

Tax Insights | August 3, 2022  
**Tracking Tax News,  
You Need to Know**



### **Treasury Department Clarifies Foreign Tax Credit Regulations**

The Treasury Department issued two sets of [technical corrections](#) on foreign tax credit regulations in an effort to address concerns over the new rules. The technical corrections aimed at relieving fears that a cost recovery provision was too restrictive and could make some of the foreign taxes ineligible for the credit, causing double taxation. For example, the corrections expanded the ways in which a foreign disallowance can correspond to U.S. law to make the foreign tax credit available. Also, the Treasury Department announced a new proposed rule to address when royalty withholding taxes qualify for the foreign tax credit would be issued later this summer to offer a safe harbor on royalty withholding taxes. (See prior [coverage](#)).

### **Appeals Court Upholds Penalty for Willful Foreign Account Reporting Failure**

A penalty for failing to report a foreign bank account was [upheld](#) by the U.S. Court of Appeals for the Third Circuit. The \$1 million penalty was supported by credible evidence that the account holder's reporting failure was willful because the account holder only began to cooperate with the government regarding the foreign accounts after he was exposed for having hidden accounts. A willful foreign account reporting violation penalty amounts up to 50% of the assets in an unreported foreign account, while a non-willful penalty is capped at \$10,000.

### **IRS To Review Dividends Received Deduction Rules**

The Internal Revenue Service (IRS) is working on dividends received deduction guidance, according to an agency official who spoke at an International Tax Institute webinar. The IRS will determine the appropriate guidance regarding the dividends received deduction under Code [Section 245A](#). The 245A dividends received deduction rule, which was enacted as part of the 2017 tax reform, allows U.S. taxpayers to receive foreign source dividends tax-free under certain circumstances.

### **OECD To Hold Public Consultation on Global Tax Deal**

The Organization for Economic Cooperation and Development (OECD) will hold a public consultation on Sept. 12, 2022, to gather feedback on its latest draft of the global tax deal. The [consultation](#) will be held both in-person and virtually. The OECD previously released its latest draft rules on Pillar One of the global tax deal, under which the large multinational corporations will have to reallocate a portion of their profits to be taxed in a country where they make sales.

For more information, contact **Christopher C. Scarpa** at 215.564.8106 or [cscarpa@stradley.com](mailto:cscarpa@stradley.com) or **Jin Park** at 212.812.4140 or [jpark@stradley.com](mailto:jpark@stradley.com).