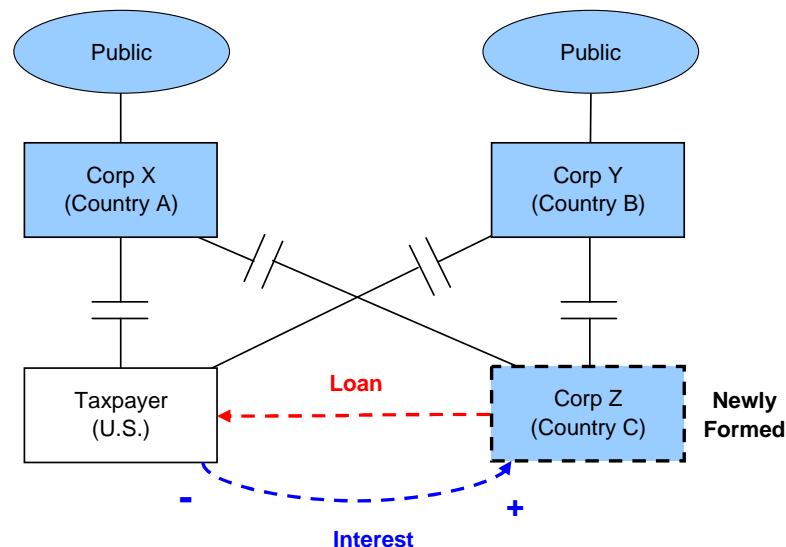


**"Ultimate Beneficial Owners"  
Under Derivative Benefits Test**

X Corp is incorporated under the laws of Country A, and Y Corp is incorporated under the laws of Country B. Both Country A and Country B are member states of the European Union. X Corp and Y Corp collectively hold stock, directly and indirectly, in companies throughout the world (the "XY Group"). The principle office of X Corp is in Country A, and the principle office of Y Corp is in Country B. The X Corp shares are listed and traded on Stock Exchange 1, and the Y Corp shares are listed and traded on Stock Exchange 2.

At the time the ruling was submitted, X Corp and Y Corp planned to incorporate Z Corp. Z Corp will be owned indirectly by X Corp and Y Corp. Z Corp will be a resident of Country C and will be subject to Country C tax on its world-wide taxable income. Taxpayer is a wholly owned U.S. subsidiary within the XY Group. As part of its treasury function, Z Corp will lend funds to Taxpayer. In return, Taxpayer will pay interest to Z Corp and must determine whether the interest paid to Z Corp will be exempt from U.S. withholding tax pursuant to the terms of the Country C Treaty.



Taxpayer represents that X Corp and Y Corp are eligible for benefits under Country A Treaty and Country B Treaty, respectively. Taxpayer also represents that X Corp and Y Corp are publicly traded corporations and qualify for all of the benefits of Country A Treaty and Country B Treaty, respectively, without regard to the residence of their owners. Taxpayer further represents that X Corp and Y Corp are entitled to exemption from U.S. tax on payments of interest arising in the United States pursuant to Country A Treaty and Country B Treaty, respectively. Paragraph 7 of the revised Memorandum of Understanding (the "revised MOU") to the Country C Treaty provides an additional method for qualifying for benefits pursuant to paragraph 6 of Article 22. In pertinent part, paragraph 7 provides that:

[I]t is understood that a company resident in one of the Contracting States will be granted the benefits of the Convention under paragraph 6 of Article 22 with respect to the income it derives from the other Contracting State if the ultimate beneficial owners of 95 percent or more of the aggregate vote and value of all of its shares are seven or fewer persons that are residents of a member state of the European Union or the European Economic Area or a party to the North American Free Trade Agreement that meet the requirements of subparagraph 3(b) of Article 22....[Emphasis added.]

Based on the use of the term "ultimate beneficial owner" in the Country C Treaty, and comparable usage in other United States income tax treaties, it is concluded that X Corp and Y Corp are the ultimate beneficial owners of Z Corp. Based on the use of the term "comprehensive income tax convention" in the Country C Treaty and comparable usage in the Netherlands treaty, it is held that both Country A Treaty and Country B Treaty will be considered "comprehensive income tax conventions" for purposes of paragraph 3(b) of Article 22 of the Country C Treaty.

