

MEMO# 32207

February 11, 2020

Draft ICI Letter on Application of Proposed Foreign Tax Credit Regulations to Management Companies

[32207]

February 11, 2020 TO: Management Company Tax Subcommittee RE: Draft ICI Letter on Application of Proposed Foreign Tax Credit Regulations to Management Companies

Attached for your review is a draft letter to the Treasury Department and the Internal Revenue Service (IRS) seeking clarification of recently proposed regulations on foreign tax credits.^[1] Specifically, proposed changes to the regulations under section 904 would amend the definitions of “financial services income” and “financial services entity” in such a way that management companies would no longer qualify as financial services entities for purposes of the foreign tax credit rules.

As a result, passive income of the management companies that is subject to foreign tax would no longer qualify as general category income for foreign tax credit bucketing purposes. The draft letter thus asks the Treasury and IRS to provide in the final regulations that the definition of “financial services entity” includes entities that predominantly receive income from services with respect to the management of regulated funds.

As previously mentioned, we will have a call on Thursday, February 13, 2020, at 2:00 p.m. ET to further discuss this issue.^[2] Please note that we have *not* decided whether to submit a comment letter; however, in the interest of time (comments are due to the IRS on February 18) I am circulating this draft in advance. We will discuss whether to submit comments and this letter on the Thursday call.

If you are unable to participate in the conference call, please send any comments, on the issue generally or the draft letter, to me (kgibian@ici.org or 202371-5432) no later than the close of business on Thursday, February 13.

Karen Lau Gibian
Associate General Counsel

[Attachment](#)

endnotes

[1] See Institute Memorandum No. 32169, dated January 23, 2020, which can be found at: https://www.ici.org/my_ici/memorandum/memo32169.

[2] See Institute Memorandum No. 32195, dated February 4, 2020, which can be found at: https://www.ici.org/my_ici/memorandum/memo32195.

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