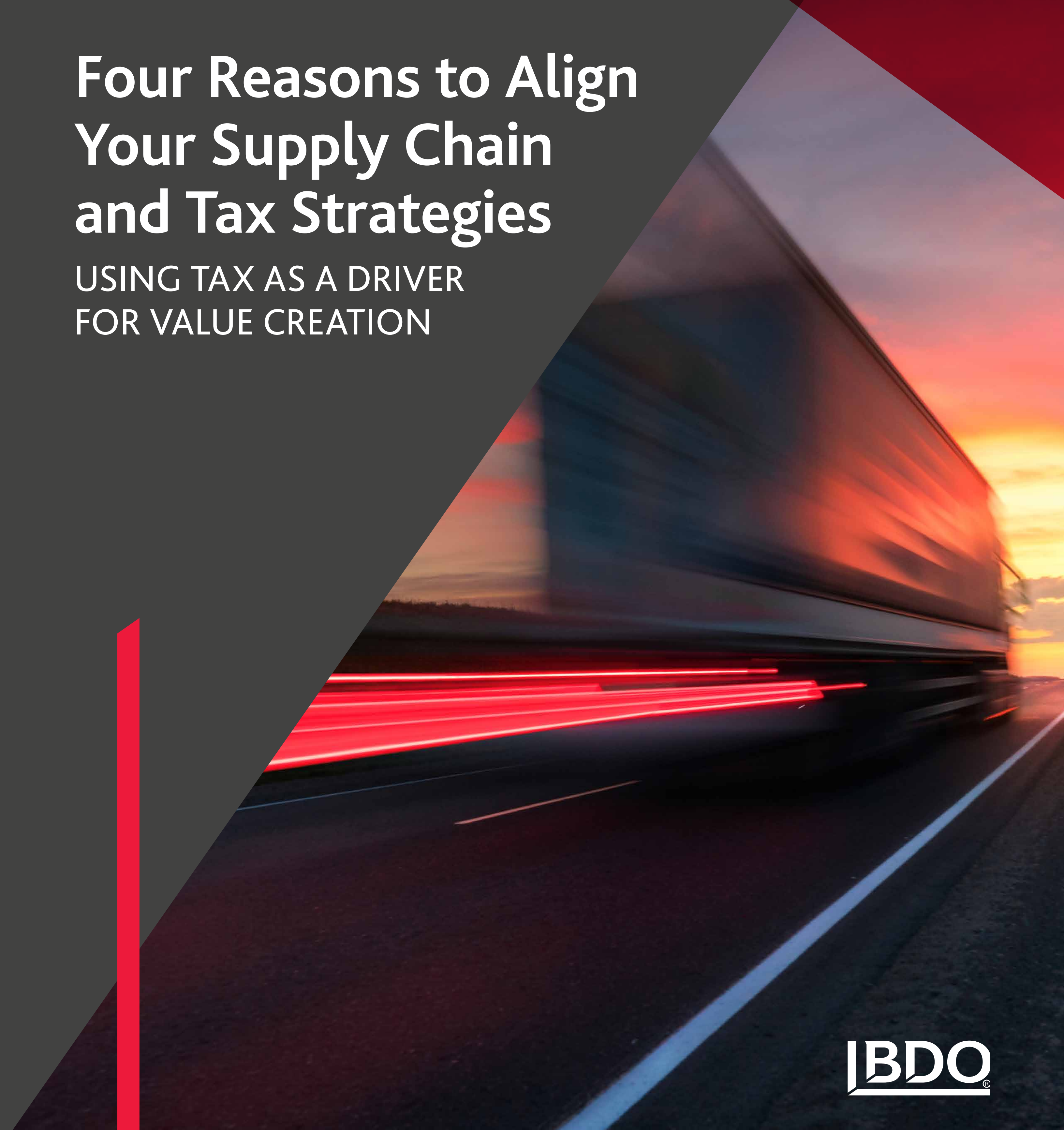
# Four Reasons to Align Your Supply Chain and Tax Strategies

## USING TAX AS A DRIVER FOR VALUE CREATION



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# Did you know that **45% of tax executives** say they **are not involved** in supply chain planning?

That's according to [BDO's 2022 Tax Outlook Survey](), which found that business leaders do not always consult with their tax departments on decisions that can affect their companies' total tax liability.

But do tax executives really need to be involved in supply chain planning?

The short answer: yes.

**For the long answer, read on to learn four major benefits of aligning your tax and supply chain strategies.**

# 1. Balance Operational and Tax Efficiency

When tax and operational leaders work closely together, your organization will have an edge over the competition in terms of speed and cost. Aligning tax and supply chain strategies can help ensure that all supply chain decisions are made in a tax-efficient manner.

To provide timely and meaningful insights regarding tax implications while mapping supply chain strategy, tax departments must be able to quickly provide projections to operational leaders. Tax technology can help increase the speed at which tax departments are able to provide such insights to the broader business.

In 2022, according to BDO data, 97% of tax executives are investing in tax technology, which will improve the tax department's ability to capture and analyze data. Technology is not a cure-all, however, companies need to invest in training to ensure their people can realize the full benefits of the tools they adopt. The right tax technology and associated training can empower members of the tax department to take on a broader strategic advisory role to operational leaders beyond the tax department.

**Learn more about how to transform your tax department to drive greater value.**

# 2. Optimize Your Total Tax Liability

Companies optimizing their total tax liability in the context of supply chain planning must find opportunities to achieve tax savings while also avoiding decisions that have unwanted tax impacts.

For example, many companies are considering adjustments to their operations to reduce reliance on one region or country amid supply chain disruption. Moving any asset – whether production facilities, intellectual property or even customer data – can incur exit taxes. If unaccounted for in initial calculations, these exit taxes can lead to significant tax liabilities for your organization that can take years to recover.

Omitting tax considerations at the outset of planning can also lead to missed opportunities for tax savings. For example, if supply chain leaders are not aware of all the federal, state and local incentives available to companies who onshore operations to the U.S., they may miss key tax savings opportunities when the business undergoes the transition.

**Learn how to gain greater insight into your business's total tax liability.**

## 3. Manage and Mitigate Tax Compliance Risk

Tax authorities around the world are stepping up scrutiny to recoup lost revenues from the past few years of economic turbulence. This makes it critical that companies update their transfer pricing policies and align them to their current business practices. If your tax structure falls out of sync with your operating model, you could be subject to additional tax exposure via tax disputes or double taxation.

Tax leaders also need to keep supply chain leaders apprised of possible changes to global tax rules. This way, your organization can avoid pursuing supply chain strategies that could be disadvantageous from a tax standpoint. For example, offshoring production to another country could expose your organization to increased tariffs if political relationships become unfavorable and trade treaties change.

**Learn how we helped a manufacturer minimize tax risk and achieve savings.**

## 4. Future-Proof Your Tax Structure

If your tax planning approach is reactive to your supply chain strategy, you will be stuck with a patchwork tax structure that requires continual updates. Future-proofing your tax structure means building a foundation that is flexible and aligned with your business's goals.

Consider creating a playbook for adjusting your tax structure as part of major business decisions, such as relocating parts of your supply chain, integrating new operations via M&A, changing suppliers or entering a new market. This way your business does not have to start from scratch with each operational decision.

## The Way Forward

As businesses prepare for a possible recession, many will consider significant changes to their supply chain to increase cash flow and improve resilience. Organizations that have aligned supply chain and tax strategies will more successfully pursue these approaches. With increased efficiency, they will also secure competitive advantages that will put them ahead of the competition in the long run.

**Ready to align your tax and supply chain strategies? Get in touch**.

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**BARB DERUS**
Global Value Chain Americas Leader and Transfer Pricing Partner
bderus@bdo.com

**PETER TERILLI**
Global Value Chain and Americas Partner
pterilli@bdo.com

**MICHAEL HELM**
Global Value Chain and Transfer Pricing Senior Manager
mhelm@bdo.com