

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

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Date:
May 2, 2017

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Legend

Taxpayer	=
Corporation A	=
Corporation B	=
Country C	=
Country D	=
Business X	=
Date 1	=

Dear :

This is in response to a letter dated January 23, 2017, submitted on behalf of Taxpayer by its authorized representative, requesting the consent of the Commissioner of the Internal Revenue Service ("Commissioner") to revoke Taxpayer's election under section 953(d) to be treated as a domestic corporation as of the close of its tax year ended December 31, , effective for its taxable year beginning January 1, .

The ruling contained in this letter is based upon information and representations submitted by Taxpayer, and accompanied by a penalties of perjury statement executed

by an appropriate party. While this office has not verified any of the material submitted in support of this request for a ruling, such material is subject to verification upon examination. The information submitted in the request is substantially as set forth below. Unless otherwise indicated, all Code and section references are to the Internal Revenue Code of 1986, as amended.

FACTS

Corporation A, a Country C corporation that is a tax resident company of Country D, wholly owns Corporation B, a U.S. holding company, which together with its subsidiaries files a U.S. consolidated federal income tax return. Corporation B acquired all of the stock of Taxpayer, a corporation organized in Country D, on Date 1, from an unrelated party. Taxpayer made a section 953(d) election to be treated as a domestic corporation before it was acquired by Corporation B. The section 953(d) election was filed by the former unrelated owner of Taxpayer in order to obtain domestic insurance company status for Taxpayer under U.S. federal income tax principles so that its tax status was aligned with the owner's plan to operate from a physical presence in the United States. The Corporation B consolidated group has, and will continue to have, a physical presence in the United States following revocation of Taxpayer's section 953(d) election.

From the date of acquisition, Taxpayer was included in the Corporation B U.S. consolidated federal income tax return, taxable as a domestic insurance company under subchapter L with all income, gains and losses included in taxable income of the U.S. consolidated tax group. Taxpayer will continue to be included in the Corporation B U.S. consolidated federal income tax return for the tax year ended December 31, .

Taxpayer was formed to operate Business X in Country D. To the best of Corporation B's knowledge, Taxpayer has not operated from a physical presence in the United States, as was originally contemplated by the former unrelated owner of Taxpayer. Rather, Taxpayer built its operations in Country D and will continue in the future to operate Business X in and from Country D. Currently, Taxpayer has an office, personnel and operations only in Country D. Taxpayer is fully functional in Country D and will continue Business X exclusively through its Country D operations. Taxpayer has abandoned its plan of having a physical presence in the United States and its domestic status in the United States for tax purposes is no longer aligned with the Corporation A group's overall business model. Therefore, Taxpayer is seeking consent from the Commissioner to revoke its domestic insurance company status for U.S. federal income tax purposes.

In addition to the preceding facts and representations, Taxpayer represents the following for purposes of this ruling request:

1. Taxpayer does not intend to re-elect under section 953(d) to be treated as a domestic corporation. However, if Taxpayer or any successor were to decide to re-elect under section 953(d), it would only do so with the consent of the Commissioner;
2. After the revocation, Taxpayer will be treated as a controlled foreign corporation as defined under section 957;
3. After the revocation, Taxpayer will be subject to the excise tax under section 4371. If Taxpayer satisfies the limitations on benefits clause under the United States Income Tax Treaty (Treaty) with Country D, it will claim exemption from that tax under the Treaty; and
4. Pursuant to section 953(d)(5), for purposes of section 367, Taxpayer will be treated as a domestic corporation transferring as of January 1, , all of its property to a foreign corporation in connection with an exchange to which section 354 applies. Accordingly, Taxpayer will be treated as transferring its property to a foreign corporation in a section 361 exchange, subject to section 367(a) (including section 367(a)(5)) and section 367(d) (if the property includes any intangible property (within the meaning of section 936(h)(3)(B)), and any gain will be reported on the U.S. consolidated tax return of the Corporation B U.S. consolidated group for the taxable year ended December 31, .

LAW

Section 953(d)(1) provides, in general, if

- (A) a foreign corporation is a controlled foreign corporation (as defined in section 957(a) by substituting “25 percent or more” for “more than 50 percent” and by using the definition of United States shareholder under section 953(c)(1)(A)),
- (B) such foreign corporation would qualify under part I or part II of subchapter L for the taxable year if it were a domestic corporation,
- (C) such foreign corporation meets such requirements as the Secretary shall prescribe to ensure that the taxes imposed by this chapter on such foreign corporation are paid, and
- (D) such foreign corporation makes an election to have this paragraph apply and waives all benefits to such corporation granted by the United States under any treaty,

for purposes of this title, such corporation shall be treated as a domestic corporation.

Section 953(d)(2)(A) provides that, generally, an election under section 953(d) applies to the taxable year for which it is made and all subsequent taxable years unless revoked with the consent of the Secretary.

Section 953(d)(5) provides that for purposes of section 367, if an election under section 953(d) is made by a corporation for any taxable year, and such election ceases

to apply for any subsequent taxable year, the corporation is treated as a domestic corporation transferring (as of the 1st day of the subsequent taxable year) all of its property to a foreign corporation in connection with an exchange to which section 354 applies.

Section 4.02(1) of Rev. Proc. 2003-47 provides, in part, that once approved, the election generally remains effective for each subsequent taxable year in which the requirements of this revenue procedure and section 953(d) are satisfied unless revoked by the electing corporation with the consent of the Commissioner. Further, it states that if an election is terminated or revoked, the foreign corporation and its successors will be barred from making another election under section 953(d) without the consent of the Commissioner.

CONCLUSION

Based solely on the information submitted and the representations made, consent is granted for Taxpayer to revoke its section 953(d) election to be treated as a domestic corporation, as of the close of its tax year ended December 31, , effective for its taxable year beginning January 1, .

As a result of Taxpayer's revocation of its section 953(d) election, effective for its taxable year beginning January 1, :

1. Taxpayer is a controlled foreign corporation, as defined under section 957;
2. U.S. shareholders of Taxpayer are subject to section 951;
3. Taxpayer is considered a foreign person for purposes of the excise tax under section 4371 on premiums for insurance or reinsurance issued by Taxpayer; and
4. Pursuant to section 953(d)(5), for purposes of section 367, Taxpayer will be treated as a domestic corporation transferring as of January 1, , all of its property to a foreign corporation in connection with an exchange to which section 354 applies. Accordingly, Taxpayer will be treated as transferring its property to a foreign corporation in a section 361 exchange, subject to section 367(a) (including section 367(a)(5)) and section 367(d) (if the property includes any intangible property (within the meaning of section 936(h)(3)(B)), and any gain will be reported on the U.S. consolidated tax return of the Corporation B U.S. consolidated group for the taxable year ended December 31, .

The above ruling is only applicable with respect to the Code sections addressed herein. We do not express or imply an opinion on the federal tax consequences of any other aspect of this transaction, such as the amount of any gain reportable under section 367 of the Code.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

You must attach to any income tax return to which it is relevant a copy of this letter or, if you file your returns electronically, a statement providing the date and control number of this letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to Taxpayer's representative.

Sincerely,

Jeffery G. Mitchell
Branch Chief, Branch 2
(International)