

include the following: the date on which foreign taxes were accrued and the dates on which the foreign taxes were paid; the rates of exchange for each such date; and the amount of foreign taxes accrued or paid in foreign currency on each such date;

(C) The foreign taxes when paid differ from accrued amounts claimed as credits by the taxpayer because the taxpayer is assessed additional or less foreign tax, the taxpayer's information shall include the following: the original amounts and information described in subdivision (B) of this paragraph (b)(3)(ii); the amount of additional or reduced foreign tax in foreign currency; and the revised amounts and information described in subdivision (B) of this paragraph (b)(3)(ii).

(iii) *Foreign taxes deemed paid.* In the case of foreign taxes paid or accrued by a foreign corporation that are deemed paid or accrued under section 902 or section 960 and with respect to which the taxpayer is required to redetermine its United States tax liability, the United States taxpayer's information shall include the following: the foreign corporation's name and identifying number (if any); the dates and amounts of any dividend distributions or other inclusions made out of earnings and profits for the affected year or years; and the amount of earnings and profits from which such dividends were paid for the affected year or years; and information described in paragraph (b)(3)(ii) as applied to the foreign corporation. In the case of a failure to attach the required notification or to make the required adjustments described in §1.905-3T(d)(2)(iii), the taxpayer's information shall also include a complete factual description justifying that failure.

(c) *Interest and penalty—(1) General rules.* If a foreign tax redetermination results in a redetermination of United States tax liability, then interest shall be computed on the deficiency or overpayment in accordance with sections 6601 and 6611 and the regulations thereunder. No interest shall be assessed or collected on any deficiency resulting from a refund of foreign tax for any period before the receipt of the refund, except to the extent interest was paid by the foreign country or possession of

the United States on the refund for the period. In no case, however, shall interest assessed and collected pursuant to the preceding sentence for any period before receipt of the refund exceed the amount that otherwise would have been assessed and collected under section 6601 and the regulations thereunder for that period. Interest shall be assessed from the time the taxpayer (or the foreign corporation of which the taxpayer is a shareholder) receives a refund until the taxpayer pays the additional tax due the United States.

(2) *No interest on adjustments to pools of foreign taxes.* A deficiency or overpayment of United States tax liability does not result from a redetermination of foreign tax unless a redetermination of United States liability is required. Consequently, no interest will be paid by or to a United States corporation as a result of adjustments by a foreign corporation to its pools of foreign taxes and earnings and profits under paragraph (d)(2) of §1.905-3T.

(3) *Imposition of penalty.* Failure to comply with the provisions of this section shall subject the taxpayer to the penalty provisions of section 6689 and the regulations thereunder.

(d) *Effective date.* The provisions of this section apply to foreign tax redeterminations described in §1.905-3T(a). Notwithstanding paragraph (b)(2) of this section (relating to time for filing the required notice), the taxpayer shall have 180 days after the publication of an Announcement in the Internal Revenue Bulletin notifying taxpayers of the availability of the Forms and instructions to comply with the provisions of this section. In no case, however, shall this paragraph (d) operate to extend the statute of limitations provided by section 6511(d)(3)(A).

[T.D. 8210, 53 FR 23617, June 23, 1988]

§1.905-5T Foreign tax redeterminations and currency translation rules for foreign tax redeterminations occurring in taxable years beginning prior to January 1, 1987 (temporary).

(a) *In general.* This section sets forth rules governing the application of section 905(c) to foreign tax redeterminations occurring prior to January 1, 1987. However, the rules of this section

also apply to foreign tax redeterminations occurring after December 31, 1986 with respect to foreign tax deemed paid under section 902 or section 960 with respect to earnings and profits accumulated in taxable years of a foreign corporation beginning prior to January 1, 1987.

(b) *Currency translation rules*—(1) *Foreign taxes paid by the taxpayer and certain foreign taxes deemed paid.* Foreign taxes paid in foreign currency that are paid by or on behalf of a taxpayer or deemed paid under section 960 (or under section 902 in a deemed distribution under section 1248) shall be translated into dollars at the rate of exchange for the date of the payment of the foreign tax. Refunds of such taxes shall be translated into dollars at the rate of exchange for the date of the refund.

(2) *Foreign taxes deemed paid on an actual distribution.* Foreign taxes deemed paid by a taxpayer under section 902 with respect to an actual distribution and refunds of such taxes shall be translated into dollars at the rate of exchange for the date of the distribution of the earnings to which the taxes relate.

(c) *Foreign tax redetermination.* The term “foreign tax redetermination” means a foreign tax redetermination as defined in § 1.905-3T(c).

(d) *Redetermination of United States tax liability*—(1) *In general.* A redetermination of United States tax liability is required with respect to any foreign tax redetermination subject to this section and shall be subject to the requirements of § 1.905-4T(b). The content of the notification required by this paragraph (d) shall be the same as provided in § 1.905-4(b)(3), except as modified by paragraphs (d) (2), (3), and (4) of this section.

(2) *Refunds.* In the case of any refund of foreign tax, the rate of exchange on the date of the refund shall be included in the information required by § 1.905-4T(b)(3)(ii)(A).

(3) *Foreign taxes deemed paid under section 902.* In the case of foreign taxes paid or accrued by a foreign corporation that are deemed paid or accrued under section 902 with respect to an actual distribution and with respect to which there was a redetermination of foreign tax, the United States tax-

payer's information shall include, in lieu of the information required by paragraph (b)(3)(iii), the following: the foreign corporation's name and identifying number (if any); the date on which the foreign taxes were accrued and the dates on which the foreign taxes were paid; the amounts of the foreign taxes accrued or paid in foreign currency on each such date; the dates on which any foreign taxes were refunded and the amounts thereof; the dates and amounts of any dividend distributions made out of earnings and profits for the affected year or years; the rate of exchange on the date of any such distribution; and the amount of earnings and profits from which such dividends were paid for the affected year or years.

(4) *Foreign taxes deemed paid under section 960.* In the case of foreign taxes paid under section 960 (or under section 902 in the case of an amount treated as a dividend under section 1248), the rate of exchange determined under § 1.964-1 for translating accrued foreign taxes shall be included in the information required by § 1.905-4T(b)(3)(iii) in lieu of the exchange rate for the date of the accrual.

(e) *Exception for de minimis currency fluctuations.* A United States taxpayer need not notify the Service of a foreign tax redetermination that results solely from a currency fluctuation if the amount of such redetermination with respect to the foreign country is less than the lesser of ten thousand dollars or two percent of the total dollar amount of the foreign tax, prior to the adjustment, initially accrued with respect to that foreign country for the taxable year.

(f) *Special effective date.* If a foreign tax redetermination within the meaning of this section occurs after December 31, 1979, and before July 25, 1988, and the taxpayer has not notified the Service before that date of the redetermination as required under § 1.905-3 as it appeared in the CFR dated April 1, 1988, then the taxpayer shall have 180 days after the publication of an Announcement in the Internal Revenue Bulletin notifying taxpayers of the availability of the Forms and instructions to comply with the provisions of this section. Failure to comply with

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the provisions of this section shall subject the taxpayer to the penalty provisions of section 6689 and the regulations thereunder. In no case, however, shall this paragraph operate to extend the statute of limitations provided by section 6511(d)(3)(A).

[T.D. 8210, 53 FR 23618, June 23, 1988]

§ 1.907-0 Outline of regulation provisions for section 907.

This section lists the paragraphs contained in §§1.907(a)-0 through 1.907(f)-1.

§ 1.907(a)-0 Introduction (for taxable years beginning after December 31, 1982).

- (a) Effective dates.
- (b) Key terms.
- (c) FOGEI tax limitation.
- (d) Reduction of creditable FORI taxes.
- (e) FOGEI and FORI.
- (f) Posted prices.
- (g) Transitional rules.
- (h) Section 907(f) carrybacks and carryovers.
- (i) Statutes covered.

§ 1.907(a)-1 Reduction in taxes paid on FOGEI (for taxable years beginning after December 31, 1982).

- (a) Amount of reduction.
- (b) Foreign taxes paid or accrued.
 - (1) Foreign taxes.
 - (2) Foreign taxes paid or accrued.
- (c) Limitation level.
 - (1) In general.
 - (2) Limitation percentage of corporations.
 - (3) Limitation percentage of individuals.
- (4) Losses.
- (5) Priority.
- (d) Illustrations.
- (e) Effect on other provisions.
 - (1) Deduction denied.
 - (2) Reduction inapplicable.
 - (3) Section 78 dividend.
 - (f) Section 904 limitation.

§ 1.907(b)-1 Reduction of creditable FORI taxes (for taxable years beginning after December 31, 1982).

§ 1.907(c)-1 Definitions relating to FOGEI and FORI (for taxable years beginning after December 31, 1982).

- (a) Scope.
- (b) FOGEI.
 - (1) General rule.
 - (2) Amount.
 - (3) Other circumstances.
 - (4) Income directly related to extraction.
 - (5) Income not included.
 - (6) Fair market value.
 - (7) Economic interest.
- (c) Carryover of foreign oil extraction losses.
 - (1) In general.
 - (2) Reduction.

- (3) Foreign oil extraction loss defined.
- (4) Affiliated groups.
- (5) FOGEI taxes.
- (6) Examples.
- (d) FORI.
 - (1) In general.
 - (2) Transportation.
 - (3) Distribution or sale.
 - (4) Processing.
 - (5) Primary product from oil.
 - (6) Primary product from gas.
 - (7) Directly related income.
- (e) Assets used in a trade or business.
 - (1) In general.
 - (2) Section 907(c) activities.
 - (3) Stock.
 - (4) Losses on sale of stock.
 - (5) Character of gain or loss.
 - (6) Allocation of amount realized.
 - (7) Interest.
 - (f) Terms and items common to FORI and FOGEI.

- (1) Minerals
- (2) Taxable income.
- (3) Interest on working capital.
- (4) Exchange gain or loss.
- (5) Allocation.
- (6) Facts and circumstances.
- (g) Directly related income.
 - (1) In general.
 - (2) Directly related services.
 - (3) Leases and licenses.
 - (4) Related person.
 - (5) Gross income.
 - (h) Coordination with other provisions.
 - (1) Certain adjustments.
 - (2) Section 901(f).

§ 1.907(c)-2 Section 907(c)(3) items (for taxable years beginning after December 31, 1982).

- (a) Scope.
- (b) Dividend.
 - (1) Section 1248.
 - (2) Section 78 dividend.
 - (c) Taxes deemed paid.
 - (1) Voting stock test.
 - (2) Dividends and interest.
 - (3) Amounts included under section 951(a).
 - (d) Amount attributable to certain items.
 - (1) Certain dividends.
 - (2) Interest received from certain foreign corporations.
 - (3) Dividends from domestic corporation.
 - (4) Amounts with respect to which taxes are deemed paid under section 960(a).
 - (5) Section 78 dividend.
 - (6) Special rule.
 - (7) Deficits.
 - (8) Illustrations.
 - (e) Dividends, interest, and other amounts from sources within a possession.
 - (f) Income from partnerships, trusts, etc.

§ 1.907(c)-3 FOGEI and FORI taxes (for taxable years beginning after December 31, 1982).

- (a) Tax characterization, allocation and apportionment.
 - (1) Scope.