KPMG

International Tax and Transfer Pricing

Factsheet



International tax and transfer pricing rules are constantly evolving and have undergone significant changes in recent years. Changes in tax legislation, practice or the approach of tax authorities across the globe can have significant implications for multinational groups. Economic shifts and digitalisation are fundamentally changing the tax landscape. New challenges in tax compliance and global taxation of the digital economy are adding to the overall complexity. Our international tax and transfer pricing practice provides advice on a wide range of aspects, having regard to your specific needs and commercial objectives. With support from our dedicated team you can make informed decisions regarding the tax aspects and the complexities of cross-border transactions.

Value Proposition and Benefits

We are a dynamic and dedicated team comprising a mixture of chartered accountants, economists and lawyers specialising in international tax and transfer pricing aspects:

- With a global footprint and a unique approach to client service
- Thinking holistically about the impact of the global tax landscape on your cross-border business operations
- Providing personalised attention and solutions tailored for your specific needs
- Leveraging off our organisation's vast functional and industry knowledge to develop and implement sustainable solutions

The benefits of working with us include:

- A **highly skilled team**
- **Insights** into global tax practices
- We are **uniquely positioned** to work with your organisation to **manage** the **challenges presented by** the **global tax landscape**
- **Secure networks**
- **Comprehensive databases**

What we offer: International tax

M&A and Tailored Exit strategies

M&A transactions

These transactions can be complex with several moving parts and risks to deal with along the way. We will work alongside you to identify material tax risks and advise on practical solutions to achieve your desired commercial objectives.

We will assist by advising on the cross-border tax aspects of your M&A transactions in order to achieve the desired commercial outcome in a manner that seeks to reduce any tax transactional costs and create immediate and long-term value.

We will advise how to retain and incentivise key management upon exit and post completion.

This will include consideration of aspects such as potential deal breakers, how you can manage potential historical tax implementation, as well as the impact of the deal on shareholder and investor returns.

Buy side transactions

- Performing a tax due diligence to identify potential deal breakers and material historical tax risks.
- Collaborating with our global KPMG member firms in order to provide insight and quality buy side tax due diligence services to you in respect of any foreign target entities. We are your one-stop shop.
- Structuring the transaction to reflect your commercial objectives having regard to the current tax and regulatory (exchange control) landscape.
- Advising on key international tax and transfer pricing assumptions in your financial model in order to ensure that it reflects the desired structure and has regard to key diligence points.
- Advising on structuring management incentive plans
- Working with our in-house or your legal advisors on transaction-related legal documents (drafting or review) where required.

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What we offer (cont.)

Sell side transactions

- Our teams can provide vendor assistance in order to prepare you for exit and vendor due diligence services in order to proactively inform buyers of the tax profile and attributes of your business. In the case of foreign entities within your corporate structure we can collaborate with our global KPMG member firms in order to provide insights and quality sell side tax due diligence services. Our sell side transaction services will assist in ensuring a smooth exit and/ or reinvestment process

Advised on a demerger transaction between 2 multinational players in the infrastructure space.

Provided buy-side assistance to a multinational group for the proposed acquisition of a renewable energy group in South Africa.

Provided sell-side assistance to a multinational software developer upon the proposed disposal of shares but simultaneously locking in the existing management.

- We can also work with you to get your structure fit for exit, which could include carve outs of specific or non-core assets, demergers or unbundling transactions prior to exit, as the steps involved can be numerous and complex
- As in the case with our buy side transaction services, we can also work with our in-house or your legal advisors on transaction-related legal documents (drafting or review) where required

Tailored Exit strategies

Where you envisage exiting a market, country or corporate structure, we can assist in identifying any tax risks prior to implementation in order to ensure that such risks can be effectively managed and tax transactional costs are minimised. We will be able to advise you on the best exit strategy for your business, which could for example entail a demerger, direct or indirect sale of share or assets, change in tax residency, initial public offering or taking your business from public to private.

International Tax: Specialist assistance

We can assist with advising on the tax and exchange control implications in respect of initial cross border investments, expansion of your existing African/ international footprint or identifying and managing tax risks in your current business.

Simplifying corporate structure & legal entity rationalization

Where you envisage simplifying your corporate structure or undertaking a legal entity rationalisation, it is important to identify any tax risks prior to implementation. This assists with managing the tax risks effectively and preserving value. We can also collaborate with our legal and finance teams in order to assist you with navigating and prioritising issues across the legal and finance disciplines.

Cross border investments

We can advise on all outbound and inbound international tax (including transfer pricing) and exchange control aspects in relation to your envisaged cross border investments. Our areas of service include inter alia permanent establishment risks (including tax implications arising as a result of digitalisation), controlled foreign company rules, tax residency requirements, application of tax treaties, local taxes in foreign countries, optimising the use of foreign tax credits and complying with tax administrative requirements (in providing advice relating to foreign countries we can collaborate with our global KPMG member firms where required).

Equity funding

Whether introducing additional funding from your existing shareholders or raising seed, development or investment capital in the market, we understand the objectives and commercial drivers of businesses and investors. We can assist you in navigating the tax and regulatory (exchange control) considerations at all stages of the investment life cycle. This would include consideration as to appropriate holding company jurisdictions as well as meeting any in- country economic substance requirements.

Debt funding and refinancing

We can advise on appropriate debt funding structures (including refinancing transactions) by having regard to the location of the lender and the borrower, regulatory requirements (exchange controls) the origination of third-party debt and the use of treasury companies/ cash pooling arrangements within a group. These considerations will be modelled in order to ensure the minimisation of the effects arising from thin capitalisation and interest limitation provisions as well as WHT transactional costs.

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Real estate investment trusts (“REIT’s”)

We can advise on the associated South African tax implications relevant REIT’s and in particular multinational groups with property portfolios. The legislation on REIT’s is complex and often overlap with other tax legislation, resulting in unintended anomalies or complexities.

BEPS Pillar I and II and MLI assistance

Through our global network of KPMG member firms, we are able to advise and model the implications resulting from BEPS Pillar I and II to be in accordance with the Globe Rules. We are also able to advise on the implications for multinationals resulting from South Africa having deposited its MLI and in particular the impact of the principle purpose test upon relying on double taxation relief.

International Tax Compliance, audit and assurance support

To keep up with a continuously changing international tax environment you need experts who can transform your approach to international tax compliance.

From an international tax compliance, audit and assurance support perspective, we can assist you with the following:

- Completion or review of your IT10B returns/ summary schedules and CFC imputation calculations
- Review of the foreign tax credit asset reflected on your organisation’s balance sheet in order to ensure that the use of your foreign tax credits is optimised
- Tax diagnostic reviews: these reviews are performed to provide you with assurance about your tax function
- Audit assistance/assurance: we can assist audit clients with international tax audit related tax services.
- We will consider the specific challenges (pain points) faced by you in relation to the international tax landscape and provide solutions tailored to meet your specific needs.

Transfer Pricing Services

Businesses continue to grow and evolve in a complex, global and digital environment. Greater transparency is being required in relation to multinational group’s tax affairs, while governments and tax administrations across the globe are increasing transfer pricing compliance requirements. This necessitates that your transfer pricing policy and framework form an integral part of your organisation. Transfer pricing is a key driver of a multinational group’s effective tax rate and it can also have a significant impact on your business reputation.

We are uniquely positioned to work with your organisation to manage these challenges. We can assist with implementing a transfer pricing framework which is representative of your company’s facts and circumstances. The framework will identify the key value drivers of your business and we ensure that it is clearly articulated, commercially viable and can be defended in case of a tax audit.

Our transfer pricing solutions are sustainable and in line with international tax guidelines and best practices.

We have regard to the wider commercial objectives of the business in our approach of assisting clients to develop and articulate transfer pricing policies, perform benchmarking studies and document policies that comply with the latest OECD Guidelines and local laws for both master and local files as well as assistance with Country-by-Country reporting. Other services include value chain management analysis, capital management advice and assistance in dispute resolutions.

We have experience in assisting a large insurance group with evaluating tax risks arising from discrepancies between Transfer Pricing policies and business reality.

We have also assisted a diversified commodity trading and distribution group to understand tax risks arising on account of a disconnect between Transfer Pricing documentation in different countries.

We have also been involved in the re-designing of management services models for clients to make them more robust and defendable with Regulators and Revenue authorities.

KPMG’s services help limit tax leakage, align your tax strategy to the overall business strategy, mitigate risks and safeguard your reputation.

We have extensive experience in assisting multinationals in developing global documentation, policy frameworks and assisting with implementation reviews.

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Operational transfer pricing

The manner in which you implement and manage transfer pricing policies is critical in ensuring that appropriate taxes are paid in the countries where you operate. Also, the on-the-ground reality needs to be aligned with what is stated in the documentation submitted to Revenue authorities.

Operational transfer pricing (OTP) is more than just a cost- plus calculation. Technology along with clearly understood, documented policies and processes are extremely important. KPMG simplifies your role so that you can focus on the results

Value chain

It is important to review your tax and overall business strategy regularly to ensure tax efficiency. The value chain management (VCM) operating model assists you in analysing and restructuring value chains. It also helps in understanding the tax implications of various decisions

Documentation

Under BEPS Action 13, a standardised approach to transfer pricing documentation was introduced and adopted across the world. In some instances this approach has been tailored by countries to meet their specific requirements. This can cause a significant burden when creating and maintaining compliant transfer pricing documentation on an annual basis. KPMG has invested heavily in this area over the past few years to create a fully managed solution. We also provide bespoke services to meet your BEPS Action 13 requirements.

Capital management

The transfer pricing aspects in relation to the management of debt and cash within your group can be quite complex.

Consideration of appropriate arm's length quantum of debt, with affordability analysis is important. We can assess this fully, along with the appropriateness of interest rates and interest deductibility.

Dispute resolution

Tax enquiries and disputes are time consuming, resource-intensive and adjustments to taxable income can lead to higher effective taxation rates. They can also have a negative impact on your firm's reputation. Our team can help you effectively respond to transfer pricing enquiries when dealing with tax authorities. We have experience in assisting clients in all stages of Transfer Pricing audits and disputes.

Clarifying Questions

If you answer 'yes' to any of these questions, contact us for international tax and transfer pricing services:

- Do you want to invest or expand cross-border or exit certain markets or countries?
- Are you wanting to know how to structure the deal to meet your desired commercial objectives?
- Will you need to safeguard against, or price for, potential historical tax exposures identified during the tax due diligence?
- Are your shareholders and/ or investors concerned with the impact of the deal on their returns?
- Is your business operating in a global or digital environment?
- Are you looking to improve the efficiency of your international tax and transfer pricing compliance process?
- Are you concerned that your transfer pricing practices and transfer pricing documentation disclosures are not aligned?
- In your opinion, is an entity you manage over geared with connected person debt?
- Has SARS issued you with a Transfer Pricing request for information?

Contact Us



Natasha Vaidanis
Director: International Tax and Transfer Pricing
M: +27 82 458 1043
E: natasha.vaidanis@kpmg.co.za



Roy Naudé
Director: International Tax and Transfer Pricing
M: +27 82 374 3205
E: roy.naude@kpmg.co.za



Amit Chadha
Director: International Tax and Transfer Pricing
M: +27 79 130 8540
E: Amit.Chadha@kpmg.co.za



Tanya Engels
Director: International Tax and Transfer Pricing
M: +27 82 719 0418
E: Tanya.Engels@kpmg.co.za



Cynthia Fox
Director: International Tax and Transfer Pricing
M: +27 82 718 8748
E: cynthia.fox@kpmg.co.za