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ONESOURCE™

Income Tax International

Manage and automate your entire process

ONESOURCE® Income Tax for international is a comprehensive system that simplifies the U.S. tax computations derived from international operations. Integrated tax calculation areas lead you through the tax return process, determining foreign earnings and profits, U.S. income inclusions, deemed paid credits, and the foreign tax credit.

The international module includes international tax return software with a fresh, modern interface. Improve your tax department's productivity, while enabling you to comply with updates for TCJA and file the most accurate, complete tax returns. Its family of products is completely integrated, meaning you enter data once, and it flows to all applicable calculations. Taxable income calculated for 1120 purposes automatically transfers to the international area to serve as a starting point for the foreign tax credit computation.

Data integration

The international module comes with multi-entry import capabilities. You may import trial balances, adjustments, income sourcing, expense apportionment, asset information, and much more as needed, from your general ledger software or spreadsheet programs. This extremely comprehensive and flexible import feature enables you to integrate information and process returns faster.

Controlled foreign corporations and partnerships

Calculate earnings and profits

The international module automates the calculation of earnings and profits and automatically completes Form 5471 and Form 8858. Form 8865 is automatically populated for your controlled foreign partnerships. Here are a few of the powerful features available:

- Import local currency trial balance amounts from a general ledger system, a spreadsheet program, or manual entry
- Enter/Import GAAP and tax adjustments against the local country account detail to conform to U.S. reporting standards
- Enter/Import branch information in the respective local currency, and the international module consolidates these amounts in the functional currency of the reporting entity
- Allocate and import income sourcing through formulas or values
- Maintain a tax basis balance sheet for each foreign subsidiary
- Maintain E&P and tax pools by 904(d) basket, annual layer, section 959(c), and PTEP category

Income Tax International produces International Review Reports to support Tax Return data

Look-through

The international module applies the look-through rules for intercompany rents, royalties, interest, and dividend income as provided under Section 904(d) (3) and allows users to identify receipts as Subpart F as applicable. Key features include:

- Calculations that operate across unlimited chains of ownership and with multiple payors and recipients
- The International module that follows the ordering rules of Section 1.904-5 (k), including netting rules for back-to-back payments and the exception to the current rules under 954(c)(6)
- Bypass look-through calculations for rents, royalties, and interest until you are ready to complete processing

Subpart F

The international module determines if distributions are taxable dividends, PTI distributions, or return of capital; computes the amount of PTI exchange gain/loss; calculates the deemed distribution inclusions and any deemed paid credits and 245A Dividends Received Deduction relating to this income.

Subpart F limitations are applied as follows:

- Limiting Subpart F to current year earnings and profits under Section 952, including the Section 952(c)(3) Lifo-adjustment
- Applying de minimis as well as full inclusion tests and resourcing the income that meets the tests
- Calculating the high-tax election
- Tracking PTI by separate limitation baskets and calculating the exchange gain or loss for PTI dividend remittances
- Maintaining E&P by separate limitation baskets and Section 959 type, including allowing for Section 905(c) or audit adjustments
- Performing nimble dividend rules for distributions and deemed distributions
- Applying regulation 1.960-1 for determining Post-86 E&P for deemed paid credit calculations
- Determining the effect of "dipback" dividends by tracking pre-TRA 1986 E&P and tax layers
- Tracking "Hovering Deficits"

Managing Subpart F Adjustments

- Automatically calculate limitation for GILTI inclusion
- Tracking and applying recharacterization of Subpart F previously limited by earnings and profits
- Tracking and applying qualified deficit rules
- Automatically posting the Form 8865, sec. K-1 items to the partners

Foreign tax credit entities

Domestic entities processed as part of your 1120 may have additional international properties that require the completion of international screens and calculations. Your domestic taxable income flows automatically into the foreign tax credit sourcing workpaper for allocation and apportionment by 904(d) basket.

Allocation and apportionment

Foreign tax credit (FTC) entity sourcing performs the allocation and apportionment of taxable income to determine net income by 904(d) basket for the foreign tax credit. It includes all expense allocations and apportionments, including special rules for research and development and interest expense, and allows for user-defined apportionment methods.

A powerful feature of the international module is your ability to use formula sourcing for the allocation of income. As taxable income adjustments are made, the system automatically reallocates the new amount based on your formulas, saving you many hours of manual adjustment. Formulas rollover from one year to the next, saving you time.

Foreign tax credit

The FTC feature in ONESOURCE Income Tax calculates the foreign tax credit and automates key functions such as:

- Consolidated GILTI data for Form 1118
- Tracking Section 863(b) income
- Performing the high-tax kickout test
- Applying the exclusive apportionment rules for R&D and calculating the floor adjustment if the optional gross income method is used
- Applying the Section 904(f) loss allocation and recharacterization and overall foreign loss recapture
- Performing the Section 907 limitation calculation for foreign oil and gas income
- Calculating the foreign tax credit by 904(d) basket and determining whether each basket is in an excess credit or limitation position
- Automatically posting the income inclusions from CFCs to the U.S. parents

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