



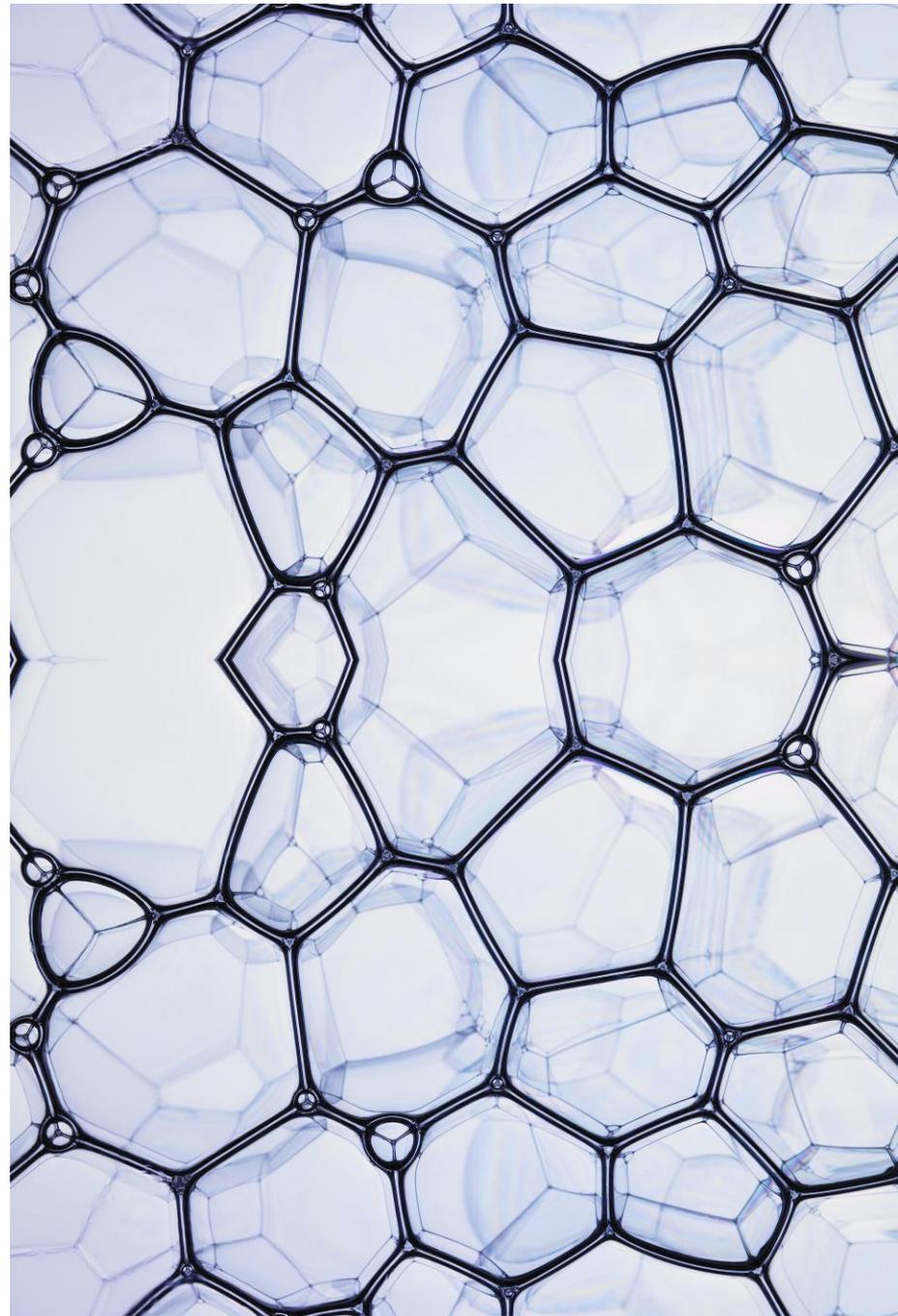
Deloitte TaxMax –
the 41st series
Creating value through
business transformation

Hisham Halim

One World Hotel

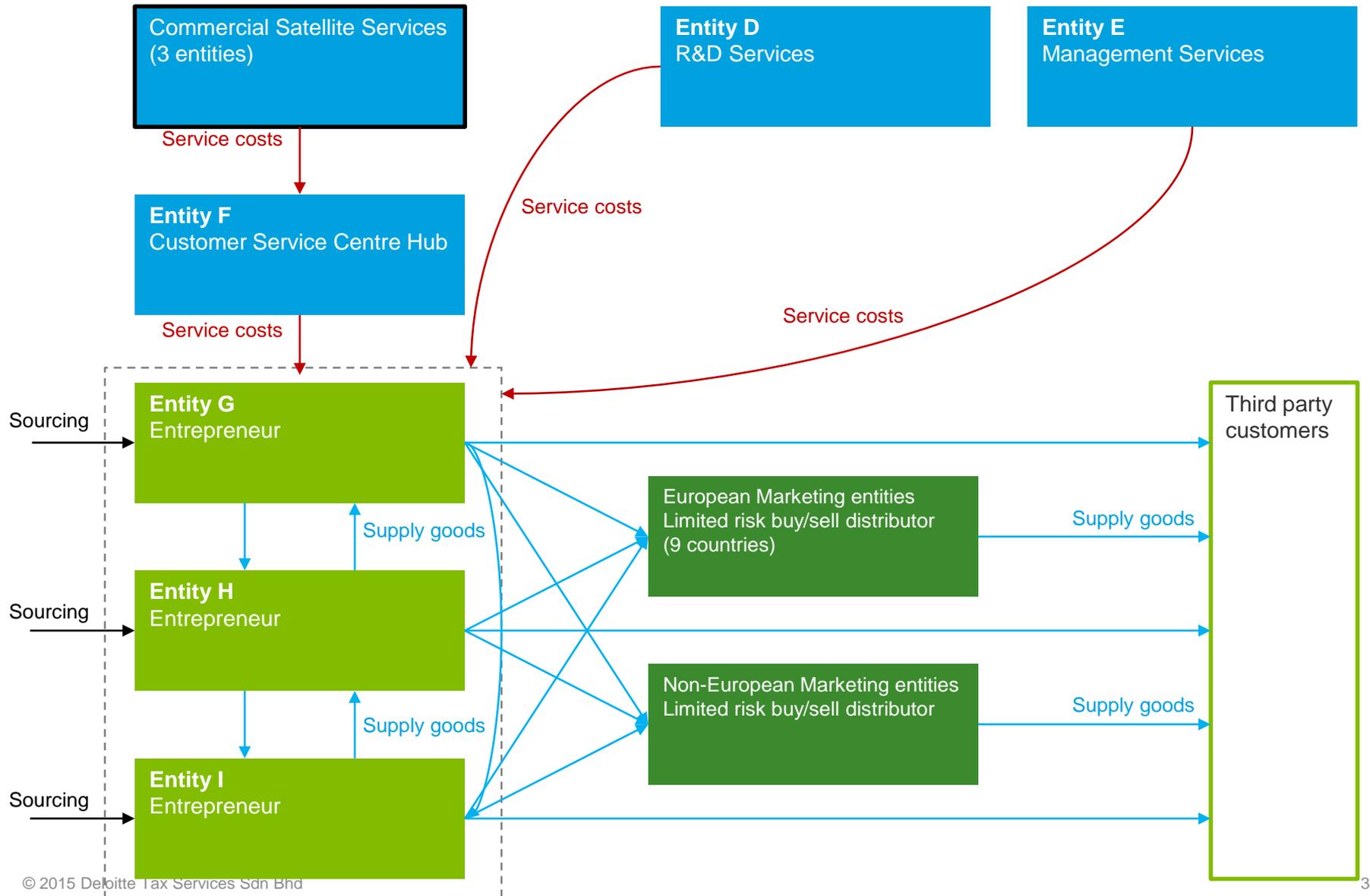
Bandar Utama, Petaling Jaya

Wednesday, 4 November 2015

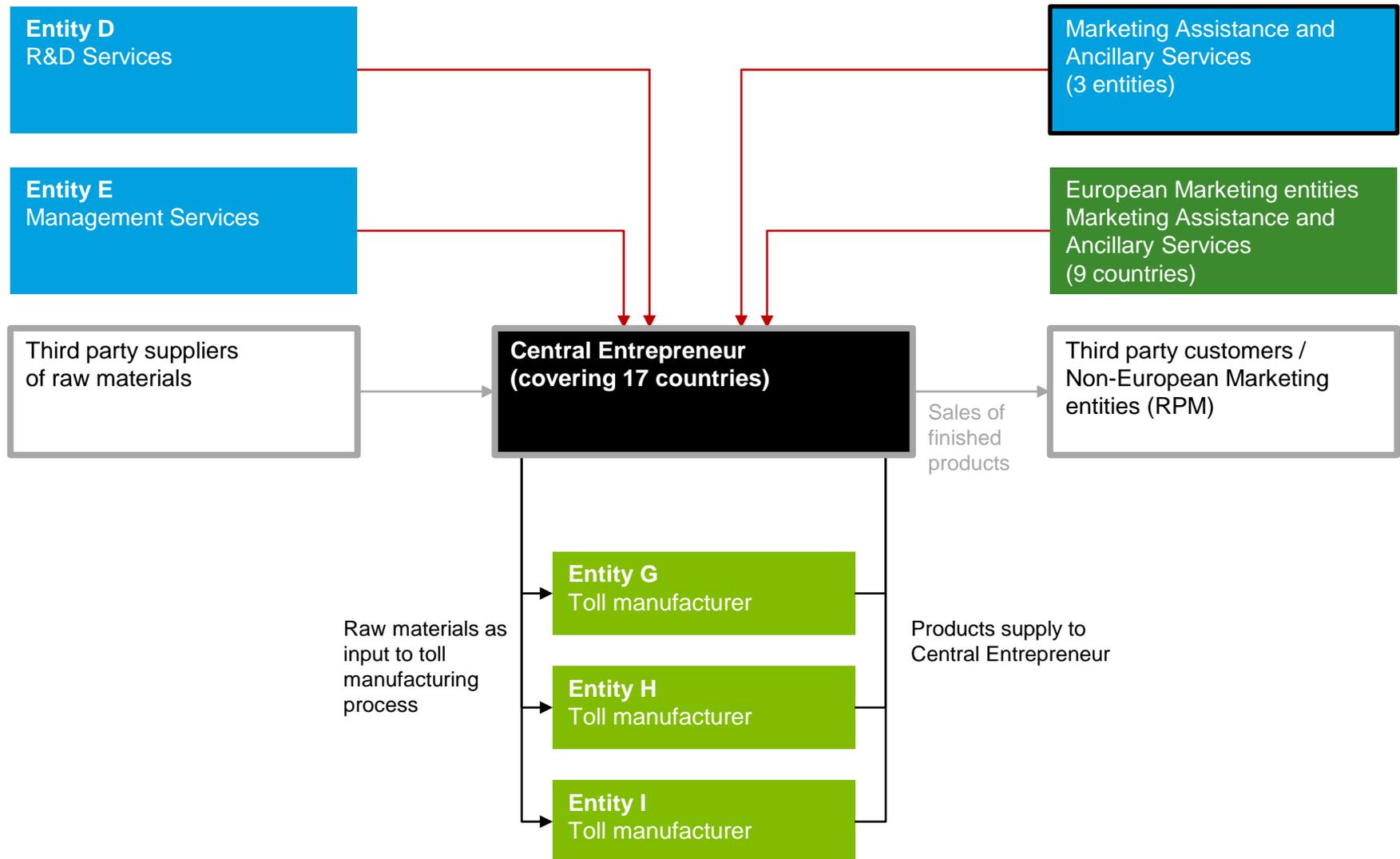


Businesses are made of value-generating functions, assets and risks. Strategic positioning of these key components can drive significant value for the shareholders and stakeholders.

Case study: Regional supply chain re-engineering

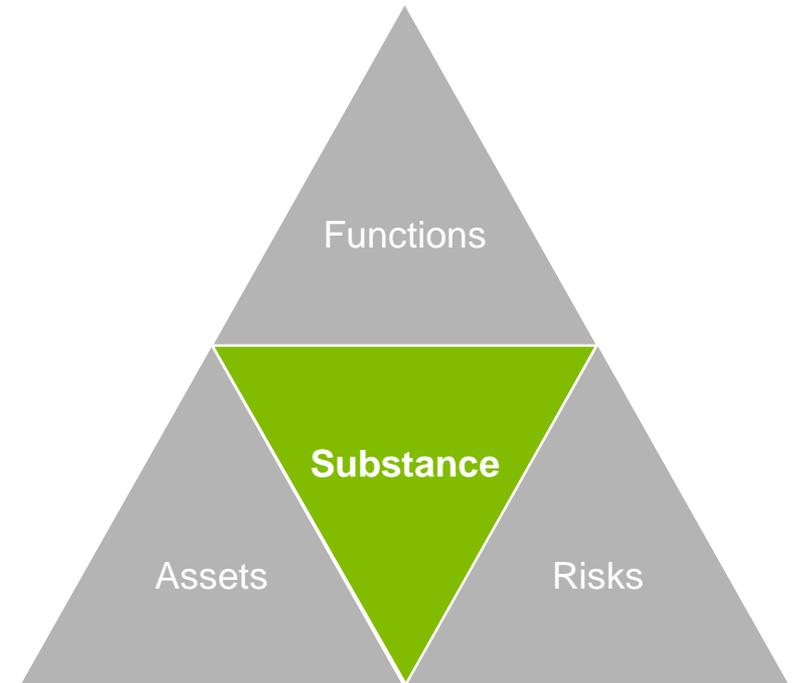


Case study: Regional supply chain re-engineering



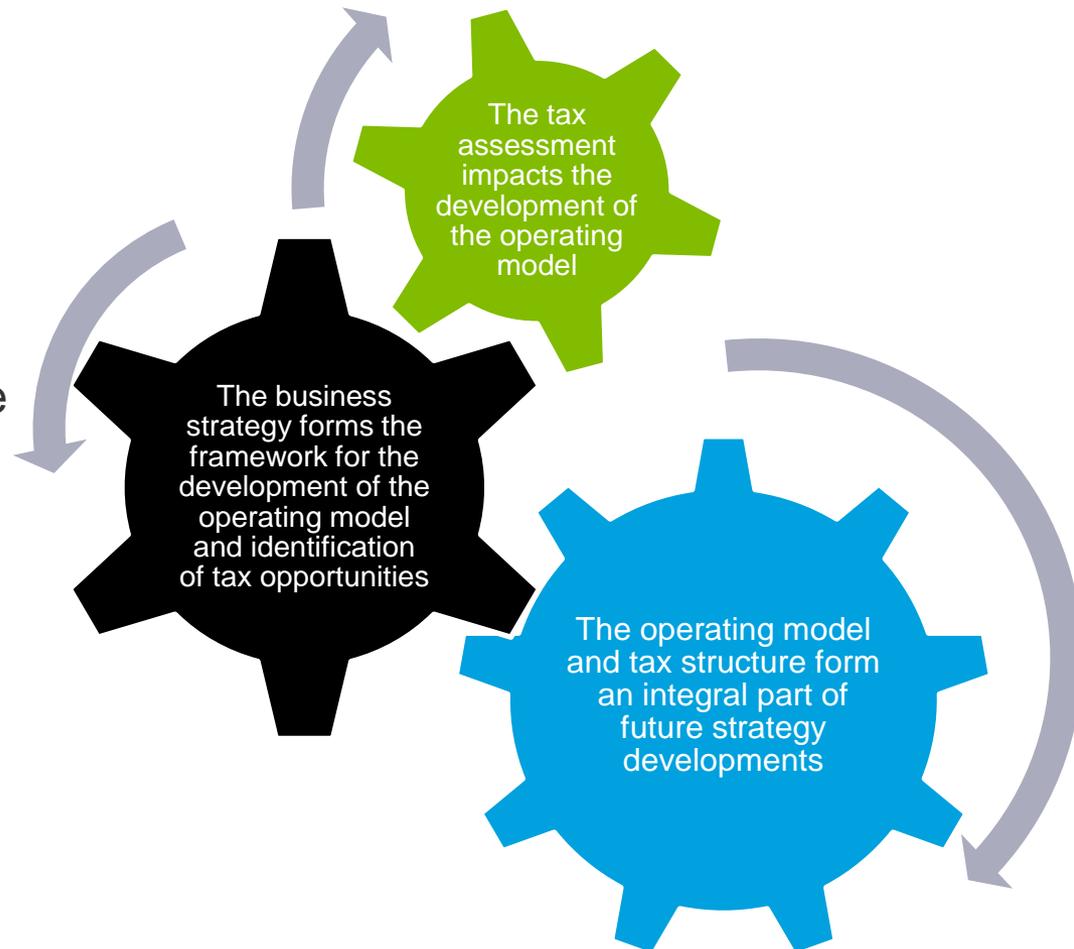
Business Model Optimisation (BMO)

- Alignment of functions, assets and risks with strategic corporate objectives through business model optimisation
- Strategic positioning of key functions, assets and risks along the supply value chain can drive significant value for the business
- BMO integrates tax planning into growth strategy



Aligning tax with business requirements

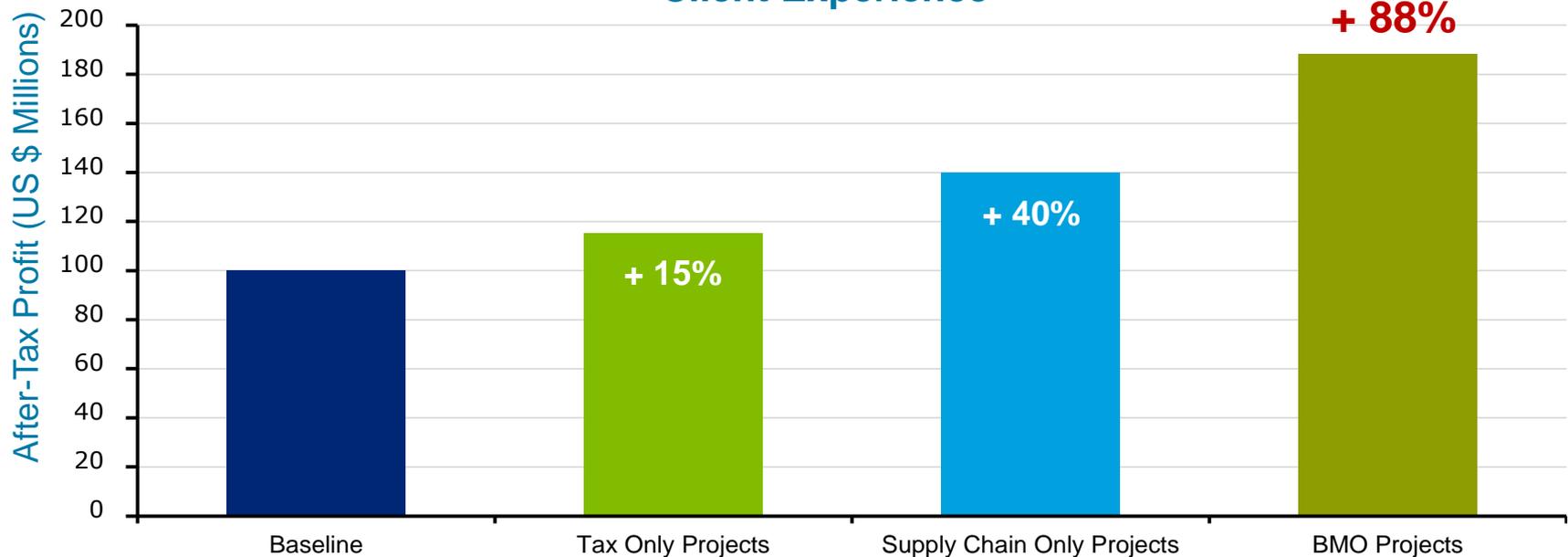
- Developing a BMO structure involves careful consideration of business strategy and initiatives
- This iterative process balances tax requirements with the business requirements to find the optimal arrangements
- An integral part of the process is to identify the risks in achieving tax objectives and developing strategies to manage these risks effectively



BMO: Driver for change

BMO project helps businesses to deliver **improved supply chain performance and sustainable tax savings** that cannot be achieved through separate supply chain and tax planning initiatives.

Client Experience



Potential benefits

Benefits	Description
Cost savings	<ul style="list-style-type: none">• Creation of an integrated operating company managing regional strategy and supply chain flows resulting in potentially lower inventory levels and increased working capital• Reduced procurement spend• Sustainable and scalable tax savings
Business process efficiencies	<ul style="list-style-type: none">• Co-location of regional leadership may result in improved communication, sharing of best practices, quicker decision making and speed to market• Synergies as a result of harmonised and standardised IT and business processes• Structured talent development programmes• Potential business process improvement opportunities to create a more efficient and effective organisation (e.g., supply chain optimisation, product rationalisation, shared services, price optimisation, etc.)• Improved visibility into local performance based on standardised key performance indicators
Tax and financial reporting efficiencies	<ul style="list-style-type: none">• Simplified functional and financial profiles in local entities resulting in potentially lower support function needs• Simplifies transfer pricing and reduces transfer pricing risks• Uniform transfer pricing strategies and policies for all subsidiaries, resulting in reduced compliance risks

Any time is a good time.
Size does not matter.

Current climate and reasons for change

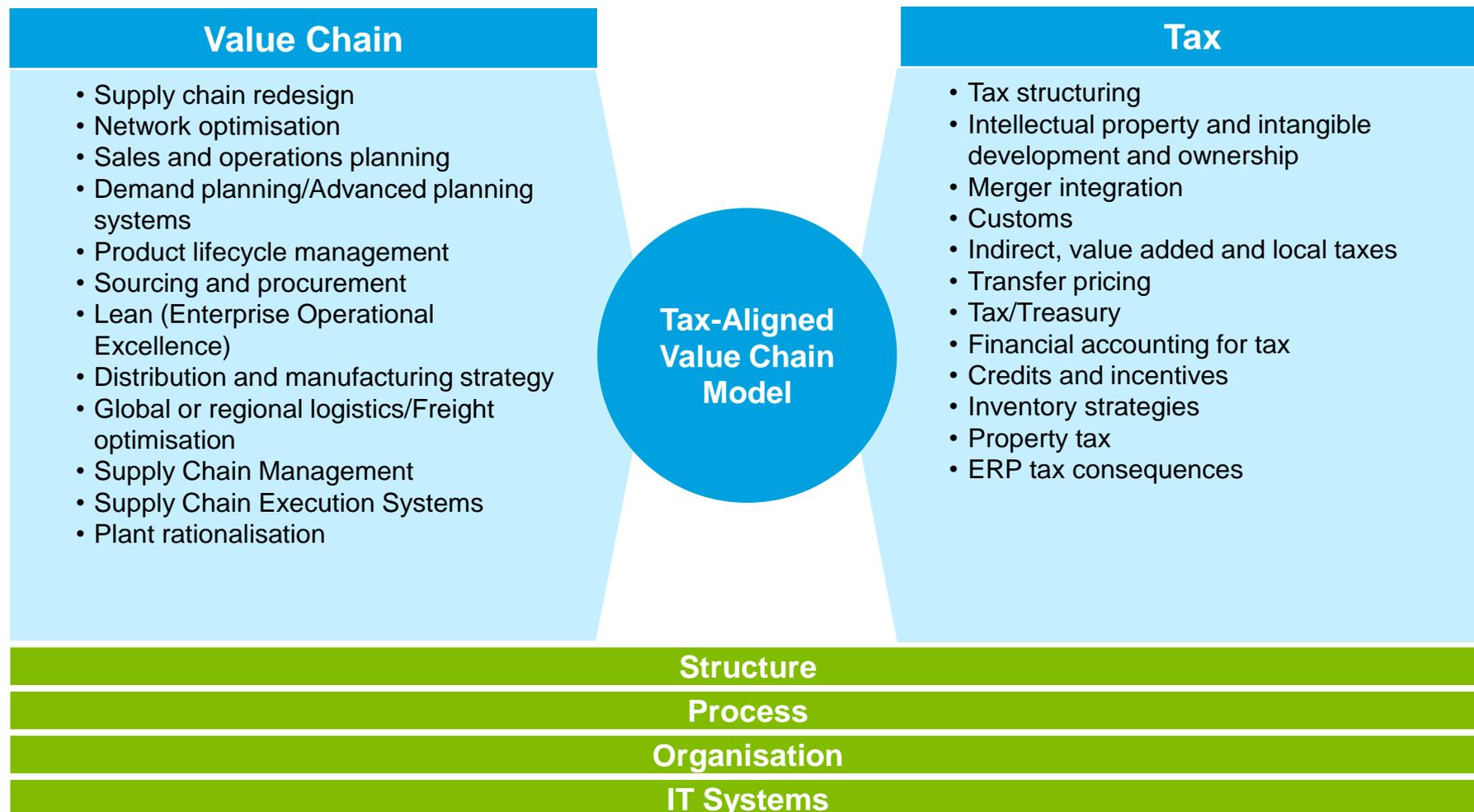
- Current economic environment has accelerated business model changes, highlighting areas for planning opportunities
- Adverse economic conditions have prompted businesses to look internally at streamlining operations
- Economic improvement is not uniform around the globe, creating urgency for alternative operational models and implementation strategies
- Opportunity to build a platform to integrate tax into the business model, with primary focus being on value chain

Trigger questions



Creating a tax-aligned value chain model

A holistic approach is necessary to integrate value chain and tax elements, creating a **business led, tax-aligned** value chain model.



BMO in the Malaysian context

Availability of specific tax incentives regime offers planning opportunities in Malaysia.



BEPS: BMO in the international context

The *Report, Aligning Transfer Pricing Outcomes with Value Creation*, contains six interlinked sections:

- Guidance for applying the arm's length principle
- Guidance on commodity transactions
- Further work on Transactional Profit Split is scoped
- Guidance on intangibles
- Guidance on low value-adding intra-group services
- Guidance on cost contribution arrangements

BEPS: Areas of OECD concerns

- Transfer pricing – shifting of risks and intangibles, artificial splitting of assets between different legal owners and transactions within a group deemed to rarely take place with third parties
- International mismatches (double non-taxation)
- Effectiveness of domestic anti-avoidance measures (GAARs, CFC regimes, thin capitalisation) to prevent treaty abuse
- The availability of preferential regimes

Key takeaways

- Operations and tax should and must be considered concurrently to drive value. Upside for embarking on a BMO project can be tremendous – 88%
- Anytime is a good time. Size does not matter. BMO applies equally to the Malaysian context
- Substance considerations

Contact



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