



5x5 series: Insights and actions

## Tax Value Services

### Tax as a value driver to corporate initiatives

In the midst of evolving business landscapes and economic dynamics, the choices you make can create a path for growth. Tax planning can help identify potential cash savings, prevent unexpected tax costs, and help navigate financial pressures, which are increasingly common in today's environment, particularly with high-interest rates and inflation.



#### 5 insights you should know

Financial pressures and uncertainty are leading companies to explore cash savings, with many tax opportunities available.

Many companies are contemplating strategic alternatives, external or internal (often as M&A or internal restructuring), to create cash flow, realign business strategies, and capitalize on anticipated uptick in overall deal volume (more than 75% of respondents in Deloitte's recent 2024 M&A Trends Survey say they expect an increase in deal volume over the next 12 months).

Many activist shareholders are exerting pressure on businesses to change operations and improve structures, which often leads to strategic tax planning.

In a market characterized by continued high interest rates, companies are recognizing the need to consider the impact of higher cost of capital early in their operational decision-making process to avoid unforeseen tax costs.

Companies can adopt a range of strategies to drive value and enhance cash flow. Tax often plays an important part including strategies for immediate benefits, transaction scenarios for operational planning, and longer-term planning.

#### 5 actions to take now

- 1 Cash Tax Savings:** When cash savings are a strategic initiative, consider tax planning considerations such as identifying potential cash tax savings, including tax refunds, legal entity simplification, or tax method changes that provide immediate tax savings.
- 2 Transaction Considerations:** If divestitures or acquisitions are key to strategic growth and realignment, consider tax planning early in the transaction process. This includes assessing tax implications for various deal alternatives and impact on key tax attributes to identify tax value.
- 3 Utilize Tax Attributes:** If substantial tax attributes are present, such as carrybacks & carryforwards, strategize their utilization to enhance benefits. Consider incorporating early in M&A planning.
- 4 Consider Impact of Higher Cost of Capital:** Monitor the impact of interest rates compared with interest expense limitations and consider tax implications of any anticipated debt restructuring transactions early to avoid unexpected taxable income.
- 5 Proactive Planning:** Implement long-term tax planning such as redesigning the tax department, adopting new tools and technologies, or realigning business operations.

#### Connect with us

[Lindsay Wietfeld](#)  
Partner  
Deloitte Tax LLP

[Chad Boyd](#)  
Principal  
Deloitte Tax LLP

[Elias Tzavelis](#)  
Partner  
Deloitte Tax LLP

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