

Reg. 1.367(a)-3(d)(3), Example 6
368(a)(1)(C)
 (formerly Example 5)

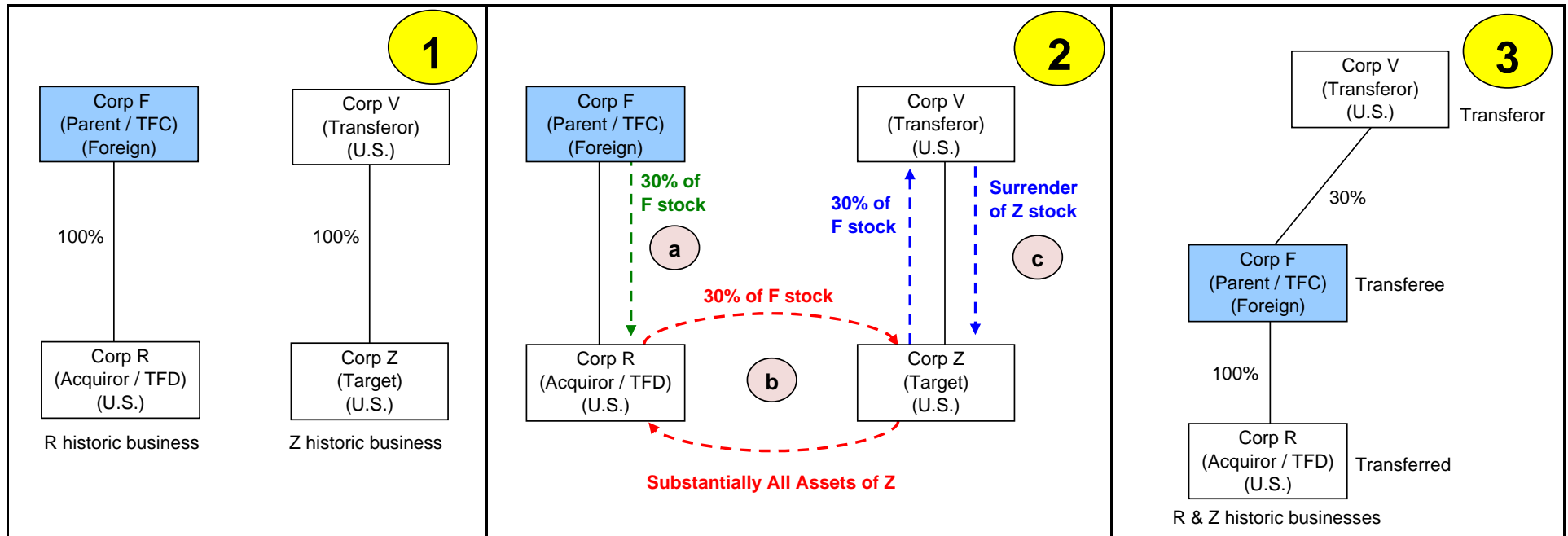
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**Indirect Stock Transfer -
 Triangular C Reorganization**

Initial Structure

Triangular C Reorganization

Ending Point



F, a foreign corporation, owns all of the stock of R, a domestic corporation that operates an historical business. V, a domestic corporation, owns all of the stock of Z, also a domestic corporation. V does not own any of the stock of F (applying the attribution rules of section 318 as modified by section 958(b)). In a triangular reorganization described in section 368(a)(1)(C), R acquires all of the assets of Z, and V receives 30% of the voting stock of F.

V is required to enter into a 5-year gain recognition agreement under §1.367(a)-8 to secure nonrecognition treatment under section 367(a). F is treated as the transferee foreign corporation and R is treated as the transferred corporation. In determining whether, in a later transaction, R has disposed of substantially all of its assets for purposes of triggering the GRA, only the assets of the Z historic business will be taken into account.