

Offshore Salary Earner Netherlands (Higher Foreign Rate)

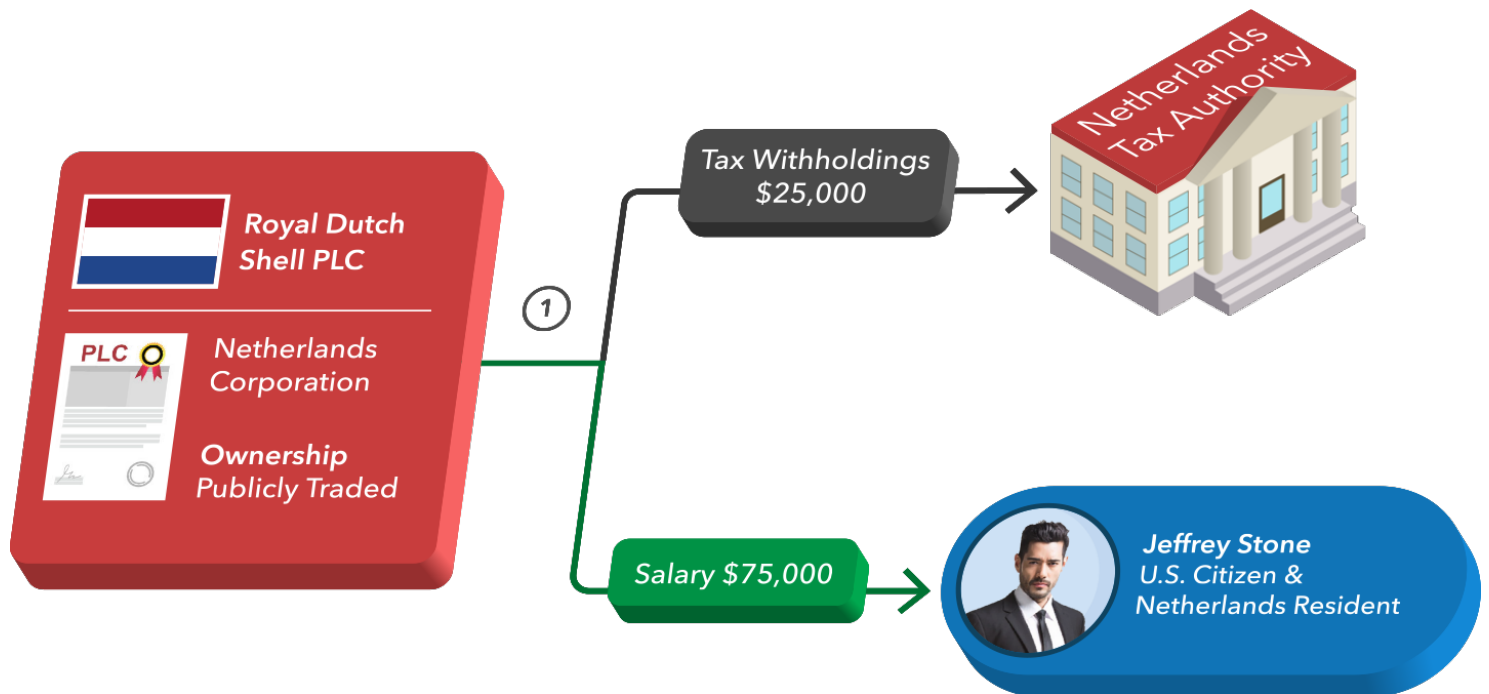
International Tax Structures for Americans Living Abroad
Foreign Tax Credit Structure #1



By
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Structure Summary

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



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Structure Background

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

Jeffrey travels to the United States 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 fide 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. Of his annual compensation, \$25,000 is withheld for income tax and paid directly to The Belastingdienst (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, Jeffrey claims a Foreign Tax Credit of \$13,200 on [Form 1116, Foreign Tax Credit \(Individual, Estate, or Trust\)](#). As a result, his U.S. tax is eliminated to \$0. The remaining \$11,800 in foreign taxes paid is a carryover for 10 years, to be claimed against foreign source income in future years.

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Summarized Tax Returns and Financial Statements

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

Resulting Tax Implications

As a result of this structure, the U.S. tax liability of Jeffrey Stone is \$0, with a Foreign Tax Credit carryover of \$11,800 available in future years.

This International Tax Structure is based on a set of hypothetical circumstances, and real-world results may vary. For more information and additional structures, visit <https://pacifico.tax/international-tax-structures>