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Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

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Date:
August 21, 2025

TY:

LEGEND

Parent =
Taxpayer =

HoldCo =
HoldLLC =
U.S. LLCs =

Country A =
State Q =
stock exchange X =
stock exchange Y =
U.S.-Country A Treaty =

Year 1 =

Dear :

This replies to your letter dated May 5, 2025, from your authorized representative, in which you request a ruling providing that, pursuant to the United States-Country A Treaty (the "Treaty"), no branch profits tax will be imposed under section 884 of the

Code[1] on the dividend equivalent amount of Taxpayer with respect to its U.S. net equity attributable to its wholly owned limited liability companies.

The ruling contained in this letter is based upon facts and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as part of the audit process.

Parent, a Country A entity, is classified as a corporation for federal income tax purposes. The ordinary shares of Parent are listed on stock exchanges X and Y. Parent is a qualified person under Article 26(2)(c)(i) of the U.S.-Country A Treaty. Parent wholly owns Taxpayer, a Country A entity that is classified as a corporation for federal income tax purposes and is a calendar-year taxpayer. Taxpayer is a qualified person under Article 26(2)(c)(ii) of the U.S.-Country A Treaty. Taxpayer conducts limited transactions in the United States, which it reports as attributable to a permanent establishment in the United States. Taxpayer wholly owns HoldCo, a State Q corporation. HoldCo owns multiple State Q limited liability companies that are disregarded as separate from HoldCo for federal income tax purposes. In Year 1, the assets of those limited liability companies represented 99% of the net book value of the assets of HoldCo and its subsidiaries. HoldCo also owns a dormant foreign corporation and multiple domestic corporations, several of which it anticipates dissolving as part of the proposed restructuring described below. In Year 1, the assets of those corporations represented less than 1% of the net book value of HoldCo and its subsidiaries.

For business purposes, Taxpayer intends to restructure in order to conduct most of its U.S. operations directly through a registered U.S. branch. As part of this proposed restructuring, HoldCo will convert to HoldLLC, a State Q limited liability company, in a transaction treated as a distribution in complete liquidation of HoldCo under section 332 of the Code. Taxpayer expects that the transaction will qualify for nonrecognition treatment under Treas. Reg. § 1.367(e)-2(b)(2)(i) and intends to attach the required statement described in Treas. Reg. § 1.367(e)-2(b)(2)(i)(C) to its applicable income tax return(s). After the conversion, HoldLLC would be classified as a corporation for Country A purposes and would be disregarded as separate from Taxpayer for federal income tax purposes. The State Q limited liability companies owned by HoldLLC would also be disregarded as separate from Taxpayer for federal income tax purposes. After the proposed restructuring, Taxpayer intends to move substantial portions of its existing U.S. operations to its newly registered U.S. branch. Taxpayer would also continue to conduct certain operations through HoldLLC and some of its wholly owned State Q limited liability companies (collectively, the “U.S. LLCs”).

[1] Sections referenced are to the Internal Revenue Code of 1986, as amended (the “Code”), unless otherwise specified.

Taxpayer will report the business profits earned by its registered U.S. branch and the U.S. LLCs as income effectively connected with the conduct of a U.S. trade or business on its U.S. income tax return. Taxpayer expects such business profits to be attributable to a permanent establishment in the United States under the U.S.-Country A Treaty. Taxpayer expects that any distributions from HoldLLC to Taxpayer will be treated as dividends received with respect to qualified shareholdings in a non-resident corporation, and thus generally exempt from corporate income tax under Country A law.

LAW

Section 882 provides that a foreign corporation engaged in a trade or business within the United States during a taxable year is taxable under section 11 (or section 59A) on its taxable income which is effectively connected with the conduct of a trade or business within the United States.

Section 884(a) imposes on a foreign corporation an additional tax of 30 percent on its dividend equivalent amount (“DEA”) for the taxable year. Section 884(b) defines a DEA as a foreign corporation’s effectively connected earnings and profits (“ECEP”) for the taxable year, reduced by certain increases in U.S. net equity and increased by certain reductions in U.S. net equity. Section 884(c) generally defines U.S. net equity as U.S. assets reduced by U.S. liabilities. Section 884(d)(1) defines ECEP as earnings and profits that are attributable to income which is effectively connected (or treated as effectively connected) with the conduct of a trade or business within the United States, subject to certain exceptions in section 884(d)(2). Section 884(e) provides rules on the coordination of the branch profits tax with income tax treaties.

Article 7(1) of the U.S.-Country A Treaty states that the profits of an enterprise of one of the States shall be taxable only in that State unless the enterprise carries on business in the other State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

Article 11(1) of the U.S.-Country A Treaty provides as follows:

> A corporation which is a resident of one of the States and which has a permanent establishment in the other State or which is subject to tax on a net basis in that other State under Article 6 (Income from Real Property) or under paragraph 1 of Article 14 (Capital Gains), may be subject in that other State to a tax in addition to the tax allowable under the other provisions of this Convention. Such tax, however, may be imposed only on that portion of the business profits of the corporation attributable to the permanent establishment under this Convention or the income subject to tax on a net basis under Article 6 (Income from Real Property) or under paragraph 1 of Article 14 (Capital Gains) and reduced for all taxes

> chargeable in that State on such profits and income, other than the additional tax referred to herein, and further reduced (but not below zero) for any increase in the net equity attributable to such permanent establishment at the end of the taxation year, as measured from the end of the preceding taxation year, and increased (but not in excess of the accumulated profits) for any decrease in the net equity attributable to such permanent establishment at the end of the taxation year, as measured from the end of the preceding taxation year.

Article 11(3) of the U.S.-Country A Treaty provides further:

> The tax referred to in paragraph 1 shall not be imposed at a rate exceeding the rate specified in paragraph 2(a) of Article 10 (Dividends). Paragraph 1 shall not apply in the case of a company that:
>
> a) prior to October 1st, 1998 was engaged in activities giving rise to profits attributable to that permanent establishment or to income or gains to which the provisions of Article 6 or, as the case may be, paragraph 1 of Article 14 apply;
>
> b) is a qualified person by reason of subparagraph c) of paragraph 2 of Article 26 (Limitation on Benefits) of this Convention; or
>
> c) is entitled to benefits with respect to the dividends under paragraph 3 of Article 26; or
>
> d) has received a determination pursuant to paragraph 7 of Article 26 with respect to this paragraph.

Article 11(4) of the U.S.-Country A Treaty states that in the case of the United States, the additional tax described in paragraph 1 may be imposed on the "dividend equivalent amount" as defined under U.S. law.

Article 24(4) of the U.S.-Country A Treaty provides as follows:

> In the case of an item of income, profit or gain derived through a person that is fiscally transparent under the laws of either State, such item shall be considered to be derived by a resident of a State to the extent that the item is treated for the purposes of the taxation law of such State as the income, profit or gain of a resident.

Article 26(1) of the U.S.-Country A Treaty provides that, subject to certain exceptions, a resident of one of the States that derives income from the other State shall be entitled to treaty benefits only if such resident is a "qualified person" and satisfies any other specified conditions for obtaining such benefits.

ANALYSIS

As a foreign corporation that earns income effectively connected with the conduct of a U.S. trade or business during a taxable year, through both its registered U.S. branch and the U.S. LLCs, Taxpayer is subject to tax on such income under section 11. Taxpayer is also subject to the branch profits tax under section 884(a) on its DEA for the taxable year.

Because Taxpayer earns business profits attributable to a permanent establishment in the United States, the profits are taxable in the United States under Article 7(1) of the Treaty. Further, as a corporate resident of Country A with a permanent establishment in the United States, Taxpayer is also subject to branch profits tax in the United States under Article 11(1) of the Treaty. This tax may be imposed only on the portion of business profits attributable to Taxpayer's permanent establishment that comprise the DEA under domestic law. Article 11(3) provides an exemption from the branch profits tax if a corporate resident meets any of four conditions. Here, Taxpayer satisfies the condition in Article 11(3)(b) because it is a subsidiary of a publicly traded company, and thus a qualified person described in Article 26(2)(c).

While Article 24(4) of the Treaty conditions entitlement to treaty benefits with respect to income, profits or gain earned through a fiscally transparent entity on the treatment of the income in the other Contracting State, it does not apply here with respect to Taxpayer's DEA because it is not "derived through" the U.S. LLCs. The DEA is computed by reference to a foreign corporation's ECEP for a taxable year, and the net increase or decrease in the foreign corporation's U.S. net equity (generally, its U.S. assets reduced by U.S. liabilities). It is conceptually a notional amount in respect of items of, and computed at the level of, the foreign corporation owning the fiscally transparent entity with respect to all of its branch operations.[2] While the DEA is based upon a net remittance from the earnings of a foreign corporation's U.S. branch operations, it does not necessarily involve an amount paid or accrued from the U.S. branch operations. Further, the purpose of the DEA as an analogue to a dividend paid directly to the foreign corporation from the combined earnings of the fiscally transparent entity and any other U.S. branches of the foreign corporation supports the conclusion that it is not derived through (or by) a fiscally transparent entity (cf. section 884(e)(2)(A)(ii)). Accordingly, Article 24(4) of the Treaty does not restrict Taxpayer's entitlement to treaty benefits on its DEA, including any amount that relates to business profits earned by the U.S. LLCs.

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[2] For example, in computing its increase or decrease in U.S. net equity, a foreign corporation that is a partner in a partnership takes into account its partnership interest, and not the partnership's assets, in determining its U.S. assets. See Treas. Reg. § 1.884-1(d)(3). Thus, the DEA (in contrast to any related business profits earned through the partnership) would not be determined at the level of the partnership and would not be an item of income of the partnership.

CONCLUSION

Based on the above facts and representations, pursuant to the U.S.-Country A Treaty, no branch profits tax will be imposed under section 884 on the dividend equivalent amount of Taxpayer with respect to its U.S. net equity attributable to its wholly owned limited liability companies.

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 under other provisions of the Code and regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions not specifically covered by the above ruling.

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.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Associate Chief Counsel
(International)

By: /s/ Subin Seth
Subin Seth
Senior Counsel, Branch 1
Office of the Associate Chief Counsel
(International)

Enclosure
Copy for § 6110 purposes.

cc:

cc:

cc: