



A couple of paragraphs in this contract that seem pretty benign actually have quite a bit in them.



## K-NOTES

# Using Contracts to Navigate Tax Codes



**Tyler Stone**  
Attorney

## Corporate Purchase Plans

### Navigating Tax Codes in M&A Agreements

By examining an Agreement and Plan of Merger and Reorganization for a U.S. company buying two merging Israeli entities, we can learn a lot about the tax implications of multinational M&A deals. Keep reading to get answers on how technical tax requirements are often an important part of large-scale business transactions, and discover how contracts can help your clients navigate their tax responsibilities in a global economy.



Assumption of liability is a big one. That's why everybody wants to take this section out. It's long-winded there. It becomes important to look into it."

## Key Takeaways

- ➔ **Related vs Unrelated Party Transactions**  
In a related party transaction, your departments are speaking to each other, and it's easy to figure out who is responsible for which tax filing obligations. In unrelated transactions, it becomes much more tricky because the seller wants to get rid of all of the liability and responsibility for filing any taxes.
- ➔ **International Tax Implications**  
If we can get the two tax systems to fit, where we're not double taxing the income in both jurisdictions, that's the perfect situation for an international tax planner.

- ➔ **Assumption of Company Obligations**  
Code sections 351 and 368 give favorable tax treatment and are often going to allow the exchange of shares or stock in a company for stock in a company. Otherwise, it might not be tax-free because the whole point is that if you're passing cash along with it, then you're making a payment.
- ➔ **Using Contracts For Tax Purposes**  
There's nothing wrong with having tax compliance checklists because so many contracts go through IRS audits, accounting firm audits, and law firm scrutiny and they always seem to be okay. There is authority telling us that the avoidance of taxation itself could be a business purpose in some cases.