



Everything You Need To Know About

Foreign Reporting

What Is Foreign Reporting?

The obligation of a business to disclose and report its financial activities, income, assets, and transactions in foreign countries for tax purposes. This process involves submitting specific forms or reports to tax authorities, both in the business's home country and the foreign jurisdictions where it operates.





Foreign Reporting

Common Foreign Reporting Filings Startups Will Have

Form 5471

Having 10% or more ownership in a foreign subsidiary

Form 5472

25% or more of your company is owned by a foreign entity

FBAR

Your business has funds in foreign bank accounts



Form 5471

Deadline

With tax return, including extensions

Penalties

- \$10,000 flat penalty
- \$10,000 per 30 additional days up to \$50,000 if failure continues more than 90-days

Purpose of the form

- Reporting additional information by certain U.S. persons, including U.S. citizens, residents, corporations, and partnerships, who are significant shareholders, officers, or directors in certain foreign corporations
- Informational return, no tax is assessed on the form

What to report

Multiple schedules based on categories of filers. For a corporation having 50% of voting power or value of stock of a foreign corporation, they must report:

- Details of shareholding and amount invested in foreign corporation
- Balance sheet and Profit and Loss Account of foreign corporation
- Transactions between US entity and foreign corporation
- Intercompany balances between US entity and foreign corporation



Form 5472

Deadline

With tax return, including extensions

Penalties

- \$25,000 flat penalty
- Additional \$25,000 penalty if the failure continues for more than 90 days*

Purpose of the form

- To provide information of the reportable transactions that occur during the tax year between the reporting corporation and 25% Foreign Owner (corporation or individual)
- Informational return, no tax is assessed on the form

What to report

- Details of 25% or more foreign shareholder
- Related party details
- Reportable transactions (sales/income, expenses, loans, receivables, etc)

* Criminal penalties may also apply for failure to submit information or for filing false or fraudulent information



FinCEN Form 114 (FBAR)

Deadline

Annual report, due April 15 following the calendar year reported.*

Penalties

- >\$100K or 50% of the highest account balance for each year for each account for willful neglect
- \$12,500 for non-willful violations
- Criminal liability may also apply

Purpose of the form

- Reporting additional information by certain U.S. persons, including U.S. citizens, residents, corporations, and partnerships, who are significant shareholders, officers, or directors in certain foreign corporations
- Informational return, no tax is assessed on the form

What to report

- Details of financial account (name of financial institution), account number, address etc)
- Highest balance at any time during the calendar year

* Automatic extension to October 15 granted for FBAR filing if the April 15 deadline is missed. Applies to calendar year reporting, regardless of the accounting or tax year in use



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