Internal Revenue Service, Treasury

§ 4.954–0 Introduction.

(a) Effective date. (1) The provisions of §§ 4.954–1 and 4.954–2 apply to taxable years of a controlled foreign corporation beginning after December 31, 1986. Consequently, any gain or loss (including foreign currency gain or loss as defined in section 988(b)) recognized during such taxable years of a controlled foreign corporation is subject to these provisions. For further guidance, see § 1.954–0(a) of this chapter.


(b) Outline of regulation provisions for sections 954(b)(3), 954(b)(4), 954(b)(5) and 954(c) for taxable years of a controlled foreign corporation beginning after December 31, 1986.

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(a) In general.

(1) Purpose and scope.

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PART 4—TEMPORARY INCOME TAX REGULATIONS UNDER SECTION 954 OF THE INTERNAL REVENUE CODE

Sec. 4.954–0 Introduction.

4.954–1 Foreign base company income; taxable years beginning after December 31, 1986.

4.954–2 Foreign personal holding company income; taxable years beginning after December 31, 1986.


Section 4.954–0 also issued under 26 U.S.C. 954 (b) and (c).

Section 4.954–1 also issued under 26 U.S.C. 954 (b) and (c).

Section 4.954–2 also issued under 26 U.S.C. 954 (b) and (c).
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§ 4.954–1 Foreign base company income; taxable years beginning after December 31, 1986.

(a) In general—(1) Purpose and scope. Section 954 (b) through (g) and §§1.954–1T and 1.954–2T provide rules for computing the foreign base company income of a controlled foreign corporation. Foreign base company income is included in the subpart F income of a controlled foreign corporation under the rules of section 952 and the regulations thereunder. Subpart F income is included in the gross income of a United States shareholder of a controlled foreign corporation under the rules of section 951 and the regulations thereunder, and thus is subject to current taxation under section 1 or 11 of the Code. The determination of whether a foreign corporation is a controlled foreign corporation, the subpart F income of which is included currently in the gross income of its United States shareholders, is made under the rules of section 957 and the regulations thereunder.

(2) Gross foreign base company income. For taxable years of a controlled foreign corporation beginning after December 31, 1986, the gross foreign base company income of a controlled foreign corporation consists of the following categories of gross income:

(i) Its foreign personal holding company income, as defined in section 954(c) and §1.954–2T.

(ii) Its foreign base company sales income, as defined in section 954(d) and the regulations thereunder,