



Tax value creation

An opportunity for private equity funds and portfolio companies

KPMG offers a diagnostic process to quickly evaluate the state of a company's potential tax value creation opportunities.

Addressing critical tax opportunities

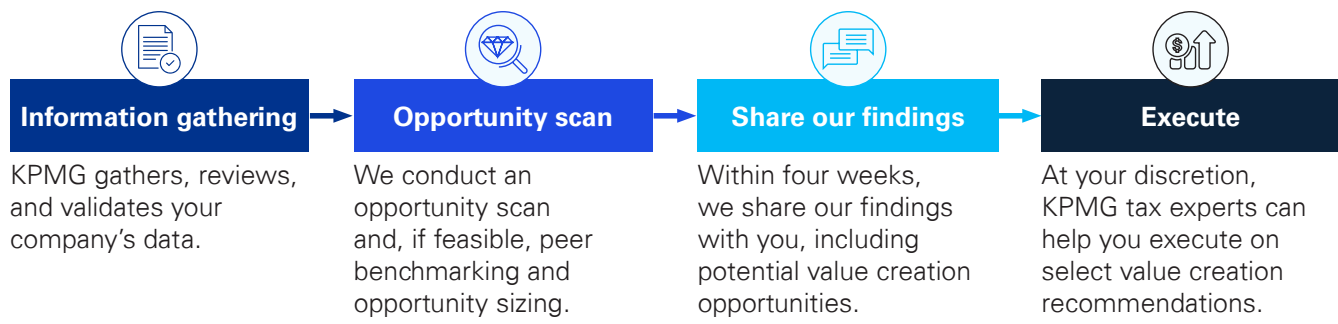
High valuations, compressed diligence timeframes, and a hot deal market mean that PE firms and portfolio companies must seek new ways to create value and enhance ROI. The KPMG rapid diagnostic tax assessment for portfolio companies identifies tax opportunities that can enhance EBITDA, reduce costs, and streamline investment exits.

We work with PE operations, finance, and tax departments to help portfolio companies:

- Realize potential near-term EBITDA, cash-flow, and ETR improvements
- Discover actions that may be beneficial considering global and U.S. tax reform
- Identify, quantify, and (where advisable) maximize tax credits and attributes
- Develop risk mitigation strategies

Our approach

We understand the many demands portfolio companies face, which is why our process is both rapid and low effort, requiring easily accessible information and very limited company time. The company receives a summary report of potential opportunities that includes monetary benefit and cost and effort to implement to help evaluate and prioritize next steps. The entire diagnostic process is designed to take less than two hours of company time.



Deliverables from the tax value creation diagnostic include:

- Key observations and challenges identified during the rapid assessment
- Perspective on current state maturity versus leading practices
- High-level quantification of potential value creation opportunities
- Prioritized list of initiatives and preliminary roadmap
- Considerations and next steps

Tax topics considered

Our collaborative, holistic diagnostic approach incorporates the following key tax topics:



Sales and use tax



Structuring



Credits and incentives



VAT/GST



Federal, state, and local income tax
(U.S. and foreign jurisdictions)



Unclaimed property



Accounting methods



Compensation



Payroll, property, excise, transfer, and other
indirect taxes



Operational enhancements



Trade and tariff



Other business and tax opportunities

Case study: Legal entity rationalization for a healthcare organization



The challenge

A physician practice had grown through significant, rapid acquisition, leading to a complex and inefficient legal organizational structure, and costing the company millions of dollars in taxes and administrative expenses.



What KPMG did

- Eliminated 30-plus legal entities
- Consolidated entities and management companies into one tax return to reduce the overall separate company cash tax position
- Eliminated compliance costs
- Reset federal employment base for unemployment
- Reset state unemployment wage base
- Reset Social Security wage base
- Streamlined sales/use tax filing



Results

- \$7 – 10M annual savings through initial consolidation
- Additional \$1.8M annual savings through phase 2 consolidation
- More efficient, consistent, and streamlined organization and operations
- Future consolidation and efficiency opportunities identified

Contact us

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