MAJOR U.S. DRUG COMPANY AVOIDS BILLIONS IN TAXES ON $1,000 PILL

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Tags
Offshore Profits
Pharmaceuticals
Tax Avoidance
Transfer Pricing

Gilead Sciences Inc. ("Gilead") has developed one of the most expensive drugs available and is avoiding billions of dollars in U.S. taxes by holding its profits outside of the U.S.

The U.S. company has produced a hepatitis C treatment that costs $1,000 per pill. The treatment, which consists of a 12-week regime of its hit drug, Sovaldi, and another pill called Harvoni, costs $94,500 and has alleviated the hepatitis infection and successfully cured most patients of hepatitis C. Since receiving approval for Sovaldi from the Food and Drug Administration in 2013, the profits poured in for Gilead.

Gilead had $10.3 billion in worldwide drug sales for 2014. The company's securities filing reports its 2014 foreign income as $8.2 billion before taxes and that it earned more in non-U.S. profits than it recorded in non-U.S. sales. In comparision, in 2013 Gilead reported only $738 million in foreign income before taxes. The securities filing also shows that 73% of Gilead's revenue came from U.S. sales in 2014, compared to only 60% from U.S. sales reported in 2013.

A representative of Gilead stated it would owe $5.5 billion in U.S. taxes if it repatriated the $15.6 billion it holds in overseas profits. According to its securities filing, the company has only paid about 5% in foreign taxes on its offshore income.

Gilead established its operations and worldwide revenue base in Ireland. Ireland's highest corporate tax rate is 12.5%, compared to the U.S. corporate tax rate of 35%. The high U.S. tax rate on corporations incenti*vize*s companies to shift their profits offshore.

Like Gilead, many multinational corporations based in the U.S. utilize the corporate tax rules to transfer their valuable intangible property to countries with low tax rates. The transfer of intangibles from a U.S. parent company to a foreign subsidiary is often structured as a taxable sale. However, the sales price is difficult to ascertain when the intangible is new to the market. Pharmaceutical and technology companies often transfer their intellectual property overseas because a new drug or technology is hard to value before it produces income.

The Federal government is concerned about the tax revenue lost from approximately $2 trillion in profits held by U.S. multinational corporations overseas.