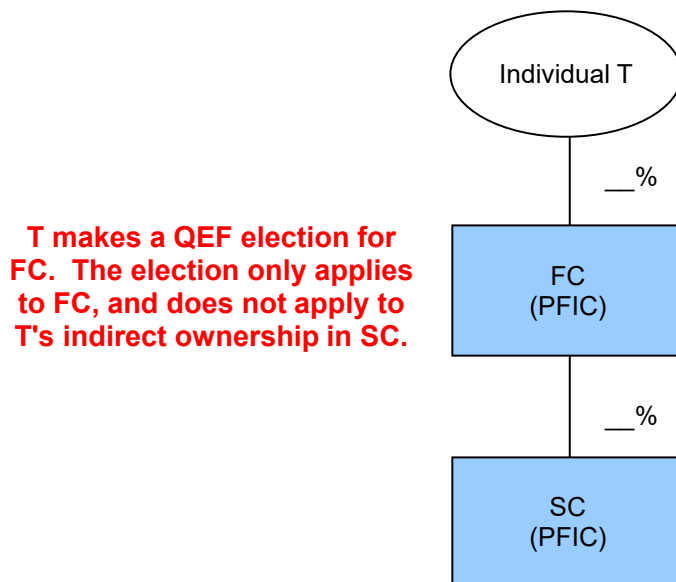


**Reg. 1.1295-1(d)(3)(ii),
Example**

**A QEF Election Only Applies to
the Foreign Corporation For
Which the Election is Made**

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Reg. 1.1295-1(d)(3)(i) provides:

An election under section 1295 shall apply only to the foreign corporation for which an election is made. Therefore, if a shareholder makes an election under section 1295 to treat a PFIC as a QEF, that election applies only to stock in that foreign corporation and not to the stock in any other corporation which the shareholder is treated as owning by virtue of its ownership of stock in the QEF.

The example in Reg. 1.1295-1(d)(3)(ii) states:

In 1988, T, a U.S. person, purchased stock of FC, a foreign corporation that is a PFIC. FC also owns the stock of SC, a foreign corporation that is a PFIC. T makes an election under section 1295 to treat FC as a QEF. T's section 1295 election applies only to the stock T owns in FC, and does not apply to the stock T indirectly owns in SC.