

# TAX EFFECTIVE VALUE CHAIN MANAGEMENT

**Where your business model is changing, we can help manage resulting tax risk and optimise the group's tax position in a sustainable way going forward**

## **Business models - changing times**

A growing number of businesses are looking to change their business model to drive both customer and shareholder value in the marketplace. This often has a major impact on key elements of an organisation's value chain - those critical activities and assets required to generate profits - including, either individually or together:

- Development and launch of new products
- Setting up in new markets
- Introducing central procurement
- Moving production to lower-cost countries
- Changing or moving the management structure
- Integrating new acquisitions

With proper planning, commercial benefits can be amplified by ensuring a new model maximises available tax benefits. This includes minimising up-front tax costs which could arise from the change process as tax authorities focus increasingly on business restructurings and how local territories share a multinational enterprise's income and profit.

## **Key tax issues**

Businesses considering or undertaking changes to their value chain will need to address a wide range of tax issues, typically:

- Potential exit charges on the movement of assets and possibly functions
- Achieving the right level of substance while managing permanent establishment risks
- BEPS new rules
- Setting and defending a transfer pricing policy which gives each activity an arm's length return
- Identifying and focusing activities in lower-tax territories
- Managing sales taxes and customs duties

This requires the delivery of a range of transfer pricing and tax expertise, including international corporate structuring, expatriate tax and indirect taxes, together with effective project management to enable timely and effective implementation.

It also requires finance team engagement throughout the change process to identify and address issues as they arise: the most effective projects are those where the commercial and tax teams work together from the start.

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## Tax Effective Value Chain Management

BDO's global network of Tax Effective Value Chain Management specialists have experience in delivering co-ordinated global support to groups embarking on business model change. We can provide advice which is flexible, scalable and tailored to each business which:

- Supports the finance function through the decision-making process
- Builds on commercial priorities
- Manages and mitigates the tax consequences of business change
- Works with the group to build a sustainable, tax-efficient model and identify opportunities to minimise the effective tax rate
- Achieves a go-forward model which is both practical and robust
- Continues to support the business during and after implementation

If you would like to discuss any aspect of value chain tax planning in more detail, please contact our specialist:

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