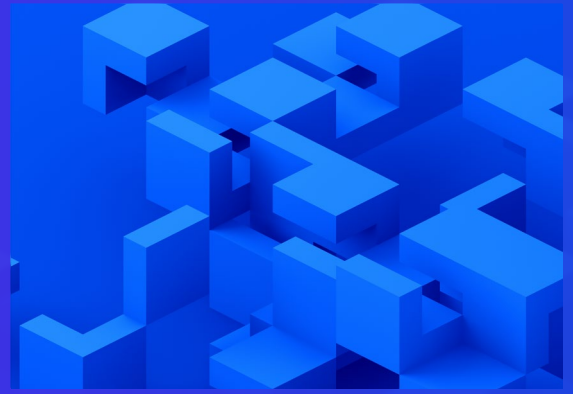


# Increasing deal value through tax and transfer pricing optimisation



By LanPeng Chin, Transfer Pricing Director, KPMG in Singapore

When acquiring a business, executives of Private Equity firms and MNCs generally identify opportunities to generate value through three broad value creation levers. These include:

- i. **Financial engineering:** The application of debt and equity mix to maximize return on investment.
- ii. **Governance engineering:** The use of governance to improve management oversight and control.
- iii. **Operational engineering:** Redefining the business and operating model to drive revenue enhancement and cost optimisation.

Tax efficiencies can play a contributing role in each of the three value drivers. For example:

- i. **Financial engineering:** Ensuring interest deductibility of the debt.
- ii. **Governance engineering:** Structuring tax efficient incentive programmes for the management team.
- iii. **Operational engineering:** Ensuring that the newly implemented operating model and supply chain are tax optimised.

With rising interest rates, executives are increasingly focused on operational engineering to drive value by improving business operation efficiencies. For businesses with operations spanning more than one tax jurisdiction, our experience demonstrates that executives who implemented tax and transfer pricing optimisation at the operational engineering planning phase were able to further enhance the EBITDA and cash flow benefits, thereby increasing business value.

Broadly, tax efficiencies could be achieved by:

- i. Aligning profits of the business to where the value is generated;
- ii. Reducing tax leakages through withholding taxes, ensuring cash is repatriation to the business, shareholder and to repay debt in the most efficient manner; and
- iii. Tax optimising the supply chain to manage custom/indirect tax costs.

In summary, with the pressure to deliver alpha, tax and transfer pricing optimisation initiatives can be a useful lever in the value creation playbook to further improve EBITDA and cash flow. For example, establishing a tax efficient holding structure and an operating model underpinned with robust transfer pricing principles can help achieve savings on cash tax and improve valuation through a lower effective tax rate and improved deferred tax asset recognition.

## How can we help?

KPMG in Singapore's transfer pricing team works closely with the firm's tax and deal advisory units and are well positioned to deliver strategic, tailored solutions to help you identify and leverage key opportunities in your tax optimisation journey. Feel free to reach out to any of the key contacts listed below to find out more.

---

## Contact us

### KPMG Services Pte Ltd

12 Marine View, #15-01  
Asia Square Tower 2  
Singapore 018916  
T: +65 6213 3388  
F: +65 6225 0984



#### Felicia Chia

Partner  
Head of Transfer Pricing  
Tax  
KPMG in Singapore  
T: +65 8198 4967  
E: [fchia@kpmg.com.sg](mailto:fchia@kpmg.com.sg)



#### Adam Rees

Partner  
M&A  
Tax  
KPMG in Singapore  
T: +65 6213 2991  
E: [adamrees@kpmg.com.sg](mailto:adamrees@kpmg.com.sg)



#### LanPeng Chin

Transfer Pricing  
Director  
Tax  
KPMG in Singapore  
T: +65 9736 0569  
E: [lanpengchin@kpmg.com.sg](mailto:lanpengchin@kpmg.com.sg)

### [kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.