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Reviewing the private equity model in the new financial world

February 2013

How PwC can help

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How PwC is helping the Private Equity industry and helping clients

Our deep and constantly expanding expertise has been gained through working with clients and seconding our people to other firms in the PwC Network and into industry. This approach allows us to understand, anticipate and be well prepared to meet future client needs. We have dedicated specialists able to help with the following:

Executive Tax Services for Private Equity

Proactively addressing clients' UK and International tax planning and compliance needs

Private Equity Risk Management

Demonstrating the value of risk management to investors regulators and administrators

Alternative Fund Manager (check name) Directive (AIFMD) in Private Equity

Regulatory consulting – compliance with emerging regulation for continued pan-European investor
marketing beyond 2013

Foreign Account Tax Compliance Act (FATCA) for Private Equity

Understanding and managing the US approach to combating offshore tax evasion

Our support starts with all the core audit, tax and advisory services needed by the PE industry:

- Statutory and non-statutory audit of Private Equity limited partnerships, general partners, co-investors, feeders, holding companies and investment manager entities.
- Agreed upon procedures around carried interest calculations.
- LPA reviews for early identification of fund accounting issues, assistance in accounting policy selection and GAAP analysis.
- Process reviews, accounting impact analysis.
- Tax reporting to Private Equity investors and stakeholders allowing them to meet their UK, US, German and other local tax filing requirements.
- Preparation of tax returns for fund vehicles, GP entities, carried interest vehicles and manager/advisor entities.
- Interaction of fund and portfolio companies. Carried interest arrangements, GP tax position, manager company or LLP taxation – all feeding in to tax position for Private Equity executives and investors.

Why do we do it

Investor demand – Increasing focus, especially from US and institutional investors. Increasingly the quality of tax information reported to investors can impact the relationships a Private Equity manager maintains with its clients (investors require more detailed information than historically).

Legislation – Company Law provides limited exemptions from the audit requirement for corporate entities. Limited Partnerships in the UK and Channel Islands typically have no statutory requirement, although this is subject to change in the UK.
Tax transparency – Private Equity structures are designed to be tax neutral for investors and can provide benefits for the Private Equity manager. These objectives often rely on the use of transparent vehicles but can require more detailed and complex reporting. An understanding of the structure and the objectives is required to deliver the benefits.

Regulation of investment manager – Fund, GP, manager, carry and investors all usually need to report income/gains annually. GFSC in Guernsey (120 day filing), JFSC in Jersey (120 day filing), FSA in UK (80 business day filing of financials plus 4 month filing of client money and assets audit report).

How we do it

Working with Private Equity manager's finance team, legal counsel, deal teams, third and party administrators.
Investment transaction reviews, capital call testing, distribution testing, reworking of carry calculations.

Valuation of investments, discuss performance of investments, review client's calculation and workpapers and challenge assumptions made.

Review of related party transactions, management fees and investment existence.
Our tax teams work with our clients and administrators to ensure efficient information gathering and reliable processing arrangements.

Our outputs are clear, informative, user friendly and tailored to the recipient - be that HMRC, Private Equity management or investors.