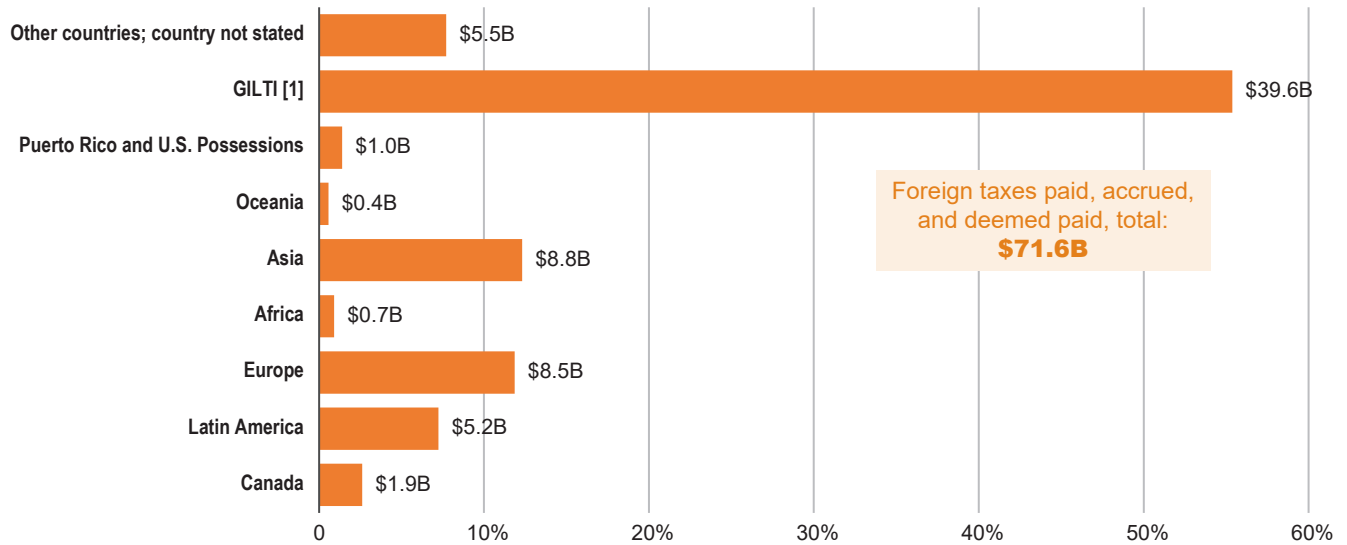


Corporate Foreign Tax Credit, Tax Year 2020



The foreign tax credit is intended to prevent potential double taxation on the foreign-source income of U.S. corporations. The credit is limited to the amount of U.S. tax a corporation would have otherwise paid on foreign-source taxable income. Corporations report the foreign income and taxes related to the foreign tax credit on Form 1118, *Foreign Tax Credit—Corporations*, and attach it to their corporate tax returns. The IRS Statistics of Income Division (SOI) produces a sample based, annual collection of aggregate statistics for those corporation income tax returns with a foreign tax credit that were included in the 2020 SOI sample of corporate returns with accounting periods ending between July 2020 and June 2021. These data reflect the number of returns, foreign tax credit, foreign-source income, deductions, and taxes paid, accrued or deemed paid by geographic region and country, and by industry, and by category of foreign income for which separate credit was computed.

Foreign Taxes Paid, Accrued and Deemed Paid, by Geographic Area or Type of Income, Tax Year 2020



[1] This type of income is not required to be reported by country on Form 1118.

Highlights of the Data

- For 2020, 7,605 corporations claimed a total foreign tax credit of \$67.0 billion against their U.S. income tax liability.
- These corporations reported \$464.0 billion in foreign-source taxable income on which they paid current-year foreign taxes of \$71.6 billion. As well, the foreign-source taxable income of corporations claiming a foreign tax credit (\$67.0 billion) was 26.1% of worldwide taxable income reported by all corporations (\$1.78 trillion).
- As in past years, corporations classified as manufacturers accounted for the most (45.3%) foreign-source taxable income, paid the most (43.7%) of current-year foreign taxes, and claimed the largest percentage (42.0%) of the foreign tax credit in 2020. Information corporations had the second largest percentage (15.7) of the total foreign tax credit during 2020, followed by the finance and insurance (11.9) and the bank holding companies (10.5) sectors.
- Among geographic regions, countries located in Europe tallied the largest shares of foreign-source taxable income (33.4%), and current-year foreign taxes paid, accrued, and deemed paid (11.9).
- Foreign-source taxable income earned in the United Kingdom, along with the Netherlands, Ireland, Luxembourg, Switzerland and Canada, combined to account for 33.5% of the total.
- Number of corporations claiming a foreign tax credit (-13.5), foreign tax credit claimed (-8.7), foreign source gross income (-6.3), and current-year foreign taxes paid, accrued, and deemed paid (-16.6), all declined from 2019 to 2020 during the Covid-19 pandemic.

