Get All Your 2021 US Tax Updates and Submission Requirements Fulfilled with 1040 Abroad

Toronto, Ontario Apr 28, 2022 (Issuewire.com) - 1040 Abroad is a tax firm founded in 2012, consisting of a unique international team that is led by a U.S. ex-pat. They are providing 2021 US tax updates and filing requirements for Americans living in Canada thus offering the prospect of a better life to U.S. citizens who live in foreign lands. They believe successful partnerships are built on shared values of professionalism, reliability, and trust.

Living in Canada as an American is most often both a charming and invigorating experience, thanks to the local people, customs, and culture. Americans in Canada still have to file US taxes though, often as well as Canadian taxes, on their worldwide income. Olivier Wagner, Managing Director and founder at 1040 Abroad, a leading provider of US ex-pat tax services, tells us about US tax requirements for Americans living in Canada in 2021. US law applies American tax filing requirements to all Americans, worldwide, rather than just US residents, while Canadian tax filing requirements apply to residents of Canada. There is a US-Canada tax treaty, but it does not prevent Americans living in Canada from having to file either tax return. So, any American who earned over 12,400 USD of any income worldwide in 2020, or just 400 USD of self-employment income, or just 5 USD for Americans married to a foreign spouse filing separately, has to file a US federal tax return. Some Americans living in Canada may have to file a US state tax return too, depending on the rules in the US state where they last lived.

To avoid double taxation, Americans living in Canada who pay Canadian income tax often claim the Foreign Tax Credit by filing IRS Form 1116 when they file their US return. This IRS provision enables them to claim US tax credits for the same value as the Canadian income tax that they have paid. Because Canadian income tax rates are higher than US rates, claiming the Foreign Tax Credit normally eradicates the US tax bill, and leaves excess tax credits too, which can be carried forward (or applied to the previous year). Alternatively, some Americans claim the Foreign Earned Income Exclusion, which simply allows Americans living abroad who meet IRS criteria to exclude up to 107,600 USD (in 2020) of their earned income from US taxation. Neither of these provisions is applied automatically though: they must both be actively claimed by filing the corresponding IRS form.

Americans who have over 10,000 USD in total in non-US registered financial accounts that they have signatory control over, including bank and investment accounts and most individual pension accounts, even if not registered in their name, including business accounts, are required to file an FBAR. An FBAR is a Foreign Bank Account Report. Filing an FBAR involves reporting the details of foreign-registered accounts, including maximum balances, online to FinCEN, the US financial crimes authority. There is no additional tax implication; FBAR filing is just a reporting requirement. However, there are steep penalties for not filing and the US is receiving the same information directly from foreign financial firms. Additionally, Americans living in Canada have to report their non-US registered financial assets on IRS Form 8938 if the total value of their assets exceeds 200,000 USD. They must also report any foreign business interests that they have.

Form 1040 is changing again for tax filing in 2021, with the new layout being slightly bigger compared to last year. Some fields have been moved between the main form and schedules, and there is a new question about cryptocurrency holdings. The filing deadline for Americans abroad in 2021 is June 15, although it is possible that it may be extended due to the pandemic again, as it was last year. Expats who need more time can always request an extension until October 15 anyway, by filing Form 4868, should they need to. Coronavirus stimulus checks (both the first and second rounds) were technically a credit for 2020, despite being calculated based on prior years' returns, so ex-pats whose circumstances changed in 2020 may receive an additional refund (along with those who catch up with their filing if they had not filed previously. The new US administration meanwhile has plans for tax changes that may affect some ex-pats (and especially those with foreign registered businesses), however, any changes made this year will apply to filing next year, rather than filing in 2021.

Americans in Canada who have not been filing their US taxes because they did not know that they had to from abroad can catch up without facing penalties and normally, neither back taxes under an IRS amnesty program called the Streamlined Foreign Offshore Procedure. Filing from abroad is more complex than filing in the US, and ex-pats always benefit from seeking specialist advice to ensure they file in the most beneficial way possible given their circumstances. 1040 Abroad is an award-winning, leading specialist provider of ex-pat tax services for Americans living abroad. If you require any assistance filing your US taxes, please click the button below.

1040 Abroad allows its clients to maximize their wealth while minimizing the tax burden. They understand that being tax compliant is a complex and complicated process and are, therefore, determined to offer the best available options for every client based on their individual situation. Their approach and vision guide clients through the various workflows of 2021 US tax updates and filing requirements for Americans in Canada. For information about your prospects with the company, visit their official website at https://1040abroad.com/.

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