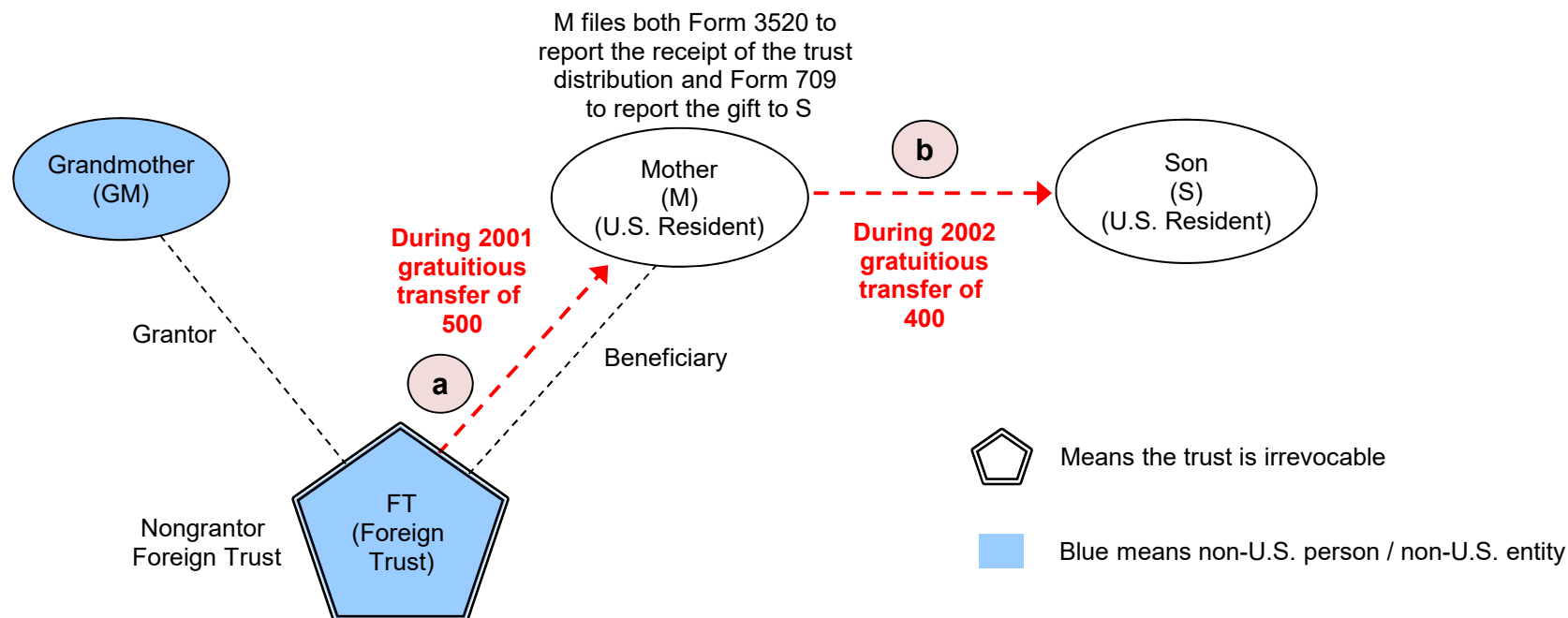


# Reg. 1.643(h)-1(g), Example 7

## Tax Avoidance Presumption Rebutted With Related Intermediary

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



United States person demonstrates that specified conditions are satisfied. GM, a nonresident alien, created and funded FT for the benefit of her children and their descendants. One of GM's children is M, who is a resident alien. During the year 2001, FT makes a gratuitous transfer of 500X to M. M reports the 500X on Form 3520 as a distribution received from a foreign trust. During the year 2002, M makes a gratuitous transfer of 400X to her son, S, who also is a resident alien. M files a Form 709 treating the gratuitous transfer to S as a gift.

Based on this and additional information provided by S, S demonstrates to the satisfaction of the Commissioner that M has a relationship with S that establishes a reasonable basis for concluding that M would make a gratuitous transfer to S, that M acted independently of GM and the trustee of FT, and that M is not an agent of S under generally applicable United States agency principles. FT will not be deemed under Treas. Reg. §1.643(h)-1(a)(2) to have made a distribution to S.

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