Controlled foreign corporation C, incorporated under the laws of foreign country X, purchases tuna fish from unrelated persons who own fishing boats which catch such fish on the high seas. Corporation C receives such fish in country X in the condition in which taken from the fishing boats and in country X processes, cans, and sells the fish to related person D, incorporated under the laws of foreign country Y, for consumption in foreign country Z. The transformation of such fish into canned fish constitutes the manufacture or production of property for purposes of this subparagraph. Because CFC C is manufacturing, its income is not foreign base company sales income.

The example does not address whether "related person D" has foreign base company sales income. Because D is incorporated in country Y and the tuna is destined for consumption in country X, it would appear that D's income may be foreign base company sales income.