Reg. 1.954-4(b)(3), Example 6

Foreign Base Company Services: Contract Assignment As A Performance Guarantee

1. **Contract Assignment**
   - **Corporation M (U.S.)**
   - **CFC C (Foreign)**
   - **Unrelated Person**

2. **Entering into Contract & Contract Assignment**
   - **Contract to construct a superhighway in a foreign country**
   - **Assignment of entire contract and Unrelated Person does not release Corp M of its obligations under the contract**

3. **Ending Point**
   - **Guarantee - Corp M was not released from its obligations**
   - **Contract to construct a superhighway in a foreign country**

Domestic corporation M enters a contract with an unrelated person to construct a superhighway in a foreign country. Corporation M immediately assigns the entire contract to its wholly owned subsidiary, controlled foreign corporation C. The unrelated person does not release M Corporation of its obligation under the contract, the sole purpose of these arrangements being to have M Corporation guarantee performance of the contract by C Corporation. Corporation C is capable of performing the construction contract. Neither M Corporation nor any other person related to C Corporation pays for, or performs, any services called for by the construction contract or at any time pays for, or performs, any significant services related to the services performed under such contract. The construction of the superhighway by C Corporation is not considered for purposes of section 954(e) to be the performance of services for, or on behalf of, M Corporation.

HUNDREDS of additional charts at www.andrewmitchel.com