

MEMO# 4043

August 21, 1992

INTERNAL REVENUE SERVICE PROVIDES TRANSITION RULES FOR LIFTING OF RESTRICTIONS ON INVESTMENTS IN SOUTH AFRICA

11 Other countries subject to Code section 901(j) include those with which the U.S. does not have diplomatic relations and those which are certified as supporting international terrorism. A complete list of those countries subject to Code section 901(j) is found in attached Revenue Ruling 92-63. August 21, 1992 TO: TAX COMMITTEE NO. 33-92 INTERNATIONAL MEMBERS NO. 19-92 ACCOUNTING/TREASURERS COMMITTEE NO. 36-92 RE: INTERNAL REVENUE SERVICE PROVIDES TRANSITION RULES FOR LIFTING OF RESTRICTIONS ON INVESTMENTS IN SOUTH AFRICA

Internal Revenue Code section 901(j) imposes certain sanctions, including disallowance of foreign tax credits and separate foreign tax credit limitations, with respect to income sourced in certain countries, including South Africa. 11 Code section 901(j) provides that the restrictions on South Africa will end on the date that the Secretary of State certifies to the Secretary of the Treasury that South Africa meets certain requirements involving the dismantling of its apartheid system. This certification was made by the Secretary of State on July 10, 1991. Thus, foreign tax credits are permitted with respect to income attributable to the period beginning July 11, 1991. The attached Revenue Ruling 92-62 deals with several transition issues which arise when a country is removed from the list of countries subject to section 901(j). Of particular interest to regulated investment companies holding South African securities is the method for determining the amount of income for the taxable year in which the sanctions are removed that is attributable to the period when section 901(j) was in effect. We will keep you informed of further developments. David J. Mangefrida Jr. Assistant Counsel - Tax Attachments DJM:bmb