[Company Letterhead/Logo]

Date: [Insert Date]

To: [Recipient Name/Board of Directors]
From: [Tax Department/Consultant Name]
Subject: Notice of Potential Permanent Establishment and Tax Nexus Implications

Dear [Recipient Name],

This letter is to formally advise on the potential tax implications regarding our company's expanding activities in [State/Country Name]. Based on a recent review of our operations, we have identified activities that may trigger a "Permanent Establishment" (PE) under international tax treaties or "Nexus" under local state laws.

Identified Triggering Activities:

- [e.g., Physical presence of employees or contractors for more than X days]
- [e.g., Ownership or leasing of real property or inventory]
- [e.g., Revenue exceeding specific economic thresholds]
- [e.g., On-site technical support or sales solicitation]

Potential Implications:

The creation of a PE or Nexus may result in the following obligations:

- Requirement to file corporate income tax returns in the jurisdiction.
- Liability for local sales, use, or value-added taxes (VAT/GST).
- Payroll tax withholding and social security obligations for local employees.
- Increased exposure to local tax audits and statutory reporting requirements.

Recommended Actions:

1. Conduct a formal quantitative analysis of the tax liability in [Jurisdiction].
2. Register for necessary tax identification numbers by [Date].
3. Review intercompany agreements to ensure compliance with transfer pricing regulations.

Please review these findings and provide guidance on the next steps to ensure regulatory compliance. We are available to discuss these implications at your earliest convenience.

Sincerely,

[Your Signature]
[Your Name]
[Your Title]