

Section 954.—Foreign Base Company Income

26 CFR 1.954-1: Foreign base company income.

T.D. 8827

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 1 and 301

Removal of Regulations Providing Guidance Under Subpart F Relating to Partnerships and Branches

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Removal of temporary and final regulations.

SUMMARY: This document removes 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, as published in the **Federal Register** on March 26, 1998. Removal of the temporary regulations will allow Congress and the Treasury the opportunity to consider in greater depth the issues pertaining to hybrid transactions.

EFFECTIVE DATES: These regulations are removed effective March 23, 1998.

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

SUPPLEMENTARY INFORMATION:

Background

On March 23, 1998 (63 F.R. 14669, March 26, 1998), the IRS issued proposed regulations (REG-104537-97, 1998-16 I.R.B. 21) relating to the treatment under subpart F of certain partnership and hybrid branch transactions. The provisions of the proposed regulations concerning hybrid branch transactions were also issued as temporary regulations (T.D. 8767, 1998-16 I.R.B. 4 [63 F.R. 14613, March 26, 1998]). Congress and taxpayers

raised concerns about the proposed and temporary regulations relating to hybrid branch transactions. Accordingly, as announced in Notice 98-35 (1998-27 I.R.B. 35), the IRS has decided to withdraw the proposed regulations (see REG-113909-98 withdrawing proposed regulations and setting out new proposed regulations on page 125) and remove the temporary regulations. Removal of the temporary regulations will allow Congress and the Treasury the opportunity to consider in greater depth the issues pertaining to hybrid transactions.

Drafting Information

The principal author of these regulations is Valerie Mark, of the Office of the Associate Chief Counsel (International). Other personnel from the IRS and Treasury Department also participated in the development of these regulations.

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Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301 are amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for 26 CFR part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

§1.904-5 [Amended]

Par. 2. In §1.904-5, paragraph (o) is amended by removing the last sentence.

§1.904-5T [Removed]

Par. 3. §1.904-5T is removed.

§1.954-1 [Amended]

Par. 4. Section 1.954-1 is amended by removing paragraph (c)(1)(iv).

§1.954-1T [Removed]

Par. 5. Section 1.954-1T is removed.

§1.954-2T [Removed]

Par. 7. Section 1.954-2T is removed.

§1.954-9T [Removed]

Par. 9. Section 1.954-9T is removed.

PART 301—PROCEDURE AND ADMINISTRATION

Par. 10. The authority citation for 26 CFR part 301 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

§301.7701-3 [Amended]

Par. 11. In §301.7701-3, the last sentence in paragraph (f)(1) is removed.

§301.7701-3T [Removed]

Par. 12. Section 301.7701-3T is removed.

Robert E. Wenzel,
*Deputy Commissioner of
Internal Revenue.*

Approved June 29, 1999.

Donald C. Lubick,
*Assistant Secretary of
the Treasury.*

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