

Inverted Corporations

Written by Administrator
Wednesday, 01 July 2009 11:39

Federal Acquisition Circular (FAC) 2005-34, issued July 1, 2009, contains a new interim rule prohibiting the US Government from contracting with "inverted corporations". As defined in the rule, an inverted corporation is one that "that used to be incorporated in the United States, or used to be a partnership in the United States, but now is incorporated in a foreign country, or is a subsidiary whose parent corporation is incorporated in a foreign country." As the rule explains, the reason a corporation would do this is to avoid United States taxes on business income generated in foreign countries. Countries such as Bermuda, Barbados, and the Cayman Islands are well known tax havens; but the statute is not restricted to just those countries however. Another term in wide use for these corporations is "corporate expatriate". Congress has enacted both contract statutes and tax statutes to try to discourage corporations from expatriating themselves, and this new rule implements those statutory requirements in the FAR. The complete rule (and promulgating comments) can be perused [here](#).