

Current International Tax Issues for the General Tax Practitioner

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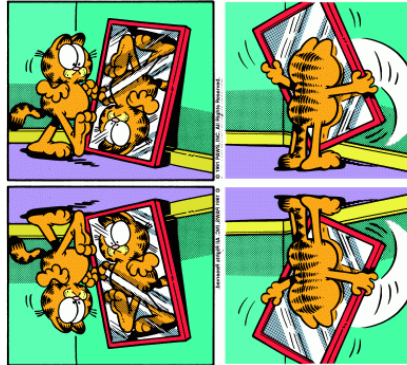
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International Headlines

- **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>

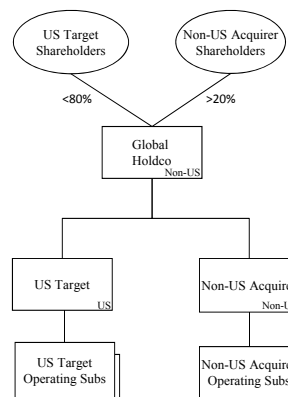
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Basic Structure of Inversion Transaction

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 $\leq 60\%$ 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 $\geq 60\%$ - 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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