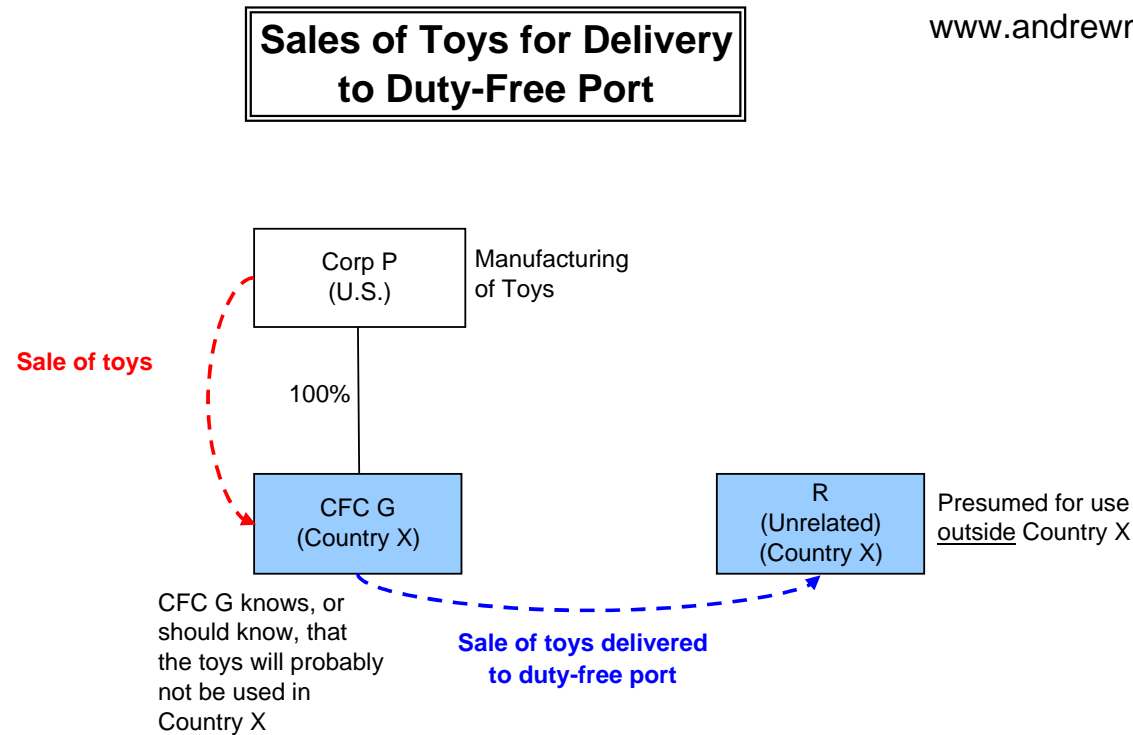


Reg. 1.954-3(a)(3)(iv), Example 4

Copyright © 2006 Andrew Mitchell LLC
International Tax Services
www.andrewmitchel.com



Controlled foreign corporation G, incorporated under the laws of foreign country X, is a wholly owned subsidiary of domestic corporation P. Corporation G purchases from P Corporation toys manufactured in the United States by P Corporation and sells the toys to R, an unrelated person, for delivery to a duty-free port in country X. Instructions for the assembly and operation of the toys are printed in a language which is not commonly used in country X. From the facts and circumstances surrounding the sales to R, G Corporation knows, or should know, that the toys will probably not be used, consumed, or disposed of within country X. Therefore, unless G Corporation determines the use to be made of the toys by R, such property will be presumed to have been sold by R for use, consumption, or disposition outside of country X, and **the entire gross income** of G Corporation derived from the sales **will be considered foreign base company sales income.**

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)