Controlled foreign corporation B, incorporated under the laws of foreign country X, is a wholly owned subsidiary of controlled foreign corporation C, also incorporated under the laws of country X. Corporation B purchases and imports into country X rough diamonds mined in foreign country Y; in country X Corporation B cuts, polishes, and shapes the diamonds in a process which constitutes manufacturing. Corporation B sells the finished diamonds to C Corporation, a related person, which in turn sells them for use in foreign country Z. Since the finished diamonds are manufactured in country X, gross income derived by C Corporation from their sale is not foreign base company sales income.

HUNDREDS of additional charts at www.andrewmitchel.com