CFC A owns and operates a business in Country X.

CFC A is a "reverse hybrid" entity because it is treated as a fiscally transparent for foreign tax purposes, but it is treated as a corporation for U.S. tax purposes.

Section 901 allows a credit against Federal income tax (subject to certain limitations) for the amount of foreign income taxes paid by the taxpayer. A foreign tax paid is "creditable" if the taxpayer is legally liable under foreign law for payment of the tax. See Reg. 1.901-2(f)(1) and Rev. Rul. 72-197. In the above circumstances, foreign law treats the U.S. Parent as being liable for Country X income taxes imposed on the income earned by CFC A. Therefore, it is U.S. Parent that is entitled to claim the foreign tax credits, even if the income of CFC A is not currently taxed in the U.S. The foreign tax credits are "split" from the foreign income.

New Code § 909 defers the foreign tax credits until the related income is repatriated.

HUNDREDS of additional charts at www.andrewmitchel.com