

MEMO# 32169

January 23, 2020

Call to Discuss Application of Proposed Foreign Tax Credit Regulations to Management Companies

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January 23, 2020 TO: Management Company Tax Subcommittee RE: Call to Discuss Application of Proposed Foreign Tax Credit Regulations to Management Companies

The Internal Revenue Service and Treasury Department recently issued [proposed foreign tax credit regulations](#) which would, among other things, redefine the terms “financial services entity” and “financial services income.” Under the new proposed definitions, asset management groups likely would not meet the definition of “financial services entity” because management fees are not included in the cross-referenced definition of financial services income.

The financial services entity definition is important because all income of such an entity is treated as active for foreign tax credit bucketing purposes. Therefore, all foreign taxes of such an entity are creditable against one bucket of income. In contrast, if an asset manager does not meet the proposed new definition of financial services entity, it could have some income treated as passive and other income treated as active; thus, the taxes on each would fall into different foreign tax credit buckets.

We have scheduled a call for **Thursday, January 30, 2020, at 10:00 a.m. ET** to discuss the proposed regulations and whether ICI should submit comments. The dial-in information for the call is below. If you are unable to participate in the call but have questions or comments on the proposed regulations, please contact me at (202) 371-5432 or kgibian@ici.org.

Dial-in Number: (253) 617-4981 **Passcode:** 228454473

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