

Part I

Section 901.—Taxes of Foreign countries and of possessions of United States

26 CFR 1.901-2: Income, war profits, or excess profits tax paid or accrued
(Also: Section 952(a)(5))

Modification of Rev. Rul. 2005-3. Rev. Rul. 2005-3, 2005-1 C.B. 334, with respect to countries described in section 901(j)(2)(A) of the Internal Revenue Code (“Code”), is modified.

Rev. Rul. 2016-8

This ruling modifies Rev. Rul. 2005-3, 2005-1 C.B. 334, which lists countries subject to special rules under sections 901(j) and 952(a)(5) of the Code.

LAW AND ANALYSIS

Sections 901, 902, and 960 of the Code generally allow U.S. taxpayers to claim a foreign tax credit for income, war profits, and excess profits taxes paid or accrued (or deemed paid or accrued) to any foreign country or to any possession of the United States. The foreign tax credit is subject to various limitations and restrictions under section 901.

Section 901(j)(1) imposes restrictions in the case of income and taxes attributable to certain countries. Section 901(j)(1)(A) denies the credit for taxes paid or accrued (or deemed paid or accrued under section 902 or 960) to any country described in section 901(j)(2)(A) if the taxes are with respect to income attributable to a period during which section 901(j) applies. Section 901(j)(1)(B) requires taxpayers to apply subsections (a), (b), and (c) of section 904 and sections 902 and 960 separately with respect to income attributable to such a period from sources within such country. In addition, section 952(a)(5) provides that subpart F income includes income derived by a controlled foreign corporation from any foreign country during any period during which section 901(j) applies to that foreign country.

The special rules under sections 901(j) and 952(a)(5) cease to apply to a country when the Secretary of State certifies to the Secretary of the Treasury that such country is no longer described in section 901(j)(2)(A). Revenue Ruling 2005-3 sets forth the countries which are (or were) described in section 901(j)(2)(A) and the period during

which the special rules under sections 901(j) and 952(a)(5) apply with respect to each such country. Based on the certification by the Secretary of State, this revenue ruling states the date on which Cuba ceased to be described in section 901(j)(2)(A).

HOLDING AND EFFECTIVE DATE

The list of countries in Revenue Ruling 2005-3 is modified by changing the reference to Cuba as follows:

Country	Starting Date	Ending Date
Cuba	January 1, 1987	December 21, 2015

For guidance on issues arising in a taxable year when section 901(j) ceases to apply to a country, see Rev. Rul. 92-62, 1992-2 C.B. 193.

EFFECT ON OTHER REVENUE RULINGS

This ruling modifies Rev. Rul. 2005-3, 2005-1 C.B. 334, with respect to countries subject to special rules under sections 901(j) and 952(a)(5) of the Code.

DRAFTING INFORMATION

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