

**SCHEDULE H
(Form 1120-F)**

Department of the Treasury
Internal Revenue Service
Name of corporation

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

▶ Attach to Form 1120-F.
▶ See separate instructions.

OMB No. 1545-0126

2007

Employer identification number

Part I Deductions Directly Allocated and Apportioned to ECI and Non-ECI

Note. Enter all amounts in Part I in only U.S. dollars or in only functional currency. If U.S. dollars, check box . Otherwise, specify currency ▶

1	Total expenses on the books of the home office	1		
2	Adjustments for U.S. tax principles (attach schedule - see instructions)	2		
3	Total adjusted deductions on the books of the home office. Combine lines 1 and 2	3		
4	Interest expense (included in line 3)	4		
5	Bad debt expense (included in line 3)	5		
6	Total of interest expense and bad debt expense. Add lines 4 and 5	6		
7	Remaining deductions from line 3. Subtract line 6 from line 3	7		
8	Deductions directly allocable to non-effectively connected income from subsidiaries	8		
9	Deductions directly allocable to other non-effectively connected income booked in the home country	9		
10	Deductions directly allocable to other non-effectively connected income booked in other countries (including the United States)	10		
11	Add lines 8 through 10	11		
12	Remaining deductions on the books of the home office allocable under Regulations section 1.861-8. Subtract line 11 from line 7	12		
13	Less: Deductions directly allocated to effectively connected income	13		
14	Remaining deductions on the books of the home office indirectly allocable under Regulations section 1.861-8. Subtract line 13 from line 12	14		

Part II Home Office Deductions Indirectly Allocated and Apportioned to ECI and Non-ECI

Note. Enter the amounts in Part II, lines 16 through 21, in U.S. dollars.

15	Average exchange rate used to convert allocable deductions to U.S. dollars (see instructions)	15		
16	Deductions indirectly allocable under Regulations section 1.861-8. Enter the amount from line 14 in U.S. dollars. If line 14 is stated in functional currency, multiply line 14 by line 15	16		
17	Indirect allocation and apportionment of line 16 amount to ECI (attach computation)	17		
18	Deductions directly allocated to ECI from line 13, in U.S. dollars. If stated in foreign currency, multiply line 13 by line 15	18		
19	Total home office deductions allocated to effectively connected income. Add lines 17 and 18	19		
20	Total deductions from other non-U.S. locations allocated and apportioned to effectively connected income	20		
21	Total deductions allocated and apportioned to effectively connected income. Add lines 19 and 20 and enter the amount here and on Form 1120F, section II, line 26	21		

Part III Indirect Allocation and Apportionment Methods and Financial Records

Note. Enter the amounts in Part III, lines 22a, 22b, 23a, 23b, and 25 (if applicable), in U.S. dollars.

• If one or more methods used are different than in prior year, check box

• If any amount on line 21 is recorded as an interbranch amount on books and records used to prepare Form 1120F, Schedule L, include on Part IV, line 36 and check box

22	Gross Income Ratio:			
a	Effectively connected gross income	22a		
b	Worldwide gross income	22b		
c	Divide line 22a by line 22b	22c		%
23	Gross Asset Ratio:			
a	Average U.S. assets from Schedule I, line 5, column (d)	23a		
b	Worldwide assets (if applicable, from Schedule I, line 6b)	23b		
c	Divide line 23a by line 23b	23c		%
24	Number of Personnel:			
a	Personnel of U.S. trade or business within the United States	24a		
b	Worldwide personnel of foreign corporation	24b		
c	Divide line 24a by line 24b	24c		%
25	Other ratio based methods (attach schedule)			
26	Other methods (e.g., time spent analysis) (attach schedule)			

Part III Indirect Allocation and Apportionment Methods and Financial Records *(continued)*

Financial and other records used to identify deductions allocated and apportioned to ECI

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

Part IV Allocation and Apportionment of Deductions on Books and Records Used to Prepare Form 1120F, Schedule L
Note. Enter all amounts in Part IV in U.S. dollars.

30 Total expenses per books and records used to prepare Form 1120F, Schedule L	30	
31 Adjustments for U.S. tax principles (attach schedule - see instructions)	31	
32 Total deductions per line 30 books and records. Combine lines 30 and 31		32
33a Third party interest expense per books and records	33a	
b Interbranch interest expense per books and records	33b	
34 Bad debt expense per books and records	34	
35 Other third party deductions not allocable (attach schedule)	35	
36 Interbranch expenses per books not included on line 33b (attach schedule)	36	
37 Add lines 33a through 36		37
38 Deductions on books and records allocable and apportionable under Regulations section 1.861-8. Subtract line 37 from line 32		38

Reconciliation of allocable expenses on books under Reg. 1.861-8 (from line 38)	(a) ECI Amounts	(b) Non-ECI Amounts	(c) Total: Add columns (a) and (b)
39a Derivative transaction deductions directly allocated under section 1.861-8 (from line 38)	39a		
b Other deductions directly allocated and apportioned	39b		
40 Total expenses directly allocated and apportioned. Add lines 39a and 39b	40		
41 Deductions on books and records indirectly allocated and apportioned	41		
42 Total deductions allocated and apportioned. Add lines 40 and 41. Column (c) must equal line 38	42		

Note. Line 42, column (a) is the total of the deductions reported on Form 1120F, Section II, lines 12, 13, 14, 16, 17, 19, 20, 21, 22, 23, 24, 25, and 27.