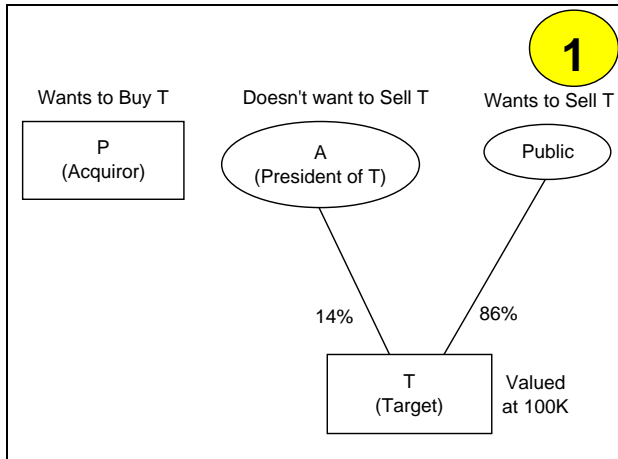


Revenue Ruling 84-71

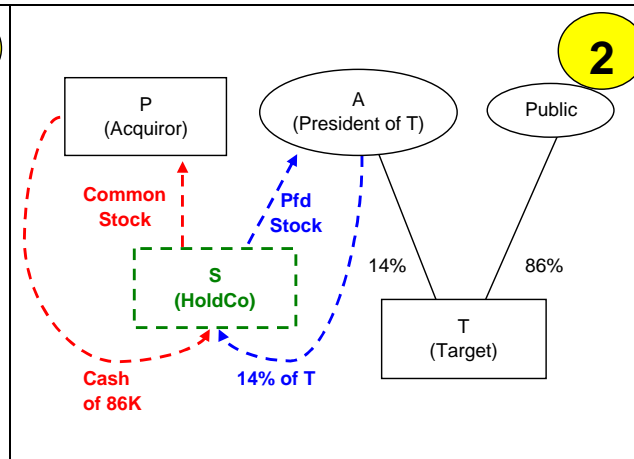
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Section 351(a) As Part of a Taxable Acquisitive Transaction (National Starch)

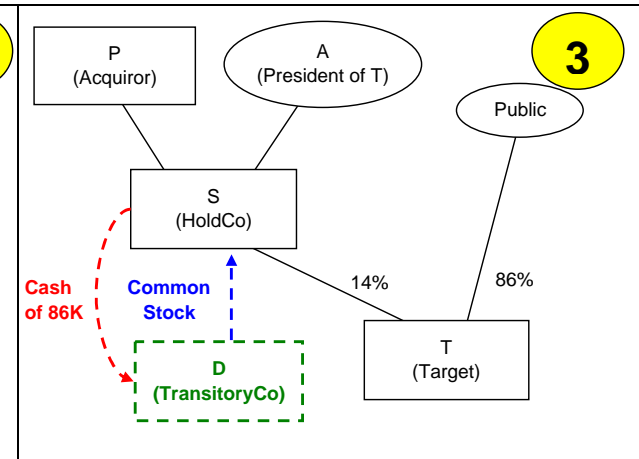
Initial Structure



Holding Company Formation



Formation of TransitoryCo



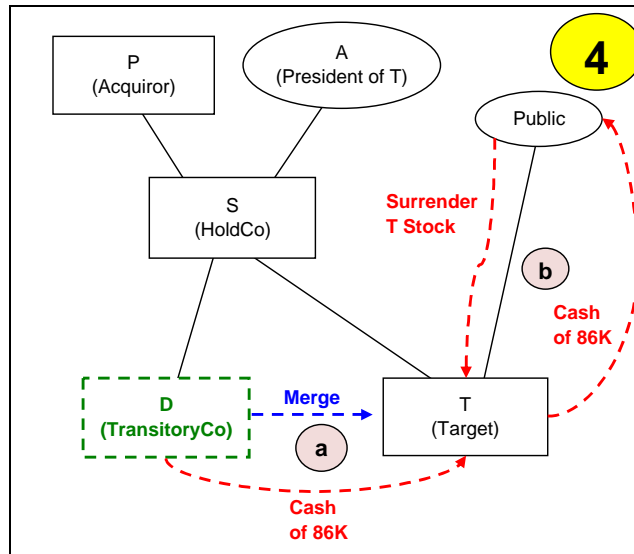
Rev. Rul 84-71 revoked Rev. Rul. 80-284 and Rev. Rul. 80-285.

On facts identical to those above, Rev. Rul. 80-284 held that even though "the technical requirements of section 351(a) . . . are satisfied" the transfers by P and A to S did not qualify for tax free exchange treatment under section 351 because "the transaction is beyond the underlying assumptions and purposes of section 351(a)." The rationale for this holding was that this was "an acquisitive transaction which does not meet the continuity of interest test"

In revoking the prior rulings, the IRS stated that "the fact that 'larger acquisitive transactions' . . . fail to meet the requirements for tax-free treatment under the reorganization provisions . . . does not preclude the applicability of section 351(a) to transfers that may be described as part of such larger transactions, but also, either alone or in conjunction with other transfers meet the requirements of section 351(a)."

This transaction is similar to Unilever's acquisition of National Starch. See *INDOPCO v. Commissioner*, 503 U.S. 79 (1992).

Merger of TransitoryCo into Target



Ending Point

