

Tax Strategy – A Multi Dimensional Challenge

As global markets open up, delivery channels multiply and organisations seek to expand their horizons organically or through mergers, acquisitions and alliances, a wealth of opportunities – and a fair share of threats – are emerging in the tax and regulatory landscape.

As businesses cross international borders and those borders themselves become increasingly blurred, the complexity of any organisation's tax affairs grows exponentially. Managing uncertainties and complexities can no longer be treated as an afterthought. Rather, it has to become an integral part of forward planning for the entire organisation – and a matter of particular strategic importance for the finance function.

The Indian tax and regulatory environment is in an unprecedented state of flux characterised both by a raft of new legislations and by continuous re-interpretation of existing laws. Material change is certain to occur whether it stems from the expected introduction of the Direct Taxes Code – with new concepts such as General Anti-Avoidance Rules, Controlled Foreign Corporation and Place of Effective Management – from a framework for negotiating Advanced Pricing Arrangements or from the proposed Goods and Services Tax regime. And in parallel to these developments, the stance of tax administrators – particularly on evolving issues such as transfer pricing, permanent and cross-border business re-organisation – are getting stringent all the time.



As a result, tax strategy must not only respond to the prevailing tax and regulatory environment, but must also anticipate the contours of possible future developments in policy, administration and jurisprudence. Failure to do so can expose organisations to franchise risks and governance challenges, besides increasing the overall cost of doing business.

Moreover, the benefits to an organisation of using tax planning to its competitive advantage are far too important to underestimate. In today's dynamic business environment, organisations

expect the tax function to contribute – just like any other – to business and financial performance. Effective tax rate, whether domestic or across multiple jurisdictions, has direct impact on market valuation. How tax is treated in a transaction can be critical in determining the success of a new venture. The ability to minimise tax and maximise value depends on the ability to implement a forward-looking tax strategy. And the speed at which ideas can be effectively put into action is even more critical than ever before.



Direct Tax Service Offerings

➤ Corporate Tax

- Comprehensive advice on planning, compliance and reporting needs
- Advice and assistance in establishing a business presence, including registrations and regulatory approvals
- Assistance in defending positions before tax administration and appellate authorities
- Seeking tax administrative rulings
- Identification of risks, planning opportunities and compliance requirements in relation to direct tax laws

➤ International Tax

- Optimisation of the efficiency of cross-border investment and transaction structures
- Advice on international holding structures
- Planning of group intellectual property assets
- Structuring of hybrid entities and financing instruments
- Efficient utilisation of tax treaty networks
- Structuring of cross-border business models to implement tax-effective repatriation and exit arrangements
- Advice on new and emerging regulations and provisions such as General Anti-avoidance Rules, Place of Effective Management, Controlled Foreign Companies and Treaty Override Provisions



➤ Transaction Tax

- Point solutions for complex transactions or business arrangements, including advice on mergers, acquisitions and other forms of business reorganisation
- Tax diligence support in mergers, acquisitions and corporate reorganisations
- Seeking advance rulings
- Advice in relation to transfer pricing, tax treaty and anti-avoidance provisions applicable to transactions

➤ Transfer Pricing

- Design and planning of related party transactions and arrangements
- Assistance with documentation requirements to support the planning and positions adopted
- Advice on tax-effective supply chain models
- Controversy management, including representation for audits, litigation support and assistance with competent authority negotiations
- Evaluation of seeking Advance Pricing Agreements once permitted



Indirect Tax Service Offerings

▶ Local & Indirect Tax Advisory

- Advisory and compliance support on indirect taxes including customs duty, excise duty, value added tax, service tax and other local taxes
- Conceptualisation of alternate business models to optimise impact of taxes
- Advice on state and local incentives for new investments (including Special Economic Zones) for various business activities
- Advance rulings and dispute resolution services in the event of a challenge
- Assistance with classification issues, valuation matters, credit issues, refunds
- Contract negotiations and structuring distribution models
- Due diligence support in mergers, acquisitions, corporate reorganisations and audits

▶ GST Transition

- High level GST impact analysis
- Assistance in GST preparedness / transition and orientation of company personnel
- Support in preparedness assessment of IT systems for GST environment
- Identification of policy-level issues and appropriate representation before the government



➤ International Trade & Customs

- Advice on foreign trade policy including importability of goods, export incentive schemes and the underlying procedures
- Advice on classification issues, valuation (including valuation assessment), duty benefits / exemptions, refunds, etc.
- Supply chain and tariff planning including project imports and international trade agreements
- Assistance in self-assessment, audit defense and litigation support
- Training and orientation of company staff



Tax Policy And Dispute Resolution

➤ Tax Policy

- Design and planning of related party transactions and arrangements
- Advice on emergence and development of tax policy and reforms in the area of new direct tax laws
- Advice on trends in development of tax policy and administration with the government arms, CBDT and CBEC
- Advice on tax administrators' approach towards cross-border tax issues, with focus on India's position with the OECD, UN, WCO and other international bodies
- Representations to tax administration and related bodies on complex tax issues

➤ Tax Dispute Resolution

- Addressing tax disputes in the area of direct tax, transfer pricing, indirect tax and tax treaty matters
- Development and execution of appropriate litigation strategy seeking advance rulings or resolution of a taxing position in accordance with tax treaty provisions
- Assistance in administrative dispute appeals for preparation and briefing Senior Counsels to represent before Tribunals, State Courts and the Supreme Court



Mergers And Acquisitions – Blending Capabilities In A Challenging Paradigm

The global markets are facing unprecedented headwinds that bring about unique challenges and opportunities for various constituents. In this backdrop, the role of M&A acquires a whole new meaning – it is a transformational tool that can be used to drive growth, battle competition, expand into new markets and achieve several other objectives.

While the developed markets are struggling with sluggish growth, unemployment and debt-related problems, emerging markets like India offer a compelling M&A opportunity. In recent years, both M&A and corporate restructuring in India has seen a significant upsurge. Global companies are increasingly targeting high growth Indian companies and equally, international investors are looking for the right India story to deploy capital.

However, the vast opportunity landscape and dynamic regulatory framework create certain challenges. In such an environment, while the fundamentals of a sound M&A strategy (i.e. defining objectives, rigour in evaluating the transaction, efficiency in execution and a resolute post-deal integration effort) always apply, the ability to blend quality lead advisory skills with cutting-edge transaction implementation and structuring capability becomes the differentiator.



The quality of effort in deal origination, the first step of an M&A initiative, goes a long way in determining its speed and ultimate success. In both buy and sell side situations, we focus on understanding the core business principles so that the deal is built on a business-oriented foundation. We rely on our deep network of relationships and a rigorous screening process to identify the right opportunities for our clients.

Transaction evaluation and structuring are the next important elements and form the analytical foundation of the deal. A comprehensive diligence effort focused on material value drivers and risks and evolving the right valuation framework are key ingredients for strategising and negotiating a successful transaction.

Finally, as businesses evolve and grow, corporate restructuring becomes necessary in view of diverse drivers such as market messaging, financial management, and internal organisation. Our focus is to design a restructuring solution that achieves the business drivers without compromising on the boundaries set by a complex tax and regulatory environment.

We have invested substantially in building deep transaction skills and sector-focused knowledge which helps us relate to our clients' business needs. Our capabilities help us tailor solutions with the ability to pilot a transaction through all phases, from origination till closure. As project managers for our clients, we work seamlessly with other specialists to deliver 'single point' solutions for our clients.



M&A Service Offerings

➤ M&A Advisory

- Fund raising advisory: Private equity, pre-IPO, structured finance advisory
- Buy side advisory: Assistance in formulation of acquisition strategy, scouting for potential targets, coordinating due diligence, valuation, assistance in finalisation of transaction documents, negotiation support, deal execution and closure
- Sell side advisory: Assistance in formulating strategy to maximise valuations, identifying buyers, setting valuation expectations, negotiations support, support in due diligence, deal execution and closure

➤ Transactional Advisory & Support

- Transaction due diligence covering financial, fiscal and commercial aspects
- Valuation support
- Transaction structuring: Mode of acquisition, investment jurisdiction / acquisition vehicle analysis and advisory on other transaction related tax and regulatory issues
- Negotiation support
- Comprehensive implementation support

➤ Business Restructuring

- Business reorganisations
- Shareholders realignment
- Repatriation strategies
- IPO and delisting advisory
- Implementation support: Fiscal, financial, accounting, capital market related, legal and regulatory



Risk Advisory – A Strategic Approach

The global economic situation, and the related impact on India, is creating uncertainties that have made global and Indian companies look at new and innovative models to handle their ever-changing financial and operational risk challenges. India is in a somewhat unique situation. While it has a capacity to grow in every area due to its development needs, it is not entirely insulated from the fluctuating global economic impact. Also, India has become the backend (outsourcing) centre of global businesses due to the easy availability of skilled resources. In this backdrop, BMR's Risk and Advisory practice offers a complete suite of services to global and Indian companies, encompassing financial and operational risk assessment, business and financial diligences (to global investors acquiring businesses in India and Indian companies investing overseas) and regulatory compliance assessment, to help managements make better and informed decisions.

Our teams are led from the front by the partners to effectively handle diverse complexity of each assignment. Also, our key strength is the low partner to staff leverage, ensuring high quality of supervision in order to meet our client's expectations. Our team – comprising process, IT, financial and analytic experts – is always aligned to the requirements of each job, ensuring that we bring optimum mix of skills with the nature and complexity of each job. We have delivered assignments in over 40 countries and have assiduously learnt the art of delivering global jobs through our flexible



delivery model (co-source, outsource and providing experts to support specific situations), providing extensive training to staff to adapt to the work and cultural environment of different countries and equipping our people with state-of-the-art tools. In India, we have worked with varied industries such as telecom, energy, IT and ITeS, retail, real estate etc.

On the one hand, we have helped Indian companies understand their business risks better, and on the other, we have helped both strategic and PE investors understand financial, tax and business exposures in an integrated manner.

Our data analytic abilities are insightful and cut across strategic, operational risk, compliance

and diligence assignments. We believe in supporting our analytic outcomes with not only samples of data, but with a comprehensive view of the entire universe of data with complex inter-linkages. Our proprietary bank of risk assessment scripts across key business processes ensures that we deliver faster and incisive results to our clients.

We work seamlessly with our business practices (Tax & Regulatory, Mergers & Acquisitions) and industry teams to bring to bear all relevant competencies to create value in understanding, assessing and managing business risks of different complexities, globally and in India.



Risk Advisory Service Offerings

➤ Business Risk & Control

- **INTERNAL AUDIT:** Global strategic sourcing model for consistency in output
- **OPERATIONS AND PROCESS RISK:** Process design, SOP development, implementation, standardisation, stabilisation and centralisation / migration. Additionally, project management, planning & reporting, change management and communication
- **TECHNOLOGY RISK:** Review of information security, application controls, ERP review and implementation support
- **DATA ANALYTICS:** Based on functional needs (operations, compliance, sales, supply chain etc), perform analytics on data pools to assess performance, quality, mix and flexibility. These can be done remotely or on client locations

➤ Regulatory Risk & Compliance

- **ANTI-MONEY LAUNDERING:** AML process diagnostics, centralised KYC hub operations, monitoring alert disambiguation and threshold limits setting
- **SARBANES-OXLEY:** Document, test and evaluate control design across components of COSO framework, including IT control testing using a cost-effective 'one-team' global model
- **FOREIGN CORRUPT PRACTICES ACT / BRIBERY ACT:** Assistance on due diligence, analytics and implementing procedures and training relating to the Acts



➤ Business Advisory

- **FINANCIAL & BUSINESS DUE DILIGENCE:** Integrated approach targeting financial, business and tax exposures. The focus is to bring out deal and valuation issues, highlight key risk areas and recommendations to mitigate the same, as inputs into the agreement / structure. Further, there is an emphasis on post-acquisition scenarios on issues relating to quick-wins and integration
- **PERFORMANCE IMPROVEMENT:** Blends in the skills on process, people and technology to focus on cost management, MIS and KRA mapping, using data mining and analytical tools

