Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

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Refer Reply To:
CC:CORP:B01
PLR-109146-22

Date:
March 27, 2024

LEGEND

Foreign Parent =

Old U.S. Parent =

Company A =

Company B

Company C =

DRE1 =

DRE2 =

DRE3 =

Partnership =

New U.S. Parent =

New U.S. Sub =

Company Y =

State X =

Country A =

Country B =

Country C =

Shareholder M =

Shareholder N =

c	=
Court M	=
Business	=
Procedure	=
Date1	=
Date2	=
Date3	=
Date4	=
Exchange	=

Dear :

This letter responds to a letter dated May 4, 2022, as supplemented by subsequent information, requesting rulings on certain U.S. federal income tax consequences of a series of transactions. The information submitted is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the 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 rulings, it is subject to verification on examination.

Factual Background

Below is a description of the relevant factual background as of Date1.

Foreign Parent was a Country A corporation engaged in Business. Foreign Parent had two classes of common stock, Class A and Class B, which had the same rights per share except for voting. Class A stock had one vote per share and Class B stock had 10 votes per share. Class A stock was traded in the United States ("U.S.") on the Exchange. Shareholders M and N are individuals and Country C residents who owned most of the Class B stock and together had about c percent of the voting power of Foreign Parent stock.

Foreign Parent owned all the stock of Old U.S. Parent, a corporation organized under the laws of both State X and Country Y. Old U.S. Parent is a "dual resident corporation" within the meaning of section 1.1503(d)-1(b)(2) of the Income Tax Regulations and is treated as a domestic corporation for U.S. federal income tax purposes and was also the common parent of a U.S. consolidated group under section 1504 of the Code (the "Old U.S. Parent Group"). Old U.S. Parent owns all the stock of Company A and Company B, both of which are dual resident corporations organized under the laws of Country A and State X and are classified as domestic corporations for U.S. federal income tax purposes. Company B wholly owns Company C, a State X corporation, and DRE1, a Country B entity classified as a disregarded entity for U.S. federal income tax purposes.

Company A, Company B, and Company C together own all the interests in Partnership, a State X limited liability company classified as a partnership for U.S. federal income tax purposes. Partnership is the sole owner of DRE2, a Country C company classified as a disregarded entity for U.S. federal tax purposes. In turn, DRE2 indirectly owns all the interests in DRE3 through other Country C entities, all of which are treated as disregarded entities for U.S. federal income tax purposes.

Transactions

For what are represented to be valid business purposes, the following transactions occurred to transfer the place of incorporation of the parent of the corporate group from Country A to the United States:

(a) New U.S. Parent, a State X corporation, was formed with two shares in exchange for nominal capital.

(b) New U.S. Parent formed New U.S. Sub, a State X corporation, with the minimum capital required by law.

(c) Foreign Parent issued one share in a new share class (a "Class C share") to New U.S. Parent.

(d) As sanctioned by Court M, a Procedure was undertaken on Date2, whereby:

  (i) Foreign Parent cancelled its Class A shares and Class B shares with its existing shareholders, but its single Class C share was not cancelled.

  (ii) New U.S. Parent issued New U.S. Parent Class A shares and Class B shares to Foreign Parent's former shareholders in the same respective proportions, and with the same rights, as the shares that the shareholders held in Foreign Parent.

(iii) New U.S Parent subscribed for a number of Class A and Class B shares in Foreign Parent held by Foreign Parent shareholders immediately prior to the Procedure, and Foreign Parent accordingly issued these shares to New U.S. Parent ((d)(i), (ii) and (iii) collectively, the "Country A Restructuring").

(e) On Date3, New U.S. Parent contributed its Class A shares, Class B shares, and Class C share of Foreign Parent stock to New U.S. Sub for no consideration (the "Contribution").

(f) Foreign Parent converted to a private limited company under Country A law (the "Conversion"), effective on Date4. After the Conversion, Foreign Parent is known as Company Y.

(g) Company Y filed Form 8832, Entity Classification Election, to elect to be classified as a disregarded entity for U.S. federal income tax purposes, effective on the effective date of the Conversion (the "Election," and together with the Contribution and Conversion, the "Foreign Parent Reorganization").

After the transactions above, New U.S. Parent owns all the stock of New U.S. Sub, which owns all the stock of Company Y (a disregarded entity).

Representations

The Old U.S. Parent has submitted the following representations regarding the Transactions:

(a) If, for U.S. federal income tax purposes, the Country A Restructuring will be treated as if the Foreign Parent shareholders transferred all the stock of Foreign Parent to New U.S. Parent in exchange for New U.S. Parent stock, the Country A Restructuring will, by itself, qualify as an exchange under section 351 of the Code.

(b) Except for the issue of whether the Country A Restructuring may preclude qualification of the Foreign Parent Reorganization under section 368(a)(1)(F) of the Code, the Foreign Parent Reorganization will qualify as a tax-free reorganization under section 368(a)(1)(F) of the Code.

(c) At the time of the Country A Restructuring, Foreign Parent had no shareholder that had a positive all earnings and profits ("E&P") amount (as defined in Treas. Reg. §1.367(b)-2(d)) with respect to its stock in Foreign Parent.

(d) As of its taxable year ending Date1, Foreign Parent had no positive

accumulated E&P and did not have positive accumulated E&P on the effective date of the Election.

(e) On the effective date of the Election, the fair market value of the gross assets of Foreign Parent, other than the stock of Old U.S. Parent, was less than 5 percent of the aggregate fair market value of the gross assets of Foreign Parent, including the stock of Old U.S. Parent.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Transactions:

(1) For U.S. federal income tax purposes, the Procedure will be treated as if the Foreign Parent shareholders transferred all their stock of Foreign Parent to New U.S. Parent in exchange for all the New U.S. Parent stock.

(2) Provided the Country A Restructuring satisfies the requirements under section 351 of the Code, the Procedure will not preclude the Foreign Parent Reorganization from qualifying under section 368(a)(1)(F) of the Code. *See* Rev. Rul. 2015-9, 2015-21 I.R.B. 972; Rev. Rul. 2015-10, 2015-21 I.R.B. 973.

(3) The Old U.S. Parent Group will remain in existence with New U.S. Parent as the new common parent following the Transactions. *See* Treas. Reg. § 1.1502- 75(d); *cf*. Rev. Rul. 82-152, 1982-2 C.B. 205.

Closing Agreement

We will, accordingly, approve a closing agreement with the taxpayer with respect to those issues affecting its tax liability on the basis set forth above. The necessary closing agreement for New U.S. Parent has been prepared in triplicate and is enclosed. In pursuance of our practice with respect to such agreements, the agreement contains a stipulation to the effect that any change or modification of applicable statutes enacted subsequent to the date of this agreement and made applicable to the taxable period involved will render the agreement ineffective to the extent that it is dependent upon such statutes.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Procedural Statements

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.

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

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Mark A. Schneider

Mark A. Schneider
Associate Chief Counsel
(Corporate)

cc: