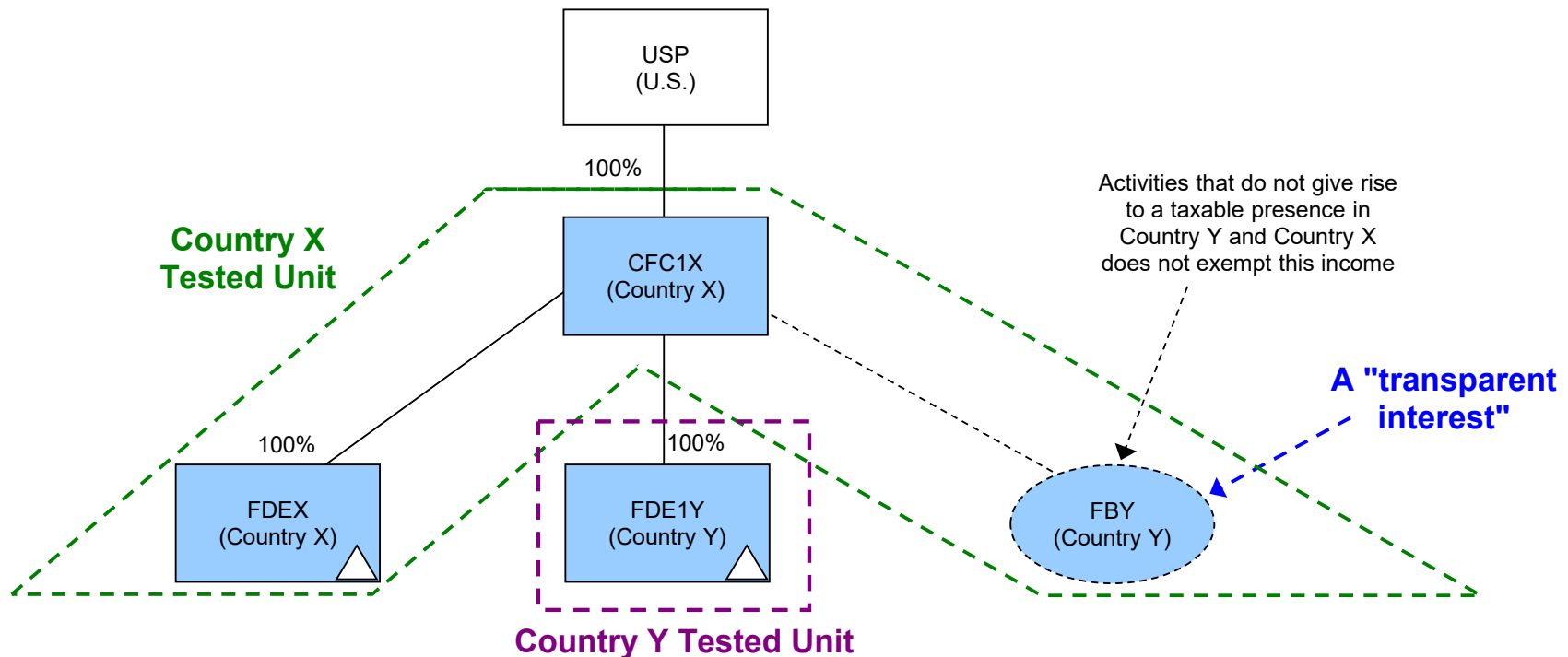


**Reg. 1.951A-2(c)(8)(iii)(D),
Example 4, Alternative
Facts 1**

**A CFC With Activities, But
Not a Taxable Branch, In a
Foreign Country**

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USP owns all of the stock of CFC1X. CFC1X directly owns all the interests of FDEX and FDE1Y. In addition, CFC1X directly carries on activities in Country Y ("FBY") that do not give rise to a taxable presence under Country Y tax law; moreover, Country X tax law does not provide an exclusion, exemption, or other similar relief with respect to income attributable to FBY.

FBY is not a tested unit but is a transparent interest. See Reg. 1.951A-2(c)(7)(iv)(A)(3) and (c)(7)(ix)(C). CFC1X has a tested unit in Country X that includes the CFC1X tested unit (without regard to any items related to the interest in FDEX or FDE1Y, but that includes FBY since it is a transparent interest and not a tested unit) and the interest in FDEX. See Reg. 1.951A-2(c)(7)(iv)(C). CFC1X has another tested unit in Country Y, the interest in FDE1Y.