India has emerged as one of the very few bright spots in the global economy. One can expect an increase in the mergers and acquisitions (M&A) deals and activities in the coming days as domestic and international investors and business houses are eyeing India with a hope of steady growth. The government’s reform agenda and relaxations in foreign direct investments have strengthened the business as well as economic conditions.

The tax and regulatory environment impacting any M&A is changing rapidly. As a result, for any M&A transaction, it is important to define structures, which are efficient and do not result in any potential fallout with tax and regulatory authorities. This often requires pre-empting the situation, carefully examining the tax positions, undertaking cost-benefit analysis and taking an informed decision to avoid any future surprises.

Our service offerings

Every M&A transaction needs to deal with various tax and regulatory aspects – whether one is contemplating a strategic acquisition, divestment, corporate restructuring, merger, demerger, business/asset sale, reduction of capital, buyback, balance sheet right sizing, inbound or outbound acquisition, sale of shares or any other form of restructuring... Understanding and devising a strategy can mitigate transaction risks and costs, and ensure it to be compliant from a regulatory perspective.

Also, we conduct tax due diligence, provide negotiation support and offer structuring and documentation review for private equity, strategic or financial deals. We also work closely with family and promoter-driven businesses and help in the areas of succession, next generation handover, governance, growth, exit strategies and wealth preservation. KPMG in India’s Deal Advisory, M&A Tax practice works closely with clients to help identify tax and regulatory issues in the transaction and provides approach that meets the desired commercial objectives. Our offering encompasses a broad range of tax and regulatory services including:

- Acquisition/divestment structuring - Consultation to determine and shape the immediate and long-term tax impact of the client’s acquisitions/divestments. Advising on acquisitions through leveraged/management buyouts.
- Tax due diligence and health check-ups - Apprise clients of the potential risks and benefits associated with a specific transaction.
- Corporate and internal restructuring: Providing tax and regulatory efficient solutions for internal restructuring, promoter holding restructuring, corporate restructuring exercises, which can be in the form of merger, demerger, sale of business/assets/shares, capital reduction, buyback, right issue, family arrangement, succession planning, etc.
- Assistance with implementation of transaction and post deal advisory and support

Key regulations affecting M&A in India

Flowchart showing various regulations affecting M&A including:
- Income tax
- SEBI regulations
- NBFC/CIC regulations
- Company law
- Stamp duty laws
- Foreign exchange regulations
- Indirect tax/Other sectoral regulations
- Competition law
**Conceptualisation**

- Identify detailed objectives
- Gain an understanding of the long-term approach
- Ideate alternative structures based on desired business objectives
- Review business plans from a tax and regulatory perspective

**Management discussions**

- Gain an understanding of commercial objectives
- Provide an information based approach
- Conduct a SWOT analysis
- Pre-deal evaluation

**Devising structure options**

- Devise tax efficient structures in line with desired operating and financial controls
- Analyse industry trends and evaluate feasibility of options
- Review structures from tax and regulatory perspective

**Evaluation/Due diligence**

- Provide a global approach to help uncover tax risks and identify an approach to existing exposures
- Review tax representations, indemnity and warranty clauses in the contracts

**Regulatory approval**

- Process and obtain regulatory approvals for establishing or consummating the transaction structure

**Execution**

- Transaction implementation
- Contract assistance
- Negotiation support in completion phases
- Thorough project management
- Handholding through the entire implementation cycle
- Review tax representations, indemnity and warranty clauses in the contracts

**Integration**

- Foster smooth integration of tax records, utilisation of accumulated tax credits, losses and fiscal incentives

**Post deal support**

- Facilitate completion of all regulatory formalities
- Accounting the transactions in the books
- Post closure discussions with management and its advisors

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**Why KPMG in India**

KPMG in India's Deal Advisory, M&A tax practice helps companies avoid fiscal pitfalls and unpleasant, post-transaction surprises. In addition to identifying potential tax costs/risks and proposing actions or methodologies to minimise negative effects on deal value, we also try to identify potential tax saving opportunities to help enhance the deal value and propose actions or methodologies to capture those opportunities. KPMG in India team is technically-minded, deal-hardened professionals help clients identify and manage material tax exposures, look beyond the immediate impact, and design deal structures that enhance post-tax returns. We work closely with companies to identify tax and regulatory issues in their transactions and provide tools that can meet desired commercial objectives.

Tax can have a significant impact on M&A deal, and hence it is essential to identify and address tax-related risks at an early stage. We recognise this fact and have worked towards meeting clients’ expectations through:

- Professionals with relevant industry experience, from diverse backgrounds such as legal, accounting, ex-regulators, industry experts
- Combining our global focus and experience in international business with intimate local knowledge
- Working as a single practice to help provide efficient service.
- Vast experience of working with several Indian and multinational business houses on devising structures and implementation for transactions and internal restructuring
- Regular flash news, knowledge sharing calls and webinars on tax and regulatory matters
- Strict confidentiality of information

**KPMG in India contacts:**

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