



Industrial Footprint Optimization: A Tax Perspective (article 4/5)

EMBEDDING TAX EARLY ON: WHY TAX CAN'T BE AN AFTERTHOUGHT



This article is the fourth part of our series “A blueprint for footprint”, which explores the key dimensions of industrial footprint optimization.

Optimizing an industrial footprint is a complex transformation that extends well beyond operations. Among the many strategic considerations, tax often plays a decisive yet underestimated role. When tax is only addressed at the end of a footprint project, organizations risk missing out on valuable savings, smoother regulatory compliance, and a more efficient post-implementation setup.

Footprint transformations frequently involve cross-border transactions, shifts in asset ownership, new legal structures, and redefined supply chains, all of which can carry significant tax implications. Neglecting these aspects early can lead to financial exposure, inefficiencies, and compliance risks.

To avoid costly pitfalls and capture the full value of transformation, tax must be embedded early and holistically. In this instalment, building on the industrial and compliance considerations explored in our previous articles on footprint optimization, we highlight the key tax challenges, outline the typical project phases from a tax perspective, and explain the benefits of integrating tax throughout the transformation process.

TAX CHALLENGES FOR FOOTPRINT OPTIMIZATION



Drawing on our experience supporting multinational clients, three main areas consistently present tax challenges in footprint transformations:

- **Relocation of production facilities and other functions**

Functional transfers can trigger exit taxation and require valuation of intangible assets such as patents, know-how or customer lists.

- **Changes in legal structures and value flows**

Adjustments to entity setups and transactional models (for example, changes in contracting parties, inventory ownership or inter-company flows) affect transfer pricing, VAT and customs obligations.

New ship-from/ship-to locations may also require additional VAT registrations and ERP updates, and can create indirect tax leakages if not carefully managed.

- **Capital and cash management**

Profit repatriation, and tax depreciation rules all influence post-tax profitability.

Supply chain realignments and new legal structures increase the organization's exposure to both tax and regulatory compliance risks.



A TAX LENS ON FOOTPRINT OPTIMIZATION: TAKING AN INTEGRATED APPROACH

Tax should never be treated as a standalone exercise within an industrial footprint program. Its implications are closely intertwined with other core workstreams which influence the ultimate tax outcome.

Restructurings or relocations often involve the transfer of assets, functions, or intangibles, which require robust and defensible valuations to minimize exit taxation, support transfer pricing, and align with the overall business case. Close cooperation between tax and valuation teams ensures consistency across fiscal, legal, and financial dimensions, avoiding discrepancies that could create risk later on.

Similarly, supply chain realignments and new legal structures increase the organization's exposure to both tax and regulatory compliance risks. Customs, VAT, and reporting requirements intersect with broader compliance areas such as fraud prevention, sanctions, and supply chain due diligence. Integrating tax considerations into compliance planning helps identify vulnerabilities early and establish preventive controls that mitigate risk before implementation.

Finally, tax outcomes are directly shaped by operational design decisions, from where production sites are located to how logistics flows and contracting models are structured. At the same time, thoughtful tax structuring can enable operational flexibility by unlocking incentives, lowering landed costs, and simplifying internal compliance processes. Close coordination between tax and operations teams is therefore essential to realizing the full value of a footprint transformation.

THE TAX DIMENSION ACROSS FOOTPRINT PHASES

From a tax perspective, each project phase brings specific priorities:

- **Data synthesis:** Gather and analyse tax-relevant data (transactions, intangibles, entity structures) to assess risks and opportunities.
- **Baseline model development:** Build a "tax baseline" to identify inefficiencies and establish a reference for scenario comparison.
- **Scenario modeling:** Quantify tax impacts of design options such as outsourcing, nearshoring, or consolidation, including exit taxation, VAT, and customs effects.
- **Business case development:** Integrate tax outcomes into the overall business case by modelling cash tax impacts, incentives, and long-term tax efficiency.


Tax outcomes are directly shaped by operational design decisions



WHY ADDRESS TAX EARLY?

Addressing tax considerations early on and holistically while carrying out a footprint optimization initiative offers a number of benefits, while minimizing risks. An integrated approach to tax aspects allows your business to:

- Capture significant tax-saving opportunities such as location-based incentives, VAT efficiencies and customs duty optimization
- Avoid risks such as exit taxation, double taxation and disruptions in cross-border flows
- Support better decision-making with reliable tax-adjusted forecasts of costs and returns



Monitoring is key to ensure that compliance management systems are well designed, implemented and work in practice.

HOW A&M CAN HELP

Alvarez & Marsal combines deep tax expertise with industrial and operational know-how. We support clients in aligning tax with footprint strategy through:



Early functional and economic analyses to identify risks and opportunities.



Scenario modeling to quantify tax outcomes under different footprint options.



Guidance on transfer pricing, customs, and compliance to ensure smooth execution.



Proven methodologies and tools including compliance risk frameworks and tax playbooks that accelerate implementation and safeguard value.



CONCLUSION

Tax is not an afterthought. It is a strategic enabler of footprint transformation. Addressing tax holistically from the outset helps minimize risks, unlock incentives, and preserve profitability. A proactive tax perspective not only avoids costly surprises but also creates additional value drivers that enhance the success of the overall footprint program.

In the next part of our series, we will explore the key valuation considerations of footprint optimization. To read the previous instalments, [click here](#)

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