



A&M TAXAND SERVICES

# Digital Currency Tax Services



A new value chain has emerged through the introduction of blockchain and cryptocurrency. Understanding the key value drivers and advantages enables us to mitigate risk and identify opportunities for optimization.

The effects of the digital economy are having a significant impact on how governments tax multinationals. The OECD's BEPS project and the upcoming U.S. tax reform will bring new rules aimed at businesses that don't have a standard value chain (crypto, blockchain, etc.). Assessing the potential tax risk and optimization opportunities are key to harnessing the full potential of digital currency.

## A&M Taxand helps with crypto transactions:

- Token offerings/swaps
- Hard and soft forks
- Crypto venture funds
- Mining and staking
- Corporates acquiring/holding crypto

## Tax issues to consider:

MINIMUM AND DIGITAL TAXES REDUCTION



PERMANENT ESTABLISHMENT RISK



CASH REPATRIATION STRATEGY



TRANSACTION CLASSIFICATION ISSUES



- Review current structure and business models
- Identify tax risks and opportunities

Short Term

- Feasibility analysis to assess options to optimize value chain and business models
- Change structure and business model to mitigate tax risk and leakage

Medium Term

- Design and implement new business models to drive synergies and maximize earning potential

Long Term

## Why contact A&M Taxand:

A&M Taxand professionals address the demands and needs of organizations to effectively manage crypto operational risk. Our offering focuses on providing solutions in a practical and compliant manner that mitigates risk and optimizes tax liabilities while maximizing operational effectiveness.

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## Examples of our work:

### **Case Study:** Token Swap Tax Structuring & Restricted Token Plan

#### **Utility Token and Platform Developer, USA**

**Facts:** The client is a software developer that simplifies the construction of decentralized apps, prioritizing cryptographic privacy. The client developed a new utility token to use in a software platform that extends the capabilities of the Ethereum ecosystem. This token will replace the current token that trades on various exchanges.

**Scope:** Design a tax-efficient structure to issue the new tokens and for holders to swap their existing tokens for new tokens. Design an incentive compensation plan to align the employees' interests with the project's success, while not diluting the current shareholder composition.

#### **Results:**

- Designed a tax-efficient structure incorporating a new token issuer
- Designed a unique incentive compensation plan for the employees involving "restricted tokens" that vest over time similar to restricted stock

### **Case Study:** Tax Structuring and Value Chain Optimization

#### **Crypto Trading Investment Group, USA**

**Facts:** The client raises capital from investors to trade crypto currency and standard currency to generate income through proprietary algorithms that identify differences in spread across crypto and standard currency. The client complied with regulatory requirements in various global jurisdictions. Client was exposed to permanent establishment ("PE") risk, and its IP holding structure led to tax leakage reducing their full potential on the margin generated from trading.

**Scope:** Mitigate PE exposures and design an efficient IP holding structure by creating an IP and technology hub, injecting substance and implementing efficient transfer pricing models to reduce tax leakage and manage PE risk.

#### **Results:**

- Strong TP documentation to support business models and operations
- Significant cash benefits from optimized operational and legal structure and IP exploitation business model
- Reduced PE risk and regulatory compliance (benefits paid for regulatory compliance and requirements)

## A&M Taxand Contacts:



### **Chris Kotarba**

Managing Director

+1 650 810 3331

[chrisk@alvarezandmarsal.com](mailto:chrisk@alvarezandmarsal.com)



### **Albert W. Liguori**

Managing Director

+1 212 763 1638

[aliguori@alvarezandmarsal.com](mailto:aliguori@alvarezandmarsal.com)



### **Fabrizio Lolliri**

Managing Director

+1 212 328 8665

[flolliri@alvarezandmarsal.com](mailto:flolliri@alvarezandmarsal.com)

## ABOUT ALVAREZ & MARSAL TAXAND

Alvarez & Marsal Taxand, an affiliate of Alvarez & Marsal (A&M), a leading global professional services firm, is an independent tax group made up of experienced tax professionals dedicated to providing customized tax advice to clients and investors across a broad range of industries. Its professionals extend A&M's commitment to offering clients a choice in advisors who are free from audit-based conflicts of interest, and bring an unyielding commitment to delivering responsive client service. A&M Taxand has offices in major metropolitan markets throughout the U.S., and serves the U.K. from its base in London.

Alvarez & Marsal Taxand is a founder of Taxand, the world's largest independent tax organization, which provides high quality, integrated tax advice worldwide. Taxand professionals, including almost 550 partners and more than 2,500 advisors in 50 countries, grasp both the fine points of tax and the broader strategic implications, helping you mitigate risk, manage your tax burden and drive the performance of your business.

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