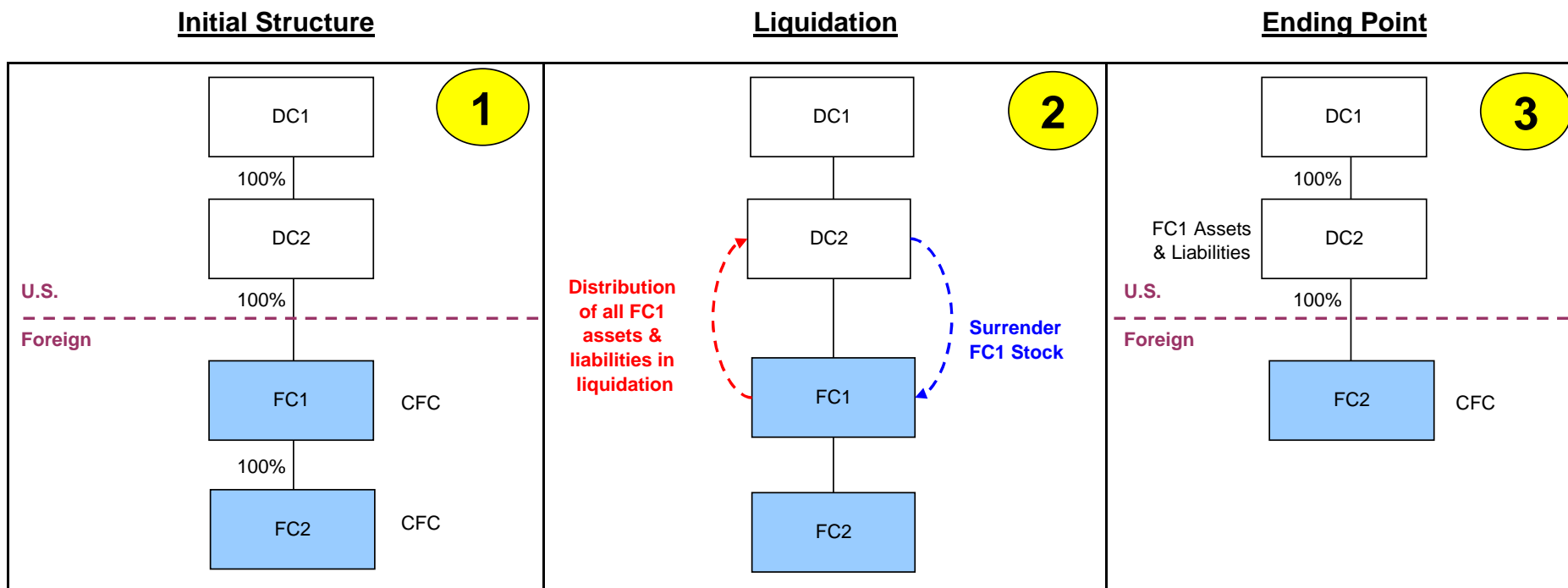


Inbound 332 Liquidation

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There was no transferor of property to a foreign corporation. Therefore, the exchange is not subject to section 367(a). The exchange is subject to section 367(b) because it is described in section 332 and the status of a foreign corporation (FC1) as a corporation is relevant in determining tax attributes. The general rule of section 367(b) is that a foreign corporation is considered to be a corporation except to the extent provided in the regulations.

Reg. 1.367(b)-3(a) provides that special rules apply "to an acquisition by a domestic corporation . . . of the assets of a foreign corporation . . . in a liquidation described in section 332. . . ." Reg. 1.367(b)-3(b)(3)(i) requires that "[a]n exchanging shareholder . . . include in income as a deemed dividend the all earnings and profits amount with respect to its stock in the foreign acquired corporation."

DC2 must include in income as a deemed dividend the all E&P amount of FC1. The deemed dividend is treated as a dividend for purposes of the Code.