inkle Tax

FDII: The tax saving most US C-Corps with foreign revenue never claim.

If your US C-corp has customers outside the US, the IRS lets you pay a lower tax rate on that income. It's called Foreign-Derived Intangible Income (FDII). Most companies never claim it. Inkle handles everything: checking if you're eligible, doing the math, and filing the right forms.

FDII AT A GLANCE

What is it, do you qualify, and how much could you save?

What it is

A tax break for selling to foreign customers

Foreign-Derived Intangible Income (FDII) is a federal tax deduction for US C-corps that earn revenue from foreign customers. If you sell goods, software, deliver services, or license IP to anyone outside the US, part of that income is taxed at a lower rate. You claim it once a year on Form 8993 with your federal tax return.

Do you qualify?

You probably do

- You're a US C-corp
- You have customers outside the US
- You can substantiate foreign use
- You have a Taxable Income during the year
- You file a Form 1120 each year

What you save

Pay less tax on your foreign revenue

FDII deduction (up to 2025)
37.5%

FDDEI deduction (from 2026)
33.34%

Effective rate (FDII, pre-2026)
~13.125%

Effective rate (FDDEI, 2026+)
~14%

An Example

If $5M of your income comes from foreign customers, you could be saving ~$390K in federal tax every year at pre-2026 rates, or ~$350K under the new Foreign-Derived Deduction Eligible Income rules. That's money sitting on the table right now.

Already missed a year or two?

You can file amended returns for up to 3 prior years. That means the previous years may still be recoverable.

WHAT'S CHANGING IN 2026

FDII is being renamed and expanded. More companies will now qualify.

Congress renamed FDII to FDDEI in July 2025. The incentive is the same, but the rules got simpler and more companies can now claim it, starting January 1, 2026.

4 things that are changing

The deduction rate drops slightly from 37.5% to 33.34%, so your effective tax rate on qualifying income goes from ~13.13% to ~14%

The QBAI hurdle is gone previously, companies with lots of physical assets got less benefit. That penalty is removed. Manufacturers and asset-heavy businesses can now claim the full deduction.

Selling IP or equipment no longer counts income from selling intangible property or depreciable assets is excluded from the deduction going forward.

Research & Experimentation and interest costs no longer reduce your benefit; these expenses used to eat into your eligible income. They no longer do, which could increase the deduction for many companies.

WHAT WE'LL NEED FROM YOU

Most of this already is in your books.

Your financials

- → Financial statements (P&L and Balance Sheet) or trial balance
- → US tangible assets and depreciation schedule
- → Deductions tied to your eligible income

Your customers

- → How much revenue came from US vs. non-US customers
- → Customer list with billing country
- → What you sold: software, services, or licensed IP
- → Contracts or invoices for your biggest foreign customers

Foreign-use

- → Services: where the work was delivered and used
- → Physical goods: shipping docs and export records
- → SaaS: usage logs or IP address data by country

Your expenses

- → Expense breakdown by function (R&D, sales, G&A)
- → Cost allocable directly to US vs foreign revenue
- → Interest expense and related-party schedules
- → Payroll split by team function

WHAT TO EXPECT

~14%
effective tax rate on qualifying income from 2026

3-4 weeks
from kickoff to filed return

Form 8993
the one form that claims it all

HOW INKLE DELIVERS THE CLAIM

We handle everything. You just share your data.

01 **We check if you qualify**
We look at your company structure, where your revenue comes from, and who your customers are. You'll know your estimated savings before committing to anything.

02 **You share your data, we take it from there**
We send you a simple checklist. Upload what you have, we review it, flag anything missing, and clean it up before we start.

03 **We run the numbers**
We calculate how much of your income qualifies and figure out your exact deduction. You get a clear workbook showing every number and how we got there.

04 **We build your audit file**
We pull together all the evidence, customer records, expense splits, and foreign-use docs, organized and ready if the IRS ever comes knocking.

05 **We file everything**
We prepare Form 8993 and fold the deduction into your tax return. You review, approve, and we handle the rest.

WHAT YOU RECEIVE

Everything you need, ready for an audit.

Eligibility memo

A plain-English confirmation of whether you qualify and how much you can save.

Computation workbook

A full Excel breakdown showing every number and how we calculated it.

Form 8993

The completed IRS form, ready to attach to your tax return.

Form 1120 Integration

Your corporate return updated with the FDII deduction already reflected.

Revenue sourcing schedule

Customer-by-customer breakdown of US vs. foreign revenue, tied to supporting evidence.

Expense allocation schedule

How your expenses are split between eligible and non-eligible income, per IRS rules.

Asset schedule

Your qualifying business assets calculated and documented at the asset level.

Foreign-use evidence file

All the contracts, invoices, shipping records, and usage data, indexed and organized.

Technical position memo

Documents every judgment call we made, with regulatory references, so there are no surprises if you're audited.

Filing confirmation

IRS acknowledgment saved to your Inkle workspace.