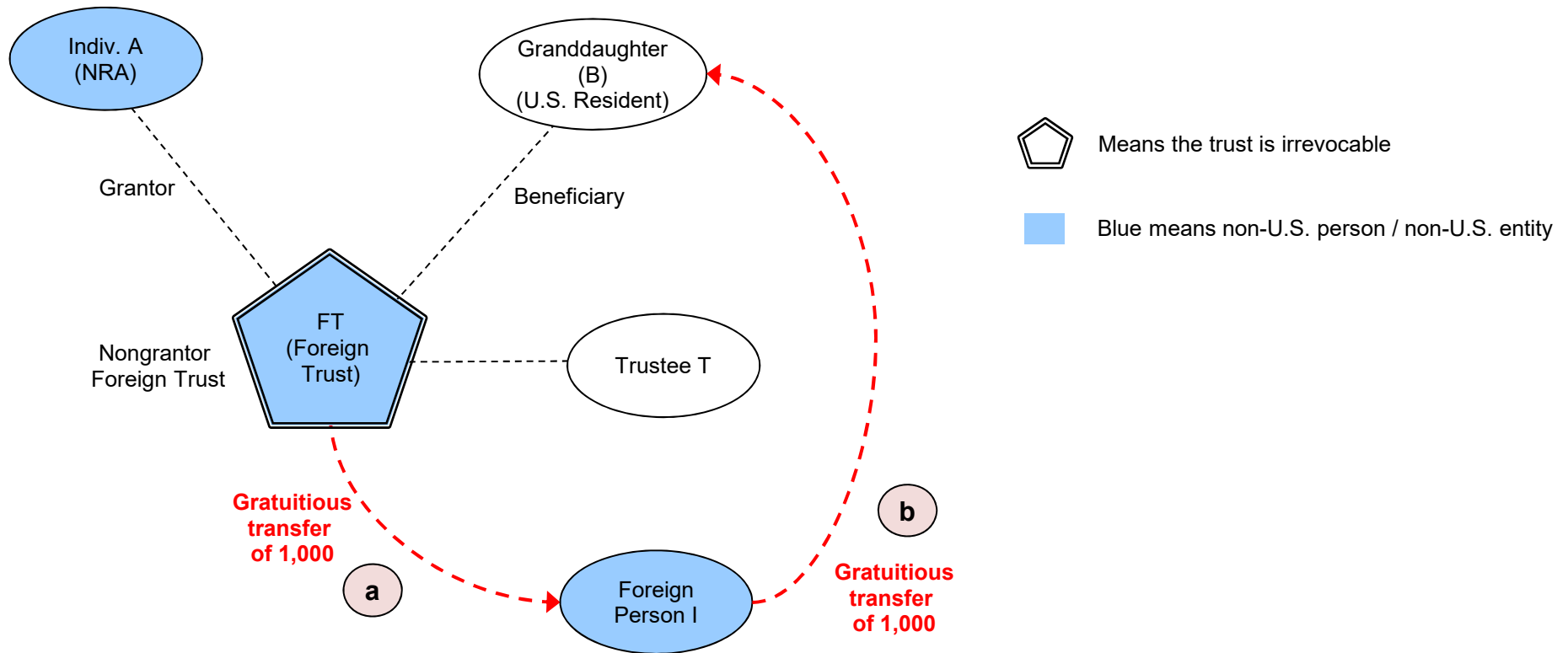


Reg. 1.643(h)-1(g), Example 1

Distribution Thru Intermediary With Tax Avoidance Purpose

Copyright © 2016 Andrew Mitchel LLC
International Tax Services
www.andrewmitchel.com



Principal purpose of tax avoidance. FT was created in 1980 by A, a nonresident alien, for the benefit of his children and their descendants. FT's trustee, T, determines that 1000X of accumulated income should be distributed to A's granddaughter, B, who is a resident alien. Pursuant to a plan with a principal purpose of avoiding the interest charge that would be imposed by section 668, T causes FT to make a gratuitous transfer (within the meaning of Treas. Reg. §1.671-2(e)(2)) of 1000X to I, a foreign person. I subsequently makes a gratuitous transfer of 1000X to B. Under Treas. Reg. §1.643(h)-1(a)(1), FT is deemed to have made an accumulation distribution of 1000X directly to B.

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