



BEPS 2.0 — Assessing the impact on your organization

Scenario-planning: responding to potential new BEPS proposals

BEPS 2.0 Model — built on KPMG Digital Gateway

The OECD's 'BEPS 2.0' initiative will change the global tax landscape — either because of its success and implementation or its failure and the chaos that would follow. Even if there is no global consensus for BEPS 2.0, much of its substance is likely to live-on through unilateral measures. Thus, it is critical to understand how BEPS 2.0 will affect your organization — both its profit reallocation proposals (known as Pillar One) and its global minimum tax measures (known as Pillar Two). The ultimate outcome of this effort could present a new set of pressures, including new demands for internal resources, revamping tax policies and investing in new technology to handle new compliance obligations. International tax professionals from across the global organization, help KPMG firm clients understand, communicate, and evaluate appropriate actions in light of the BEPS 2.0 initiative. They can assist you in analyzing how the proposals may affect your organization and give you the insights you need to communicate with senior executives, audit committees and other stakeholders using the KPMG BEPS 2.0 Model, a proprietary modeling tool built on KPMG Digital Gateway, which has been updated to reflect the OECD's latest Blueprint for Pillar One and Pillar Two released in late 2020.

Getting started — Rapid assessment

Key to determining your organization's approach is understanding the potential impact of the proposals. KPMG's rapid assessment tool enables you to quickly assess the likely impact and the degree of focus you need to have. The rapid assessment can be completed with as little as **one hour** of your time (subject to available information, such as country by country reports or publicly published information).



Understanding the detailed rules

Proposals are complex with outcomes that are often counter-intuitive. KPMG professionals can help you assess the possible impacts to your organization. Examples include:



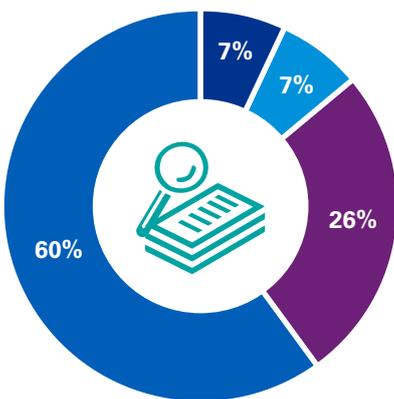
Additional modeling

Tax base for specific year by jurisdiction

The BEPS 2.0 model allows further, detailed, tailored modeling to give you the information you need for a deeper dive. The following pie charts illustrate one sample company and how its current structure would be affected under Pillar One.

Scenario selected: status quo

Tax base for specific year by jurisdiction

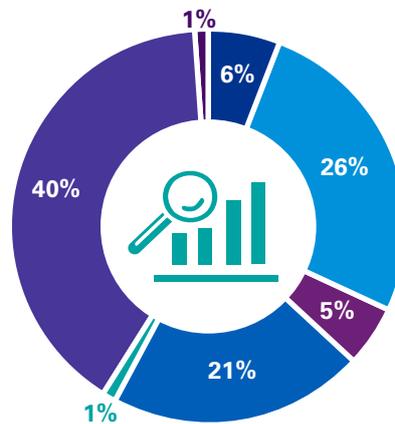


- LRDs — CIT Tax Base, **7%** (ETR 26%)
- Finco — CIT Tax Base, **7%** (ETR 8%)
- EU IP Box — CIT Tax Base, **26%** (ETR 10%)
- EU Parent — CIT Tax Base, **60%** (ETR 22%)

Source: KPMG BEPS 2.0 Model

Pillar One — Blueprint

Tax base for specific year by jurisdiction



- LRDs — CIT Tax Base, **6%** (ETR 26%)
- LRDs — Pillar One Tax Base, **26%** (ETR 26%)
- Finco — CIT Tax Base, **5%** (ETR 8%)
- EU IP Box — CIT Tax Base, **21%** (ETR 10%)
- EU IP Box — Pillar One Tax Base, **1%** (ETR 10%)
- EU Parent — CIT Tax Base, **40%** (ETR 22%)
- EU Parent — Pillar One Tax Base, **1%** (ETR 22%)

The opportunity

KPMG professionals understand the difficulties in anticipating and communicating the potential impacts of the many, wide ranging proposals. The KPMG BEPS 2.0 Model is built on KPMG Digital Gateway, leveraging the powerful investments behind this platform to bring rapid insights to your BEPS assessments. By combining KPMG's technology investments with KPMG professionals' abilities to interpret the output and make recommendations that are specific to you and your objectives, you can stay ahead of the implications of these initiatives. We can help you identify potential impacts and possible responses, develop communications plans, and help empower you to support your organization's current and future actions.

* ETR = effective tax rate

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Our tool, updated for the 2020 Blueprints can help clients rapidly assess — maybe with a little as a couple of hours of a client’s time — the potential financial impact to their organization. Of course, there is more than the pure numbers, but we can enable KPMG firm clients to quickly identify key impacts arising from this initiative, decide on key areas of focus, and advise senior executives how the company can respond. In today’s data-based world, applying technology enables the tax leader to be as precise as senior executives now expect.”

Rodney Lawrence

Global Head of International Tax

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KPMG clients find this tool to be incredibly helpful. Being able to visualize potential impacts as well as to estimate actual numerical outcomes enables tax leaders to more effectively understand and communicate the implications of BEPS 2.0.”

Brett Weaver

Global Head of Value Chain Management



Investing in transformation

Across the KPMG organization, we are investing US\$5 billion over five years in technology, people and innovation to accelerate the digital transformation of KPMG firms and our clients, with more than US\$1 billion being invested in tax & legal technology specifically through that period.

KPMG BEPS 2.0 model in practice

Evaluates cash tax and effective tax rate. The model calculates multi-year cash tax and effective tax rate impacts of both pillars, considering various possible combinations of different proposals.

Includes toggle functionality. A toggle dashboard allows flexible modeling based on different tax rules, allocation keys, and other parameters of the constantly evolving proposals.

Scalable solution for rapid assessment and in-depth modeling. The model is scalable with available time and data and is able to deliver both high level and detailed results.

Provides summaries of quantitative results. Detailed quantitative results assist in understanding the effects of the proposals on business operations at all levels.

Provides summary reports and visualizations. The model delivers online visualization tools accessible directly by the client end-users through KPMG’s Digital Gateway that allow tax teams to better communicate with c-suite executives, audit committees, and other stakeholders.

Helps identify necessary restructuring work. The modeling results and analytics identify potential, proactive responses to tax changes from the proposals’ new rules.

Helps inform policy advocacy. Scenario comparison capabilities identify the key components of the proposed rules that may most significantly affect your business and inform an effective strategy to respond to policymakers.

Case study

A large multinational with operations in many countries contacted a KPMG firm to understand the potential impact of BEPS 2.0. Two significant areas of concern were identified: 1) material deferred tax assets would become worthless; and 2) the extent of the Pillar Two impact on the existing operating model was unknown. Through scenario analyses, the company was able to identify the “tipping point” of the profit reallocation formula that would cause significant tax attributes to expire unutilized. Further, intra-group payments were identified as subject to a “top-up” tax, which could apply even if BEPS 2.0 failed. Such outcomes would lead to a significantly higher effective tax rate, and raise questions of how to value existing deferred tax assets.

Armed with these insights, the company was able to communicate to the board and executive teams the financial risks these proposals could entail, the likelihood of these risks materializing, and high-level insights on the necessary evolutions to their structure in order to be fully compliant with a future BEPS 2.0 regime.



Next steps

Every organization is unique. Every tax function is too. With the help of KPMG BEPS 2.0 Model, KPMG professionals across the KPMG global organization are here to support you in accomplishing its goals. Continue the conversation by contacting us for a rapid assessment today and get started in just two hours!

Together, let's prepare for the future of tax.

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