

Dated: March 17, 1998.

Andrew J. Beaulieu,

Acting Director, Office of New Animal Drug Evaluation, Center for Veterinary Medicine.
[FR Doc. 98-7835 Filed 3-25-98; 8:45 am]

BILLING CODE 4160-01-F

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 558

New Animal Drugs For Use In Animal Feeds; Bacitracin Zinc; Correction

AGENCY: Food and Drug Administration, HHS.

ACTION: Final rule; correction.

SUMMARY: The Food and Drug Administration (FDA) is correcting a document that published in the **Federal Register** of October 23, 1997 (62 FR 55161). The document amended the animal drug regulations to reflect approval of abbreviated new animal drug application (ANADA) 200-223 filed by ALPHARMA Inc. In amending the animal drug regulations, the document did not reflect that Boehringer Ingelheim Animal Health, Inc.'s approval for use of bacitracin zinc Type A medicated articles is for chickens only. This document corrects that error.

EFFECTIVE DATE: October 23, 1997.

FOR FURTHER INFORMATION CONTACT: David L. Gordon, Center for Veterinary Medicine (HFV-6), Food and Drug Administration, 7500 Standish Pl., Rockville, MD 20855, 301-594-1739.

SUPPLEMENTARY INFORMATION: In FR Doc. 97-28015, appearing on page 55161 in the **Federal Register** of October 23, 1997, the following correction is made:

§ 558.78 [Amended]

1. On page 55162, in the second column, § 558.78 *Bacitracin zinc* is amended in paragraph (a)(3) by adding the phrase "for chickens" after the word "pound".

Dated: March 17, 1998.

Andrew J. Beaulieu,

Acting Director, Office of New Animal Drug Evaluation, Center for Veterinary Medicine.
[FR Doc. 98-7834 Filed 3-25-98; 8:45 am]

BILLING CODE 4160-01-F

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 301

[TD 8767]

RIN 1545-AW07

Guidance Under Subpart F Relating to Partnerships and Branches

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Temporary and final regulations.

SUMMARY: This document contains regulations relating to the treatment under subpart F of certain payments involving branches of a controlled foreign corporation (CFC) that are treated as separate entities for foreign tax purposes or partnerships in which CFCs are partners. These regulations are necessary to provide guidance on transactions relating to such entities. These regulations will affect United States shareholders of controlled foreign corporations. The text of these temporary regulations also serves as the text of the proposed regulations published elsewhere in this issue of the **Federal Register**.

DATES: *Effective date:* These regulations are effective March 23, 1998.

Applicability date: For dates of applicability see §§ 1.904-5T(o), 1.954-1T(c)(1)(i)(E), 1.954-2T(a)(5)(iii) and (a)(6)(ii), 1.954-9T(d) and 301.7701-3T(f) of these regulations.

FOR FURTHER INFORMATION CONTACT: Valerie Mark, (202) 622-3840 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

I. In General

In these temporary regulations and in proposed regulations published elsewhere in this issue of the **Federal Register**, the Treasury and IRS set forth a framework for dealing with issues posed by the use of certain entities that are regarded as fiscally transparent for purposes of U.S. tax law, with regard to the application of subpart F of the Internal Revenue Code.

Subpart F was enacted by Congress to limit the deferral of U.S. taxation of certain income earned outside the United States by foreign corporations controlled by U.S. persons. Limited deferral was retained after the enactment of subpart F to protect the competitiveness of controlled foreign corporations (CFCs) doing business overseas. See S. Rep. No. 1881, 87th

Cong., 2d Sess. 78-80 (1962). This limited deferral furthers the objective of allowing a CFC engaged in an active business, and located in a foreign country for appropriate economic reasons, to compete in a similar tax environment with non-U.S.-owned corporations located in the same country.

Conversely, one of the purposes of subpart F is to prevent CFCs from converting active income that is not easily moveable and is earned in a jurisdiction in which a business is located for non-tax reasons, into passive, easily moveable income that is shifted to a lower tax jurisdiction primarily for tax avoidance. Moreover, when subpart F was first enacted it was realized that related person transactions can be easily manipulated to reduce both United States and foreign taxes. Consequently, in enacting subpart F, Congress provided that transactions of CFCs that involve related persons generally give rise to subpart F income with certain enumerated exceptions.

Hybrid branches, which, by definition, are not regarded as fiscally transparent under foreign law, are particularly well suited to the type of tax avoidance described above. In light of the recent proliferation of hybrid branches, Treasury and the IRS believe that it is appropriate to consider the issues related to transactions involving hybrid branches, or other hybrid entities, under subpart F.

The use of partnerships that are fiscally transparent for U.S. tax purposes raises additional issues in the context of subpart F that are similar to those raised in connection with hybrid branches. Such partnerships may or may not be fiscally transparent under foreign law. (Other fiscally-transparent entities, such as grantor trusts, will be the subject of guidance issued in conjunction with the finalization of regulations under section 672(f).)

The entity classification regulations of §§ 301.7701-1 through 301.7701-3 (the check-the-box regulations) make entity classification generally elective, in part so that taxpayers can choose a tax status that is consistent with their business objectives. This administrative provision was not intended to change substantive law. Particularly in the international area, the ability to more easily achieve fiscal transparency can lead to inappropriate results under certain substantive international provisions of the Code. Thus, the Treasury and the IRS believe that it is necessary to provide additional guidance regarding the use of hybrid entities in the international context. See