COALITION OF IRISH IMMIGRATION CENTERS

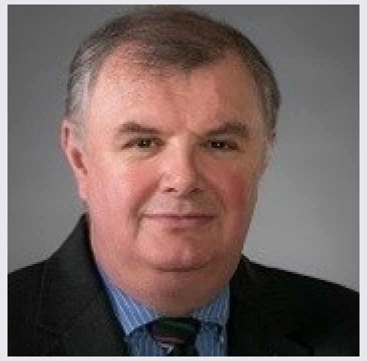
IRISH DIASPORA CENTER

MOVING TO IRELAND

A SEMINAR SERIES FOR THOSE CONTEMPLATING A MOVE TO IRELAND

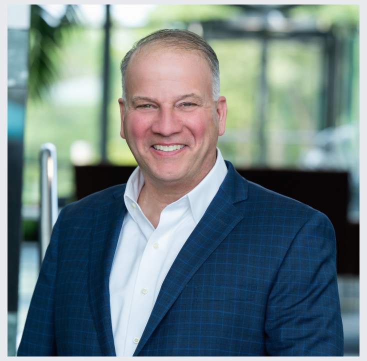
Financial Considerations

PANELISTS:



Paul Maguire

LITTUS
MARKET ENTRY PLATFORM



Sean Flatley

Sterling Investment Advisors, Ltd.

Stephanie Wickham

Expat Taxes
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Partners

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IPC Boston

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IRISH DIASPORA CENTER

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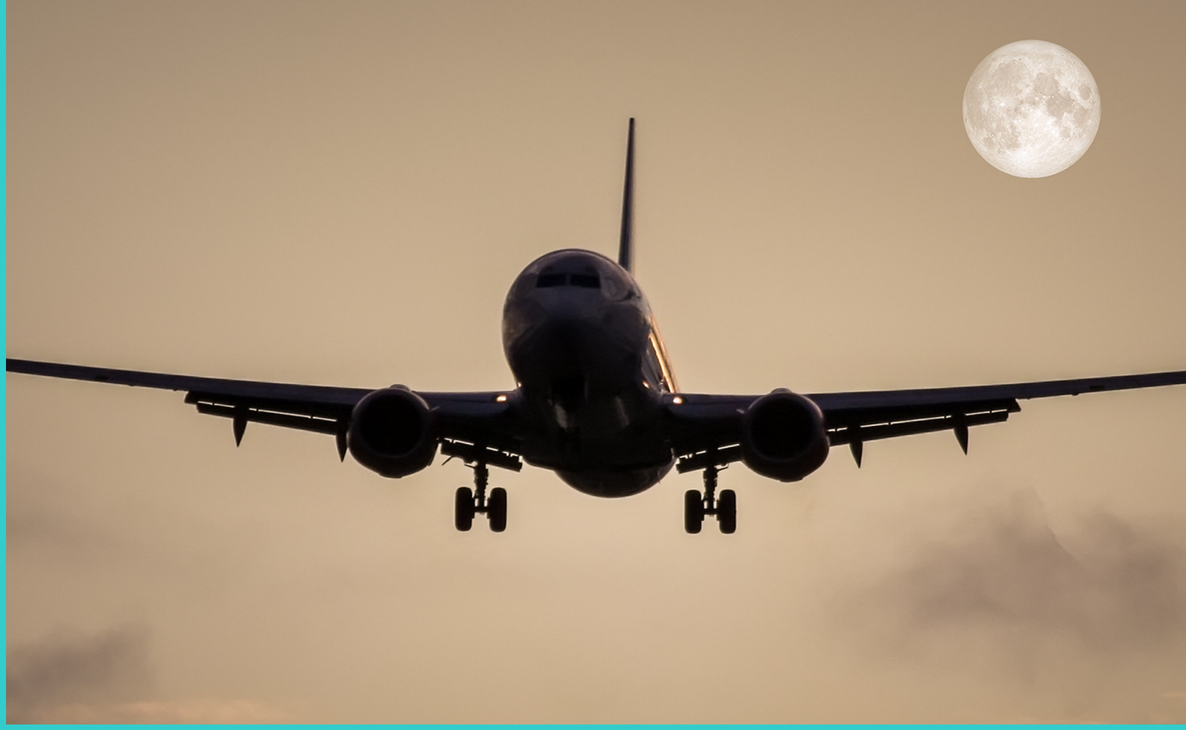
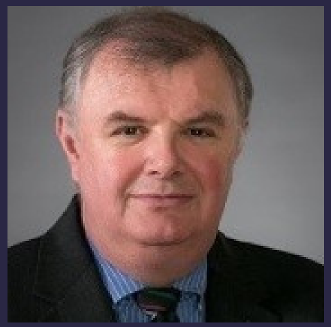


MOVING TO IRELAND

A SEMINAR SERIES FOR THOSE CONTEMPLATING A MOVE TO IRELAND

Session 1: Financial Considerations



Paul Maguire is a US-based CPA and the Managing Director of Littus. Littus brings together companies looking to grow their business in North America with partners, prospects, government programs, and investors that will be the pillars of their successful global expansion. They facilitate the connections necessary to provide an effective service-based "soft landing" platform for companies seeking to enter the United States marketplace. Additionally, it assists foreign economic development agencies and their portfolio companies by providing in-market support services from its location in Center City Philadelphia.

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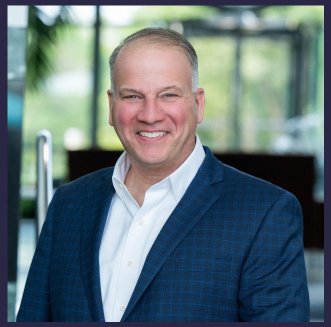

Sean Flatley is Executive Vice President and Co-founder of Sterling Investment Advisors, Ltd.(SIA) Sean has 23 years of experience in the financial services industry. Sean is also the President of Irish American Business Chamber Network. The Irish American Business Chamber & Network, Inc. is a nonpartisan business organization promoting the interests of its members and the development of economic and educational relationships between the United States, Ireland, and Northern Ireland.

Stephanie Wickham is an Irish Chartered Tax Adviser and Chartered Accountant with specific experience working with US taxpayers. Her firm is an Irish-based tax practice that works solely with expatriates who move to and from Ireland. A large proportion of their clients are US citizens and they have experience with a lot of the common cross-border issues that come up from a tax perspective when people are planning their move to Ireland.

Expat Taxes
EXPERTS IN EXPAT TAX

The Coalition of Irish Immigration Centers

The Coalition of Irish Immigration Centers advances its members through collaboration and education to benefit the Global Irish in the United States.

Collaboration

Works within a committee structure to examine the needs of the Global Irish in the United States, as well as strengthen the impact of its membership.

Learning

Provides impactful learning opportunities for its membership & diaspora partners on timely topics relevant to the Irish community.

Sharing

Sources and distributes current, accurate and reliable information on U.S. immigration policy and enforcement.

Cultivation

Cultivates and strengthens ties with Irish Diaspora groups globally through strategic interactions and collaborative opportunities.

Irish Diaspora Center

The Irish Diaspora Center's mission is to strengthen our heritage by providing the Irish Diaspora in the Greater Philadelphia area with consular, immigration and community-building social services.

Advocacy

- US Immigration & Legal Services
- Mental Health Services
- Case Management
- Irish Diaspora Educational Alliance

Community

- Senior Citizen Programming
- Foroige & Youth Programs
- Gathering Space for Community Groups

Discovery

- Geneological Courses
- Traditional Story Telling for Families
- Heritage Programs

Developing a Tax Efficient Strategy Related to Moving or Relocating to Ireland

From the perspective of the U.S. Tax Code

Paul G. Maguire CPA

The Initial Decision

Is the move:

- Permanent – renouncing Citizenship or Green Card ?
- Maintaining Citizenship or Green Card ?
- Employment move – Joint Residence?

Goals & Objectives

- Achieve most Tax effective structure – **In both Ireland and the U.S.A.**
- (Ireland based on location could be governed by Irish Revenue or HMRC)
- U.S.A rules set by IRS = Citizens/ Green Card holders taxed on **World -Wide income**
- Ireland has rules related to **Domicile and Residency**

  USA\Ireland Tax Treaty is a key factor and outlining rules defining tax treatment of various areas e.g. Pensions , Capital Gains , Dividends, Interest, Social Security etc.
    - https://www.irs.gov/pub/irs-trty/ireland.pdf
- Overall goal is to **prevent double taxation** however some items that are tax free or not 100% taxable in U.S. may be taxable under different tax regimes
- For example – Social Security payments

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Renouncing Citizenship of Green Card

- Would remove liability for U.S taxes
- However, the departing individuals may be subject to **"Exit Tax"** if they are a **" Covered Expatriate"**.
- The tests are:
  - **Net Income Tax Liability Test**: Your average annual net income tax liability for the 5 years ending before the date of expatriation or termination of residency exceeds a specified threshold, which is adjusted annually for inflation. In 2023, this threshold is $172,000.
  - **Net Worth Test**: Your net worth is $2 million or more on the day before your expatriation or residency termination.
  - **Certification Test**: You fail to certify, on Form 8854, that you have complied with all U.S. federal tax obligation

Expatriate (Exit) Tax

Taxation of Assets: If you're a covered expatriate, you are deemed to have sold all of your worldwide assets on the day before your expatriation date for their fair market value. Gains from this deemed sale are taxed as if they were actual gains. However, there is an exclusion amount that is adjusted annually for inflation. **For 2023, this exclusion amount is $821,000**. Only gains above this amount are taxed.

Expatriate (Exit) Tax Cont'd

- **Deferred Tax Payment**: A covered expatriate can choose to defer the tax resulting from the deemed sale of property. Interest is charged for the deferral period.
- **Taxation of Eligible Deferred Compensation Items**: These items are generally treated as if they were distributed in full to the covered expatriate on the day before the expatriation date.
- **Taxation of Ineligible Deferred Compensation Items, IRAs, and Other Specified Tax-Deferred Accounts**: For these items, a covered expatriate is treated as receiving a distribution of their entire interest on the day before the expatriation date.
- **Gift or Bequest to a U.S. Person**: If a covered expatriate makes a gift or bequest to a U.S. person, the recipient may be subject to tax under special rules.
- **Form 8854**: If you expatriate or terminate your long-term residency, you must file an initial Form 8854 in the year of expatriation and, for some covered expatriates, annually thereafter.
- **Special Rules for Certain Assets**: There are specific provisions for certain types of assets like tax-deferred accounts, trusts, and specified tax-deferred accounts.

Keeping Citizenship or Green Card #1

- **Tax Return Filings**: U.S. citizens are required to file federal income tax returns every year, regardless of where they live, You'll need to report your worldwide income.
- **Foreign Earned Income Exclusion**: If you earn money while working in a foreign country, you may be able to exclude a certain amount of foreign earned income from U.S. taxation. The amount changes yearly. However, there are specific requirements to qualify for this exclusion.
- **Foreign Tax Credit**: If you pay or accrue tax to a foreign country on income you also report on your U.S. tax return, you might be eligible for a foreign tax credit, which can offset U.S. tax on the same income.
- **Foreign Bank Account Reporting (FBAR)**: U.S. persons with a financial interest in, or signature authority over, foreign financial accounts must file an FBAR if the aggregate value of the foreign financial accounts exceeds $10,000 at any time during the calendar year.

Keeping Citizenship or Green Card #2

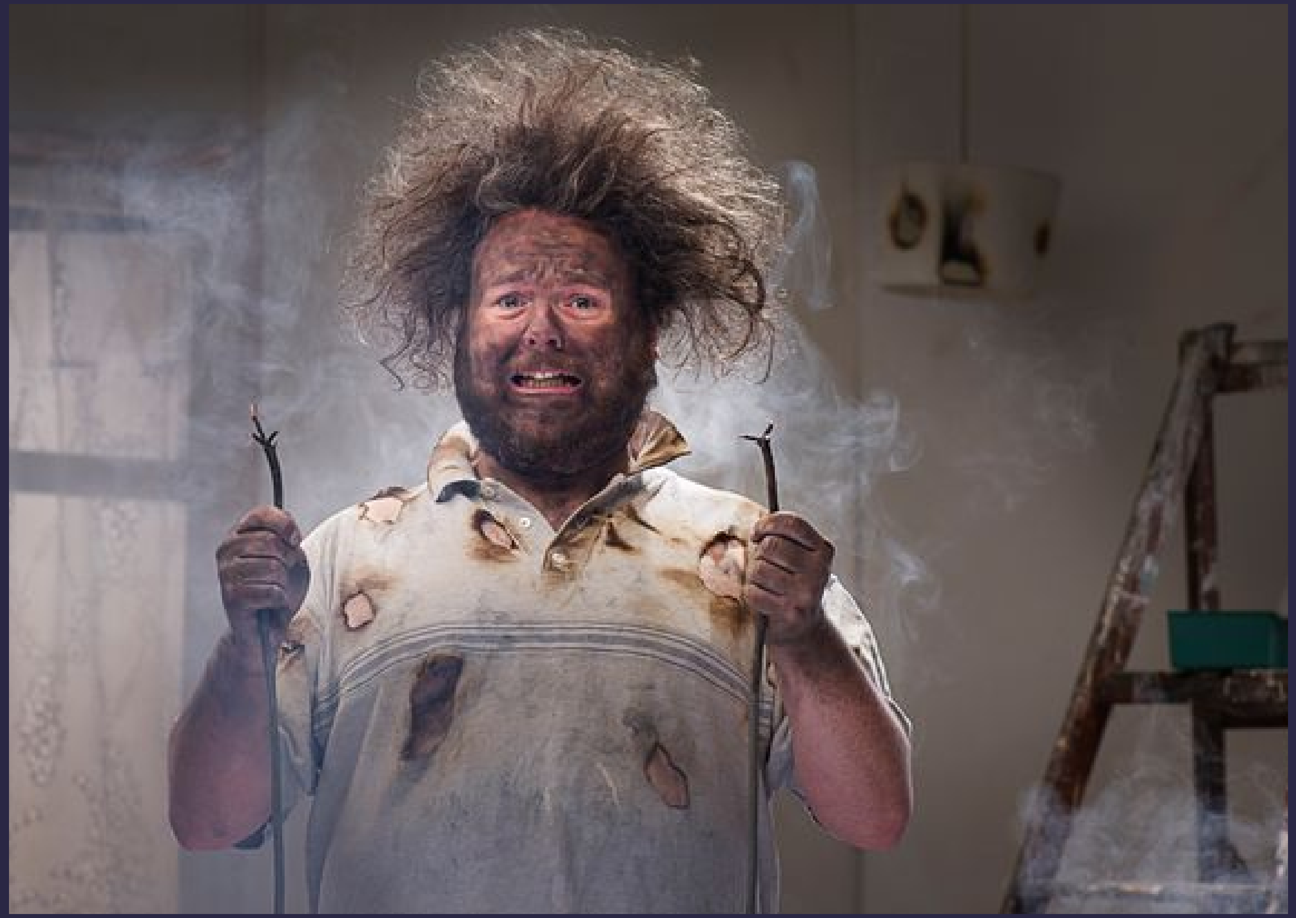
- **Foreign Account Tax Compliance Act (FATCA)**: FATCA requires U.S. citizens to report foreign financial assets if they exceed certain thresholds. Additionally, foreign financial institutions are often required to report accounts held by U.S. persons to the U.S. Internal Revenue Service (IRS).
- **Expatriation Tax**: If you decide to renounce your U.S. citizenship, you might be subject to the expatriation tax if you're considered a "covered expatriate." The expatriation tax is a deemed sale tax, meaning you're treated as if you sold all your assets on the day before you expatriated. There are various criteria, including net income tax liability and net worth tests, to determine if you're a covered expatriate.
- **State Taxes**: Don't forget about state taxes. Even if you move abroad, some states continue to view you as a resident or continue to tax your income unless you take specific steps to establish residency elsewhere.
- **Estate and Gift Tax**: U.S. citizens are subject to U.S. estate and gift tax rules, regardless of where they live. This is relevant if you make substantial gifts or if you pass away while living abroad.

Employment Move and/or Joint Residence

- Similar rules to Keeping Citizenship or Green Card
- Number of days in Ireland will determine residence
- Understand difference in “Residence” and “Domicile’
- U.S. is easy – you are taxed on World-Wide Income

Recommendations

- Consider carefully your planned approach
- Summarize the results if things go as proposed.
- Identify action items
- Retain experienced professionals
- Avoid DIY



Things To Do or Not To Do

Investments

Sean Flatley, CFP®

Things To Do or Not To Do

- Consolidate your US retirement accounts
  - Ex. 401(k), 403(b), IRA, etc. combine into one IRA
    - Issues
      - Not all brokerage house will accept clients not based in US
      - Example of one that will – Charles Schwab
      - Consolidate traditional to traditional and Roth to Roth
  - Prior to consolidation evaluate Roth IRA conversions

Things To Do or Not To Do

- Most employer sponsored retirement plans overseas are safe for expats
- If your employer is US based and you are working for them outside the US you can still contribute to their 401k and receive their company contribution

Things To Do or Not To Do

- Non-employer sponsored plans for expats
  - Most foreign non-employer sponsored plans are not safe for US persons
  - You need to look into this in the country you live
  - These will look like IRA’s and Roth IRA’s
  - IRS sees these as foreign trust accounts or as Passive foreign Investment Companies (PFICs)
  - Avoid PFICS

Things To Do or Not To Do

- US based IRA for Expats
  - If you meet the income requirements
  - If you are using FEIE you have to have non excluded income
  - Back Door Roth IRA
    - Contribute to traditional IRA
    - Don't take a tax deduction
    - Convert to a Roth IRA

Things To Do or Not To Do

- In most situations it is not a good idea to move a US based retirement account overseas
- Speak to a tax professional before doing this

Important Disclosure Information

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Moving to Ireland

Tax Considerations

Stephanie Wickham

Stephanie Wickham

- Fellow of the Institute of Chartered Accountants Ireland
- Chartered Tax Adviser
- Founder expattaxes.ie
- Work with many US citizens/green-card holders who are returning/relocating to Ireland (returning Irish and non-Irish nationals)
- Our aim is to help our clients –
  - Pay the right amount of tax and no more
  - Reduce stress
  - Explain complex tax in a simple manner

What We'll Cover

- An overview of the Irish tax system
- Good news
- Bad news
- Checklist – actions to take before your move

Tax Saving Tip

- Big life events = tax consequences

- For example:
  - Marriage
  - Birth of a child
  - Death of a spouse
  - **Relocating to a new country**

Irish Tax System

- Tax year is calendar based
- Taxes are due the following 31 October
- Employees are not required to lodge a return
- Apply for a PPS if you do not already have one
    - If lived here before then re-activate
- Income tax and capital gains tax

Income Taxes in Ireland

High tax rates

- 20% – lower rate
- 40% – higher rate

Universal Social Charge

- Over 70k – 8%

Social Insurance

- Flat 4% rate

Single or widowed or surviving civil partner, without qualifying children	€40,000 @ 20%, balance @ 40%
Single or widowed or surviving civil partner, qualifying for Single Person Child Carer Credit	€44,000 @ 20%, balance @ 40%
Married or in a civil partnership (one spouse or civil partner with income)	€49,000 @ 20%, balance @ 40%
Married or in a civil partnership (both spouses or civil partners with income)	€49,000 @ 20% (with an increase of €31,000 max), balance @ 40%

The Double Tax Agreement

- Ireland/US have a double tax agreement
- This can do a few things:
  - Give ONLY Ireland the right to tax
  - Give ONLY the US the right to tax
  - Give **both countries** the right to tax

- Don't worry – **credit system**!

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Bad News First...

- Income tax rates for individuals are HIGH (returning Irish will appreciate this!)
    - Marginal income tax rate = 52% (e.g. for a married couple with income greater 80k)
    - Capital gains tax rate = 33% (flat rate – no difference between short/long term gain)
    - Expect to pay Irish tax on your worldwide income/gains when tax residency is triggered (remittance basis useful here!)
    - Savings (i.e. pre-residency capital) can be used in Ireland = **no Irish tax** (N.B. Caution here if you are non-domiciled)
    - US corporate structures are not necessarily 'like-for-like' in Ireland – we do not have a 'LLC' type entity here. Corporate structures may need tax review.
    - Working in Ireland remotely for a US employer – Irish taxes apply and employer is required to register to withhold PAYE (equivalent of W2 process) at source.

Some Good News...

- Foreign domiciled individuals do not pay tax on non-Irish income and gains unless these are remitted to Ireland (remitted = used/enjoyed)
- Reliefs exist for employees who are relocating to work for an Irish entity of their US employer
- Recent legislation changes allow a tax-free lump sum draw down from certain US pensions
    - Roth IRAs qualify for a domestic tax exemption
    - IRAs/401ks/529 accounts - these need more careful planning
- The Irish/US Estate Tax treaty is very useful - planning needed here!
- A good Irish tax adviser can help you navigate the pitfalls AND take advantage of opportunities

Checklist

- Get an Irish tax adviser, ideally before your relocation
- Consider the implications of Irish tax residency (before you move!)
- Understand your tax domicile
- Understand the remittance basis of tax (bank accounts segregated?)
- Consider inheritance planning
- Confirm there are no ‘offshore funds’ in your portfolio (nasty regime that applies to a lot of US mutual fund/index fund investments)
- Get familiar with new Irish tax filing deadlines and obligations
- Consider introducing your US tax adviser to your Irish tax adviser

Summary

- Be pro-active
- Moving from a medium tax jurisdiction to a high tax jurisdiction
- There are domestic reliefs and two double tax agreements that can cushion the blow
- Forward planning is vital and can save A LOT of time/money

How Expat Taxes Can Help

- Expat Taxes offers one-to-one online consultations to provide bespoke advice
- We work with many US advisers
- Tax return preparation
- Tax planning and advisory
- Act as your Irish based tax adviser in advance of your move

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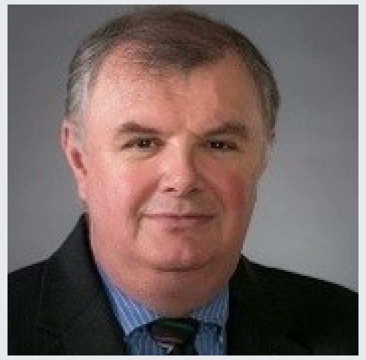

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