

in section 27 (b) (computed without its reduction, under section 27 (b) (1), by the amount of the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations).

Ante, pp. 467, 468.

SEC. 336. SUPPLEMENT P NET INCOME.

For the purposes of this title the term "Supplement P net income" means the net income with the following adjustments:

Supplement P net income.

Term defined.

(a) **ADDITIONAL DEDUCTIONS.**—There shall be allowed as deductions—

Additional deductions.

(1) Federal income, war-profits, and excess-profits taxes paid or accrued during the taxable year to the extent not allowed as a deduction under section 23; but not including the tax imposed by section 102, section 401, or a section of a prior income-tax law corresponding to either of such sections.

Ante, pp. 460, 483; *post*, p. 557.

(2) In lieu of the deduction allowed by section 23 (q), contributions or gifts payment of which is made within the taxable year to or for the use of donees described in section 23 (q) for the purposes therein specified, to an amount which does not exceed 15 per centum of the company's net income, computed without the benefit of this paragraph and section 23 (q), and without the deduction of the amount disallowed under subsection (b) of this section, and without the inclusion in gross income of the amounts includible therein as dividends by reason of the application of the provisions of section 334 (b) (relating to the inclusion in the gross income of a foreign personal holding company of its distributive share of the undistributed Supplement P net income of another foreign personal holding company in which it is a shareholder).

Ante, p. 464.

(b) **DEDUCTIONS NOT ALLOWED.**—

Deductions not allowed.

(1) **TAXES AND PENSION TRUSTS.**—The deductions provided in section 23 (d), relating to taxes of a shareholder paid by the corporation, and in section 23 (p), relating to pension trusts, shall not be allowed.

Taxes and pension trusts.
Ante, pp. 461, 463.

(2) **EXPENSES AND DEPRECIATION.**—The aggregate of the deductions allowed under section 23 (a), relating to expenses, and section 23 (l), relating to depreciation, which are allocable to the operation and maintenance of property owned or operated by the company, shall be allowed only in an amount equal to the rent or other compensation received for the use or right to use the property, unless it is established (under regulations prescribed by the Commissioner with the approval of the Secretary) to the satisfaction of the Commissioner:

Expenses and depreciation.
Ante, p. 460.

(A) That the rent or other compensation received was the highest obtainable, or, if none was received, that none was obtainable;

(B) That the property was held in the course of a business carried on bona fide for profit; and

(C) Either that there was reasonable expectation that the operation of the property would result in a profit, or that the property was necessary to the conduct of the business.

SEC. 337. CORPORATION INCOME TAXED TO UNITED STATES SHAREHOLDERS.

Corporation income taxed to United States shareholders.

General rule.

(a) **GENERAL RULE.**—The undistributed Supplement P net income of a foreign personal holding company shall be included in the gross income of the citizens or residents of the United States, domestic corporations, domestic partnerships, and estates or trusts (other than estates or trusts the gross income of which under this title includes