Debt–Equity Litigation Returns to U.S. Courts

British Tax Review
November 2013

This article, co-authored by Jim Gadwood, discusses the U.S. Tax Court’s decisions in ScottishPower and PepsiCo both involving the distinction between debt and equity – against the backdrop of increased Internal Revenue Service focus on outbound interest payments and cross-border financing. "With the spectre of more debt–equity controversies looming on the horizon, multinationals should take time now to evaluate the potential vulnerability of their cross-border related-party financing to a debt–equity challenge in the US," the authors conclude.