The ruling did not include any amounts. The amounts included above were created for illustrative purposes. Country FC's withholding tax rate on dividends is assumed to be 10%.

It is a well established principle of tax law that transitory steps occurring as part of a plan of reorganization are disregarded where allegedly disqualifying interim steps are undertaken in order to comply with applicable law.

The payment by X to FY equal to the FMV of the FZ stock (step 3 above) and the dividend distribution by FY to X (step 4 above) is a circular flow of cash to the extent that X's payment is returned by FY. This circular flow of cash is a transitory step that has no federal income tax consequences.

However, FY's distribution includes additional cash in the amount of the withholding taxes (11). This additional cash is a distribution deemed to be received by X along with the FZ stock and constitutes money received by X within the meaning of section 356(b).