Hybrid Entities & Reverse Hybrid Entities

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Start

U.S. FT
- Is the entity fiscally transparent from a U.S. tax perspective?
  - Yes
  - No

Fgn FT
- Is the entity fiscally transparent from a foreign tax perspective?
  - Yes
  - No

HE
- The entity is a hybrid entity.

Domestic
- Is the entity a U.S. domestic entity?
  - Yes
  - No

DHE
- The entity is a domestic hybrid entity.

FHE
- The entity is a foreign hybrid entity.

FRHE
- The entity is a foreign reverse hybrid entity.

NHE
- The entity is not a hybrid entity because the entity is treated the same for U.S. and foreign tax purposes.

RHE
- The entity is a reverse hybrid entity.

Foreign subsidiaries of U.S. owners are often treated as FHEs to gain certain U.S. tax advantages.

Use of this type of entity by a foreign corporation may or may not prevent the application of treaty benefits to reduce the branch profits tax rate.

Certain payments received by and made by DRHEs are subject to special rules under Reg. 1.894-1(d)(2).