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Rowen Newlon
newlonr@bgsu.edu

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Honors Project
HNRS 4990

Rowen Newlon
Spring 2023

Should we move our Headquarters Abroad?

Professor Alisa Suelzer, Accounting: Primary Advisor
Professor Man Zhang, International Business: Secondary Advisor
Rukayat Olunlade Honors College: Honors Project Advisor

Should we move our Headquarters Abroad?

Abstract

In recent years, companies from a plethora of industries have participated in the act of corporate inversion, which is essentially moving the headquarters of a company to a subsidiary branch located in another country. There are some substantial benefits as well as drawbacks to this practice; therefore, the objective of this project is to examine this from an accounting and international business perspective. This project will investigate the research of corporate inversion, including both current and potential legislation, and give guidance to companies deciding to move abroad as well as using a hypothetical company to examine this phenomenon in a written memo to a higher-up employee. The goal of this research including the formation of the hypothetical company is to determine if it is in the best interests of most companies to move their headquarters abroad and if not, what opportunities they should take during the era of globalization. The written memo will also help me practice professionalism and decision-making, two very important skills to take with me into my career of accounting and international business. Based off this research, this project discovered that at the current time, corporations inside of the United States can use loopholes in the US tax code to lower their tax liability so that inversion is not required and the complications that come with inversion can be avoided.

Introduction

In the United States, corporate taxation funds many government programs that aid the public. The largest programs these taxes assist is Medicare and Social Security (U.S. Treasury Fiscal Data, 2023). Over the last decade, companies have been looking for ways to decrease the amount of money they pay in taxes, which unfortunately contributes to a lower funding of these government programs. According to the article *Tracing the causes and consequences of corporate inversions* in the National Tax Journal, one of these methods corporations use to lower their tax liability is known as corporate inversion, which is moving the headquarters of a company to another country (Desai & Hines, 2002). There is a plethora of reasons why a company would decide to move its headquarters into another country. The main reason would be to lower their tax liability and have the highest profit possible given global circumstances (Desai & Hines, 2002). However, there are many factors that a company needs to consider when making this decision including the country the company would invert to, the impact that the inversion has on shareholder's, current and potential legislation regarding inversion, and cultural differences between countries impacting business. Based on these factors, a company must decide on whether to invert. For the terms of this paper, the decision is made in a written memo to a CEO of a hypothetical company. This memo lays out a final opinion of inversion by factoring in all aspects of inversion and provides guidance for the company's international future. Through the use of a hypothetical company's income statement, it is possible to see all of the ways a company can reduce their tax liability through inversion and put expatriation into a real-life perspective.

Background and Literature Review

As the world continues to advance in technology and transportation, relationships between countries are becoming stronger than ever. These relationships impact all forms of life whether it is political unions, military pacts, or trade and economic agreements. The treaties between countries have become much stronger over the past century and have contributed to the expansion of companies beyond their original geographic home. All countries have complex legislation on corporations making global expansion extremely difficult and there are many loopholes' corporations use to their advantage during expansion overseas. A large issue involving multinational companies is corporate inversion, which is the concept of moving a company from its founding country (parent) into a different country (subsidiary) through a merger or acquisition with another company (Congressional Budget Office, 2018). For example, if a company moved out of the United States, which currently holds a 21% corporate tax rate, into a country like Ireland that holds a 12.5% corporate tax rate, they would save an 8.5% difference in tax expense, boosting their net profit (Enache, 2022) . This issue stems from countries having a race to the bottom tax strategy in which countries are competing for large companies' presence by lowering their corporate tax rate. This race has spiked the interest of global economic organizations to push for a global minimum rate that would be fair to all countries. For companies that already have a presence overseas, but their parent company is in the United States, all domestic and foreign income is reported on their United States Corporate Tax return, paying the US rate (Internal Revenue Service, 2023). It is a complex issue because each country has its legislation regarding corporate taxation that opens the door for loopholes to be used by multinational corporations to lower their tax liability. Specifically in the United

States, corporations are finding new loopholes that legislation does not address that may be legal but not deemed ethical. Of course, many other factors come into play during this decision, and it is not as simple as just buying a building in another country and shifting headquarters. As the globe continues to expand, new markets and technologies are being introduced every day making competition for businesses higher than ever and boosting profit and market share in the eyes of CEOs. This is why corporate inversion is a common tactic used in today's corporate environment.

Why would a company invert?

It is important to understand why companies practice the act of corporate inversion. As the move towards globalization for tax benefits has become much more common in the early 2000s, the National Tax Journal dives into the potential reasoning behind this phenomenon. The article defines the reasoning as why this inversion occurs, most importantly, companies are trying to reduce their U.S. tax liabilities (Desai & Hines, 2002). Currently, the United States holds a corporate tax rate of 21% compared to the lowest rates in countries such as: Ireland: 12.5%, Hungary: 9%, Barbados: 5.5% (Enache, 2022).

This means that on a profit of $1,000,000, a company in the United States would pay $210,000 in corporate income tax instead of in a country like Ireland where a profit of $1,000,000 would yield only a $125,000 payment of corporate taxes saving the company $85,000 (Enache, 2022). In much larger companies where the profits are in the billions, this difference is astronomical even by the smallest changes in tax rates. Before 2017, the United States corporate tax rate was 35% which is an even larger gap in tax rates between countries making inversion more tempting for companies. The Tax Cuts and Jobs Act of 2017 (TCJA) shifted the tax rate from 35%

to 21%. Overall, the main goal of corporate inversion is for a company to lower its tax liability; however, there are many influencing factors that a corporation must consider when making this decision.

Influencing Factors

Influencing Factor #1: Effect inversion has on Countries.

The first factor a company should investigate is which country they would like to move their headquarters into. Based on previous inversions, a common country that companies invert to is Ireland (Beard, 2018). Ireland is a very desirable country for corporations because it is in the European Union and introducing a company there can boost its profits substantially. However, the main reason Ireland is so desirable is because it has a corporate tax rate of only 12.5%. Over the past decade, many multinational companies incorporated themselves in Ireland. In fact, Tony Foley, economics professor at Dublin City University Business School, states that "These companies account for 90 percent of all our manufactured exports, employ around 10 percent of the workforce" (Beard, 2018). These companies include Google, Apple, Facebook, PayPal, Microsoft, Yahoo, eBay, AOL, Twitter, Intel, and Pfizer. Foley believes that during the debt crisis of the Eurozone, Ireland would have been in huge debt if it was not for these multinationals, like Greece and Portugal. These two countries fell into a large amount of debt that required the European Union to bail them out through loans and refinancing of the EU budget. Though it is a major source of the economy in Ireland, many government officials worry that if the corporate tax rate is raised or the global tax minimum is enacted, these multinationals will leave Ireland and leave them in tremendous debt needing immediate support from the European union.

Influencing Factor #2: Effect Inversion has on Shareholders~~?~~

The second factor a corporation should look at when deciding to move its headquarters is the effect that this will have on their shareholders. According to The Journal of Financial Economics, shareholders are one of the most important aspects in a company because they are a large financial driver to keep a business afloat, which is why in every corporation, it is extremely important to keep the needs of the shareholders met. Thus, it is important to determine the overall effect of a corporate inversion on the corporations' shareholders (Babkin *et al.*, 2017). The main benefit of an inversion is of course the lowering of tax liabilities for a company; however, this article brings up the fact that the United States government requires all shareholders to pay a capital gains tax when the corporation decides to invert. This article determines that in the case of the taxable shareholder, which is the individuals who hold a stock in the company, their wealth in the company is reduced by up to 2% on average because of the gains tax they must pay (Babkin *et al.*, 2017). On the other hand, regarding the nontaxable shareholder, which includes the people with investments held in their retirement plans, their overall return on investment increases by up to 5%. Unfortunately, this rift between shareholders can cause a lot of dilemmas within a company because the article determined through several methods of study that inversion causes an inverse effect on shareholders. This will affect the overall decision making of a company because one side will support the inversion and the other side will not. It is not good for corporations to have a large divide among the owners.

Influencing Factor #3: Legislation

Tax Cut and Jobs Act of 2017

The third factor that needs to be examined is the current and potential legislation that will impact corporate inversions. In the United States, it important to note that the occurrence of corporate inversion fell in US companies after 2016 when President Donald Trump took over office. In 2017, the Trump Administration passed the Tax Cuts and Jobs Act (TCJA) which lowered the corporate tax rate from 35% down to 21% (U.S.A Government Accountability Office, 2023). This move from the U.S. government helped address the trend of corporate inversion and slowed it down for the years to come because the main reason for inversion was lowered substantially. However, this act also paved the way for many corporations in the United States to pay much less in taxes. Even though this act benefitted corporations substantially, the United States government has taken large hits in tax revenue since the induction of the act.

Impact of the Tax Cuts and Jobs Act

Several companies have used the loopholes given from the TCJA to completely avoid paying taxes on their income. In fact, it was discovered that 55 of the largest corporations in the United States paid no income taxes at all in 2020. In fact, according to the Institute on Taxation and Economic Policy companies such as:

- Nike reported a US Pretax income of $2.9 billion, paid $0 in income taxes, and received a rebate of $109 million.
- FedEx, reported a pretax income of $1.2 billion, paid $0 in income taxes, and received a rebate of $230 million.

- Dish Network Cable Company recorded a pretax income of $2.5 billion and paid $0 in income taxes. (Institute on Taxation and Economic Policy, 2021).

After this act was passed, there was less of a reason for companies to invert the past 5 years because they are using loopholes and advantages through the United States tax system. These loopholes are so advantageous that companies are getting rebates instead of paying. This is a very large issue today because the money the government receives from corporations is used to fund healthcare programs, Social Security, and the military (U.S. Treasury Fiscal Data, 2023). Even though this act reduced corporate inversion, it also imposed new issues that the government will face in the future.

Inflation Reduction Act of 2022

To combat the loopholes corporations are using to pay $0 in taxes, Congress and the Biden Administration passed the Inflation Reduction Act which established a minimum corporate tax rate of 15% on book income from the financial statements for companies that report over $1 billion in income (Internal Revenue Service, 2023). This minimum rate will ensure that billion-dollar companies cannot pay $0 in taxes anymore. It is important to highlight the fact that these corporations are taxed on their book income generated from their financial statements, not their taxable income. Corporations can use loopholes to lower their taxable income, but they cannot do the same for their book income. This will increase the United States Government budget for their programs by billions of dollars. However, corporations may fight this act if they must pay much more in income taxes, thus boosting the incentive for inversion to occur in the coming years.

Global Minimum Tax

The Organization for Economic Co-Operation and Development (OECD) including the United States, Canada and the majority of Western Europe was created in 1960 for countries to work collaboratively to create international economic policies and boost world trade. Starting in 2019, the OECD and its members in its G20 inclusive framework are working towards the adoption of a Global Minimum Tax for multinational corporations. Currently, companies can move its head operations into a country with a low corporate profit tax rate so they can pay the least amount of money as possible. These countries with extremely low tax rates are intriguing for corporations and the corporation's presence boosts the country's economy substantially. According to Lorraine Eden in the Bloomberg Tax Journal titled *Taxing Multinationals: The GloBE Proposal for a Global Minimum Tax*, the proposal essentially establishes a floor minimum tax rate that companies must follow if the country they operate in corporate tax rate is below the floor, making the playing field more even for countries and making the tax break less for corporations (Eden, 2020). It is important to highlight that the companies that expatriate to a different country must follow the rules for financial reporting by either GAAP or IFRS, which could be different depending on the country, when determining their net income. Overall, even though it is just a proposed tax law, it is important for any company considering expanding to another country to investigate proposed international tax.

Accounting Rules and Procedures

Moving to a new country also introduces new accounting rules and procedures for the employees of that company. Under United States tax laws, corporations must report their accounting based on the (GAAP), while other countries financially report based on the International Financial Reporting Standards (IFRS). In fact, over 150 countries are using the IFRS

principles, and this number continues to grow over the last 5 years. Notable countries under IFRS are Canada, Australia, South Africa, the European Union, Brazil, and China, which is representing all continents except Antarctica (International Financial Reporting Standards, 2023). On the other hand, U.S. GAAP is only upheld in the United States.

RSM, a large international accounting firm, has several resources online describing the main differences between the two (RSM, 2023). The first significant difference described the overall conceptual framework of financial reporting. According to the Financial Accounting Standards Board (FASB), the conceptual framework composes the overall goals and objectives of financial reporting. Under GAAP, the conceptual framework is based on specific rules and guidelines, while under IFRS, the conceptual framework is flexible, and principle based. Secondly, a huge difference is the valuation of tax basis for assets and liabilities. Under GAAP, the tax basis is determined the moment the asset was acquired, or liability was incurred and is not affected by any changes to tax law after this date. Under IFRS, the tax basis is based on the current law at the time asset was realized or liability incurred. This is important because tax law is changing constantly and huge differences in basis may be recorded. Lastly, under GAAP, inventory is valued on a Last in First out basis (LIFO), while under IFRS, corporations must use First in First out or Weighted Average in valuing their inventory in their financial statements. These changes could cause substantial differences in inventory between companies. Any company moving into another country must consider these large differences in accounting standards, so that fraudulent reporting can be averted.

Earnings Stripping

The U.S. Department of Treasury defined the purpose of an inversion as “Not to grow the underlying business, maximize synergies, or pursue other commercial benefits. Rather, the primary purpose of the transaction is to reduce taxes, often substantially” (U.S. Department of Treasury, 2016). In the article, released by the Department of the Treasury, titled *Fact Sheet: Treasury Issues Inversion Regulations and Proposed Earnings Stripping Regulations,* the article mentions a common tactic used by multinational companies after inversion, to lower their tax liability even further called Earnings Stripping. Earnings Stripping is a method of lowering U.S. tax liability frequently used by large multinational firms by paying ~~an~~ interest that is deductible under the U.S. tax code to the company’s subsidiary in another country, otherwise known as issuing related party debt. These companies will ‘load up’ on issuing debt to their subsidiary that is in a country with a low tax rate and the interest expense is deducted at a much higher rate than interest receivable. In simpler terms, these corporations are issuing debt to themselves in another country at a low-interest rate, and deducting the interest at the US rate that is much higher, lowering their taxable income. Of course, this act is not necessarily illegal because there is no law forbidding this act, but it is not deemed ethical. Thus, in 2016, the Treasury Department offered potential legislation to be passed in the future to combat earnings stripping. The proposals the U.S. Department of Treasury offered essentially made the requirements to treat the related party transactions as debt much more difficult following an inversion, by targeting these transactions that don’t contribute to the growth of the business, but more work needs to be done to combat this tactic.

Influencing Factor #4: Cultural Perspective

For any company worldwide moving their operations to another country, it is important to understand that cultural differences exist between management altering the operations of a business. Companies may need to hire new members to the board of directors, new management, and new employees because they will now be operating in a completely new country. These individuals may conduct business differently than in the United States based on cultural differences and perspectives. These differences may stem from leadership, time management, etiquette, communication, or work-life balance. It is very important to examine these differences and prepare the company for potential changes. Most companies offer trainings and programs to their employees on how to deal with the differences in culture between employees that may cost the company a lot of money, and employees a lot of time. However, these trainings are very important to manage these differences. These changes vary country to country, and it is the company's job to prepare for these changes.

Conducting Business in Ireland Population Perspective

Since a lot of companies that practice inversion move their headquarters into Ireland, reviewing their cultural differences in the Irish business environment is very important. Based on data from the Ireland government website, the workforce is extremely educated (Dublin City Council, 2023). According to the Organization for Economic – Co-operation and development, Ireland's economy is changing more towards a demand for knowledge-based employees, instead of physical qualities. The OECD states that Ireland ranks 17 out of all member nations in education ranking, and 85% of adults from the ages of 25-64 have received upper secondary level education, higher than the average of OECD countries (OECD Better Life Index, 2023). The United States ranks 8th in education according to these rankings, and 92% of all adults aged 25-

64 have upper second level education making these two countries very similar from a knowledge perspective. One large difference between the two countries is regarding work-life balance. According to the OECD, the United States ranks 29th in work life balance, with 10% of their employees working extremely long hours over average. In Ireland, they rank 22nd in the globe, and only have 4.7% of their workforce working extremely long hours (OECD Better Life Index, 2023). Based on the Irish government's website, work-life balance is becoming extremely important, and though punctuality is very important, it is much more relaxed way of conducting business than in the United States educated (Dublin City Council, 2023).

Research Method: Case Studies of Multiple Companies

Based on all the factors mentioned above, it is proven to be a very complex decision for companies to move their headquarters abroad. That is why it is important to look at the companies who have attempted inversion to determine if it was successful. Two companies that have attempted are Burger King Worldwide Inc. and Pfizer.

Case Study #1: Company Perspective of Burger King

In 2014, Burger King Worldwide Inc. announced an acquisition plan to purchase the Canadian Coffee company Tim Hortons. This plan also involved moving the headquarters of Burger King from Miami, into Canada giving them a tax break due to Canada's lower rate compared to the United States. Thus, this acquisition was labelled as an inversion. However, the CEO of Burger King did not believe it is an inversion because the company will be expanding its restaurants into Canada, where it was not located previously (Americans for Tax Fairness, 2023). Nevertheless, the CEO was under heavy scrutiny before the move because the Americans for Tax Fairness association estimated that Burger King could dodge up to "$400 million to $1.2

billion in taxes between 2015 and 2018" (Americans for Tax Fairness, 2023). Upon receiving the negativity from the public and the United States government on this acquisition, Burger King issued a statement on Facebook claiming that it will in fact keep its headquarters in the United States and pay all its Federal and State taxes on income earned in the United States.

Case Study #2: Company Perspective of Pfizer

Pfizer, the world's leading drug and pharmaceutical company, had plans to merge with Allergan and invert to Ireland to reduce their income tax liability by at least 1 billion dollars (Humer & Banerjee, 2016). This planned move was during Barack Obama's time in office, in which inversion was heavily criticized by the United States government. Pfizer pulled out of this merger and stayed located in the US. During the time this plan was in motion, the US Treasury Department issued rules targeting inversion, and though Pfizer and Allergan were not mentioned in the rules, it was apparent that these rules specifically targeted these two companies' plans. Specifically, according to the U.S. Treasury Department, it is against tax code for Pfizer to merge with Allergan because it would be predominantly owned by U.S. shareholders. This legislation saved the United States billions of dollars in tax money they would have lost from Pfizer. In an interview with CNBC, the CEO of Allergan stated that "It looked like they did a very fine job at constructing a temporary rule to stop this deal and it was successful" (Humer & Banerjee, 2016).

Hypothetical Company

Based on all the factors mentioned above, the question still left to be answered is if it is in the best interest of a company to invert as there are so many factors that go into this decision. The best way to answer this question is to put all the research together and offer a final opinion on

inversion. I will do this using a hypothetical company, using an actual company's financial statements and offering my final opinion on inversion. I will be using a fast-food company as it is a common industry practicing inversion.

My boss, the Chief Executive Officer (CEO) of a popular American Fast-Food chain named Bo's Burgers, has seen many companies over the past few years move their corporate headquarters abroad to lower their tax liabilities, also known as corporate inversion. He has asked me, the Chief Financial Officer (CFO), to write him up a memo detailing a full plan breaking down all the benefits and drawbacks of corporate inversion for our company including estimates of projected numbers and other factors that would go into moving headquarters abroad.

Income Statement

For the purposes of this paper, Bo's Burgers financial statements are that of McDonalds, popular United States restaurant chain from the fiscal year 2022 from the Wall Street Journal and use the straight-line method for depreciation

Table 1: McDonalds Income Statement

Fiscal year is January-December. All values USD Millions.	2022	2021	2020	2019	2018
Sales/Revenue	23,183	23,223	19,208	21,364	21,025
Sales Growth	-0.17%	20.90%	-10.09%	1.61%	-
Cost of Goods Sold (COGS) incl. D&A	10,101	10,712	9,489	10,224	10,239
COGS excluding D&A	8,230	8,844	7,738	8,606	8,757
Depreciation & Amortization Expense	1,871	1,868	1,751	1,618	1,482

Fiscal year is January-December. All values USD Millions.	2022	2021	2020	2019	2018
Depreciation	1,454	1,531	1,469	1,392	1,303
Amortization of Intangibles	417	337	282	226	179
COGS Growth	-5.70%	12.89%	-7.18%	-0.15%	-
Gross Income	13,082	12,511	9,719	11,141	10,786
Gross Income Growth	4.56%	28.73%	-12.77%	3.29%	-
Gross Profit Margin	56.43%	-	-	-	-
SG&A Expense	2,728	2,738	2,556	2,263	2,200
Other SG&A	2,728	2,738	2,556	2,263	2,200
SGA Growth	-0.36%	7.08%	12.99%	2.83%	-
EBIT	10,354	9,773	7,162	-	8,586
Unusual Expense	(99)	(409)	(298)	(23)	209
Non-Operating Income/Expense	(1,485)	(46)	(229)	108	264
Non-Operating Interest Income	44	9	18	37	4
Equity in Affiliates (Pretax)	113	177	117	154	152
Interest Expense	1,299	1,194	1,225	1,183	980
Interest Expense Growth	8.79%	-2.54%	3.61%	20.67%	-
Gross Interest Expense	1,309	1,201	1,231	1,190	986
Interest Capitalized	10	7	6	7	6
Pretax Income	7,825	9,128	6,141	8,018	7,816
Pretax Income Growth	-14.27%	48.65%	-23.41%	2.58%	-
Pretax Margin	33.76%	-	-	-	-
Income Tax	1,648	1,583	1,410	1,993	1,892
Income Tax - Current Domestic	764	1,116	673	717	477
Income Tax - Current Foreign	1,230	895	731	1,127	1,312
Income Tax - Deferred Domestic	(126)	(202)	944	59	164
Income Tax - Deferred Foreign	(220)	(227)	(937)	91	(62)
Consolidated Net Income	6,177	7,545	4,731	6,025	5,924

(The Wall Street Journal *McDonald's Corp,* 2023).

Analysis of Hypothetical Company

Based on the research conducted, and the income statement provided, the opinion for corporate inversion was designed in memo format to the CEO of the company in Appendix 1. In this memo, the CEO was informed that even though the company could save millions in tax liability, there isn't enough of a justification for the company to move its headquarters abroad. If the goal of the company solely is to reduce tax liability, the company can use US tax loopholes that other companies are using. However, since tax law and global circumstances are constantly changing, Bo's Burgers may need to look back into inversion in the future. Furthermore, companies should always consider the possibility of entering new countries to expand the business fully.

Conclusion and Further Research

Overall, companies attempt different ways to lower their tax liability through any means necessary, and one of those means is corporate inversion. It is very evident that inversion causes companies to incur less money in their corporate taxes. However, based on the influencing factors mentioned above, including the effect inversion has on countries, the effect inversion has on shareholders, current and future legislation, and cultural management perspective, it is a very complicated decision for a company. Every company has different considerations to process when it comes to decision making, and lowering tax liability could be more substantial to some companies than others. Several companies emphasize that they have a responsibility to their government and the people of the country they operate in, while other companies would like to increase their profits as much as possible while disregarding the responsibility to the country, they operate in. As tax law changes in the future, additional

tactics will be used by companies to lower their tax payments, and when making such a decision all influencing factors must be considered. There are also other reasons why a company would consider moving its headquarters into another country outside of lowering their taxes. This can come from changes in management, other financial reasons, etc. that may alter the way we view expatriation. The methods countries use to lure in corporations can also be examined through this research and help companies that were in the same situation financially as Ireland get out of debt and boost their economy.

Appendix 1:

Decision: Memo to a higher-up employee

DATE: March 28th, 2023

TO: John Doe, CEO of Bo's Burgers

FROM: Rowen Newlon, CFO of Bo's Burger's

SUBJECT: Should We Move Our Headquarters Abroad?

Thank you for reaching out to me regarding the potential of our company carrying out an inversion into another country. As there is a lot of readily available information regarding this topic published in the last decade.

Like we had discussed, many companies have experimented with the idea to move their headquarters from their parent company (domestic) into their subsidiary (international) to lower their tax liability, known as corporate inversion or expatriation. Based on research that my team had discovered, and calculations that we have computed, I have created a list of the

benefits and drawbacks for our company to do so, along with my ultimate opinion on what our company should do.

The main benefit to inversion is the tax benefit we will get from doing this. Based on our income statement, we had a taxable income in 2022 of $7.825 billion paid at a U.S. corporate tax rate of 21% causing income taxes of $1.648 billion paid (The Wall Street Journal, 2023). If our company's headquarters was in Ireland, not only would we be boosting the economy of a much smaller country, but our corporate taxes would be $978 million, saving $670 million. This 21% tax rate is also on course to increase to 28% due to the inflation reduction act, and companies may start getting taxed at 15% on gross income instead of taxable income. However, there are many drawbacks to this idea that must be investigated when making such a decision. Firstly, we looked at several companies that had plans to expatriate, including Pfizer and Burger King, and determined that they were under heavy scrutiny from the public and U.S. government. In fact, the U.S. government was pushing and is continuing to push for heavy legislation regarding inversion. The fight against inversion is also under scrutiny on a world stage because there are world economic organizations fighting for the passage of a global minimum tax in all countries to fight inversion so that companies have less loopholes to dodge their taxes. Secondly, it should be noted that after the passing of the Tax Cuts and Jobs Act in 2017, many companies located in the U.S. are dodging all their taxes using many loopholes noted by the Government Accountability Office (GAO). Firstly, companies are dodging the payment of international profit since they aren't required to pay taxes on this profit until it is returned in the United States, we may be able to eliminate paying on our 1.246 billion in

domestic income using this rule. Secondly, these companies use accelerated depreciation. For example, our company would be able to take a larger tax credit on depreciation this year if we change our method of depreciation from straight-line to double-declining balance, our depreciation write off can be almost double what it is now saving us millions of dollars in the first few years of our asset's life. Lastly, companies are using tax credits to lower their tax liability. For example, many companies are using a Research and Experimentation credit, that we can use on new and existing food items and equipment's that could save us millions of dollars.

Based on the research I had completed on corporate inversion; I can say that there isn't enough evidence for us to move our headquarters into another country. However, based on the scheduling of the tax rate to increase in the U.S., we might want to look back into this in the future. Now, we should be able to reap in the current benefits of the U.S. tax code, like other companies are doing making the need for inversion unnecessary. Nevertheless, as globalization is ramping up, we should still investigate ways we can benefit our company internationally so that our company can reach our maximum potential.

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