

**SCHEDULE I  
(Form 1118)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Reduction of Foreign Oil and Gas Taxes**

▶ Information about Schedule I (Form 1118) and its instructions is at [www.irs.gov/form1118](http://www.irs.gov/form1118).  
▶ **Attach to Form 1118.**

OMB No. 1545-0122

For calendar year 20\_\_\_\_, or other tax year beginning \_\_\_\_\_, 20\_\_\_\_, and ending \_\_\_\_\_, 20\_\_\_\_

Name of corporation \_\_\_\_\_

Employer identification number \_\_\_\_\_

Use a separate Schedule I (Form 1118) for each applicable category of income listed below. Check only one box on each schedule.

- Passive Category Income                       Section 901(j) Income: Name of Sanctioned Country ▶ \_\_\_\_\_  
 General Category Income                       Income Re-sourced by Treaty: Name of Country ▶ \_\_\_\_\_

Report all amounts in U.S. dollars.

**Part I Combined Foreign Oil and Gas Income and Taxes**

	1. Name of foreign country (Use a separate line for each country.)*	Gross Foreign Oil and Gas Income From Sources Outside the United States and its Possessions (see instructions)					
		2. Gross foreign oil and gas extraction income	3. Gross foreign oil related income	4. Certain dividends from foreign corporations	5. Constructive distributions under section 951(a)	6. Other	7. Total (add columns 2 through 6)
A							
B							
C							
D							
E							
F							
<b>Totals</b> (add lines A through F)							

\* For section 863(b) income, use a single line (see instructions).

	Deductions			11. Taxable income (column 7 minus column 10)	Foreign Oil and Gas Taxes (attach schedule)		
	8. Definitely allocable deductions	9. Apportioned deductions not definitely allocable	10. Total (add columns 8 and 9)		12. Paid or accrued	13. Deemed paid	14. Total (add columns 12 and 13)
A							
B							
C							
D							
E							
F							
<b>Totals</b>							

<b>Part II Reduction Under Section 907(a)</b>	
<b>1</b>	Combined foreign oil and gas income. (See the instructions for line 1 below.) . . . . .
<b>2</b>	Multiply line 1 by the highest rate of tax under section 11(b). (See the instructions for line 2 below.)
<b>3</b>	Total taxes (from Part I, column 14, "Totals" line) . . . . .
<b>4</b>	Reduction (subtract line 2 from line 3; if zero or less, enter -0-). Enter here and on Schedule G, line B of the corresponding Form 1118 . . . . .

<b>Part III Foreign Oil and Gas Taxes Available For Use in the Current Tax Year</b>	
<b>1</b>	<b>Excess section 907(a) limitation.</b> Subtract Schedule I, Part II, line 3 from line 2. If zero or less, enter -0- and do not complete the remainder of Part III . . . . .
<b>2</b>	Enter the sum of any carryover of foreign oil and gas tax to the current year. Attach a schedule showing the computation in detail. . . . .
<b>3</b>	Enter the smaller of lines 1 and 2 here and include on Schedule B, Part II, line 5 . . . . .

**General Instructions**

*Section references are to the Internal Revenue Code unless otherwise noted.*

**Who Must File**

If the corporation claims a credit for any income taxes paid, accrued, or deemed paid during the tax year on combined foreign oil and gas income, the amount of such taxes eligible for credit may be reduced. See section 907(a) and Regulations section 1.907(a)-1 for details.

**Method of Reporting**

Report all amounts in U.S. dollars. If it is necessary to convert from foreign currency, attach a statement explaining how the rate was determined.

**Specific Instructions**

**Part I**

See section 907(c) and underlying regulations for rules on the income to include in Part I.

**Note.** Do not include any dividend or interest income that is passive income. See the Instructions for Form 1118 for the definition of passive income.

**Column 1.** Enter the two-letter codes (from the list at [www.irs.gov/countrycodes](http://www.irs.gov/countrycodes)) of all foreign countries and U.S. possessions within which income is sourced and/or to which taxes were paid, accrued, or deemed paid. For section 863(b) income, enter "863(b)" instead of a two-letter code.

**Column 2.** Enter gross income from sources outside the United States and its possessions from the following:

- The extraction (by the corporation or any other person) of minerals from oil or gas wells located outside the United States and its possessions.
- The sale or exchange of assets used in the trade or business of extracting minerals from oil or gas wells located outside the United States and its possessions.

See section 907(c)(1).

**Column 3.** Enter gross income from sources outside the United States and its possessions from the following:

- The processing of minerals extracted (by the corporation or any other person) from oil or gas wells into their primary products.
- The transportation of such minerals or primary products.
- The distribution or sale of such minerals or primary products.
- The disposition of assets used in the trade or business described in the three previous bulleted items.
- The performance of any other related service.

See section 907(c)(2).

**Column 4.** Enter dividends (including section 78 gross-up) from a foreign corporation on which taxes are deemed paid under section 902 only if the dividends are paid out of foreign oil and gas extraction income or foreign oil related income of the distributing corporation and are not passive income. Dividends from foreign corporations for which the corporation is not entitled to compute a deemed paid credit are passive income and are not included in Part I.

**Column 5.** Enter amounts taxable under section 951(a) (including section 78 gross-up) that are attributable to the controlled foreign corporation's combined foreign oil and gas income.

**Column 6.** Include the corporation's distributive share of partnership combined foreign oil and gas income. Also include in column 6 interest income paid by a foreign corporation on which taxes are deemed paid under section 902, to the extent it is paid out of foreign oil related income. However, do not include interest income paid by a foreign subsidiary out of foreign oil and gas extraction income of the payor, even if it is not passive income.

See section 907(c)(3).

**Column 11.** For each country, subtract column 10 from column 7 and enter the result in column 11. When totaling the column 11 amounts, note that a taxable loss from a foreign country offsets taxable income from other countries.

**Columns 12 and 13.** Attach a schedule to show how the foreign taxes paid, accrued, or deemed paid with respect to combined foreign oil and gas income were figured.

**Part II**

**Line 1.** Enter the total from Part I, column 11, minus any recapture described in section 907(c)(4).

**Line 2.** At the time this schedule went to print, the highest rate of tax specified under section 11(b) was 35%.

**Part III**

**Line 2.** Enter the sum of any carryover of foreign oil and gas tax to the current year. Attach a schedule showing the computation in detail. Corporations are encouraged to attach a schedule that is similar to Schedule K (Form 1118), which is used to report a running balance of the corporation's section 904(c) carryovers. If this approach is taken, the amount to be entered on line 2 is the amount that corresponds to Schedule K (Form 1118), line 3, column (xiv). Please note that special rules apply to the carryback and carryover of foreign taxes paid or accrued on combined foreign oil and gas income and related taxes. For example, in applying foreign tax carryovers from prior tax years, in the case of any tax year that is an unused credit year (as defined in section 907(f)) under each of sections 907(f) and 904(c), the provisions of section 907(f) are to be applied before section 904(c). See section 907(f) and Regulations section 1.907(f)-1 for additional information.