Client case: Tax in Post Merger Integration

Integration of two tax functions, leveraging best practices and combining the best of both worlds

Business issues

One of global leaders in the transport industry, which is also one of the biggest airline companies in the world, acquired its direct competitor.

This resulted in the world's largest air express network on the one hand and an unparalleled European road network on the other, creating many synergy opportunities. Deloitte was asked to support the integration.

The initial integration planning required a clear governance structure and cross-functional accountability. Initial focus for the company was: Day-1 readiness, value capture, organization and issue resolution.

One of the drivers of the merger was a beneficial tax structure, for which a great deal of requirements needed to be implemented and fulfilled. Therefore from a Tax perspective capturing and mitigating Tax risks and legal entity restructuring was vital.

Solution and approach

The tax integration activities can be categorized as providing strategic advice, project management, functional integration planning and support in other critical areas such as organization design, culture change and communications.

Day-1 readiness

To fulfill the company's needs, Day-1 readiness best practices were applied as input to the tax teams assessing thoroughness of integration plans. The challenge was to create a common understanding among the business owners, that operational integration decisions can have significant tax implications. Deloitte organized cross-functional workshops for identification of

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potential synergies, duplications and strengths and weaknesses.

Deloitte Tax Management Consulting worked in close alignment with Deloitte Consulting to create a tailored Day 1-readiness approach, capturing the tax risks.

After a successful Day-1, Deloitte was asked to continue its support.

Solution and approach

Post Day-1 Integration

The period after the close was critical to the integration. Deloitte supported the transition of the Tax Integration to the business owners.

Final Year One plans were built incorporating Technology, People and Process alignment between the two organisations. Transformation projects, already set in motion before the acquisition, were analysed and best practices aligned and incorporated in the plans.

Summary roadmaps were created that provided an executive level view of interdependencies and status.

Overall Strategic Focus Tax department

For the Tax department one domain was deemed a strategic focus: a major Legal entity restructuring.

The goal was to move the organization's offshore entities under the offshore structure. In most cases, this was accomplished by transferring local legacy entities into new or existing local entities. These transfers set the stage for easier full integration by the Country Integration Teams.

The legal entity restructuring minimized restrictions in the ultimate movement of assets and employees and added more flexibility to the timing of such movement between both organizations entities in each country. It also aligned the offshore structure with the acquired company's structure and minimize tax costs.

This already highly complex legal entity reorganization was further complicated by the challenging timelines, integration objectives, local legislation, multiple high level key stakeholders and various customs and aviation licenses. Failure to do this legal entity restructuring would increase future tax costs of operational integration and thus constrain operational integration flexibility.

Step plans were developed capturing dependencies, risks and detailed actions. Cross functional teams were set up to focus on specific cross-functional activities to ensure a consistent approach towards authorities, employees and other stakeholders. The chosen approach provided a regular and transparent reporting model to all stakeholders, including c-suite.

Benefits and value

Due to the alignment with Deloitte Consulting, Deloitte Tax, external stakeholders and other third service providers we were able to capture savings up to 2 Bn.

The legal entity restructuring contributed to the integrations success by minimizing restrictions in the movement of assets and employees, between both organizations, entities and adding more flexibility of such movements. Important tax risks were captured minimizing tax costs and improving compliance.

Qualitative value was established by effect positive culture and desired change, established (integration) processes, increased transparency and driving accountability to integration goals.

Project metrics

Impact made

Estimated savings
>2 BN EUR in 10 years (synergies captured together with Deloitte Business Tax US)

Deloitte Tax NL Fees

EUR 2 mio

Contact us:

Marvin de Ridder
Tax Management Consulting
Tel: + 31 8 828 86 241
Mobile: + 31 6 835 55 181
Email: MdeRidder@deloitte.nl

Marco van der Meer
Tax Management Consulting
Tel: + 31 8 828 8 273
Mobile: + 31 6 131 27 449
Email: MvanderMeer@deloitte.nl