



Legal entity forecast modeling



Enabling visibility into legal entity forecasts required for effective tax planning

A critical pain point in many areas of tax planning is the persistent lack of reliable legal entity forecast information. This is often driven by misalignment between the forecasts provided by financial planning and analysis (FP&A) and forecasts required by tax departments for planning purposes.

These challenges have downstream impacts on multiple aspects of tax planning, including provisions, value chain planning, and M&A execution. Effectively forecasting legal entity financial performance is no longer just a compliance exercise—it's a strategic imperative.

KPMG legal entity forecasting models drive reliable data required for:

- Provisions
- Value chain management
- Buy-side M&A
- Carve-outs
- Valuations
- Effective tax rate
- Restructuring
- Debt capacity planning
- And other tax purposes

Providing answers and guidance for critical forecasting and planning

CFOs, heads of tax, and financial leaders need clear answers for effective tax planning. KPMG LLP (KPMG) helps clients transform legal entity complexity into strategic clarity. Our tools, leveraging deep tax knowledge, technical resources, and analytical capabilities, help you answer critical questions:



Tax planning and compliance

- What is the forecasted view of earnings by legal entity to support provision and effective tax rate (ETR)?
- How will the changes to domestic and international tax rules in the One Big Beautiful Bill Act impact our global ETR?
- How can our management forecasts be connected to KPMG tools such as the International Tax Reform Analyzer (ITRA) to assess the impact of new and legacy US international tax rules on current and potential future business scenarios (e.g., Foreign Derived Deduction Eligible Income opportunities, Section 163(j) limitations, Foreign Tax Credit optimization, etc.)?
- How can we model intercompany transactions to support transfer pricing policies and manage tax exposures, including visualizing these trade flows at the product level?



Strategic restructuring, value chain, M&A, and debt capacity planning

- What are the stand-alone financial projections for a carved-out entity or a potential acquisition target, and how can legal entity valuations be calculated for better M&A execution?
- How do we model the financial impact of integrating or separating legal entities post transaction?
- What are the implications of internal reorganizations and value chain adjustments on individual entity P&Ls, balance sheets, and cash flows?
- How can intercompany debt capacity be planned and enhanced within the group structure?



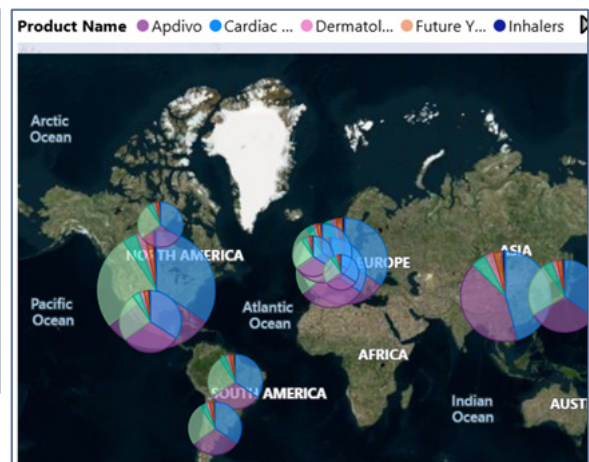
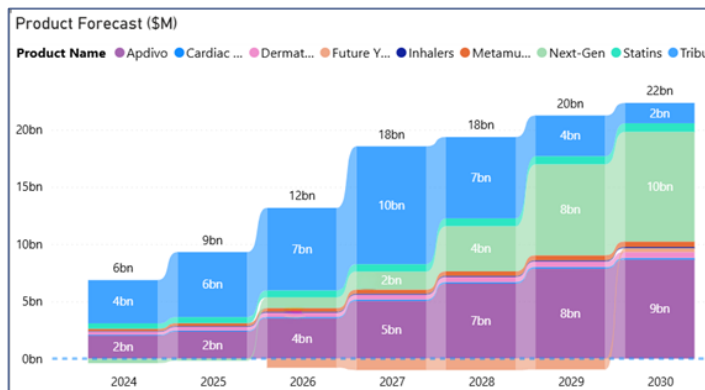
The KPMG approach to legal entity forecasting aligns the vision from FP&A (1.) with transfer pricing and intercompany flows (2.) to derive a reliable legal entity view (3.)

1. FP&A outlook

FP&A Outlook (\$M)

Account	2024	2025	2026	2027	2028	2029	2030
Revenue	17,111	21,903	28,327	38,697	40,397	44,387	47,620
COGS	-2,035	-2,541	-3,211	-4,275	-4,472	-4,900	-5,249
SG&A	-4,962	-6,133	-7,648	-10,061	-10,503	-11,541	-12,381
Marketing	-2,053	-2,409	-2,833	-3,870	-4,040	-4,439	-4,762
R&D	-1,598	-1,688	-2,268	-2,947	-3,026	-3,214	-2,893
EBIT	6,463	9,133	12,366	17,544	18,356	20,293	22,335

- FP&A outlook (or deal models) is ideal starting point for legal entity forecasting process ...



- Typically, is robust at the level of product/segment and/or geography
- But misses the intercompany and legal entity detail required for tax planning

2. Transfer pricing and intercompany flows

Legal Entity Pushdown

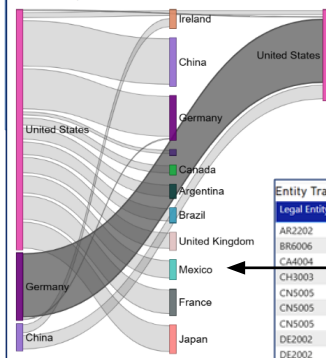
Legal Entity	Country	Account	Product Name	2024	2025	2026	2027	2028	2029	2030
AR2202	Argentina	Revenue	Apivvo	186	205	287	401	522	643	764
AR2202	Argentina	Revenue	Cardiac Devices	9	10	11	12	13	14	15
AR2202	Argentina	Revenue	Dermatology	40	43	46	50	53	57	60
AR2202	Argentina	Revenue	Future YTB0	0	0	0	0	0	0	0
AR2202	Argentina	Revenue	Inhalers	9	10	11	12	13	14	15
AR2202	Argentina	Revenue	Metamucol	21	25	28	31	35	38	42
AR2202	Argentina	Revenue	Next-Gen	0	0	120	156	390	780	936
AR2202	Argentina	Revenue	Status	50	52	55	57	60	63	66
AR2202	Argentina	Revenue	Tribacin	351	491	585	819	565	282	14
AR2202	Argentina	SG&A	Apivvo	-16	-17	-23	-31	-41	-49	-54
AR2202	Argentina	SG&A	Cardiac Devices	-1	-1	-1	-1	-1	-1	-1
AR2202	Argentina	SG&A	Dermatology	-3	-4	-4	-4	-4	-4	-5
AR2202	Argentina	SG&A	Future YTB0	0	0	0	0	0	0	0
AR2202	Argentina	SG&A	Inhalers	-1	-1	-1	-1	-1	-1	-1
AR2202	Argentina	SG&A	Metamucol	-2	-2	-2	-3	-3	-3	-3
AR2202	Argentina	SG&A	Next-Gen	-10	-12	-30	-61	-73	-85	-97
AR2202	Argentina	SG&A	Status	-4	-4	-5	-5	-5	-5	-5
AR2202	Argentina	SG&A	Tribacin	-47	-64	-44	-22	-11	-7	-7
AR2202	Argentina	Revenue	Next-Gen	318	446	580	695	765	835	905
AR2202	Argentina	Revenue	Future YTB0	12	13	14	15	15	15	15
AR2202	Argentina	Revenue	Metamucol	51	55	59	64	67	70	74
AR2202	Argentina	Revenue	Next-Gen	0	0	0	0	0	0	0
AR2202	Argentina	Revenue	Future YTB0	12	13	14	15	15	15	15
AR2202	Argentina	Revenue	Next-Gen	31	35	39	43	47	51	55
AR2202	Argentina	Revenue	Future YTB0	0	0	0	0	0	0	0
AR2202	Argentina	Revenue	Next-Gen	0	173	433	867	1,046	1,225	1,404
AR2202	Argentina	Revenue	Future YTB0	61	64	67	70	74	77	81

- Important to pushdown the FP&A forecast to the entity level (using drivers and/or historical allocations) ...
- And to overlay transfer pricing policy (with framework to accommodate for changes to value chain) ...

Transfer Pricing Matrix

Product	Country of Sale	Distributor	Return %	Manufacturer	Return %	IP Owner	Return %	Contract R&D	Return %	Entrepreneur	Return %
Future YTB0	Switzerland	CH3003	3%	CN5005	20%	US1001	10%	CN5005	15%	US1001	Residual
Next-Gen	Switzerland	CH3003	3%	CN5005	20%	US1001	10%	CN5005	15%	US1001	Residual
Apivvo	Switzerland	CH3003	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual
Dermatology	Switzerland	CH3003	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual
Metamucol	Switzerland	CH3003	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual
Status	Switzerland	CH3003	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual
Tribacin	Switzerland	CH3003	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual
Cardiac Devices	Switzerland	CH3003	3%	US1001	15%	US1001	10%	US1001	15%	US1001	Residual
Inhalers	Switzerland	CH3003	3%	US1001	15%	US1001	10%	US1001	15%	US1001	Residual
Future YTB0	United States	US1001	3%	CN5005	20%	US1001	10%	CN5005	15%	US1001	Residual
Next-Gen	United States	US1001	3%	CN5005	20%	US1001	10%	CN5005	15%	US1001	Residual
Apivvo	United States	US1001	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual
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Tribacin	United States	US1001	3%	DE2002	15%	US1001	10%	DE2002	15%	US1001	Residual

Seller and Buyer Transaction Flows



Entity Transaction Flows

Legal Entity	Function	Trading Partner	Account	Value Exchanged (\$M)
AR2202	Distributor	US1001	Intercompany COGS	-8,677
BR6006	Distributor	US1001	Intercompany COGS	-9,522
CA4004	Distributor	US1001	Intercompany COGS	-5,820
CH3003	Distributor	US1001	Intercompany COGS	-2,892
CN5005	Contract R&D	US1001	Intercompany Revenue	2,495
CN5005	Distributor	US1001	Intercompany COGS	-32,963
CN5005	Manufacturer	US1001	Intercompany Revenue	7,778
DE2002	Contract R&D	US1001	Intercompany Revenue	2,892
DE2002	Distributor	US1001	Intercompany COGS	-28,923

- ... to develop a view of forecasted value chain flows and intercompany transactions
- With flexibility to efficiently run scenarios on value chain

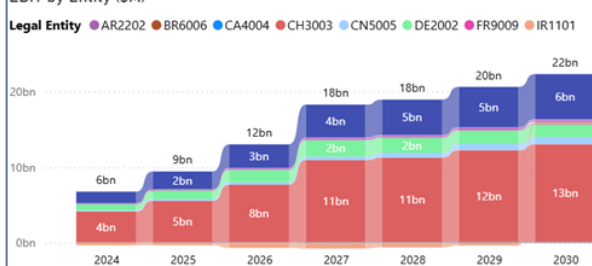
3. Reliable legal entity forecasts

Legal Entity Forecast (\$M)

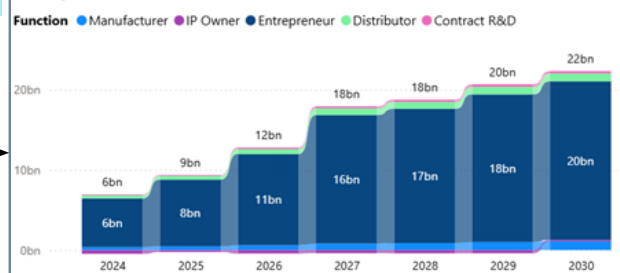
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Revenue	17,111	21,903	28,327	38,697	40,397	44,387	47,620
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R&D	-1,598	-1,688	-2,268	-2,947	-3,026	-3,214	-2,893
Intercompany Revenue	14,770	18,427	24,311	33,157	34,532	37,813	39,950
Intercompany COGS	-14,770	-18,427	-24,311	-33,157	-34,532	-37,813	-39,950
Interco Royalty Income	1,229	1,552	2,027	2,797	2,889	3,135	3,347
Interco Royalty Expense	-1,229	-1,552	-2,027	-2,797	-2,889	-3,135	-3,347
EBIT	6,463	9,133	12,366	17,544	18,356	20,293	22,335

- Intercompany dimensionality then layered into forecasts ...

EBIT by Entity (\$M)



EBIT by Function (\$M)



- ... giving us the additional detail required for reliable tax planning by entity and function

The limited FP&A picture

A traditional FP&A outlook forecast (or deal model) typically provides information limited to just product, segment, and/or geography data—but lacking critical information required by tax departments for planning purposes.



FP&A forecasts provide a basic foundation for the legal entity forecasting process.

But so much more is needed for true tax planning and modeling.

With KPMG legal entity forecast modeling, you're able to see **the bigger picture**—enabling detailed and reliable legal entity forecast.

The big picture

Transfer Pricing Policy

- Transfer Pricing Policy, with returns for functions such as...
 - Entrepreneur
 - Distributor
 - Manufacturer
 - Contract R&D
 - IP owner
- Buyer and seller transaction flows
 - Intercompany trade relationships
 - Value chain flows



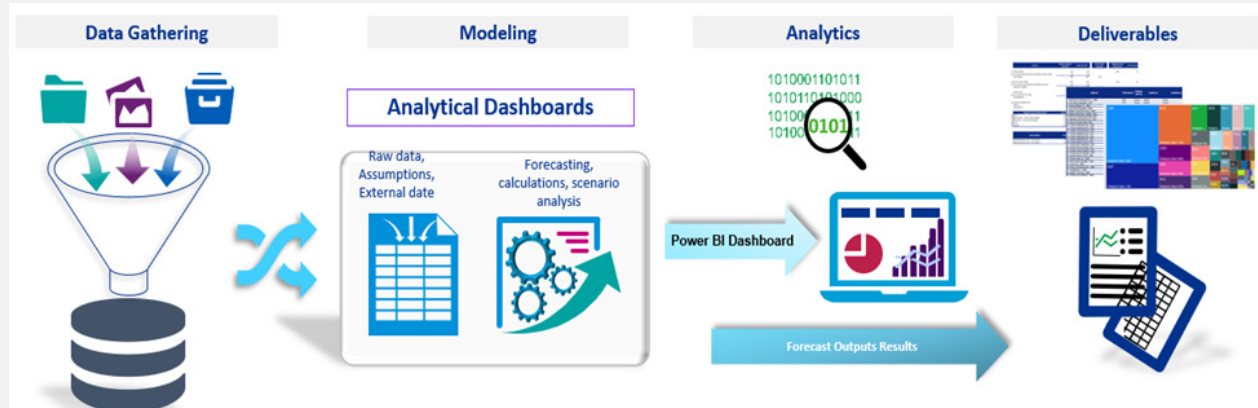
Legal Entity Forecasts

- EBIT by entity
 - Intercompany revenue and expenses
 - Legal entity outlook
 - Functional outlook
- Improve planning with flexible framework and dashboards to sensitize changes to:**
- FP&A plan
 - Transfer pricing policies
 - Value chain flows

The KPMG legal entity forecast model

Providing a reliable view of a company's outlook by legal entity and function, which reconciles to the FP&A view, as well as transfer pricing policy and intercompany trade flows.

Transforming your raw data into actionable legal entity forecast information



- We start with your specific datasets and collaborate with you to develop entity forecasting solutions specific to your business and needs.
- Analytical outputs enable visibility into your business from a unique perspective, with line of sight into how your FP&A plan drives legal entity and functional activity results.

KPMG Legal Entity Forecasting can sit on Digital Gateway and integrate with ITRA to more accurately calculate baseline and scenario rates.

KPMG Digital Gateway – Modeling Suite

Client access

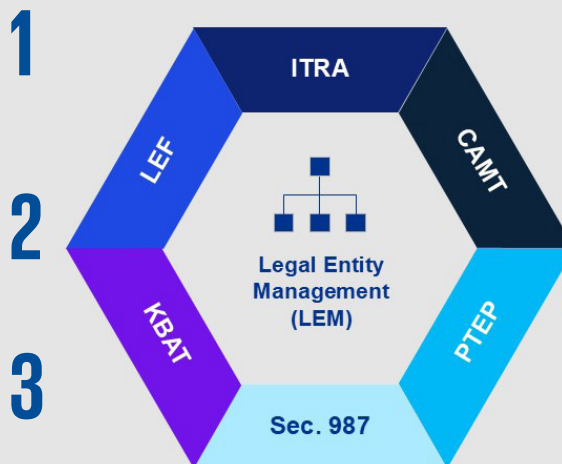
Clients receive full access to the KPMG tax models on their desktops or in the cloud and can run their own calculations and scenarios.

Transparency

Excel-based calculations enable users to trace from inputs, to calculations, to reporting.

Tax compliance capabilities

Detailed inputs will facilitate the completion of the safe harbor calculations and Global Anti-Base Erosion (GloBE) returns, US tax forms, and certain relevant local reporting requirements, creating a wide-ranging compliance solution.



4 Dynamic scenario modeling

Integrated planning functionality within the same file eliminates the need to continuously align multiple models.

5 Technical updates

Timely updates for changes in tax law are integrated and provided free of charge to clients.

6 Integrated tax calculations

The DG Modeling Suite connects relevant data points across different tax models and source workpapers, allowing for an automated push and pull of data to eliminate manual processes.

When to engage KPMG for legal entity forecasting:

This detailed approach is particularly valuable for organizations across sectors and addresses needs, including:



Tax provision and planning

Modeling the jurisdiction and entity-level data required to calculate tax provision and ETR, as well as to drive effective tax planning



Corporate restructuring and value chain planning

Modeling spin-offs, carve-outs, legal entity rationalization, and the tax implications of operational and value chain changes



M&A transactions and divestitures

Developing stand-alone entity forecasts for due diligence, purchase price allocation, integration planning, and understanding the tax impact of M&A



FDII, GILTI, and BEAT impact to Tax Rate

Forecasting datapoints necessary to robustly calculate OBDD impacts to ETR across scenarios.



Performance management and budgeting

Aligning FP&A and tax in establishing entity-level budgets



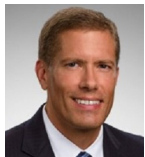
Intercompany debt capacity planning

Assessing and planning alternative intercompany debt structures



A multitude of other Tax needs

Contact us



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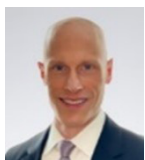


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