

The information submitted states that X is organized as a company limited by shares under the laws of Country. X is the trustee of A, B, and C, which were created to provide pension, retirement, and invalidity benefits to employees in a particular industry and their surviving dependents, as required under the laws of Country. A, B, and C are exempt from income taxation under the laws of Country on their pension-related activities.

A, B, and C are governed by Acts, as well as their own governing documents, and regulated by Body. Body is the official government body established to supervise pension funds in Country. X has overall responsibility for the effective operations of A, B, and C, including the administration of benefits, collection of contributions, and the investment and safe custody of assets. X has the power as trustee to engage in any and all activities which conform with Acts and the governing documents of A, B, and C which serves to additionally protect the benefits accumulated by the parties.

X's governing documents provide that the governance and management of X, A, B, and C is determined by the Board of Trustee Directors (Board), which consists of an equal number of directors elected by the employers and employees. All Board resolutions are required to be passed by majority vote. The Chairman of Board, who is an employer director, holds the casting vote in case of ties.

A, B, and C derive their income from a combination of employee contributions, employer contributions, and income from investments. The available funds of A, B, and C are required to be invested responsibly based on a statement of investment principles adopted by Board pursuant to Acts. X, A, B, and C are required to annually produce an audited report of the financial position of each of A, B, and C, including a signed statement from the auditors.

X, A, B, and C have unlimited lives. If X is to be liquidated, there must be an extraordinary resolution to vest the whole or any part of its assets in some other body having similar objects or functions. In the event of the dissolution of A, B, or C, Board is authorized to settle the interests of the active and deferred participants and other interested parties. Board is authorized to transfer the liabilities and obligations with respect to pensions and other benefits to another pension scheme (as defined in Acts) in accordance with the governing documents. Members of A, B, and C cannot unilaterally assign or transfer their pension benefits to another person.

Section 301.7701-1(b) provides that the classification of organizations that are recognized as separate entities is determined under § 301.7701-2, § 301.7701-3, and § 301.7701-4 unless a provision of the Internal Revenue Code provides for special treatment of that organization.

Section 301.7701-4(a) provides that, in general, an arrangement will be treated as a trust if it can be shown that the purpose of the arrangement is to vest in trustees

responsibility for the protection and conservation of property for beneficiaries who cannot share in the discharge of this responsibility and, therefore, are not associates in a joint enterprise for the conduct of business for profit. If an entity has both associates and a business purpose, it cannot be classified as a trust for federal tax purposes.

Based solely on the facts submitted and the representations made, we conclude that A, B, and C are classified as trusts for federal tax purposes under § 301.7701-4(a).

Except as expressly provided, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provision of the Code. Specifically, we make no determination concerning whether A, B, C, or their beneficiaries are entitled to any benefits under the Code or the income tax treaty entered into by Country and the United States concerning income derived from the United States.

This ruling is directed only to the taxpayers receiving it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to X's authorized representative.

Sincerely,

J. THOMAS HINES
Chief, Branch 2
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures: 2
Copy of this letter
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