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 Organisation for Economic Co-operation and Development’s (OECD) “BEPS 2.0” initiative will change the global tax landscape—either because of its success and implementation or its failure and the chaos that will follow. Even if global consensus for BEPS 2.0 is not achieved, 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 these efforts could present you with a new set of pressures, including new demands for internal resources, the need to revamp tax policies, and additional investment requirements for new technology to handle new and greater compliance obligations. KPMG LLP (KPMG) International Tax professionals, working with professionals across the global organization of KPMG firms, can help 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.

Getting started — Rapid assessment

Key to determining your organization’s approach is understanding the potential impact of the proposals. The BEPS 2.0 Model is a rapid assessment tool that enables you to assess quickly the likely impact and the degree of focus you need to respond effectively to the challenges the BEPS proposals may bring. 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).

The BEPS 2.0 Model includes high-impact visualizations, such as the one below, that compares by taxing authority jurisdiction your base case tax base and total tax to the potential BEPS 2.0 case. These visualizations are delivered via KPMG Digital Gateway, a single platform solution that gives you access to the full suite of KPMG tax technologies you use.
The BEPS 2.0 Pillar One and Pillar Two proposals are complex with outcomes that are often counterintuitive. KPMG professionals can help you assess the possible impacts to your organization. Examples include:

Through detailed and tailored modeling using the BEPS 2.0 Model (which reflects the OECD’s latest Pillar One and Pillar Two Blueprints released in late 2020), KPMG professionals can also help get you the information you need for a deeper dive into the BEPS 2.0 challenges your organization may face. For example, the following pie charts illustrate the analysis modeling can provide when examining how a company’s structure would be affected under Pillar One.

**Understanding the detailed rules**

**Additional modeling**

**Why KPMG**

KPMG professionals understand the difficulties in anticipating and communicating the potential impacts of the OECD’s proposals as well as the many and wide-ranging possible unilateral 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 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.
Our tool, updated for the 2020 Blueprints, can help clients rapidly assess—maybe with as 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 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
Tax Principal, KPMG LLP

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
Tax Partner, KPMG LLP

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 and legal technology specifically through that period.

KPMG BEPS 2.0 Model in practice

- **Evaluates cash tax and effective tax rate.** The model calculates multiyear 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.
- **Is a scalable solution for both 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 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 its 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 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 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 an hour.

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

Contacts

Manal Corwin
Principal in Charge, Washington National Tax
E: mcorwin@kpmg.com

Steve Blough
Principal, Washington National Tax Economic & Valuation Services
E: sblough@kpmg.com

Steven Davis
Principal, International Tax Value Chain Management
E: smdavis@kpmg.com

Michael Plowgian
Principal, Washington National Tax International Tax
E: mplowgian@kpmg.com

Brett Weaver
Global Head of Value Chain Management and Partner, International Tax
E: baweaver@kpmg.com

Jesse Eggert
Principal, Washington National Tax International Tax
E: jegger@kpmg.com

Mark Martin
Principal, Washington National Tax Economic & Valuation Services
E: mrmartin@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates.

kpmg.com/socialmedia

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.

KPMG LLP does not provide legal services.

© 2021 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. NDP145713