Instructions for Schedule L (Form 1118)

(Rev. December 2025)

Future Developments

For the latest information about developments related to Schedule L (Form 1118) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form1118*.

What's New

On page 4 of the Schedule L (Form 1118), previous column 9 of Part V has been split into the following two new columns.
- Column 9 requesting tax refunded, if any.
- Column 10 requesting additional tax paid, if any.

On page 4 of these instructions, a new instruction for Part V, columns 8, 9, and 10 explains how to complete those columns.

General Instructions

Purpose of Schedule

Schedule L (Form 1118) is used to identify foreign tax redeterminations that occur in the current tax year in each applicable separate category, the years to which they relate, and other information that satisfies the taxpayer's obligation to notify the IRS of foreign tax redeterminations related to prior years.

Use Part I to report foreign income tax redeterminations that resulted in an increase in the amount of foreign taxes accrued and paid by the taxpayer or by a foreign corporation with respect to which the taxpayer computed an amount of foreign income taxes deemed paid.

Use Part II to report foreign income tax redeterminations that resulted in a decrease in the amount of foreign taxes paid or accrued by the taxpayer or by a foreign corporation with respect to which the taxpayer computed an amount of foreign income taxes deemed paid.

Use Part III to report foreign tax redeterminations that resulted in a change to the taxpayer's income inclusions; a change in the amount of foreign income taxes paid, accrued, or deemed paid; or a change in the amount of foreign tax credits claimed in any relation back year.

Use Part IV to report foreign tax redeterminations that resulted in a change in the U.S. tax liability for any relation back year or other affected tax year(s) (for example, by reason of a change in allowable foreign tax credit carryovers).

Use Part V to satisfy the annual reporting requirement under Regulations section 1.905-1(d)(4)(iv) for contested foreign income taxes for which the taxpayer claimed a provisional foreign tax credit.

Who Must File

Any taxpayer that has a foreign tax redetermination under section 905(c) must complete this schedule and attach it to the income tax return for the tax year in which the foreign tax redetermination occurs. This schedule must be submitted irrespective of whether the foreign tax redetermination changed the taxpayer's U.S. tax liability.

Note: If the U.S. tax liability for any year changes by reason of the foreign tax redetermination, the taxpayer must file an amended return for the tax year with respect to which the U.S. tax liability is adjusted, in addition to filing Schedule L for the year in which the foreign tax redetermination occurs. See *Foreign Tax Redeterminations* in the Instructions for Form 1118 for additional information regarding foreign tax redeterminations that result in a change in U.S. tax liability and for the related reporting requirements.

If a foreign tax redetermination does not change the amount of U.S. tax due for any tax year, the taxpayer does not need to file an amended return. The taxpayer satisfies its reporting requirements under Regulations section 1.905-4(b)(1)(v) with respect to such foreign tax redetermination by filing a Schedule L with the return for the tax year in which the foreign tax redetermination occurs.

Definitions

Foreign tax redetermination. A "foreign tax redetermination" means a change in the liability for foreign income taxes including if:
- Accrued foreign taxes when paid or later adjusted differ from the amounts claimed as credits (including corrections to accrued amounts to reflect final foreign tax liability and additional payments of tax that accrue after the close of the tax year to which the tax relates);
- Accrued foreign taxes are not paid within 24 months after the close of the tax year to which they relate; or
- Any foreign tax paid is fully or partially refunded.

Relation back year. "Relation back year" means the U.S. tax year in which the foreign taxes being redetermined were originally taken into account.

Example. In U.S. tax year 1, a taxpayer took into account $2 million of Country X foreign income taxes accrued with respect to the foreign tax year that ended within U.S. tax year 1. In year 3, Country X assessed an additional $1 million of foreign income taxes with respect to the foreign tax year that ended within U.S. tax year 1. The relation back year is U.S. tax year 1.

Affected tax year. "Affected tax year" means any tax year for which the U.S. tax liability is changed as a result of a foreign tax redetermination. This includes tax years in which the U.S. tax liability is changed as a result of a change in a carryover of a tax attribute, such as a foreign tax credit carryover or a net operating loss carryover, from a relation back year.

Functional currency. "Functional currency" means the dollar, or in the case of a qualified business unit (QBU), the currency of the economic environment in which a significant part of such unit's activities are conducted and which is used by such unit in keeping its books and records. See section 985(b).

Reference ID number for contested tax. See the Instructions for Form 7204 for the definition of and requirements for the reference ID number for contested foreign income tax.

Reporting Exchange Rates on Schedule L

All exchange rates must be reported using a "divide-by convention" rounded to at least four places. That is, the exchange rate must be reported in terms of the amount by which the functional currency amount must be divided in order to reflect an equivalent amount of U.S. dollars. As such, the exchange rate must be reported as the units of foreign currency that equal one U.S. dollar, rounded to at least four places. **Do not** report the exchange rate as the number of U.S. dollars that equal one unit of foreign currency.

Note: You must round the result to more than four places if failure to do so would materially distort the exchange rate or the equivalent amount of U.S. dollars.

Computer-Generated Schedule L

Complete and file a separate Schedule L using code "TOTAL" that aggregates all amounts listed for each line and column of all other separate category of income Schedules L for Parts I, II, III, and V. Complete this "TOTAL" Schedule L even if you only have one separate category of income. Because Part IV is based on overall U.S. tax liability, complete Part IV only once in the "TOTAL" version. Such "TOTAL" Schedule L should be filed with the same category of income that completes Schedule B, Part III (see the Form 1118, Schedule B, Part III, instructions). If Schedule L reports a foreign tax redetermination in a category of income for which a Form 1118 is not filed in the current tax year, file such Schedule L with the category of income that completes Schedule B, Part III. In addition, complete and file a separate Schedule L for each category of income for Parts I, II, III, and V. In some cases, Schedule L must be expanded to properly report foreign tax redeterminations. This applies in cases such as the following.
• In cases where reporting is required for more than three payor entities for a relation back year, expand Schedule L for those payor entities following the format of Schedule L.
• In cases where reporting is required for more than 2 relation back years, or there are other affected years in addition to the relation back years (Part IV), expand Schedule L for those years following the format of Schedule L.

Specific Instructions

Important: All information reported on Schedule L (Form 1118) must be in English. All amounts must be stated in U.S. dollars, unless otherwise specified on Schedule L.

Line a. On line a, enter the same separate category code as that shown on the Form 1118 to which this Schedule L relates.

Line b. If code 901j is entered on line a, enter on line b the same country code as that shown on the Form 1118 to which this Schedule L relates.

Line c. If one of the RBT codes is entered on line a, enter on line c the same country code as that shown on the Form 1118 to which this Schedule L relates.

Line d. Check the box on line d if an election has been made under Regulations section 1.905-5(e) to account for foreign tax redeterminations with respect to pre-2018 tax years in the foreign corporation's last pooling year.

Election to account for foreign tax redeterminations with respect to pre-2018 tax years in the foreign corporation's last pooling year. Under Regulations section 1.905-5(e), an irrevocable election may be made by a foreign corporation's controlling domestic shareholders to account for all foreign tax redeterminations that occur in tax years ending on or after November 2, 2020, with respect to pre-2018 tax years of foreign corporations as if they occurred in the foreign corporation's last tax year beginning before January 1, 2018 (last pooling year). Check the box on line d if an election under Regulations section 1.905-5(e) has been made or is being made in the current tax year.

Part I

Column 1. Enter the ending date of the relation back year. See definition of relation back year, earlier. If an election under Regulations section 1.905-5(e) has been made, report all foreign tax redeterminations with respect to pre-2018 tax years under the last pooling year.

Columns 2a through 2d. Enter in columns 2a and 2b the name and the employer identification number (EIN) or reference ID number of the payor entity. If the payor entity is not a corporation, enter in columns 2c and 2d the name and the EIN or reference ID number of the domestic or foreign corporation that owns the payor entity. In columns 2b and 2d, do not enter "FOREIGNUS" or "APPLIED FOR." Instead, if an entity does not have an EIN, the taxpayer must enter a reference ID number that uniquely identifies the payor entity or owner for which such number is requested. See *Reference ID numbers* in the Instructions for Form 1118 for requirements and additional details.

Column 3. Enter the code for the country or U.S. territory to which tax is paid using the country codes provided at *IRS.gov/CountryCodes*.

Columns 4 and 5. Enter in column 4 the date(s) the additional foreign taxes were paid and enter in column 5 the ending date of the foreign tax year to which such taxes relate.

Column 6. Enter the payor entity's income subject to tax in the foreign jurisdiction, as reported on the foreign tax return.

Column 7. Enter the amounts of additional tax accrued in the local currency in which the tax is payable.

Column 8. Enter the amounts of the additional tax denominated in the functional currency of the taxpayer's QBU (as defined under Regulations section 1.904-4(f)(3)(vii)) or foreign corporation that accrued the additional tax.

Column 9. Enter the exchange rate originally used to convert the local currency (in which the redetermined foreign tax was paid) to U.S. dollars. See *Reporting Exchange Rates on Schedule L,* earlier, for additional information.

Column 11. Enter the U.S. dollar amount of foreign tax of each payor entity that was reported by the taxpayer on its original or amended return (not taking into account the foreign tax redetermination).

Column 13. Enter the reference ID number for contested foreign income tax, if applicable, using the reference ID number reported on the Form 7204 filed with respect to the contested foreign income tax.

Column 14. Check the box if the foreign tax redetermination changes the determination as to whether a grouping of income and related taxes of a foreign corporation qualifies for the high-tax exception or exclusion described in section 954(b)(4).

Part II

Columns 1, 2a, 2b, 2c, and 2d. Use the instructions for columns 1, 2a, 2b, 2c, and 2d of Part I to complete the corresponding columns in Part II.

Column 3. Enter the code for the country or U.S. territory from which tax was refunded using the country codes provided at *IRS.gov/CountryCodes*.

Columns 4 and 5. Enter in column 4 the date(s) the foreign taxes were refunded or deemed refunded and enter in column 5 the ending date of the foreign tax year to which such taxes relate. If the foreign taxes are deemed refunded by reason of the section 905(c)(2) 2-year rule described in the *Note* in the instructions for column 13, enter in column 4 the date that is 24 months after the close of the tax year to which the foreign taxes relate.

Column 6. Use the instructions for column 6 of Part I to complete column 6 of Part II.

Column 7. Enter the amount of the tax refunded or deemed refunded in the local currency in which the tax is payable.

Column 8. Enter the amount refunded or deemed refunded denominated in the functional currency of the taxpayer's QBU (as defined under Regulations section 1.904-4(f)(3)(vii)) or foreign corporation that paid or accrued the refunded amount.

Columns 9 and 11. Use the instructions for columns 9 and 11 of Part I to complete the corresponding columns in Part II.

Column 13. Check the box if the foreign tax redetermination is a result of the application of the section 905(c)(2) 2-year rule.

Note: Under section 905(c)(2), if accrued foreign income taxes are not paid on or before the date that is 24 months after the close of the tax year to which they relate (2-year rule), there is a resulting foreign tax redetermination that is accounted for as if the unpaid portion of the foreign income taxes were refunded on that date. Credit may be claimed for those taxes if and when they are ultimately paid. Foreign income taxes that first accrue after the date 24 months after the close of the tax year to which such taxes relate may not be claimed as a credit or added to PTEP group taxes until paid.

Column 14. Use the instructions for column 14 of Part I to complete column 14 of Part II.

Part III

Column 1. Use the instructions for column 1 of Part I to complete column 1 of Part III.

Columns 2 and 3. Enter in column 2 the redetermined direct section(s) 901 and/or 903 taxes paid or accrued, and enter in column 3 the direct section(s) 901 and/or 903 taxes paid or accrued per the taxpayer's original or previously amended return.

Columns 4 and 5. Enter in column 4 the redetermined amount of the taxpayer's section 951(a)(1) inclusion (including inclusions under sections 956 and 965), and enter in column 5 the amount of section 951(a)(1) inclusion on the taxpayer's original or previously amended return.

Columns 6 and 7. Enter in column 6 the redetermined amount of foreign income taxes deemed paid under section 960(a), and enter in column 7 the amount of foreign income taxes deemed paid under section 960(a) as reported on the taxpayer's original or previously amended return.

Columns 8 and 9. Enter in column 8 the redetermined amount of the taxpayer's section 951A inclusion, and enter in column 9 the amount of section 951A inclusion reported on the taxpayer's original or previously amended return.

Columns 10 and 11. Enter in column 10 the redetermined amount of foreign income taxes deemed paid under section 960(d), and enter in column 11 the amount of foreign income taxes deemed paid under section 960(d) on the taxpayer's original or previously amended return.

Columns 12 and 13. Enter in column 12 the redetermined taxes deemed paid under section 960(b)(1), and enter in column 13 the section 960(b)(1) deemed paid taxes per the taxpayer's original or previously amended return.

Columns 14 and 15. Enter in column 14 the redetermined taxes deemed paid under section 902, and enter in column 15 the section 902 deemed paid taxes per the taxpayer's original or previously amended return.

Columns 16 and 17. Enter in column 16 the total amount of foreign tax credit claimed in the separate category on the taxpayer's original or previously amended return, and enter in column 17 the total amount of foreign tax credit claimed after the foreign tax redetermination. Include changes attributable to foreign tax redeterminations that affect the amount of foreign taxes deemed paid under section 902 prior to its repeal and under section 960(b) in these totals.

Part IV

Column 1. Enter the ending date of the relation back year or affected year. See the definitions of relation back year and affected tax year, earlier. If an election under Regulations section 1.905-5(e) has been made, report all foreign tax redeterminations with respect to pre-2018 tax years under the last pooling year.

Columns 2 through 4. Enter in column 2 the total redetermined U.S. tax liability, and enter in column 3 the total U.S. tax liability reported on the taxpayer's original or previously amended return. In column 4, enter the difference by subtracting column 3 from column 2 for each affected tax year.

Part V

Column 1. For taxpayers that claim credits on the accrual basis, enter the relation back year. For taxpayers that claim credits on the cash basis, enter the year in which the contested foreign income tax was remitted to the foreign country. The tax year entered in column 1 should correspond with the tax year entered on line 1 on the Form 7204 that was filed in order to claim a provisional credit for the contested foreign income tax.

Columns 2 and 3. Enter in column 2 the name of the payor entity and enter in column 3 the reference ID number for the contested foreign income tax that was reported on the Form 7204.

Columns 4 and 5. Enter in column 4 the code of the country or U.S. territory to which the tax was paid using the country codes provided at *IRS.gov/CountryCodes*, and enter in column 5 the amount of contested foreign income tax that was provisionally claimed as a credit.

Columns 6 and 7. Check the box in column 6 if the contest is still ongoing, and check the box in column 7 if the contest was resolved.

Columns 8, 9, and 10. Enter in column 8 the date the contest was resolved. Enter in column 9 the amount of tax refunded, if any. Enter in column 10 the amount of additional tax paid, if any. Any portion of a contested foreign income tax for which a provisional credit is claimed that is subsequently refunded results in a foreign tax redetermination that must be reported on Schedule L and, if applicable, an amended return for the tax year(s) with respect to the U.S. tax liability changes as a result of such foreign tax redetermination.

Additional Information

For more information, see section 905(c); and Regulations sections 1.905-1, 1.905-3, 1.905-4, and 1.905-5.