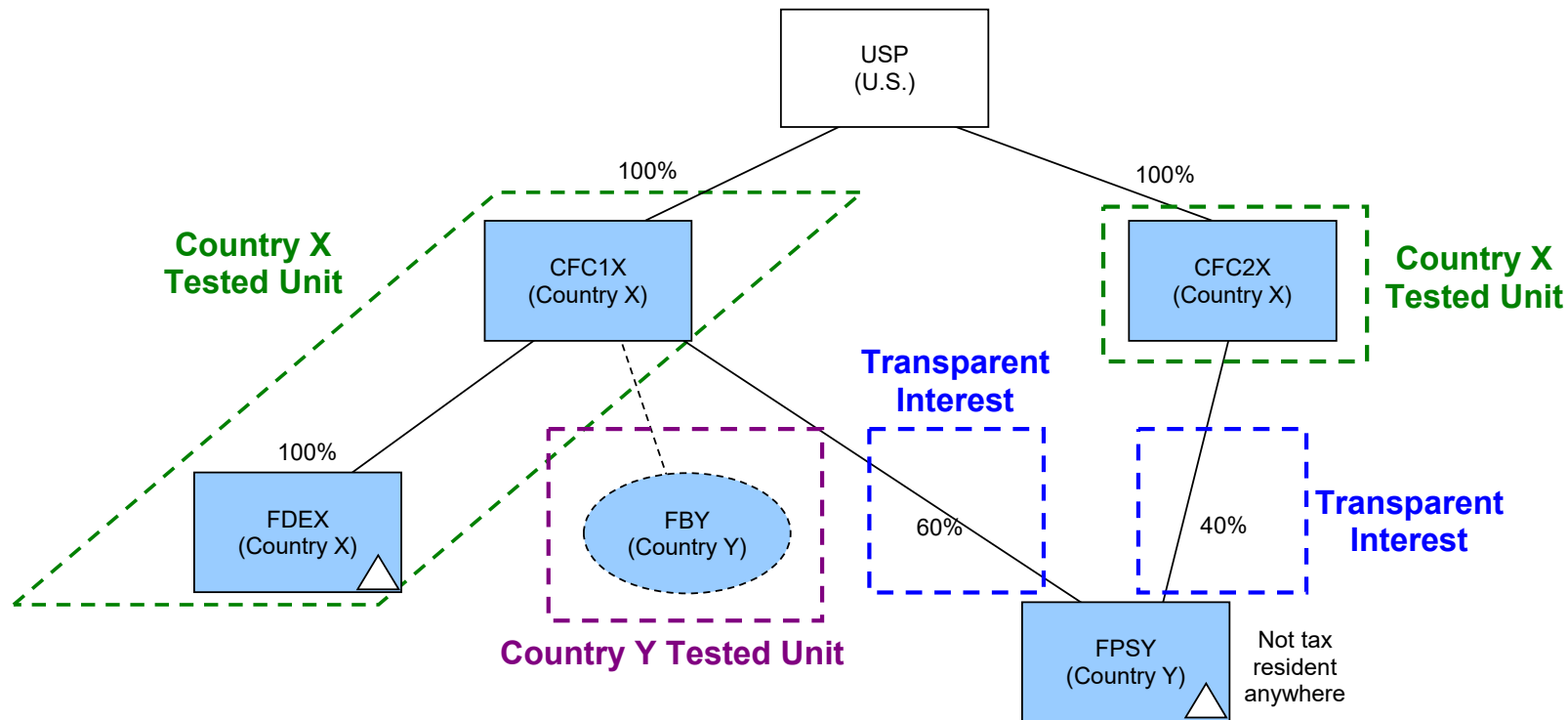


**Reg. 1.951A-2(c)(8)(iii)(D),
Example 4, Alternative
Facts 4**

**Tested Units With CFCs As
Partners In A Partnership (A
Split Transparent Interest)**

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USP owns all of the stock of CFC1X and CFC2X. CFC1X directly owns all the interests of FDEX. In addition, CFC1X directly carries on activities in Country Y that constitute a branch (as described in § 1.267A-5(a)(2)) and that give rise to a taxable presence under Country Y tax law and Country X tax law (such branch, “FBY”). CFC1X and CFC2X own 60% and 40%, respectively, of the interests of FPSY. FPSY is not a tax resident of any foreign country and is fiscally transparent for Country X tax law purposes.

Analysis for CFC1X. CFC1X's interest in FPSY is not a tested unit but is a transparent interest. See Reg. 1.951A-2(c)(7)(iv)(A)(2) and (c)(7)(ix)(C). Under Reg. 1.951A-2(c)(7)(v)(C), any item of CFC1X that is derived through its interest in FPSY and is properly reflected on the books and records of FPSY is treated as properly reflected on the books and records of CFC1X.

Analysis for CFC2X. CFC2X's interest in FPSY is not a tested unit but is a transparent interest. See Reg. 1.951A-2(c)(7)(iv)(A)(2) and (c)(7)(ix)(C). Under Reg. 1.951A-2(c)(7)(v)(C), any item of CFC2X that is derived through its interest in FPSY and is properly reflected on the books and records of FPSY is treated as properly reflected on the books and records of CFC2X.