Deadlines and Data – Management and Technology Innovations to Address a Dynamic Global Tax Function

2019 U.S. Cross-Border Tax Conference
May 14 – 16, 2019
Notices

The following information is not intended to be “written advice concerning one or more Federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.
Agenda

01 Overview - Tax Reimagined

02 Sourcing and Performance

03 Technology

04 Panel Discussion

05 Tax Reform – Deep Dive
   - Changes to Existing Forms
   - New Forms
# Today’s presenters

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Firm/Company Name</th>
<th>Email</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>
Overview: Tax Reimagined
Global trends impacting the tax function

Political
- Global tax reform
- Globalization versus localization
- Tax transparency and responsibility
- Data residency, ownership, privacy

Technology
- Cloud
- Intelligent automation
- Enterprise data strategies
- Block chain
- Cross function business digitization

Economic
- GE transaction
- Budget constraints
- Access to Big 4 Scale
- Labor arbitrage in remote locations
- Outsourcing
- Transformation
- Data access

Social
- Digital vs. Human labor
- Evolving workforce skills and desires
- Gig economy
- Alternative workforce solutions

Regulator
- Utilization of technology
- Direct access to data and use of data analytics
- "cost" of non-compliance
Making sense of all the solutions

- Visualizations / Dashboards
- On-shore vs. off-shore / lift-out
- Natural language processing
- Converging tax legal skills
- Machine Learning
- Lean six sigma
- Tax software suites
- Cognitive automation
- Target operating model
- Bots / RPA
- Predictive analysis
- Data lake / blob / mart
- Tax sensitized ERP
- Workflow management
- SharePoint
- Co / out / in-source
- Balance Scorecard

Tax Function of tomorrow

#kpmgxb

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KPMG transformation framework

Strategy
- Business strategy
- Finance strategy
- Tax strategy
- Tax organization – roles and responsibilities

Operations
- In-source, co-source and outsource
  - Location (onshore, offshore)
  - Roles and responsibilities
  - Headcount by tax function
- Data
- Process
- Technology
- Controls
- Key performance indicators
- Stakeholder communication
- Talent management

Performance
Sourcing and performance
Sourcing

One Size does NOT fit all

Execution of tax function using only internal resources

Outsource selected functions, geographies and/or projects

Delivery of all tax processes by third party

Sourcing Alternatives

In-House

Full Internal Staffing

Limited Internal Staffing

Co-sourcing

Outsourcing

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Measuring performance

Reduce Costs

Value Contribution

Exceed Quality Expectations
Technology
So much data, so many sources

Legend

- Internal departments and technologies
- External vendors and other technology systems
Tax makes data challenges even more complicated…

- Thousands of Tax Jurisdictions
- Numerous Tax Types
- Complex and Changing Tax Laws
- Linked to Most Business Activities
- Data Sourced from Non-Tax Systems
- Tax Data Multiplier
Data journey

Why do it?

Capturing relevant data

Data collection and cleansing

Analysis

Insight and recommendation

Implementation

Measurable improvement in business performance
### Common tax data challenges

1. Difficult to identify all required data elements and source systems.

2. Inconsistent data quality and format and large number of data sources makes it difficult to aggregate data.

3. Overall process lacks controls and data lineage is difficult to prove.

4. Integration of tax data into tax systems is time consuming and often requires manual changes after import.

5. Undefined processes make it difficult to integrate new entities, cost centers, and products/services.

6. Limited ability to use data for monitoring and planning purposes.
Making sense of all the technology

- Visualizations/Dashboards
- Cloud Computing
- Natural language processing
- PowerBI
- Machine Learning
- Tableau
- Optical Character Recognition
- Alteryx
- Cognitive automation
- Bots/RPA
- Predictive analysis
- Data lake/blob/mart
- Internet of Things
- Workflow management
- SharePoint
- BlockChain
- Algorithms

- Cost efficiency
- Consistency/predictability
- Productivity/performance
- Quality/Reliability
- Employee satisfaction & innovation
Technology overview
International tax compliance

What happens in the Workpapers?
- Import and map trial balances
- Create and review PBC data
- Calculate automated and manual E&P adjustments
- Computed tested income using automated feeds from E&P
- Prepare import files

What happens in the 3rd Party Software?
- Prepare the forms: 5471, 8858, 1118
- Store general information (Page 1, questions, Schedule O)
- Present income statement and balance sheet
- Calculate automated and manual E&P adjustments
- Presentation, disclosures, diagnostics

What happens in the International Modules?
- Analysis of baskets
- 861 allocations
- FTC computations
- Sourcing of TB info
- Test for high-tax and diminimis
- Automate look through
- dividend processing
- Automated Carryover of PTI and attributes

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- General info.
- Structure chart
- Mapping TBs
- Intercompany Transactions
- Computations

Tax Workpapers (Business Tax Engine/Excel/3rd Party)

ONESOURCE Income Tax (OIT)
Corptax

- Source foreign TBs
- Historical E&P/Tax Pool Mgmt.
- Ownership Mgmt.
- Source Domestic TBs

OIT International
Corp International
International Tax Reform Analyzer (ITRA)
Panel discussion
Changes to existing forms
### Revised Form 5471

#### Schedule comparison – old and new

<table>
<thead>
<tr>
<th></th>
<th>OLD</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule A</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule B</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule C</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule E</td>
<td>✔</td>
<td>✔ (Separate)</td>
</tr>
<tr>
<td>Schedule F</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule G</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule H</td>
<td>✔</td>
<td>✔ (Separate)</td>
</tr>
<tr>
<td>Schedule I</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule I-1</td>
<td>❌</td>
<td>✔ (Separate)</td>
</tr>
<tr>
<td>Schedule J</td>
<td>✔</td>
<td>✔ (Separate)</td>
</tr>
<tr>
<td>Schedule M</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Schedule O, Part I</td>
<td>✔</td>
<td>✔ (Separate)</td>
</tr>
<tr>
<td>Schedule O, Part II</td>
<td>✔</td>
<td>✔ (Separate)</td>
</tr>
<tr>
<td>Schedule P</td>
<td>✔</td>
<td>✔ (Separate)</td>
</tr>
</tbody>
</table>
**Schedule E**

Revised Form 5471

### Income, War Profits, and Excess Profits Taxes Paid or Accrued

- **Part I: Taxes For Which A Foreign Tax Credit Is Allowed**
  - **Separate Category** (Enter code—see instructions)

- **Part II: Taxes For Which A Foreign Tax Credit Is Disallowed** (Enter in functional currency of foreign corporation)

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Requires reporting of "separate category"
# Revised Form 5471

## Schedule E-1

### Taxes Paid, Accrued, or Deemed Paid on Accumulated Earnings and Profits (E&P) of Foreign Corporation

**IMPORTANT:** Enter amounts in U.S. dollars unless otherwise noted (see instructions).

<table>
<thead>
<tr>
<th></th>
<th>Post-2017 E&amp;P (Part III, column (a), line 5a) balance</th>
<th>Post-2017 E&amp;P (Part III, column (a), line 5b) balance</th>
<th>Pre-2018 E&amp;P (Part II, column (a), line 5b) balance</th>
<th>Pre-2018 E&amp;P (Part III, column (a), line 5b) balance</th>
<th>Pre-2018 E&amp;P (Part II, column (a), line 5b) balance</th>
<th>Pre-2018 E&amp;P (Part II, column (a), line 5b) balance</th>
<th>Pre-2018 E&amp;P (Part II, column (a), line 5b) balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a</td>
<td>Balance at beginning of year as reported in prior year Schedule E-1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2a</td>
<td>Beginning balance adjustments (attach statement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3a</td>
<td>Adjusted beginning balance (combine lines 1a and 2a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4a</td>
<td>Adjustment for reclassification of prior year U.S. tax liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4b</td>
<td>Taxes suspended under anti-spoiler rules</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4c</td>
<td>Taxes reported on Schedule E, Part I, line 6, column (i)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4d</td>
<td>Taxes carried over in nonrecognition transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4e</td>
<td>Taxes recast as related to hawing deficit after nonrecognition transaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5a</td>
<td>Other adjustments (attach statement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5b</td>
<td>Taxes paid or accrued on accumulated E&amp;P (combine lines 1c through 5b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5c</td>
<td>Taxes deemed paid with respect to inclusions under section 951(a)(1) (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5d</td>
<td>Taxes deemed paid with respect to inclusions under section 951(a)(1) (see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5e</td>
<td>Taxes deemed paid with respect to actual distributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5f</td>
<td>Taxes on amounts reclassified to section 956(c)(2) and from section 958(c)(2) E&amp;P</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5g</td>
<td>Other (attach statement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Taxes related to hawing deficit offset of undistributed post-transaction E&amp;P</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Balance at beginning of next year comprising lines 7 through 13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Very detailed**
Top 10 Tips for new rules

#1 - Schedule E-1 requires detailed tax analysis. Look for ways to automate the process in conjunction with non-US reporting and compliance tracking.
### Line 4 - BEAT: Filer’s base erosion payments and base erosion benefit payment made to the foreign corporation

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership?</td>
<td></td>
</tr>
<tr>
<td>If “Yes,” see the instructions for required statement.</td>
<td></td>
</tr>
<tr>
<td>2. During the tax year, did the foreign corporation own an interest in any trust?</td>
<td></td>
</tr>
<tr>
<td>3. During the tax year, did the foreign corporation own any foreign entities that were disregarded as separate from its owner under Regulations sections 301.7701-2 and 301.7701-3 or did the foreign corporation own any foreign branch?</td>
<td></td>
</tr>
<tr>
<td>If “Yes,” you are generally required to attach Form 8858 for each entity or branch (see instructions).</td>
<td></td>
</tr>
</tbody>
</table>

#### 4a. During the tax year, did the filer pay or accrue any base erosion payment under section 59A(b) to the foreign corporation or did the filer have a base erosion tax benefit under section 59A(c)(2) with respect to a base erosion payment made or accrued to the foreign corporation (see instructions)?

- a. Enter the total amount of the base erosion payments
- b. Enter the total amount of the base erosion tax benefit
- c. Enter the total amount of the base erosion tax benefit

#### 5a. During the tax year, did the foreign corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A?

- a. Enter the total amount of the disallowed deductions (see instructions)

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### Line 5 – section 267A hybrid rules; disqualified interest or royalty payments made by the foreign corporation

- Enter the total amount of the disqualified interest or royalty payments.
Revised Form 5471

**Form 5471 new schedule G**

- **Line 6**: Filer claiming FDII deduction on amounts listed on Schedule M reports gross FDDEI amounts.
- **Lines 7-10**: Cost sharing agreement information if foreign corporation is a participant in a CSA.
- **Line 14**: Section 367(d) transfers of IP to foreign corporation.
Example schedule G, line 19 questions

<table>
<thead>
<tr>
<th>Question</th>
<th>See Worksheet A in the Schedule I Instructions</th>
<th>If “Yes,” Corresponding Code to enter on Schedule G, line 19</th>
<th>Code Description</th>
<th>If “Yes,” content of statement to be attached to Form 5471</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. During the tax year, was the sum of the CFC’s foreign base company income (determined without regard to deductions) and gross insurance income less than the lesser of 5% of gross income or $1 million?</td>
<td>In other words, is line 7 less than line 8 and less than $1M?</td>
<td>DM</td>
<td>De minimis</td>
<td>Amount excluded by reason of the de minimis rule (but only to the extent not already included in amounts below)</td>
</tr>
<tr>
<td>2. During the tax year, did the CFC receive any item of income that was subject to an effective rate of income tax imposed by a foreign country greater than 90% of the maximum rate of tax specified in section 11?</td>
<td>In other words, is line 13g, 14d, 15d, 16d, 18d, or 19d of Worksheet A greater than zero?</td>
<td>HT</td>
<td>High Tax</td>
<td>Sum of the amounts from lines 13g, 14d, 15d, 16d, 18d, and 19d.</td>
</tr>
<tr>
<td>12. During the tax year, did the CFC receive or accrue from a related CFC dividends, interest (including factoring income treated as income equivalent to interest for purposes of section 954(c)(1)(E)), rents, or royalties attributable or properly allocable to income of the related person which is neither subpart F income nor income treated as effectively connected with the conduct of a trade or business in the United States?</td>
<td>In other words, are any amounts excluded from line 1a of Worksheet A by reason of the look through rule described in section 954(c)(5)?</td>
<td>LT</td>
<td>Look through</td>
<td>Amount excluded</td>
</tr>
</tbody>
</table>
Top 10 Tips for new rules

#1 - Schedule E-1 requires detailed tax analysis. Look for ways to automate the process in conjunction with non-U.S. reporting and compliance tracking.

#2 – Form 5471, Schedule G, Line 19 contains 22 subpart F questions which trigger detail to be submitted via an attachment if any exceptions are met (i.e. de minimis, High Tax, Look-thru, etc.) Information is expected to mapped to certain line items from software or accelerator.
Revised Form 5471
Schedule I-1

| Requires reporting of “separate category” |

<table>
<thead>
<tr>
<th>Name of person filing Form 5471</th>
<th>Identifying number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of foreign corporation</td>
<td>EIN (if any)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Separate Category (enter code—see instructions)</th>
<th>Functional Currency</th>
<th>Conversion Rate</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Gross income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Exclusions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a Effectively connected income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b Subpart F income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c High-tax exception income per section 954(b)(4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d Related party dividends</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e Foreign oil and gas extraction income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Total exclusions (total of lines 2a–2e)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Gross income less total exclusions (line 1 minus line 3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Deductions properly allocable to amount on line 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Tested income (loss) (line 4 minus line 5) (see instructions for line 6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Other Amounts (see instructions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Tested foreign income taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Qualified business asset investment (QBAI)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Interest expense</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For Paperwork Reduction Act Notice, see instructions.
Top 10 Tips for new rules

#1 – Schedule E-1 requires detailed tax analysis. Look for ways to automate the process in conjunction with non-U.S. reporting and compliance tracking.

#2 – Form 5471, Schedule G, Line 19 contains 22 subpart F questions which trigger detail to be submitted via an attachment if any exceptions are met (i.e. de minimis, High Tax, Look-thru, etc.) Information is expected to be mapped to certain line items from software or accelerator.

#3 – Schedule I-1 reports each separate category of income on a gross basis. Workpapers must be flexible enough to track E&P and tested income adjustments against gross income or deductions.

#4 – Form 5471 schedules would NOT include GILTI or foreign branch because CFCs cannot have a GILTI inclusion or foreign branch income.
Revised Form 5471
Schedule P

If CFC is wholly owned, Schedule P would include the same information reported in Schedule J, part I, column e.

GEN or PAS, or in rare cases: RBT, or 901j

New Schedule P: reports USSH’s PTEP
Changes to Form 8858

Changes similar to the previously discussed revisions to Form 5471

— New Schedules I and J added. Revisions to existing schedules, which include Schedule C, C-1, and G.

### Schedule I

**Transferred Loss Amount (see instructions)**

**Important:** See instructions for who has to complete this section.

1. Were any assets of an FB (including an FB that is an FDE) transferred to a foreign corporation? If “No,” stop here. If “Yes,” go to line 2.
2. Was the transferee a domestic corporation that transferred substantially all of the assets of an FB (including an FB that is an FDE) to a specified 10%-owned foreign corporation? If “No,” stop here. If “Yes,” go to line 3.
3. Immediately after the transfer, was the domestic corporation a U.S. shareholder with respect to the transferee foreign corporation? If “No,” stop here. If “Yes,” go to line 4.
4. Enter the transferred loss amount included in gross income as required under section 91. See instructions.

### Schedule J

**Income Taxes Paid or Accrued (see instructions)**

<table>
<thead>
<tr>
<th>Country or Possession</th>
<th>Foreign Currency</th>
<th>Conversion Rate</th>
<th>U.S. Dollar</th>
<th>Foreign Branch</th>
<th>Passive</th>
<th>General</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Revised Form 8858**

**Schedule G**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

### 6a
During the tax year, did the FIE or FB receive, or accrue the receipt of, any amounts defined as a base erosion payment under section 59A(d) or have a base erosion tax benefit under section 59A(c) from a foreign person which is a related party of the taxpayer? See instructions. If “Yes,” complete lines 6b and 6c.

- [ ] Enter the total amount of the base erosion payments
  - $ __________
- [ ] Enter the total amount of the base erosion tax benefit
  - $ __________

### 7a
During the tax year, did the FIE or FB pay, or accrue the payment of, any amounts defined as a base erosion payment under section 59A(d) or have a base erosion tax benefit under section 59A(c) to a foreign person which is a related party of the taxpayer? See instructions. If “Yes,” complete lines 7b and 7c.

- [ ] Enter the total amount of the base erosion payments
  - $ __________
- [ ] Enter the total amount of the base erosion tax benefit
  - $ __________

### 8
Is the FIE or FB a qualified business unit as defined in section 59A(a)?

- [ ]

### 9
Answer the following question only if the tax owner of the FIE or FB is a CFC: Were there any intercompany transactions between the FIE or FB and the CFC or any other branch of the CFC during the tax year, in which the FIE or FB acted as a manufacturing, selling, or purchasing branch?

- [ ]

### 10a
Answer the remaining questions in Schedule G only if the tax owner of the FB or the interest in the FIE is a U.S. corporation. If the FB or the interest in the FIE is a separate unit under Regulations section 1.1502-9(d)-1(b)(4), and is not part of a combined separate unit under Regulations section 1.1502-10(a)(4), does the separate unit have a dual consolidated loss as defined in Regulations section 1.1502-1(b)(4)?

- [ ] If “Yes,” enter the amount of the dual consolidated loss
  - $ __________

### 11a
If the FB or the interest in the FIE is a separate unit and part of a combined separate unit under Regulations section 1.1502-9(d)-1(b)(4), does the separate unit have a dual consolidated loss as defined in Regulations section 1.1502-1(b)(4)?

- [ ]

### 12a
Was any portion of the dual consolidated loss in line 12b or 12c taken into account in computing U.S. taxable income for the year? If “Yes,” go to line 12b. If “No,” go to line 13.

- [ ]

### 13a
During the tax year, did any triggering event(s) occur under Regulations section 1.1502-6(c)(5) requiring recapture of any dual consolidated losses attributable to the FB or interest in the FIE, individually or as part of a combined separate unit, in any prior tax years?

- [ ]

**New questions regarding base erosion payments**

**Expanded questions regarding dual consolidated losses**
Top 10 Tips for new rules

#1 – Schedule E-1 requires detailed tax analysis. Look for ways to automate the process in conjunction with non-U.S. reporting and compliance tracking.

#2 – Form 5471, Schedule G, Line 19 contains 22 subpart F questions which trigger detail to be submitted via an attachment if any exceptions are met (i.e. de minimis, High Tax, Look-thru, etc.) Information is expected to mapped to certain line items from software or accelerator.

#3 – Schedule I-1 reports each separate category of income on a gross basis. Workpapers must be flexible enough to track E&P and tested income adjustments against gross income or deductions.

#4 – Form 5471 schedules would NOT include GILTI or foreign branch because CFCs cannot have a GILTI inclusion or foreign branch income.

#5 – U.S. and foreign branches (including QBU s) of a CFC are now required to file a Form 8858.
### Section 163(j) Limitation on Business Interest Expense

**Form 8990**

#### Section I—Business Interest Expense

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Current year business interest expense (not including floor plan financing interest expenses), before the section 163(j) limitation</td>
</tr>
<tr>
<td>2</td>
<td>Disallowed business interest expense carryovers from prior years</td>
</tr>
<tr>
<td>3</td>
<td>Partnership’s allocable business interest expense treated as paid or accrued in current year (Schedule A, line 44, column (b))</td>
</tr>
<tr>
<td>4</td>
<td>Floor plan financing interest expense. See instructions</td>
</tr>
<tr>
<td>5</td>
<td>Total business interest expenses. Add lines 1 through 4</td>
</tr>
</tbody>
</table>

#### Section II—Adjusted Taxable Income

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Taxable income. See instructions</td>
</tr>
</tbody>
</table>

#### Additions (adjustments to be made if amounts are taken into account on line 6)

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Any item of loss or deduction which is not properly allocable to a trade or business of the taxpayer. See instructions</td>
</tr>
<tr>
<td>8</td>
<td>Any business interest expenses not from a pass-through entity. See instructions</td>
</tr>
<tr>
<td>9</td>
<td>Amount of any net operating loss deduction under section 172</td>
</tr>
<tr>
<td>10</td>
<td>Amount of any qualified business income deduction allowed under section 199A</td>
</tr>
<tr>
<td>11</td>
<td>Deduction allowable for depreciation, amortization, or depletion attributable to a trade or business</td>
</tr>
<tr>
<td>12</td>
<td>Amount of any loss or deduction items from a pass-through entity. See instructions</td>
</tr>
<tr>
<td>13</td>
<td>Other additions. See instructions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Total current year partner’s excess taxable income (Schedule A, line 44, column (f))</td>
</tr>
<tr>
<td>15</td>
<td>Total current year corporation shareholder’s excess taxable income (Schedule B, line 40, column (c))</td>
</tr>
<tr>
<td>16</td>
<td>Total. Add lines 7 through 15</td>
</tr>
</tbody>
</table>

#### Reductions (adjustments to be made if amounts are taken into account on line 6)

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Any item of income or gain which is not properly allocable to a trade or business of the taxpayer. See instructions</td>
</tr>
<tr>
<td>18</td>
<td>Any business interest income not from a pass-through entity. See instructions</td>
</tr>
<tr>
<td>19</td>
<td>Amount of any income or gain items from a pass-through entity. See instructions</td>
</tr>
<tr>
<td>20</td>
<td>Other reductions. See instructions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Total. Combine lines 17 through 20</td>
</tr>
<tr>
<td>22</td>
<td>Adjusted taxable income. Combine lines 6, 16, and 21. (If zero or less, enter “-“)</td>
</tr>
</tbody>
</table>

#### Section III—Business Interest Income

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Current year business income. See instructions</td>
</tr>
<tr>
<td>24</td>
<td>Excess business interest income from pass-through entities (total of Schedule A, line 44, column (g) and Schedule B, line 46, column (b))</td>
</tr>
</tbody>
</table>

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Top 10 Tips for new rules

#1 – Schedule E-1 requires detailed tax analysis. Look for ways to automate the process in conjunction with non-US reporting and compliance tracking.

#2 – Form 5471, Schedule G, Line 19 contains 22 subpart F questions which trigger detail to be submitted via an attachment if any exceptions are met (i.e. de minimis, High Tax, Look-thru, etc.) Information is expected to mapped to certain line items from software or accelerator.

#3 – Schedule I-1 reports each separate category of income on a gross basis. Workpapers must be flexible enough to track E&P and tested income adjustments against gross income or deductions.

#4 – Form 5471 schedules would NOT include GILTI or foreign branch because CFCs cannot have a GILTI inclusion or foreign branch income.

#5 – U.S. and foreign branches (including QBUs) of a CFC are now required to file a Form 8858.

#6 - Every CFC with business interest expense is required to file Form 8990. If electing to use the group method, even those without interest would be required to file. Intricate calculation that many software solutions do not have the capacity for yet.
## Form 8991

**Tax on Base Erosion Payments of Taxpayers With Substantial Gross Receipts**

### Part I: Applicable Taxpayer

Check box if this form is being filed by a taxpayer with which another taxpayer has been aggregated under section 59A(a)(3). If the above box is checked, attach a statement listing the names and EINs of all separate taxpayers taken into account in the determination of "1 person" under section 59A(a)(3).

<table>
<thead>
<tr>
<th>Column</th>
<th>Line 1d</th>
<th>Line 1e</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a</td>
<td>Gross receipts of the applicable taxpayer. See instructions.</td>
<td>1d</td>
</tr>
<tr>
<td>1b</td>
<td>Gross receipts from partnerships</td>
<td>1e</td>
</tr>
<tr>
<td>1c</td>
<td>Gross receipts of all other persons treated as 1 person as the &quot;applicable taxpayer&quot; pursuant to section 59A(a)(3)</td>
<td></td>
</tr>
<tr>
<td>1d</td>
<td>Gross receipts. Combine lines 1a through 1c</td>
<td></td>
</tr>
<tr>
<td>1e</td>
<td>Gross receipts of first, second, and third preceding tax years. Combine columns (a), (b), and (c) of line 1d</td>
<td>1e</td>
</tr>
<tr>
<td>f</td>
<td>Ten year average annual gross receipts (Divide line 1e by 10)</td>
<td>1f</td>
</tr>
<tr>
<td>g</td>
<td>Is the tax paid or more?</td>
<td>Yes, Continue to Part II</td>
</tr>
</tbody>
</table>

2b. Aggregate amount of deductions allowable under Chapter 1 of the Internal Revenue Code.
2c. Other allowable deductions not included in line 2b above.
2d. Base erosion tax benefits resulting from reductions in insurance premiums reported on Schedule A, line 8, column 2.
2e. Base erosion tax benefits resulting from reductions in gross receipts reported on Schedule A, line 10, column 2.
2f. Add lines 2a through 2e.
2g. Total deductions for amounts paid or accrued for services to which the exception under section 59A(a)(8) applies (from Schedule A, line 5b).
2h. Qualified derivative payments excepted by section 59A(b).
2i. Total deductions allowed under sections 172, 245A, and 250 for the tax year.
2j. Combine lines 2g through 2i.
2k. Total Deductions. Subtract line 2j from the sum of line 2b and line 2l.
2l. Base Erosion Percentage for purposes of section 59A(c)(2)(A). Divide line 2k by line 2k.

For Paperwork Reduction Act Notice, see separate instructions.
Top 10 Tips for new rules

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#3 – Schedule I-1 reports each separate category of income on a gross basis. Workpapers must be flexible enough to track E&P and tested income adjustments against gross income or deductions.

#4 – Form 5471 schedules would NOT include GILTI or foreign branch because CFCs cannot have a GILTI inclusion or foreign branch income.

#5 – U.S. and foreign branches (including QBU’s) of a CFC are now required to file a Form 8858.

#6 – Every CFC with business interest expense is required to file Form 8990. If electing to use the group method, even those without interest would be required to file. Intricate calculation that many software solutions do not have the capacity for yet.

#7 – Form 8991 is required to demonstrate whether or not you are an applicable taxpayer.
Form 8992 Part I & II

**U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)**

Go to [www.irs.gov/Form8992](http://www.irs.gov/Form8992) for instructions and the latest information.

### Part I: Net Controlled Foreign Corporation (CFC) Tested Income

| 1 | Sum of Pro Rata Share of Net Tested Income (total from Form 8992–Schedule A, line 1, column (e)) |  
| 2 | Sum of Pro Rata Share of Net Tested Loss (total from Form 8992–Schedule A, line 1, column (f)) |  
| 3 | Net CFC Tested Income (combine line 1 and line 2) (if zero or negative, stop here) |  

### Part II: Calculation of Global Intangible Low-Taxed Income (GILTI)

| 1 | Net CFC Tested Income (from Part I, line 3) |  
| 2a | Pro Rata Share of QBAI multiplied by 10% (total from Form 8992–Schedule A, line 1, column (g)) |  
| 2b | Specified Interest Expense (total from Form 8992–Schedule A, line 1, column (h)) |  
| 2c | Net Deemed Tangible Income Return (DTIR) (subtract line 2b from line 2a) (if zero or less, enter 0 here) |  
| 3 | GILTI (subtract line 2c from line 1) (see instructions) |  

For Paperwork Reduction Act Notice, see separate instructions.

Net CFC Tested Income - Net DTIR = GILTI

Part I, line 3 - Part II, line 2c = Part II, line 3
Form 8992 Schedule A

<table>
<thead>
<tr>
<th>CFC's tested income/loss reported in columns (c)/(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USHSH's &quot;pro rata&quot; share of CFC tested items reported on lines (e) through (h)</td>
</tr>
<tr>
<td>GILTI allocation ratio calculated with respect to consolidated CFCs (if following consolidated approach in proposed regulations)</td>
</tr>
</tbody>
</table>
Top 10 Tips for new rules

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#7 – Form 8991 is required to demonstrate whether or not you are an applicable taxpayer.

#8 – Although the GILTI calculation is completed on a consolidated basis for federal purposes, certain separate company states will require the calculation to be done at a US shareholder level.
Form 8993

### Part I: Determining Deduction Eligible Income (DEI) (see instructions)

1. Gross Income
2. Exclusions
   - a. Income included under section 951(a)(1)
   - b. Income included under section 951(a) from Form 893, Part I, line 3
   - c. Financial Services Income
   - d. CFC Dividends
   - e. Domestic Oil and Gas Extraction Income
   - f. Foreign Branch Income
3. Total Exclusions (add lines 2a through 2f)
4. Gross Income less Total Exclusions (subtract line 3 from line 1)
5. Deductions properly allocable to the amount on line 4
6. Deduction Eligible Income (DEI) (subtract line 5 from line 4)

### Part II: Determining Deemed Intangible Income (DII) (see instructions)

1. DEI (from Part I, line 6, above)
2. Deemed Tangible Income Return (10% of QBI)
3. Deemed Intangible Income (DII) (subtract line 2 from line 1)

### Part III: Determining Foreign Derived Ratio (see instructions)

1a. DEI derived from sales, leases, exchanges, or other dispositions (but not licenses) of property to a foreign person for a foreign use (see instructions)
1b. DEI derived from a license of property to a foreign person for a foreign use (see instructions)
1c. DEI derived from services provided to a person or with respect to property located outside of the United States (see instructions)
2. Foreign Earned Deduction Eligible Income (DEDE) (add lines 1a through 1c)
3. Deduction Eligible Income (DEI) (from Part I, line 6, above)
4. Foreign Earned Ratio (FDER) (divide line 2 by line 3)

### Part IV: Determining FDIIII and/or GILTI Deduction (see instructions)

1. Deemed Intangible Income (DII) (from Part II, line 3)
2. Foreign Derived Ratio (from Part III, line 4)
3a. FDI (multiply line 1 by line 2)
3b. Global Intangible Low-Taxed Income (GILTI) Inclusion (see instructions for line 3b)
3c. Total FDI and GILTI (add lines 3a and 3b)
4. Taxable Income (see instructions for line 4)
5. Excess FDI and GILTI over Taxable Income (subtract line 3 from line 1)
6. FDI Reduction (divide line 3a by line 3c, multiply by line 5)
7. GILTI Reduction (subtract line 6 from one of lines 3a or 3b)
8. FDI Deduction (see instructions for line 8) (Enter here and on Form 1120, Schedule C; see instructions for information on other tax forms)
9. GILTI Deduction (see instructions for line 9) (Enter here and on Form 1120, Schedule C; see instructions for information on other tax forms)

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#7 – Form 8991 is required to demonstrate whether or not you are an applicable taxpayer.

#8 – Although the GILTI calculation is completed on a consolidated basis for federal purposes, certain separate company states will require the calculation to be done at a U.S. shareholder level.

#9 – Form 8993 does not include the section 250 deduction for the GILTI section 78 gross-up so it will not tie to Form 1120.
Form 1118

GILTI forms

For section 951(b) income, NOLs, income from RICs, high-tax income, section 956, and section 951A, use a single line (see instructions).

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 100001

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#kpmgxb
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#9 – Form 8993 does not include the section 250 deduction for the GILTI section 78 gross-up so it will not tie to Form 1120.

#10 – In many cases, the Form 1118 was done outside the compliance software. That is more difficult given the interactions, with the Form 1118 now required to be completed by entity, in addition to the additional forms, it is also required to report the GILTI and foreign branch categories of foreign source income.
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