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(g) Expiration date. This section expires January 16, 2015.

§ 1.863–8 Source of income derived from space and ocean activity under section 863(d).

(a) In general. Income of a United States or a foreign person derived from space and ocean activity (space and ocean income) is sourced under the rules of this section, notwithstanding any other provision, including sections 861, 862, 863, and 865. A taxpayer will not be considered to derive income from space or ocean activity, as defined in paragraph (d) of this section, if such activity is performed by another person, subject to the rules for the treatment of consolidated groups in § 1.1502–13.

(b) Source of gross income from space and ocean activity—(1) Space and ocean income derived by a United States person. Space and ocean income derived by a United States person is income from sources within the United States. However, space and ocean income derived by a United States person is income from sources without the United States to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in a foreign country or countries.

(2) Space and ocean income derived by a foreign person—(i) In general. Space and ocean income derived by a person other than a United States person is income from sources without the United States, except as otherwise provided in this paragraph (b)(2).

(ii) Space and ocean income derived by a controlled foreign corporation. Space and ocean income derived by a controlled foreign corporation within the meaning of section 957 (CFC) is income from sources within the United States. However, space and ocean income derived by a CFC is income from sources without the United States to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in a foreign country or countries.

(iii) Space and ocean income derived by foreign persons engaged in a trade or business within the United States. Space and ocean income derived by a foreign person (other than a CFC) engaged in a trade or business within the United States is income from sources within the United States to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed within the United States.

(3) Source rules for income from certain sales of property—(1) Sales of purchased property. When a taxpayer sells purchased property in space or international water, the source of gross income from the sale generally will be determined under paragraph (b)(1) or (2) of this section, as applicable. However, if such property is inventory property within the meaning of section 1221(a)(1) (inventory property) and is sold for use, consumption, or disposition outside space and international water, the source of income from the sale will be determined under § 1.861–7(c).

(ii) Sales of property produced by the taxpayer—(A) General. If the taxpayer both produces property and sells such property, the taxpayer must allocate gross income from such sales between production activity and sales activity under the 50/50 method. Under the 50/50 method, one-half of the taxpayer’s gross income will be considered income allocable to production activity, and the source of that income will be determined under paragraph (b)(3)(i)(B) or (C) of this section. The remaining one-half of such gross income will be considered income allocable to sales activity, and the source of that income will be determined under paragraph (b)(3)(i)(D) of this section.

(B) Production only in space or international water, or only outside space and international water. When production occurs only in space or international water, income allocable to production activity is sourced under paragraph (b)(1) or (2) of this section, as applicable. When production occurs only outside space and international water, income allocable to production activity is sourced under § 1.863–3(c)(1).

(C) Production both in space or international water and outside space and international water. When property is produced both in space or international

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water and outside space and international water, gross income allocable to production activity must be allocated to production occurring in space or international water and production occurring outside space and international water. Such gross income is allocated to production activity occurring in space or international water to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in space or international water. The balance of such gross income is allocated to production activity occurring outside space and international water. The source of gross income allocable to production activity in space or international water is determined under paragraph (b)(1) or (2) of this section, as applicable. The source of gross income allocated to production activity occurring outside space and international water is determined under §1.863–3(c)(1).

(D) Source of income allocable to sales activity. When property produced by the taxpayer is sold outside space and international water, the source of gross income allocable to sales activity will be determined under §§1.861–7(c) and 1.863–3(c)(2). When property produced by the taxpayer is sold in space or international water, the source of gross income allocable to sales activity generally will be determined under paragraph (b)(1) or (2) of this section, as applicable. However, if such property is inventory property within the meaning of section 1221(a)(1) and is sold in space or international water for use, consumption, or disposition outside space, international water, and the United States, the source of gross income allocable to sales activity will be determined under §§1.861–7(c) and 1.863–3(c)(2).

(4) Special rule for determining the source of gross income from services. To the extent a transaction characterized as the performance of a service constitutes a space or ocean activity, as determined under paragraph (d)(2)(i) of this section, the source of gross income derived from such transaction is determined under paragraph (b)(1) or (2) of this section.

(5) Special rule for determining source of income from communications activity (other than income from international communications activity). Space and ocean activity, as defined in paragraph (d) of this section, includes activity that occurs in space or international water that is characterized as a communications activity as defined in §1.863–9(h)(1) (other than international communications activity). The source of space and ocean income that is also communications income as defined in §1.863–9(h)(2) (but not space/ocean communications income as defined in §1.863–9(h)(3)(v)) is determined under the rules of §1.863–9(c), (d), and (f), as applicable, rather than under paragraph (b) of this section. The source of space and ocean income that is also space/ocean communications income as defined in §1.863–9(h)(3)(v) is determined under the rules of paragraph (b) of this section. See §1.863–9(e).

(c) Taxable income. When a taxpayer allocates gross income under paragraph (b)(1), (b)(2), (b)(3)(ii)(C), or (b)(4) of this section, the taxpayer must allocate expenses, losses, and other deductions as prescribed in §§1.861–8 through 1.861–14T to the class or classes of gross income that include the income so allocated in each case. A taxpayer must then apply the rules of §§1.861–8 through 1.861–14T to apportion properly amounts of expenses, losses, and other deductions so allocated to such gross income between gross income from sources within the United States and gross income from sources without the United States.

(d) Space and ocean activity—(1) Definition—(i) Space activity. In general, space activity is any activity conducted in space. For purposes of this section, space means any area not within the jurisdiction (as recognized by the United States) of a foreign country, possession of the United States, or the United States, and not in international water. For purposes of determining space activity, the Commissioner may separate parts of a single transaction into separate transactions or combine separate transactions as part of a single transaction. Paragraph (d)(3) of this section lists specific exceptions to the general definition of
space activity. Activities that constitute space activity include but are not limited to—

(A) Performance and provision of services in space, as defined in paragraph (d)(2)(ii) of this section;

(B) Leasing of equipment located in space, including spacecraft (for example, satellites) or transponders located in space;

(C) Licensing of technology or other intangibles for use in space;

(D) Production, processing, or creation of property in space, as defined in paragraph (d)(2)(i) of this section;

(E) Activity occurring in space that is characterized as communications activity (other than international communications activity) under §1.863–9(h)(1);

(F) Underwriting income from the insurance of risks on activities that produce space income;

(G) Sales of property in space (see §1.861–7(c));

(H) Any activity performed in Antarctica;

(I) The leasing of a vessel that does not transport cargo or persons for hire between ports-of-call (for example, the leasing of a vessel to engage in research activities in international water); and

(J) The leasing of drilling rigs, extraction of minerals, and performance and provision of services related thereto, except as provided in paragraph (d)(3)(ii) of this section.

(ii) Ocean activity. In general, ocean activity is any activity conducted on or under water not within the jurisdiction (as recognized by the United States) of a foreign country, possession of the United States, or the United States (collectively, in international water). For purposes of determining ocean activity, the Commissioner may separate parts of a single transaction into separate transactions or combine separate transactions as part of a single transaction. Paragraph (d)(3) of this section lists specific exceptions to the general definition of ocean activity. Activities that constitute ocean activity include but are not limited to—

(A) Performance and provision of services in international water, as defined in paragraph (d)(2)(ii) of this section;

(B) Leasing of equipment located in international water, including underwater cables;

(C) Licensing of technology or other intangibles for use in international water;

(D) Production, processing, or creation of property in international water, as defined in paragraph (d)(2)(i) of this section;

(E) Activity occurring in international water that is characterized as communications activity (other than international communications activity) under §1.863–9(h)(1);

(F) Underwriting income from the insurance of risks on activities that produce ocean income;

(G) Sales of property in international water (see §1.861–7(c));

(H) Any activity performed in Antarctica;

(i) Production of property in space or international water. For purposes of this section, production activity means an activity that creates, fabricates, manufactures, extracts, processes, cures, or ages property within the meaning of section 864(a) and §1.864–1.

(ii) Special rule for performance of services—(A) General. Except as provided in paragraph (d)(2)(ii)(B) of this section, if a transaction is characterized as the performance of a service, then such service will be treated as a space or ocean activity in its entirety when any part of the service is performed in space or international water. Services are performed in space or international water if functions are performed, resources are employed, or risks are assumed in space or international water, regardless of whether performed by personnel, equipment, or otherwise.

(B) Exception to the general rule. If the taxpayer can demonstrate the value of the service attributable to performance occurring in space or international water, and the value of the service attributable to performance occurring outside space and international water, then such service will be treated as space or ocean activity only to the extent of the activity performed in space or international water. The value of the service is attributable to performance occurring in space or international water to the extent the performance of the service, based on all
the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in space or international water. In addition, if the taxpayer can demonstrate, based on all the facts and circumstances, that the value of the service attributable to performance in space and international water is de minimis, such service will not be treated as space or ocean activity.

(3) Exceptions to space or ocean activity. Space or ocean activity does not include the following types of activities:

(i) Any activity giving rise to transportation income as defined in section 863(c).

(ii) Any activity with respect to mines, oil and gas wells, or other natural deposits, to the extent the mines, wells, or natural deposits are located within the jurisdiction (as recognized by the United States) of any country, including the United States and its possessions.

(iii) Any activity giving rise to international communications income as defined in §1.863–9(h)(3)(ii).

(e) Treatment of partnerships. This section is applied at the partner level.

(f) Examples. The following examples illustrate the rules of this section:

Example 1. Space activity—activity occurring on land and in space. (i) Facts. S, a United States person, owns satellites in orbit. S leases one of its satellites to A. S, as lessor, will not operate the satellite. Part of S’s performance as lessor in this transaction occurs on land. Assume that the combination of S’s activities is characterized as the lease of equipment.

(ii) Analysis. Because the leased equipment is located in space, the transaction is defined in its entirety as space activity under paragraph (d)(1)(i) of this section. Income derived from the lease will be sourced under paragraph (b)(1) of this section. Under paragraph (b)(1) of this section, S’s space income is sourced outside the United States to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in a foreign country or countries.

Example 2. Space activity. (i) Facts. X is an Internet service provider. X offers a service that permits a customer (C) to connect to the Internet via a telephone call, initiated by the modem of C’s personal computer, to a control center. X transmits information requested by C to C’s personal computer, in part using satellite capacity leased by X from S. X performs the uplink and downlink functions. X charges its customers a flat monthly fee. Assume that neither X nor S derive international communications income within the meaning of §1.863–9(h)(3)(ii). In addition, assume that X is able to demonstrate, pursuant to paragraph (d)(2)(i)(B) of this section, the extent to which the value of the service is attributable to functions performed, resources employed, and risks assumed in space.

(ii) Analysis. Under paragraph (d)(2)(i) of this section, the service performed by X constitutes space activity to the extent the value of the service is attributable to functions performed, resources employed, and risks assumed in space. To the extent the service performed by X does not constitute space or ocean activity, the source of X’s income from the service transaction is determined under paragraph (b) of this section. To the extent the service performed by X derives space and ocean income that is also communications income within the meaning of §1.863–9(h)(2), the source of X’s income is determined under paragraph (b)(5) of this section. S derives space and ocean income that is also communications income within the meaning of §1.863–9(h)(2), and the source of S’s income is therefore determined under paragraph (b) of this section and §1.863–9(c), (d), and (f), as applicable, as provided in paragraph (b)(5) of this section.

Example 3. Services as space activity—de minimis value attributable to performance occurring in space. (i) Facts. R owns a retail outlet in the United States. R engages S to provide a security system for R’s premises. S operates its security system by transmitting images from R’s premises directly to a satellite, and from the satellite to a group of S’s employees located in Country B, who monitor the premises by viewing the transmitted images. The satellite is used as a medium of delivery and not as a method of surveillance. O provides S with transponder capacity on O’s satellite, which S uses to transmit those images. Assume that S’s transaction with R is characterized as the performance of a service. Assume that O’s provision of transponder capacity is also viewed as the provision of a service. Assume also that S is able to demonstrate, pursuant to §1.863–9(h)(1), that the value of the transaction with R attributable to communications activities is de minimis.

(ii) Analysis. S derives income from providing monitoring services. S can demonstrate, pursuant to paragraph (d)(2)(i) of this section, that based on all the facts and circumstances, the value of S’s service transaction attributable to performance in space

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is de minimis. Thus, S is not treated as engaged in a space activity, and none of S’s income from the service transaction is space income. In addition, because S demonstrates that the value of its transaction with R attributable to communications activities is de minimis, S is not required under §1.863–9(h)(1)(ii) to treat the transaction as separate transactions, and none of S’s gross income from the transaction is treated as communications income within the meaning of §1.863–9(h)(2). O’s provision of transponder capacity is viewed as the provision of a service. Based on all the facts and circumstances, the value of O’s service transaction attributable to performance in space is not de minimis. Thus, O’s activity will be considered space activity, pursuant to paragraph (d)(2)(ii) of this section, to the extent the value of the services transaction is attributable to performance in space. To the extent that O derives communications income, the source of such income is determined under paragraph (b)(4) of this section, as provided in paragraph (b)(5) of this section. R does not derive any income from space activity.

Example 4. Space activity. (i) Facts. L, a domestic corporation, offers programming and certain other services to customers located both in the United States and in foreign countries. Assume that L’s provision of programming and other services in this Example 4 is characterized as the provision of a service, and that no part of the service transaction occurs in space or international water. Assume that the delivery of the programming constitutes a separate transaction also characterized as the performance of a service. L uses satellite capacity acquired from S to deliver the programming service directly to customers’ television sets. L performs the uplink and downlink functions, so that part of the value of the delivery transaction derives from functions performed and resources employed in space. Assume that these contributions to the value of the delivery transaction occurring in space are not considered de minimis under paragraph (d)(2)(ii)(B) of this section. Customer C pays L to provide and deliver programming to C’s residence in the United States. Assume S’s provision of satellite capacity in this Example 4 is viewed as the provision of a service, and also that S does not derive international communications income within the meaning of §1.863–9(h)(3)(ii).

(ii) Analysis. S’s activity will be considered space activity. To the extent that S derives space and ocean income that is also communications income under §1.863–9(h)(2), the source of S’s income is determined under paragraph (b) of this section and §1.863–9(c), (d), and (f), as applicable, as provided in paragraph (b)(5) of this section. On these facts, L’s activities are treated as two separate service transactions: the provision of programming (and other services), and the delivery of programming. L’s income is allocated accordingly under §1.863–9(h)(2). O’s provision of transponder capacity to S, no part of R’s activity occurs in space. Thus, R does not derive any space and ocean income. R does, however, derive communications income within the meaning of §1.863–9(h)(2). This is the case even though L does not deliver the programming service directly but instead engages R, a domestic corporation specializing in content transmission, to deliver by transmission its programming. For all portions of a transmission which require satellite capacity, R, in turn, contracts out such functions to S. S performs the uplink and downlink functions, so that part of the value of the delivery transaction derives from functions performed and resources employed in space.

(iii) Example 5. Space activity. (i) Facts. The facts are the same as in Example 4, except that L does not deliver the programming service directly but instead engages R, a domestic corporation specializing in content transmission, to deliver by transmission its programming. For all portions of a transmission which require satellite capacity, R, in turn, contracts out such functions to S. S performs the uplink and downlink functions, so that part of the value of the delivery transaction derives from functions performed and resources employed in space. Assume that these contributions to the value of the delivery transaction occurring in space are not considered de minimis under paragraph (d)(2)(ii)(B) of this section. Customer C pays L to provide and deliver programming to C’s residence in the United States. Assume S’s provision of satellite capacity in this Example 4 is viewed as the provision of a service, and also that S does not derive international communications income within the meaning of §1.863–9(h)(3)(ii). In addition, L must also allocate expenses, losses, and other deductions, for example, payments to R, to the class or classes of gross income that include the income so allocated. R’s activity will not be considered space activity. Since R contracts out all of the functions involving satellite capacity to S, no part of R’s activity occurs in space. Thus, R does not derive any space and ocean income. R does, however, derive communications income within the meaning of §1.863–9(h)(2). This is the case even though
R does not perform the transmission function because R is paid by L to transmit, and bears the risk of transmitting, the communications or data. S’s activity will be considered space activity. To the extent that S derives space and ocean income that is also communications income within the meaning of §1.863-9(b)(2), the source of such income is determined under paragraph (b) of this section and §1.863-9(b), (c), (d), (e), and (f), as applicable, as provided in paragraph (b)(5) of this section.

Example 6. Space activity—treatment of land activity. (i) Facts. S, a United States person, offers remote imaging products and services to its customers. In year 1, S uses its satellites remote sensors to gather data on certain geographical terrain. In year 3, C, a construction development company, contracts with S to obtain a satellite image of an area for site development work. S pulls data from its archives and transfers to C the images gathered in year 1, in a transaction that is characterized as a sale of the data. S’s rights, title, and interest in the data pass to C in the United States. Before transferring the images to C, S uses computer software in its land-based office to enhance the images so that the images can be used.

(ii) Analysis. The collection of data and creation of images in space is characterized as the creation of property in space. Because S both produces and sells the data, S must allocate gross income from the sale of the data between production activity and sales activity. Under the 50/50 method of paragraph (b)(3)(ii)(A), the source of S’s income allocable to production activity is determined under paragraph (b)(3)(ii)(C) of this section because production activities occur both in space and on land. The source of S’s income attributable to sales activity is determined under paragraph (b)(3)(ii)(D) of this section because S has title, and interest in the data pass to C in the United States.

Example 7. Use of intangible property in space. (i) Facts. X acquires a license to use a particular satellite slot or orbit, which X sublicenses to C. C pays X a royalty.

(ii) Analysis. Because the royalty is paid for the right to use intangible property in space, the source of the royalty paid by C to X is determined under paragraph (b) of this section.

Example 8. Performance of services. (i) Facts. E, a domestic corporation, operates satellites with sensing equipment that can determine how much heat and light particular plants emit and reflect. Based on the data, E will provide F, a U.S. farmer, a report analyzing the data, which F will use in growing crops. E analyzes the data from offices located in the United States. Assume that E’s combined activities are characterized as the performance of services.

(ii) Analysis. Based on all the facts and circumstances, the value of E’s service transaction attributable to performance in space is not de minimis. Thus, E’s activities will be considered space activities, pursuant to paragraph (d)(2)(i) of this section, to the extent the value of E’s service transaction is attributable to performance in space. To the extent E’s service transaction constitutes a space activity, the source of E’s income derived from the service transaction will be determined under paragraph (b)(4) of this section, by reference to paragraph (b)(1) of this section. To the extent that E’s service transaction does not constitute a space or ocean activity, the source of E’s income derived from the service transaction is determined under sections 861, 862, and 863, as applicable.

Example 9. Separate transactions. (i) Facts. The same facts as Example 8, except that E provides the raw data to F in a transaction characterized as a sale of a copyrighted article. In addition, E provides an analysis in the form of a report to F. The price F pays E for the raw data is separately stated.

(ii) Analysis. To the extent that the provision of raw data and the analysis of the data are each treated as separate transactions, the source of income from the production and sale of data is determined under paragraph (b)(3)(ii) of this section. The provision of services would be analyzed in the same manner as in Example 8.

Example 10. Sale of property in international water. (i) Facts. T purchased and owns transatlantic cable that lies in international water. T sells the cable to B, with T’s rights, title, and interest in the cable passing to B in international water. Assume that the transatlantic cable is not inventory property within the meaning of section 1221(a)(1).

(ii) Analysis. Because T’s rights, title, and interest in the property pass to B in international water, the sale takes place in international water under §1.861-7(c), and the sale transaction is ocean activity under paragraph (d)(1)(i) of this section. The source of T’s sales income is determined under paragraph (b)(3)(i) of this section, by reference to paragraph (b)(1) or (2) of this section.

Example 11. Sale of property in space. (i) Facts. S, a United States person, manufactures a satellite in the United States and sells it to a customer who is not a United States person. S’s rights, title, and interest in the satellite pass to the customer in space.

(ii) Analysis. Because S’s rights, title, and interest in the satellite pass to the customer in space, the sale takes place in space under §1.861-7(c), and the sale transaction is space activity under paragraph (d)(1)(i) of this section. The source of income derived from the sale of the satellite in space is determined under paragraph (b)(3)(i) of this section,

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with the source of income allocable to production activity determined under paragraphs (b)(3)(i)(A) and (B) of this section, and the source of income allocable to sales activity determined under paragraphs (b)(3)(i)(A) and (D) of this section. Under paragraph (b)(1) of this section, F’s space income is sourced outside the United States to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed in a foreign country or countries.

Example 12. Sale of property in space. (i) Facts. F, a foreign corporation that is not a CFC, derives income from the operation of satellites. F operates ground stations in the United States and in foreign Country FC. Assume that F is considered engaged in a trade or business within the United States based on F’s operation of the ground station in the United States.

(ii) Analysis. The sale of the satellite slot takes place in space under §1.861–7(c) because F’s rights, title, and interest in the satellite slot pass to P in space. The sale of the satellite slot is space activity under paragraph (d)(1)(i) of this section, and income or gain from the sale is sourced under paragraph (b)(3)(i) of this section, by reference to paragraph (b)(1) or (2) of this section.

Example 13. Source of income of a foreign person. (i) Facts. F, a foreign corporation that is not a CFC, operates remote sensing satellites in space to collect data and images for its customers. F uses an independent agent, A, in the United States who provides marketing, order-taking, and other customer service functions. Assume that F is considered engaged in a trade or business within the United States based on A’s activities on FP’s behalf in the United States.

(ii) Analysis. Under paragraph (b)(2)(iii) of this section, F’s space income is sourced in the United States to the extent the income, based on all the facts and circumstances, is attributable to functions performed, resources employed, or risks assumed within the United States.

(g) Reporting and documentation requirements—(1) In general. A taxpayer making an allocation of gross income under paragraph (b)(1), (b)(2), (b)(3)(i)(C), or (b)(4) of this section must satisfy the requirements in paragraphs (g)(2), (3), and (4) of this section.

(2) Required documentation. In all cases, a taxpayer must prepare and maintain documentation in existence when its return is filed regarding the allocation of gross income and allocation and apportionment of expenses, losses, and other deductions, the methodologies used, and the circumstances justifying use of those methodologies. The taxpayer must make available such documentation within 30 days upon request.

(3) Access to software. If the taxpayer or any third party used any computer software, within the meaning of section 7612(d), to allocate gross income, or to allocate or apportion expenses, losses, and other deductions, the taxpayer must make available upon request—

(i) Any computer software executable code, within the meaning of section 7612(d), used for such purposes, including an executable copy of the version of the software used in the preparation of the taxpayer’s return (including any plug-ins, supplements, etc.) and a copy of all related electronic data files. Thus, if software subsequently is upgraded or supplemented, a separate executable copy of the version used in preparing the taxpayer’s return must be retained;

(ii) Any related computer software source code, within the meaning of section 7612(d), acquired or developed by the taxpayer or a related person, or primarily for internal use by the taxpayer or such person rather than for commercial distribution; and

(iii) In the case of any spreadsheet software or similar software, any formulae or links to supporting worksheets.

(4) Use of allocation methodology. In general, when a taxpayer allocates gross income under paragraph (b)(1), (b)(2), (b)(3)(ii)(C), or (b)(4) of this section, it does so by making the allocation on a timely filed original return (including extensions). However, a taxpayer will be permitted to make changes to such allocations made on its original return with respect to any
§ 1.863–9 Source of income derived from communications activity under section 863(a), (d), and (e).

(a) In general. Income of a United States or a foreign person derived from each type of communications activity, as defined in paragraph (h)(3) of this section, is sourced under the rules of this section, notwithstanding any other provision including sections 861, 862, 863, and 865. Notwithstanding that a communications activity would qualify as space or ocean activity under section 863(d) and the regulations thereunder, the source of income derived from such communications activity is determined under this section, and not under section 863(d) and the regulations thereunder, except to the extent provided in §1.863–8(b)(5).

(b) Source of international communications income—(1) International communications income derived by a United States person. Income derived from international communications activity (international communications income) by a United States person is one-half from sources within the United States and one-half from sources without the United States.

(2) International communications income derived by foreign persons—(i) In general. International communications income derived by a person other than a United States person is, except as otherwise provided in this paragraph (b)(2), wholly from sources without the United States.

(ii) International communications income derived by a controlled foreign corporation. International communications income derived by a controlled foreign corporation within the meaning of section 957 (CFC) is one-half from sources within the United States and one-half from sources without the United States.

(iii) International communications income derived by foreign persons with a fixed place of business in the United States. International communications income derived by a foreign person, other than a CFC, that is attributable to an office or other fixed place of business of the foreign person in the United States is from sources within the United States. The principles of section 864(c)(5) apply in determining whether a foreign person has an office or fixed place of business in the United States.