Note: *The draft you are looking for begins on the next page.*

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Almost every form and publication has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at IRS.gov/Form1040; the Pub. 501 page is at IRS.gov/Pub501; the Form W-4 page is at IRS.gov/W4; and the Schedule A (Form 1040/SR) page is at IRS.gov/ScheduleA. If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

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If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click here.

Instructions for Form 5472

(Rev. January 2023)

Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business

Department of the Treasury
Internal Revenue Service

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

Future Developments

For the latest information about developments related to Form 5472 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form5472*.

What's New

Part VII, lines 41a through 41d. On Form 5472, these lines have been reworded to reflect the final regulations under section 250 (T.D. 9901, 85 FR 43042, July 15, 2020, as amended by 85 FR 68249, Oct. 28, 2020; T.D. 9956, 86 FR 52971, Sept. 24, 2021).

Part VIII, lines 48b and 48c. These instructions have a new attachment requirement for Part VIII, lines 48b and 48c. Specifically, if the taxpayer made the election described in Regulations section 1.482-7(d)(3)(iii)(B) or Notice 2005-99, the taxpayer is required to attach the statement described in the instructions for Part VIII, lines 48b and 48c, later.

General Instructions

Purpose of Form

Use Form 5472 to provide information required under sections 6038A and 6038C when reportable transactions occur during the tax year of a reporting corporation with a foreign or domestic related party.

Definitions

Reporting corporation. A reporting corporation is either:

- A 25% foreign-owned U.S. corporation (including a foreign-owned U.S. disregarded entity (DE)), or
- A foreign corporation engaged in a trade or business within the United States.

25% foreign owned. A corporation is 25% foreign owned if it has at least one direct or indirect 25% foreign shareholder at any time during the tax year.

25% foreign shareholder. Generally, a foreign person (defined later) is a 25% foreign shareholder if the person owns, directly or indirectly, at least 25% of either:

- The total voting power of all classes of stock entitled to vote, or
- The total value of all classes of stock of the corporation.

The constructive ownership rules of section 318 apply with the following modifications to determine if a corporation is 25% foreign owned. Substitute "10%" for "50%" in section 318(a)(2)(C). Do not apply sections 318(a)(3)(A), (B), and (C), so as to consider a U.S. person as owning stock that is owned by a foreign person.

Direct 25% foreign shareholder. A foreign person is a direct 25% foreign shareholder if it owns directly at least 25% of the stock of the reporting corporation by vote or value.

Ultimate indirect 25% foreign shareholder. An ultimate indirect 25% foreign shareholder is a 25% foreign shareholder whose ownership of stock of the reporting corporation is not attributed (under the principles of sections 958(a)(1) and (2)) to any other 25% foreign shareholder. See Rev. Proc. 91-55, 1991-2 C.B. 784.

Related party. A related party is:

- Any direct or indirect 25% foreign shareholder of the reporting corporation,
- Any person who is related (within the meaning of section 267(b) or 707(b)(1)) to the reporting corporation,
- Any person who is related (within the meaning of section 267(b) or 707(b)(1)) to a 25% foreign shareholder of the reporting corporation, or
- Any other person who is related to the reporting corporation within the meaning of section 482 and the related regulations.

"Related party" does not include any corporation filing a consolidated federal income tax return with the reporting corporation.

The rules in section 318 apply to the definition of related party with the modifications listed under the definition of 25% foreign shareholder, earlier.

Reportable transaction. A reportable transaction is:

- Any type of transaction listed in Part IV (for example, sales, rents, etc.) for which monetary consideration (including U.S. and foreign currency) was the sole consideration paid or received during the reporting corporation's tax year;
- Any transaction listed in Part V; or
- Any transaction or group of transactions listed in Part VI.

Transactions with a U.S. related party, however, are not required to be specifically identified in Parts IV, V, and VI.

Foreign person. A foreign person is:

- An individual who is not a citizen or resident of the United States;
- An individual who is a citizen or resident of a U.S. possession who is not otherwise a citizen or resident of the United States;
- Any partnership, association, company, or corporation that is not created or organized in the United States;
- Any foreign estate or foreign trust described in section 7701(a)(31); or
- Any foreign government (or agency or instrumentality thereof) to the extent that the foreign government is engaged in the conduct of a commercial activity, as defined in section 892.

However, the term "foreign person" does not include any foreign person who consents to the filing of a joint income tax return.

Disregarded entity (DE). A DE is an entity that is disregarded as an entity separate from its owner for U.S. income tax purposes under Regulations sections 301.7701-2 and

301.7701-3. See the instructions for Form 8832.

Foreign-owned U.S. DE. A foreign-owned U.S. DE is a domestic DE that is wholly owned by a foreign person. For tax years beginning on or after January 1, 2017, and ending on or after December 13, 2017, a foreign-owned U.S. DE is treated as an entity separate from its owner and classified as a corporation for the limited purposes of the requirements under section 6038A that apply to 25% foreign-owned domestic corporations. See the final regulations at *IRS.gov/irb/2017-03_IRB#TD-9796*.

Who Must File

Generally, a reporting corporation must file Form 5472 if it had a reportable transaction with a foreign or domestic related party.

Exceptions from filing. A reporting corporation is not required to file Form 5472 if any of the following apply.

1. It had no reportable transactions of the types listed in Parts IV and VI of the form and, in the case of a reporting corporation that is a foreign-owned U.S. DE, also had no reportable transactions of the type listed in Part V of the form.

2. A U.S. person that controls the foreign related corporation files Form 5471 for the tax year to report information under section 6038. To qualify for this exception, the U.S. person must complete Schedule M (Form 5471) showing all reportable transactions between the reporting corporation and the related party for the tax year. This exception does not apply to foreign-owned U.S. DEs.

3. The related corporation qualifies as a foreign sales corporation for the tax year and files Form 1120-FSC. This exception does not apply to foreign-owned U.S. DEs.

4. It is a foreign corporation that does not have a permanent establishment in the United States under an applicable income tax treaty and timely files Form 8833.

5. It is a foreign corporation all of whose gross income is exempt from taxation under section 883 and it timely and fully complies with the reporting requirements of sections 883 and 887.

6. Both the reporting corporation and the related party are not U.S. persons, as defined in section 7701(a)(30) and the transactions will not generate in any tax year:

- Gross income from sources within the United States or income effectively connected, or treated as effectively connected, with the conduct of a trade or business within the United States; or
- Any expense, loss, or other deduction that is allocable or apportionable to such income.

Note. Exception 6 does not apply to foreign-owned U.S. DEs.

Consolidated returns. If a reporting corporation is a member of an affiliated group filing a consolidated income tax return, Regulations section 1.6038A-2 may be satisfied by filing a U.S. consolidated Form 5472. The common parent must attach to Form 5472 a schedule stating which members of the U.S. affiliated group are reporting corporations under section 6038A, and which of those members are joining in the consolidated filing of Form 5472. The schedule must show the name, address, and employer identification number (EIN) of each member who is including transactions on the consolidated Form 5472.

Note. A member is not required to join in filing a consolidated Form 5472 just because the other members of the group choose to file one or more Forms 5472 on a consolidated basis.

When and Where To File

File Form 5472 as an attachment to the reporting corporation's income tax return by the due date (including extensions) of that return.

Foreign-owned U.S. DEs. While a foreign-owned U.S. DE has no income tax return filing requirement, as a result of final regulations under section 6038A, it will now be required to file a pro forma Form 1120 with Form 5472 attached by the due date (including extensions) of that Form 1120. The **only** information required to be completed on Form 1120 is the name and address of the foreign-owned U.S. DE and items B and E on the first page. The foreign-owned U.S. DE has the same tax year used by its owner for U.S. tax filing requirements or, if none, the calendar year.

Dedicated mailing address. Foreign-owned U.S. DEs are required to use the following dedicated mailing address. These filers do not use the mailing address provided in the Instructions for Form 1120.

Note. "Foreign-owned U.S. DE" should be written across the top of the Form 1120. File these forms by:

- Fax (300 DPI or higher) to 855-887-7737, or
- Mail to:

Internal Revenue Service
1973 Rulon White Blvd
M/S 6112 Attn: PIN Unit
Ogden, UT 84201

Foreign-owned U.S. DEs are required to use the special mailing address, as mentioned earlier. These filers do not use the mailing addresses provided in the Instructions for Form 1120.

Extension of time to file. A foreign-owned U.S. DE required to file Form 5472 can request an extension of time to file by filing Form 7004. The DE must file Form 7004 by the regular due date of the return. Because the Form 5472 of a DE must be attached to a pro forma Form 1120, the code for Form 1120 should be entered on Form 7004, Part I, line 1. "Foreign-owned U.S. DE" should be written across the top of Form 7004.

The DE must fax or mail the Form 7004 to the fax number or mailing address identified earlier, by the due date (excluding extensions) of the return. For these entities, do not use the regular filing address listed in the Instructions for Form 7004.

For further general information, see the Instructions for Form 7004.

Electronic Filing of Form 5472

If you file your income tax return electronically, see the instructions for your income tax return for general information about electronic filing.

CAUTION *If you are a foreign-owned U.S. DE, you cannot file Form 5472 electronically. See* Foreign-owned U.S. DEs *under* When and Where To File*, earlier, for acceptable methods of filing.*

Accrued Payments and Receipts

A reporting corporation that uses an accrual method of accounting must use accrued payments and accrued receipts for purposes of computing the total amount to enter on each line of Form 5472. See Regulations section 1.6038A-2(b)(10).

Penalties

Penalties for failure to file Form 5472. A penalty of $25,000 will be assessed on any reporting corporation that fails to file Form 5472 when due and in the manner prescribed. The penalty also applies for failure to maintain records as required by Regulations section 1.6038A-3.

Note. Filing a substantially incomplete Form 5472 constitutes a failure to file Form 5472.

Each member of a group of corporations filing a consolidated information return is a separate reporting corporation subject to a separate $25,000 penalty and each member is jointly and severally liable.

If the failure continues for more than 90 days after notification by the IRS, an additional penalty of $25,000 will apply. This penalty applies with respect to each related party for which a failure occurs for each 30-day period (or part of a 30-day period) during which the failure continues after the 90-day period ends.

Criminal penalties under sections 7203, 7206, and 7207 may also apply for failure to submit information or for filing false or fraudulent information.

Record Maintenance Requirements

A reporting corporation must keep the permanent books of account or records as required by section 6001. These books must be sufficient to establish the correctness of the reporting corporation's federal income tax return, including information or records that might be relevant to determine the correct treatment of transactions with related parties. See Regulations section 1.6038A-3 for more detailed information. Also, see Regulations sections 1.6038A-1(h) and 1.6038A-1(i) for special rules that apply to small corporations and reporting corporations with related party transactions of de minimis value.

Specific Instructions

Part I—Reporting Corporation

Line 1a. Address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the corporation has a P.O. box, show the box number instead.

Foreign address. Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code, if any. Do not abbreviate the country name.

Line 1c. Total assets. Domestic reporting corporations enter the total assets from Form 1120, page 1, item D. Foreign reporting corporations enter the amount from Form 1120-F, Schedule L, line 17, column (d).

Lines 1d and 1e. Enter a description of the principal business activity and enter the principal business activity code. See the Instructions for Form 1120 or the Instructions for Form 1120-F for a list of principal business activities and their associated codes.

Line 1f. Enter the total value in U.S. dollars of all foreign related party transactions reported in Parts IV and VI (and if the reporting corporation is a foreign-owned U.S. DE, Part V) of **this** Form 5472. This is the total of the amounts entered on lines 22 and 36 of Part IV plus the fair market value (FMV) of the nonmonetary and less than full consideration transactions reported in Part VI. Do **not** complete line 1f if the reportable transaction is with a U.S. related party.

Line 1g. File a separate Form 5472 for each foreign or U.S. person who is a related party with which the reporting corporation had a reportable transaction. Enter the total number of Forms 5472 (including this one) being filed for the tax year.

Line 1h. Enter the total value in U.S. dollars of all foreign related party transactions reported in Parts IV and VI (and if the reporting corporation is a foreign-owned U.S. DE, Part V) of **all** Forms 5472 filed for the tax year. This is the total of the amounts entered on line 1f of **all** Forms 5472 filed for the tax year (including this one).

Line 1j. Check the box if this is the first year the U.S. reporting corporation has filed a Form 5472.

Line 1k. Complete Part VIII for each cost sharing arrangement (CSA) and enter the total number of Parts VIII attached to Form 5472 on line 1k.

Line 1o. Provide the principal country(ies) where business is conducted. **Do not** include any country(ies) in which business is conducted solely through a subsidiary. **Do not** enter "worldwide" instead of listing the country(ies). These rules also apply to lines 5c, 6c, and 7c of Part II, and line 8f of Part III.

Line 2. For purposes of this line:

- Foreign person has the same meaning as provided earlier under *Definitions*; and
- 50% direct or indirect ownership is determined by applying the constructive ownership rules of section 318 with the modifications listed under the definition of 25% foreign shareholder, earlier.

Line 3. Check this box if you are a foreign-owned U.S. DE.

Part II—25% Foreign Shareholder

Note. Only 25% foreign-owned U.S. corporations, including foreign-owned U.S. DEs, complete Part II. For a foreign-owned U.S. DE, report the information for the foreign owner on the lines provided for the 25% foreign shareholder.

The form provides sufficient space to report information for two direct 25% foreign shareholders and two ultimate indirect 25% foreign shareholders. If more space is needed, show the information requested in Part II on an attached sheet.

Report on lines 4a through 4e information about the direct 25% foreign shareholder who owns (by vote or value) the largest percentage

of the stock of the U.S. reporting corporation.

Report on lines 5a through 5e information about the direct 25% foreign shareholder who owns (by vote or value) the second largest percentage of the stock of the U.S. reporting corporation.

Report on lines 6a through 6e information about the ultimate indirect 25% foreign shareholder who owns (by vote or value) the largest percentage of the stock of the U.S. reporting corporation.

Report on lines 7a through 7e information about the ultimate indirect 25% foreign shareholder who owns (by vote or value) the second largest percentage of the stock of the U.S. reporting corporation.

Part II, heading. Check the box if any direct or indirect 25% foreign shareholder identified in Part II is a surrogate foreign corporation, as defined in section 7874(a)(2)(B) resulting from an inversion in the current year or in the previous 10 years.

Lines 4b(1), 5b(1), 6b(1), and 7b(1). For each 25% foreign shareholder listed in Part II, enter the shareholder's U.S. identifying number, if any. Individuals should enter a social security number (SSN), or an individual taxpayer identification number (ITIN) issued by the IRS. All other entities should enter an EIN.

Lines 4b(2), 5b(2), 6b(2), and 7b(2). For each 25% foreign shareholder listed in Part II, enter the shareholder's reference ID number, if required. A reference ID number is required only in cases where no U.S. identifying number was entered for the shareholder on the preceding line (line 4b(1), 5b(1), 6b(1), or 7b(1), respectively). However, filers are permitted to enter both an EIN and a reference ID number. If applicable, enter the reference ID number (defined later) you have assigned to the 25% foreign shareholder.

Reference ID number. A reference ID number is a number established by or on behalf of the reporting corporation identified in Part I that is assigned to 25% foreign shareholders and/or related foreign parties with respect to which Form 5472 reporting is required. These numbers are used to uniquely identify the 25% foreign shareholder or related foreign party in order to keep track of such foreign person from tax year to tax year. The reference ID number must meet the requirements set forth later.

Note. Because reference ID numbers are established by or on behalf of the reporting corporation filing Form 5472, there is no need to apply to the IRS to request a reference ID number or for permission to use these numbers.

Requirements. The reference ID number that is entered must be alphanumeric (defined later), and no special characters or spaces are permitted. The length of a given reference ID number is limited to 50 characters.

For these purposes, the term "alphanumeric" means the entry can be alphabetical, numeric, or any combination of the two.

The same reference ID number must be used consistently from tax year to tax year with respect to a given 25% foreign shareholder or related foreign party. If for any reason a reference ID number falls out of use (for example, the 25% foreign shareholder or related foreign party no longer exists due to disposition or liquidation), the reference ID number used for such foreign person cannot be used again for another 25% foreign shareholder or related foreign party for purposes of Form 5472 reporting.

There are some situations that warrant correlation of a new reference ID number with a previous reference ID number when assigning a new reference ID number to a 25% foreign shareholder or related foreign party.

For example, in the case of a merger or acquisition involving a 25% foreign shareholder or related foreign party, a Form 5472 filer must use a reference ID number that correlates the previous reference ID number with the new reference ID number assigned to the 25% foreign shareholder or related foreign party.

In the case of an entity classification election that is made on behalf of a 25% foreign shareholder or related foreign party on Form 8832, Regulations section 301.6109-1(b)(2)(v) requires the 25% foreign shareholder or related foreign party to have an EIN for this election. For the first tax year that Form 5472 is filed after an entity classification election is made on behalf of the 25% foreign shareholder or related foreign party on Form 8832, the new EIN must be entered in the applicable entry space in Part II or Part III and the old reference ID number must be entered in the applicable entry space to the right. In subsequent years, the Form 5472 filer may continue to enter both the EIN and the reference ID number, but must enter at least the EIN.

You must correlate the reference ID numbers as follows.

- New reference ID number [space] Old reference ID number.
- If there is more than one old reference ID number, you must enter a space between each such number.
- As indicated earlier, the length of a given reference ID number is limited to 50 characters and each number must be alphanumeric and no special characters are permitted.

Note. This correlation requirement applies only to the first year the new reference ID number is used.

Lines 4b(3), 5b(3), 6b(3), and 7b(3). A foreign-owned U.S. DE **must** enter a foreign taxpayer identification number (FTIN), if any, for each direct and ultimate foreign owner listed in Part II. If a foreign-owned U.S. DE has, as a direct owner, a foreign DE, report that foreign DE as the direct owner. The FTIN should be used consistently on an annual basis when filing Form 5472, as an EIN or reference ID number would be used. If you do not have an FTIN, enter "None" or "N/A" in the FTIN block. If you have a U.S. identifying number and/or reference ID number, you can enter it in the appropriate block, as discussed earlier.

Filers of Form 5472, other than foreign-owned U.S. DEs, can enter an FTIN on these lines. However, they must also enter a U.S. identifying number or reference ID number on lines 4b(1)/7b(1) or 4b(2)/7b(2), respectively. If you are not a foreign-owned U.S. DE, and do not have an FTIN, leave the block blank.

Lines 6a–6e and lines 7a–7e. Attach an explanation of the attribution of ownership. See Rev. Proc. 91-55, and Regulations section 1.6038A-1(e).

Part III—Related Party

All filers must complete Part III even if the related party has been identified in Part II as a 25% foreign shareholder. Report in Part III information about the related party (domestic or foreign) with which the reporting corporation had reportable transactions during the tax year.

Line 8b(1). Enter the related party's U.S. identifying number, if any. For individuals, enter an SSN, or an ITIN issued by the IRS. For all other entities, enter an EIN.

Line 8b(2). If the related party is a foreign person, enter the related party's reference ID number, if required. A reference ID number is required only in cases where no U.S. identifying number was entered for the foreign related party on line 8b(1). However, filers are permitted to enter both an EIN and a reference ID number. If applicable, enter the reference ID number you have assigned to the foreign related party. See *Reference ID number*, earlier, for more information.

Part IV—Monetary Transactions Between Reporting Corporations and Foreign Related Party

Note. Do **not** complete Part IV for transactions with a domestic related party.

When completing Part IV or Part VI, the terms "paid" and "received" include accrued payments and accrued receipts.

State all amounts in U.S. dollars and attach a schedule showing the exchange rates used.

If the related party transactions occur between a related party and a partnership that is, in whole or in part, owned by a reporting corporation, the reporting corporation reports only the percentage of the value of the transaction(s) equal to the percentage of its partnership interest. This rule does not apply if the reporting corporation owns a less-than-25% interest in the partnership. The rules of attribution apply when determining the reporting corporation's percentage of partnership interest.

Reasonable estimates. When actual amounts are not determinable, enter reasonable estimates (discussed later) of the total dollar amount of each of the categories of transactions conducted between the reporting corporation and the related person in which monetary consideration (U.S. currency or foreign currency) was the sole consideration paid or received during the tax year of the reporting corporation.

A reasonable estimate is any amount reported on Form 5472 that is at least 75% but not more than 125% of the actual amount required to be reported.

Small amounts. If any actual amount in a transaction or a series of transactions between a foreign related party and the reporting corporation does not exceed a total of $50,000, the amount may be reported as "$50,000 or less."

Lines 11 and 25. Report on these lines platform contribution transaction payments received and paid by the reporting corporation (without giving effect to any netting of payments due and owed). See Regulations section 1.482-7(b)(1)(ii). The corporation is required to complete both lines only if the corporation provides a platform contribution to other controlled participants and is required to make platform contribution transaction payments to other controlled participants that provide a platform contribution to other controlled CSA participants.

Note. The term "platform contribution transaction" is not limited to transactions that occurred on or after January 5, 2009, or transactions that occur according to a CSA that was not in effect before January 5, 2009. See Regulations sections 1.482-7(m)(1) and (m)(2)(i).

Lines 12 and 26. Report on these lines cost sharing transaction payments received and paid by the reporting corporation (without giving effect to any netting of payments). See Regulations section 1.482-7(b)(1)(i). The corporation is required to complete line 12 only if the corporation itself incurred intangible development costs (IDCs). If the corporation does not itself incur IDCs, then it should only report cost sharing transaction payments made on line 26.

Note. The term "cost sharing transaction" is not limited to transactions that occurred on or after January 5, 2009, or transactions that occur according to a CSA that was not in effect before January 5, 2009. See Regulations sections 1.482-7(m)(1) and (m)(2)(i).

Line 17. Amounts borrowed. Report amounts borrowed (including borrowings in place at the beginning of the tax year) using either the outstanding balance method or the monthly average method. If the outstanding balance method is used, enter the beginning and ending outstanding balances for the tax year on lines 17a and 17b. If the monthly average method is used, skip line 17a and enter the monthly average for the tax year on line 17b.

Line 21. Other amounts received. Enter amounts received that are not specifically reported on lines 9 through 20. Include amounts on line 21 to the extent that these amounts are taken into account in determining the taxable income of the reporting corporation.

Line 31. Amounts loaned. Report amounts loaned (including loans in place at the beginning of the tax year) using either the outstanding balance method or the monthly average method. If the outstanding balance method is used, enter the beginning and ending outstanding balances for the tax year on lines 31a and 31b. If the monthly average method is used, skip line 31a and enter the monthly average for the tax year on line 31b.

Line 32. Interest paid. Report the amount of interest paid or accrued. If the amount of interest paid or accrued is subject to the limitation of section 163(j), report only the amount allowed as a deduction under that section. For more information, see the Instructions for Form 8990. Any amounts accrued or paid in excess of the amount allowed as a deduction under section 163(j) will be treated as interest paid or accrued in a subsequent year and are required to be reported on this line in the year the deferred amount is allowed as a deduction.

Line 35. Other amounts paid. Enter amounts paid that are not specifically reported on lines 23 through 34. Include amounts on line 35 to the extent that these amounts are taken

into account in determining the taxable income of the reporting corporation.

Part V—Reportable Transactions of a Reporting Corporation That Is a Foreign-Owned U.S. DE

You must check the box in Part V if you are a foreign-owned DE that had any other transaction, as defined by Regulations section 1.482-1(i)(7) not already entered in Part IV. These transactions include amounts paid or received in connection with the formation, dissolution, acquisition, and disposition of the entity, including contributions to, and distributions from, the entity. Describe these on an attached statement.

Part VI—Nonmonetary and Less-Than-Full Consideration Transactions Between the Reporting Corporation and the Foreign Related Party

Note. Do not complete Part VI for transactions with a domestic related party.

If the related party is a foreign person, the reporting corporation must attach a schedule describing each reportable transaction or group of reportable transactions. The description must include sufficient information so that the nature and approximate monetary value of the transaction or group of transactions can be determined. The schedule should include:

1. A description of all property (including monetary consideration), rights, or obligations transferred from the reporting corporation to the foreign related party and from the foreign related party to the reporting corporation;

2. A description of all services performed by the reporting corporation for the foreign related party and by the foreign related party for the reporting corporation; and

3. A reasonable estimate of the FMV of all properties and services exchanged, if possible, or some other reasonable indicator of value.

If the entire consideration received for any transaction includes both tangible and intangible property and the consideration paid is solely monetary consideration, report the transaction in Part IV instead of Part VI if the intangible property was related and incidental to the transfer of the tangible property (for example, a right to warranty services).

See the instructions for Part IV, earlier, for information on reasonable estimates and small amounts.

Part VII—Additional Information

All reporting corporations must complete the additional information in Part VII.

Lines 40a and 40b. Section 267A disallows a deduction for certain interest or royalty paid or accrued pursuant to a hybrid arrangement, to the extent that, under the foreign tax law, there is not a corresponding income inclusion (including long-term deferral). Report on line 40b the total amount of interest and royalty paid or accrued by the reporting corporation (including, in the case of a reporting corporation that is a partner of a partnership, the reporting corporation's allocable share of interest or royalty paid or accrued by the partnership) for which a deduction is disallowed under section 267A.

Payments to which section 267A applies. Interest or royalty paid or accrued by the reporting corporation (including through a partnership) is subject to section 267A. Section 267A generally applies to interest or royalty paid or accrued pursuant to a hybrid arrangement (such as, for example, a payment pursuant to a hybrid instrument, or a payment to a reverse hybrid), provided that the payment or accrual is to a related party (or pursuant to a structured arrangement). In addition, pursuant to an imported mismatch rule, section 267A generally applies to interest or royalty paid or accrued pursuant to a non-hybrid arrangement where the income attributable to that payment or accrual is directly or indirectly offset by certain deductions involving hybridity incurred by a related party or pursuant to a structured arrangement. However, section 267A does not apply if a de minimis exception is satisfied. See Regulations section 1.267A-1(c). For purposes of section 267A, interest and royalty are defined broadly. For additional information about arrangements subject to section 267A, see Regulations sections 1.267A-2 and 1.267A-4. Also see the anti-avoidance rule under Regulations section 1.267A-5(b)(6).

Extent to which deduction is disallowed. When section 267A applies to interest or royalty paid or accrued pursuant to a hybrid arrangement, it generally disallows a deduction for the amount to the extent that, under the foreign tax law, there is not a corresponding income inclusion (including long-term deferral). However, the deduction is not disallowed to the extent the amount is directly or indirectly included in income in the United States, such as if the amount is taken into account with respect to a U.S. shareholder under section 951(a) or section 951A. For additional information, see Regulations sections 1.267A-2 through 1.267A-4. For examples illustrating the application of section 267A, see Regulations section 1.267A-7.

Lines 41a–41d. Check the "Yes" box on line 41a if the filer of this Form 5472 is claiming a deduction under section 250 with respect to foreign-derived intangible income (FDII) derived from any transaction with the foreign corporation and enter those amounts as requested on lines 41b through 41d. State all amounts in U.S. dollars and attach a schedule showing the exchange rates used. With respect to lines 41b and 41c, the term "sales" includes any lease, license, exchange, or other disposition of property. See Regulations section 1.250(b)-3(b)(16).

If the filer of this Form 5472 is not claiming a deduction under section 250 with respect to FDII derived from any transaction with the foreign corporation, check the "No" box on line 41a and skip lines 41b through 41d.

See Form 8993 and its instructions for information on the section 250 deduction.

Line 42. Check the "Yes" box if, during the tax year, the reporting corporation had any loans to or from

the related party, to which the safe-haven rate rules of Regulations section 1.482-2(a)(2)(iii)(B) are applicable, and for which the reporting corporation used a rate of interest within the safe-haven range of Regulations section 1.482-2(a)(2)(iii)(B)(1) (100% to 130% of the Applicable Federal Rate (AFR) for the relevant term).

Note. Complete lines 43a, 43b(1), and 43b(2) only if the reporting corporation is a domestic corporation. (Do not complete these lines if the reporting corporation is a foreign-owned U.S. DE.) In completing these lines, do not account for debt instruments that were issued, or distributions or acquisitions that occurred, before April 5, 2016. See Regulations sections 1.385-3(g)(3) and (b)(3)(viii).

Line 43a. Check "Yes" if, during the tax year, the reporting corporation engaged in at least one of the transactions described in Regulations section 1.385-3(b)(2). Also check "Yes" if, taking into account issuances, distributions, and acquisitions during the tax year and previous tax years, the reporting corporation had issued a debt instrument to a related party during a period described in Regulations section 1.385-3(b)(3)(iii), which addresses certain issuances of debt instruments to related parties within 36 months before or after certain distributions or acquisitions by the issuer. Otherwise, check "No." Apply Regulations section 1.385-3(b)(3)(iii)(E) to determine when a debt instrument is treated as issued for purposes of Regulations section 1.385-3(b)(3)(iii).

Debt that the reporting corporation treats as stock pursuant to Regulations section 1.385-3 still should be included when completing line 43a.

Line 43b(1). Provide the total amount of the transactions described in Regulations section 1.385-3(b)(2) (as measured by the fair market values of the distributions or, as the case may be, of the property exchanged for the debt instruments), and of the distributions and/or acquisitions described in Regulations section 1.385-3(b)(3)(i) (as measured by the fair market value of the property distributed and/or acquired).

Line 43b(2). Provide the total amount (as measured by issue price in the case of an instrument treated as stock upon issuance, or adjusted issue price in the case of an instrument deemed exchanged for stock) of the debt instrument issuances addressed by line 43a. See Regulations sections 1.385-1(d)(1) and 1.385-3(d). The adjusted issue price of a debt instrument is the issue price increased by the amount of original issue discount previously includible in gross income of any holder and decreased by payments other than payments of qualified stated interest. See section 1272(a)(4) and Regulations section 1.1275-1(b)(1).

Part VIII—Cost Sharing Arrangement (CSA)

Note. A separate Part VIII must be filed for each CSA, as defined in Regulations section 1.482-7(b) in which the reporting corporation was a controlled participant (as defined in Regulations section 1.482-7(j)) during the tax year. All amounts should be reported in U.S. dollars.

Line 44. Provide a brief description of the CSA, including the industry and intangibles involved, and sufficient detail to distinguish the CSA from any other CSAs in which the reporting corporation is a controlled participant.

Line 47. Enter the reporting corporation's share of reasonably anticipated benefits (RAB) for the CSA during the tax year. See Regulations section 1.482-7(e) for rules on determining and updating a controlled participant's RAB share. If the reporting corporation applied more than one RAB share during the tax year in determining its share of IDCs, enter the RAB share that was applied to IDCs incurred at the end of the year. See Regulations section 1.482-7(d) for more information on IDCs.

Lines 48b and 48c. See Regulations section 1.482-7 for more information on determining whether stock-based compensation is directly identified with, or reasonably allocable to, the intangible development activity (IDA) under the CSA. See Regulations section 1.482-7(d)(3) and Notice 2005-99 for more information on determining the measurement and timing of stock-based compensation IDCs, including an election available with respect to options on publicly traded stock and certain other stock-based compensation. If the taxpayer made the election described in Regulations section 1.482-7(d)(3)(iii)(B) or Notice 2005-99, the taxpayer should attach a statement to Form 5472 explaining that the taxpayer made such election and include in such statement the total amount of stock-based compensation taken into account as an IDC for the tax year pursuant to such election. If the taxpayer attaches the statement described in the previous sentence, then in the entry space provided for line 48b the taxpayer should include the total amount of stock-based compensation taken into account as an IDC, including stock-based compensation pursuant to the election described above and any not subject to such election.

Check the appropriate box on line 48c to indicate whether any stock-based compensation was granted during the term of the CSA to individuals who performed functions in business activities that generate cost shared intangibles that was not treated as directly identified with, or reasonably allocable to, the IDA, as defined in Regulations section 1.482-7(d)(1)(i). This would include stock-based compensation granted in earlier years (which could give rise to deductions in the current tax year) that were not treated as identified with, or reasonably allocable to, the IDA.

Lines 49a and 49b. For the tax year, enter the total amount of IDCs for the CSA on line 49a. See Regulations section 1.482-7(d) for more information on IDCs. On line 49b, enter the amount of IDCs allocable to the reporting corporation for the tax year based on the reporting corporation's RAB share.

Part IX—Base Erosion Payments and Base Erosion Tax Benefits Under Section 59A

Line 50. Enter the amount of base erosion payments made by the reporting corporation (if any). The

term “base erosion payment” generally means any amount paid or accrued by the reporting corporation to a foreign person, which is a related party and with respect to which a deduction is allowed under chapter 1 of the Code. See section 59A(d)(1) and Regulations section 1.59A-3(b)(1)(i).

Base erosion payments also include amounts paid or accrued by the reporting corporation to a foreign related party in connection with the acquisition of depreciable or amortizable property (see section 59A(d)(2) and Regulations section 1.59A-3(b)(1)(ii)), certain reinsurance payments (see section 59A(d)(3) and Regulations section 1.59A-3(b)(1)(iii)), and certain payments relating to expatriated entities (see section 59A(d)(4) and Regulations section 1.59A-3(b)(1)(iv)).

For additional information about base erosion payments, including rules for determining the amount paid or accrued, and certain exceptions, see Regulations section 1.59A-3.

Line 51. Enter the amount of base erosion tax benefits of the reporting corporation (if any). The term “base erosion tax benefit” generally means any deduction which is allowed under chapter 1 for the tax year with respect to any base erosion payment. See sections 59A(c)(2)(A) and 59A(c)(2)(B) and Regulations section 1.59A-3(c) for further details.

The term “base erosion tax benefit” also includes certain reductions in gross premiums with respect to certain reinsurance payments described in section 59A(d)(3) and Regulations section 1.59A-3(c)(1)(iii) and certain reductions in gross receipts with respect to certain expatriated entities described in section 59A(d)(4) and Regulations section 1.59A-3(c)(1)(iv).

Line 52. Enter the amount of qualified derivative payments made by the reporting corporation. The term “qualified derivative payment” generally means any payment made by a taxpayer according to a derivative with respect to which the taxpayer:

- Recognizes gain or loss as if such derivative were sold for its FMV on the last business day of the tax year (and any additional times required by the taxpayer’s method of accounting);
- Treats any gain or loss so recognized as ordinary; and
- Treats the character of all items of income, deduction, gain, or loss with respect to a payment according to the derivative as ordinary.

Determine the amount of the qualified derivative payments after combining all items of income, gain, loss, or deduction arising with respect to the position during the tax year. A qualified derivative payment is not a base erosion payment or a base erosion tax benefit and should not be included on Part IX, lines 50 and 51. See section 59A(h) and Regulations section 1.59A-6 for further details.

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