Outbound Section 304 Transaction: Deemed Section 351 Exchange

Deemed 351 Exchange

Deemed Redemption

Actual Steps

Initial Structure

Ending Point

Deemed Steps

Treasury Decision 9250 was published on February 21, 2006. T.D. 9250 contains regulations providing that section 367(a) and 367(b) do not apply to a deemed section 351 exchange resulting from a 304(a)(1) transaction. The T.D. stated that "[t]he IRS and the Treasury believe that the interests of the government are protected, and the policies underlying section 367(a) and (b) are preserved, in a section 304(a)(1) transaction without regard to the application of section 367. The IRS and Treasury believe that, in most or all cases, the income recognized in a section 304 transaction will equal or exceed the transferor's inherent gain in the stock of the issuing corporation transferred to the foreign acquiring corporation."