

CASE STUDY

How a pharmaceutical company minimized US tax exposure by strategically transferring an intangible asset to Switzerland

Client

U.S.-based pharmaceutical company owned by U.S. and European shareholders

Industry

Life science

Engagement

Evaluated multiple transfer structures and developed a strategy aligned to the client's tax attributes, including valuation support

Key outcomes

Identified and executed a transfer strategy aligned to the client's tax attributes

Reduced U.S. tax exposure by approximately 95%



Tailored analysis



Identified the most efficient strategy



Compared structural alternatives

The challenge

Following Phase 2 FDA approval of its new medication, the company's underlying intangible asset significantly increased in value. At the same time, its owners sought to relocate the business from the U.S. to Switzerland, where most shareholders and the chief chemist were based.

The central challenge was how to transfer this now valuable intangible asset out of the U.S. while minimizing associated tax exposure. Given cross-border tax complexity and substantial tax liability potential, the stakes were high.

The approach

Sikich evaluated several transfer options, including sale and capital contribution structures, to determine the most tax-efficient path forward.

The chosen approach was grounded in a detailed understanding of the client's specific financial and tax position, including:

- Assessing and quantifying existing tax attributes (e.g., NOLs)
- Supporting the valuation of the intangible asset by referring the client to an independent appraiser
- Comparing and modeling available transfer methods in the context of the client's situation

Rather than applying a standard transfer approach, such as a capital contribution, Sikich tailored the strategy to the client's unique tax profile to identify the method that would minimize U.S. tax exposure.

The results

- Identified and executed a transfer strategy aligned to the client's tax attributes
- Reduced U.S. tax exposure by approximately 95%

Key takeaways

- Common transfer methods are not universally optimal. Each situation requires tailored analysis.
- A detailed review of a company's financial and tax attributes is critical to identifying the most efficient strategy.
- Comparing structural alternatives can uncover significant tax-saving opportunities.



- The selected approach enabled the company to proceed with its planned relocation to Switzerland while significantly reducing tax costs associated with transferring their intangible asset.

Looking ahead

Beyond the immediate tax savings, the selected transfer strategy positions the company for longer-term flexibility as it continues to advance its product and operations internationally. By tax-efficiently relocating the intangible asset, the company may be better positioned to pursue future regulatory, commercial, and operational opportunities in Europe while reducing the risk of unnecessary U.S. tax costs as the asset's value continues growing.

The strategy also created a stronger foundation for future growth by aligning the company's ownership structure, research and development capacity, tax attributes and business objectives. As the company continues to develop and commercialize its medication, this approach could support more efficient cross-border operations and help preserve capital that may be reinvested into future product development, market expansion or other strategic initiatives.

Request a complimentary review of your unique tax situation and ideas on how to improve outcomes.

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