SAFE HAVENS FOR AMERICANS

The American Buyer's Complete Offshore Tax Guide

FBAR. FATCA. Foreign Tax Credits. Estate Tax.
Capital Gains. The Five Questions to Ask Your CPA.

Every American buying property outside the United States carries two parallel tax obligations: the local tax where the asset sits, and the IRS layer that applies regardless of where you live, what the local jurisdiction charges, or whether you ever bring the money home. This guide covers both layers in full, across all 22 Safe Havens markets, with the specific detail a serious buyer and their CPA need.

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$10,000	$50,000	23.8%	22
FBAR Trigger Threshold	FATCA Threshold	Max Federal Cap Gains Rate	Markets Analyzed

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Why Every American Offshore Buyer Needs This Guide

There is a version of the offshore property conversation that happens in developer showrooms, at international real estate conferences, and in the marketing materials of every zero-tax jurisdiction on this platform. It emphasizes the absence of local tax. No income tax in Cayman. No capital gains tax in Dubai. No property tax in Turks and Caicos. This information is accurate, and it matters. The local tax layer is real and its absence is a genuine economic benefit.

What this conversation almost never includes is the other half of the picture: the IRS layer that applies to American citizens and green card holders regardless of where their assets are located, how those assets are taxed locally, or whether they ever bring the income or proceeds back to the United States. The United States taxes its citizens on global income. It is one of only two countries in the world that does this. The other is Eritrea.

This guide exists because the gap between the marketing narrative and the complete tax picture costs American buyers money, creates compliance risk, and generates avoidable penalties that in some cases exceed the value of the asset that triggered them. It is written for American citizens and green card holders who are evaluating or have already completed a foreign property purchase, and for the advisors who serve them.

> *"The IRS does not care that Cayman has no income tax. It does not care that Dubai imposes no capital gains levy. It does not care that you have lived in Portugal for seven years. You are an American citizen. You file US returns. You pay US tax on your global income. That is the starting point of every offshore property analysis, and it is the fact that every other consideration in this guide builds from."*

How to use this guide

Sections 1 through 8 cover the US tax and reporting obligations that apply to all American offshore property owners regardless of which market they have chosen. Section 9 provides a market-by-market snapshot covering all 22 Safe Havens markets. Section 10 addresses the voluntary disclosure options available to buyers who discover past non-compliance. Section 11 provides the five questions every buyer should bring to their CPA before any offshore commitment is made.

This document does not constitute legal or tax advice. It is an educational framework. The tax treatment of offshore property is complex, fact-specific, and subject to change. Before making any offshore property decision, engage a qualified CPA with demonstrated experience in US international tax, including FBAR compliance, FATCA reporting, foreign tax credit analysis, and cross-border estate planning.

SECTION 1

The Foundational Principle: Americans Pay Tax on Global Income

The rule

American citizens and green card holders are taxed by the United States on their worldwide income regardless of where they live, where their assets are located, how the income is taxed in the country where it originates, and whether the income is ever brought back to the United States. This principle is called citizenship-based taxation and it is the foundational rule that governs every other tax analysis in this guide.

Most countries tax based on residency: if you do not live there, you generally do not pay tax there on foreign-sourced income. An Australian who buys a Cayman condo and rents it out pays no Australian tax on the rental income because Australia uses residency-based taxation and the income originates outside Australia. A British citizen who retires to Portugal pays UK tax only on UK-sourced income after establishing Portuguese residency. A German who buys a Thai condominium files no German return on Thai rental income.

An American in any of these situations continues to owe US tax on all of it. Every dollar of rental income from a Cayman condo is reportable to the IRS. Every pound of appreciation on a London flat is a US taxable capital gain on disposal. Every baht of yield from a Phuket serviced apartment appears on Schedule E. The local country's tax treatment of this income is relevant because it determines whether a foreign tax credit is available to offset the US liability. It does not determine whether the US liability exists.

The two parallel obligations

OBLIGATION	WHAT IT COVERS	WHERE FILED
Local country tax	Income and gains taxed under the laws of the country where the property is located. Rates vary by jurisdiction, from 0% in	Local tax authority in the jurisdiction
US tax on global income	The same income and gains, taxed again under US law. The foreign tax credit offsets the US liability to the extent local tax	IRS, with Schedule E and Form 1040
FBAR reporting	Foreign bank accounts with aggregate value over $10,000 at any point during the year. Reporting only, no tax.	FinCEN Report 114 via BSA E-Filing System
FATCA reporting	Specified foreign financial assets over applicable thresholds. Reporting only, no additional tax.	IRS, filed with Form 1040 as Form 8938

The IRS and foreign property income

Rental income from foreign property is reported on Schedule E of Form 1040, exactly as US rental income is reported. Capital gains on foreign property sales are reported on Schedule D and Form 8949. Foreign dividends, interest, and other passive income from foreign financial accounts appear on Schedule B. The fact that the income originates outside the United States does not create a separate filing system. It creates additional complexity within the standard US return framework.

The key variable is whether the foreign country where your property is located has taxed the same income, and if so at what rate, because that determines whether a foreign tax credit is available and how large it will be. Section 4 covers the foreign tax credit in detail. The starting point for every market analysis is: assume full US tax applies, then determine what local tax credit is available to offset it.

SECTION 2

FBAR: The Foreign Bank Account Report

What FBAR is

The Foreign Bank Account Report, officially FinCEN Form 114, is filed with the Financial Crimes Enforcement Network, a bureau of the US Treasury Department. It is not filed with the IRS. It is not part of your income tax return. It is a separate annual disclosure of foreign financial account interests, filed electronically through the BSA E-Filing System at bsaefiling.fincen.treas.gov. The purpose is disclosure, not taxation. FBAR non-compliance carries some of the most severe civil and criminal penalties in US financial law.

Who must file

Any US person who has a financial interest in, or signature authority over, one or more foreign financial accounts with an aggregate value exceeding $10,000 at any point during the calendar year. A US person includes a US citizen, a green card holder, and any entity organized under US law. The $10,000 threshold is the highest aggregate value of all foreign accounts at any single moment during the year, not the year-end balance, not an average, and not the total of transactions during the year.

WHAT COUNTS AS A FOREIGN FINANCIAL ACCOUNT FOR FBAR
Bank accounts at foreign financial institutions, including checking, savings, and money market accounts
Brokerage and investment accounts held at foreign institutions
Mutual fund accounts domiciled outside the United States
Foreign insurance policies with a cash surrender value (annuities and life insurance)
Commodity futures or options accounts held at foreign institutions
Bank accounts in foreign countries used to receive rental income or pay property expenses
Accounts held by a foreign entity in which you have a beneficial ownership interest of over 50%
Accounts over which you have signature authority even if you have no financial interest

WHAT DOES NOT COUNT AS A FOREIGN FINANCIAL ACCOUNT FOR FBAR
Direct ownership of foreign real estate in your personal name (the property itself is not an account)
Foreign real estate held through a US LLC (the LLC is a US entity)
Precious metals held outside the United States in personal possession
US military banking facility accounts
Correspondent or nostro accounts

The common FBAR trap for offshore property owners

Most American buyers of offshore property open a local bank account in the country where they purchase. This account receives rental income, pays management fees and maintenance costs, and handles local utility and service charges. This account is a foreign financial account for FBAR purposes. If its balance at any point during the year exceeds $10,000, it must be reported. If the aggregate of this account and any other foreign financial accounts you hold exceeds $10,000 at any point, all accounts must be reported.

The buyer who purchases a Cayman condo for $1.5M, deposits $50,000 into a Cayman bank account to cover initial expenses and the first year of carrying costs, and then forgets to file FBAR has committed a reportable violation. The account balance, not the property value, is the trigger. The property itself is not reportable on FBAR. The account used to manage it almost certainly is.

> *"The most common FBAR violation I see is not willful evasion. It is a buyer who purchased offshore property, opened a local bank account for property management purposes, and simply did not know the account needed to be reported. The account had $25,000 in it. The violation was entirely accidental. The penalty for non-willful FBAR failure is still up to $10,000 per year. For five years of non-filing that is up to $50,000 in penalties on a $25,000 account."*

FBAR penalties

VIOLATION TYPE	CIVIL PENALTY	CRIMINAL PENALTY
Non-willful failure to file	Up to $10,000 per violation	None
Willful failure to file	Greater of $100,000 or 50% of account balance per violation per year	Up to $250,000 and 5 years imprisonment
Willful failure after prior violation	Greater of $100,000 or 50% of account balance per violation per year	Up to $500,000 and 10 years imprisonment
Fraudulent filing	Up to $100,000 civil	Up to $10,000 and 5 years imprisonment

Statute of limitations

For non-willful FBAR violations, the IRS has six years from the date of the violation to assess a penalty. For willful violations, the period is also six years. For years in which no FBAR was filed, the statute does not begin running until the year in which a return was due. A buyer who failed to file FBAR for five consecutive years and then discovers the obligation does not simply face a one-year penalty. They face potential penalties for all five years simultaneously.

How to file FBAR

FBAR is filed electronically through the BSA E-Filing System. The due date is April 15, with an automatic extension to October 15. No extension request is required. The filing is separate from the IRS tax return and has no associated payment. A qualified CPA or attorney can prepare and file FBAR on your behalf using a third-party preparer authorization. Keep records of all foreign accounts and their maximum balances for each calendar year, as this information is required for the filing.

FBAR and jointly held accounts

If you hold a foreign account jointly with a spouse, both spouses have an independent FBAR filing obligation if the aggregate threshold is met. Married couples filing a joint FBAR can satisfy both obligations with a single combined filing. If the spouse is not a US person, only the US spouse has a filing obligation for jointly held accounts.

SECTION 3

FATCA: The Foreign Account Tax Compliance Act

What FATCA requires

FATCA requires US taxpayers to report specified foreign financial assets on Form 8938, filed as an attachment to the annual Form 1040. Unlike FBAR, which is filed separately with FinCEN and covers foreign bank accounts, Form 8938 is filed directly with the IRS and covers a broader category of specified foreign financial assets. The two obligations overlap in some areas but are not identical, and compliance with one does not satisfy the other.

FATCA reporting thresholds

FILING STATUS AND RESIDENCY	END OF YEAR VALUE	AT ANY POINT DURING YEAR
Single or Married Filing Separately (US Resident)	Over $50,000	Over $75,000
Married Filing Jointly (US Resident)	Over $100,000	Over $150,000
Single or Married Filing Separately (Living Abroad)	Over $200,000	Over $300,000
Married Filing Jointly (Living Abroad)	Over $400,000	Over $600,000

Specified foreign financial assets: what is and is not reportable

REPORTABLE ON FORM 8938
Foreign bank and brokerage accounts (also reportable on FBAR if over $10,000)
Interests in foreign partnerships, corporations, and trusts
Foreign pensions and deferred compensation plans
Foreign-issued life insurance policies with a cash value
Foreign annuity contracts
Interests in foreign entities that own real estate
Notes, bonds, or other debt instruments issued by foreign persons
Interests in foreign hedge funds and private equity funds

NOT REPORTABLE ON FORM 8938
Foreign real estate owned directly in your personal name
Foreign real estate used in a trade or business held in your name
A financial account at a US branch of a foreign bank
A financial account at a foreign branch of a US bank
Social Security benefits from a foreign government
Interests in a foreign entity that is publicly traded on a US exchange

The foreign entity trap

Directly owned foreign real estate is not a specified foreign financial asset for FATCA purposes. A buyer who purchases a Cayman condo in their personal name and holds it directly has no FATCA obligation arising from the property itself,

although they may have FBAR obligations from the associated bank account.

The moment the property is held through a foreign entity, the analysis changes completely. An interest in a foreign limited company, a foreign limited liability company, or a foreign trust that holds real estate is a specified foreign financial asset subject to Form 8938 reporting. This is the most common FATCA compliance gap for American offshore property owners, because foreign entity structures are frequently recommended for legitimate legal or tax reasons without full consideration of the FATCA reporting consequences.

PFIC: Passive Foreign Investment Companies

Americans who invest in offshore real estate through investment funds, such as a Portugal Golden Visa-qualifying investment fund or a Cayman real estate investment vehicle, may inadvertently become holders of Passive Foreign Investment Companies. PFIC status subjects fund distributions and sales to the most punitive tax treatment in the US international tax code: an interest charge applied to deferred gains as if the entire gain had been recognized pro-rata over the holding period, with each year taxed at the highest ordinary income rate in effect for that year rather than the preferential capital gains rate.

PFIC analysis must be conducted before any investment in a foreign fund structure. The PFIC rules are complex and the consequences of inadvertent PFIC ownership are severe. Buyers considering fund-based offshore investments rather than direct property ownership require specific PFIC counsel as part of their pre-investment analysis.

FATCA penalties

The penalty for failure to file Form 8938 is $10,000 per year, increasing by $10,000 per month up to $50,000 if the failure continues after IRS notification. An accuracy-related penalty of 40% applies to underpayments attributable to undisclosed foreign financial assets. There is no statute of limitations for years in which Form 8938 was not filed, meaning the IRS can assess penalties indefinitely for years of non-compliance.

SECTION 4

The Foreign Tax Credit: When It Helps and When It Does Not

The basic mechanism

The US foreign tax credit allows American taxpayers to reduce their US tax liability by the amount of qualifying taxes paid to foreign governments on the same income, subject to a limitation designed to prevent using the credit to offset US tax on US-sourced income. It is the primary mechanism for avoiding true double taxation and is governed by Internal Revenue Code Sections 901 through 908 and a complex set of Treasury Regulations.

The credit applies dollar-for-dollar against US tax liability. If you pay 19% Italian capital gains tax on the sale of a Tuscany property and owe 23.8% US federal capital gains tax on the same gain, the foreign tax credit offsets 19 percentage points of the US liability, leaving approximately 4.8% net US federal tax on the Italian gain. The credit cannot exceed the US tax attributable to the foreign income, ensuring it cannot offset tax on US-sourced income.

Qualifying foreign taxes

Not every foreign tax qualifies for the US foreign tax credit. A qualifying foreign tax must be a tax on income, it must be imposed on the taxpayer, and it must be the legal and actual foreign tax liability. Taxes on gross income without deductions, turnover taxes, and value-added taxes generally do not qualify. Withholding taxes on rental income paid to non-residents generally do qualify if they are creditable under the applicable tax treaty.

The zero-tax jurisdiction problem

The foreign tax credit can only offset taxes you actually paid. In jurisdictions where the local tax rate on the relevant income is zero, there is no foreign tax to credit, and the full US rate applies without offset. This is the central tax reality of every zero-tax jurisdiction on the Safe Havens platform, and it is the fact that offshore property marketing most consistently understates.

MARKET	LOCAL TAX ON RENTAL INCOME	LOCAL CAPITAL GAINS TAX	US FOREIGN TAX CREDIT AVAILABLE
Cayman Islands	Zero	Zero	No credit available. Full US rate applies.
Turks and Caicos	Zero	Zero	No credit available. Full US rate applies.
Dubai / UAE	Zero	Zero	No credit available. Full US rate applies.
Antigua and Barbuda	Zero on most income	Zero	Minimal to no credit. Full US rate applies.
St. Kitts and Nevis	Zero	Zero	No credit available. Full US rate applies.
Uruguay	Territorial system applies	12% on gains	Partial credit may apply. Treaty analysis required.
Italy	Up to 43% on rental (cedolare option available)	26% on gains (primary residence exempt)	Substantial credit available. Net US liability reduced significantly.
Portugal	28% withholding for non-residents	28% on gains (with exemptions)	Substantial credit available. Net US liability reduced significantly.
Greece	15-45% on rental income	15% on gains	Substantial credit available. Net US liability reduced significantly.
France	Marginal rates on rental income	19% plus social charges on gains	Substantial credit available. Net US liability reduced significantly.

Currency gain: the hidden ordinary income event

When an American purchases property in a foreign currency and later sells it, two separate gain calculations apply under US tax law. The property gain in local currency terms is computed and then converted to US dollars at the exchange rates on the date of purchase and date of sale. Any appreciation in the value of the foreign currency against the US dollar between the purchase date and sale date represents a separate currency gain that is treated as ordinary income, not capital gain, under Section 988 of the Internal Revenue Code.

On a property purchased in euros for EUR 1,000,000 when the exchange rate was 1.05, the USD basis is $1,050,000. If the same property is sold for EUR 1,200,000 when the rate is 1.15, the USD proceeds are $1,380,000. The gain is $330,000. But within that gain, the EUR 200,000 property gain converted at the sale rate is $230,000, treated as capital gain. The remaining $100,000 represents currency appreciation and may be treated as ordinary income. This distinction can meaningfully affect after-tax returns on European market investments held over multiple years.

Properties purchased and sold in US dollars, including Cayman Islands and Dubai transactions, do not have this currency gain issue. The USD peg of the UAE dirham and the USD economy of Cayman eliminate this dimension of tax complexity entirely.

The foreign tax credit limitation and baskets

The foreign tax credit is limited to the amount of US tax attributable to the foreign income. This limitation is calculated separately for different categories, called baskets, of foreign income. Passive income such as rental income and dividends has its own basket, separate from general category income such as business income. Excess credits in one basket generally cannot offset US tax on income in another basket, and excess credits can be carried back one year or forward ten years.

This basket system means that a buyer with significant foreign passive income from multiple offshore properties must track credits and limitations by basket and by year. This is the level of complexity that makes qualified international tax counsel not optional but essential for any buyer with meaningful offshore property interests.

SECTION 5

Capital Gains on Foreign Property Sales

The US capital gains framework

An American who sells foreign property held for more than one year recognizes a long-term capital gain equal to the difference between the adjusted basis of the property and the net sale proceeds, both converted to US dollars. Long-term capital gains are taxed at preferential rates of 0%, 15%, or 20% depending on the taxpayer's taxable income for the year, plus the 3.8% net investment income tax for taxpayers whose modified adjusted gross income exceeds $200,000 for single filers or $250,000 for married filing jointly. The combined maximum federal rate on long-term capital gains for high-income taxpayers is 23.8%.

Adjusted basis calculation for foreign property

The adjusted basis of foreign property for US tax purposes is the original purchase price converted to US dollars at the exchange rate on the date of purchase, plus the cost of capital improvements converted at the exchange rates on the dates the improvements were made, plus certain acquisition costs such as legal fees and transfer taxes, minus accumulated depreciation that was required to be taken on the US tax return during the years of rental use.

Depreciation recapture applies at ordinary income rates up to 25% on the portion of gain attributable to depreciation previously taken. If you have owned a rental property for ten years and claimed $80,000 in depreciation deductions over that period, $80,000 of the gain on sale is subject to recapture at your marginal rate rather than the preferential capital gains rate, regardless of what the overall gain is taxed at.

The primary residence exclusion on foreign property

Section 121 of the Internal Revenue Code allows US taxpayers to exclude up to $250,000 of capital gain from the sale of a primary residence, or $500,000 for married couples filing jointly, provided the taxpayer has owned and used the property as their primary residence for at least two of the five years preceding the sale. This exclusion applies to foreign property as well as US property.

The exclusion is available to an American who has genuinely relocated to Italy, lived in their Sicilian property as a primary residence for two or more years, and then sells. It is not available to the buyer of a vacation home who visits for a few weeks per year. The ownership and use tests must be met based on actual facts and circumstances, and the IRS can challenge a claimed exclusion if the facts do not support genuine primary residence use.

State income tax on foreign capital gains

Americans who are residents of states with income tax owe state income tax on foreign property capital gains in addition to federal tax. California taxes capital gains at ordinary income rates with no preferential rate for long-term gains, with a top rate of 13.3%. New York taxes capital gains at rates up to 10.9%. Massachusetts taxes long-term gains at 5%. The combined federal plus California rate on a large foreign property gain for a high-income taxpayer can approach 37%. Florida, Texas, Nevada, and other states with no income tax provide meaningful additional benefit for offshore investors who have established domicile in those states.

> *"The after-tax economics of a foreign property sale must be modeled using the combined federal, state, and local capital gains rate applicable to the seller, after the foreign tax credit, after depreciation recapture, and with separate treatment of any currency gain component. A buyer who models the investment economics using only the local country's zero capital gains tax rate and the headline US long-term capital gains rate without these additional factors may be significantly underestimating their true tax cost on exit."*

SECTION 6

Rental Income Reporting: Schedule E and Foreign Rental Properties

How foreign rental income is reported

Rental income from foreign property is reported on Schedule E of Form 1040, Supplemental Income and Loss, in exactly the same manner as domestic rental income. The gross rental receipts are converted to US dollars at the exchange rate on the date each payment is received or the average annual exchange rate if payments are received throughout the year. Allowable deductions are then computed in US dollars and netted against gross income to arrive at net rental income or loss.

Allowable deductions for foreign rental properties

DEDUCTIBLE EXPENSE	NOTES
Mortgage interest	Interest on loans used to acquire or improve the property. Must be on a qualifying loan secured by the property.
Property management fees	Fees paid to local managing agents. Convert to USD at the rate on the payment date.
Maintenance and repairs	Routine maintenance that does not add to the property's useful life or value. Capital improvements are not deduc
Property insurance	Including building insurance, contents insurance, and liability insurance.
Advertising and letting costs	Costs to find tenants, including listing fees on rental platforms.
Local property taxes	Property taxes paid to the foreign jurisdiction, such as Italy's IMU or the UK's council tax.
Travel to inspect or manage the property	Subject to strict documentation requirements and proration if the trip includes personal travel.
Depreciation	Foreign residential rental property is depreciated over 40 years (not 27.5 years for US property) under the alterna
Legal and professional fees	Fees for local attorneys, accountants, and other professionals managing the property.
Utilities	If paid by the landlord rather than the tenant.

The 40-year depreciation rule for foreign property

US tax law requires foreign residential rental property to be depreciated using the alternative depreciation system over a 40-year recovery period rather than the 27.5-year period applicable to US residential rental property. This means annual depreciation deductions on a foreign property are smaller than they would be on a comparable US property, and the accumulated depreciation subject to recapture on sale is smaller as well. The depreciation must be taken even if the taxpayer does not claim it as a deduction, because the basis reduction for depreciation required to be taken applies regardless of whether the deduction was actually claimed.

Passive activity rules and foreign rental losses

Rental activity is generally treated as passive activity under US tax law. Losses from passive activities can only be deducted against income from passive activities. If your foreign rental property generates a net loss in a given year, that

loss is generally suspended and carried forward until either the property generates net income or the property is sold, at which point suspended passive losses become fully deductible. Active participation rules that allow some landlords to deduct up to $25,000 of rental losses against ordinary income apply to US properties with relatively low income and also apply to foreign rentals, subject to the same income limitations.

SECTION 7

Estate Tax and Foreign Assets: What Happens When You Die

The worldwide estate tax

American citizens are subject to US federal estate tax on the fair market value of their worldwide assets at the time of death, including foreign real estate regardless of where it is located. A Cayman condo valued at $3M is included in the US taxable estate at its full $3M fair market value. An Italian farmhouse, a Dubai apartment, a Montenegro beachfront villa: all are included in the US taxable estate at full value, subject to estate tax rates of up to 40% on the taxable amount above the applicable exemption.

The exemption amount and the 2025 sunset risk

The federal estate tax exemption was set at $13.61M per individual, or $27.22M for a married couple with proper planning, for 2024 under the Tax Cuts and Jobs Act. This elevated exemption level is scheduled to revert to approximately half its current level after December 31, 2025, absent Congressional action. The political environment around this reversion is uncertain. Buyers with total estates, including offshore property, approaching or exceeding the exemption level should be modeling both the current exemption scenario and the potential post-2025 scenario in their estate planning.

Estate tax treaties

The United States has estate tax treaties with a number of countries that can affect the US estate tax treatment of assets in those countries. Treaty provisions vary significantly. Some treaties provide estate tax credits for local inheritance taxes paid on the foreign assets. Others provide exemptions for certain categories of property. Treaty analysis is required for any significant offshore estate and cannot be generalized across markets.

Ownership structures and estate planning

The ownership structure chosen at the time of purchase has significant estate planning implications that should be analyzed in coordination with an estate planning attorney before the purchase is completed. Direct personal ownership is the most transparent for US tax purposes but may not be optimal from an estate planning perspective. Holding property through a foreign trust, a domestic trust, or a US entity structure can in some cases reduce estate tax exposure but introduces complexity in income tax reporting and may not be appropriate for all situations.

One of the most important questions to resolve before any offshore property purchase is: if I die owning this property, what happens to it? The answer involves the probate laws of the country where the property is located, the estate tax laws of both the US and the local jurisdiction, and the titling and ownership structure decisions made at the time of purchase. Getting these decisions right at the outset is significantly more efficient than attempting to restructure after the fact.

Inheritance and forced heirship laws

Some countries impose forced heirship rules that restrict the owner's ability to dispose of real property by will to whomever they choose. France, for example, reserves a portion of an estate for children regardless of the owner's testamentary wishes. Italy has similar provisions. These local succession laws apply to property located in those jurisdictions regardless of the nationality of the owner or the terms of a US will. Estate planning for offshore property must account for the succession laws of the country where each property is located, not just US estate and succession law.

SECTION 8

Additional Reporting Forms: The Complete Compliance Picture

Beyond FBAR and FATCA

The reporting obligations arising from offshore property ownership extend beyond FBAR and Form 8938 when foreign entities are involved in the ownership structure, when distributions are received from foreign trusts, or when interests in foreign investment funds are held. The following forms represent the most commonly encountered additional filing requirements for American offshore property investors.

FORM	NAME	TRIGGERS	ANNUAL COST ESTIMATE
Form 5471	Information Return for US Persons With Foreign Corporations	US person who is an officer, director, or 10%+ shareholder of a foreign corporation. Common whe	$3,000–$8,000
Form 8865	Return of US Persons With Respect to Foreign Partnerships	US person with a 10%+ interest in a foreign partnership. Common when property is co-owned through a foreign p	$2,500–$6,000
Form 3520	Annual Return To Report Foreign Trust	US person who creates, transfers assets to, or receives distributions from a foreign trust. Common in offshor	$3,000–$7,000
Form 3520-A	Annual Information Return of Foreign Trust With a US Owner	Filed by the foreign trust itself, but the US owner is responsible for ensuring com	Included above
Form 8621	Information Return by Shareholder of PFIC	US person who holds stock in a passive foreign investment company. Common with offshore real estate fund	$1,500–$4,000
Form 8858	Information Return of US Persons With Respect to Foreign Disregarded Entities	US person who owns a foreign disregarded entity treated as a disregarded entity for US tax purposes.	$1,500–$3,500
Schedule B (Form 1040)	Interest and Ordinary Dividends	Any US person with foreign accounts, regardless of income level. Part III specifically addresses foreign accou	Included in standard return

The true annual compliance cost of offshore property ownership

The chart above includes rough estimates of annual CPA fees for each additional form. A buyer who holds a single rental property in their personal name in a country with no entity structure may have an annual compliance cost addition of $1,500 to $3,000 above their normal US tax return preparation fee. A buyer who holds two properties through separate foreign limited companies has an annual compliance cost addition of $8,000 to $18,000 or more.

This compliance cost is not optional. The forms are legally required and the penalties for non-filing are material. It is a genuine and recurring cost of offshore property ownership for Americans that must be factored into the investment economics at the time of purchase, not discovered after the fact when the first tax return reflecting the offshore holding is prepared.

The single most important financial planning decision in offshore property ownership is the ownership structure, because the structure determines the annual compliance cost for the life of the ownership. Direct personal ownership is almost always simpler and cheaper to administer than foreign entity ownership from a US compliance perspective, even if foreign entity ownership offers advantages under local law. Always model the US compliance cost of any proposed structure before adopting it.

SECTION 9

Market-by-Market Tax Snapshot: All 22 Safe Havens Markets

How to read this table

Each row covers one market with five data points: the local tax on rental income for non-residents, the local capital gains tax on property disposal, whether a meaningful foreign tax credit is available to offset US liability on that income, the US-local tax treaty status, and the practical net US tax outcome. The net US tax outcome assumes a high-income American taxpayer in the 37% federal income bracket and 20% federal capital gains bracket, before state taxes and before any individual planning.

This table is a starting framework, not a tax opinion. Every market has nuances, treaty provisions, and planning opportunities that affect individual outcomes. The purpose of this table is to give buyers a comparative starting point for understanding which markets provide meaningful local tax offset and which leave the full US liability in place.

MARKET	RENTAL INCOME TAX (Non-Resident)	CAPITAL GAINS TAX	FTC AVAILABLE	TAX TREATY	NET US OUTCOME
Cayman Islands	Zero	Zero	No	No treaty	Full US rate on all income. No local offset available.
Turks and Caicos	Zero	Zero	No	No treaty	Full US rate on all income. No local offset available.
Dubai, UAE	Zero	Zero	No	No income tax treaty	Full US rate on all income. No local offset available.
Antigua and Barbuda	Zero on most income	Zero	Minimal	No treaty	Full US rate on most income. Minimal local offset.
St. Kitts and Nevis	Zero	Zero	No	No treaty	Full US rate on all income. No local offset available.
Italy	Cedolare secca 21% (flat) or ordinary progressive rates	26% on gains; 43% on primary residence gains	Yes, substantial	US-Italy tax treaty	Significant US liability reduction. Net rate typically low to mid
France	Flat rate 20-30% for non-residents	19% plus social charges 17.2%	Yes, substantial	US-France tax treaty	Significant US liability reduction. Net rate typically low single
Portugal (Algarve)	28% withholding for non-residents (NHR regime exempts qualifying residents)	28% on gains (NHR exemption available)	Yes, substantial	US-Portugal tax treaty	Meaningful US liability reduction. Net rate depends on NHR s
Greece	15% on first EUR 12K, then 35-45%	15% on gains	Yes, substantial	US-Greece tax treaty	Significant US liability reduction. Net rate depends on income
Montenegro	Flat 9-15% on rental income	9% on gains	Partial	No comprehensive treaty	Partial offset. Some US liability remains after credit.
Malta	Flat 15% on rental income	8% on value or 35% on gain	Partial	US-Malta tax treaty	Meaningful offset available. Net outcome depends on transac
Marbella, Spain	Flat 19-24% for EU/non-EU non-residents	19-23% on gains	Yes, substantial	US-Spain tax treaty	Significant US liability reduction. Net rate typically low single
London, UK	Basic rate 20-40% on rental income	24% on residential gains	Yes, substantial	US-UK tax treaty	Strong offset available. Net US liability significantly reduced.
Lisbon, Portugal	Same as Algarve above	Same as Algarve above	Yes, substantial	US-Portugal tax treaty	Same as Algarve above.
Costa Rica	Territorial: 15% on rental from Costa Rican sources	No capital gains tax on private sales	Partial	No comprehensive treaty	Partial offset on rental income. Full US CGT on gains.
Uruguay	Territorial: 12% on local income	12% on gains	Partial	No comprehensive treaty	Partial offset. Uruguay rates lower than US rates so residual
Tokyo, Japan	20% withholding for non-residents	20.315% on gains	Yes, substantial	US-Japan tax treaty	Meaningful offset. Treaty provisions require analysis.
Singapore	No income tax on rental for non-residents generally	No capital gains tax	No	US-Singapore tax treaty (limited)	Full US rate on rental income. Full US CGT on gains.
Bangkok, Thailand	15% withholding for non-residents	Not separate CGT; included in income tax	Partial	US-Thailand tax treaty	Partial offset on rental income. Treaty analysis required.

Phuket, Thailand	Same as Bangkok above	Same as Bangkok above	Partial	US-Thailand tax treaty	Same as Bangkok above.
Oman, Muscat	Zero for most categories	Zero	No	No income tax treaty	Full US rate on all income. No local offset available.
Japan, Niseko	Same as Tokyo above	Same as Tokyo above	Yes, substantial	US-Japan tax treaty	Same as Tokyo above.

Note: Tax rates and treaty provisions change. Verify all rates with a qualified cross-border CPA before making any investment decision. This table reflects general principles as of the date of publication and does not account for individual circumstances, treaty elections, or special regimes.

SECTION 10

Voluntary Disclosure: What to Do if You Are Out of Compliance

The importance of acting proactively

American buyers who discover that they have offshore property-related reporting obligations that were not met in prior years face a choice: continue non-compliance and hope it is never discovered, or come forward proactively through one of the IRS voluntary disclosure programmes. The choice is not difficult: the penalties for discovered non-compliance are dramatically worse than the penalties for voluntary disclosure, and the IRS has become increasingly sophisticated at identifying unreported offshore accounts and assets through its FATCA information-sharing agreements with foreign financial institutions worldwide.

The Streamlined Filing Compliance Procedures

The Streamlined Filing Compliance Procedures are the most commonly used remediation pathway for non-willful non-compliance. The programme has two versions: the Streamlined Domestic Offshore Procedures for US residents, and the Streamlined Foreign Offshore Procedures for Americans living abroad.

	STREAMLINED DOMESTIC	STREAMLINED FOREIGN
Who qualifies	US residents with non-willful FBAR and FATCA violations	Americans abroad with non-willful violations (330 days outside US
Returns required	Amend 3 years of tax returns, file 6 years of FBARs	File 3 years of tax returns, file 6 years of FBARs
Penalty	5% of the highest aggregate balance of unreported foreign financial assets in the covered years	Zero penalty
Non-willfulness certification	Required. Taxpayer certifies violations were non-willful.	Required. Taxpayer certifies violations were non-willful.
Protection from criminal prosecution	No explicit protection, but proactive disclosure significantly reduces risk	No explicit protection, but proactive disclosure significantly reduces

The non-willfulness standard

The streamlined procedures require the taxpayer to certify that their non-compliance was non-willful, meaning it resulted from negligence, inadvertence, mistake, or a good-faith misunderstanding of the law, rather than a deliberate intention to evade taxes or reporting requirements. The IRS scrutinizes these certifications. A taxpayer who knew about FBAR obligations and chose not to comply cannot truthfully certify non-willfulness.

The determination of willfulness versus non-willfulness is a legal question, not an accounting question. Any buyer considering a voluntary disclosure should engage a qualified US international tax attorney, not just a CPA, to evaluate the appropriate programme and prepare the certification. An incorrect or unsupportable non-willfulness certification can result in the IRS treating the disclosure as a willful violation with the full penalty consequences that entails.

The Voluntary Disclosure Programme for willful violations

Taxpayers whose non-compliance was willful, or who are unsure whether it was willful, can use the IRS Voluntary Disclosure Programme, which provides a negotiated resolution with reduced criminal exposure in exchange for full disclosure and payment of taxes, interest, and penalties. The penalties under this programme are substantially higher

than under the streamlined procedures, but the criminal protection it provides can be essential for taxpayers with significant willful non-compliance.

SECTION 11

Five Questions to Ask Your CPA Before Buying Offshore

Not every CPA has experience in US international tax. The complexity of FBAR, FATCA, foreign tax credit calculations, PFIC rules, Form 5471, cross-border estate planning, and treaty analysis is substantial enough that general practice CPAs who have not worked extensively with these issues are not adequately equipped to advise on offshore property ownership. The following five questions will help you determine whether your advisor has the required expertise and will surface the planning considerations that must be resolved before any purchase commitment.

Question 1. Have you prepared FBAR and Form 8938 filings for clients with foreign rental property and foreign bank accounts, and can you walk me through how my specific situation triggers each obligation?

Why this question matters. FBAR and FATCA are often discussed together and confused with each other. A qualified advisor should immediately be able to explain that FBAR covers foreign bank accounts over $10,000 at any point during the year filed with FinCEN, while Form 8938 covers specified foreign financial assets over higher thresholds filed with the IRS, that the two forms overlap but are not identical, and that holding property through a foreign entity changes the FATCA analysis entirely compared to direct personal ownership.

What a qualified answer sounds like. The advisor explains the specific forms required for your situation, the applicable thresholds, the filing deadlines, and the penalty exposure. They ask whether you hold the property in your personal name or through an entity, because the answer changes the analysis.

What a concerning answer sounds like. The advisor asks you to send them information so they can research it, conflates FBAR and FATCA as the same obligation, or says they will handle it without being able to explain the specific mechanics.

Question 2. Can you model my realistic net US tax liability on rental income and on an eventual sale for the specific market I am considering, after accounting for the foreign tax credit?

Why this question matters. The foreign tax credit analysis is the central variable that separates the after-tax economics of offshore property in different markets. A buyer in Italy faces a very different net US tax outcome than a buyer in Cayman, not because the US tax rates differ but because the Italian local tax rate provides a substantial credit while the Cayman zero rate provides none.

What a qualified answer sounds like. The advisor requests the local tax rate for the specific market, the applicable US-local tax treaty provisions, and your US income level to model the effective after-credit rate. They identify whether the income falls in the passive income basket for foreign tax credit purposes. They provide a scenario showing the expected net US federal rate after the credit.

What a concerning answer sounds like. The advisor says the US and local tax credits will essentially offset each other without modeling the specific numbers, or says you will not owe much US tax without being able to explain why.

Question 3. If I hold this property through a foreign entity, what additional forms must I file, what do they cost, and how does the structure affect my FATCA reporting?

Why this question matters. Foreign entity structures trigger Form 5471 for corporations and Form 8865 for partnerships. These forms are complex and expensive to prepare, with annual compliance costs of $3,000 to $8,000 or more per form. A buyer who adopts a foreign company structure on the advice of a local attorney without evaluating the US compliance cost may find that the annual reporting burden significantly erodes the investment economics.

What a qualified answer sounds like. The advisor identifies the specific forms required for the proposed structure, provides an estimated annual compliance cost, explains how the structure affects the FATCA reporting obligation, and advises whether the benefits of the foreign entity structure under local law justify the US compliance cost.

What a concerning answer sounds like. The advisor defers to the local attorney's structural recommendation without evaluating the US tax consequences, or provides a foreign entity structure without identifying the US compliance forms it triggers.

Question 4. How should I handle the currency gain component of this investment when I eventually sell, and how does that gain interact with the capital gains rate?

Why this question matters. Currency gain on foreign-denominated property sales is treated as ordinary income under Section 988, not as capital gain. On a property held for a decade in a euro-denominated market with significant EUR/USD movement, the currency component of the total gain can be material and the tax treatment meaningfully less favorable than the property gain component.

What a qualified answer sounds like. The advisor explains Section 988, identifies which markets have currency gain risk and which do not, describes how the basis calculation is made using the exchange rate on the purchase date, and models the potential currency gain component on a hypothetical exit.

What a concerning answer sounds like. The advisor is unaware of the Section 988 ordinary income treatment of currency gains, or conflates the currency gain with the capital gain without distinguishing their different tax treatment.

Question 5. What is my estate tax exposure on this asset, and how should I structure ownership to address it efficiently without creating unnecessary US compliance complexity?

Why this question matters. Foreign real estate owned by an American citizen is included in the US taxable estate at full fair market value. For buyers with total estates approaching or exceeding the federal exemption, offshore property creates estate tax exposure that must be planned around. For buyers with smaller estates the issue is less urgent, but the ownership structure decisions made at purchase still affect the estate administration process and the succession law analysis.

What a qualified answer sounds like. The advisor requests information about the total estimated estate size, identifies the estate tax exposure from the offshore property, explains the relevant treaty provisions if any, and coordinates with the estate planning attorney rather than providing a definitive structural recommendation in isolation.

What a concerning answer sounds like. The advisor says estate tax is not an issue without knowing the total estate size, or provides a structural recommendation that creates US compliance complexity without modeling the estate tax saving it achieves.

QUICK REFERENCE

Annual Compliance Calendar for American Offshore Property Owners

DEADLINE	FORM	FILED WITH	COVERS	PENALTY FOR NON-FILING
April 15 (auto ext. Oct 15)	FinCEN 114 (FBAR)	FinCEN BSA E-Filing System	Foreign financial accounts over $10,000 aggregate at any point during the year	Up to $10,000 non-willful; greater of $100,000 or 50% of
April 15 (ext. Oct 15)	Form 8938 (FATCA)	Filed with Form 1040 / IRS	Specified foreign financial assets over applicable threshold	$10,000 per year, increasing to $50,000 with continued non-co
April 15 (ext. Oct 15)	Schedule E (Form 1040)	Filed with Form 1040 / IRS	Foreign rental income and allowable deductions	Accuracy penalties; potential fraud penalties for intentional om
April 15 (ext. Oct 15)	Schedule D and Form 8949	Filed with Form 1040 / IRS	Capital gains on foreign property sales	Accuracy penalties; 40% penalty on underpayments from undis
April 15 (ext. Oct 15)	Form 5471	Filed with Form 1040 / IRS	Controlled foreign corporation interests 10%+	$10,000 per year, increasing to $50,000 with continued non-co
April 15 (ext. Oct 15)	Form 8865	Filed with Form 1040 / IRS	Foreign partnership interests	$10,000 per year per form
April 15 (ext. Oct 15)	Form 3520	Filed with Form 1040 / IRS	Foreign trust transactions and distributions	35% of gross reportable amount or $10,000, whichever is grea
April 15 (ext. Oct 15)	Form 8621	Filed with Form 1040 / IRS	Passive foreign investment company interests	Statute of limitations remains open indefinitely

All forms with April 15 deadlines are automatically extended to October 15 when the taxpayer files for an extension of their Form 1040. FBAR has its own automatic extension to October 15 requiring no separate extension request. Extensions of time to file do not extend the time to pay any taxes owed.

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Peter evaluates international property markets as capital allocation decisions, analyzing ownership structure, tax efficiency, residency optionality, and long-term wealth preservation against each buyer's specific mandate. He is a licensed real estate professional affiliated with Berkshire Hathaway HomeServices New England Properties, one of the most recognized real estate brands in the world.

This guide is part of the Safe Havens for Americans intelligence library. Additional market guides, tax analyses, and buying process explainers covering all 22 markets are available at safehavensforamericans.com.

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