How International Investors Can Reduce U.S. Taxes in 2025—Legally

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By The Guillen Pujol CPAs Newsroom

Business, Business Owner, Corporate Maintenance, GPCPAs Guides, Individuals, International Tax, Latin America, Venezuela

Most online resources on lowering business taxes target small business owners, freelancers, or single-member LLCs. They offer general advice on deductions and compliance, but rarely address the complex realities that international investors face when managing cross-border assets and U.S. income.

In 2025, the U.S. tax landscape has grown more demanding. The TCJA continues to shape corporate taxation, while the One Big Beautiful Bill Act (OBBBA) introduced new compliance rules, tighter standards for foreign entities, and limits on credit eligibility. For international investors, the challenge is not just compliance but structuring transactions in ways that preserve cash flow and reduce U.S. taxes legally.

At this level, investors are not seeking definitions or theoretical frameworks. They want practical strategies to minimize U.S. tax exposure without risking wealth or reputation—approaches grounded in careful planning and professional guidance.

The Cross-Border Tax Landscape for International Investors

For international investors, one of the biggest challenges is double taxation—when the same income is taxed both in the country of origin and in the United States. Tax treaties are designed to prevent this by dividing taxing rights, but results depend on how the investment is structured and the type of the asset involved.

For example, under the U.S.–Germany treaty, capital gains are generally taxed in the investor's country of residence. But if the asset is tied to a U.S. office, subsidiary, or permanent establishment in the United States, the taxing right may shift fully or partially to the U.S. authority. That difference can determine whether the investor pays tax once or twice, and it requires careful documentation of where the value is generated and how the operation is managed.

The foreign tax credit offers another tool to reduce U.S. tax exposure, though its effect is limited. Filing Form 1116 allows investors to credit taxes already paid abroad, but only if proper documentation exists. Missing receipts, filing under the wrong entity, or late submissions can all lead to IRS denial of the credit.

Compliance adds another layer. FATCA (Foreign Account Tax Compliance Act) requires foreign financial assets to be reported on Form 8938, while FBAR (Foreign Bank Account Report) applies to offshore bank accounts. Overlooking these reports can trigger penalties that erase any tax savings achieved through planning. The same applies to PFICs (Passive Foreign Investment Companies): without timely elections and Form 8621 filings, taxation becomes punitive.

In addition, the Tax Cuts and Jobs Act (TCJA) of 2017 amended the rules governing Controlled Foreign Corporations (CFCs), creating the Global Intangible Low-Taxed Income regime (GILTI). This provision requires U.S. shareholders to report as taxable income in the U.S. a portion of their foreign subsidiaries' profits—whether or not those profits are distributed as dividends. The calculation of the includible amount relies on complex methodologies established by law and IRS regulations. Misapplication of these rules can generate significant tax consequences and trigger multiple additional reporting obligations.

Ultimately, knowing the rules is only the starting point. What defines success is how transactions are structured—whether the holding company has real substance in its jurisdiction, whether permanent establishment in the U.S. is avoided, and whether treaty benefits are supported with the right documentation. These choices often determine the difference between a neutral result and true efficiency.

Tax Avoidance vs. Tax Evasion: Drawing the Legal Line

For international investors, reducing U.S. taxes legally is not only valid but part of responsible financial management. Tax evasion, by contrast, involves concealing income, inflating expenses, or falsifying records—actions that lead to penalties, reputational damage, and in many cases criminal liability.

The distinction lies in intent and transparency. Tax avoidance relies on existing rules and proper documentation; evasion depends on deception. For example, claiming treaty benefits to lower dividend withholding is legal tax planning if the investor files the right forms and meets residency requirements. But underreporting less income than actually received or diverting payments to personal accounts is tax evasion.

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With the legal boundary clear, the next step is execution: strategies that reduce U.S. tax exposure while staying firmly within the law.

Strategies That Actually Reduce U.S. Tax Exposure for International Investors

Pre-immigration Structuring: Restructure Assets Before U.S. Tax Residency

For international investors planning to move to the United States, the first day of tax residency is not just a date on the calendar—it marks the point from which worldwide income becomes taxable. Preparing ahead determines how much global income falls under U.S. rules. Acting in advance allows investors to sell or restructure assets outside the system, organize investment vehicles efficiently, and position income streams to reduce rather than expand exposure.

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A clear example involves foreign funds classified as Passive Foreign Investment Companies (PFICs). Once subject to U.S. rules, PFICs face punitive taxation and require annual reporting through Form 8621. By restructuring before residency begins—through divestment, portfolio changes, or making timely elections—investors can avoid importing a hidden liability. For instance, reviewing a $2 million offshore portfolio and restructuring before entry could mean hundreds of thousands in long-term tax savings.

Using Holdings Instead of Direct Ownership

For nonresidents, passive U.S.-source income—such as dividends or certain interest—is generally subject to a flat 30% withholding tax. That rate can be reduced if the investor qualifies for treaty benefits, but eligibility must be documented before payment. Proper forms—W-8BEN (for individuals) or W-8BEN-E (for entities)—and proof of residence are required, and the IRS enforces limitation-on-benefits provisions to prevent treaty abuse.

Channeling investments through a holding company in a treaty jurisdiction often strengthens the position. It not only makes reduced treaty rates easier to apply but also creates a clearer path for claiming treaty-based withholding at source. Direct ownership through a U.S. LLC, by contrast, can trigger unintended U.S. tax

obligations or block treaty relief. The difference lies in substance: a holding with governance, bank accounts, and real activity is far more likely to withstand IRS scrutiny and secure treaty benefits for cross-border investors.

Estate Planning That Preserves Value: Use Trusts and Foreign Entities to Reduce Estate Liabilities

International investors often underestimate the reach of the U.S. estate tax. Unlike U.S. citizens and residents, who enjoy multi-million-dollar exemptions, nonresidents receive only about $60,000 of lifetime protection in U.S.-situs assets. Everything above that threshold—real estate, shares of U.S. corporations, tangible property located in the country—can be taxed at rates that reach up to 40%. For global investors, ignoring this reality can erase a significant portion of wealth at succession.

Addressing this risk requires more than a will. Transferring assets into foreign entities, creating irrevocable trusts, or using offshore life insurance can reduce the taxable base and provide liquidity when it matters most. For example, placing a $5 million U.S. real estate holding into a properly structured foreign entity could shield heirs from nearly $2 million in estate tax. In one recent case, a European family with U.S. property restructured ownership before succession and avoided both a forced sale and a seven-figure tax bill. The goal is not just to preserve assets but to avoid forced sales or distressed divestments at the worst time.

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The Importance of CPAs for International Investors

A Certified Public Accountant (CPA) is a licensed professional accountant under U.S. Treasury Circular 230 that can formally represent taxpayers before the IRS and design complex tax planning strategies. For international investors, working with a CPA is essential to legally reduce U.S. taxes.

Effective tax planning goes beyond knowing the rules—it requires anticipating how those rules will change and adapting quickly. A skilled CPA serves as a strategic partner, aligning each financial decision with an evolving regulatory framework.

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Anticipating Regulatory Changes

U.S. tax rules shift constantly, especially for international investors. On March 21, 2025, FinCEN issued an interim rule exempting U.S.–formed companies from reporting Beneficial Ownership Information (BOI). The obligation now applies only to certain foreign entities registered to do business in state or tribal jurisdictions, which must file a BOI report within 30 days of registration.

> Another turning point came with the OBBBA, signed on July 4, 2025. This law renamed the GILTI regime as Net Controlled Tested Income (NCTI) and more strictly limited the use of foreign tax credits to offset U.S. liability. For international investors, this translates into higher potential exposure and new compliance burdens. Assessing the impact requires detailed analysis of corporate structures and available options.

A CPA with international tax expertise helps by:

- Modeling tax projections under OBBBA scenarios to identify savings opportunities and risks.
- Designing corporate structures (e.g., intermediate holdings or S-corps) that optimize foreign tax credit use and meet CFC rules.
- Advising when compliance is required—and when resources can be better deployed elsewhere.

In a landscape where U.S. and international tax rules are continuously redefined, a CPA ensures ongoing monitoring, timely interpretation, and customized compliance planning.

Avoiding Penalties and Preserving Benefits

For business leaders and their teams, it can be challenging to distinguish legitimate tax planning from evasion. Internal Revenue Code §6662 authorizes accuracy-related penalties—generally20% of the underpayment—and in certain cases (e.g., gross valuation misstatements tied to transfer pricing) 40%. Meeting documentation and “reasonable cause and good-faith” standards can help avoid these penalties. An experienced CPA ensures positions are substantiated and structures can withstand IRS scrutiny.

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Designing Structures That Scale With the Business

As a company grows, so do its tax challenges. A business operating in multiple states without coordination may end up paying duplicate taxes on income that should be exempt under apportionment rules. Likewise, a company expanding abroad without reviewing Controlled Foreign Corporation (CFC) rules may be forced to pay U.S. tax on profits that were never repatriated. A CPA designs structures that avoid these pitfalls, facilitate expansion, and protect the company's reputation in the markets where it operates.

Ensuring Continuity

A CPA can establish quarterly tax reviews, preventive audits, and a reporting calendar aligned with federal and state deadlines. These measures reduce risk and ensure that all available legal tax benefits are used effectively.

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About Our Firm

Guillen Pujol CPAs is a Miami-based CPA firm with 35+ years in international tax planning, tax representation, compliance, and business advisory. We design tax-efficient structures, protect wealth, and guide clients across borders with clear, actionable advice.

For international investors, our focus is on strategies that matter most: treaty analysis and inbound structuring, pre-immigration planning, and entity design with real substance. We handle PFIC and CFC reviews with the right elections and filings (Forms 8621, 5471, 8858), manage estate exposure on U.S.-situs assets through Form 706-NA and liquidity planning, and ensure cross-border entities remain in good standing with annual reports, registered agent coverage, and BOI filings when required. When needed, we also provide outsourced accounting and controller services, keeping ledgers, reconciliations, and financial statements audit-ready.

Our work is senior-led, collaborative with legal counsel and in-country advisors, and backed by global networks through the AICPA and FICPA affiliations. We bring Big Four rigor with a hands-on approach. If you manage cross-border capital and want to reduce U.S. tax exposure legally while staying fully compliant, we can help—consistently and at pace with your growth.

Take Action Now: Need professional tax guidance? Contact us today.

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Editor's Note: This post is part of the 'GPCPAs Info Hub,' an initiative dedicated to empowering you with the knowledge and strategies needed to navigate the complexities of the U.S. tax system and financial strategies. Visit our Information Hub, a curated resource offering the latest in tax, economic, and business news, alongside actionable guidance on tax strategies, accounting, and business advisory—because Planning Tomorrow starts *here*.

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