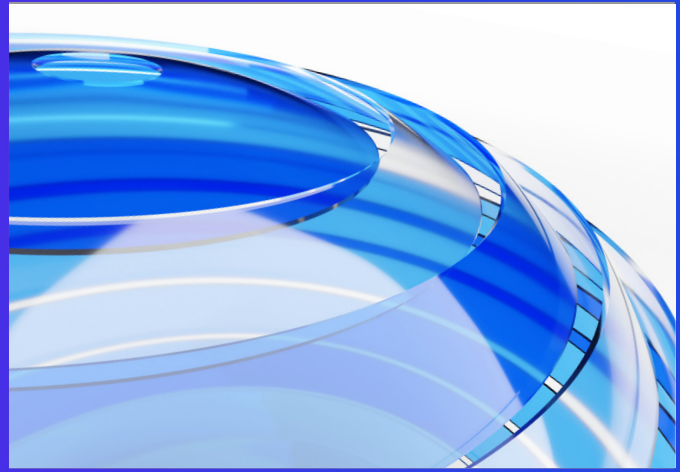




BEPS 2.0 Automation Technology

Modeling for the changing global tax landscape

Integrated with KPMG Digital Gateway



The OECD/G20 Inclusive Framework on BEPS has spurred jurisdictions around the world to propose and adopt wide-ranging reforms to address base erosion and profit shifting as well as tax transparency issues. For example, many jurisdictions have enacted or are in the process of enacting Pillar Two global minimum tax legislation into law, further complicating tax compliance. Additional reforms may result in, among other changes, jurisdictions adopting or amending country-by-country reporting requirements, amending tax treaties by multilateral instruments or bilateral updates, or adopting other local country legislation. As these reforms significantly affect the global tax landscape, multinational companies should consider the potential impact of such rules on their global tax profile and compliance requirements.

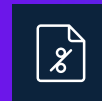
KPMG can help

KPMG BEPS 2.0 Automation Technology is KPMG International's multiplatform tool (available in Excel and on the Cloud) that allows for both high-level and detailed modeling of BEPS 2.0 Pillar Two provisions, including safe harbor calculations. Maintained by KPMG LLP (KPMG) with input by a global team of professionals from the KPMG global organization of independent firms, the tool provides your team the ability to model the latest tax technical updates, legislative changes, and regulatory guidance to support planning, provision, and compliance requirements.

In addition, the tool supports detailed reporting and high-impact visualizations and is integrated with KPMG Digital Gateway, granting you access to the full range of KPMG tax technologies that you use on a single platform solution.



Key BEPS 2.0 Automation Technology model features:



Powerful modeling capabilities handle tax provision, tax compliance, and tax planning.



Scalability can accommodate both "back-of-the-envelope" and in-depth calculations.



Extensive scenario planning ability facilitates alignment of tax planning with business goals and objectives.



High-impact visualizations enable easy comparison of planning opportunities and cost-benefit analyses for discussion with stakeholders.



Regular updates factor in new OECD guidance and legislative change from tax authorities implementing Pillar Two across the globe.

Modeling Pillar Two Impacts with KPMG BEPS 2.0 Automation Technology

KPMG uses a phased approach (outlined below) for analyzing the potential impact of Pillar Two on clients and advising them on tax planning, provision, and compliance requirements. KPMG BEPS 2.0 Automation Technology supports each phase by allowing for an initial high-level analysis that is refined through iteration as clients move through the necessary phases to determine the impact of Pillar Two. Each phase is supported by transparent computations delivered through various dashboards, gap assessments, and summary tables, charts, and reports.

Phase	Objectives	Deliverables
Phase I Transitional safe harbor analysis and data scoping	<ul style="list-style-type: none"> Analyze safe harbor Determine in-scope jurisdictions Review country-by-country report (CbCR) data quality 	<ul style="list-style-type: none"> Documentation of CbCR process, data sources, and potential issues Safe harbor planning Preliminary safe harbor computations Recommended next steps
Phase II Initial GloBE computations	<ul style="list-style-type: none"> Determine materiality of potential Pillar Two impact on cash tax and effective tax rate positions Develop starting points for detailed discovery covering data mapping and gap analysis 	<ul style="list-style-type: none"> Presentation and report on GloBE computations for the selected in-scope jurisdictions Initial list of material data adjustments needed to reach Global Anti-Base Erosion (GloBE) income reportable on return Recommended next steps
Phase III Discovery/data mapping and gap analyses	<ul style="list-style-type: none"> Develop starting points for interim and long-term compliance approach and tax planning roadmaps as Pillar Two implementation unfolds mapping and gap analyses 	<ul style="list-style-type: none"> Finalized Pillar Two data gap analysis for compliance with requisite source systems and data manipulation steps and priorities identified Finalized tax compliance approach Recommended next steps
Future Phases IV and V Planning, technology, and compliance	<ul style="list-style-type: none"> Develop roadmap for efficient compliance Identify effective Pillar Two planning opportunities 	<ul style="list-style-type: none"> Implementation of Phase III data strategy and deployment of relevant technologies Pillar Two related tax planning Pillar Two compliance Dry run of new tax process

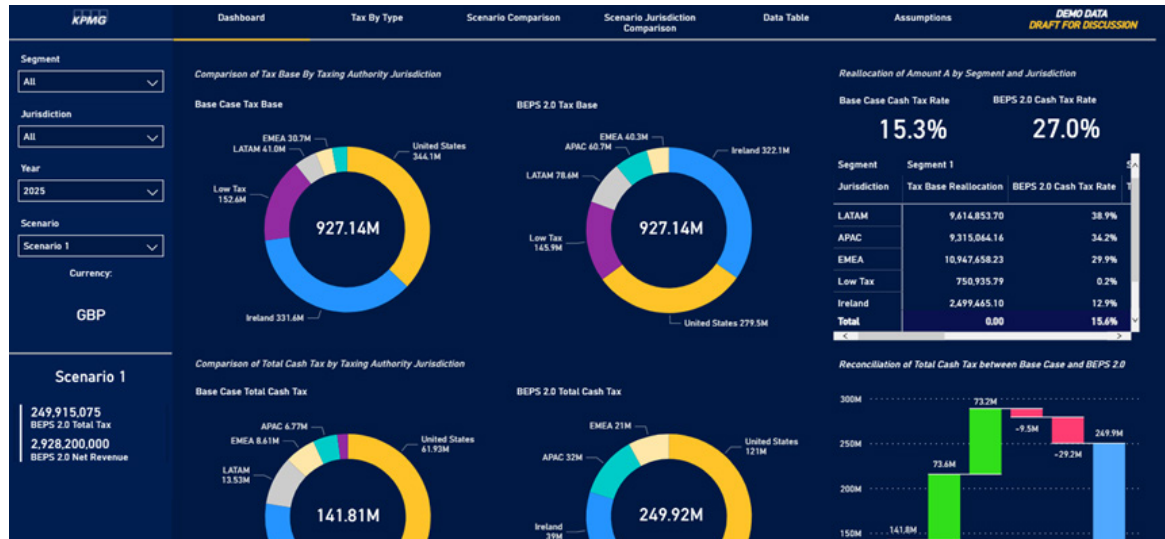
Case study

A large multinational with operations in many countries contacted its KPMG advisers 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, intragroup payments were identified as subject to a “top-up” tax, which could apply even if BEPS 2.0 fails as a globally coordinated measure. 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.

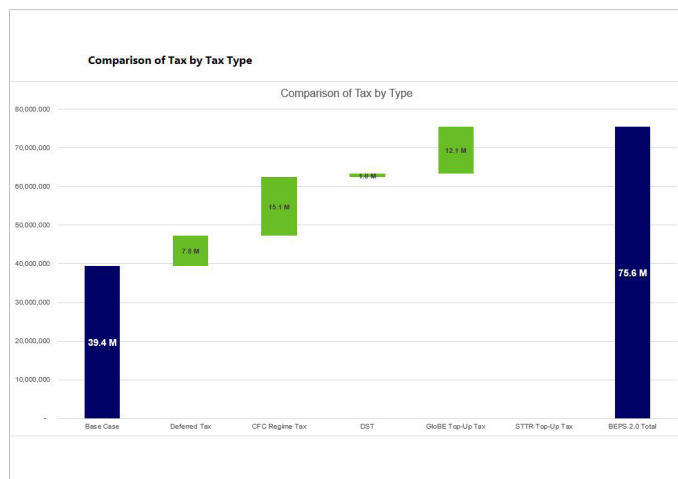
KPMG BEPS 2.0 Automation Technology

Together, KPMG BEPS 2.0 Automation Technology's detailed reporting and KPMG Digital Gateway online PowerBI-based visualizations helps provide clients and users with the ability to quickly understand the impacts of the various BEPS 2.0 provisions on their global current tax profile to identify potential opportunities and risks.



	Criticality	Availability in systems
Computation of GloBE Income or Loss (Chapter 3) - basic		
Financial Accounts (Art 3.1) - basic		
Financial Accounting Net Income or Loss by Constituent Entity (Earnings after Tax)	high	fully available
Specific adjustments to align entity-based financial accounts with CFS rules of UPE (please use the sheet "Accounting Adj Sources")	high	fully available
Adjustments to determine GloBE income or loss (Art 3.2) - basic		
Net Taxes Expense (Covered Taxes, QDMTT and other GloBE Taxes, DTA, Disqualified Refundable Imputation Tax)	high	not available
Excluded Dividends (not those on Short-term Portfolio Shareholding or Ownership in Investment Entity, no patronage dividends Art. 7.2.4)	high	to be adjusted
Excluded Equity Gain or Loss (on any Ownership Interest excluding Portfolio Shareholding)	high	to be adjusted
Included Revaluation Method Gain or Loss (relating to property, plant, equipment)	high	fully available
Asymmetric Foreign Currency Gain or Loss (resulting from different account/tax functional currency of one entity)	high	not available
Policy Disallowed Expenses (illegal payments; fines/penalties 50,000 or greater)	low	fully available
Prior Period Errors and Changes in Accounting Principles (if not already included in Net Income/Loss and if no recalculation of ETR under Art 4.6.1 is necessary)	high	to be adjusted
Accrued Pension Expense (difference between expense and actual contribution to Pension Fund)	high	not available
Arm's Length Principle Adjustments (Art 3.2.3; if leading to double taxation or double non-taxation)	low	not available
Refundable Tax Credits (Art 3.2.4) and Marketable Transferable Tax Credits, including those flowing through Tax Transparent Entities	high	not available
Expenses not recognized by domestic net taxable income (Art 3.2.7 - hybrid (mismatch) financing situations)	low	not available
Banking/insurance sector: Additional Tier One Capital or Restricted Tier One Capital adjustments (Art 3.2.10 - relating to prudential regulatory requirements)	low	to be adjusted
Insurance companies: Exclude Taxes charged to Policy Holders (Art 3.2.9)	medium	fully available
Insurance companies: Exclude expenses relating to Excluded Dividends and Excluded Equity Gain or Loss (e.g., unit linked insurance)	medium	to be adjusted
Elections (Art 3.2) - basic		
Election: Adjustment for income of Constituent Entity from qualifying debt release (depending on conditions met)	high	to be adjusted
Election: Stock-based compensation adjustment (Art 3.2.2)	low	not available
Election: Realisation method for gains and losses (Art 3.2.5 - relevant for CEs for which fair value accounting applies)	low	not available
Election: Adjustment for Aggregate Asset Gain from disposition of tangible property (Art 3.2.6 - spreading of Aggregate Asset Gain over five year look back period)	low	not available
Election: UPE consolidation rules (Art 3.2.8 - adjustment relating to transactions betw. CEs in the same country and in a tax group)	high	not available

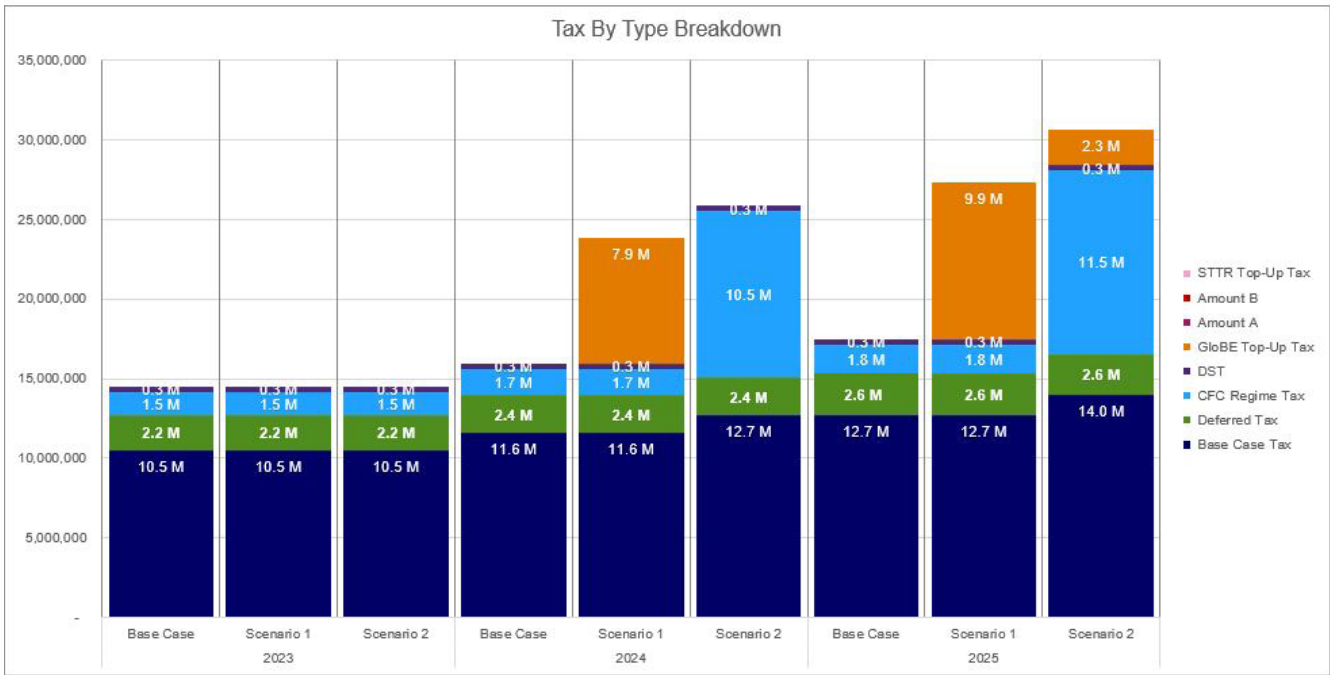
Sample Pillar Two data gap assessment



Sample single-year tax waterfall chart

Summary Report		Jurisdiction			
Filters		United States-Main Group	United Kingdom-Main Group	Singapore-Main Group	Bermuda-Main Group
Scenario	Year				
Units	2025				
Items	Total				
Net Financial Income(Loss)	154,643,872	65,163,872	24,562,500	10,587,800	54,450,000
GloBE Adjustments	17,176,238	15,512,200	1,242,000	-	422,000
GloBE Income(Loss)	171,820,110	76,626,000	26,250,000	11,495,000	54,450,000
Current Tax Expense	14,659,703	8,833,203	5,172,750	463,750	-
GloBE Adjustments for Current Tax Expense	-	363,000	121,000	121,000	121,000
Adjusted Covered Taxes Before Deferred Tax Adjust	14,659,703	8,570,203	5,293,750	574,750	121,000
Grossed up Deferred Tax Expense	12,100,000	7,569,500	3,025,000	1,512,000	-
GloBE Limit on Deferred Tax	1,815,000	1,134,375	453,750	226,875	-
GloBE Covered Taxes	16,374,703	9,704,678	5,747,500	801,625	121,000
GloBE ETR		12.03%	19.00%	6.97%	0.22%
GloBE Minimum Tax Rate		15.00%	15.00%	15.00%	15.00%
Top-Up Tax Percentage		2.17%	0.00%	8.00%	14.78%
GloBE Income(Loss)	171,820,110	75,825,000	30,250,000	11,495,000	54,450,000
Substance Based Carve-Out	-	-	-	2,440,000	-
Excess Profit	146,961,000	83,675,000	30,250,000	9,055,000	63,981,000
Top-up Tax Before Additional Current Top-up Tax and Qualified Domestic Minimum Top-up tax	9,867,489	1,183,406	-	726,783	7,977,281
Remaining Jurisdictional Top-up Tax	9,867,489	1,163,406	-	726,783	7,977,281
Total Income Inclusion Rule Allocation	8,704,064	-	8,704,064	-	-
Undertaxed Profits Rule	-	1,163,406	-	-	-
Undertaxed Profits Rule Allocation	1,163,406	-	775,854	387,552	-
Unallocated Top-Up Tax	-	-	-	-	-

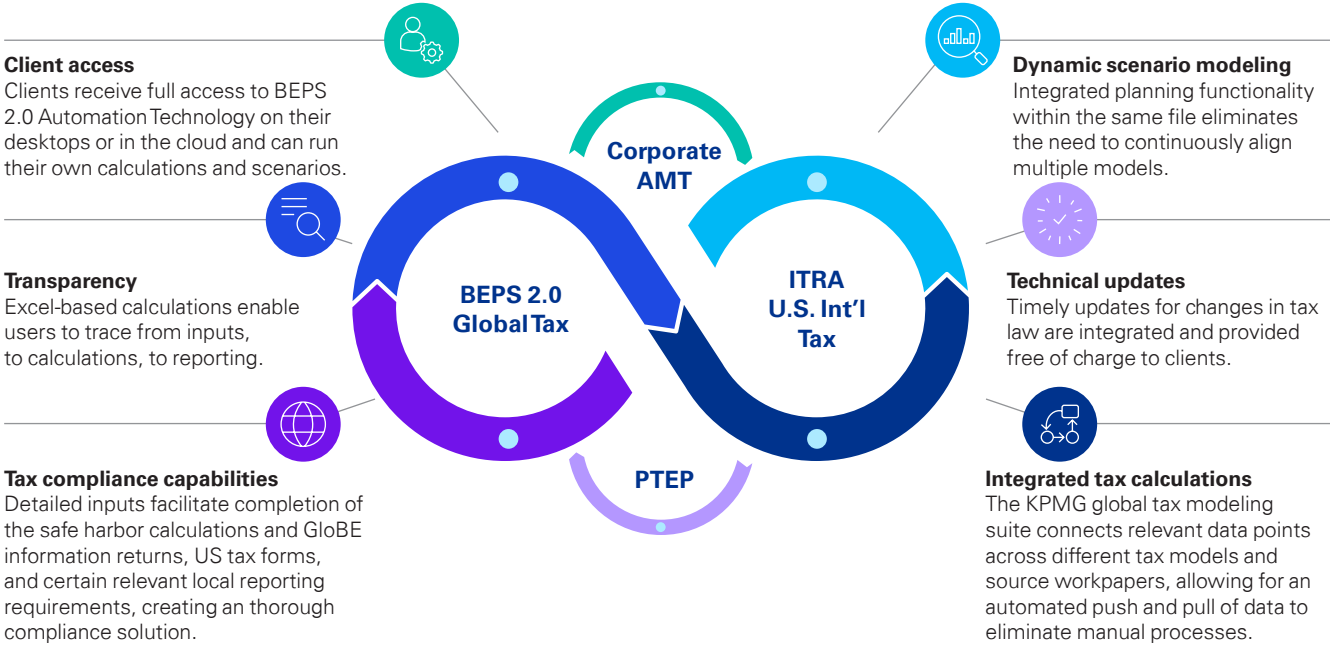
Sample single-year Pillar Two summary



Sample multiyear, multiscenario tax comparison

Integration of KPMG global tax modeling tools

KPMG BEPS 2.0 Automation Technology is part of the KPMG global tax modeling suite. This suite of models integrates the tax technical aspects of US corporate and international taxation—from the Tax Cuts and Jobs Act and Inflation Reduction Act to BEPS 2.0 guidance and legislated implementation—to provide your company with the planning flexibility and scalability that can handle your unique tax challenges.





KPMG BEPS 2.0 Automation Technology potential benefits

- **Client access.** Clients can obtain personal **desktop access** to their Excel version of KPMG BEPS 2.0 Automation Technology. (This capability is not available to KPMG SEC audit clients.)
- **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 initial 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 visualizations, including the ability to view and compare scenarios for multiple years and jurisdictions, accessible directly by client end users through KPMG Digital Gateway that allows tax teams to glean insights and 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 approach to respond to policymakers.
- **Supports critical data and process gap analysis.** With every data point needed for compliance reporting captured in the model, an accurate assessment of open data and process gaps is possible.

Next steps

Every organization is unique. Every tax function is, too. With the help of KPMG BEPS 2.0 Automation Technology, KPMG professionals are here to support you in accomplishing your organization's goals. Continue the conversation by contacting us for an initial assessment today and get started in just an hour.

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

Contact us

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