8 T.C. 1333 (1947)

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When a foreign tax, previously credited against U.S. tax, is refunded due to subsequent losses, the refund must be allocated to the years the tax was originally paid using a reasonable method, and the gross refund amount, not the net after-tax amount, reduces the foreign tax credit.

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Summary

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H. H. Robertson Co. sought a foreign tax credit for British taxes paid. The central issue was how to treat refunds of British excess profits taxes resulting from later years' losses. The Commissioner allocated the refunds pro rata to prior years. The Tax Court upheld the Commissioner's method as reasonable and ruled that the gross amount of the refund, before British income tax, should reduce the foreign tax credit. The Court reasoned that the British law treated the refund and the associated income tax as separate events, and the Commissioner's approach was a reasonable interpretation of U.S. tax law.

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Facts

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H. H. Robertson Co., a U.S. corporation, operated a branch in Great Britain. The company accrued and paid British income and excess profits taxes in 1940. British law imposed a 100% excess profits tax on profits exceeding a

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