

GILTI C-Corporation Section 250 Deduction India (Services)

International Tax Structures for Americans Living Abroad

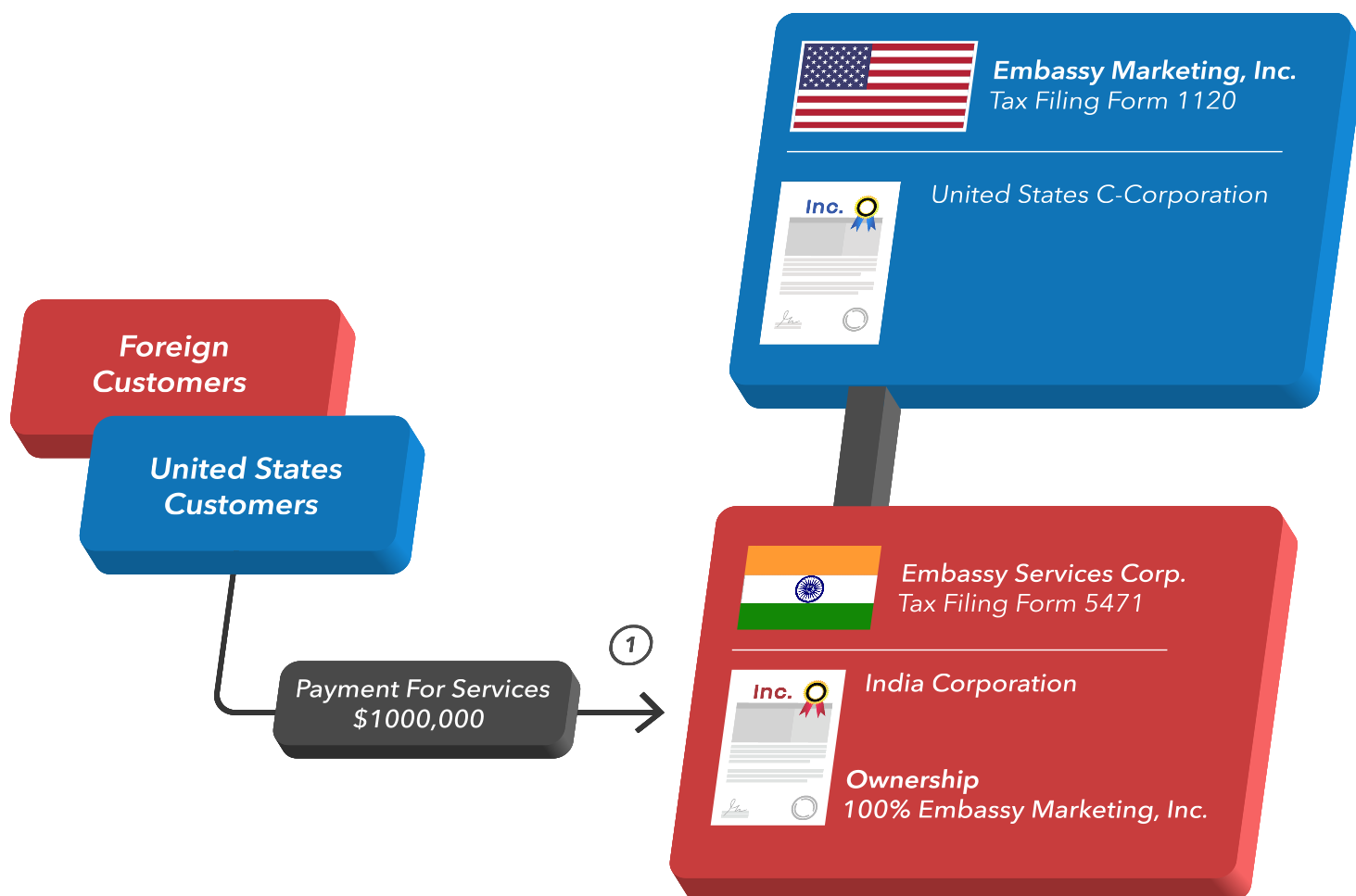
Global Intangible Low-Taxed Income (GILTI) Structure #1



By
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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.



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Structure Background

Empire 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 Indian corporation was formed as a wholly-owned subsidiary to compensate staff physically located in India and support operations. The foreign corporation, Empire 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. Additionally, no foreign taxes were paid or accrued during its initial year of operations.

During the year, Empire Marketing, Inc. provides services directly to customers in the United States and in foreign countries. The net earnings for Empire 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 Empire 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, Empire 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 (Empire 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.

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*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

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Empire Services Corp. Income Statement

Revenue	\$1,000,000
Salary	\$300,000
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Net Income	\$700,000

Empire Services Corp. Balance Sheet

Cash \$700,000	Equity \$0
Fixed Assets \$0	Retained Earnings \$700,000

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Form 1120 Empire Marketing, Inc.

Revenue	\$0
Expenses	- \$0
GILTI Inclusion	+ \$700,000
Section 250 Deduction	- \$350,000
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Net Income	\$350,000
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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
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GILTI = \$700,000	

Resulting Tax Implications

As a result of this structure, the tax liability of Empire Marketing, Inc. is \$73,500 (a 21% rate on \$350,000 of Net Income), but an effective tax rate of 10.5% on its total income of \$700,000.

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>