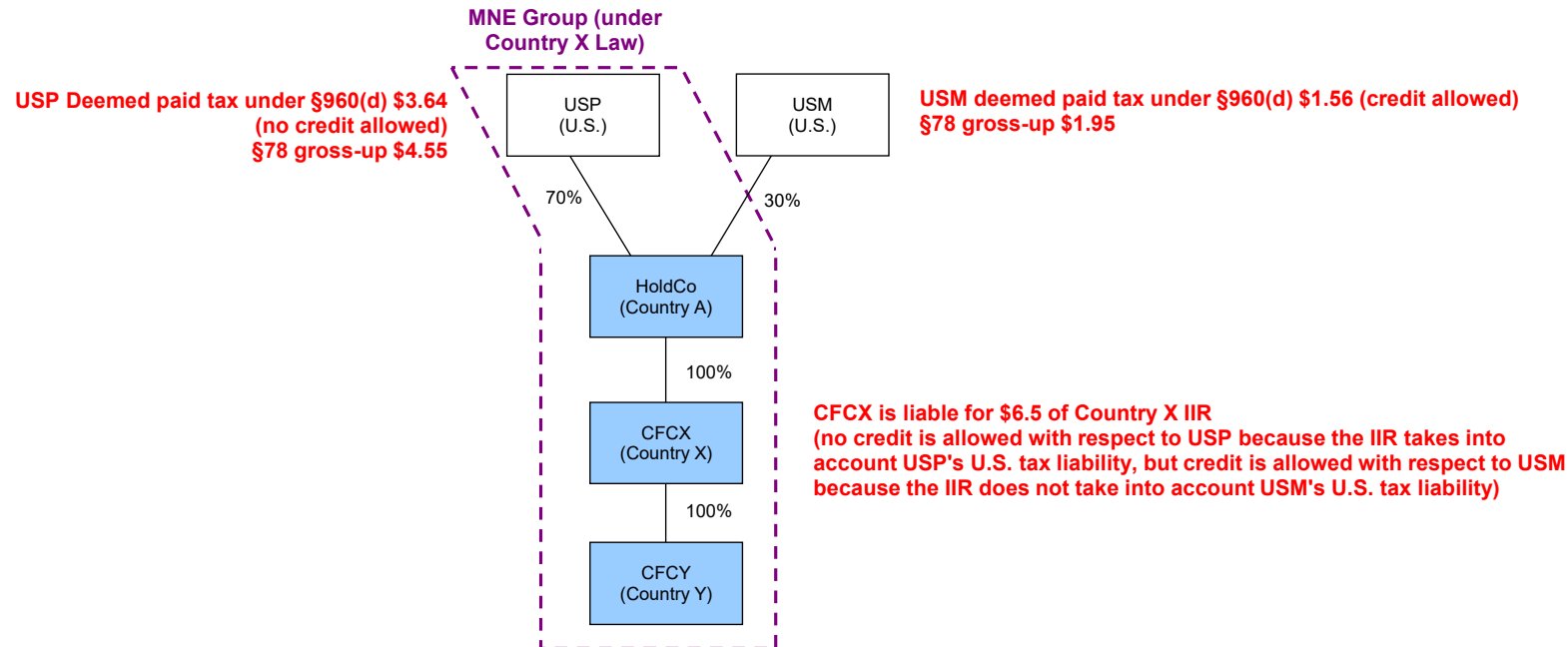


Notice 2023-80 §2.02(6)(b),  
Example 2

**IIR With Both A Majority & A  
Minority U.S. Shareholder**

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Country X imposes an income inclusion rule tax (an "IIR") on certain entities resident in Country X. The IIR imposed by Country X is a foreign income tax within the meaning of §1.901-2(a) and (b). Under Country X tax law, in computing the amount of the IIR, the foreign tax liability of the direct and indirect owners of the Country X taxpayers that relates to income subject to the IIR is taken into account if those owners are part of the same MNE Group (as defined under Country X tax law) as the Country X taxpayers. USP and USM, a domestic corporation, own 70% and 30%, respectively, of the stock of HoldCo, a CFC that is organized in, and is a tax resident of, Country A. HoldCo owns all the stock of CFCX, a CFC that is organized in, and is a tax resident of, Country X. CFCX owns all the stock of CFCY, a CFC that is organized in, and is a tax resident of, Country Y. USM is not considered part of the same MNE Group as USP, CFCX and CFCY under Country X tax law. CFCX is liable for 6.5u of the Country X IIR. Under §960(d), USP is deemed to pay \$3.64 of the Country X IIR, and USM is deemed to pay \$1.56 of the Country X IIR.

The Country X IIR is a final top-up tax, and no credit is allowed under §901 to USP for the \$3.64 of Country X IIR that USP is deemed to pay because, under Country X tax law, USP's U.S. federal income tax liability may be taken into account in computing the Country X IIR. USM, however, may be allowed a credit under §901 for the \$1.56 of the Country X IIR that USM is deemed to pay under §960(d) because, under Country X tax law, no amount of USM's U.S. federal income tax liability can be taken into account in computing the Country X IIR as USM is not considered part of the same MNE Group as CFCX. Under §78 and §1.78-1(a), the amount included in USP's income is \$4.55, and the amount included in USM's income is \$1.95.