An Example for Calculating GILTI

	The calculations start with some assumptions about the foreign subsidiary.		
A	Foreign tax rate	10%	The foreign tax rate where the subsidiary is located (an assumption for the sake of this example).
B	Foreign income	$200.00	The foreign income of the subsidiary (an assumption for the sake of this example), in technical terms this is "Net Tested Income."
C	Taxes paid to the foreign jurisdiction (**A** x **B** = **C**)	$20.00	This is the income tax paid by the subsidiary to the foreign jurisdiction.
	Now the U.S. parent company must calculate its GILTI liability.		
D	QBAI deduction (10% x $100 = **D**)	$10.00	First, it deducts 10% of the value of depreciable assets of the foreign subsidiary from the foreign income. In this example, it is assumed that those assets are worth $100.
E	GILTI (**B** - **D** = **E**)	$190.00	"GILTI" income is foreign income minus the 10% QBAI deduction (D).
F	GILTI tax base [50% x **E** = **F**]	$95.00	Second, the U.S. parent company applies a general deduction of 50% from GILTI. The GILTI tax base is half of "GILTI" income.
G	U.S. tax on GILTI before applying foreign tax credits (21% x **F** = **G**)	$19.95	The GILTI liability is the U.S. corporate tax rate (21%) multiplied by the GILTI tax base (F).
	Now the U.S. parent company must calculate its foreign tax credits that would offset its tax liability on GILTI.		
H	Expense allocation for FTC	$40.00	The foreign tax credit rules require some U.S. expenses to be allocated to foreign income. In this example, it is assumed that $40 of U.S. expenses are allocable to the foreign subsidiary.
I	Deemed foreign income (**F** - **H** = **I**)	$55.00	The allocated expenses are then deducted from the GILTI tax base to arrive at deemed foreign income.
J	Deemed paid foreign taxes (80% x **C** = **J**)	$16.00	Foreign tax credits to offset GILTI liability are limited to 80% of foreign taxes paid (C).
K	FTC limitation (21% x **I** = **K**)	$11.55	The potential foreign tax credit is also limited by the deemed amount of U.S. tax on foreign income. This step applies the U.S. corporate tax rate (21%) to deemed foreign income.
L	FTC amount (the lesser of **J** and **K** = **L**)	$11.55	The foreign tax credit amount to offset GILTI liability is the lesser of the deemed paid foreign taxes (J) or the amount of the foreign tax credit limitation (K).
	The U.S. parent company can now apply the tax credit to its GILTI liability.		
M	Residual U.S. Tax (**G** - **L** = **M**)	$8.40	This is the additional tax the U.S. parent company pays on top of the foreign taxes already paid by the subsidiary.
N	Total Global Tax on Foreign Income [(**C** + **M**)/ **B**] = **N**	14.2%	The overall tax rate including both U.S. and foreign taxes on the subsidiary's income.

Source: Author's calculations based on a similar example provided in Michael J Caballero and Isaac Wood, "Restoring a 'Not GILTI' Verdict for High-Taxed Income," Tax Notes, Oct. 8, 2018.

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