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SCHEDULE H (Form 1120-F)

Department of the Treasury
Internal Revenue Service

Deductions Allocated To Effectively Connected Income Under Regulations Section 1.861-8

▶ Attach to Form 1120-F.
▶ Information about Schedule H (Form 1120-F) and its separate instructions is at *www.irs.gov/form1120f.*

OMB No. 1545-0126

2012

Name of corporation

Employer identification number

DRAFT AS OF July 18, 2012 DO NOT FILE

Part I Home Office Deductible Expenses Definitely Related Solely to ECI or Non-ECI

Note. Enter all amounts on lines 1a through 13 in only U.S. dollars or in only functional currency. If U.S. dollars, check box ☐. Otherwise, specify currency ▶

1a	Total expenses on the books of the home office	1a			
b	Check the applicable box below to indicate the accounting convention used to compute the amount on line 1a: ☐ U.S. GAAP ☐ Home Country GAAP ☐ IFRS ☐ Other (specify) ▶				
2	Adjustments for U.S. tax principles (attach statement - see instructions)	2			
3	Total deductible expenses on the books of the home office. Combine lines 1a and 2			3	
4	Interest expense included on line 3	4			
5	Bad debt expense included on line 3	5			
6	Total of interest expense and bad debt expense. Add lines 4 and 5			6	
7	Remaining deductible expenses to be allocated and apportioned between ECI and non-ECI. Subtract line 6 from line 3			7	
8	Deductible expenses definitely related solely to non-ECI from subsidiaries	8			
9	Deductible expenses definitely related solely to other non-ECI booked in the home country	9			
10	Deductible expenses definitely related solely to other non-ECI booked in other countries (including the United States)	10			
11	Deductible expenses definitely related solely to ECI	11			
12	Total deductible expenses definitely related solely to ECI or non-ECI. Add lines 8 through 11			12	

Part II Home Office Deductible Expenses Allocated and Apportioned to ECI

Note. Enter the amounts on lines 15 through 20 in U.S. dollars.

13	Remaining deductible expenses on the books of the home office not definitely related solely to ECI or non-ECI. Subtract line 12 from line 7	13	
14	Average exchange rate used to convert amounts to U.S. dollars (see instructions)	14	
15	Enter the amount from line 13. If line 13 is stated in functional currency, divide line 13 by line 14	15	
16	Remaining home office deductible expenses on line 15 allocated and apportioned under Regulations section 1.861-8 to ECI (attach computation)	16	
17	Enter the amount from line 11. If line 11 is stated in functional currency, divide line 11 by line 14	17	
18	Total home office deductible expenses allocated and apportioned to ECI. Add lines 16 and 17	18	
19	Total deductible expenses from other non-U.S. locations allocated and apportioned to ECI	19	
20	**Total deductible expenses allocated and apportioned to ECI.** Add lines 18 and 19 and enter the amount here and on Form 1120-F, Section II, line 26	20	

Part III Allocation and Apportionment Methods and Financial Records Used to Complete Parts I and II

Note. Enter the amounts in Part III, lines 21a, 21b, 22a, and 22b in U.S. dollars.

- If one or more methods used are different than in prior year, check box ☐
- If any amount on line 20 is recorded as an interbranch amount on books and records used to prepare Form 1120-F, Schedule L, include the amount on Part IV, line 35 and check this box ☐

21	Gross income ratio:				
a	Gross ECI	21a			
b	Worldwide gross income	21b			
c	Divide line 21a by line 21b			21c	%
22	Asset ratio:				
a	Average U.S. assets from Schedule I, line 5, column (d)	22a			
b	Worldwide assets (if applicable, from Schedule I, line 6b)	22b			
c	Divide line 22a by line 22b			22c	%
23	Number of personnel ratio:				
a	Personnel of U.S. trade or business	23a			
b	Worldwide personnel	23b			
c	Divide line 23a by line 23b			23c	%

		Yes	No
24	Did the corporation use any ratio-based methods (other than those indicated on lines 21 through 23 above) in Parts I and II? If "Yes," attach statement (see instructions)	☐	☐
25	Did the corporation use any other methods (e.g., time-spent analysis or estimates) in Parts I and II? If "Yes," attach statement (see instructions)	☐	☐

Part III **Allocation and Apportionment Methods and Financial Records Used to Complete Parts I and II** *(continued)*

Note. Indicate whether the corporation used any of the following financial and other records in Parts I and II to identify deductible expenses allocated and apportioned to ECI.

		Yes	No
26a	Published or other non-public audited financial statements		
b	Non-audited financial statements		
27	Home office management or other departmental cost accounting reports		
28	Other (e.g., home country regulatory reports or written, contemporaneous functional analyses) (attach statement)		

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Part IV **Allocation and Apportionment of Expenses on Books and Records Used to Prepare Form 1120-F, Schedule L**

Note. Enter all amounts in Part IV in U.S. dollars.

29	Total expenses per books and records used to prepare Form 1120-F, Schedule L	29			
30	Adjustments for U.S. tax principles (attach schedule – see instructions)	30			
31	Total deductible expenses. Combine lines 29 and 30			31	
32a	Third-party interest expense included on line 31	32a			
b	Interbranch interest expense included on line 31	32b			
33	Bad debt expense included on line 31	33			
34	Other third-party deductible expenses not allocated or apportioned to ECI and non-ECI under Regulations section 1.861-8 included on line 31 (attach statement)	34			
35	Interbranch expenses per books and records included on line 31 and not included on line 32b (attach statement)	35			
36	Add lines 32a through 35			36	
37	Deductible expenses on books and records allocated and apportioned to ECI or non-ECI under Regulations section 1.861-8. Subtract line 36 from line 31			37	

	Reconciliation of allocation and apportionment of deductible expenses to ECI and non-ECI on books and records under Regulations section 1.861-8 (from line 37)		(a) ECI Amounts	(b) Non-ECI Amounts	(c) Total: Add columns (a) and (b)
38a	Derivative transaction deductible expenses definitely related to ECI or non-ECI under Regulations section 1.861-8 (from line 37)	38a			
b	Other deductible expenses definitely related to ECI or non-ECI (from line 37)	38b			
39	Total deductible expenses definitely related to ECI or non-ECI. Add lines 38a and 38b	39			
40	Other deductible expenses on books and records not definitely related to ECI or non-ECI that are allocated and apportioned to ECI and non-ECI (from line 37)	40			
41	Total deductible expenses on books and records allocated and apportioned to ECI and non-ECI. Add lines 39 and 40. Column (c) must equal line 37	41			

Note. Line 41, column (a) is the total of the deductions reported on Form 1120-F, Section II, lines 12, 13, 14, 16, 17, 19 through 25, and 27.