

Internal Revenue Service

Number: **202511009**
Release Date: 3/14/2025
Index Number: 7701.00-00

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

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Refer Reply To:
CC:INTL:B04
PLR-111770-24

Date:
December 19, 2024

LEGEND

US Parent =

US Sub =

Foreign Party 1 =

Foreign Party 2 =

FSub 1 =

FSub 2 =

a =

b =

c =

d =

Country X =

Dear :

This letter responds to your letter dated June 25, 2024, requesting a ruling regarding the federal income tax classification of FSub 1. The ruling contained in this letter is based on the facts and representations submitted by you and your representatives and accompanied by a penalty of perjury statement executed by the appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. The information, representations, and other data is subject to verification on examination.

FACTS

US Parent represents the following facts:

US Parent is a domestic corporation that wholly owns, indirectly through other members of its consolidated group, US Sub, a domestic corporation. US Sub wholly owns FSub 1 indirectly through a series of entities disregarded as separate from US Sub for federal income tax purposes as provided in Treas. Reg. §301.7701-2(c)(2)(i) (each a “disregarded entity”). FSub 1 was formed as a private limited company under the laws of Country X. FSub 1 is an eligible entity (within the meaning of Treas. Reg. §301.7701-3(a)) with a single owner that elected under Treas. Reg. §301.7701-3(c) to be classified as a disregarded entity for federal income tax purposes.

Foreign Party 1 is a Country X public company that is listed as a per se corporation in Treas. Reg. §301.7701-2(b)(8). Foreign Party 1 owns, directly and indirectly through other entities, a percent of Foreign Party 2, a foreign corporation.

US Parent and Foreign Party 1 have agreed to enter into a joint venture conducted through FSub 1. The formation of the joint venture will be effectuated through the following steps in the order provided (collectively, the “Proposed Transaction”):

1. Foreign Party 2 will transfer all of its assets to FSub 2, a wholly owned foreign subsidiary of Foreign Party 2, in exchange for all of the equity of FSub 2.
2. FSub 2 will transfer assets to FSub 1, in exchange for which Foreign Party 2 will receive b percent of the equity of FSub 1.
3. Foreign Party 1 will transfer cash to FSub 1 in exchange for c percent of the equity of FSub 1.

Following the Proposed Transaction, US Sub will own the remaining d percent of the equity of FSub 1, indirectly through a series of disregarded entities.

As a result of Foreign Party 1 acquiring, directly and indirectly, interests in FSub 1 pursuant to the Proposed Transaction, Country X will deem FSub 1 to have the same legal entity classification as Foreign Party 1 for corporate regulatory purposes. Nonetheless, FSub 1 has no plan or intention to change its organizational documents to become a public company under Country X law. Further, FSub 1 will not become a business entity described in Treas. Reg. §301.7701-2(b)(1), (2), (3), (4), (5), (6), or (7) as a result of the Proposed Transaction.

LAW

Treas. Reg. §301.7701-2(a) provides that, for purposes of Treas. Reg. §§301.7701-2 and 301.7701-3, a business entity is any entity recognized for federal tax purposes (including an entity with a single owner that may be a disregarded entity) that is not properly classified as a trust under Treas. Reg. §301.7701-4 or otherwise subject to special treatment under the Internal Revenue Code.

Treas. Reg. §301.7701-3(a) provides that a business entity that is not classified as a corporation under Treas. Reg. §301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8) (an eligible entity) can elect its classification for U.S. federal income tax purposes as provided in Treas. Reg. §301.7701-3.

RULING

Based solely on the information submitted and the facts as represented above, FSub 1 will remain an eligible entity after the Proposed Transaction because: (1) Country X will deem FSub 1 to have the same legal entity classification as Foreign Party 1 (a per se corporation listed in Treas. Reg. §301.7701-2(b)(8)) only for the specified corporate regulatory purposes; and (2) FSub 1 has no plan or intention to alter its organizational documents to convert into a Country X public company.

CAVEAT

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

PROCEDURAL INFORMATION

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by

attaching a statement to their return that provides the date and control number of the letter ruling.

Pursuant to a power of attorney on file in this office, a copy of this ruling is being furnished to your authorized representatives.

Sincerely,

Teisha Ruggiero
Chief, Branch 4
Office of Associate Chief Counsel
(International)

Enclosure:

Copy of this letter for section 6110 purposes

cc: