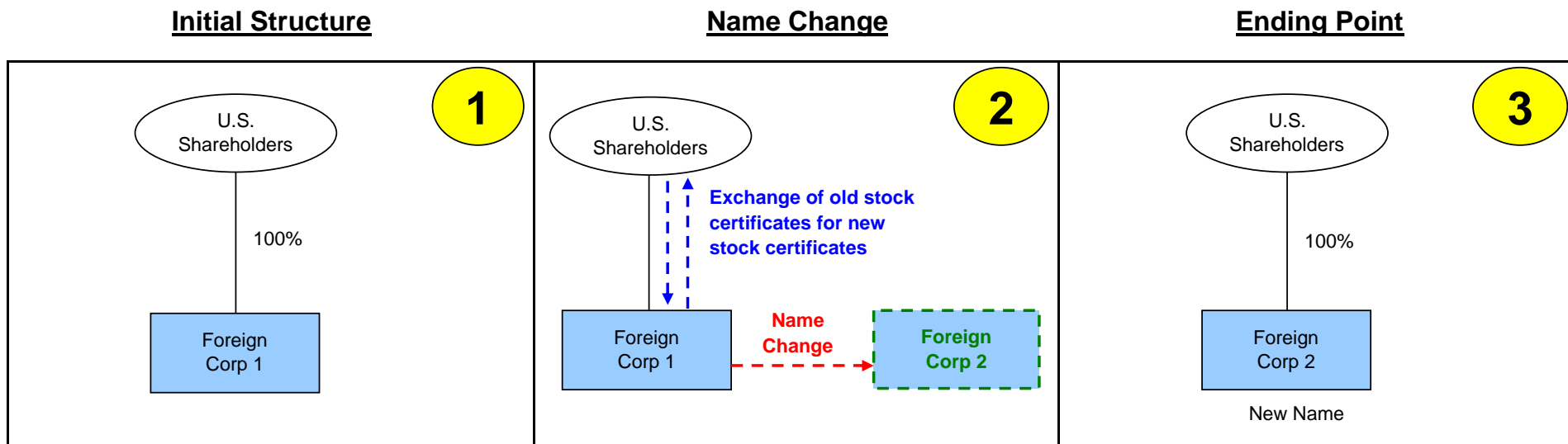


**Corporate Name Change Is
A Section 1036 Exchange**



Foreign Corp 1 amended its charter to change its name. The shareholders of the corporation exchanged all of their old stock certificates for new stock certificates which were identical in all respects to the stock certificates surrendered except that the new stock certificates reflected the new name. Under section 1036, no gain or loss is recognized by the shareholders where stock is exchanged solely for stock of the same class in the same corporation. The above transaction, however, is also described in sections 368(a)(1)(F) and 354.

Section 367 provides that gain shall be recognized in a section 354 exchange between a foreign corporation and its shareholders unless certain requirements are met [at the time of this revenue ruling, an advance private letter ruling was needed to avoid gain recognition]. The transaction described above involves a section 354 exchange. However, if the mere change in identity and the exchange take the form of a transaction described in section 1036, no gain will be recognized to the shareholders, notwithstanding the other requirements under section 367, since section 1036 is not one of the sections enumerated in section 367. See Rev. Rul. 64-156.

In this case, all stock involved in the exchange was issued by the same corporate entity. Where, however, a new entity is incorporated, whether in the same country or a different country, in order to receive all of the assets and liabilities of the reorganized company, the exchange of stock of the old corporation for stock in the new corporation of the same class is not an exchange of stock in "the same corporation" within the meaning of section 1036. Consequently, such an exchange would not qualify under section 1036.

Note that the section 354 exchange described above is not a section 367(a) exchange, but is a section 367(b) exchange. See Reg. 1.367-3(a).