

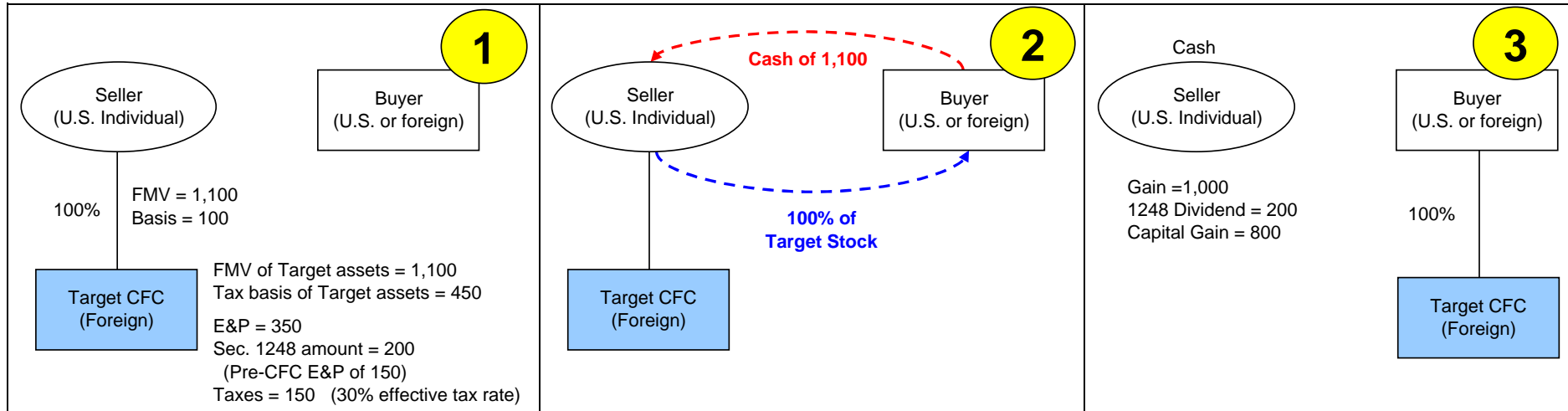
# U.S. Individual Seller of CFC - Qualified Foreign Corporation (QFC)

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## Initial Structure

## Sale of Target

## Ending Point



### Assumptions

1. All amounts in U.S. dollars
2. Capital gains taxed at 15%
3. Foreign dividend is taxed at 15% [Target CFC is a qualified foreign corp. - see Sec. 1(h)(11)(C) and Notice 2003-69]
4. Seller has no other income
5. No foreign taxes are paid on the sale

Section 902 deemed paid foreign taxes - Not applicable to individual shareholders

Foreign Tax Credit limitation - Not applicable (no foreign taxes paid or deemed paid)

Worldwide Income Excluding Gross-up = 1,000  
Sec. 78 Gross-up = N/A  
Worldwide Income Including Gross-up = 1,000  
Foreign source income = 200  
Tentative U.S. tax = 150 (1,000 X 15%)

|  |     |
|--|-----|
| Tentative U.S. tax   | 150 |
| Less: Lesser of foreign taxes<br>deemed paid or FTC limitation | --  |
| Net U.S. tax due   | 150 |

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