

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:INTL:B02
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Date:
June 16, 2020

TY:

Legend

Taxpayer =
Country A =
Business A =
Product A =
Prior-Name-1 =
Prior-Name-2 =
Corporation A =
Corporation B =

Corporation C =
Corporation D =
Regulator =

a =

b =

c =

d =

e =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Year 5 =

Year 6 =

Dear _____ :

This is in response to your letter dated December 30, 2019, and additional correspondence dated June 2, 2020, submitted on behalf of Taxpayer by its authorized representative, requesting the consent of the Commissioner of the Internal Revenue Service ("Commissioner") to revoke Taxpayer's election under section 953(d) to be treated as a domestic corporation.

The rulings contained in this letter are based upon information and representations submitted by Taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for a ruling, it is subject to verification upon examination. The information submitted in the request is substantially as set forth below. Unless otherwise provided, all Code and section references are to the Internal Revenue Code of 1986, as amended.

I. Rulings Requested

Taxpayer requests the following rulings:

- A. Consent of the Commissioner to revoke Taxpayer's election under section 953(d) to be treated as a domestic corporation.
- B. Taxpayer will be treated as a domestic corporation transferring as of January 1, Year 6, all of its property to a foreign corporation in a section 361 exchange, subject to sections 367(a) and (d), and any gain will be reported on Taxpayer's tax return for the one-day taxable year beginning and ending on January 1, Year 6.
- C. Taxpayer will be a controlled foreign corporation, as defined in section 957, for the taxable year beginning January 2, Year 6.

II. Facts

Taxpayer is a corporation incorporated in Country A on Date 1, Year 1, as a wholly owned subsidiary of Corporation A, a Country A corporation. Taxpayer's original name was Prior-Name-1. Later it changed its name to Prior-Name-2. On Date 2, Year 2, it changed its name to its current name.

Effective Date 3, Year 3, Corporation B and Corporation C, both domestic corporations, together acquired a percent of Taxpayer's shares from Corporation A. Corporation C was a b percent owned subsidiary of Corporation D, another domestic corporation. The

remaining c percent of Taxpayer's shares were owned by Corporation A. On Date 5, Year 4, Corporation C was liquidated and Corporation D acquired its shares in Taxpayer. Taxpayer's current shareholding is as follows: c percent owned by Corporation A; e percent owned by Corporation B; d percent owned by Corporation D.

From Year 1 until Year 3, Taxpayer was inactive. On Date 4, Year 3, Taxpayer was granted a license by Regulator to provide Business A in Country A. The license allowed Taxpayer to engage in Business A and sell Product A in Country A to Country A residents/citizens.

Taxpayer filed its first U.S. tax return in Year 3 and filed a section 953(d) election effective Year 3 to be taxed as a domestic corporation. From Year 3 through Year 4, Taxpayer has been filing U.S. federal income tax returns as a domestic corporation.

Taxpayer's U.S. shareholders – Corporation B and Corporation D – are considering selling their shares in Taxpayer to Corporation A. In anticipation of a potential sale, Taxpayer is seeking consent from the Commissioner to revoke this election.

III. Law

Section 953(d)(1) provides, in general, that if (A) a foreign corporation is a controlled foreign corporation (as defined in section 957(a) by substituting "25 percent or more" for "more than 50 percent" and by using the definition of United States shareholder under section 953(c)(1)(A)), (B) such foreign corporation would qualify under part I or part II of subchapter L, chapter 1 of subtitle A of the Code, for the taxable year if it were a domestic corporation, (C) such foreign corporation meets such requirements as the Secretary shall prescribe to ensure that the taxes imposed by chapter 1 of subtitle A of the Code on such foreign corporation are paid, and (D) such foreign corporation makes an election to have section 953(d)(1) apply and waives all benefits to such corporation granted by the United States under any treaty, for purposes of this title, then such corporation shall be treated as a domestic corporation.

Section 953(d)(2)(A) provides that in general an election under section 953(d)(1) applies to the taxable year for which it is made and all subsequent taxable years unless revoked with the consent of the Secretary.

Section 953(d)(5) provides that for purposes of section 367, if an election under section 953(d) is made by a corporation for any taxable year, and such election ceases to apply for any subsequent taxable year, the corporation is treated as a domestic corporation transferring (as of the first day of the subsequent taxable year) all of its property to a foreign corporation in connection with an exchange to which section 354 applies.

Section 4.02(1) of Rev. Proc. 2003-47 provides, in part, that once approved, a section 953(d) election remains effective for each subsequent taxable year in which the requirements of this revenue procedure and section 953(d) are satisfied unless revoked

by the electing corporation with the consent of the Commissioner. Further, it states that if an election is terminated or revoked, the foreign corporation and its successors will be barred from making another election under section 953(d) without the consent of the Commissioner.

IV. Conclusion

Based solely on the information submitted and the representations made:

- A. Consent is granted for Taxpayer to revoke its section 953(d) election to be treated as a domestic corporation.
- B. For purposes of section 367, Taxpayer will be treated as a domestic corporation transferring as of January 1, Year 6, all of its property to a foreign corporation in a section 361 exchange, subject to sections 367(a) and (d), and any gain will be reported on Taxpayer's U.S. federal income tax return for the one-day taxable year beginning and ending on January 1, Year 6.
- C. Taxpayer is a controlled foreign corporation, as defined under section 957, for the taxable year beginning January 2, Year 6.

The above rulings are only applicable with respect to the Code sections addressed herein. We do not express or imply an opinion on the federal tax consequences of any other aspect of this transaction, such as the amount of any gain reportable under section 367.

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

You must attach to any income tax return to which it is relevant a copy of this letter or, if you file your returns electronically, a statement providing the date and control number of this letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Kristine A. Crabtree
Senior Technical Reviewer, Branch 2
(Office of Associate Chief Counsel (International))

cc: