OECD’s digital taxation proposals, if adopted—winners & losers?

According to audience polling during a KPMG webcast on July 29, 2019:

41% of tax and finance executives believe “everyone” will be LOSERS because of complexity, double taxation, and tax disputes (31%); because current tax planning will no longer be effective (13%); or if headquartered in exporting country (7%)

WINNERS? Companies headquartered in high-taxed jurisdictions (13%); and the U.S. government (8%) because the U.S. is a significant importer country

n = 331
Pillar 2’s complexity expected to affect companies

According to audience polling during a KPMG webcast on July 29, 2019:

55% of tax and finance executives believe that the impact of Pillar 2 (if adopted) will be significant due to its complexity (25%) or to potential country-by-country assessment of low-taxed status (14%), or overall (16%)

13% expect pillar 2 will have little impact as the U.S. GILTI rules will satisfy the “income inclusion rule.”

n = 296
Pillar 1: Best method for allocating profits?

According to audience polling during a KPMG webcast on July 29, 2019, tax and finance executives prefer the following approaches:

- 22% Modified residual profit split method
- 14% Distribution-based approach
- 11% Fractional apportionment method
- 31% Don’t know
- 22% Indifferent to method

n = 341
Unilateral DSTs—Here to stay?

According to audience polling during a KPMG webcast on July 18, 2019:

79% of tax and finance executives believe **unilateral digital taxes will proliferate** over the next few years because of:

- **Increase in scope**—countries will begin to tax more than digital advertising and intermediary services
- **Increase in number of countries**—more countries will adopt DSTs, digital PE rules, or other taxes targeting digital companies

n = 231
OECD work won’t eliminate unilateral DSTs

According to audience polling during a KPMG webcast on July 18, 2019:

Only 7% of tax and finance executives believe global consensus on digital economy taxation will be reached and unilateral DSTs will be eliminated.

More either don’t believe that the Inclusive Framework will reach consensus (24%) or that, if reached, will be effective to rollback existing or forestall future DSTs (29%). The balance of politakers “don’t know.”

n = 241
Should the U.S. investigate DSTs?

According to audience polling during a KPMG webcast on July 18, 2019:

Many tax and finance executives support the U.S. government investigating other countries’ DSTs to determine whether the United States should impose retaliatory trade measures.

- Yes: 45%
- No: 17%
- Unsure: 17%

n = 241
France's DST—Biggest challenges for businesses

According to audience polling during a KPMG webcast on July 18, 2019, tax and finance executives see the following as the most significant challenge:

- 34% Determining how the tax affects our company's business model and customer pricing
- 27% Getting the necessary data to be compliant (e.g., geo location of users)
- 26% Determining which revenues are "taxable services"
- 13% Communicating to senior management the impact of this tax and what the future might look like

n = 238