

# Lew warns of tax inversion threat

Companies 'eroding' corporate tax base

Treasury secretary raises deficit fears

By **Barney Jopson**  
in Washington

Jack Lew has warned a rush of foreign takeovers by American companies seeking to reduce their domestic tax bills risks reversing recent cuts in the country's \$492bn budget deficit.

The US Treasury secretary raised the spectre of so-called tax inversions causing fiscal harm as he reiterated the Obama administration's determination to take executive action to discourage them "in the very near future".

The deals have sparked political outrage by enabling US companies to shift their tax domicile to a country with lower tax rates by acquiring a foreign rival.

"If we allow the incentives to pursue these deals to remain in place, we run the risk of undoing the progress we've made to reduce our federal budget deficit," Mr Lew said yesterday.

Thirteen inversion deals worth \$178bn have been announced since the start of 2013, according to Dealogic, and bankers and politicians say more are in the works.

"By effectively renouncing their citizenship but remaining here these companies are eroding America's corporate tax base," Mr Lew said in a speech in Washington.

"That means all other taxpayers, including small businesses and hardworking Americans, will have to shoulder more of the responsibility for maintaining core public functions."

Some tax experts, however, questioned whether inversions could have a significant effect on the US's fiscal position, as they spoke after Mr Lew at an

event hosted by the Tax Policy Center and the Urban Institute.

John Samuels of General Electric noted that a non-partisan congressional committee concluded that one proposed anti-inversion law would raise \$20bn of revenue in 10 years. He said that figure was equal to less than one half of one per cent of projected corporate tax payments in that time period.

Speaking in a personal capacity, he said: "The house isn't on fire. I'm not defending inversions... I'm just telling you, they aren't a reason for us to run helter skelter and screw up the administration of our tax system."

He said he did not think the Treasury had the authority to take some of the administrative actions that other experts have proposed to discourage inversions.

Corporate America is broadly in favour of Congress passing comprehensive tax reforms – including action on inversions – via new legislation, but the chances of Democrats and Republicans agreeing to do so soon are slim.

Stephen Shay, a Harvard tax professor who has encouraged the Obama administration to use executive powers against inversions, said the corporate tax base represented just 10 per cent of federal revenue.

But, he said: "Some of this isn't just about the corporate tax base. It's about Americans seeing [corporate] taxpayers being able to do things they cannot do. It's about protecting the integrity of the tax system as a whole."

A deal on corporate tax reform would involve scrapping various exemptions in order to lower tax rates – but that will get steadily harder if US companies migrate offshore.

*Additional reporting by Robin Harding*



Lew agita lo spettro di un'inversione fiscale