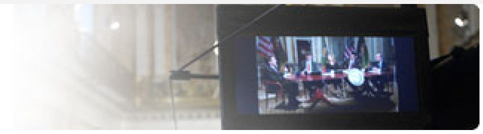
U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Treasury Secretary Jacob J. Lew on a Press Conference Call Regarding Announcement on Corporate Tax Inversions

11/19/2015

As prepared for delivery

WASHINGTON - “U.S. companies are currently taking advantage of an environment that allows them to move their tax residence overseas to avoid paying taxes in the U.S., without making significant changes in the nature of their overall operations.

“Treasury took targeted action last year to address this issue by making it more difficult for companies to undertake an inversion and reduce the economic benefits of doing so.

“The first inversion notice made a real difference by reducing some of the economic benefits of inversions, resulting in a decline in the pace of these transactions. But our actions can only slow the pace of these transactions. Only legislation can decisively stop them.

“The Administration has been working with Congress for several years in an effort to reform our business tax system, make it simpler and more pro-growth, and remove the incentives that encourage companies to engage in inversions.

“As we continue to pursue that goal, it is Treasury’s responsibility to protect the U.S. tax base. We have repeatedly stated that we will use all of our existing administrative authority to address inversions.

“After a careful review of a broad range of options for further action, we are issuing our next notice to address inversions today. Specifically, today’s notice makes it more difficult for U.S. companies to invert by:

- Limiting the ability of U.S. companies to combine with foreign entities using a new foreign parent located in a “third country,”
- Limiting the ability of U.S. companies to inflate the new foreign parent corporation’s size and therefore avoid the 80-percent ownership rule, and
- Requiring the new foreign parent to be a tax resident of the country where the foreign parent is created or organized to satisfy the business activities exception.

“Additionally, the notice reduces the tax benefits of inversions by limiting the ability of an inverted company to transfer its foreign operations to the new foreign parent after an inversion transaction without paying current U.S. tax.

“These actions further reduce the benefits of an inversion and make these transactions even more difficult to achieve. This is an important step, but it is not the end of our work. We continue to explore additional ways to address inversions - including potential guidance on earnings stripping - and we intend to take further action in the coming months.

“Nonetheless, there is only so much Treasury can do to prevent these tax-avoidance transactions.

“We look forward to continuing to work with Congress in a bipartisan manner to reform our broken business tax system and to eliminate inversions for good.

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