

# Treasury Issues Highly Anticipated Guidance on Foreign Tax Credits

November 28, 2018

**Washington** –The Treasury Department today issued proposed regulations related to the determination of foreign tax credits following the implementation of the Tax Cuts and Jobs Act. The regulations provide guidance on computing foreign tax credits, and include rules for allocating and apportioning deductions that determine taxable income from foreign sources.

“The Tax Cuts and Jobs Act is modernizing the U.S. tax system and is bringing jobs and capital back to America. The proposed guidance provides clarity and certainty for taxpayers in applying the new law, as well as modernizes current regulations and repeals out-of-date provisions,” said Secretary Steven T. Mnuchin. “We are equipping taxpayers with the autonomy and information they need to effectively manage their finances and grow American business as we shift to a territorial system.”

Changes to the treatment of foreign tax credits under the new law included adding new foreign tax credit limitation categories, and providing new foreign tax credit rules related to the enactment of the global intangible low taxed income provisions.

Today’s proposed regulations provide rules on the allocation and apportionment of deductions, including a rule treating certain assets as partially exempt for expense allocation purposes. The regulations also establish rules on applying the new foreign tax credit limitation categories, and include a taxpayer favorable elective transition rule for carryovers of foreign tax credits.

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