KPMG
cutting through complexity

Making green, greener

Tax impact and implications of corporate sustainability

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There are hundreds of national tax incentives and penalties in over 20 countries, resulting in a complex and rapidly changing global tax landscape.*

Is your company taking full advantage of credits and incentives?

**Source: The KPMG International Green Tax Index.*

Your company makes significant investments to achieve corporate citizenship and responsibility goals and objectives. Yet, opportunities to enhance their value by realizing the financial benefits of potential tax credits and incentives can be frequently overlooked.

Sustainability of your company and its constituents is the primary consideration when making major business decisions and embarking on initiatives to grow revenue or reduce expenditures. Whether implementing new processes, installing new equipment, or addressing workforce needs, choices and actions are based upon shared value—the opportunity to invest in innovation and meet business objectives, while keeping environmental and societal impact front of mind.

A successful corporate responsibility and sustainability strategy is a successful business strategy.

Taking credit, delivering results

Whether expanding, relocating, or investing in capital projects, KPMG LLP (KPMG) can help your company secure potential credits and incentives. Our experienced federal, state, and global professionals turn knowledge into value for clients across a wide variety of industries by identifying ways to help profitability, reduce costs, and spur innovation.

These brief case studies highlight the benefits and results we helped clients achieve.

Untapped potential

KPMG helped a diversified industrial company assess the applicability of U.S. federal, state, and local tax benefits and incentives related to energy efficiency and sustainability activities. Site visits were conducted to review processes, methodologies, and information-gathering mechanisms. Fixed asset accounting, R&D and engineering policies and processes, and source documents such as Environmental Project Reports, Annual Energy Plans, and Fixed Asset Downloads were also reviewed. KPMG identified a potential for substantial net tax benefits related to investments made by the company.

New and approved

A bio-diesel manufacturer in South Africa engaged KPMG when building a new manufacturing plant. In addition to delivering a detailed report on the accounting and tax treatment of the project, KPMG reviewed the feasibility study and input forecasted accounting and tax computation into the financial model. We also assisted with submitting the Greenfield project application to the Department of Trade and Industry; it was subsequently approved and added a significant net tax benefit.

Big data

KPMG assisted a large global financial services corporation with a new data center project. We helped guide the client through the process of long-term tax planning for capital expenditures and delivered a tailored suite of services including location analysis and incentives relevant to multiple sites, and optimization of tax treatment of capital expenditures through tax accounting methods planning. KPMG also provided assistance with property tax services and sales and use taxes related to construction. The client realized a major increase in ROI in tax savings alone on the project.

What can your company achieve?

- Discover options for refundable income tax credits based on salaries and capital investment.
- Understand the tax consequences of modifying business practices.

- Develop top-down strategies for sustainable growth through cross-functional and global planning.
- Consider tax deductions and/or credits for investing in energy-efficient upgrades or “green” construction.

- Identify opportunities for cash rebates for purchases related to energy-efficient property used in operations of buildings.
- Realize the potential for financial benefits of credits related to investments in technology.

The difference between a project that moves forward and a project that is cancelled

Governments around the world rely on federal, state, and local tax incentives and penalties to help achieve green policy objectives. Green tax incentives can have a material impact on corporate investment decisions, especially for multinationals, and can make or break the economics of projects developed to achieve a company's corporate energy or sustainability strategy.

Incentives vary and come in many forms including grants, subsidies, rebates, tax deductions, and sales, use, or property tax exemptions and abatements. It may be possible to achieve significant returns on qualified capital investments and to enhance project profitability by applying one or more credits or incentives, and tax equity-related investments in renewable energy projects may reduce a company's Effective Tax Rate.

A successful corporate responsibility and sustainability strategy involves integrating your tax group cross-functionally with other individuals and business units charged with meeting sustainability goals in the organization. When not integrated, opportunities may be limited, and your company may miss out on potential cash or tax savings. KPMG's tax, advisory, and engineering professionals have extensive experience in facilitating integration and communication across functions.

How can KPMG help you?

KPMG's tax professionals understand the changing tax environment. We can create value for clients by applying a tax lens to sustainability projects to help them make investment decisions that support business objectives. Whether expanding into new locations or introducing a new product line, our approach begins with a Sustainability Incentives Review, a thorough assessment to help your company identify, calculate, and capture potential tax credits and incentives.

We help you get started by:

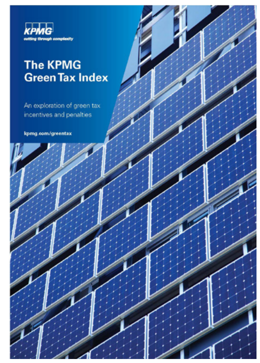
- Performing an assessment to analyze the potential tax incentives or penalties associated with past and future investments
- Benchmarking the tax benefits and determining the level of effort required to pursue implementation
- Assisting you with documenting and substantiating the tax position, and filing claims

When should you consider a Sustainability Incentives Review?
If your company is...
Making significant capital expenditures
Planning to construct new or renovate existing facilities
Expanding into global markets
Implementing programs to reduce carbon footprint
Looking to reduce the overall cost of "going green"
Investing in manufacturing property
Considering transactions involving renewable energy
Developing governance procedures for capturing incentives
Requiring support with incentive applications and structuring agreements

With over 162,000 employees and member firms in approximately 155 countries, KPMG is truly a global network with a wealth of local experience. Our professionals combine leading international practices with deep in-country knowledge to deliver customized methodologies to the clients we serve.

KPMG International won the prestigious 2014 International Accounting Bulletin (IAB) Award for Sustainable Firm of the Year for a third consecutive year.

KPMG's Green Tax Index is a KPMG International study that analyzed incentives and penalties in 21 major economies, focusing on key policy areas such as energy efficiency, water efficiency, carbon emissions, green innovation, and green buildings. It provides companies with a guide to help evaluate benefits and returns from their sustainability-related projects. The United States topped the ranking in the use of federal tax incentives for energy efficiency, renewable energy, and green buildings. www.kpmg.com/us/greentax



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