



A tax strategy for  
the road to net zero

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## The road to net zero



Climate change is the defining issue of our time.

Government policies, customer, employee and consumer demands, investor pressure and technology are all converging to drive decarbonisation.

Against this backdrop, the role of business is shifting, as society is increasingly demanding that business acts as a force for good. Corporates will play a key role in responding to climate change. Numerous organisations have made public commitments to reduce greenhouse gas emissions.

Progress towards these goals needs a plan. The way any company acts today in response to climate change will almost certainly impact its degree of advantage tomorrow.

## Why does this matter for the tax team?



Organisations are increasingly focusing on purpose, with ever greater focus on Environmental, Social and Governance (ESG) principles. This places climate response and the road to net zero at the core of business strategy, and tax leaders need to consider how their tax teams can contribute positively to these changing business priorities and wider social purpose.

For many organisations, climate change will have a profound impact on business operations. As with any business transformation, there will be tax consequences as a result of business model and supply chain change.

Many of the policy levers used by governments on the road to net zero will be in the tax sphere, ranging from grants and

incentives, to carbon taxes. For example, the EU's Green Deal contains an Investment Plan to stimulate public and private investment as well as tax measures such as reforms to the Energy Tax Directive and a proposed Carbon Border Adjustment Mechanism. In the UK, the 2021 Budget provides funding to support the energy transition. And the OECD has recently noted that energy and carbon taxes have a key role to play in the transition to a socially inclusive zero-carbon economy.

In addition, policy makers are starting to consider whether tax and regulatory policy take account of climate commitments.

Tax teams need to be ready to respond and potentially contribute to the policy environment, ensure that tax is integrated into business decision making, and have the right skills and resources to react to the emerging business opportunities and challenges.

## Six questions for tax leaders to consider

- 01 How do we monitor and track tax policy developments – both measures expected to be introduced in the short and long term?
- 02 Are material environmental tax costs and incentive savings factored into business decisions at the outset?
- 03 What are the tax impacts of changes to the value chain, reorganisation of supply chains and business model?

- 04 How will the skills needed within the tax team change in future e.g. to manage increased indirect taxes and the transfer pricing of new intellectual property?
- 05 Are executive and workforce remuneration policies aligned with the organisation's climate strategy?
- 06 What are the areas where the business should consider tax policy engagement? What information is reported for tax transparency purposes?



### Achieving net zero goals means the tax team needs to find a new balance

As the response to climate change becomes embedded in organisations, the role of the tax team will evolve. We are already seeing a greater emphasis on tax policy, business advisory and risk management within tax teams in response to broader political, economic and social developments. Climate change is another driver, and accelerator, of change. Tax teams will need to be equipped with the right technology, skills and resource model to allow them to deliver the tax strategy for the road to net zero.

# Why Deloitte?

Tax teams across the globe are challenged with developing a tax strategy that supports the business to achieve its net zero goals. Government policies, society and business operations are changing as we collectively implement plans to achieve net zero goals. How a tax team prepares for these changes, whilst still being able to address the immediate challenges of BEPS 2.0, COVID-19 and digitisation, will influence its success.

Our team's expertise covers a range of tax specialisms to help tax leaders design, implement and achieve their net zero tax strategy. We work alongside our climate change and sustainability team, who've helped define many of the sustainability frameworks and guidelines that are now well-established in global businesses. Our team is best placed to support you on your road to net zero.

Area	How we can help you
 <p><b>Tax strategy</b></p>	<p><b>Defining the tax strategy</b> to support the business' wider climate change strategy. This includes horizon scanning, workflow management, policy engagement, transparency approach and tax function skills and resources.</p> <p><b>Scenario planning</b> to help shape alternative possible responses to inform the tax strategy for the road to net zero.</p> <p><b>Tax operating model:</b> Advising on the design and enhancement of an operating model for taxes (covering areas such as governance, controls, systems, and data) which enables the delivery of the tax climate change strategy.</p>
 <p><b>Environmental taxes and incentives</b></p>	<p><b>Horizon scanning:</b> Overview of the global environmental tax and incentive measures in place. Analysis of global policy change over the longer term, combined with real-time updates on environmental tax and incentive developments, helping tax teams to monitor and respond to policy change.</p> <p><b>Research and Development, Tax Depreciation and Patent Box:</b> Supporting the whole innovation lifecycle, with Innovation incentives and Capital Allowance claims for climate change activity delivering cash benefits.</p> <p><b>Grants:</b> Identifying grants relevant to business activities, from early phase R&amp;D, through pilot to implementation and capital expenditure.</p>
 <p><b>Value chain alignment</b></p>	<p><b>Direct tax:</b> Exploring the tax sensitivities, common tax authority challenges, and efficiency opportunities arising from new activities, ventures and collaborations, including domestic and international structuring.</p> <p><b>Transfer pricing:</b> Assessing the transfer pricing impacts of new business models and transformation, including IP strategy and changes to supply chain.</p> <p><b>Indirect tax advisory:</b> Assessing the indirect tax impacts associated with business transformation, from supply chain to business model change.</p>
 <p><b>Workforce</b></p>	<p><b>Reward and benefits:</b> Advising on embedding climate metrics and targets in executive incentive plans and aligning remuneration policies with an organisation's climate strategy. Working with employers on offering sustainable benefits to employees to make personal change more accessible to employees, and passing on the benefit of tax incentives only available via employers (e.g. electric vehicle company car arrangements).</p> <p><b>Resourcing and mobility:</b> Assisting with mobility and travel policies and alternative resourcing models that reduce an organisation's climate footprint.</p>
 <p><b>M&amp;A</b></p>	<p><b>Due diligence and process advisory:</b> The road to net zero will drive new business partnerships, collaborations and associated M&amp;A activity. We support tax functions through all aspects of transactions from diligence to tax structuring.</p>

Deloitte is committed to playing a leading role in building trust in business, driving more inclusive and sustainable growth, and enhancing skills, education and inclusion for all. WorldClimate is Deloitte's strategy to drive responsible climate choices within our organisation and beyond. The opportunity to create a more sustainable world is at our collective fingertips. We all are compelled to act.

# Contacts

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