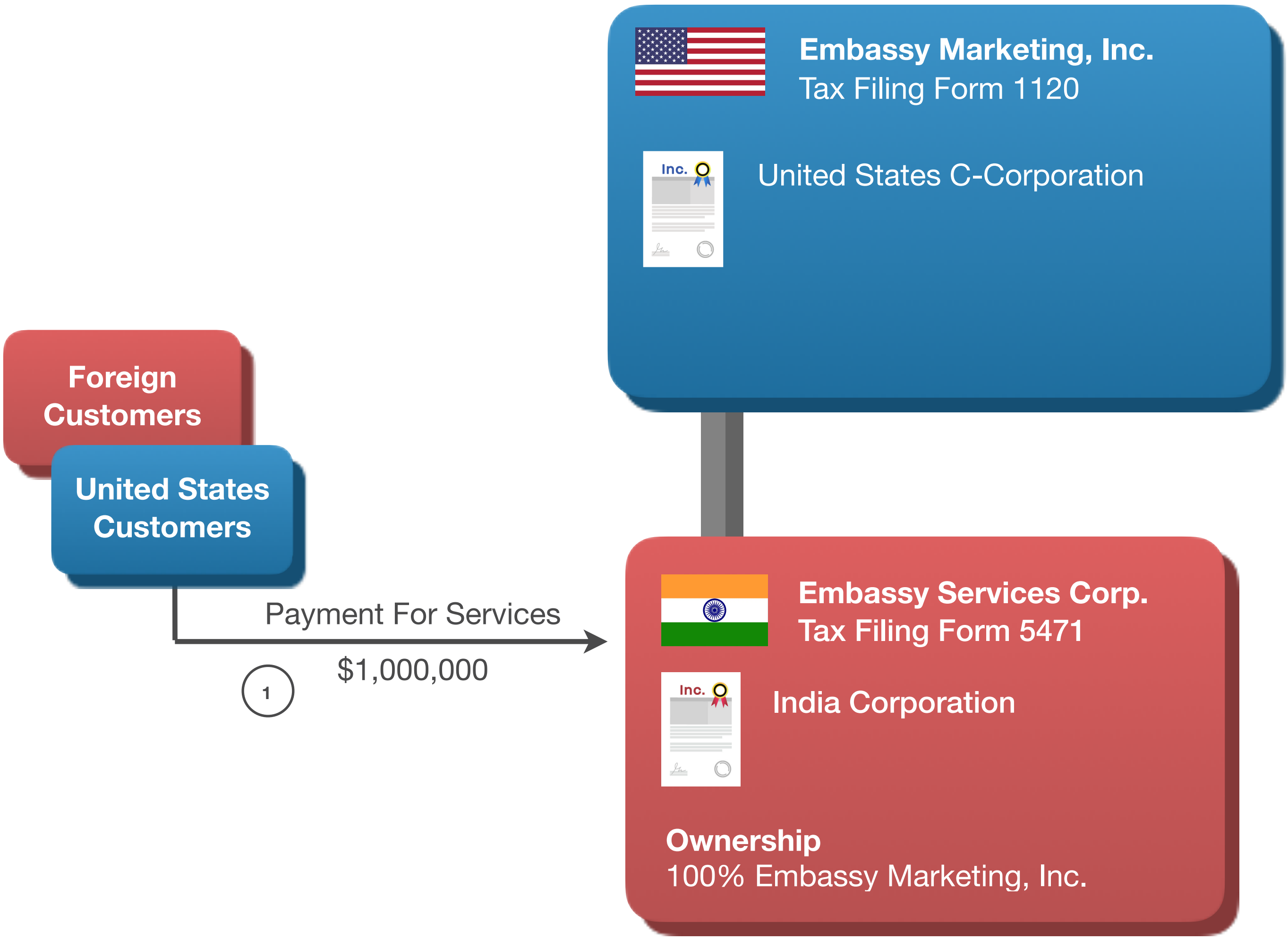
As a result of this structure, the tax liability of GMap Marketing, Inc. is $1,050,000 (a 21% rate on $5,000,000 of net income).

GILTI C-Corporation Section 250 Deduction India (Services)

Structure # 6.8

Structure Summary

A United States C-Corporation with a foreign subsidiary as a Controlled Foreign Corporation claims an Internal Revenue Code Section §250 deduction against its Global Intangible Low-Taxed Income (GILTI) related to Services originating from India.



GILTI C-Corporation Section 250 Deduction India (Services)

Structure Background

Embassy Marketing, Inc., a United States C-Corporation, is a provider of support and marketing services to both Foreign and U.S. customers. To provide this service offshore, an Indianian corporation was formed as a wholly-owned subsidiary to compensate staff in physically located in India and support operations. The foreign corporation, Embassy Services Corp., is a Controlled Foreign Corporation per Internal Revenue Code §957 and is the legal provider of these services, and pays for staff for offices located in India. In this situation, there is no inclusion of Subpart F (Foreign Base Company Service Income) per Internal Revenue Code §951 and §952, as the operations of the service took place in India, the country of formation.

During the year, Embassy Marketing, Inc. provides services directly to customers in the United States and in foreign countries. The net earnings for Embassy Services Corp. are subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

There is, however, a 50% deduction for any §951A inclusion of a C-Corporation.

Monetary Transactions & Accounting

1. U.S. Customers and Foreign Customers pay Embassy Marketing, Corp. for services in the amount of $1,000,000.

2. At the close of the year, the Net Income from the India corporation, Embassy Services Corp. was $700,000, and payment of $300,000 of Salary expenses of India staff. On the Balance Sheet, the business had the following assets: $700,000 of Cash, $0 of Fixed Assets (office equipment), and $0 of Equity, and $700,000 of retained earnings.

U.S. Tax Filing Compliance

3. **Form 1120, with Form 8992 (Embassy Marketing, Inc.).** The U.S. Corporation must file Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI) in order to calculate the includable income. The Net Income is $350,000 [$700,000 of GILTI Inclusion- minus Section 250 deduction of $350,000]. For this year, GILTI is equal to $700,000 [Tested Income of $700,000 (Net Income) Minus $0 (10% of Tangible Assets)].

*Although not shown, the foreign corporation must also be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations to satisfy the reporting requirements of Internal Revenue Code §6038.

GILTI C-Corporation Section 250 Deduction India (Services)
*Per Internal Revenue Code §245A, the C-Corporation received a deduction for any dividends received from a wholly-owned Controlled Foreign Corporation.

Summarized Tax Returns and Financial Statements

2

Embassy Services Corp.
Income Statement

Revenue	**$1,000,000**
Salary	**$300,000**
Net Income	**$700,000**

Embassy Services Corp.
Balance Sheet

Cash $700,000	**Equity** $0
Fixed Assets $0	**Retained Earnings** $700,000

3

Form **1120**
Embassy Marketing, Inc.

Revenue	**$0**
Expenses	**- $0**
GILTI Inclusion	**+ $700,000**
Section 250 Deduction	**- $350,000**
Net Income	**$350,000**
Corporate Tax (21%)	$73,500

Form **8992**
Global Intangible Low Taxed Income

Tested Income	**$700,000**
Deemed Tangible Income Return (DTIR) [10% of Tangible Assets]	**- $0**

GILTI = $700,000

Resulting Tax Implications

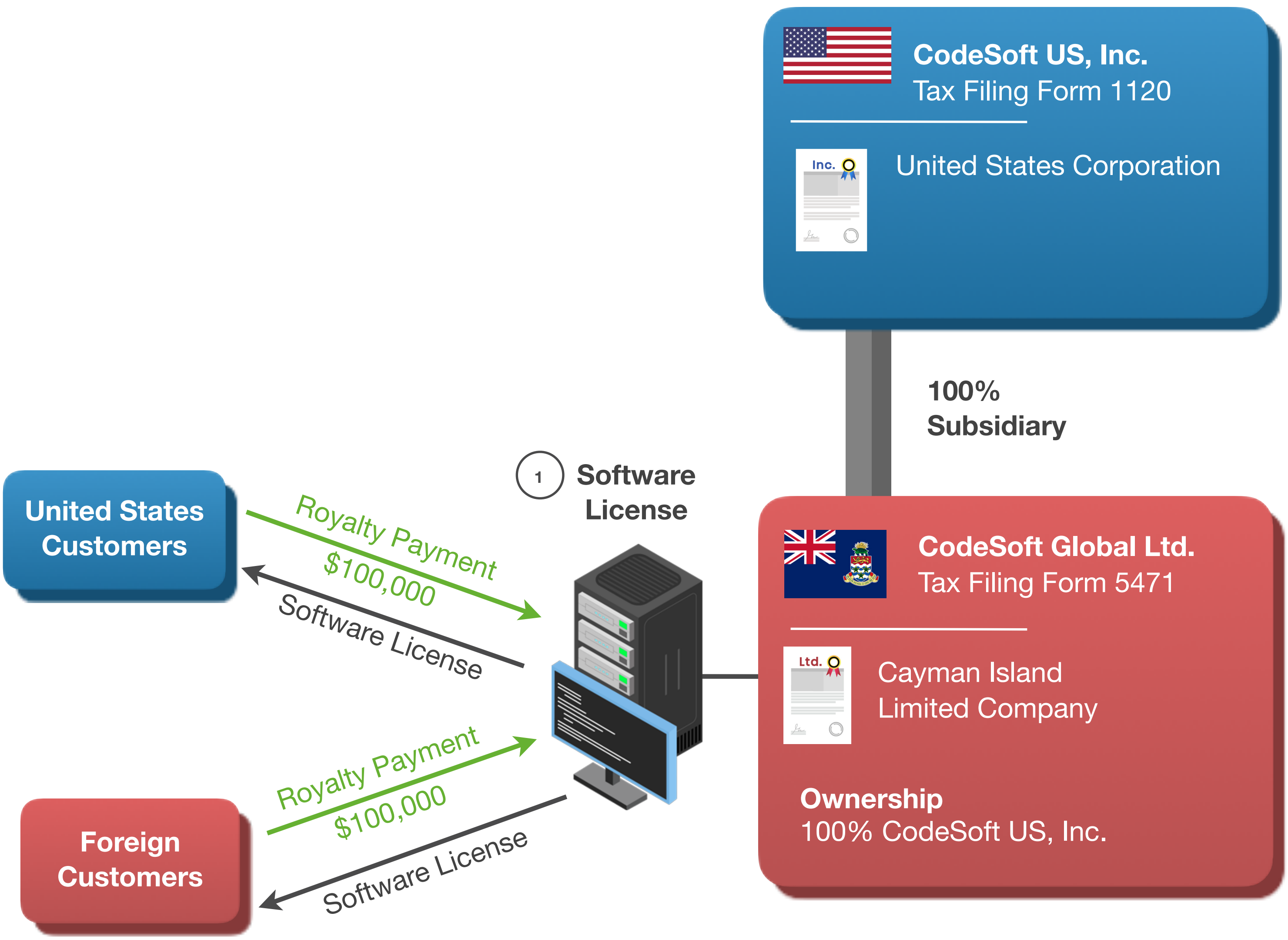
As a result of this structure, the tax liability of Embassy Marketing, Inc. is $73,500 (a 21% rate on $350,000 of net income).

Subpart F (FPHCI) License Royalties
Cayman Islands

Structure # 7.1

Structure Summary

A United States corporation's subsidiary is a provider of software licensing throughout the world is subject to Subject to Subpart F income.



Structure Background

CodeSoft US, Inc., a United States corporation, is a software licensing provider with customers throughout the world. To distribute software license, the U.S. corporation formed a wholly owned subsidiary, CodeSoft Global Ltd., a Cayman Islands Limited Company. As a result, CodeSoft Global Ltd. is a Controlled Foreign Corporation per Internal Revenue Code §957.

In order to serve the global market, CodeSoft Global Ltd. leases software to both U.S. customers and foreign customers in exchange for royalties. The foreign corporation did not hire software developers to code the software or manage the servers. Instead, CodeSoft Global Ltd. purchased the rights of the software. The foreign corporation's only expenditure was for hiring an Attorney as a contractor to draft the contracts of the software lease agreements.

The royalty payments are Foreign Personal Holding Company Income (FPHCI), an inclusion of Subpart F income per Internal Revenue Code §954(c).

For the purposes of this example, it is assumed this income is not subject to Global Intangible Low-Taxed Income (GILTI) per Internal Revenue Code §951A and §250.

Monetary Transactions & Accounting

CodeSoft Global, Ltd. leases software worldwide and receives $100,000 from U.S. Customers and $100,000 from foreign customers.

CodeSoft Global, Ltd. had a Net Income of $185,000 during the year. ($200,000 of revenue from royalties, minus $15,000 for legal fees paid an Attorney to draft the software lease agreements.

U.S. Tax Filing Requirements

1. **Form 5472 (CodeSoft Global, Ltd.).** The foreign corporation is required to be disclosed on Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, to satisfy the reporting requirements of Internal Revenue Code §6038. On form 5471, Subpart F income is calculated

2. Form 1120 (CodeSoft US, Inc.). The Subpart F inclusions for the United States corporation are reportable on Form 1120, U.S. Corporation Income Tax Return as Dividends[1] totaling $185,000.

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[1] https://www.irs.gov/instructions/i1120

Subpart F (FPHCI) License Royalties Cayman Islands

Summarized Tax Returns and Financial Statements

4

Form 1120 — **CodeSoft US, Inc.**

Dividend Income	**$185,000**

3

Form 5471

Subpart F
(Foreign Base Company Services Income)

$185,000

2

CodeSoft Global Ltd.
Income Statement

Revenue	**$200,000**
Legal Fees	**- $15,000**
Net Income	**$185,000**

Resulting Tax Implications

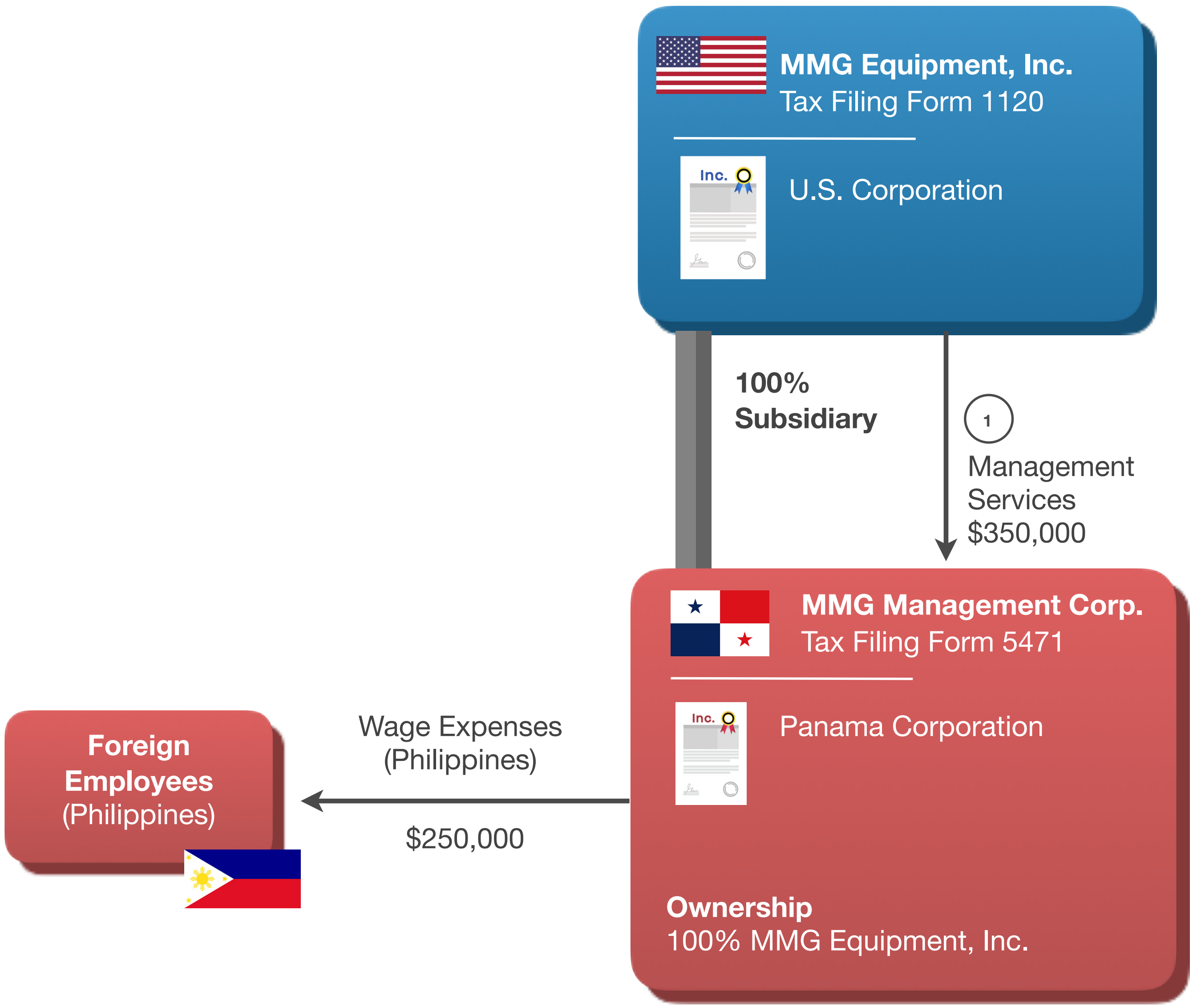
As a result of this structure, the includable Subpart F income from Foreign Personal Holding Company Income (FPHCI) is $185,000.

Subpart F (FBC Services Income)
Panama

Structure # 7.2

Structure Summary

MMG Equipment, Inc., a United States C-Corporation, is a provider of safety equipment sold to U.S. customers online. To manage the sales platforms and administration of the business, a Panamanian corporation was formed as a wholly-owned subsidiary.



Subpart F (FBC Services Income) Panama

Structure Background

MMG Equipment, Inc., a United States C-Corporation, is a provider of safety equipment sold to U.S. customers online. To manage the sales platforms and administration of the business, a Panamanian corporation was formed as a wholly-owned subsidiary. The foreign corporation, MMG Management Corp., is a Controlled Foreign Corporation per Internal Revenue Code §957 and hires staff working physically in the Philippines for administration and management.

During the year, MMG Equipment, Inc. sells goods directly to customers in the United States. In addition to its Cost of Goods Sold, the U.S. Corporation also pays a management fee to the Panama entity.

The management fee is paid from the C-Corporation to the foreign subsidiary in Panama. In turn, the Panama corporation compensates employees working in the Philippines. In this situation, Subpart F (Foreign Base Company Services Income) per Internal Revenue Code §951 and §952 applies as the employees (based in the Philippines) are working outside the country of incorporation (Panama).

Monetary Transactions & Accounting

1. The total payments for management services $350,000 for the entire year.
2. At the close of the year, the Net Income from the Panama corporation, MMG Management Corp., was $100,000 ($350,000 of Revenue less $250,000 of Expenses for wages).

U.S. Tax Filing Compliance

3. **Form 1120, with Form 5471 (MMG Equipment, Inc.)**. The U.S. Corporation must file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations to satisfy the reporting requirements of Internal Revenue Code §6038. The Net Income of the U.S. corporation is $250,000 [$1,000,000 of Revenue - $500,000 of Cost of Goods Sold - minus $350,000 for management fee + Subpart F Inclusion $100,000]. For this year, Subpart F is equal to $100,000, the entire net earnings of the foreign subsidiary.

*Per Internal Revenue Code §245A, the C-Corporation received a deduction for any dividends received from a wholly-owned Controlled Foreign Corporation.

Subpart F (FBC Services Income) Panama

Summarized Tax Returns and Financial Statements

3

Form 1120 — **MMG Equipment, Inc.**

Revenue	$1,000,000
Cost of Goods Sold	- $500,000
Management	- $350,000
Subpart F	+ $100,000
Net Income	**$250,000**
Corporate Tax (21%)	$52,500

Form 5471

Subpart F
(Foreign Base Company Services Income)

$100,000

2

MMG Management Corp.
Income Statement

Revenue	$350,000
Wage Expenses	- $250,000
Net Income	**$100,000**

Resulting Tax Implications

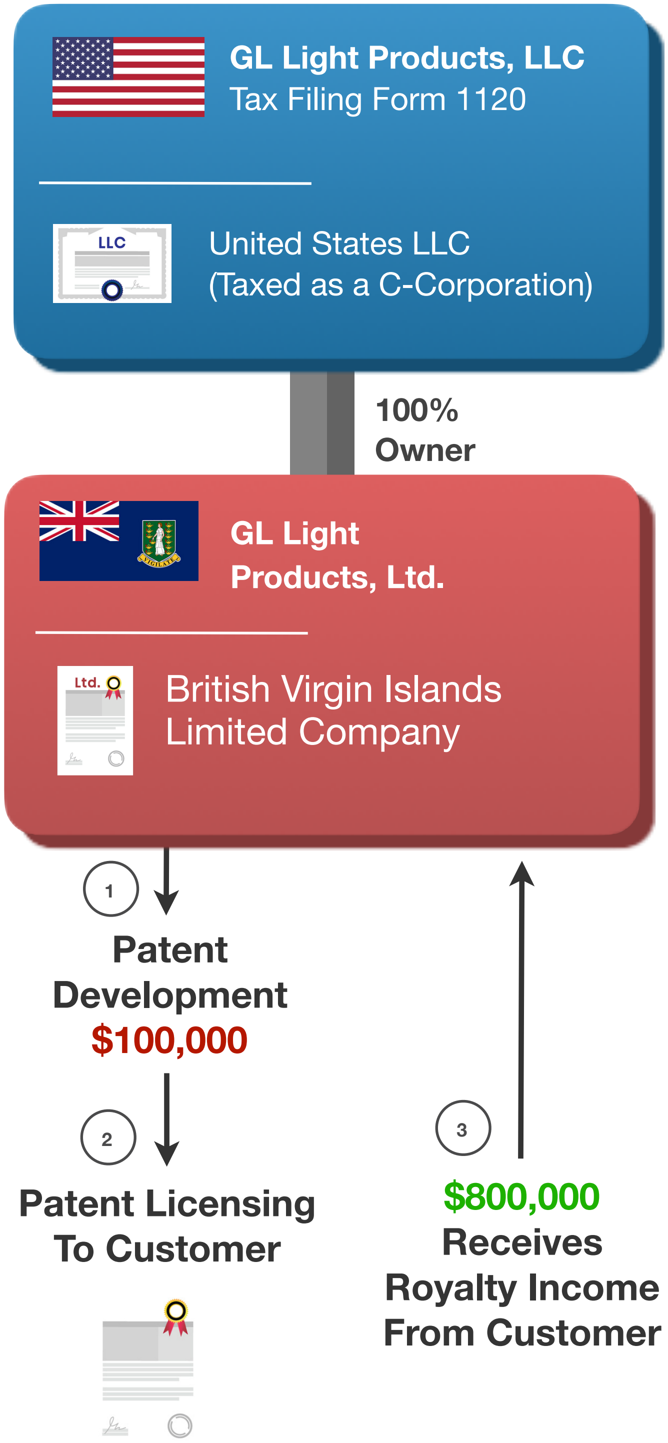
As a result of this structure, the tax liability of MMG Equipment, Inc. is $52,500 (a 21% rate on $250,000 of net income).

BVI Active Royalty Income (Subpart F Exclusion)

Structure # 7.3

Structure Summary

A Controlled Foreign Corporation (CFC) British Virgin Islands company excludes Subpart F Income as the result of an active trade or business from the development and sale of licensing patents.



BVI Active Royalty Income (Subpart F Exclusion)

Structure Background

GL Light Products, LLC, a United States Limited Liability Company, elected to be taxed as a C-Corporation, is the parent company of GL Light Products, Ltd., a British Virgin Islands Limited Company. Both As a result, GL Light Products Ltd. is a Controlled Foreign Corporation per Internal Revenue Code §957.

In order to provide licensing of patents, GL Light Products, Ltd. develops and leases patents of red light products. The British Virgin Islands company is directly involved in the development of the patent, pays all expenses related to development, and actively conducts a trade or business of developing the patented to generate royalty income. As the result of operating a trade or business, Subpart F Income is excluded from current year income per Internal Revenue Code Internal Revenue Code §954(c)(2)(A).

Monetary Transactions & Accounting

1. GL Light, Ltd. expenses $200,000 for the development of patents.
2. GL Light, Ltd. licenses the patent to customers under a contract in which to receive monthly royalty payments.
3. Over the course of the year, $800,000 is received is royalty income from the licensing of patents.

Summarized Tax Returns and Financial Statements

GL Light, Ltd.
Income Statement

Revenue	$800,000
Patent Development	- $200,000
Wage Expenses	- $150,000
Administrative Expenses	- $80,000
Net Income	**$370,000**

BVI Active Royalty Income (Subpart F Exclusion)

Resulting Tax Implications

As a result of this structure, the includable Subpart F income from Foreign Personal Holding Company Income (FPHCI) is $0, as income generated from an active business is excluded.