



Tax services for the aerospace and defense industry – unlocking hidden value in tax



Helping clients succeed in a global marketplace

In today's global marketplace, aerospace and defense (A&D) companies today face a number of major trends that impact their businesses from a tax perspective. Among the most notable are:

- Managing risks
- Globalization and business transformation
- Strategic acquisition, divestitures, and joint ventures
- Innovation, collaboration and research and development (R&D)

These issues have both compliance and planning implications that cannot be ignored. Although addressing them can be a tough balancing act, doing so may unlock hidden value for your organization. Deloitte can help.

Deloitte has one of the largest tax practices in the United States — with a scope of resources that can translate into value for you. Our clients benefit from field-experienced practitioners devoted full time to their industry sectors, as well as from our deep bench strength across tax disciplines. We can address your need for specialized tax knowledge and also support your in-house resources with tax planning, compliance, tax systems transformation, and tax alignment of your supply chain.

The nuances of tax compliance and planning can be complex. Companies often overlook potential areas of tax risk and reward simply because the challenges of meeting compliance deadlines consume their resources. We can help you explore ways to reduce your exposure and realize potential savings by providing insight for you to manage the following critical issues.

Managing risks

The recent growth and profitability of aerospace and defense companies has drawn the attention of regulators. Maintaining tax and financial reporting transparency is important for managing your compliance risks—especially in the current environment of increased scrutiny.

For instance, companies revamping business processes and rationalizing supply chains should pay special attention to ASC 740 or IAS 12 compliance and schedule UTP reporting. These are complex, time-consuming, and critical activities. It is possible that some A&D companies have not yet built up the in-house resources necessary to keep pace with the current regulatory environment, or they have allocated certain resources toward other aspects of their fast-growing company. Deloitte specialists can provide assistance to help address reporting requirements under these standards and can share leading practices developed during engagements with other leading manufacturers—all of which can help you pursue ways to manage your compliance risks, reduce mistakes, and address compliance requirements in a timely manner.

Globalization and business transformation

Recent global expansion efforts and focus by A&D companies brings unique tax opportunities and challenges. For instance, companies deploying or continuing a new or refreshed global business strategy can achieve integrated goals for both tax and treasury purposes with aligned and effective tax planning; however, an ineffective or misaligned tax plan may miss potential opportunities to beneficially impact a company's global tax liabilities.

In addition, as A&D companies have grown in recent years, they have undergone finance transformation. On one hand, these initiatives help manufacturers manage cash flow and costs across multinational and multi-divisional operations. On the other hand, they require new sophistication in tax technologies and processes to keep pace with the business.

With insight into the tax considerations and challenges that accompany enterprise transformation, Deloitte can help A&D companies look for ways to refine compliance processes in the face of transforming structures and explore benefits that are potentially available.

Acquisitions, divestitures, and joint ventures

The current trend of A&D companies divesting non-core businesses and acquiring core reinforcements and new technological capabilities creates many tax issues and opportunities. In addition, companies exploring joint ventures to gain access to technologies or foreign markets will want to understand the tax implications of such partnerships and plan accordingly. With our one-stop merger and acquisition (M&A) support capabilities, Deloitte can help with M&A-related tax planning and compliance, from pre-transaction planning, modeling and due diligence to post-transaction integration and monitoring. Plus, we can help you address the ongoing tax requirements associated with government and long-term contracting.

Innovation, collaboration and global R&D

Innovation, collaboration and R&D are foundational to the A&D industry. Although manufacturers may be actively pursuing global and domestic R&D tax incentives and credits, they may miss certain opportunities.

Qualifying for these incentives often requires specialized knowledge for the application of tax law to a particular business, along with an understanding of the tax law nuances, including tax authority interpretations. Moreover, it may require focused resources to perform the calculations and prepare the documentation necessary to qualify for the deductions. Without such resources and knowledge, potential credits and incentives may be overlooked.

As a leader in the identification and calculation of potential R&D tax incentives, Deloitte can help you explore tax planning opportunities in this area and assist in addressing federal and state claims under audit. Our experienced tax specialists can help you analyze potential R&D incentives at the local, state, national, and international levels and help you answer such questions as: how the location of your R&D activities may make a difference, which activities may qualify for credits or incentives, and what documentation may be required to qualify.

We also can help you analyze whether IRC Section 199 might benefit your company. Given the increased regulatory interest in inventory issues, a new look at your inventory position may impact your potential exposure.

The Deloitte difference

As an organization with practitioners who specialize in both A&D manufacturing and tax, Deloitte approaches issues from an integrated perspective. Our multidisciplinary teams include specialists across a wide range of tax specialties that you may encounter at the local, state, federal, and international levels. We can provide services to address tax organization, operations, and technology issues. And, we often work side-by-side with the business and technology specialists at other U.S. affiliates of Deloitte to tax-align ERP implementations, global transformation and supply chain re-engineering initiatives, and other critical activities that A&D companies are undertaking today.

Learn why so many in the A&D companies trust Deloitte to help them address tax issues in the global race to be competitive. For more information on Tax services please visit www.deloitte.com/us/tax

Deloitte's integrated approach brings added value to our clients

Our strengths include:

- A solid and sustained track record in tax advisory services to the A&D industry
- A national team of manufacturing industry veterans, including engineers, dedicated specifically to our manufacturing clients
- The deep resources of one of the largest tax practices in the United States
- Connected global tax compliance capabilities and advisory services
- Tax services that range from general compliance and audit support to tax technical niche services such as R&D tax incentives and IRC Section 199
- Access to the specialized and extensive resources of Deloitte, its U.S. affiliates, and the member firms of Deloitte Touche Tohmatsu Limited and their affiliates