

Global tax landscape and potential opportunities

Multinational companies (MNCs) are dealing with an increasing number of new and complex global tax rules implemented around the world. Many of these are implemented based on a common approach or Directive (e.g., Pillar Two, ATAD etc.), while others are less uniform in nature and require tax departments to be connected to the wider organization (e.g., digital services taxes (DSTs)). The following highlights some key global tax challenges that MNCs are currently facing, or may be focusing on in the immediate future, and how our group of global tax specialists at the International Core of Excellence (ICE group) in New York can help you address these.



5 insights you should know

Anti-hybrid legislation – European and other jurisdictions (e.g., Australia) have implemented specific rules to target hybrid mismatches such as double deductions and deduction non-inclusions.

Substance requirements – There has been a growing trend for jurisdictions to require additional substance in entities that are generating income. This can be seen from the introduction of the principal purpose tests and the proposed EU ATAD III directive for shell companies, which seek to deny certain treaty benefits where there is not a basic level of substance.

Global tax reform (Pillar One / Pillar Two) and interim solutions – Although underpinned by a global consensus, as with other taxes, it is likely that the local implementation of these rules is going to vary depending on local law makers. As an interim solution, some countries have unilaterally implemented measures to address the digital economy.

Mobile workforces – As a result of the Covid19 pandemic, some businesses have been more flexible on the location of their workforce. Depending on the activities of the individuals, this could create taxable presences for both the company and the individual.

Tax reporting, governance and tax transparency – As a result of various stakeholder pressures, businesses are required to be more open about their tax affairs. This encompasses how a business presents their tax profile to the public, internal stakeholders (e.g., shareholders) and tax authorities.

5 actions to take now

1 Map flows and understand impact – Taxpayers should understand how their flows are taxed in both the recipient and payer jurisdiction and whether this leads to any direct or imported mismatches. This is particularly relevant in the context of US tax elections.

2 Review of business model and entities – Taxpayers should analyze whether the location of their IP and their holding companies align with their substance. Businesses may consider legal entity rationalization and/or a value chain alignment review.

3 Understanding where value is and where taxes are paid – Taxpayers should have an understanding of their global tax footprint and model their global tax liabilities to calculate exposure. In addition, businesses should review their value drivers to understand the impact of interim taxes.

4 Define fixed parameters – Taxpayers should understand where their employees are and what activities they are conducting globally. As work patterns continue to evolve, businesses should establish a policy for how to monitor the location and activities of employees.

5 Data and policy – In response to various disclosure rules, taxpayers should understand their current tax profile, the current data they have available, and what steps are needed to be ready for the various reporting obligations. Taxpayers should design and implement processes and internal guidelines to ensure compliance.

Connect with us

Pierre-Henri Revault
Principal
Deloitte Tax LLP
prevault@deloitte.com

Arjan Fundter
Partner
Deloitte Tax LLP
arfundter@deloitte.com

Frances Lenihan
Director
Deloitte Tax LLP
frlenihan@deloitte.com

Laura Digirolamo
Senior Manager
Deloitte Tax LLP
ladigirolamo@deloitte.com

Laura Dumeresque
Senior Manager
Deloitte Tax LLP
ladumeresque@deloitte.com