

## Internal Revenue Service

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Department of the Treasury  
Washington, DC 20224

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**CC:CORP:1 – PLR-131906-03**

Date:

**November 19, 2003**

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Dear

This letter responds to a request dated May 2, 2003, for supplemental rulings with respect to a private letter ruling dated April 24, 2002, (PLR-124344-01) (the "Prior Letter Ruling") involving the federal income tax consequences of a proposed transaction (the "Proposed Transaction"). Additional information was submitted in letters dated October 21, October 25, October 28, and November 3, 2003. Except as modified herein, the facts and representations set forth in the Prior Ruling are still valid. The taxpayers consummated the Proposed Transaction on Date 1. The legend abbreviations, factual summary, and representations appearing in the Prior Letter Ruling are hereby incorporated by reference unless otherwise indicated.

The Prior Letter Ruling involved a series of merger transactions under section 368(a)(1)(D) of the Internal Revenue Code ("Code") and a liquidation under section 332 of the Code. A number of the corporations involved in the Proposed Transaction are controlled foreign corporations that are owned directly, indirectly, or both by U.S. corporations.

The taxpayer advised the Internal Revenue Service ("Service") that the following additional transactions (the "Additional Transactions") occurred prior or subsequent to Date 1:

- (i) Prior to Date 1, Sub 7 sold its entire interest in Sub 8 (L% of the total outstanding shares) to Sub 3 for cash.
- (ii) For U.S. tax purposes, Shareholder 3 made a check-the-box election to be treated as a disregarded entity for U.S. tax purposes, which was effective prior to Date 1.
- (iii) Prior to Date 1, Shareholder 5 sold its entire interest in Sub 4 to Company 9, an unrelated Country Z corporation.
- (iv) Prior to Date 1, Company 6, a Country Y corporation, sold its M% shareholder interest in Shareholder 4, an indirect shareholder of Sub 3, to Company 4 for cash. Company 6 and Shareholder 4 are disregarded entities for U.S. tax purposes.
- (v) As an additional step to the Proposed Transaction, which occurred on Date 1, Sub 8 merged into Sub 3.
- (vi) Subsequent to Date 1, the following transactions occurred: Company 2 acquired 100% of Company 7, a Country Y corporation, for cash. On the same date,

Company 7 made a check-the-box election to be treated as disregarded entity for U.S. tax purposes. Company 7 acquired the remaining N% stock interest in Company 8, a Country Z corporation for cash, resulting in 100% ownership. Finally, Company 7 and Company 8 merged into Company 2.

- (vii) Subsequent to Date 1, Company 1 sold its 100% interest in Shareholder 1 to its parent, Company 5, a Country U corporation.
- (viii) In a proposed transaction, Company 1 will transfer its O% interest in Company 2 to its parent, Company 5, in exchange for cash or a note.

Based solely on the information and representations submitted in the Prior Letter Ruling and the supplemental request, we rule that the Additional Transactions do not effect the rulings contained in the Prior Letter Ruling, and those rulings remain in full force and effect. Additionally, the transfer of Company 2 stock (described in subparagraph viii above) will be disregarded for purposes of section 1.368-1(e).

No opinion is expressed about the tax treatment of the Proposed Transaction and the Additional Transactions under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from the Proposed Transaction and the Additional Transactions that are not directly covered by the above rulings.

Specifically, with respect to the sale by Sub 7 of its interest in Sub 8, no opinion is expressed regarding the application of section 951 to the U.S. shareholders (defined in section 951(b)) of Sub 7. See also section 954(c). In addition, no opinion is expressed regarding the application of section 367(b) to the deemed liquidation of Shareholder 3 into Shareholder 2 pursuant to Shareholder 3's election to be a disregarded entity. See section 1.367(b)-3. No opinion is expressed regarding the application of section 367(e)(2) to (i) the merger of Sub 8 into Sub 3 (ii) the deemed liquidation of Company 7 into Company 2 pursuant to Company 7's election to be a disregarded entity, (iii) the merger of Company 8 into Company 2. See section 1.367(e)-2(c). Finally, no opinion is expressed regarding the application of section 897 (and section 884 if section 897 applies) to the sale of stock of Shareholder 1, a domestic corporation, by Company 1.

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. A copy of this letter should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transaction covered by this ruling letter is consummated.

The rulings contained in this letter are predicated upon the facts and representations submitted by the taxpayer and accompanied by a penalty of perjury

statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as part of the audit process.

Pursuant to the power of attorney on file in this office, a copy of this letter has been sent to your authorized representative.

Sincerely yours,  
Associate Chief Counsel (Corporate)

By Lisa S. Fuller  
Lisa A. Fuller  
Assistant to Chief, Branch 1

cc: