What the C-Suite Should Know About Corporate Inversions

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Agenda

- Who?
- Why?
- What?
- Where?
- Whether?
- When?

Who?

- Multinationals
- U.S.-focused public companies
- Nonpublic U.S. companies
- Pre-revenue operating companies
- Startups
- Joint ventures / collaboration arrangements

Why?

- Overseas retained earnings can be deployed abroad without taxable repatriation to the United States
- Anticipated foreign income can be retained overseas at lower effective tax rates without recognition in U.S. parent's tax return
- Specific tax planning opportunities (under legislative and regulatory attack)

What?

- Merger with, or acquisition by, or joint venture with overseas company of broadly comparable value
- If historic U.S.-side shareholders receive new stock in foreign target/acquirer/joint venture:
  - Amounting to less than 60%:
    - May avoid both company- and (in non-cash deal) share-holder-level tax
    - "Inversion"-specific rules don't apply
  - Amounting to between 60% and 80%:
    - Post-closing tax limitations under inversion rules
  - Amounting to between 80% and 100%:
    - Deal probably uneconomic under inversion rules

Whether?

- For the right candidate and the right deal, an inversion can be a powerful planning technique with major benefits to after-tax earnings
- But:
  - Complicated, expensive transactions
  - Under scrutiny
  - Public relations consequences
  - Other techniques (e.g., IP reorganizations) may provide comparable benefits with fewer downsides

Where?

- United Kingdom
- Ireland
- Switzerland
- Other

When?

- Prospects for US legislative, regulatory change
- Developments overseas

Questions?

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