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Impact of Global Intangible Low Taxed Income (GILTI) on Active Income of CFCs Grace Jeon, CPA

INTRODUCTION The Tax Cuts and Jobs Act ("TCJA")1 created a new category of foreign subsidiary income known as the global intangible low-taxed income ("GILTI").2 The enactment of GILTI effectively replaced the U.S. tax rule that provided a deferral of tax on active controlled foreign corporation ("CFC")3 earnings until repatriation. Under this rule, a U.S. shareholder4 of a CFC is now subject to immediate U.S. taxation on the undistributed CFC current earnings characterized as GILTI. The GILTI provision layered onto the existing subpart F regime5 will require a U.S. shareholder to include a significant portion of its CFC earnings and profits ("E&P") in its tax base. All U.S. shareholders will be effected by GILTI but this article focuses on the U.S. corporation as a U.S. shareholder. This article analyzes the various computational rules under the GILTI provision for a multin.......

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