

Corporate Actions Tax Analyzer

Identify complex corporate actions
and analyze their tax considerations



The better the question. The better the answer.
The better the world works.



Shape the future
with confidence

Streamline processes and address risks associated with identifying corporate actions and their potential impact on taxable income

Many companies struggle with insufficient personnel or inefficient processes to effectively analyze corporate actions and their associated tax implications. Additionally, there is a substantial risk of either hastily trying to determine the correct tax impact of the corporate action at the last minute or processing it inaccurately, which can result in costly errors or integration difficulties.

Corporate Actions Tax Analyzer (CATA) helps you identify certain corporate actions that may have an impact on taxable income by:

- Reviewing and conducting an independent analysis on both US and foreign corporate actions
- Providing a report with the relevant tax analysis of corporate actions identified based on your holdings
- Identifying corporate actions potentially subject to Internal Revenue Code (IRC) Sections 301 or 302 and 304; for these actions, share price and shares outstanding are provided to assist you with 301 or 302 calculations
- Providing supporting documentation for the corporate actions, including Form 8937, when available
- Providing the tax character of cash distributions for companies that paid a return of capital
- Providing access to the CATA Lite online lookup tool, consisting of a repository of all actions reviewed

CATA reports include pertinent information and taxability analysis for corporate actions:

- Name of security
- Description of corporate action
- Ex-date or anticipated close date
- Terms
- Applicable IRC section(s)
- Taxability analysis, including impact on basis and holding period
- Supporting documentation

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The need for timely identification of complex corporate actions is increasing. Asset managers must proactively understand the tax implications of these actions on taxable income.

Danielle Clark
Principal-Financial Services
Ernst & Young LLP



CATA proactively identifies corporate actions and determines the US federal income tax implications

Conduct individual searches of all corporate actions reviewed by our team via the CATA Lite online database and lookup tool.

A high volume of corporate actions may inundate asset managers and lead to delays in determining year-end taxable income calculations and distributions.

- Group restructurings and inversions
- Mergers
- Rights and warrants offerings
- Spin-offs, split-offs and split-ups
- Stock dividends
- Stock splits and reverse splits

Our experienced team proactively identifies and analyzes corporate actions from announcement date to close date and independently determines the respective tax treatment.

Potential considerations

301/302

304

354/356

Sample report

Corporate Actions Tax Analyzer – Sample report									
Provided by client					EY analysis				
SEDOL	Security name	Issuer name	Ex-date	Anticipated close date	Corporate action type	Terms	IRC section(s)	Taxability	Taxability details
BK1MBC3	INHBRX INC	INHBRX INC	05/29/2024		Spin-Off/ Split-Off/ Split-Up	INHBRX INC distributes 1 common share of INHBRX BIOSCIENCES INC (new shares) for every 4 common shares of INHBRX INC (old shares)	301	Taxable	Company intends to report transaction as taxable. We do not believe there is sufficient support for reaching a contrary conclusion. Dividend if sufficient earnings and profits (see Assumptions and Notes); Ordinary income equals FMV of new shares on date of distribution plus cash received from sale of fractional shares *Per Form 8937, the company believes that the full amount of distribution should be treated as a return of capital.
BYR0914	WESTROCK CO	WESTROCK CO	07/05/2024		Group Restructuring/ Inversion	Each common share of WESTROCK CO (old shares) exchanged for \$5.00 in cash and 1 share of SMURFIT WESTROCK PLC common shares (new shares)	301, 302, 304, 1001	Taxable	For section 304 to apply, the owners of Target must own at least 50% of Acquiring after the transaction. Based on Registration Statement dated 04/25/2024, Target shareholders will receive Acquiring shares in the transaction representing approximately 49.6% of Acquiring. Therefore, the transaction is likely subject to section 304***. (Application of section 302 for section 304 purposes is based on pre-and post-, direct and indirect, ownership of Target, not Acquiring. (Section 304(b)(1)). Taxable: Either 1a. If Section 301 applies, then ordinary dividend income equals FMV of new shares on date of distribution plus cash received because sufficient earnings and profits assumed (see Assumptions and Notes), or 1b. If Section 302 applies, then capital gain/loss equals FMV of new shares plus cash less basis in old shares * Section 301 applies if a Target shareholder's indirect percentage ownership of Target after the transaction is equal to or greater than its percentage ownership of Target before the transaction. Section 301 will not apply, and section 302 will apply, if the percentage decreases or is zero.

Corporate Actions Tax Analyzer – Share Information for Transactions Subject to IRC Sections 301, 302, 354, and 356									
Provided by client					EY analysis				
SEDOL	Security name	Issuer name	Ex-date	Type of corporate action	Terms	IRC section(s)			
BK1MBC3	INHBRX INC	INHBRX INC	05/29/2024	Spin-off/ Split-off/ Split-Up	INHBRX INC distributes 1 common share of INHBRX BIOSCIENCES INC (new shares) for every 4 common shares of INHBRX INC (old shares)	301			
BYR0914	WESTROCK CO	WESTROCK CO	07/05/2024	Group Restructuring/ Inversion	Each common share of WESTROCK CO (old shares) exchanged for \$5.00 in cash and 1 share of SMURFIT WESTROCK PLC common shares (new shares)	301, 302, 304, 1001			

Issued and Outstanding Shares of Target Before Effective Date			Issued and Outstanding Shares of Acquirer Before Effective Date		
Last trading date	Common	Preferred	Last trading date	Common	Preferred
N/A	N/A	N/A	N/A	N/A	N/A
07/04/2024	258,148,060	N/A	07/04/2024	259,187,710	N/A

Acquirer/Distributed Share Price (USD) on Effective Date/First Trade Date		Issued and Outstanding Shares of Acquirer After Effective Date		
Common	Preferred	First trading date	Common	Preferred
13.92	N/A	N/A	N/A	N/A
44.86	N/A	07/08/2024	517,335,770	N/A

The team



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Danielle is a member of the International Tax and Transaction Services practice within the Financial Services Organization and has been with Ernst & Young LLP since 1997. Her experience spans a broad range of sectors in the financial services industry, including insurance, banking, broker-dealers and investment funds.

Danielle leads the EY Global Tax Investing Services (GTIS), which provides the GWTR, RRA and Recovery Service, Rapid Security Analyzer (RSA), Passive Foreign Investment Company (PFIC) and CATA. In addition, Danielle leads health checks for global financial institutions and funds, helping them determine and comply with their obligations in the global withholding and information reporting space.

Danielle has 24 years of experience in the taxation of global financial services institutions. She is a member of the United States Supreme Court Bar and has spoken at many international and domestic tax conferences.

She received a BA from the University of Cincinnati and a JD from Cleveland-Marshall College of Law.



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Chhaya is a member of Ernst & Young LLP's International Tax and Transaction Services practice within the Financial Services Organization and has been with the firm since 2012. She works on a number of service offerings for Ernst & Young LLP; including the PFIC Analyzer service, a one-stop source for identifying the current PFIC status of foreign equities; the CATA, a service that proactively identifies and reviews complex corporate actions impacting publicly traded corporate equities to understand their US tax implications; and the Per Se Analyzer, which quickly and accurately identifies the per se status of publicly traded securities for clients investing on behalf of sovereign wealth funds.

Prior to joining Ernst & Young LLP, Chhaya was a tax manager at a mutual fund complex for six years.

In addition, Chhaya has over 15 years of experience as a tax manager with a Japanese automobile company. She was primarily focused on transfer pricing and negotiating bilateral APA agreements and IRS audits. She began her career at another big four firm, where she spent four years in the tax group. She received her B.S. in Accounting and Finance from Drexel University. Chhaya is a Certified Public Accountant licensed in California.



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Nora is a member of the International Tax and Transaction Services practice within the Financial Services Organization and has been with the firm since 2017. She works on the PFIC Analyzer service, a broad source for PFIC data that helps asset managers ascertain the status of foreign equities, and the CATA, a service that proactively identifies and reviews complex corporate actions to understand their tax implications. She also works on the Publicly Traded Partnership (PTP) Analyzer, which identifies investments treated as partnerships for US tax purposes, and the Per Se Analyzer, which quickly and accurately identifies the per se status of publicly traded foreign and US holdings.

Nora has more than 15 years of experience in the taxation of investment companies, financial products and transactions. Prior to joining the firm, she was a tax director at a private investment management company. She began her career at another big four firm, where she spent five years in the Investment Management Services Group. Nora is a Certified Public Accountant licensed in New York.



Ask us about our other global investing tax services with respect to compliance and reporting:

- Foreign tax forms completion (FTFC) service
- Global Investor Services (GIS)
- Global Withholding Tax Reporter (GWTR)
- Per Se Analyzer
- Passive Foreign Investment Company (PFIC) Analyzer
- Publicly Traded Partnership (PTP) Analyzer
- Qualified Foreign Corporation (QFC) Analyzer
- Rapid Reclaim Analyzer and Recovery Service
- Rapid Security Analyzer (RSA)

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