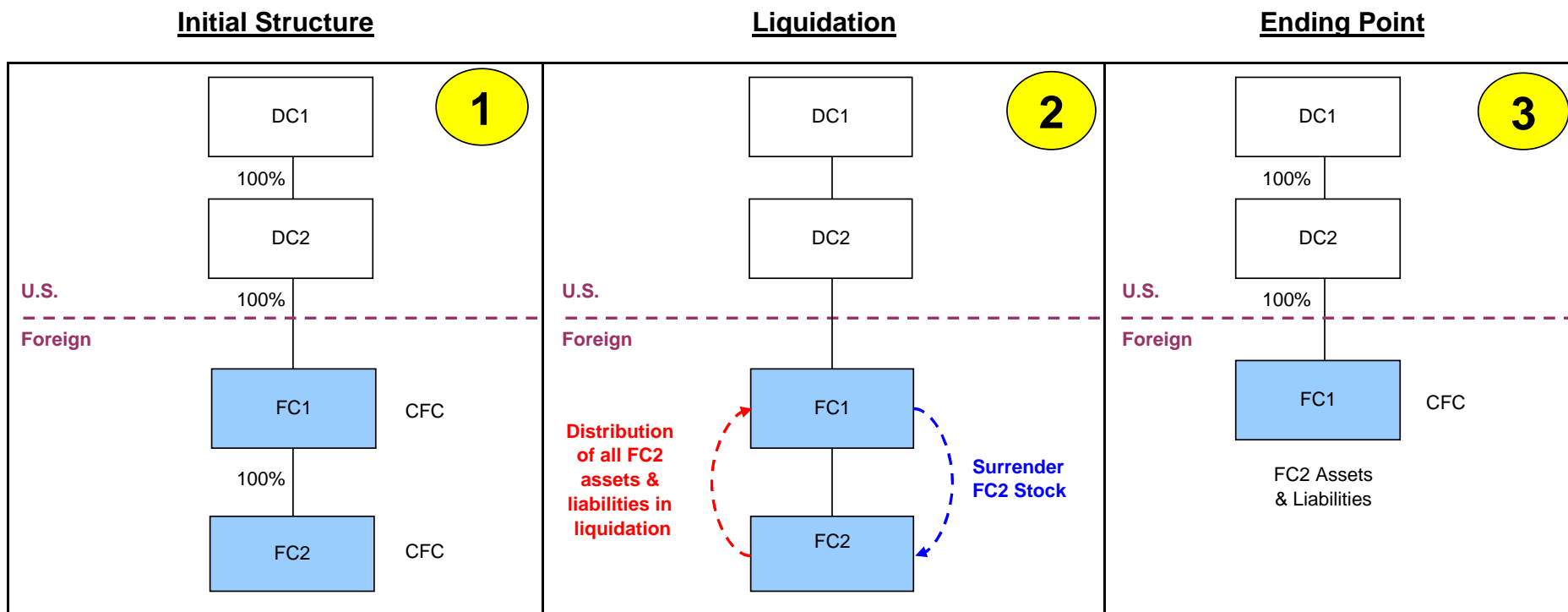


Foreign-to-Foreign 332 Liquidation

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There were no U.S. transferors. Therefore, the exchange is not subject to section 367(a). The exchange is subject to section 367(b) because it is described in section 332 and the status of foreign corporations (FC1 & FC2) as corporations are relevant in determining tax attributes. The general rule of section 367(b) is that a foreign corporation is considered to be a corporation except to the extent provided in the regulations. The regulations do not provide any exceptions to corporate treatment for the above section 332 liquidation. Therefore, no income inclusions are required under section 367(b).

Regulations published under section 367(e)(2) in 1999 included an anti-abuse rule providing that the Commissioner may require a foreign or domestic liquidating corporation to recognize gain on a liquidating distribution if a principal purpose of the liquidation is the avoidance of U.S. tax. Reg. 1.367(e)-2(d). T.D. 9066 amended the regulation to limit the anti-abuse rule to outbound liquidations of domestic corporations.