

Yahoo's Alibaba spinoff to proceed despite tax review

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Yahoo acknowledged Wednesday that US authorities are reviewing the tax-free status of its planned spinoff of its stake in Chinese online giant Alibaba, but said the deal would proceed anyway.

A statement from the California company said the Internal Revenue Service had indicated that the tax agency "plans to study its rules" on tax-free transactions such as the one planned for Alibaba.

The IRS statement is "not specific to Yahoo's planned Q4 2015 spin-off" of its Alibaba stake, "reflects no change in applicable law and does not affect previously filed ruling requests."

"Yahoo continues to work toward completing the planned spinoff in Q4 2015."

Yahoo announced the plan in January to divest its Alibaba stake using a structure that avoids a potential tax bill of up to \$16 billion.

The plan calls for the creation of an independent investment company called SpinCo to hold the Alibaba shares, but which would be owned by Yahoo shareholders.

On Tuesday, Yahoo shares plunged 7.6 percent on reports that the IRS could deny the tax-free status.

Yahoo bought a 40 percent stake in the Chinese online giant in 2005 for \$1 billion. The current stake of some 15 percent is worth more than \$30 billion.

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