KPMG

TaxNewsFlash

United States

No. 2018-367
September 13, 2018

Proposed regulations under GILTI provisions (text of regulations)

The U.S. Treasury Department and IRS this afternoon released proposed regulations as guidance relating to the "global intangible low-taxed income" (GILTI) provisions under the new U.S. tax law.

Read the **proposed regulations** [PDF 516 KB] (157 pages)

The purpose of this report is to provide text of the proposed regulations. KPMG will provide a report of initial impressions about these proposed regulations in a future release.

A related IRS release (**IR-2018-186**) states that:

- The proposed regulations describe new reporting rules requiring the filing of Form 8992, *U.S. Shareholder Calculation of Global Intangible Low-Taxed Income.*
- The new law applies to the first tax year of a controlled foreign corporation (CFC) beginning after December 31, 2017, and the U.S. shareholder's year with or within which that year ends, and all subsequent tax years.
- The proposed regulations do not include foreign tax credit computational rules relating to global intangible low-taxed income, and that these rules will be addressed separately in the future.

Treasury and IRS have requested comments on these proposed regulations.

Background

The new U.S. tax law (Pub. L. No. 115-97, enacted December 22, 2017) generally retained the existing subpart F regime that applies to passive income and related-party sales, but created a new, broad class of income—"global intangible low-taxed income" (GILTI).

GILTI is deemed repatriated in the year earned and, thus, is also subject to immediate taxation. GILTI income is effectively taxed at a reduced rate while subpart F income is taxed at the full U.S. rate. In general, GILTI is the excess of all of the U.S. corporation's net income over a deemed return on the CFC's tangible assets (10% of depreciated tax basis).