International Compliance Summary

International tax compliance is a critical component of operating a global business. Failure to meet the IRS's reporting requirements can result in substantial penalties and increased audit risk. Through the partnership between Froehling Anderson and McGuire Sponsel, clients gain access to experienced international tax professionals who assist with compliance, reporting, and strategic planning. This summary provides an overview of key international reporting obligations, potential penalties, and how we assist clients in staying compliant.

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	FORM / FORM NAME		DUE DATE	PENALTY	MAXIMUM PENALTIES
Foreign Entity Reporting	**926**	Filing Requirement for U.S. Transferors of Property to a Foreign Corporation	Transferor's income tax deadline with extensions for the tax year that includes the date of transfer	**Failure to comply with the IRC 6038B can result in a penalty equal to 10% of the property's fair market value at the time of transfer. The penalty does not apply if the failure to comply is due to reasonable cause and not willful neglect.**	$100,000 maximum penalty unless the failure is proven to be due to intentional disregard. In addition, a 40% penalty may be imposed on any underpayment of tax resulting from an undisclosed foreign financial asset understatement.
	5471	Information Return of U.S. Persons with Respect to Certain Foreign Corporations	Income tax deadline with extensions	**$10,000 failure to file penalty is imposed for each annual accounting period of each foreign corporation**	Additional penalty of $10,000 is charged for each 30-day period after receiving a failure to file notice from the IRS. The additional penalty is limited to a maximum of $50,000 for each failure to file.
	5472	Information Return of a 25% Foreign-owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business	Income tax deadline with extensions	**$25,000 failure to file penalty for each reporting corporation that fails to file by due date and in the manner prescribed**	Additional penalty of $25,000 is charged for each 30-day period beginning 90 days from the date of notification from the IRS. This penalty provision has no stated maximum.
	8858	Information Return of U.S. Persons with Respect to Foreign Disregarded Entities and Foreign Branches	Income tax deadline with extensions	**$10,000 failure to file penalty is imposed for each annual accounting period of each CFC or CFP**	Additional penalty of $10,000 is charged for each 30-day period beginning 90 days from the date of notification by the IRS. The additional penalty is limited to a maximum of $50,000 for each failure.
	8865	Return of U.S. Persons with Respect to Certain Foreign Partnerships	Income tax deadline with extensions	**$10,000 failure to file penalty is imposed for each tax year of each foreign partnership**	Additional penalty of $10,000 is charged for each 30-day period beginning 90 days from the date of notification by the IRS. The additional penalty is limited to a maximum of $50,000 for each failure.
Foreign Withholding Compliance	**1042**	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	March 15	**Late filing penalty is 5% of the unpaid tax for each month and late payment of tax penalty is usually one-half of 1% of the unpaid tax for each month the tax is unpaid**	Maximum of 25% of the unpaid tax each for late filing and late payment penalty
	1042-S	Foreign Person's U.S. Source Income Subject to Withholding	March 15	**A per form penalty of $50 to $280 can be assessed based on when you file**	Maximum annual penalty ranges from $571,000 to $3,426,000 based on when you file
	W-8 BEN	Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding and Reporting (Individuals)	Do not file. Retain in your records.	**Failure to provide a Form W-8 BEN when requested may lead to withholding at the foreign-person withholding rate of 30% or the backup withholding rate under Section 3406**	-
	W-8 BEN-E	Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding and Reporting (Entities)	Do not file. Retain in your records.	**Failure to provide a Form W-8 BEN-E when requested may lead to withholding at the foreign- person withholding rate of 30% or the backup withholding rate under Section 3406**	-
	W-8 ECI	Certificate of Foreign Person's Claim that Income is Effectively Connected with the Conduct of a Trade or Business in the U.S.	Do not file. Retain in your records.	**Failure by a beneficial owner to provide a Form W-8 ECI when requested may lead to withholding at the 30% rate or the backup withholding rate under Section 3406**	-

	FORM	FORM NAME	DUE DATE	PENALTY	MAXIMUM PENALTIES
Foreign Financial Assets & Accounts	**8938**	Statement of Specified Foreign Financial Assets	Income tax deadline with extensions	**$10,000 failure to file penalty**	Additional penalty of $10,000 is charged for each 30-day period beginning 90 days from the date of notification by the IRS. The additional penalty is limited to a maximum of $50,000 for each failure.
	FBAR/ FinCEN 114	Report of Foreign Bank and Financial Accounts (FBAR)	Income tax deadline with extensions	**Assertion of penalty depends on facts and circumstances**	Foreign Financial Agency Transaction for a non-willful violation of transaction is $12,921. Foreign Financial Agency Transaction for a willful violation of transaction is the greater of $129,210 or 50% of the transaction or balance in the account. Negligent Violation by Financial Institution or Non-Financial Trade or Business is $1,118. Pattern of Negligent Activity by Negligent Violation by Financial Institution or Non-Financial Trade or Business is $86,976.
GILTI & FDII Compliance	**8992**	U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)	Filed with and due at same time as the tax return	**$10,000 failure to file this form or provide all of the required information**	Failure to file after notification by the IRS incurs an additional penalty per month of up to $50,000.
	8993	Section 250 Deduction for Foreign Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI)	Filed with and due at same time as the tax return	**$10,000 failure to file this form or provide all of the required information**	Failure to file after notification by the IRS incurs an additional penalty per month of up to $50,000.

How Froehling Anderson and McGuire Sponsel Support Clients

FOREIGN ENTITY REPORTING

- Ensuring accurate classification of ownership
- Assisting with proper entity classification
- Proper reporting

FOREIGN WITHHOLDING COMPLIANCE

- Advising on withholding tax requirements and filing obligations
- Identifying reportable transactions and ensuring compliance
- Assisting businesses with proper documentation

FOREIGN FINANCIAL ASSETS & ACCOUNTS

- Ensuring proper disclosure of foreign assets
- Assisting in timely and accurate reporting

GILTI & FDII COMPLIANCE

- Calculating and mitigating GILTI tax exposure
- Maximizing FDII deductions and compliance strategy

COMMON PITFALLS IN INTERNATIONAL COMPLIANCE

- Missing filings leads to costly penalties and increased audit risks.
- Errors in entity classification can result in **incorrect** tax treatment.
- Many taxpayers fail to disclose offshore accounts, leading to severe penalties.
- Misreporting can increase tax liabilities and lead to IRS audits.

HOW MCGUIRE SPONSEL HELPS CLIENTS STAY COMPLIANT

- ***Proactive Compliance:*** Identifying potential risks and ensuring timely filings.
- ***Penalty Mitigation:*** Assisting with reasonable cause defenses and penalty relief requests.
- ***Foreign Entity Structuring & Planning:*** Optimizing tax efficiency while maintaining compliance.
- ***International Tax Consulting:*** Advising on cross-border tax issues, including GILTI, FDII, and withholding taxes.