

**MEMO# 20374**

September 18, 2006

## **Proposed Regulations Eliminate Country-by-Country Reporting to Shareholders of Foreign Taxes Paid; Comments Requested**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20374] September 18, 2006 TO: INTERNATIONAL COMMITTEE No. 24-06 TAX COMMITTEE No. 31-06 RE: PROPOSED REGULATIONS ELIMINATE COUNTRY-BY-COUNTRY REPORTING TO SHAREHOLDERS OF FOREIGN TAXES PAID; COMMENTS REQUESTED We are pleased to inform you that, as requested by the Institute<sup>1</sup>, Treasury has issued proposed regulations to eliminate the requirement that regulated investment companies ("RICs") report to shareholders the amount of foreign source income and foreign taxes paid on a country-by-country basis. The regulations continue to require country-by-country reporting to the IRS by RICs. The regulations also make other changes, including: (1) Clarifying that the foreign passthrough election (section 853 election) is not applicable to taxes for which a RIC would not be allowed a credit by reason of Code section 901(j) (denial of credit to certain countries) and section 901(k)-(l) (denial of credit where certain holding period requirements are not met), or any similar provision; (2) Extending various deadlines relating to when shareholders must be notified that a RIC has made a section 853 election; (3) Eliminating the requirement to file statements electing the application of section 853 with Forms 1099 and 1096; the general requirement that a RIC must file a statement as part of its return is retained; and (4) Requiring that a RIC agree to provide certain information on Form 1118 (or other form prescribed by the Commissioner), including: (i) the total amount of foreign-source taxable income received per-country; 1 See Institute Memorandum (16109) to Tax Members No. 30-03 and International Members No. 17-03, dated May 23, 2003. 2 (ii) the total amount of foreign taxes paid (per-country) for which a section 853 election applies; (iii) the total amount of foreign taxes paid (per-country) for which a section 853 election does not apply; (iv) the date, form and contents of the notice to shareholders; and (v) the proportionate share of creditable foreign taxes paid (per-country) and foreign income received (per-country) that is attributable to one share of the RIC's stock. Comments and requests for a public hearing must be received within 90 days of the date of publication of the proposed regulations in the Federal Register. The Institute requests comments regarding the rules set forth in the proposed regulations or any issues or ambiguities with respect to the reporting of foreign source income or foreign taxes paid by Friday, November 3, 2006. You may provide comments to Lisa Robinson at 202-326-5835 or [lrobinson@ici.org](mailto:lrobinson@ici.org). Lisa Robinson Associate Counsel Attachment (in .pdf format)

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