



TRANSACTION LIABILITY

TRANSFER PRICING RISK — TAX INSURANCE AS A SOLUTION

Lockton is a leader in providing tax insurance for transfer pricing risk.

TAX INSURANCE COULD BE THE PERFECT SOLUTION TO REDUCE OR ELIMINATE THE ECONOMIC BURDEN OF HISTORICAL OR POTENTIAL FUTURE TRANSFER PRICING TAX EXPOSURE. A tax opinion is not required in most cases. Talk to us about your specific situation and let us help structure a solution that works for you.

Tax insurance can cover issues related to the technical tax aspects of the transfer pricing rules as well as valuation risks, including discrete historical risk identified upon due diligence of a target business, discrete historical internal risk, and quantifiable future risk based on anticipated internal restructuring transactions or changes in related-party payments.

TAX INSURANCE CAN COVER A BROAD RANGE OF POTENTIAL TAX EXPOSURES, INCLUDING THE FOLLOWING:

- Protection against a challenge to fair market value pricing for related-party services and/or arm's-length pricing
- Mitigation of potential challenges to valuation of IP or other transferred assets/entities
- Coverage for the 20% penalty that could be assessed for transactions that are determined to be less than 50% or more than 200% of arm's-length pricing
- Support for debt-capacity analyses and related-party interest deductions
- Tax positions taken by the target are supported by an opinion from the target's tax advisors but the buyer has material concerns about the positions or intends to alter payments or relationships post-acquisition
- Transfer pricing positions for which a seller provides an indemnity but there is economic risk to the seller's fulfillment of the indemnity or the seller wants to transfer the risk of potential indemnification payments

Taxpayers and their advisors do not need to self-assess whether tax insurance for transfer pricing is available, how much a policy may cost, or how long it would take to bind tax insurance. There is no cost or obligation to consult with a Lockton tax professional to obtain guidance and nonbinding quotes for a tax insurance policy.

TAX INSURANCE FOR TAX CERTAINTY!

Contact the Lockton tax insurance team for more information today.



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