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earnings of deferred foreign income corporations owned by U.S. persons.

May. 01, 2018



THOMSON REUTERS

Thomson Reuters Checkpoint Catalyst has released a comprehensive analysis of the one-time U.S. transition tax on undistributed and non-previously taxed foreign earnings of deferred foreign income corporations owned by U.S. persons.

The tax was enacted under the Tax Cuts and Jobs Act in connection with a limited participation exemption under which domestic corporate shareholders owning at least 10% of a foreign corporation can, beginning on January 1, 2018, receive distributions of foreign earnings from that foreign corporation free of U.S. tax. To clear the way for the new (partial) territorial tax system, the post-1986 historic foreign earnings accumulated offshore by deferred foreign income corporations are deemed repatriated at the close of the foreign corporation's transition year, which can be as early as December 31, 2017.

Checkpoint Catalyst Topic #2111, *Section 965 Transition Tax on Accumulated Foreign Earnings*, explains how to identify U.S. shareholders with interests in deferred foreign income corporations and determine amounts subject to the repatriation tax.

This includes the computation of accumulated foreign earnings attributable to each

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“New Section 965 of the Code is estimated to result in the deemed repatriation of trillions of dollars in foreign earnings booked through foreign subsidiaries and accumulated offshore,” said Salim Sunderji, managing director, Checkpoint, with the Tax & Accounting business of Thomson Reuters. “This new Checkpoint Catalyst topic provides tax professionals with step-by-step guidance for computing a U.S. shareholder’s net earnings subject to the tax and complying with the associated reporting and payment obligations.”

The new Checkpoint Catalyst topic is a valuable resource for tax practitioners, corporate tax departments, and other advisers across a broad range of industries.

Checkpoint Catalyst is a collection of multijurisdictional analyses of specific tax issues and business transactions from a practical, workflow perspective, covering implications at the federal, state and U.S. international levels. Content includes practical examples, commentary, and embedded workflow tools. Checkpoint Catalyst also provides expert guidance on a range of other related subjects, including:

- Controlled Foreign Corporations
- Transfer Pricing
- Entity Classification/Disregarded Entities
- Intercompany Transactions

For more information about Checkpoint Catalyst, visit checkpointcatalyst.com.

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