

Reg. 1.951A-2(c)(8)(iii)(B), Example 2

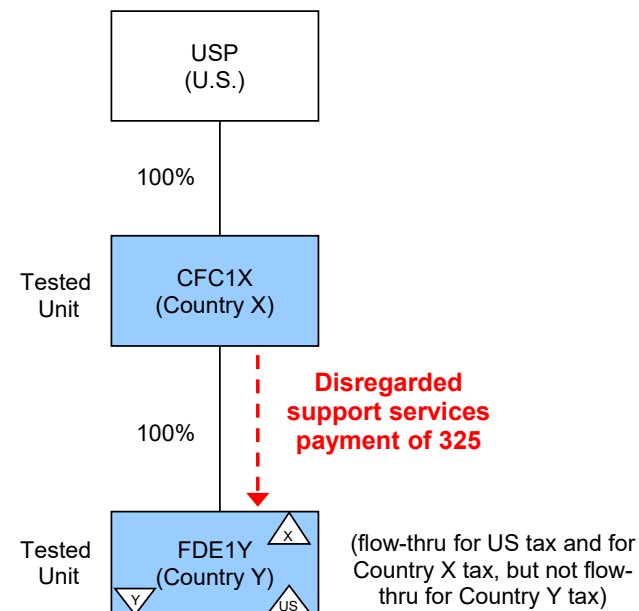
GILTI High Tax Exception: Tested Units With Disregarded Services

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CFC1X Tested Unit

	Country X Books	Country X Tax	U.S. Tax	
Gross income	1,000	1,000	1,000	
Less payment to FDE1Y	(325)	0	(325)	The CFC1X TGTI item
Gross income, as adjusted	675	1,000	675	
Less CFC1X allocable expenses	(280)	(280)	(280)	
Less FDE1Y allocable expenses		(200)		
Less Country Y income taxes	N/A	(20)	N/A	
Pre-tax profit	395	500	395	The CFC1X group tax
Country X tax (10%)		(50)	(39.5)	395 x 10%
After-tax profit		450	355.5	ETR 10.0%

The CFC1X TTI item



- ▽ Means not "flow-thru"
- △ Means "flow-thru"
- Blue box means non-U.S. person / non-U.S. entity

FDE1Y Tested Unit

	Country Y Books	Country Y Tax	U.S. Tax	
Gross income	325	325	325	The FDE1Y TGTI item
Less FDE1Y allocable expenses	(200)	(200)	(200)	
Pre-tax profit	125	125	125	The FDE1Y group tax (30.5)
Country Y tax (16%)	(20)	(20)	(20)	125 x 16%
Country X tax			(10.5)	105 x 10%
After-tax profit	105	105	94.5	ETR 24.4%

The FDE1Y TTI item

TGTI = tentative gross tested income

TTI = tentative tested income

U.S. Tax Tested Unit Summary

	CFC1X	FDE1Y	Total
Gross income	675	325	1,000
Allocable deductions	(280)	(200)	(480)
Pre-tax profit	395	125	520
Income tax	(39.5)	(30.5)	(70.0)
After-tax profit	355.5	94.5	450.0
Effective tax rate	10.0%	24.4%	13.5%