Instructions for Form 965

Department of the Treasury
Internal Revenue Service

(January 2019)

Inclusion of Deferred Foreign Income Upon Transition to Participation Exemption System

Section references are to the Internal Revenue Code unless otherwise noted.

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Future Developments

For the latest information about developments related to Form 965, its separate schedules, and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form965*.

What's New

On December 22, 2017, section 965 of the Code (section 965) was amended by section 14103 of the Tax Cuts and Jobs Act (TCJA) (P.L. 115-97). As a result of the amendment, certain taxpayers are required to include in income an amount (section 965(a) inclusion amount) based on the accumulated post-1986 deferred foreign income of certain foreign corporations of which they are U.S. shareholders, either directly or indirectly through other entities. Other taxpayers may have inclusions in income under section 951(a) by reason of section 965 due to ownership of deferred foreign income corporations (DFICs) (defined below) through pass-through entities that are themselves U.S. shareholders of DFICs. When referring to both amounts in the preceding two sentences, the Form 965 and these instructions use the term “section 965(a) inclusion.” Section 965 also allows for a deduction (section 965(c) deduction). Section 965(a) inclusions and corresponding section 965(c) deductions are taken into account in the U.S. shareholder’s year that includes the last day of the relevant foreign corporation’s last tax year that began before January 1, 2018.

General Instructions

Purpose of Form

Use Form 965 to compute:

- Section 965(a) inclusion amounts,
- Section 965(c) deductions,
- Foreign taxes deemed paid in connection with a section 965(a) inclusion, and
- Foreign taxes disallowed under section 965(g).

Definitions

Accumulated post-1986 deferred foreign income. This term includes all post-1986 earnings and profits (E&P) reduced by (i) post-1986 E&P attributable to income which is effectively connected with the conduct of a trade or business in the United States and subject to U.S. income tax (ECI E&P) and (ii) post-1986 previously taxed E&P (defined later). For example, a foreign corporation has 100u of post-1986 E&P of which 20u is previously taxed E&P and 10u is ECI E&P. The foreign corporation would have 70u of accumulated post-1986 deferred foreign income.

Controlled foreign corporation (CFC). A CFC is any foreign corporation if more than 50% of the voting power of all classes of stock or 50% of the total value of the stock of the foreign corporation is owned (directly, indirectly, or constructively) by U.S. shareholders (defined later) on any day during the tax year of the foreign corporation.

Deferred foreign income corporation (DFIC). A DFIC is, with respect to any U.S. shareholder, any specified foreign corporation (SFC) (defined later) of the U.S. shareholder that has accumulated post-1986 deferred foreign income as of November 2, 2017, or December 31, 2017, that is greater than zero.

E&P deficit foreign corporation. An E&P deficit foreign corporation is, with respect to any U.S. shareholder, an SFC of the U.S. shareholder as of November 2, 2017, if, as of November 2, 2017, the SFC has a deficit in post-1986 E&P. For purposes of determining whether an SFC is an E&P deficit foreign corporation, all post-1986 E&P must be taken into account. For example, if, on November 2, 2017, an SFC had a 90u deficit in post-1986 E&P described in section 959(c)(3) and 100u of previously taxed E&P, the SFC corporation would have 10u of post-1986 E&P as of November 2, 2017, and would not qualify as an E&P deficit foreign corporation.

Post-1986 earnings and profits (post-1986 E&P). Post-1986 E&P is the earnings and profits of a foreign corporation, including previously taxed E&P, accumulated in tax years beginning after December 31, 1986, during periods when the foreign corporation was an SFC. It is calculated without any reduction for dividends distributed by the foreign corporation during its last tax year that begins before January 1, 2018, other than certain dividends distributed to another SFC.

Post-1986 previously taxed E&P. For purposes of Form 965 and schedules, post-1986 previously taxed E&P includes:

- In the case of a CFC, post-1986 E&P that, if distributed, would be excluded from the gross income of a U.S. shareholder under section 959, and
- In the case of a CFC that has shareholders that are not U.S. shareholders on a measurement date, post-1986 E&P that, if distributed, would be excluded from the gross income of such shareholders under section 959 if such shareholders were U.S. shareholders, determined by applying the principles of Revenue Ruling 82-16, 1982 C.B. 106.

Specified foreign corporation (SFC). An SFC is (i) any CFC and (ii) any foreign corporation with respect to which one or more domestic corporations is a U.S. shareholder. However, if a passive foreign investment company (as defined in section 1297) with respect to the shareholder is not a CFC, then such corporation is not an SFC. See Regulations section 1.965-1(f)(45)(ii) for a special attribution rule for purposes of determining whether a foreign corporation is an SFC within the meaning of section 965(e)(1)(B).

United States shareholder (U.S. shareholder). For tax years of foreign corporations beginning before January 1, 2018, a U.S. shareholder is a United States person who owns (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of stock of a foreign corporation. A United States person for this purpose is defined in section 957(c).

Who Must File

Any person that is required to include amounts in income under section 965 of the Code in its 2017 tax year (that is, a tax year beginning in 2017) or 2018 tax year (that is, a tax year beginning in 2018), whether because the person is a U.S. shareholder of a DFIC or because it is a direct or indirect partner in a domestic partnership, a shareholder in an S corporation, or a beneficiary of another pass-through entity, and such pass-through entity is a U.S. shareholder of a DFIC, must complete and attach Form 965 to its income tax return. In addition, any person that would be required to include amounts in income under section 965 of the Code but for an aggregate foreign E&P deficit allocated in accordance with section 965(b) must complete and attach Form 965 to its tax return.

Exception. An organization exempt from tax under section 501(a) is required to complete Form 965 only if the section 965 amounts are subject to tax under section 511 (unrelated business income) or section 4940 (private foundation investment income).

When and Where To File

Attach Form 965 to your income tax return (or other applicable form, such as a partnership or exempt organization return) and file both by the due date (taking into account extensions, if any) for that return.

Electronic Filing of Form 965

If you file your income tax return electronically, Form 965 is filed with the electronic income tax return. See the instructions for your income tax return for general information about electronic filing. Visit IRS.gov for details.

Corrections to Form 965

If you file a Form 965 that you later determine is incomplete or incorrect, file a corrected Form 965 with an amended tax return, using the amended return instructions for the return with which you originally filed Form 965. Write “corrected” at the top of the Form 965 and attach a statement identifying the changes.

How To Complete

All U.S. persons required to include amounts in income under section 965 should file Form 965. In addition, any person that would be required to include amounts in income under section 965 of the Code but for an aggregate foreign E&P deficit allocated in accordance with section 965(b) should file Form 965.

- **Section 965(a) inclusions (Schedules A, B, and C).** Individuals, corporations, partnerships, S corporations, other pass-through entities, and any other persons that are U.S. shareholders of a DFIC should use Schedules A, B, and C to calculate section 965(a) inclusion amounts for both their 2017 and 2018 tax years. These amounts are reported on Form 965, Part I, lines 1 and 4. Owners and beneficiaries of U.S. shareholder pass-through entities should receive information about their shares of the section 965(a) inclusion amounts of such U.S. shareholder pass-through entities for tax years 2017 and 2018 from the U.S. shareholder pass-through entities and report those amounts on Form 965, Part I, lines 2 and 5.
- **Section 965(c) deductions/aggregate foreign cash position (Schedules D and E).** Individuals, corporations, partnerships, S corporations, other pass-through entities, and any other persons that are U.S. shareholders of a DFIC should use Schedules D and E to calculate their aggregate foreign cash position for both their 2017 and 2018 tax years. These amounts are entered on Form 965, Part II, lines 8 and 19, and are used in Part II to calculate the section 965(c) deductions that are not from U.S. shareholder pass-through entities. Owners and beneficiaries of U.S. shareholder pass-through entities should receive information about their shares of the section 965(c) deductions of such U.S. shareholder pass-through entities for tax years 2017 and 2018 from the U.S. shareholder pass-through entities and report those amounts on Form 965, Part II, lines 16 and 27.
- **Deemed paid foreign taxes and disallowance (Schedules F, G, and H).** Eligible individuals making a section 962 election and corporations should use Schedules F, G, and H to determine the foreign taxes deemed paid with respect to their section 965(a) inclusions and the portion of such deemed paid foreign taxes disallowed under section 965(g). Under section 962 and Regulations sections 1.962-1 and 1.962-2, an individual U.S. shareholder of a CFC may elect for a tax year to be taxed at corporate rates under section 11 on amounts included in his or her gross income under section 951(a) and to claim a foreign tax credit for foreign income taxes deemed paid with respect to such amounts under sections 902 and 960.

Important. Form 965 and some related schedules (or parts thereof) are completed once, and some schedules (or parts thereof) may be completed more than once (for each applicable separate category of income). Specifically:

- Form 965, Schedules A, D, and E, and Schedule H, Section 2 are completed once.
- Schedules B, C, F, and G, and Schedule H, Section 1 may be completed more than once (for each applicable separate category of income).

Separate categories of income. Unlike the other schedules, Schedules B, C, F, G, and H have lines a and b at the top of page 1 of the schedule. These lines are used to identify the separate category for which the schedule is being completed. If more than one category of income applies, the schedule must be completed more than once. See *Categories of Income* in the

Instructions for Form 1118, Foreign Tax Credit–Corporations, or the Instructions for Form 1116, Foreign Tax Credit (Individual, Estate, or Trust), for the separate category code to be entered on line a. If code 901j is entered on line a, also see those instructions for the country code of the sanctioned country to be entered on line b. If there are multiple sanctioned countries, leave line b blank and fill out the schedule taking into account all sanctioned countries and attach separate completed schedules by country in pdf format. Attached files should be named in the following format: "F965 [relevant schedule] 901j [country code] [identification number]." For example, an attached Schedule H would be named: "F965 Sch H 901j [country code] [Identification number]."

Reporting exchange rates on Schedules A and C. All exchange rates must be reported using a "divide-by convention" rounded to at least four places. That is, the exchange rate must be reported in terms of the amount by which the functional currency amount must be divided in order to reflect an equivalent amount of U.S. dollars. Accordingly, the exchange rate must be reported as the units of foreign currency that equal one U.S. dollar, rounded to at least four places. Do not report the exchange rate as the number of U.S. dollars that equal one unit of foreign currency.

Note. You must round the result to more than four places if failure to do so would materially distort the exchange rate or the equivalent amount of U.S. dollars.

Example. On December 31, 2017, the spot rate is 118.5050 Japanese Yen to one U.S. dollar (0.0843846 U.S. dollars to one Japanese Yen). When completing Schedule A (Form 965), the filer enters 118.5050 in column (d) as this is the rate that the filer must divide the column (c) amount by in order to determine the U.S. dollar amount to enter in column (e). When completing Schedule C (Form 965), the filer enters 118.5050 in column (c) as this is the rate that the filer must divide the column (b) amount by in order to determine the U.S. dollar amount to enter in column (d).

Specific Instructions

Important. If the information required in a given section exceeds the space provided within that section, **do not** write "see attached" in the section and then attach all of the information on additional sheets. Instead, complete all entry spaces in the section and attach the remaining information on additional sheets. The additional sheets must conform with the IRS version of that section.

Part I – Section 965(a) Inclusion

Line 1 and 4. Section 965(a) inclusions, other than with respect to ownership in U.S. shareholder pass-through entities, are calculated in Schedules A, B, and C. Enter the total of the 2018 tax year section 965(a) inclusion amounts from the sum of column (k) of Schedule A on Part I, line 1, and the total of the 2017 tax year section 965(a) inclusion amounts from the sum of column (j) of Schedule A on Part I, line 4.

Line 2 and 5. Shares of section 965(a) inclusion amounts allocated to a taxpayer from U.S. shareholder pass-through entities are entered on line 2 for the 2018 tax year and line 5 for the 2017 tax year. Attach a schedule setting forth each of these shares by U.S. shareholder pass-through entity and DFIC.

Line 3. Add lines 1 and 2 and enter the sum on line 3 and on your tax return as follows.

Corporations: Enter the amount from Form 965, line 3, on Form 1120, Schedule C, line 15, column (a), or on the corresponding line of other corporate income tax returns.

Individuals: Enter the amount from Form 965, line 3, minus the amount from Form 965, line 17, on Schedule 1 (Form 1040), line 21, or on the corresponding line of other individual income tax returns.

All others: If filing a return other than a corporate income tax return or an individual income tax return, follow the form instructions for that other applicable return.

Line 6. Add lines 4 and 5 and enter this amount on line 6. This is the total 2017 tax year section 965(a) inclusion.

Part II, Section 1 – Section 965(c) Deduction by Tax Year

Line 9. Enter the smaller of line 7 or 8. This amount represents the portion of the 2018 tax year section 965(a) inclusion corresponding to the aggregate foreign cash position.

Line 10. Enter the appropriate 15.5% rate equivalent percentage from Part II, Section 2. Both calendar year and fiscal year persons use the rate on Part II, Section 2, line 1a (2018 Tax Year column).

Line 12. Subtract line 9 from line 7. This amount represents the portion of the 2018 tax year section 965(a) inclusion not corresponding to the aggregate foreign cash position.

Line 13. Enter the appropriate 8% rate equivalent percentage from Part II, Section 2. Both calendar year and fiscal year persons use the rate on Part II, Section 2, line 1b (2018 Tax Year column).

Line 15. Add lines 11 and 14. This amount represents the 2018 tax year section 965(c) deduction that is not from U.S. shareholder pass-through entities.

Line 16. Enter the 2018 tax year shares of section 965(c) deductions allocated to a taxpayer from U.S. shareholder pass-through entities. Attach a schedule setting forth each of these shares by U.S. shareholder pass-through entity.

Line 17. Add lines 15 and 16 and enter the sum on line 17 and on your tax return as follows.

Corporations: Enter the amount from Form 965, line 17, on Form 1120, Schedule C, line 15, column (c), or on the corresponding line of other corporate income tax returns.

Individuals: As indicated in the instructions for Part I, line 3 above, enter the amount from Form 965, line 3, minus the amount from Form 965, line 17, on Schedule 1 (Form 1040), line 21, or on the comparable line of other individual income tax returns.

All others: If filing a return other than a corporate income tax return or an individual income tax return, follow the form instructions for that other applicable return.

Line 20. Enter the smaller of line 18 or 19. This amount represents the portion of the 2017 tax year section 965(a) inclusion corresponding to the aggregate foreign cash position.

Line 21. Enter the appropriate 15.5% rate equivalent percentage from Part II, Section 2. Calendar year persons use the rate on Part II, Section 2, line 1a (2017 Calendar Year column) and fiscal year persons use the rate calculated on Part II, Section 2, line 2c.

Line 23. Subtract line 20 from line 18. This amount represents the portion of the 2017 tax year section 965(a) inclusion not corresponding to the aggregate foreign cash position.

Line 24. Enter the appropriate 8% rate equivalent percentage from Part II, Section 2. Calendar year persons use the rate on Part II, Section 2, line 1b (2017 Calendar Year column) and fiscal year persons use the rate calculated on Part II, Section 2, line 2e.

Line 26. Add lines 22 and 25. This amount represents the 2017 tax year section 965(c) deduction that is not from U.S. shareholder pass-through entities.

Line 27. Enter the 2017 tax year shares of section 965(c) deductions allocated to a taxpayer from U.S. shareholder pass-through entities. Attach a schedule setting forth each of these shares by U.S. shareholder pass-through entity.

Part II, Section 2 – Rate Equivalent Percentages

Line 2a. For 2017 fiscal year filers, enter the section 15 blended rate calculated in accordance with section 965(c)(2). Under section 965(c)(2), the 8 and 15.5 percent rate equivalent percentages are calculated based on the highest corporate rate set forth in section 11. This rate changed from 35% to 21% effective January 1, 2018. Section 15 provides rules for taxpayers when the rate of tax changes during a tax year. It calculates a blended rate based on the number of days in the tax year before the effective date of the tax rate change and the number of days in the tax year on or after the effective date of the tax rate change.

Part III – Elections

Indicate in this part whether or not any of the listed elections were made. Elections for 2017 tax years should have been made in the manner set forth in Notice 2018-26, 2018-16 I.R.B. 480; and Questions and Answers about Reporting Related to Section 965 on 2017 Tax Returns, which can be found at IRS.gov; and Regulations sections 1.965-2(f)(2) and 1.965-7. Elections for 2018 tax years should be made in the manner set forth in regulations under section 965. A person generally makes an election with respect to section 965 by attaching to a tax return a statement signed under penalties of perjury and, in the case of an electronically filed return, in Portable Document Format (.pdf), for each such election.

Calculating Post-1986 Earnings and Profits in Schedules A, B, and C

Generally, a proration method cannot be used to determine post-1986 E&P on a measurement date. An elective alternate method, however, allows an SFC to calculate its post-1986 E&P as of another date in certain circumstances. See Regulations section 1.965-7(f). In addition, post-1986 E&P as of November 2, 2017, is reduced by the amount of any foreign income tax (as defined in section 901(m)(5)) that accrues (i) within the SFC's U.S. tax year that includes November 2, 2017, and (ii) after November 2, 2017, but on or before December 31, 2017, and that is attributable to the portion of the taxable income (as determined under foreign law) that accrues on or before November 2, 2017.

All deficits relating to post-1986 earnings and profits, including hovering deficits, must be taken into account for purposes of determining the post-1986 E&P (including a deficit) of an SFC.

Schedule A – U.S. Shareholder's Section 965(a) Inclusion Amount

Column (a). Enter the EIN or reference ID number of the foreign corporation. For basic information about reference ID numbers (including the requirements as to the characters permitted), see the Instructions for Form 1118.

Column (b). Enter the year and month in which the foreign corporation's U.S. tax year ended using the format YYYYMM.

Column (c). The accumulated post-1986 deferred foreign income entered for a DFIC in column (c) on this schedule is the greater of the aggregate amount of the DFIC's accumulated post-1986 deferred foreign income as of November 2, 2017, reported in column (e) on all Schedules B on a separate category of income basis, and the aggregate amount of the DFIC's accumulated post-1986 deferred foreign income as of December 31, 2017, reported in column (i) on all Schedules B on a separate category of income basis.

Column (d). Enter the spot rate (as defined in Regulations section 1.988-1(d)) as of December 31, 2017. See *Reporting exchange rates on Schedules A and C*, earlier, for details on how to report the spot rate in column (d).

Column (f). Enter the U.S. shareholder's pro rata share of the amount in column (e).

Column (g). In column (g), determine the deficit allocation ratio for each DFIC by dividing the column (f) amount for such DFIC by the aggregate amount of the U.S. shareholder's pro rata shares of the accumulated post-1986 deferred foreign income of its DFICs, reflected in the column (f) totals line (column (f), line 16). For example, if the column (f) amount for a DFIC is $5 and the amount in column (f), line 16 is $200, enter .025 in column (g) for that DFIC. The sum of column (g) should equal 1.

Column (h). Unless otherwise provided below, enter the product of the deficit allocation ratio determined in column (g) for the DFIC and the U.S. shareholder's aggregate foreign E&P deficit. The U.S. shareholder's aggregate foreign E&P deficit is the aggregate of all amounts in column (e), line 16 on Schedule C reported on a separate category of income basis, limited to the aggregate amount of the U.S. shareholder's pro rata shares of the accumulated post-1986 deferred foreign income of its DFICs, reflected in column (f), line 16.

If the rules under section 965(b)(5) and Regulations section 1.965-8 apply to cause the U.S. shareholder to take into account its applicable share of the affiliated group's aggregate unused E&P deficit, enter for each DFIC the sum of its allocable share of the U.S. shareholder's aggregate E&P deficit and its allocable share of the U.S. shareholder's applicable share of the affiliated group's aggregate unused E&P deficit.

Column (i). The U.S. shareholder's section 965(a) inclusion amount with respect to a DFIC is determined by subtracting the amount in column (h) from the amount in column (f).

Columns (j) and (k). In determining when to take into account a section 965(a) inclusion amount with respect to a DFIC, it is necessary to look at the DFIC's last tax year that began before January 1, 2018. If the end of that DFIC year is during the person's 2017 tax year, the section 965(a) inclusion amount should be taken into account in the person's 2017 tax return and entered in column (j). If the end of that DFIC year is during a person's 2018 tax year, the section 965(a) inclusion amount should be taken into account in the person's 2018 tax return and entered in column (k).

Schedule B – Deferred Foreign Income Corporation's Earnings & Profits

Complete a separate Schedule B for each applicable separate category of income. In Schedule B, list all DFICs of the U.S. shareholder.

Column (a). Enter the EIN or reference ID number of the foreign corporation. For basic information about reference ID numbers (including the requirements as to the characters permitted), see the Instructions for Form 1118.

Column (b)(2). Check this box if the elective alternate method was used to determine the amount of post-1986 E&P as of November 2, 2017.

Column (c). Enter the post-1986 previously taxed E&P (defined earlier) as of November 2, 2017, in functional currency.

Column (g). Enter the post-1986 previously taxed E&P (defined earlier) as of December 31, 2017, in functional currency.

Schedule C – U.S. Shareholder's Aggregate Foreign Earnings and Profits Deficit

Complete a separate Schedule C for each applicable separate category of income. In Schedule C, list all E&P deficit foreign corporations of the U.S. shareholder.

Column (a). Enter the EIN or reference ID number of the foreign corporation. For basic information about reference ID numbers (including the requirements as to the characters permitted), see the Instructions for Form 1118.

Column (b). If the E&P deficit foreign corporation has a deficit in a separate category and positive post-1986 E&P in one or more other separate categories, allocate the deficit proportionately to reduce post-1986 E&P in the other separate categories and enter only the remaining amount of the deficit in column (b). Do not report any amount on Schedule C for the separate category of an E&P deficit foreign corporation with positive post-1986 E&P.

Column (c). Enter the spot rate (as defined in Regulations section 1.988-1(d)) as of December 31, 2017. See *Reporting exchange rates on Schedules A and C*, earlier, for details on how to report the spot rate in column (c).

Column (e). Enter the U.S. shareholder's pro rata share of the amount in column (d). Column (e), line 16, constitutes the U.S. shareholder's aggregate foreign E&P deficit with respect to a particular separate category of income. The aggregate foreign E&P deficits with respect to all separate categories of income must be added together, and the total is allocated based on the U.S. shareholder's DFICs' accumulated post-1986 deferred foreign income on Schedule A, column (h).

Calculating Cash Position in Schedules D and E

The cash position of an SFC is the sum of (i) cash held by the corporation, (ii) the net accounts receivable of the corporation, and (iii) the fair market value of the following assets held by the corporation: (I) personal property which is of a type that is actively traded and for which there is an established financial market, (II) commercial paper, certificates of deposit, the securities of the Federal government and of any state or foreign government, (III) any foreign currency, (IV) any obligation with a term of less than one year, and (V) any asset which the Secretary identifies as being economically equivalent to the above. See Regulations section 1.965-1 for definitions relevant for determining the cash position of an SFC.

Receivables or payables from or to a related SFC may be disregarded to the extent of the common ownership of the SFC by the U.S. shareholder. See Regulations section 1.965-3.

Schedule D – U.S. Shareholder's Aggregate Foreign Cash Position

Do not complete a separate Schedule D for each applicable separate category of income. All SFCs of the U.S. shareholder should be listed on Schedule D. Noncorporate entities that are considered SFCs for purposes of determining aggregate foreign cash position must also be listed. For purposes of Schedules D and E, a noncorporate entity is treated as an SFC if any interest in the noncorporate entity is held by an SFC and the noncorporate entity would be considered an SFC if it was a foreign corporation. See section 965(c)(3)(E) and Regulations section 1.965-3(b)(3) for more information related to noncorporate entities treated as SFCs for purposes of determining aggregate foreign cash position.

Column (a). Enter the EIN or reference ID number of the foreign corporation. For basic information about reference ID numbers (including the requirements as to the characters permitted), see the Instructions for Form 1118.

Lines 20 and 21. On line 20, enter the amount of aggregate foreign cash position taken into account on the 2017 tax return. On line 21, enter the amount of aggregate foreign cash position taken into account on the 2018 tax return. On the 2017 tax return, the aggregate foreign cash position taken into account is the lesser of the U.S. shareholder's aggregate foreign cash position or the U.S. shareholder's tax year 2017 aggregate section 965(a) inclusion amount. The remainder of the aggregate foreign cash position, if any, is taken into account in the 2018 tax year. For example, a taxpayer may have $400 of aggregate foreign cash position and takes into account a $300 section 965(a) inclusion amount on its 2017 tax return. The taxpayer will take into account $300 of aggregate foreign cash position on the 2017 tax return. The remaining $100 of aggregate foreign cash position will be taken into account on the 2018 tax return.

Schedule E – U.S. Shareholder's Aggregate Foreign Cash Position – Detail

Do not complete a separate Schedule E for each applicable separate category of income. All SFCs of a U.S. shareholder should be listed on Schedule E. Noncorporate entities that are considered SFCs for purposes of determining aggregate foreign cash position also must be listed.

Column (a). Enter the EIN or reference ID number of the foreign corporation. For basic information about reference ID numbers (including the requirements as to the characters permitted), see the Instructions for Form 1118.

Schedule F – Foreign Taxes Deemed Paid by Domestic Corporation (2018 Tax Year)

Use Schedule F to compute foreign taxes deemed paid by an eligible domestic corporation or an individual with respect to section 965(a) inclusions for the 2018 tax year. Taxpayers eligible for a deemed paid credit include certain individuals who make an election under section 962 and certain domestic corporations. (See section 902 for eligibility requirements.) U.S. shareholder pass-through entities with owners that are eligible to compute a deemed paid credit should provide the owner with the information necessary to make the deemed paid credit calculations.

Complete a separate schedule for each applicable separate category of income. For purposes of determining the appropriate separate category of income, see section 904 and the regulations issued under that section.

In the first column, enter the name of the DFIC with respect to which the domestic corporation or individual filing the Schedule F has a section 965(a) inclusion.

Columns (a). Enter the EIN or reference ID number of the foreign corporation. For basic information about reference ID numbers (including the requirements as to the characters permitted), see the Instructions for Form 1118.

Columns (b). Owners of U.S. shareholder pass-through entities eligible to compute a deemed paid credit should provide the EIN or reference ID number of the Schedule K-1 issuer. A U.S. shareholder that does not own a DFIC through a U.S. shareholder pass-through entity should leave column (b) blank with respect to that DFIC.

For example, assume Domestic Corporation directly owns 30% of the voting stock of DFIC and has a section 965(a) inclusion amount with respect to such DFIC. Domestic Corporation also owns 30% of the voting stock of DFIC through a domestic partnership and has an additional section 965(a) inclusion with respect to such DFIC. Domestic Corporation will complete a row on Schedule F with respect to its section 965(a) inclusion resulting from its ownership of the domestic partnership and will include the reference ID number of the partnership in column (b). Domestic Corporation will complete a separate row with respect to its section 965(a) inclusion amount resulting from its direct ownership of the DFIC and will complete all columns with the exception of column (b).

A U.S. shareholder pass-through entity with a section 965(a) inclusion amount with respect to a DFIC should complete all columns with the exception of columns (g) and (l) and provide a copy to its owners that are eligible to compute a deemed paid credit.

Column (c). Enter the year and month in which the DFIC's U.S. tax year ended using the format YYYYMM.

Column (d). Enter the applicable two-letter code from the list at *IRS.gov/CountryCodes*.

Column (e)(1). Report (in U.S. dollars) the section 965(a) inclusion with respect to the DFIC for the tax year indicated in column (c). In the case of stock not owned through a U.S. shareholder pass-through entity, this is equal to the section 965(a) inclusion amount with respect to the particular DFIC that is reported with respect to such DFIC on a row in Schedule A, column (i).

Column (e)(2). Report the column (e)(1) amounts, translated from U.S. dollars into functional currency at the spot rate as of December 31, 2017, entered on the relevant row on Schedule A, column (d). If the foreign corporation's functional currency is the U.S. dollar, report the same amount as in column (e)(1).

Column (f). Enter the foreign corporation's post-1986 undistributed earnings for the separate category for which the Schedule F is being completed. Generally, this amount is the corporation's E&P (computed in the corporation's functional currency according to sections 964(a) and 986) accumulated in tax years beginning after 1986, determined as of the close of the corporation's tax year without reduction for any earnings distributed or otherwise included in income (that is, under section 304, 367(b), 951(a), 1248, or 1293) during the current tax year.

Post-1986 undistributed earnings are reduced to account for distributions or deemed distributions that reduced E&P and inclusions that resulted in previously taxed amounts described in section 959(c)(1) and (2) or section 1293(c) in prior tax years beginning after 1986. See Regulations section 1.902-1(a)(9). Also, see section 902(c)(3) and Regulations section 1.902-1(a)(13) for special rules treating earnings accumulated in post-1986 years as pre-1987 accumulated profits when no U.S. shareholder was eligible to claim a deemed paid credit with respect to taxes paid by the foreign corporation.

Column (h). Enter the opening balance in the foreign corporation's post-1986 foreign income taxes for the tax year indicated. Generally, this amount is the foreign income taxes paid, accrued, or deemed paid (in U.S. dollars) by the foreign corporation for prior tax years beginning after 1986, reduced by foreign taxes attributable to distributions or inclusions of earnings in prior tax years. See Regulations section 1.902-1(a)(8)(i).

Column (i). Enter the foreign income taxes paid or accrued by the foreign corporation for the tax year indicated, translated into U.S. dollars using the exchange rate specified in section 986(a).

Column (j). Enter the foreign income taxes deemed paid (under section 902(b)) by the foreign corporation for the tax year indicated.

Line 16. In column (e)(1), enter the total amount of section 965(a) inclusions that are not derived through a U.S. shareholder pass-through entity. A section 965(a) inclusion amount of a U.S. shareholder pass-through entity filing Schedule F must be included in this total. However, a filer's share of a U.S. shareholder pass-through entity's section 965(a) inclusion amount is not included in this total.

In column (l), with respect to U.S. shareholders with section 965(a) inclusion amounts, only enter the total taxes deemed paid by U.S. shareholders who are eligible for a deemed paid credit with respect to such section 965(a) inclusion amounts. Do not include taxes deemed paid with respect to the filer's share of a U.S. shareholder pass-through entity's section 965(a) inclusion amount in the total.

Line 17. In column (e)(1), enter the total amount of section 965(a) inclusions that are derived through U.S. shareholder pass-through entities. A U.S. person's share of a U.S. shareholder pass-through entity's section 965(a) inclusion amount must be included in this total.

In column (l), only enter taxes deemed paid with respect to the filer's share of a U.S. shareholder pass-through entity's section 965(a) inclusion amount in this total if the filer is eligible to claim a deemed paid credit with respect to such amount.

Schedule G – Foreign Taxes Deemed Paid by Domestic Corporation (2017 Tax Year)

Complete consistent with instructions for Schedule F, but for 2017 tax year.

Schedule H, Section 1 – Amounts Reported on Forms 1116 and 1118 and Disallowed Foreign Taxes

Complete a separate schedule for each applicable separate category of income. See the instructions for the Form 1116, Form 1118, and Form 5471 (Information Return of U.S. Persons With Respect to Certain Foreign Corporations) for reporting the amount of foreign taxes disallowed with respect to distributions of section 965 previously taxed E&P.

All amounts in lines 1 through 14 are for the 2018 tax year.

Line 1. Enter the total amount of section 965(a) inclusions not derived through U.S. shareholder pass-through entities in U.S. dollars from Schedule F, column (e)(1), line 16, by separate category.

For example, if Domestic Corporation has a $50 general category section 965(a) inclusion amount with respect to direct ownership in a DFIC, Domestic Corporation will enter $50 on line 1 of Schedule H, Section 1 with respect to general category income.

Separately, if Domestic Partnership has a $20 general category section 965(a) inclusion amount with respect to direct ownership in a DFIC, Domestic Partnership will enter $20 on line 1 of Schedule H, Section 1 with respect to general category income.

Line 2. Enter the total amount of section 965(a) inclusions in U.S. dollars derived through U.S. shareholder pass-through entities from Schedule F, column (e)(1), line 17, by separate category.

In the example in the line 1 instructions above, if Domestic Corporation has a 25% interest in Domestic Partnership, Domestic Corporation will enter $5 on line 2 of Schedule H, Section 1 with respect to general category income.

Line 3. Add lines 1 and 2. This amount represents the total amount of section 965(a) inclusions for the separate category. Enter this amount here and on the applicable Form 1116, Part I or Form 1118, Schedule A.

In the examples in the line 1 and line 2 instructions above, Domestic Corporation has total general category section 965(a) inclusions of $55 and will enter this amount on the general category Form 1118, Schedule A.

Domestic Partnership is ineligible for a credit and will not file either Form 1116 or Form 1118.

Line 4. Enter the section 965(c) deduction not derived through U.S. shareholder pass-through entities in U.S. dollars.

For example, if Domestic Corporation reports on Form 965, Part II, Section 1, line 15, that it has a section 965(c) deduction of $80 with respect to section 965(a) inclusions not derived through U.S. shareholder pass-through entities, it will need to allocate and apportion this deduction to reduce its section 965(a) inclusions in each separate category.

Line 5. Enter the section 965(c) deduction in U.S. dollars derived through U.S. shareholder pass-through entities.

For example, if Domestic Corporation reports on Form 965, Part II, Section 1, line 16, that it has a section 965(c) deduction of $3 with respect to section 965(a) inclusions derived through U.S. shareholder pass-through entities, it will need to allocate and apportion this deduction to reduce its section 965(a) inclusions in each separate category.

Line 11. Enter the 2018 applicable percentage from a U.S. shareholder pass-through entity. This amount is calculated by each U.S. shareholder pass-through entity that has a section 965(a) inclusion amount. The applicable percentage is reported on such U.S. shareholder pass-through entity's Form 965, Schedule H, Section 2, line 37. The U.S. shareholder pass-through entity should provide its Form 965, Schedule H, Section 2 to its owners that are eligible to compute a deemed paid credit. If the taxpayer has an interest in only one such U.S. shareholder pass-through entity, enter the applicable percentage on line 11. If the taxpayer has an interest in multiple U.S. shareholder pass-through entities with section 965(a) inclusion amounts, attach a schedule setting forth the applicable percentage for each U.S. shareholder pass-through entity and leave this line blank.

Line 13. Enter the amount of disallowed taxes with respect to section 965(a) inclusions from U.S. shareholder pass-through entities. Attach a schedule setting forth, by U.S. shareholder pass-through entity and relevant DFIC, the amount of deemed paid taxes, applicable percentage, and disallowed taxes.

Lines 15 through 28. All amounts reported on lines 15 through 28 are for the 2017 tax year. Complete lines 15 through 28 using the instructions for lines 1 through 14, taking into account line reference differences. Also note that no amounts need to be entered on 2017 tax year forms.

Schedule H, Section 2 – Applicable Percentage for Disallowance of Foreign Tax Credit Not From Pass-Through Entities

Do not complete a separate Schedule H, Section 2 for each applicable separate category of income. The same applicable percentage will apply for each separate category of income. Section 965(g)(1) provides that no credit is allowed under section 901 for the applicable percentage of any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under section 965(c). In Section 2, the U.S. shareholder calculates the applicable percentage for disallowance of a foreign tax credit for the U.S. shareholder's 2017 and 2018 tax years. Only compute the applicable percentage with respect to section 965(a) inclusion amounts of the U.S. shareholder. On this schedule, do not compute the applicable percentage with respect to a U.S. person's share of a section 965(a) inclusion amount of a U.S. shareholder pass-through entity. The applicable percentage with respect to a U.S. shareholder pass-through entity will be computed by the U.S. shareholder pass-through entity, and such entity will attach Schedule H, Section 2 to its Form 965 and provide a copy to its owners that are eligible for a deemed paid credit.

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