

PUBLICATION

Foreign Tax Shelters Will Face Increased Scrutiny by Congress

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U.S. companies with foreign subsidiaries should look out for increased scrutiny of their tax-paying policies and practices from Congress in 2009. A recent report from the Government Accountability Office (GAO) released Jan. 16, 2009 focuses on the use of foreign tax havens by U.S. corporations.

According to the GAO report, 83 of the 100 largest publicly traded U.S. corporations have subsidiaries in jurisdictions listed as tax havens. In the fiscal year 2007, 74 out of the 83 corporations had federal contracts.

"The existence of a subsidiary in a jurisdiction listed as a tax haven or financial privacy jurisdiction does not signify that a corporation or contractor established that subsidiary for the purpose of reducing its tax burden," the report cautioned. "We did not attempt to determine if corporations or contractors engaged in transactions with their subsidiaries in order to reduce their tax burden," it added...

However, both Sen. Byron Dorgan (D-N.D.), who requested the GAO report, along with Sen. Carl Levin (D-Mich.), chairman of the Senate Permanent Subcommittee on Investigations, have made statements to the effect that there will be legislation to come addressing the use of offshore tax havens by U.S. corporations to avoid paying taxes.