Treasury and IRS Issue Proposed Regulations Providing Clarity Regarding Global Intangible Low-Taxed Income

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Washington—The U.S. Department of the Treasury and IRS today issued their first set of guidance on global intangible low-taxed income (GILTI). The 2017 Tax Cuts and Jobs Act requires U.S. shareholders to include GILTI generated by controlled foreign corporations (CFCs) in their gross income.

"These proposed regulations will implement key provisions of the Tax Cuts and Jobs Act, and mark an important step towards modernizing the U.S. tax system as we shift from a worldwide system toward a territorial system," said Secretary Steven T. Mnuchin. "We are providing clarity to taxpayers and closing loopholes that previously allowed for inappropriate international tax planning and shifting profits overseas."

Under the new law, a U.S. taxpayer owning at least 10 percent of the value or voting rights in one or more CFCs is required to include its global intangible low-taxed income as currently taxable income, regardless of whether any amount is distributed to shareholders. This includes U.S. individuals, domestic corporations, partnerships, trusts and estates.

The guidance issued today offers clarity for U.S. shareholders on computing global intangible low-taxed income. These proposed regulations do not include foreign tax credit computational rules, which will be addressed in future regulatory packages.

View the guidance.

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