



cutting through complexity

Alternative Investment Tax Services: Federal Tax

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Staying ahead of federal tax issues and trends to make better business decisions

The accelerated pace of change is impacting the alternative investment (AI) industry globally. But just as critical, changes in U.S. tax law have created a multitude of tax risks that AI funds and managers must attempt to identify and manage. These changes can significantly impact both the timing and amount of the tax liability of funds, managers, and investors.

Fund managers must employ an integrated analysis and approach that address a variety of risks, increase enforcement measures and tackle compliance issues, and face a growing scrutiny of tax decisions by investors, financial statement auditors, and tax authorities.



With global tax planning becoming increasingly complex, managing associated risks and mining for opportunities has never been more important for AI funds and sponsors. However, with careful planning and strategic execution, industry participants can strengthen their business by staying on top of some key challenges:

- **Structure entity assistance** – Entity choice and structure will have a direct impact on both the timing and amount of tax due from investors. We leverage knowledge gained across the globe to provide options for fund creation and transaction guidance. Different strategies may lend themselves to different structures—that is, not one size fits all.
- **Tax reporting** – Managing the tax reporting and compliance burden in a manner that promotes accuracy and timeliness is central to the tax function of an AI fund. Reporting requirements have increased, and there is a need to capture new sources of information. Tax agencies increasingly scrutinize filed returns using technology and automation. So the value and importance of successfully managing these obligations has never been higher. The good news is that help is on the way. Our firm’s commitment to providing market-leading tax technology is significant and our software is specifically designed to suit your needs.
- **Legislative monitoring** – KPMG can help you navigate the nuances of the ever-changing tax environment and the impact on your business. To do this, we draw upon the resources of our Washington National Tax (WNT) practice, one of the largest, most experienced, and technically diverse tax knowledge centers in the world. WNT is the technical core of KPMG’s Tax practice. With approximately 150 tax professionals, many drawing on prior job experience with the IRS, the U.S. Treasury Department, Congress, and the U.S. tax court, WNT offers a distinct breadth and depth of tax knowledge.



Our people

Our federal tax professionals approach the AI industry from many angles to provide various service offerings to meet your needs.

Globally, we have more than 800 partners and 10,000 professionals in KPMG International member firms serving AI clients in 60 major alternative investment fund centers. The local AI professionals are able to draw upon this global depth of experience in both the products and structures and bring superior quality of service to member firms' clients.

To provide you with high-value services, we are continuously improving our approach. We put a premium on carefully listening to you to understand your needs. Finally, we make significant investments in developing the skill sets of our professionals, including our AI Immersion course taught by highly experienced professionals from Washington National Tax with input from line partners and managing directors.



Our tax technology

KPMG is at the forefront of technology focused specifically on tax, from planning to compliance and much more. KPMG has extensive experience in providing effective technology that meets your needs and supports delivery of our federal tax services.

KPMG empowers our tax professionals with the tools they need to deliver exceptional client service. Our tax technology suite allows us to efficiently and effectively deliver client tax reporting information. Our significant investment in technology allows for improved and efficient processes for information gathering, processing of tax returns and Schedule K-1s, and timely and user-defined investor reporting platforms.



Serving clients across your industry

Our AI professionals are experienced and serve a broad range of investment managers, from diversified global financial institutions to start-up investment managers, and funds of varying structures, from private partnerships to offshore vehicles and funds registered with the U.S. Securities and Exchange Commission (SEC).

AI Funds industry: How KPMG's tax professionals can assist you

KPMG's tax approach focuses on the smooth delivery of coordinated tax services, with technical specialists aligned to the issues relevant to the AI industry. On tax compliance, our team emphasizes a full-service delivery approach designed to help you meet your reporting deadlines. These professionals work together to address your particular needs, as well as update you on emerging tax issues affecting your business. Our philosophy on tax consulting and entity structuring is to customize the tax advice work to your business plan. We believe that effective tax planning emanates from the free flow of ideas, in a series of open and timely communications between us and our client's management team, attorneys, and other consultants.

Our services

KPMG can provide services through all phases of the fund life cycle—from planning and structuring to transformation. Our Federal Tax professionals offer a full-service tax approach, with an emphasis on building and growing professional relationships, which can provide enhanced benefits to clients.

Because our professionals are involved in all phases of compliance, including planning, K-1 and tax return preparation, and addressing notices, we are in a position to understand your business needs and tax situations. As part of our approach, we can help:

- Request information, compile data, and review for accuracy
- Review and maintain a tax calendar
- Communicate regularly with you to discuss current developments, process improvements, key short-term compliance objectives, relevant tax planning, and any other matters that will help determine that the compliance goals and overall tax objectives are achieved
- Develop electronic workpapers to document and provide an audit trail for all necessary tax data
- Hold discussions with you on any technical issues and agree on tax filing positions
- Prepare and/or review tax returns
- Deliver final federal, state, and local income tax returns to you by the agreed dates.

Our clients

We provide integrated tax services for funds, managers, and investors across the range of AI products, including:

- Hedge funds
- Private equity funds
- Commodity pools
- Fund of funds
- Hybrid products
- Infrastructure funds
- Real estate funds
- Venture capital funds
- Separate account investments



Success story: Attention to detail at private equity fund

A large private equity fund that was not a current client of KPMG needed to file an amended return for one fund on its platform and asked KPMG's AI tax practice for help. KPMG professionals focused on the immediate question but also examined the root cause. The analysis included examining the fund structure and supporting documents from inception and across multiple geographies. As a result, KPMG was able to uncover significant risk issues and propose and deliver a workable and efficient alternative. As a result of the success of this project, the company has engaged KPMG to perform audit and tax engagements for over 50 stand-alone funds on the platform, as well as international tax reporting across multiple jurisdictions.

KPMG uses technology applications throughout the process in support of our services. The technology applications help enable the preparation of federal and state income and franchise tax returns, extensions, and estimates.

- **Annual reporting** – We rely on leading tax technology systems to help ensure accurate and on-time deliverables. To help you streamline key aspects of your fund tax compliance and reporting processes, KPMG has developed a sophisticated, Web-based partnership tax application—KPMG LINK PartnerTrackSM. This proprietary system is one of the most robust and effective tools in the industry. It helps provide a transparent and efficient way of organizing, analyzing, and maintaining the large volumes of data generated by a fund, helping to improve accuracy and reduce the amount of time spent on compliance, thereby freeing up valuable time and resources to focus on more value-added tax management activities.
- **Transformation** – KPMG can also help you transform your tax function. This includes helping to ensure you are using current leading practices, making efficient use of available technology, and are scaled to meet your objectives.



Why KPMG? The KPMG difference

Two factors distinguish us in the marketplace: the depth of our industry-focused knowledge and our ability to deliver practical, relevant business-oriented services nationally, as well as globally through KPMG International's network of member firms. Many KPMG partners and employees, having formerly worked at AI funds, identify closely with client needs.

Our high-performing people mobilize around our AI fund clients, using our experience and insight to cut through complexity and deliver informed perspectives and clear tax planning that our clients and stakeholders value. Our client focus, commitment to excellence, global mindset, and consistent delivery build trusted relationships that are at the core of our business and reputation. In essence, KPMG means *high-performing people cutting through complexity*.

Our commitment to you

We aim to:

- Serve with passion and commitment, providing you with real-time access to experienced, technical resources who know your industry and the jurisdictions where you are operating
- Provide you with a work product that is high-quality, timely, accurate, and tailored to meet your specific needs
- Help you navigate through the complex tax landscapes, by highlighting the key tax issues affecting your business and communicating our insights in a manner that is impactful for both experienced tax professionals and nontax executives
- Provide tax planning services that are effective and accompany, when needed, by careful implementation and ongoing execution support
- Focus on helping you to improve your bottom line
- Build and maintain a long-term relationship with you to help drive value to your organization.



KPMG's Alternative Investment Practice

KPMG's Alternative Investment Funds practice is an integral part of the firm's Financial Services (FS) line of business. The FS line of business serves more than 20,000 clients worldwide, including more than a quarter of KPMG's FORTUNE 1000 clients in the U.S. In fact, KPMG has the largest presence in the FS industry of all the major accounting firms. Thus, our AI Funds professionals are deeply experienced in the issues, challenges, trends, and risks relevant to FS companies.

The depth and breadth of our international network gives our AI clients access to the resources necessary to address their most complex challenges. Around the globe, KPMG's AI professionals hail from a large talent pool of distinction: many of us have worked as tax directors and at the leadership levels of private firms or governmental entities. We are focused to serve our clients with high value wherever we do business. With passion and our uncommon value, we listen and respond by creating tailored and customized approaches for our clients.



KPMG's AI Funds Tax teams work together nationally and internationally on a regular basis, with specialists focused on alternative investments in a wide variety of technical areas, including:

- Federal Tax
- Foreign Taxes
- Funds and investment transaction structuring
- State and Local Tax (SALT)
- International tax
- Individual tax issues of the general partners.

Contact us

KPMG's Alternative Investment/Federal Tax professionals can help you navigate the most complex business issues affecting your investment and fund decisions. For more information about how we can help you, please contact your KPMG professional or one of KPMG's Federal AI practice leaders:

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