



Transaction booking implications and funding strategies

US Tax Reform

Business opportunities for financial services

Financial institutions should assess their business opportunities

With a reduced US tax rate and territorial system, firms (intercompany transactions with non-US affiliates) should evaluate where they are booking transactions, their funding model and their legal entity governance. Firms must consider relevant drivers, including capital and liquidity efficiency, client preferences, risk management requirements, Brexit and intermediate holding company (IHC) implementation, while adhering to their legal entity governance.

New drivers will reshape the design of a tax-effective global footprint*

- ▶ Corporate federal tax rate reduced to 21% from 35%; US becomes a lower tax jurisdiction
- ▶ Base erosion anti-abuse tax (BEAT) provision creates incremental tax cost on many payments to foreign affiliates
- ▶ Broad-based current taxation applies to offshore income under global intangible low-taxed income (GILTI) regime
- ▶ Transition tax on deferred foreign earnings, but removal of tax barriers to ongoing earnings repatriation

**Key applicable provisions from the Tax Cuts and Jobs Act*

Analyze and effect one-time changes

- ▶ Restructuring cross-border booking and funding models (and existing transactions)
- ▶ Novation of transactions and amendments to contracts (relevant entities)
- ▶ Restacking foreign subsidiary capital structures
- ▶ Legal entity reorganization, including integration with ongoing structural reform programs

Implement dynamic capabilities

- ▶ Flexible reporting and monitoring for ongoing management of tax impacts by legal entity specifically for intercompany (cross-border) transactions
- ▶ Ongoing assessment of intercompany hedging and funding versus market alternatives

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