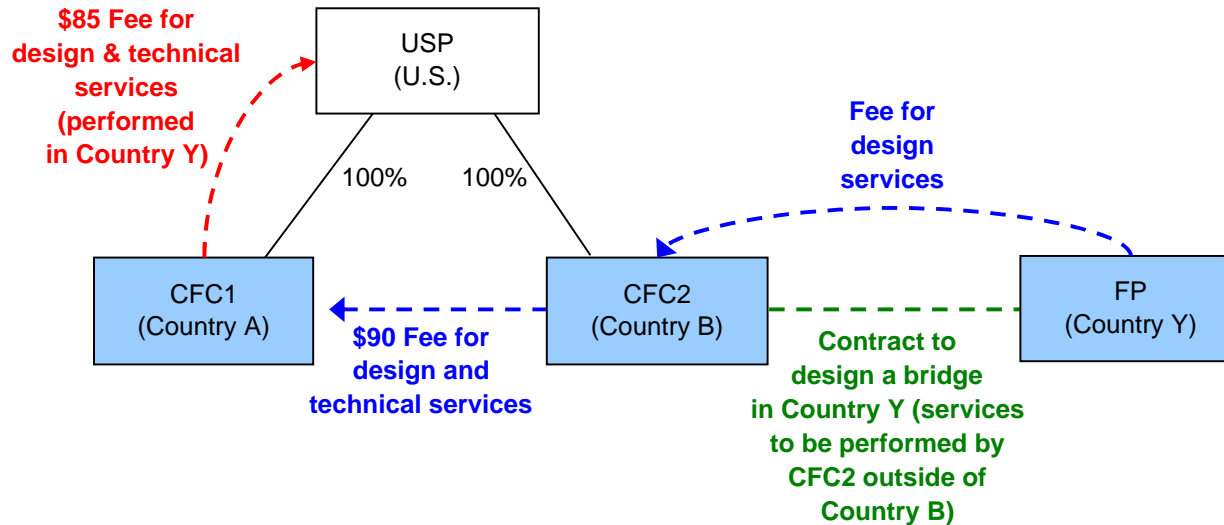


## Notice 2007-13, Example 2

Copyright © 2007 Andrew Mitchel LLC  
International Tax Services  
www.andrewmitchel.com

### Substantial Assistance: Indirect Services - Sub F



CFC2 Fee to CFC1	90	(85 indirectly perf'd by USP)
Costs incurred directly by CFC2	<u>10</u>	
Total Costs	100	

USP, a U.S. corporation, wholly owns CFC1 and CFC2, each a foreign corporation. CFC2 enters into a contract with FP, an unrelated person, to design a bridge in Country Y, a foreign country that is not CFC2's country of organization. With respect to the contract with FP, USP performs services in Country Y for CFC1 in the form of design and technical services for which CFC1 pays USP \$85x. CFC1, in turn contracts with CFC2 to provide those services and others to CFC2 for \$90x. CFC2 uses those services together with services it performs itself that cost CFC2 \$10x to design the bridge for FP. Pursuant to the cost test, USP provides substantial assistance to CFC2 in the performance of its contract for FP because USP indirectly furnishes services to CFC2 (through CFC1) that exceed 80% of the total cost to CFC2 for performing the contract.

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