

# International Tax Planning Opportunities in a COVID Environment

August 2020

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# Be Ready to Capitalize on International Tax Planning Opportunities

Due to the current economic downturn, it is possible that lower valuations may be looming and if so, they can present certain international tax planning opportunities, the long-term benefits of which may significantly outweigh the immediate cost, if any.

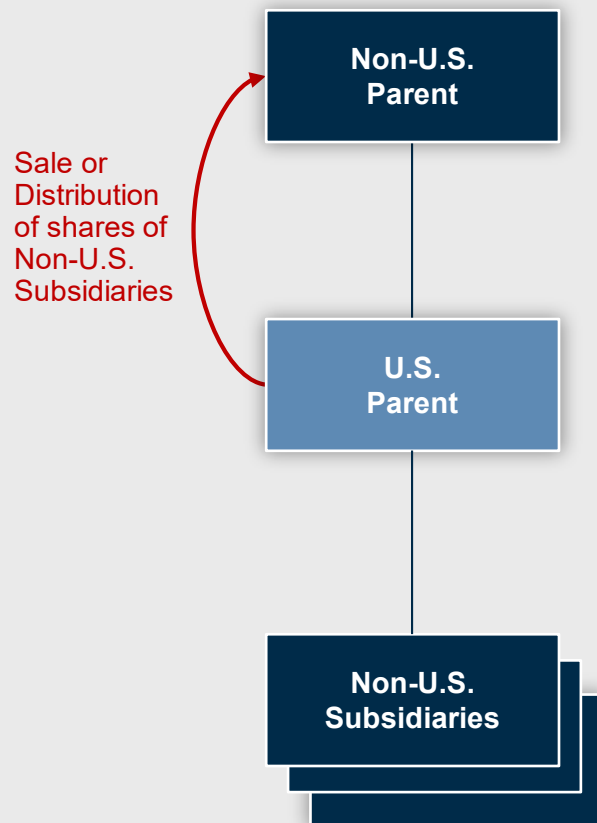
Now may be the optimal time to consider or re-consider one of the following as determining the viability now can enable you to quickly implement if valuations drop:

- Moving foreign operating companies from beneath a U.S. holding company into a new jurisdiction (**Out from Under Transaction**);
- Outbound or inbound intellectual property (**IP**) migration planning (including through use of a cost sharing agreement (**CSA**)); or
- Entering into a transaction designed to lock in current value of operations today for substantial tax savings on future appreciation (**Freeze Transaction**).

**In this deck, we provide a brief overview of each type of transaction and the relevant tax valuation considerations.**



# Out from Under: Sale or Distribution



## OPTIMAL PROFILE

- Non-U.S. operating subsidiaries with historical earnings.
- Minimal U.S. operating presence.

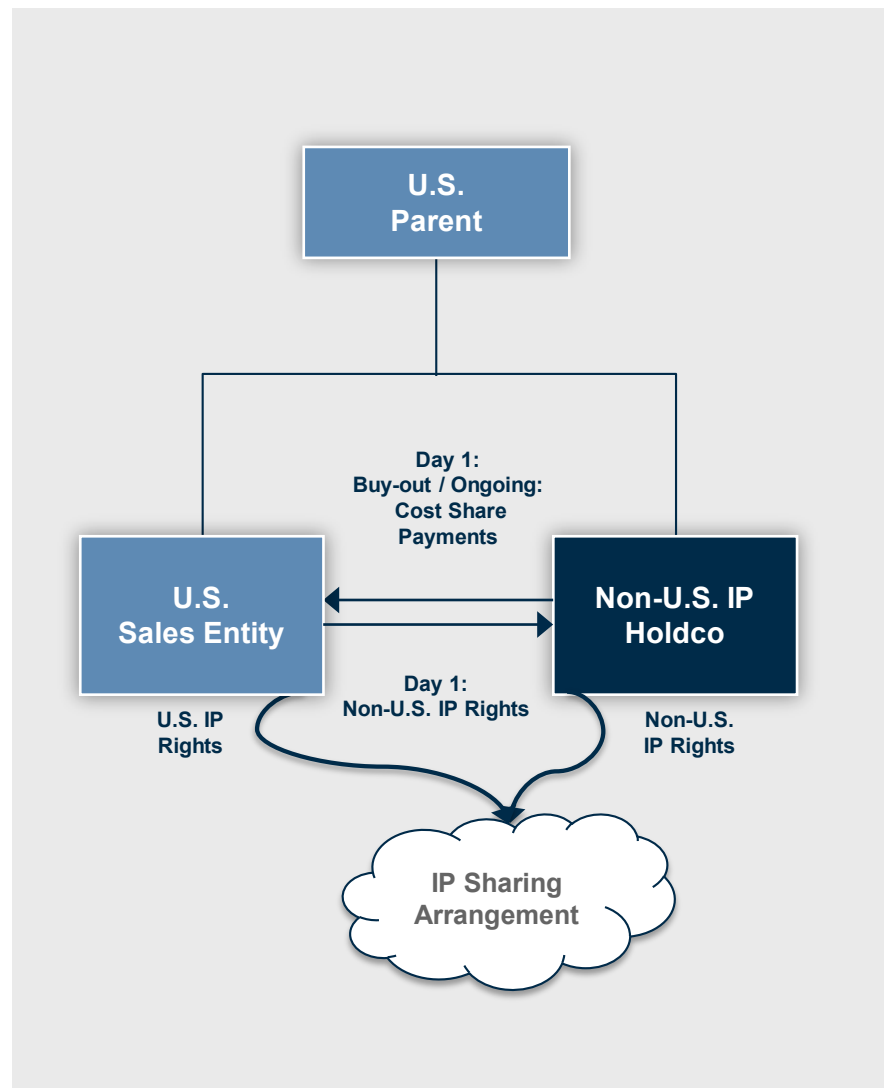
## POTENTIAL TRANSACTION

- U.S. Parent sells or distributes its shares in Non-U.S. Subsidiaries to Non-U.S. parent.

## POTENTIAL BENEFITS:

- Remove Non-U.S. Subsidiaries from the U.S. tax net going forward.
- U.S. gain on transaction may be reduced by current low valuation of Non-U.S. Subsidiaries.
- Any gain that is recognized may qualify for 100% dividends received deduction (potentially eliminating current U.S. tax exposure on transaction).

# IP Planning – Cost Sharing Agreement



## OPTIMAL PROFILE

- Existing IP held in the U.S. which is expected to increase in value

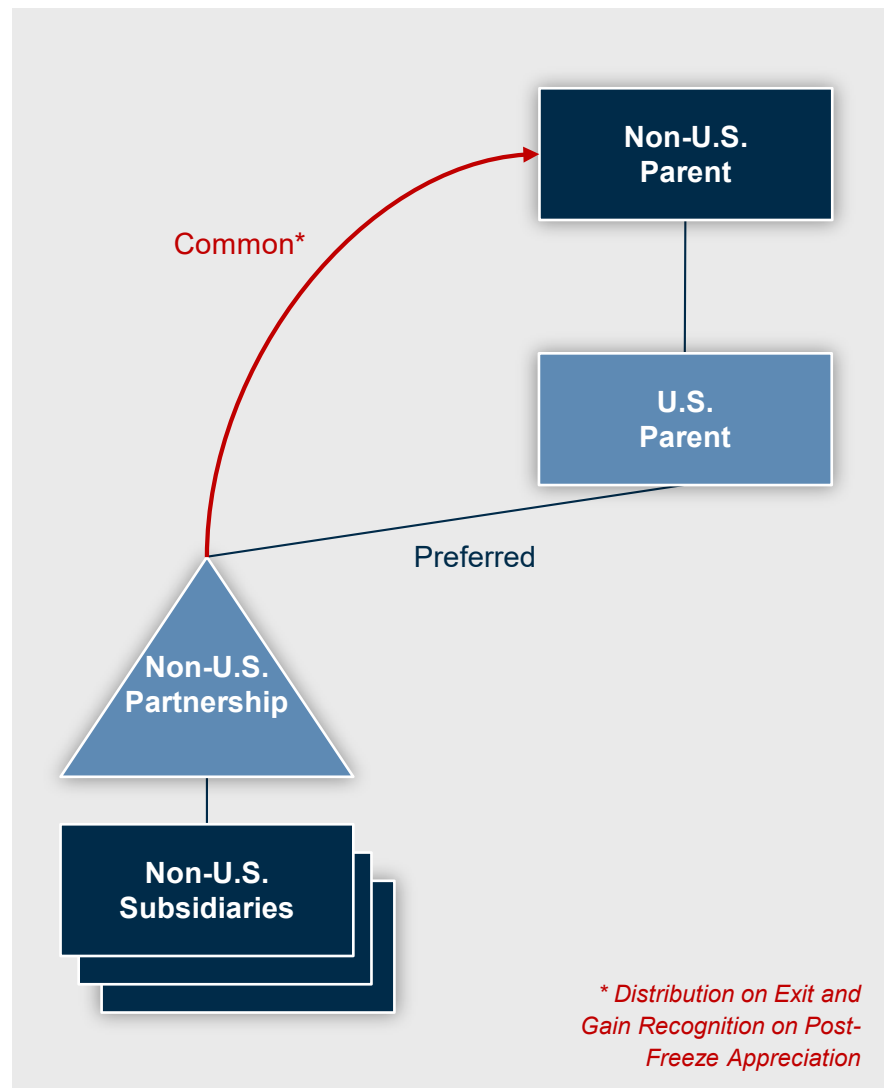
## POTENTIAL TRANSACTION

- Create a cost sharing agreement (CSA) between U.S. and non-U.S. related party in a tax-favored jurisdiction.
- A CSA is an agreement in which parties agree to share the costs/risks in the now shared IP (e.g., the right to exploit the IP outside the U.S.)

## POTENTIAL BENEFITS:

- “Buy In” amount from Non-U.S. Holdco to U.S. may be significantly reduced by low current or near-term valuation and strategic transfer pricing.
- Any costs for further development of existing IP or newly developed IP are shared between the CSA participants.
- CSA eliminates annual payments from the non-U.S. related party to the U.S. over the life of the IP.

# Freeze Transaction – Benefits on Exit



## OPTIMAL PROFILE

- Start up company expecting significant value increase from today.
- Intermediate term exit plan of non-U.S. business (e.g. sale expected in 5 to 7 years).

## POTENTIAL TRANSACTION

- Non-U.S. Parent and U.S. Parent form a new partnership.
- U.S. Parent transfers Non-U.S. Subsidiaries into partnership and receives preferred stock interest.
- Non-U.S. Parent retains common stock.
- Transaction could also be done using a non-U.S. corporation (instead of a partnership).

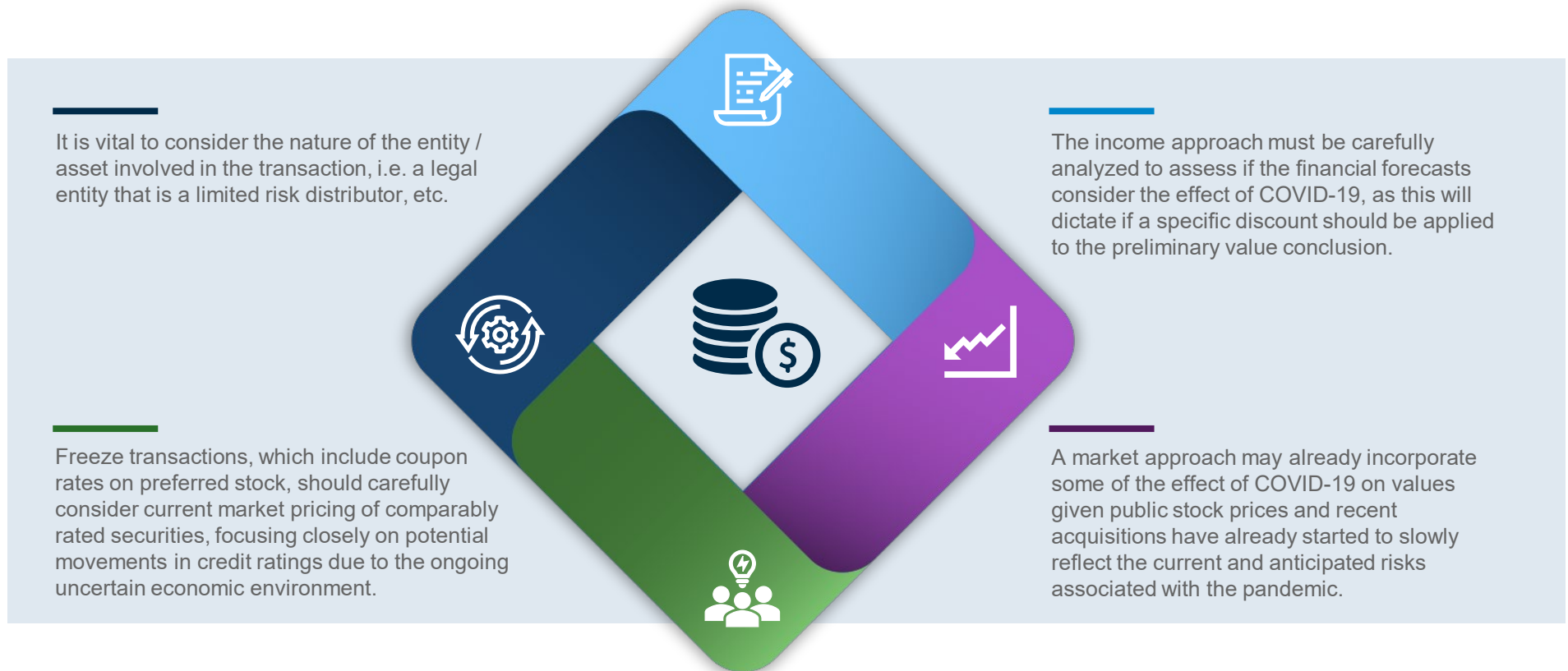
## POTENTIAL BENEFITS:

- Value of the Non-U.S. Subsidiaries was largely frozen at the time of the transaction.
- Eliminate U.S. tax on any appreciation in Non-U.S. Subsidiaries from the date of the transaction to the date of exit transaction (e.g. third-party sale).



# International Tax Planning Considerations

Due to the current economic downturn and unknown longevity of the global pandemic, companies across industries are bracing for the potential of depressed value levels.



**These are just a few issues that must be considered when valuing an entity, asset, overall company, etc. in the current economic environment to ensure the valuation is conducted utilizing reasonable, supportable assumptions that are consistent with market conditions and hence reflect arm's-length valuations.**

# Why A&M Taxand



A&M Taxand's international tax and tax valuation specialists have extensive expertise uncovering planning opportunities and acting as a trusted advisor to generate value. Our breadth of experience with both inbound and outbound planning positions us well to advise on the continuously changing tax and commercial landscape.

Our seasoned team of specialists are available to share more information on all business support measures and their impact by jurisdiction around the globe. Contact any of the professionals below for more information.

## A&M TAXAND CONTACTS



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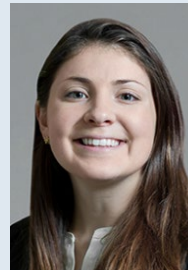
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