

Successful businesses are inclined to grow, for example by acquiring other businesses. Each acquisition not only increases the number of entities, but also the complexity and costs of the structure. From a commercial perspective, it is usually preferable if only one or a limited number of entities serve the market in a country. Limiting the number of group entities is also advisable from a financial, risk management, tax and legal perspective.

Furthermore, optimizing the group structure by significantly reducing the number of entities can result in substantial cost savings. The average annual costs of maintaining an entity can easily amount to EUR 20,000. This involves not only the annual 'cash out' costs for all sorts of mandatory reports (financial statements, tax returns, transfer pricing documentation etc.), and licenses and registrations, but also the 'internal' costs for IT system connections, maintaining accounts and, last but not least, management time.

Getting rid of superfluous entities by way of a Legal Entity Rationalization (LER) project is essential if a company wants to keep its financial affairs manageable and an LER project also ensures substantial savings of the annual (!) costs of maintaining superfluous entities.

#### **Advantages of LER**

- Presenting one face to the market
- Reducing the number of intercompany transactions
- Simplifying and speeding up the internal and external reporting processes
- Improving transparency
- Reducing annual costs

#### **How can we assist?**

We assist companies in various stages of a Legal Entity Rationalization project: (i) the design phase: defining the guiding principles and designing the end structure, (ii) the selection phase: selecting the go forward entities where the (business) activities should end up, (iii) the analysis phase: determining the steps to get to the end structure, and their ordering, and analyzing the tax consequences of these steps and the tax formalities to be met, (iv) the execution phase: executing the step plan, and (v) the post-project phase: informing stakeholders (and arrange for documentation) and set up monitoring system (if appropriate).

LER projects are often multidisciplinary, since the elimination of an entity can lead to the transfer of employees, activities and financial flows and changes to IT systems. That is why we work together with other disciplines within KPMG in the Netherlands and abroad. Thanks to our worldwide network and our experience with LER projects, we can engage the expertise of LER specialists in numerous countries.



## Contact

Our extensive knowledge of and experience with Legal Entity Rationalization means we are well placed to assist you in optimizing your structure. If you have any questions about this factsheet or wish to receive further information, please contact your advisor at Meijburg & Co.

You can also call or email Ivor Lacroix or Jeroen Biemond, responsible for the Taskforce LER.

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