Current International Tax Issues for the General Tax Practitioner

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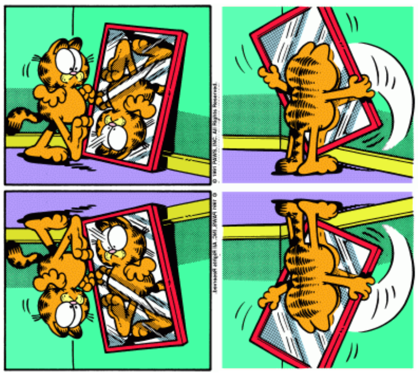
International Headlines

- Washington Post
  - *To get us out of the inversion stew, Treasury offers up soup*
  - *These are the companies abandoning the U.S. to dodge taxes*
  - *Corporate inversion: Another reason Main Street shouldn't trust Wall Street*
- Wall Street Journal
  - *Governments' Race to Address Corporate Profit Shifting Revs Up*
  - *OCED Takes Aim at Improper Profit Shifting*
  - *Tax Transparency Game Changing in International Tax Overhaul*
  - *Inversion Deals Retain Their Allure*
  - *How Inversion Deals Help Drug Makers Save on Taxes*
  - *The Tax Inversion Wave Keeps Rolling*
- NY Times
  - *Europe Takes Aim at Deals Created to Escape Taxes*
  - *Factbox: U.S. Companies Doing Tax Inversions Have Wide-Ranging Motives*
  - *Treasury Secretary on Tax Inversions*
  - *The Unintended Twist of Tax Inversions*

Upside Down

What is an inversion?



No. 303: Möbius Strip
by: Quaternion
http://www.mezzacotta.net/garfield/?comic=303

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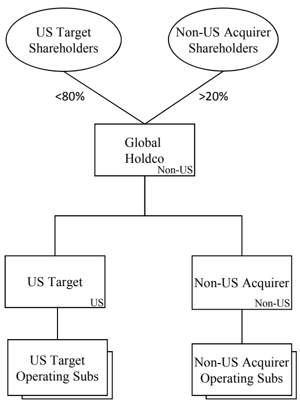
Basic Structure of Inversion Transaction

An inversion is a corporate reorganization where a new non-US Global Holdco acquires the stock of both the US Target and the Non-US Acquirer through a shareholder level share exchange

- The shareholders of US Target and Non-US Acquirer exchange their stock in US Target and Non-US Acquirer, respectively, for stock in new Global Holdco
- US Target and Non-US Acquirer continue as subsidiaries of Global Holdco



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Tax Results

- If target shareholders receive ≤60% of acquiring stock, anti-inversion rules don't apply
  - No gain recognition by the U.S. corporation
  - U.S. shareholders may recognize gain on the exchange of shares under regularly applicable rules under section 367(a)
    - Generally no gain is recognized by <5% shareholders
    - Result is that shareholders in publicly traded corporations generally do not recognize gain because it would be unusual for any one shareholder to own 5% of the stock

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Tax Results (2)

- If target shareholders receive ≥60% - 79.9% of acquiring stock,
  - U.S. shareholders subject to tax on gain even though no cash was received because the transfer of the shares is treated as a deemed taxable exchange
  - U.S. target company may not use any tax attributes for 10 years such as losses to offset its "inversion gain" it recognizes as a result of the transaction
  - Corporate executives may be subject to a 15% excise tax on their stock compensation

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