Medtronic spends $350M on another European deal

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U.S. medical device maker Medtronic is building stronger ties to Europe, a couple months after announcing a $42.9 billion acquisition that involves moving its main executive offices across the Atlantic, where it can get a better tax deal.

The Minneapolis company said on Wednesday that it spent $350 million to buy a privately held Italian company, NGC Medical S.p.A., that manages cardiovascular suites, operating rooms and intensive care units for hospitals. Medtronic already held a 30 percent stake in the business, which works with hospitals in Italy but also is expanding in Europe, the Middle East and Africa.

The announcement came a day after Medtronic said it would spend about $200 million in cash to buy a privately held Dutch company, Sapiens Steering Brain Stimulation, that develops deep brain stimulation technologies.

In June, Medtronic unveiled plans to buy Ireland-based competitor Covidien PLC in a $42.9 billion cash-and-stock deal that would involve moving its executive offices to Ireland, where the company can benefit from that country's lower tax rates. Medtronic shareholders will control the combined company, which will be led by current Medtronic Chairman and CEO Omar Ishrak. The combined company also will keep its operational headquarters in Minneapolis.

Medtronic Inc., which makes pacemakers, insulin pumps and other devices, is part of a wave of U.S. companies considering or putting together tax-lowering overseas deals known as inversions that are drawing growing scrutiny from U.S. lawmakers. On Tuesday, U.S. fast food chain Burger King said it will buy Canada's Tim Hortons in an $11 billion deal that would create the world's third-largest fast-food chain.

An inversion happens when a U.S. corporation and a foreign company combine, with the new parent company based in the foreign country. For tax purposes, the U.S. company becomes foreign-owned, even if all the executives and operations stay in the U.S.

Inversions can help companies generate significant tax savings over time. The United States has the highest corporate income tax rate in the industrialized world, at 35 percent, although most companies use tax breaks to pay a lower rate.

The U.S. also is the only developed country that taxes corporate profits earned abroad and then brought back home. That means companies park millions of dollars in earnings in overseas accounts or invest that income in foreign businesses to avoid the additional U.S. tax.

Shares of Medtronic closed at $63.52 on Tuesday and have climbed about 11 percent so far this year.

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