

Yahoo to spin off Alibaba stake despite tax question

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The Internal Revenue Service refused to promise that Yahoo's plan for spinning off its Alibaba holdings would sidestep US taxes

Yahoo notified US regulators that it is proceeding with plans to spin off its multi-billion-dollar stake in Alibaba despite the unanswered question of what the tax bill could be.

Yahoo's board of directors has authorized the company to pursue the

transaction "as previously disclosed, except that the completion of the spin-off will not be conditioned upon receipt of a favorable ruling from the IRS," the company said in a filing with the Securities and Exchange Commission.

Early in September, the Internal Revenue Service refused to promise that the Internet pioneer's plan for spinning off its Alibaba holdings would sidestep US taxes.

The IRS declined a request for a preliminary ruling that the way the spin-off is structured satisfies requirements for avoiding taxes on the multi-billion-dollar stake in Alibaba.

At the same time, the IRS did not indicate for sure that the transaction would be taxable, according to the California-based Internet pioneer.

Yahoo shares sank at the time but were up nearly four percent to \$28.70 in after market trades on Monday.

Yahoo said in the filing that it expected the spin-off to be completed in the final quarter of this year, but said it still hinged on final approval by the company's board.

Yahoo in July formally notified US regulators that it is spinning off its stake in Chinese e-commerce giant Alibaba to an independent new company called Aabaco Holdings.

Aabaco will wind up owning approximately 384 million shares of the Alibaba Group, representing an interest of about 15 percent, according to an SEC filing.

The move was designed to sidestep taxes and appease investors eager to tap into Yahoo's rich stake in Alibaba. The IRS decision to remain mum

about the deal for now raised worry by investors that a big tax bill may be in store.

Under the spinoff plan, which was announced early this year, all outstanding shares of Aabaco will be distributed to Yahoo stock holders.

Yahoo will also transfer to Aabaco services for small businesses that it hosts in its Internet cloud.

Yahoo bought a 40 percent [stake](#) in the Chinese [company](#) in 2005 for \$1 billion.

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