

section (b). In the case of an organization described in section 511 which is a foreign organization, the unrelated business taxable income shall be its unrelated business taxable income [derived from sources within the United States determined under subchapter N (sec. 861 and following, relating to tax based on income from sources within or without the United States)] *which is effectively connected with the conduct of a trade or business within the United States.*

* * * * *

Subchapter G—Corporations Used To Avoid Income Tax on Shareholders

* * * * *

PART II—PERSONAL HOLDING COMPANIES

* * * * *

SEC. 542. DEFINITION OF PERSONAL HOLDING COMPANY.

* * * * *

(c) EXCEPTIONS.—The term “personal holding company” as defined in subsection (a) does not include—

* * * * *

[(7) a foreign corporation if—

[(A) its gross income from sources within the United States for the period specified in section 861(a)(2)(B) is less than 50 percent of its total gross income from all sources, and

[(B) all of its stock outstanding during the last half of the taxable year is owned by nonresident alien individuals, whether directly or indirectly through other foreign corporations;]

(7) a foreign corporation, if all of its stock outstanding during the last half of the taxable year is owned by nonresident alien individuals, whether directly or indirectly through foreign estates, foreign trusts, foreign partnerships, or other foreign corporations;

* * * * *