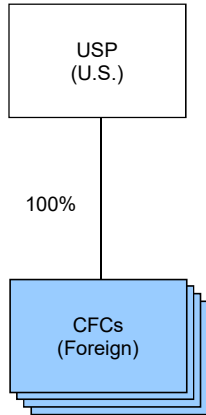


Reg. 1.960-2(c)(7)(i), Example 1

**Deemed Paid Foreign Income Taxes:
GILTI Inclusion**

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USP GILTI inclusion amount	6,000
USP aggreg. amount described in sec. 951A(c)(1)(A)	10,000
Inclusion percentage	60%
CFC1 general category tested income (tested inc. group)	2,000
CFC1 current year taxes allocated to tested inc. group	400
USP current year taxes properly attrib. to tested inc.	400
USP deemed paid foreign inc. taxes from CFC1:	192

Sec. 960(d)(1) $(80\% \times 60\% \times 400 = 192)$

(A) Facts. USP, a domestic corporation, owns 100% of the stock of a number of controlled foreign corporations, including CFC1. USP and CFC1 each use the calendar year as their U.S. taxable year. CFC1 uses the “u” as its functional currency. At all relevant times, 1u=\$1x. For its U.S. taxable year ending December 31, 2018, after application of the rules in Reg. 1.960-1(d), the income of CFC1 is assigned to a single income group: 2,000u of income from the sale of goods in a tested income group within the general category (“tested income group”). CFC1 has current year taxes, translated into U.S. dollars, of \$400x that are all allocated and apportioned to the tested income group. For its U.S. taxable year ending December 31, 2018, USP has a GILTI inclusion amount determined by reference to all of its controlled foreign corporations, including CFC1, of \$6,000x, and an aggregate amount described in section 951A(c)(1)(A) and Reg. 1.951A-1(c)(2)(i) of \$10,000x. All of the income in CFC1’s tested income group is included in computing USP’s aggregate amount described in section 951A(c)(1)(A) and Reg. 1.951A-1(c)(2)(i).

(B) Analysis. Under Reg. 1.960-2(c)(5), USP’s proportionate share of the current year taxes that are allocated and apportioned under Reg. 1.960-1(d)(3)(ii) to CFC1’s tested income group is \$400x ($\$400x \times 2,000u/2,000u$). Therefore, under Reg. 1.960-2(c)(4), the amount of current year taxes properly attributable to tested income taken into account by USP under section 951A(a) and Reg. 1.951A-1(b) is \$400x. Under Reg. 1.960-2(c)(3), USP’s tested foreign income taxes with respect to CFC1 are \$400x. Under Reg. 1.960-(c)(2), USP’s inclusion percentage is 60% ($\$6,000x/\$10,000x$). Accordingly, under Reg. 1.960-2(c)(1), USP is deemed to have paid \$192 of the foreign income taxes of CFC1 ($80\% \times 60\% \times \$400x$).