

Does Your Current Financial Service Provider Deliver the Tax Services You Need?

October 1, 2021



Traditional financial service providers engage in audited financial statements, tax and accounting work, as well as consulting, for a hedge fund, general partner, and management company. Your hedge fund may have a requirement to use a certain size service provider to audit the financial statements issued to your investors. However, this does not mean you need to hire one provider for all your services.

Is your current financial service provider the right fit for your organization? Do you receive the proper guidance you need? Boutique firms, like Anchin, harness deep industry knowledge to provide a cost-effective alternative that includes senior-level advice and personalized service for your entities.

Since the financial crisis, institutional investors expect and demand stronger financial infrastructure from hedge funds. Your advisor should be aware of the necessary controls, reporting requirements, and industry best practices to not only stay compliant, but also to help you present this information when you're out fundraising.

Interested in learning more about the specific ways [Anchin's Financial Services](#)

[team](#) can better meet your financial service needs? This is the first article in a series that describes the wide assortment of services that Anchin's Financial Services team covers - starting with tax.

Tax Support

Your advisor should be focused on maximizing tax savings for hedge fund investors, the general partner, and the investment manager. Hedge funds engage in complex transactions that have significant tax consequences for each of these parties. Reviewing the impact of such transactions before they occur can provide opportunities to structure transactions in a tax-efficient manner. A larger accounting firm might not take the time to identify the implications of these transactions for your hedge fund until after they are already completed, potentially causing additional taxes to be incurred. Furthermore, requesting personalized support from such a firm in advance of these transaction is often cost-prohibitive for most except very large hedge funds.

Consider how often you connect with your current tax advisor. Do they meet with you regularly during the year? Do you have an established relationship with one person or is it an ever-changing team? Do you ever meet with senior staff? A lack of personal connection could be a sign of a mismatched firm.

A smaller, more nimble tax advisor can assist hedge funds in identifying new tax opportunities and utilize new techniques, all while constantly tracking the ever-changing tax laws to which funds must respond. This includes strategic planning in addition to the preparation of annual tax returns. By "right sizing" your provider, you will get tax services tailored to your specific operations at a more competitive rate, with extensive senior-level engagement.

In addition to focusing on your hedge fund, your tax advisor should address the needs of you and your investors. A boutique advisor can estimate all components of income and expenses before year-end, providing you and your investors with valuable information for timely personal tax planning.

Assistance in Designing Efficient Tax Structures

Designing an efficient tax structure that aligns your business and tax strategies is an important step in launching a hedge fund. The fund structure you choose is largely determined by your investor base and investment strategy. After a tax structure is put in place, there can be an overwhelming array of tax considerations having a widespread impact on both investors and principals. Your financial service provider should have a keen understanding of your goals and the relevant structuring options, which can be adjusted as your situation changes.

Established relationships are the foundation to providing great services in implementing a hedge fund structure. This is why Anchin gives you direct access to senior staff who understand your hedge fund's strategy and will design a tax structure to position your organization for success.

Research and Development (R&D) Tax Credits

Has your firm developed new or improved proprietary trading systems or valuation models? Have you experimented with new software designed to improve security or stability? Have your employees modified algorithms and/or implemented new coding techniques to improve processing volumes or speeds?

If so, your firm may qualify for R&D tax credits, an [often overlooked and misunderstood](#) opportunity for hedge funds. If your present service provider is not familiar with these complex credit rules and cannot identify expenses that qualify, your entity may be missing out on significant tax benefits.

The right partner should be able to assess eligible R&D credits at all phases of your business, from the time you first consider a new product, service or functionality, all the way through the software lifecycle. The key is having a partner with the industry knowledge and experience to identify qualifying projects and initiatives so that you can capture all allowable expenses towards your fund's research and development credit.

In conclusion, as you review your hedge fund's tax obligations and goals, consider whether you're truly receiving everything you need from your current service

provider, or if a [specialty tax advisor like Anchin](#) could help fill the gaps.

If you have any questions about how Anchin's Financial Services team can be of assistance to you, please contact [Jeffrey Rosenthal](#) or your Anchin Relationship Partner.

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