

**SCHEDULE M-3  
(Form 1120-F)**

Department of the Treasury  
Internal Revenue Service

**Net Income (Loss) Reconciliation for Foreign  
Corporations With Reportable Assets of \$10 Million or More**

▶ Attach to Form 1120-F.  
▶ See separate instructions.

OMB No. 1545-0126

**2007**

Name of corporation

Employer identification number

- A** Has the corporation reported taxable income on Form 1120-F, page 3, using a treaty provision to attribute business profits to a U.S. permanent establishment under rules other than section 864(c)?  **Yes**  **No**
- B** Did the corporation prepare a non-consolidated, worldwide, certified audited income statement for the period (see instructions)?  **Yes**  **No**
- C** Did the corporation prepare a non-consolidated, worldwide income statement for the period (see instructions)?  **Yes**  **No**
- D** Did the corporation prepare certified audited income statement(s) for the set(s) of books reported on Form 1120-F, Schedule L?  **Yes**  **No**

**Part I Financial Information and Net Income (Loss) Reconciliation** (see instructions)

- 1** Is the corporation a foreign bank as defined in Temporary Regulations section 1.882-5T(c)(4)?
  - Yes.** Complete the remainder of Part I as follows:  
If D is "Yes," use the income statement described in D to complete lines 2 through 5 and 7 through 11.  
If D is "No," use the income statement(s) for the set(s) of books reported on Form 1120-F, Schedule L to complete lines 2 through 5 and 7 through 11.
  - No.** Complete the remainder of Part I as follows:  
If B is "Yes," use the income statement described in B to complete lines 2 through 11.  
If B is "No" and C is "Yes," use the income statement described in C to complete lines 2 through 11.  
If B and C are "No" and D is "Yes," use the income statement described in D to complete lines 2 through 11.  
If B, C, and D are "No," use the income statement described in the instructions to complete lines 2 through 11.

- 2a** Enter the income statement period: Beginning \_\_\_\_/\_\_\_\_/\_\_\_\_ Ending \_\_\_\_/\_\_\_\_/\_\_\_\_
- b** Has the corporation's income statement been restated for the income statement period entered on line 2a?
  - Yes.** Attach an explanation and the amount of each item restated.
  - No.**
- c** Has the corporation's income statement been restated for any of the 5 income statement periods preceding the period on line 2a?
  - Yes.** Attach an explanation and the amount of each item restated.
  - No.**
- 3** Is any of the corporation's stock publicly traded on any exchange, U.S. or foreign?
  - Yes.** List exchange(s) and symbol ▶ \_\_\_\_\_
  - No.**

<b>4</b> Non-consolidated foreign corporation net income (loss) in U.S. dollars from the income statement source identified in line 1	<b>4</b>
<b>5a</b> Net income from includible disregarded foreign entities not included on line 4 (attach schedule)	<b>5a</b>
<b>b</b> Net loss from includible disregarded foreign entities not included on line 4 (attach schedule)	<b>5b</b> ( )
<b>c</b> Net income from includible disregarded U.S. entities not included on line 4 (attach schedule)	<b>5c</b>
<b>d</b> Net loss from includible disregarded U.S. entities not included on line 4 (attach schedule)	<b>5d</b> ( )
<b>6</b> Net income (loss) from foreign locations not included on line 4 (attach schedule)	<b>6</b>
<b>7a</b> Net income of non-includible entities (attach schedule)	<b>7a</b> ( )
<b>b</b> Net loss of non-includible entities (attach schedule)	<b>7b</b>
<b>8</b> Adjustments to intercompany transactions (attach schedule)	<b>8</b>
<b>9</b> Adjustments to reconcile income statement period to tax year (attach schedule)	<b>9</b>
<b>10</b> Other adjustments to reconcile to amount on line 11 (attach schedule)	<b>10</b>
<b>11</b> <b>Adjusted financial net income (loss) of non-consolidated foreign corporation.</b> Combine lines 4 through 10	<b>11</b>

Name of corporation

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Income (Loss) per Return (optional)
<b>1</b> Gross receipts . . . . .					
<b>2</b> Cost of goods sold (attach schedule) . . . . .					
<b>3a</b> Dividends from foreign entities . . . . .					
<b>b</b> Dividends from U.S. entities . . . . .					
<b>c</b> Substitute dividend payments received . . . . .					
<b>4a</b> Interest income excluding interest equivalents . . . . .					
<b>b</b> Substitute interest payments received . . . . .					
<b>c</b> Interest equivalents not included on line 4b . . . . .					
<b>5</b> Gross rental income . . . . .					
<b>6</b> Gross royalty income . . . . .					
<b>7</b> Fee and commission income . . . . .					
<b>8</b> Income (loss) from equity method corporations . . . . .					
<b>9</b> Net income (loss) from U.S. partnerships . . . . .					
<b>10</b> Net income (loss) from certain foreign partnerships (attach schedule) . . . . .					
<b>11</b> Net income (loss) from other pass- through entities (attach schedule) . . . . .					
<b>12</b> Items relating to reportable transactions (attach details) . . . . .					
<b>13</b> Hedging transactions . . . . .					
<b>14a</b> Mark-to-market income (loss) under section 475(a) . . . . .					
<b>b</b> Mark-to-market income (loss) subject to section 475(d)(3)(B) . . . . .					
<b>c</b> Mark-to-market income (loss) under section 475(e) . . . . .					
<b>d</b> Mark-to-market income (loss) under section 475(f) . . . . .					
<b>15</b> Gain (loss) from certain section 988 transactions . . . . .					
<b>16a</b> Interest income from global securities dealing . . . . .					
<b>b</b> Dividends from global securities dealing . . . . .					
<b>c</b> Gains (losses) and other fixed and determinable, annual, or periodic income from global securities dealing not included on lines 16a and 16b . . . . .					
<b>17</b> Sales versus lease (for sellers and/or lessors) . . . . .					
<b>18</b> Section 481(a) adjustments . . . . .					
<b>19</b> Unearned/deferred revenue . . . . .					
<b>20</b> Original issue discount, imputed interest, and phantom income . . . . .					
<b>21a</b> Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities . . . . .					
<b>b</b> Gross capital gains from Schedule D, excluding amounts from pass- through entities . . . . .					

Name of corporation

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions) *(continued from page 2)*

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Income (Loss) per Return (optional)
<b>21c</b> Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses . . . . .					
<b>d</b> Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses . . . . .					
<b>e</b> Abandonment losses . . . . .					
<b>f</b> Worthless stock losses (attach details) . . . . .					
<b>g</b> Other gain/loss on disposition of assets other than inventory . . . . .					
<b>22</b> Capital loss limitation and carryforward used . . . . .					
<b>23</b> Gross effectively connected income of foreign banks from books that do not give rise to U.S. booked liabilities . . . . .					
<b>24</b> Other income (loss) items with differences (attach schedule) . . . . .					
<b>25</b> <b>Total income (loss) items.</b> Combine lines 1 through 24 . . . . .					
<b>26</b> <b>Total expense/deduction items</b> (from Part III, line 33) . . . . .					
<b>27</b> Other items with no differences . . . . .					
<b>28</b> <b>Reconciliation totals.</b> Combine lines 25 through 27 . . . . .					

**Note.** Line 28, column (a), must equal the amount on Part I, line 11, and column (e) must equal Form 1120-F, page 3, line 29.

**Part III Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Deduction per Tax Return (optional)
<b>1</b> U.S. current income tax expense . . . . .					
<b>2</b> U.S. deferred income tax expense . . . . .					
<b>3</b> Non-U.S. current income tax expense (other than foreign withholding taxes) . . . . .					
<b>4</b> Non-U.S. deferred income tax expense . . . . .					
<b>5</b> Non-U.S. withholding taxes . . . . .					
<b>6</b> Compensation with section 162(m) limitation . . . . .					
<b>7</b> Salaries and other base compensation . . . . .					
<b>8</b> Stock option expense . . . . .					
<b>9</b> Other equity-based compensation . . . . .					
<b>10</b> Meals and entertainment . . . . .					
<b>11</b> Fines and penalties . . . . .					
<b>12</b> Judgments, damages, awards, and similar costs . . . . .					

Name of corporation

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions) *(continued from page 3)*

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Deduction per Tax Return (optional)
<b>13</b> Pension and profit-sharing . . . . .					
<b>14</b> Other post-retirement benefits . . . . .					
<b>15</b> Deferred compensation . . . . .					
<b>16</b> Charitable contributions . . . . .					
<b>17</b> Domestic production activities deduction . . . . .					
<b>18</b> Current year acquisition or reorganization investment banking fees, legal and accounting fees . . . . .					
<b>19</b> Current year acquisition/reorganization other costs. . . . .					
<b>20</b> Amortization/impairment of goodwill . . . . .					
<b>21</b> Amortization of acquisition, reorganization, and start-up costs . . . . .					
<b>22</b> Other amortization and impairment write-offs . . . . .					
<b>23</b> Depreciation . . . . .					
<b>24</b> Bad debt expense . . . . .					
<b>25</b> Purchase versus lease (for purchasers and/or lessees) . . . . .					
<b>26a</b> Interest expense per books . . . . .					
<b>b</b> Interest expense under Regulations section 1.882-5 (from Schedule I (Form 1120-F), line 23) . . . . .					
<b>c</b> Regulations section 1.882-5 allocation amount subject to deferral or disallowance (from Schedule I (Form 1120-F), line 24d) . . . . .			(            )		
<b>d</b> U.S. source substitute interest payments . . . . .					
<b>e</b> Interest equivalents (e.g., guarantee fees) not included on line 26d . . . . .					
<b>27</b> U.S. source substitute dividend payments . . . . .					
<b>28</b> Fee and commission expense . . . . .					
<b>29</b> Rental expense . . . . .					
<b>30</b> Royalty expense . . . . .					
<b>31</b> Expenses allocable to effectively connected income under Regulations section 1.861-8 from home office or other books that do not give rise to U.S. booked liabilities (from Schedule H (Form 1120-F), line 21) . . . . .					
<b>32</b> Other expense/deduction items with differences (attach schedule) . . . . .					
<b>33</b> <b>Total expense/deduction items.</b> Combine lines 1 through 32. Enter here and on Part II, line 26 . . . . .					