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# Instructions for Schedule C (Form 1116)

(December 2021)

## Foreign Tax Redeterminations

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

### Future Developments

For the latest information about developments related to Schedule C (Form 1116) and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1116](https://www.irs.gov/Form1116).

## General Instructions

### Purpose of Schedule

Schedule C (Form 1116) is used to identify current year foreign tax redeterminations in each separate category, the years to which they relate, and other information that satisfies your obligation to notify the IRS of foreign tax redeterminations that occurred in the current year that relate to prior years.

Use Part I to report foreign tax redeterminations that resulted in an increase in the amount of foreign taxes accrued and paid by the taxpayer.

**Note.** If you claim credit for foreign taxes on the cash basis method of accounting (you checked the box for "Paid" on Form 1116, Part II), and you pay additional foreign income taxes that relate to a prior tax year, that isn't a foreign tax redetermination. You don't report those additional foreign taxes paid in Part I of Schedule C. You report those as foreign taxes paid on Form 1116, Part II, filed for the tax year in which you paid the additional foreign taxes.

Use Part II to report foreign tax redeterminations that resulted in a decrease in the amount of foreign taxes paid or accrued by the taxpayer.

Use Part III to report foreign tax redeterminations that resulted in a change in the amount of foreign taxes paid or accrued 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 (for example, by reason of a change in allowable foreign tax credit carryovers).

### 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 your U.S. tax liability.

**Note.** If your U.S. tax liability for any year changes by reason of the foreign tax redetermination, you 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 C for the year in which the foreign tax redetermination occurs. See *Foreign Tax Redeterminations* in the Instructions for Form 1116 for additional information regarding foreign tax redeterminations that result in a change in U.S. tax liability and the related reporting requirements.

If a foreign tax redetermination doesn't change the amount of U.S. tax due for any tax year, you don't need to file an amended return. You satisfy your reporting requirements under Regulations section 1.905-4(b)(1)(v) with respect to the foreign tax redetermination by filing a Schedule C 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 aren't 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, you 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 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).

## Specific Instructions

**Important:** All information reported on Schedule C must be in English. All amounts must be stated in U.S. dollars, unless otherwise specified on the schedule.

If there are more than three payor entities for a relation back year, attach a statement that lists all information requested on Schedule C for those payor entities following the format of Schedule C. If there are more than 2 relation back years, or there are other affected years in addition to the relation back years (Part IV), attach a statement that lists all information requested on Schedule C for those years following the format of Schedule C.

**Checkboxes at top of page 1.** Use a separate Schedule C for each applicable category of income and check the corresponding box. Check only one box for each completed Schedule C.

See *Categories of Income* in the Instructions for Form 1116 for additional information regarding separate categories. For country codes on lines (h) and (i), see [IRS.gov/CountryCodes](https://www.irs.gov/CountryCodes) for the code to use.

**Parts I, II, III, and IV, column 1.** In this column, enter the ending date of the relation back year or affected year (Part IV).

**Parts I and II, columns 2a and 2b.** In columns 2a and 2b, enter the name and the employer identification number (EIN) or reference ID of the payor. If you paid the tax directly, enter your name. If the tax was paid by a pass-through entity in which you have an ownership interest, such as a partnership, enter the information for that entity.

For additional information on EINs and reference IDs, see *Reference ID numbers* in the Instructions for Form 1118.

**Parts I and II, column 3.** Enter the code for the country or U.S. possession to which tax is paid using the country codes provided at [IRS.gov/CountryCodes](https://www.irs.gov/CountryCodes).

**Parts I and II, column 6.** In this column, enter the payor's income subject to tax in the foreign jurisdiction, as reported on the foreign tax return.

**Parts I and II, column 9.** Enter the exchange rate originally used to convert the local currency in which the redetermined foreign tax was paid in U.S. dollars.

**Parts I and II, 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).

## Part I

**Columns 4 and 5.** Enter the date the additional foreign taxes were paid and the ending date of the foreign tax year to which such taxes relate.

**Column 7.** Enter the amounts of additional tax paid or 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 payor that paid or accrued the additional tax.

**Column 13.** Check the box if the additional foreign tax paid is a liability that the taxpayer is continuing to contest with the foreign jurisdiction.

## Part II

**Columns 4 and 5.** In these columns, enter the date the foreign taxes were refunded or deemed refunded and 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) two-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 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 payor that paid or accrued the refunded amount.

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

**Note.** Under section 905(c)(2), if accrued foreign income taxes aren't paid on or

before the date that is 24 months after the close of the tax year to which they relate, 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 the taxes relate may not be claimed as a credit until paid.

## Part III

**Columns 2 and 3.** In column 2, enter the redetermined foreign taxes paid or accrued. In column 3, enter the foreign taxes paid or accrued per your original or previously amended return.

**Columns 4 and 5.** Enter the total amount of foreign tax credit claimed in the separate category on your original or previously amended return and the total amount of foreign tax credit claimed after the foreign tax redetermination.

## Part IV

**Columns 2 through 4.** Enter the total redetermined U.S. tax liability, the total U.S. tax liability reported on your original or previously amended return, and the difference (subtracting column 3 from column 2) for each affected tax year.

## Additional Information

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