IMF Committee on Balance of Payments Statistics

BPM6 Update
Direct Investment Task Team (DITT)

Approved/Final Version

D.4 Corporate Inversions

D.4 Corporate Inversions[1]

*Corporate inversions can have a noticeable effect on the cross-border statistics of both the economy of the "new foreign parent company" and the economy of the "inverter." This is why they currently pose various analytical, conceptual, and practical challenges: (i) reduce the analytical usefulness of direct investment (DI) statistics because of the motivation by factors other than those conventionally ascribed to direct investors; (ii) may have large effects on the international and national accounts, generating misleading patterns and complicating consistent treatment under the current guidelines; and (iii) can be difficult to define and identify them. This guidance note (GN) recommends[2] including in the updated Balance of Payments Manual (*BPM7*) (i) an official definition of corporate inversion and (ii) a taxonomy of the most common cases of corporate restructuring, including corporate inversions, that have similar economic effects as inversions. In addition, the GN recommends strengthening the* Balance of Payment and International Investments Positions Manual, sixth edition (BPM6) *guidance on compiling supplemental statistics for corporate inversions for economies where they are relevant.*

SECTION I: THE ISSUE

BACKGROUND

1. **Some multinational enterprises (MNEs) geographically locate (or re-locate) their economy of legal residence to reduce their global tax liability through a "corporate inversion".** The inversion strategy often involves an agreement between corporations in two countries. A corporation ("the inverter") in one economy often merges with a corporation ("the new foreign parent company") that is headquartered in a lower-tax economy. The underlying financial transactions typically involve an exchange of shares and an agreement to designate the lower-tax economy as the legal residence of the combined entity. There is usually no change in the geographical allocation of headquarter functions; at most, some or just a few board meetings are held in the economy of the new foreign parent company. Generally, a direct investment (DI) relationship is created from the economy of the new foreign parent company to the economy of the inverter and a portfolio relationship is created by the economy of the inverter to the economy of the new foreign parent company, as shareholders in the inverter are converted to shares in the new foreign parent company.

2. **The incidence of corporate inversions is not widespread geographically but, contrary to popular perception, it is not overwhelmingly a U.S. phenomenon.** A recent study found that the United States accounted for only 21 percent of the dollar value of a large sample of inversions in the Organisation for Economic Co-operation and Development (OECD) countries (Col et al. (2019)). Other important home countries identified by the authors are Australia, Canada, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United Kingdom.

---

[1] The team of authors for this guidance note is late Ray Mataloni (U.S. Bureau of Economic Analysis), Patricia Abaroa (U.S. Bureau of Economic Analysis), Jessica Hanson (U.S. Bureau of Economic Analysis), Stefano Federico (Banca d'Italia), Andrew Jowett (U.K. Office for National Statistics), and Lee Mallett (U.K. Office for National Statistics). Ray Mataloni passed away in April 2021, before the final version of this note was completed. We are grateful to Ronald Nelisse for comments and suggestions.

[2] The recommendations of this GN were approved by the Committee at the February 2021 meeting. See the *Summary of Discussions* of the meeting (BOPCOM VM1—21/12) here.

3. **Corporate inversions might have a noticeable effect on the macroeconomic statistics of both the economy of the new foreign parent company and the economy of the inverter, with the magnitude of the effect depending on the ratio between the size of the inverting company and the size of the economy.** Two economies that are popular for hosting new foreign parent companies are Ireland and the Netherlands. Fitzgerald (2015) estimates that the undistributed profits of resident corporate inversions in 2014 was 6.9 billion euro, which, represents 11.0 percent of Ireland's primary income receipts in that year.[3] Nelisse and Hiemstra (2019) estimate that resident corporate inversions contributed 9.1 billion euro to Netherland's primary income balance in 2017, which represents 3.4 percent of the economy's primary income receipts in that year. Among major home countries, Hanson et al. (2015) estimate that in 2012 corporate inversions accounted for 5.4 percent of the DI equity position in the United States. Although recent tax law changes appear to have halted new inversions by U.S. corporations, the companies that have already inverted do not appear to be redomiciling (Atkinson and Hanson (2020)). For the United Kingdom (UK), the Office for National Statistics (ONS) (2016) finds "little evidence to suggest that companies re-domiciling their headquarters overseas have been having an adverse effect on UK foreign direct investment (FDI) statistics in recent years." For Italy, corporate inversion is a relevant phenomenon. In recent years, various Italian MNEs have relocated abroad their economy of legal residence, usually to the Netherlands, reflecting tax and legal convenience (Federico et al. (2018)). Unlike for the United States, the corporate inversion trend has not diminished over time for Italy.

4. **For an inversion through the exchange of shares,** the inverting company (the inverter) essentially pays a liquidating dividend to its shareholders, who then make a portfolio investment in the new foreign parent company at the same value. The new foreign parent company essentially uses these funds to make a DI in the inverting company. MNEs may also move their headquarters to lower the tax liability through other types of restructuring than inversions, which may involve different accounting treatments. Corporate inversions are not covered in the OECD *Benchmark Definition of Foreign Direct Investment, fourth edition*, *2008* (*BD4)*.

5. **Corporate inversions can have large effects on the international and national accounts, which can result in international transactions and positions that are misleading and that are not treated consistently.** Under current guidelines, the different treatment of reinvested earnings on DI and portfolio investment will tend to reduce net primary income receipts and the higher-level national accounting aggregates that include them in their derivation—corporate profits and total gross national income.[4] Annex II provides relevant details on the effect of inversions on selected aggregates of the U.S. national income and product accounts.[5]

[3] More up-to-date statistics are available on the Central Statistics Office of Ireland (CSO) website at https://www.cso.ie/en/releasesandpublications/in/rpibp/redomiciledplcsintheirishbalanceofpayments2015/

[4] This issue is being discussed separately under the Financial and Payments Systems Task Team guidance note F.2 "Asymmetric Treatment of Retained Earnings."

[5] Likewise, Ireland's CSO publishes annual Institutional Sector Accounts for an analysis of Inversions (knows as Redomiciled Corporations) through the sequence of accounts; see https://www.cso.ie/en/releasesandpublications/ep/p-isanff/institutionalsectoraccountsnon-financialandfinancial2019/nfa/curtac/

6. **It is doubtful that DI under a corporate inversion conveys the same benefits to the recipient economy as traditional DI, especially when key headquarters functions remain in the economy of the inverting company.** This special nature of inversions is underlined in the *Balance of Payment and International Investments Positions Manual, sixth edition* (*BPM6*), paragraph 8.20, which states that "because inversions can involve large values in the financial account but with little or no movement in resources, there may be analytical interest in separating them from other direct investment. If not prevented by confidentiality, supplementary data could be provided."

7. **As a practical matter, it can be difficult to identify corporate inversions, and it may even be difficult to define them such that all types of inversions are covered.** Cortes et al. (2015) identify three classes of inversions for U.S. companies: (i) *Pure inversion*: The inverting company creates a foreign entity to serve as the legal head office while keeping the headquarters functions in the United States; (ii) *Restructuring inversion*: The inverting company becomes foreign-owned through a merger, leveraged buy-out, bankruptcy, or spin-off; and (iii) *Born inverted*: When a new domestic company is established along with a foreign entity as owner but headquarters functions remaining in the United States. This classification does not include, however, other forms of corporate actions, like changes in registered offices, which can have a similar economic effect.

8. Taking into account the experience recorded in various economies, **a typology of the most usual cases of corporate actions that involve inversions or other forms of restructuring with similar economic effects might include the following <u>four</u> cases**:

a. **A cross-border restructuring between the original parent company (the inverter) and a *subsidiary* in a foreign country,** with the new foreign parent company incorporating in the foreign country of the subsidiary. The subsidiary might often hold a negligible amount of assets and liabilities in its balance sheet before the inversion and might even have been created just for the purpose of the inversion. As the inversion is achieved by transactions in financial assets between different entities (often through stock swaps), it usually results in financial transactions being recorded in the financial account.[6]

b. **A cross-border share swap between the shareholders of the original parent company (the inverter) and those of an *independent* company in a foreign country,** with the new foreign parent company incorporating in the foreign country.[7] Similarly to case (a), the inversion is achieved by transactions in financial assets between different entities, and therefore it usually results in financial transactions being recorded in the financial account.

c. **An establishment of a new domestic company along with a foreign entity as the owner (born inverted).** The headquarters functions of the MNE remains in the country of the new domestic company. The establishment of the new domestic company with a non-resident owner would usually result in cross-border financial transactions.

[6] This follows the general definition of transaction as an interaction between two institutional units that occurs by mutual agreement or through the operation of the law and involves an exchange of value or a transfer (*BPM6*, paragraph 3.4).

[7] Both the restructuring under case (a) and the share swap under case (b) are often referred to as mergers in the financial press.

d. **A *change of residence* that does not involve any merger or transaction with another company.**[8] This restructuring should not be defined as a corporate inversion according to *BPM6*, paragraph 8.19, as it falls instead under the "change in residence of entities other than persons" in *BPM6*, paragraph 4.167. However, it might be argued that it would have basically the same economic effects as an inversion under case (a) and it could, therefore, be seen as fully equivalent to the latter in terms of economic substance.[9] This change of residence would be entirely recorded as "other change in volume" because no financial transactions occurred.

9. **Since corporate inversions mainly involve listed groups, public information on these transactions is widely available (e.g., company press releases and reports).**[10] Recording corporate inversion transactions in external sector statistics might nonetheless be sometimes a challenge for the compiler (especially in the case of complex corporate restructurings) and might benefit, therefore, from a more detailed guidance in the manuals.[11]

10. **There is also the conceptual issue of how to treat subsequent acquisitions of companies in the country of the inverter by the new foreign parent company.** Are the domestic companies that they acquire also inverting, and are these transactions likely to be recorded in the media? Also, does it ever happen that over time, the new foreign parent company begins to act more like a real headquarters?

ISSUES FOR DISCUSSION

11. **In order to address the conceptual and practical issues outlined above three alternatives have been identified for the treatment of corporate inversions.** The alternatives are described below.

I. Alternative 1 (A1)

12. **Maintain the methodological and presentational status quo (based on *BPM6* paragraphs 8.19–8.22).** This is supported by conceptual and practical considerations. Conceptually, it is not clear that the definition of a corporate inversion offered in paragraph one is sufficiently precise to enable compilers to separately identify inversions, and, even if the initial inversion can be defined, as noted in paragraph ten above, it is not clear that subsequent expansions/acquisitions by the inverted direct investment

---

[8] Examples include: a corporation with a European legal form (Societas Europaea (SE)) which changes residence from one economy to another economy within the European Union; a corporation incorporated in one economy which transforms itself into a corporation incorporated into another economy on the basis of the freedom of establishment within the European Union.

[9] More complex forms of restructuring may involve an initial merger between two entities in different countries, followed by a change in residence of the newly merged company. This case might require recording both transactions and "other changes in volume". Specific examples might be discussed in the BPM compilation guide.

[10] Inversions might also regularly occur in the case of private unquoted corporate groups. However, their impact is more contained, because private companies are usually smaller than public companies and because the issue related to the asymmetric treatment of retained earnings between FDI and portfolio income does not arise for the former.

[11] While the typology provides general guidance on when a corporate restructuring results in cross-border transactions and when it will result in other changes in volume, the specific treatment can only be determined based on the specific details of the restructuring. More detailed compilation guidance with examples could help compilers apply the guidance to the specific restructuring they are recording.

enterprise should be counted as inversion-related investments. Practically, as noted earlier in paragraph nine, it can be difficult to track some corporate inversions and, even if the inversion can be identified, it may not be possible to publish statistics on these transactions because of data confidentiality constraints. Also, the number of countries whose DI statistics are affected appears to be small. Under this alternative, there is no recommendation (beyond the short guidance in the above-mentioned *BPM6* paragraphs) to treat differently, or publish separate statistics on, DIs related to corporate inversions in a balance of payments context. Countries that host inversion-related FDI might consider quantifying this activity in the context of their Activities of Multinational Enterprises (AMNE) statistics.

II. Alternative 2 (A2)

13. **Strengthen the current guidance on publishing supplementary detail on corporate inversions and define corporate inversions.** Notwithstanding the practical challenges, the differences in motivation and impacts between inversion-related DI and traditional DI, noted in paragraph six above, suggest the benefits of publishing separate statistics on inversion-related DI as a supplemental item. As noted in *BPM6*, paragraph 8.20, inversion-related DI tend to "involve large values in the financial account but with little or no movement in resources" unlike traditional DI. The same paragraph encourages the publication of supplementary detail on corporate inversions, possibly including DI flows, positions, and income, if feasible and if the values are large. The guidance note proposes that the language be strengthened by offering a richer description of corporate inversions (see paragraph 19 for this description). The practical difficulties with identifying and tracking corporate inversions are acknowledged but seem to be manageable. In addition, since this alternative does not impact the aggregates but is intended to provide information to enhance the interpretability of the statistics for users, some judgment on the part of the compiler in implementing it is warranted as they know most about the transaction.

14. **Identifying corporate inversions will require some objective criteria, such as those employed in the methods codified in elements of German law (*Sitztheorie*) that use simple metrics to determine the "true seat" of a corporation (Ebke, 2002).** The economy of the *true* corporate parent could be based on one or more of the following criteria (*Anknüpfungspunkte*):

a) The location where central management decisions are routinely made;

b) The location where the corporation was founded;

c) The nationality of the majority of the corporation's shareholders or of the firm's executive officers;

d) The corporation's principal place of business or the state that is most strongly affected by the activities of the corporation (e.g., the geographic center of the corporation's global labor force).

Desai (2008) argues that the home economy of a MNE should be based on "critical managerial decision-making and the associated headquarters functions" and that this connection has been lost because "firms are redefining their homes by unbundling their headquarters functions and reallocating them opportunistically across nations." In Eurostat's Structural Business Statistics, the term "Global Decision Centre" is used to designate where the "true" center of control for these corporations is resident. Additional guidance on defining corporate inversions from academic studies is offered in Annex III.

15. **A study by Statistics Netherlands defined corporate inversions with new home countries in the Netherlands** as those that (i) were born and undertook their initial growth stages abroad and (ii) had a relatively limited share of their global activities in the Netherlands (Nelisse and Hiemstra, 2019).

16. **An additional question reflects the relation between corporate inversion statistics and DI statistics by ultimate investing economy, which would become tighter if both sets of statistics followed a similar control approach ("winner takes all") based on the concept of the ultimate controlling institutional unit.**[12] Regarding the question of subsequent acquisitions by the new foreign parent of an inverted corporation, it might be considered that once a *false* foreign parent is identified, all of its subsequent acquisitions in the economy of the inverted corporation are inversion-related. To consider the data confidentiality constraints, statistics on inversions could be presented in less-detail, such as positions only, and/or with less frequency. Under this alternative, **countries that are home or host to a significant amount of inversion-related DI, are encouraged to publish some statistics for these investments separately.**

III. Alternative 3 (A3)

17. **To record corporate inversions as portfolio, rather than DI.** Although not strictly a condition for DI, because the new foreign parent does not tend to "supply additional contributions such as know-how, technology, management, and marketing" (*BPM6*, paragraph 6.4), corporate inversions (and other transactions primarily motivated by financial engineering) should be recorded as portfolio, rather than DI. Ideally, in cases where the new foreign parent does not have a significant presence, one might question whether it is even a separate institutional unit (similar to SPEs, near-SPEs, etc.) and, therefore, whether an international transaction has even occurred. Practically speaking, however, these events often involve large transactions in the portfolio accounts, as domestic shareholders in the inverting company receive shares in the new foreign parent company and the new foreign parent company takes a financial position in the inverting company. Therefore, this treatment would lead to largely offsetting portfolio investment flows as the flows that would have been recorded as DI under current guidelines are recorded as portfolio investment.

SECTION II: OUTCOMES

18. **Discussion within the Direct Investment Task Team (DITT) support Alternative A2.** As things stand, corporate inversions reduce the analytical usefulness of DI statistics because they are motivated by factors other than those conventionally ascribed to direct investors (*BPM6*, paragraph 6.4). The practical challenges of identifying corporate inversions are duly noted. If Alternative A2 is adopted, there will need to be a standard definition of a corporate inversion to guide compilers.

19. **This note proposes the definition as mentioned in *BPM6*, paragraph 8.19, with a minor integration highlighted in italics, that is "A corporate inversion describes the corporate restructuring of a transnational enterprise group such that the original parent company in one economy *that is the ultimate parent of the corporate group* becomes a subsidiary of the new**

[12] This links with the DITT guidance note on D.6 "Ultimate Investing Economy/Ultimate Host Economy and Pass-through Funds", which considers options on how ultimate statistics could be compiled. Corporate inversions may complicate those methods.

parent in another economy. In addition, ownership of a group of enterprises may be shifted to the new parent company." The definition clarifies that corporate inversions differ from other mergers and acquisitions in which the acquired company is typically being acted upon rather than being the actor. The definition also clarifies that corporate inversion differs from other forms of corporate restructuring to the extent that only after inversions does the original parent company become a subsidiary of a new parent in another economy. Additional guidance can be found in the remainder of *BPM6*, paragraphs 8.19–8.22 (reproduced in Annex IV) and in the academic literature. Cortes, Gomes, and Gopalan (2015), for example, explore the question of corporate inversion in some detail. (See Annex III for a summary of their definition). There will also need to be discussions over how to treat subsequent acquisitions of domestic companies by the new foreign parent, as discussed in paragraph 10.[13]

20. **On a practical aspect, the DITT recognizes that developing this additional guidance will require effort and that, no matter how carefully it is done, identifying inversions may still require a high degree of expert judgement from compilers.** The DITT also recognizes the data confidentiality challenges of publishing data for corporate inversions due to the large and infrequent nature of these transactions but believe these challenges can be managed by publishing data at higher levels of geographic aggregation and/or less frequent intervals. For instance, annual data on direct and portfolio investment positions of inverted companies and on their primary income balance might be useful to assess the effects of inversions on home and host countries. Also, because of the asymmetric treatment of reinvested earnings under portfolio and DI, it could be useful to publish information on retained earnings of the new parent companies. As in the *BPM6*, these presentations would remain supplemental and at the discretion of the reporting economy based on the significance of corporate inversions in their DI statistics and availability of information on corporate structures and operations.

21. **In addition to corporate inversions, these supplemental presentations might also cover other forms of corporate restructuring with similar economic effects,** such as changes in residence under *BPM6*, paragraph 4.167, if relevant in the reporting economy. The economic substance of changes in residence under *BPM6*, paragraph 4.167, and changes in residence as a result of corporate inversions are similar despite the differences in recording ("other changes in volume" for the former versus "financial transactions" for the latter). This suggests the opportunity of including both forms of corporate actions in the context of supplemental presentations on this phenomenon. The decision might be left at the compiler's judgment, depending also on the relevance of the various forms of corporate restructuring in the respective jurisdiction.

22. **At the request of the Committee, the Globalization Task Team was consulted on the proposed definition and typology of corporate inversions in November 2021.** A slight majority of the GZTT agreed with the proposed definition; a few members felt that including the phrase "that is the ultimate parent of the corporate group" could lead to confusion. However, it limits the definition of corporate inversions to cases involving the ultimate parent company and excludes restructuring that involve immediate but not ultimate parent companies. The GZTT agreed with the typology and found it

[13] Professional judgment from compilers might be needed to assess whether reallocation of operational headquarters or operations of a purely administrative nature involving only the change of International Securities Identification Number (with the corresponding change in the geographical identification) fall under the definition of corporate inversion.

useful; some suggestions for clarifying the typology were adopted in the final version of the Guidance Note (GN).

23. The recommendations are to:

- Include in *BPM7* a taxonomy of the most usual cases of corporate actions that involve inversions or other forms of restructuring with similar economic effects, as outlined in paragraph eight.
- Include in *BPM7* the official definition of corporate inversion, as in paragraph 19.
- Strengthen the current guidance on publishing supplementary detail on corporate inversions. As in the *BPM6*, these presentations would remain supplemental and at the discretion of the reporting economy. Examples of these presentations would include annual data on direct and portfolio investment positions of inverted companies, on their primary income balance and on retained earnings of the new parent companies.

OUTCOME OF THE DISCUSSION AT THE FEBRUARY 2021 COMMITTEE MEETING

24. **The IMF Committee on Balance of Payments Statistics supported the need for an official definition of corporate inversion for statistical purposes in the updated *BPM6*.** Members considered it useful to have a full typology of corporate actions (or at least the most usual cases) indicating in each case whether the actions should be treated as transactions or as other changes in volume (OCV). Additionally, the Committee agreed with a voluntary supplemental data collection on corporate inversions for countries where this may be important and proposed providing further guidance to compilers in the *BPM7 Compilation Guide*. The Committee suggested that the DITT consult with the GZTT in finalizing the GN. This version of the GN incorporates these discussions.

REJECTED ALTERNATIVES

25. **Alternative A1** was rejected because we believe that additional guidance is needed on identifying inversions and on the types of statistics that could be useful to policymakers and analysts.

26. **Alternative A3** was rejected because the practical solution offered does not address the conceptual question of whether an international transaction should even be considered to have occurred, and the practical solution offered would be difficult to implement because both sides of the transaction typically would not be covered by portfolio investment statistics.

Annex I. Supplementary Information

REFERENCES

Atkinson, Sarah and Jessica Hanson. “Corporate Inversions and FDI in the United States.” Columbia FDI Perspectives #285 (August 24, 2020)

Col, Burcin, Rose Liao, and Stefan Zeume. "Corporate Inversions: Going beyond Tax Incentives." The Review of Corporate Finance Studies 9.1 (2020): 165–206.

Cortes, Felipe, Armando Gomes, and Radhakrishnan Gopalan. Corporate Inversions: A Case of Having the Cake and Eating it Too. Working Paper, 2015.

Desai, Mihir A. "The decentering of the global firm." World Economy 32.9 (2009): 1271–1290.

Ebke, Werner F. "The real seat doctrine in the conflict of corporate laws." The International Lawyer. Vol. 36. 2002.

Federico, Stefano, Giuseppina Marocchi and Silvia Sabatini (2018), “Corporate inversions and external statistics: a case study”, paper presented at the OECD Working Group on International Investment Statistics.

Fitzgerald, John. "Problems Interpreting National Accounts in a Globalised Economy-Ireland." Quarterly Economic (2015): 41.

Hanson, Jessica M., Howard I. Krakower, Raymond J. Mataloni Jr, and Kate LS Pinard. "The effects of corporate inversions on the International and National Economic Accounts." Survey of Current Business 95, no. 2 (2015): 1–2.

Nelisse, Ronald and Leo Hiemstra. “The Influence of multinational corporations on National accounts: corporate inversions and trade in Intellectual Property.” OECD document COM/SDD/DAF (2019) 5 (October 2019)

Office for National Statistics. “An analytical study into the potential impact of financial engineering on UK Foreign Direct Investment.” (July 2016)

In addition to these articles, Ireland’s CSO regularly publishes statistics on redomiciled corporations. See, for example, “Redomiciled PLCs in 2019” (https://www.cso.ie/en/releasesandpublications/ep/p-ia/internationalaccountsq12020final/redomiciledplcs2019/}.

Annex II. Excerpt from Hanson et al. (2015)

Inversions and BEA's National Statistics

"The effect of inversions on outward and inward direct investment statistics are reflected in select aggregates of the national income and product accounts (NIPAs), most notably, the income receipts from, and payments to, the rest of the world and the NIPA aggregates that include these data in their derivation—corporate profits and gross national income. […] Generally, inversions would reduce gross national income, that is, income resulting from the current production of goods and services by U.S.-owned labor and capital. Corporate profits, the portion of the total gross national income earned from current production that is accounted for by U.S. corporations, would also be reduced by a decrease in net profit receipts from the rest of the world (profit receipts from the rest of the world less profit payments to the rest of the world). The introduction of a new foreign owner generates a payment to the rest of the world in the form of direct investment income on equity that includes the worldwide profits of the inverting corporation. However, this payment may be offset to some extent by a receipt from the rest of the world in the form of dividends that are paid by the new foreign corporation to its U.S. shareholders, some of whom may be former shareholders in the U.S. corporation that inverted. Given that corporations rarely pay dividends equal to, or more than, their total current earnings, the inversion's effect on profit payments to the rest of the world would typically be greater than its effect on profit receipts from the rest of the world, and *therefore the effect on net profit receipts from rest of the world would be negative*."

This issue is being discussed separately under the Financial and Payments Systems Task Team guidance note F.2.

Annex III. Characteristics of Inverted Corporations from Selected Academic Studies

	New Parent Company				Old Parent Company	
	Foreign economy	Foreign economy with lower tax rate	Listed on the stock exchange of old parent company's home economy	Follows securities laws of old parent company's home economy	Retains management and control functions of the global corporation	Location of the majority of the firm's shareholders
Cortes, Gomes, Gopalan (2014)	x	x	x	x		x
Rao (2015)	x	x				
Webber (2011)	x	x			x	
Voget (2011)	x					x

Cortes, Felipe, Armando Gomes, and Redhakrishnan Gopalan. "Corporate inversions and Americanizations: A case of having the cake and eating it too." Available at SSRN 2481345 (2014).

Rao, Nirupama. "Corporate inversions and economic performance." NYU Wagner Research Paper 2566429 (2015).

Webber, Stuart. "Inverted US firms relocate headquarters to Europe." Tax Notes International 64.8 (2011): 589–598.

Voget, Johannes. "Relocation of headquarters and international taxation." Journal of Public Economics 95.9–10 (2011): 1067–1081.

Annex IV. *BPM6* Guidance on Corporate Inversions

8.19 *Corporate inversion describes the corporate restructuring of a transnational enterprise group such that the original parent company in one economy becomes a subsidiary of the new parent in another economy. In addition, ownership of a group of enterprises may be shifted to the new parent company.* Such arrangements may be called corporate relocations, headquarters relocations, or corporate restructuring. The process may take place over more than one period. Although corporate inversion has a similar economic effect to a change of residence of the parent company (as discussed in *BPM6*, paragraphs 4.167 and 9.21), it differs in that inversion is achieved by transactions in assets between different entities, rather than by a single entity changing its residence. So, corporate inversion results in financial transactions being recorded in the financial account. However, some other types of restructuring may involve other changes in volume, for example, the appearance or disappearance of entities.

8.20 While the economy of the direct investor is changed by corporate inversion, the operational structure and ultimate shareholders remain effectively unchanged, but the new parent company has the benefit of the taxation and regulatory environment of its economy of incorporation. Because inversions can involve large values in the financial account but with little or no movement in resources, there may be analytical interest in separating them from other direct investment. If not prevented by confidentiality, supplementary data could be provided.

8.21 In these cases, the assets of the original parent company are treated as having been returned to the shareholders of the parent company through the withdrawal of equity and then as being reinvested in the new parent company at the same value. That is, there is a rearrangement of balance sheets through transactions in equity in the financial account of equal value with no change in net lending or borrowing. (These entries may include both portfolio and direct investment.) With some forms of restructuring, the direct investment enterprises of the old parent may become the direct investment enterprises of the new one.

8.22 As noted, assets may be shifted from one enterprise to a second enterprise because of restructuring within an enterprise group. As with other stock swaps, the owners are selling securities in the first enterprise and buying securities in the second enterprise. (These are financial account entries, not capital transfers or other changes.)