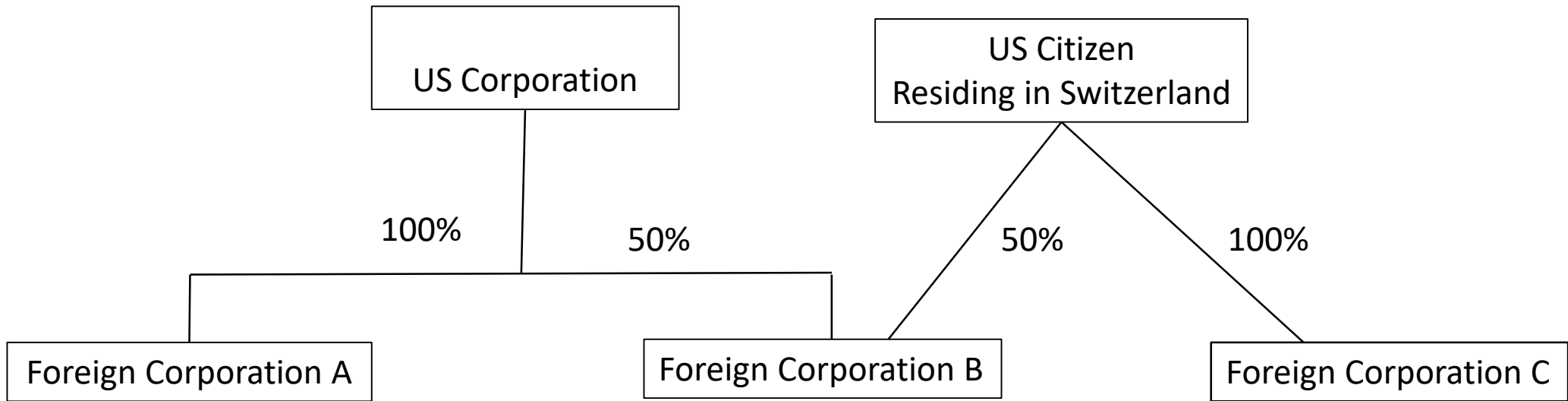


Scuola Universitaria Professionale Della Svizzera Italiana

Webinar, October 21, 2020
(Some of) The Mysteries of GILTI

H. David Rosenbloom
Washington, DC



Net Income: 10X From Bonds
300X From Manufacturing
and Selling

Foreign Tax: 40X

Assets: Bonds 200X
Plant and Equipment
(Tax Basis) 800X

Net Income: (30x) From Services
Performed Locally

Foreign Tax: 10X

Assets: Equipment 20X

Net Income: 100X From Services
Performed Locally

Foreign Tax: 20X

Assets: None

- 1) All Three Foreign Corporations are CFCs
- 2) US Corporation Has Both Subpart F Income and GILTI
- 3) Subpart F Income is 10X Minus Allocable Foreign Tax of About 1.3X or 8.7X
- 4) Gross Up is 1.3X
- 5) Net Tested Income is $300X - 38.7X$ (Allocable Foreign Tax) $- 15X - 5X$ (Allocable Foreign Tax) = $241.3X$
- 6) NDTIR is 80X
- 7) GILTI is 161.3X
- 8) Section 250 Deduction is 80.7X

- 9) GILTI Inclusion is 80.6X
- 10) Gross-Up is 38.7X
- 11) Tentative U.S. Tax is $80.6X + 8.7X + 38.7X + 1.3X = 129.3X$ Times 21% = 27.15X
- 12) FTC is $1.3 + 31 (.8(38.7)) = 32.3X$, With Excess All GILTI Tax
- 13) US Citizen has GILTI Inclusion
- 14) Net Tested Income is $100X - 20X - 20X = 60X$
- 15) U.S. Tax is 37% (Top Rate) Times 60X or 22.2X
- 16) No Foreign Tax Credit for Foreign Tax of CFC With a Tested Loss
- 17) No Ability to Use QBAI of CFC With a Tested Loss