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Patricia Olasker Speaks to *The Globe and Mail* about Impact of Biden's Proposed Taxes on Cross-Border M&A

In an [article](#) (available to subscribers) published on April 27 in *The Globe and Mail*, Davies partner [Patricia Olasker](#) shared her insights on how the Biden administration's proposed hikes to corporate and capital gains taxes may affect cross-border M&A activity.

Patricia expects companies to try to close deals before a new U.S. tax regime comes into effect at the beginning of 2022.

"I think in the short term the threat of these changes will act as a bit of an accelerant on this already hot M&A fire," she said. "We're already in a period of incredible activity on both sides of the border."

In the long run, Patricia expects higher U.S. taxes to reduce mergers and acquisitions to an extent, but she sees other factors that could neutralize the negative effects – including pent-up demand for takeovers in a post-pandemic world and substantial amounts of "dry powder" that companies and private equity funds can deploy.

"I think those things might offset this wet blanket that's been thrown over by the Biden tax bill," she said.

Patricia noted that family-owned companies would seek higher valuations under a Biden tax regime to offset the tax on capital gains, adding, "If companies become more expensive to buy, one would expect to see fewer deals."

She commented that a higher U.S. tax rate would have presented opportunities for inversion acquisitions but that the Biden tax plan would make it more difficult to take advantage of that arbitrage.

Currently, if a Canadian company acquires a U.S. corporation and at least 80% of the combined entity's shares are U.S.-owned, the company would be subject to U.S. tax rules. The Biden plan suggests lowering that threshold to 50%.

"That's not an uncommon threshold to hit in a merger of equals," Patricia said. "That would be one of the ways in which they would make unattractive the inversion transaction."