



# U.S. Tax Reform:

Impact on Inbound  
Groups and subsidiaries  
of US groups

**Insights and Practical Considerations**

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February 2018



# Notice

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.

# Program agenda

1

## **Financial impact of U.S. tax reform**

- High level U.S. budget impacts

2

## **Overview of key provisions for U.S. inbound companies**

- Key U.S. corporate tax measures
- Key U.S. international tax provisions affecting inbounds
- Key U.S. changes affecting CFC “sandwich” structures
- State and local tax implications
- Notable U.S. international tax provisions left (mostly) unchanged

3

## **Practical illustration of U.S. tax reform’s impact on U.S. inbounds and potential considerations**

4

## **Action steps for immediate consideration and how KPMG can help you**

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## **Stay tuned – KPMG portals to follow the latest U.S. tax reform developments**

# The numbers tell the story

## Revenue impact<sup>1</sup>

**\$1,349**

**\$415**

**\$86.3**

**\$212**

**\$64**

**\$339**

**\$150**

**\$113**

**\$253**

**\$201**

**\$98**

## Final bill provisions

Reduce corporate rate to 21%

Pass-throughs

Temporary, limited expensing

Territoriality

Domestic IP Incentive (foreign-derived IP income deduction)

Repatriation

Base erosion and anti-abuse tax

Super Subpart F (incl. low-taxed excess profits inclusion)

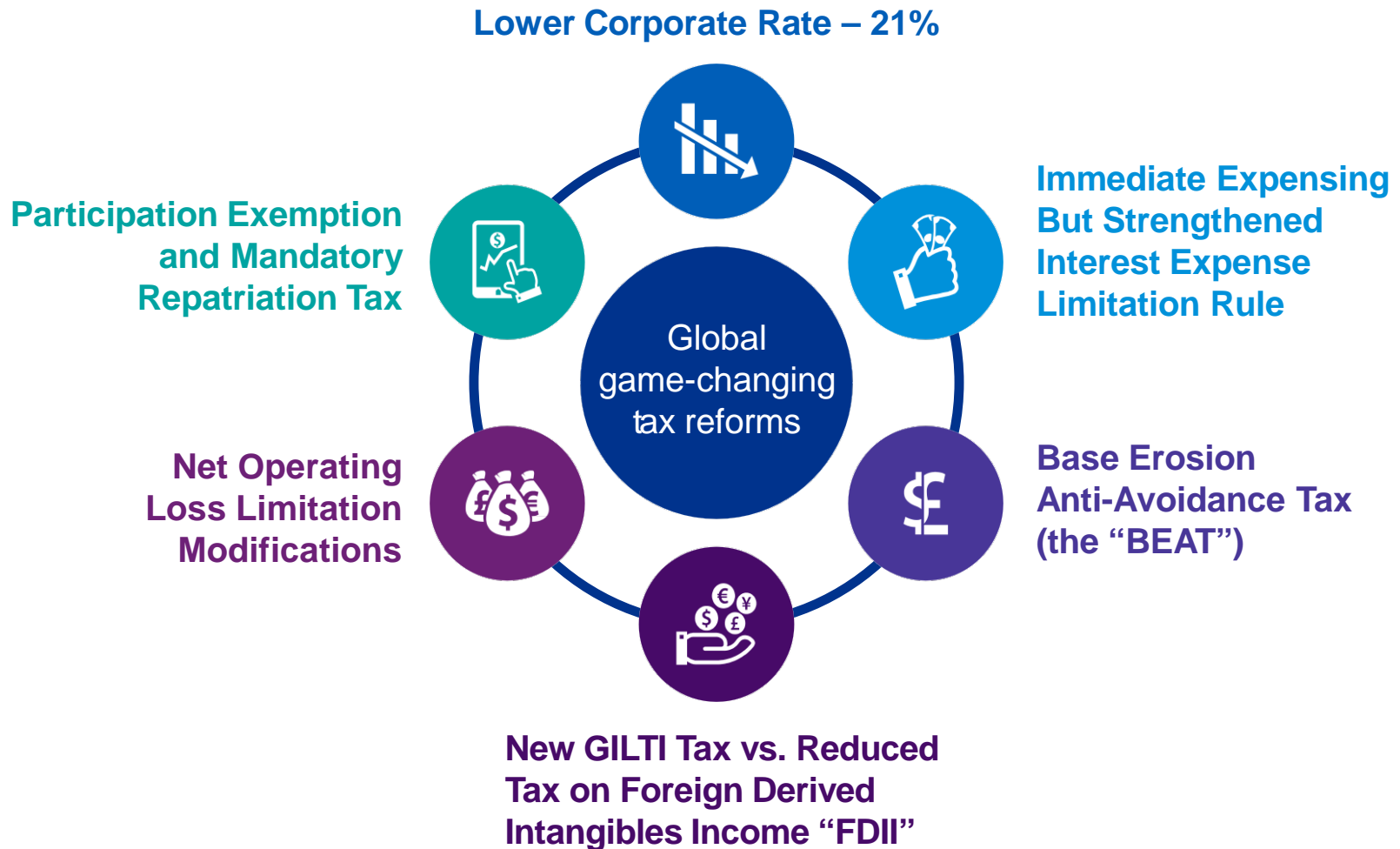
Interest expense reforms

NOL reform

Repeal section 199

1. Based on scores provided by the Joint Committee on Taxation. U.S. Dollar amounts are in billions.

# Cornerstone provisions for U.S. inbounds





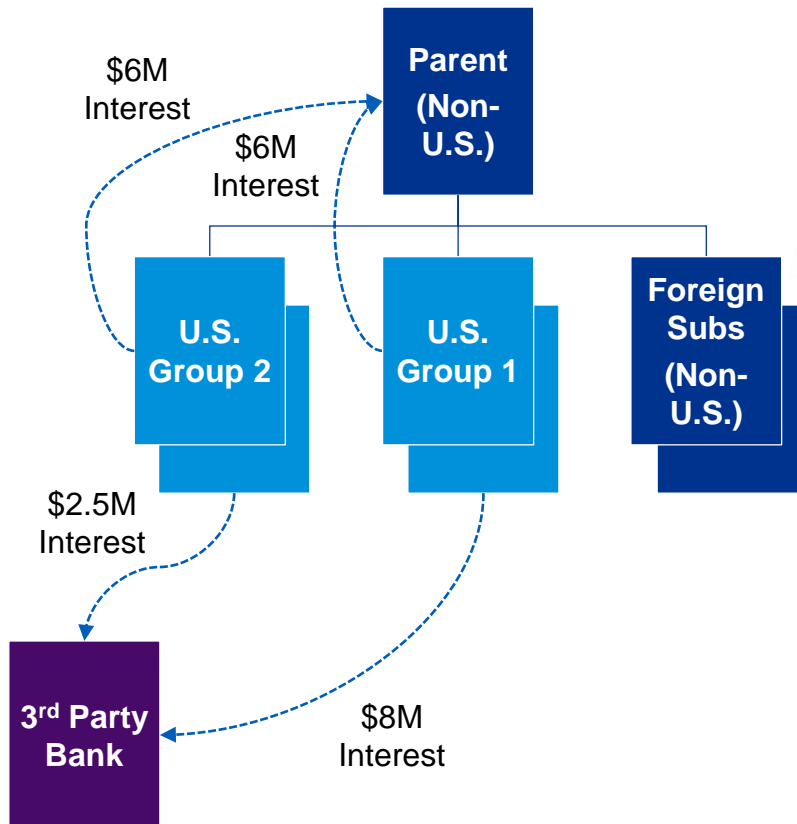
# U.S. inbound company-specific considerations

# Key provisions for U.S. inbound companies

Key provisions – General corporate tax measures		Effective date
<b>Lower corporate tax rate &amp; AMT repeal</b>	21% rate (reduced from current 35% rate). Repeal corporate AMT	Beginning after 31/12/2017
<b>Immediate expensing</b>	<p>100% expensing for certain qualified capital expenditures (both new and certain acquired 'used' property) for five years. Also includes House version's phase-down for property acquired before 27/09/2017</p> <p>Includes Senate version extended phase-out between 2023 and 2027</p> <p>Election to 'opt out' of immediate expensing</p> <p>Not applicable to goodwill, intangibles, and real estate</p>	Generally, qualified property placed in service after 27/09/2017
<b>Strengthened interest expense limitation</b>	<p>Phased-in U.S. net business interest expense limitation – based on 30% EBITDA through tax years beginning before 1/1/2022, and thereafter applied on 30% EBIT</p> <p>Indefinite carryforward of disallowed expense allowed; prior-law disallowed expense carries over</p> <p>No grandfathering of existing debt</p> <p>Applies to unrelated and related party debt</p> <p>U.S. consolidated group treated as one entity; separate U.S. consolidated groups not aggregated</p> <p><b>Group disproportionate debt rule ("110% Rule") <i>excluded from Final Bill</i></b></p>	Tax years beginning after 31/12/2017

## Example

# Strengthened interest expense limitation



## Background facts/assumptions

- U.S. Group 1:
  - **\$50M EBITDA** (EBIT of \$35M)
  - *Total Net Interest Expense = \$14M per year*
    - Related party = **\$6M**
    - Unrelated Party = **\$8M**
- U.S. Group 2:
  - **\$25M EBITDA** (EBIT of \$15M)
  - *Total Net Interest Expense = \$8.5M per year*
    - Related party = **\$6M**
    - Unrelated Party = **\$2.5M**

## U.S. tax reform impact

- Limits *all business interest expense (net of interest income)* to 30% of EBITDA (until 2022)
  - U.S. tax consolidated groups as separate U.S. taxpayers
- U.S. Group 1:
  - U.S. Group 1's net interest deduction limited to 30% of EBITDA of \$50M = \$15M
  - Until 2022, the full \$14M interest expense would be deductible – **no interest deductions denied**
- U.S. Group 2:
  - U.S. Group 2's net interest deduction limited to 30% of EBITDA of \$25M = \$7.5M
    - Interest deductions allowed = \$7.5M; **Interest deductions denied = \$1M**
- Consider concurrent applicability of BEAT and “interest stacking rule” (considered further below)



## Example

# 30% interest expense limitation (continued)

### U.S. tax reform impact

#### 'Old' Section 163(j) Rules ('Pre-reform' law)

- For tax years beginning prior to 1/1/2018, section 163(j) applied to limit foreign related party borrowings and/or borrowings guaranteed by foreign affiliates to 50% of EBITDA
  - Super-affiliated group rules could apply to combine brother-sister U.S. consolidated groups to determine the U.S. group EBITDA
- This would give rise to a limitation of 50% x EBITDA of \$75M (\$50M + \$25M) = \$37.5M
- Related party interest expense is only \$12M
- The full \$22.5M interest expense would be deductible
- **No net interest expense limitation**

## Example

# 30% interest expense limitation (continued)

### U.S. tax reform impact

#### 'New' Section 163(j) Rules ('Post-reform' law)

- Interest expense rule limits *all business interest expense (net of interest income)* to 30% of EBITDA (until 2022) and seemingly applies to treat separate U.S. tax consolidated groups as separate U.S. taxpayers (i.e., super affiliated group rules may not apply based on statutory language):
  - U.S. Group 1:
    - U.S. Group 1's net interest expense deductions limited to 30% x EBITDA of \$50M = \$15M
      - After 2021 tax year, U.S. Group 1's net interest expense deductions limited to \$10.5M (30% x EBIT of \$35M)
    - Until 2022, the full \$14M interest expense would be deductible – **no interest deductions denied**
      - **After 2021, \$3.5M interest expense would be disallowed based on EBIT**
  - U.S. Group 2:
    - U.S. Group 2's net interest expense deductions limited to 30% x EBITDA of \$25M = \$7.5M
      - After 2021 tax year, U.S. Group 2's net interest expense deductions limited to \$3M (30% x EBIT of \$10M)
    - Interest deductions allowed = \$7.5M; **Interest deductions denied = \$1M**
      - **After 2021, \$5.5M interest expense would be disallowed based on EBIT**

# Key provisions for U.S. inbound companies

Key provisions – General corporate tax measures	Effective date
<p><b>Hybrid mismatch rule</b></p> <p>Similar to BEPS Action 2, broadly disallows U.S. tax deductions for interest and royalties paid or accrued to a related party in connection with <b>hybrid transactions</b> and/or <b>hybrid entities</b> to extent that:</p> <ul style="list-style-type: none"> <li>— There is no corresponding income inclusion for recipient under applicable tax law of country where recipient is tax resident or subject to tax; or</li> <li>— Related party recipient entitled to deduction with respect to payment received</li> </ul> <p><b>Hybrid Transaction</b> – defined as “any transaction, series of transactions, agreement, or instrument one or more payments with respect to which are treated as interest or royalties for [U.S. tax purposes] and that are not so treated for foreign tax law purposes.”</p> <p><b>Hybrid Entity</b> – defined as an entity treated as fiscally transparent for U.S. tax purposes but as a corporation for foreign tax law purposes (or vice versa)</p> <p>No grandfathering applies, but deduction allowed to extent payment is Subpart F income</p> <p>Related party status generally &gt;50% by vote or value with constructive ownership rules</p>	<p>Tax years beginning after 31/12/2017</p>

# Key provisions for U.S. inbound companies

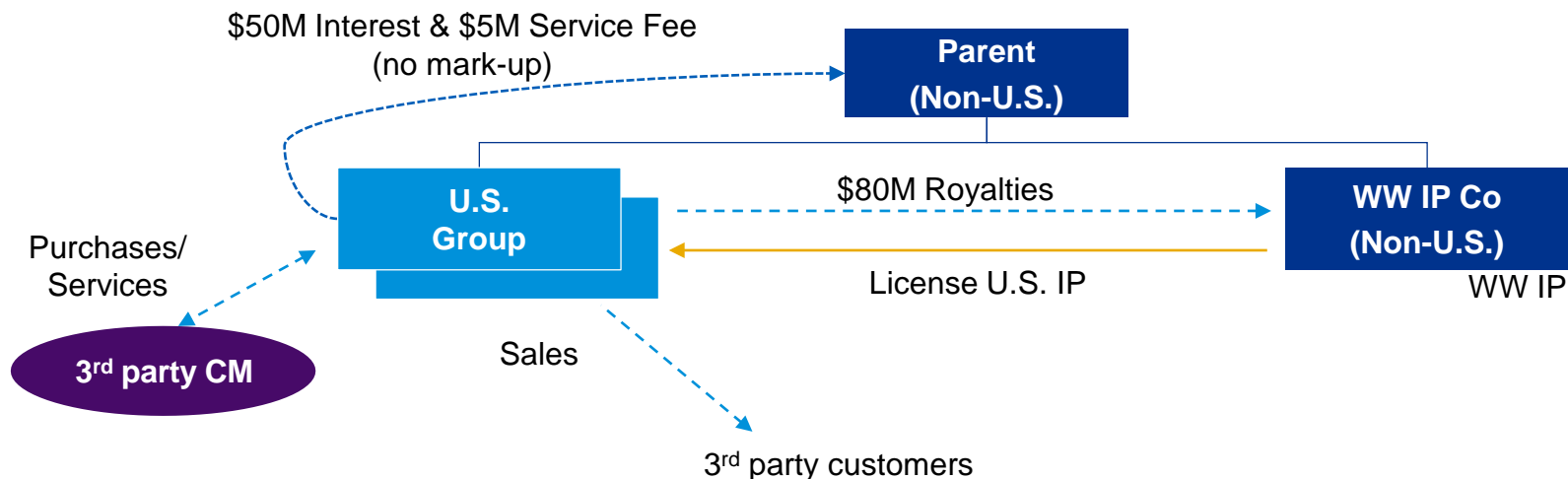
Key provisions – Int'l tax measures affecting inbounds	Effective date
<p><b>Base erosion anti-abuse tax (BEAT) on related party payments (1/2)</b></p> <p>Broadly, a minimum 10% tax imposed on U.S. companies having certain deductible 'base erosion payments' made to related foreign companies (<i>special 11% rate applies for affiliated groups that include banks and/or securities dealers</i>)</p> <ul style="list-style-type: none"> <li>— Lower 5% phase-in rate applies to 2018 tax year</li> <li>— For tax years beginning after 31/12/2025, 12.5% rate of tax (13.5% for affiliated groups that include banks and/or securities dealers)</li> </ul> <p>Minimum tax liability equals excess of 10% (or other rate) of the U.S. company's 'modified taxable income' ("MTI") over its regular U.S. tax liability reduced by certain allowable credits (but not R&amp;D and certain renewable energy credits)</p> <ul style="list-style-type: none"> <li>— Harsher minimum tax liability formula to apply after 2025</li> </ul> <p>Broadly, MTI is taxable income plus certain 'base erosion payments' and NOLs allocable to such payments</p> <p>Base erosion payments include (i) deductible payments and (ii) depreciable/amortizable amounts (and exclude non treaty-rate reduced portion subject to U.S. gross-basis WHT)</p> <p>Generally exclude COGS payments (except to expatriated companies), but include allowable interest expense and service payments (unless service cost method reqs generally satisfied)</p> <p>Only applies to large taxpayer groups, but <i>relatedness based on significantly lower common ownership threshold (only 25%)</i>.</p>	<p>Tax years beginning after 31/12/2017</p>

# Key provisions for U.S. inbound companies

Key provisions – Int'l tax measures affecting inbounds	Effective date
<p><b>Base erosion anti-abuse tax (BEAT) on related party payments (2/2)</b></p> <p><b>Two-tier trigger applies to determine when BEAT applies:</b></p> <ul style="list-style-type: none"> <li>— First, determine if there is an Applicable Taxpayer (applied based on global relatedness test), and</li> <li>— Second, determine the extent to which BEAT tax liability exceeds the regular tax liability (applied based on U.S. consolidated group principles)</li> </ul> <p>Applicable Taxpayer Threshold Tests:</p> <ul style="list-style-type: none"> <li>— Groups with annual average global U.S. gross receipts &gt; \$500M over 3-years (Gross receipts of foreign corps are included only to the extent of U.S. ECI), and</li> </ul> <p>Base erosion % (base erosion deductions/total allowable deductions) &gt; 3%</p> <p>High-level BEAT tax liability formula:</p> <p><b>BEAT Liability</b> = ([10%] Modified Taxable Income (“MTI”) – R&amp;E credits – 80% certain section 38 credits) – (21% Taxable Income – all credits)</p> <p><b>MTI</b> = Taxable Income + Base erosion tax benefits + ((Base erosion %) x section 172 NOL deduction for year)</p>	<p>Tax years beginning after 31/12/2017</p>

# The BEAT goes on... Illustrative application of the BEAT

## Example 1: Illustrative transaction flows



### Background facts/assumptions

- U.S. Group's gross receipts for calendar tax year ends 2016 thru 2019 are \$425M, \$500M, \$600M, and \$500M, respectively
- In 2019, U.S. Group makes the following related party payments:
  - \$50M interest paid to Parent (\$5M limited under new section 163(j))
  - \$80M royalty payments to WW IP Co
  - \$5M shared services fees that qualify for use of the services cost method (and no mark-up on services) to Parent
- No U.S. Group depreciation/amortization deductions
- US Group has \$100M of COGS in 2019
- U.S. Group's 2019 Total Allowable Deductions = \$300M; Taxable Income = \$100M
- Assume no U.S. withholding tax on all payments

# The BEAT goes on... Illustrative computation of the BEAT (continued)

## BEAT computation illustration – 2019 tax year

- U.S. Group is within the scope of potential application of BEAT for its 2019 tax year because:
  - (i) U.S. Group's aggregate annual average gross receipts for tax years ending 31/12/2016 thru 31/12/2018 are in excess of \$500M, and
  - (ii) Base erosion percentage:

$$\frac{\text{US Group's Base Erosion Tax Benefits} = \$45\text{M allowable interest expense} + \$80\text{M royalty payments}}{\text{Total Allowable Deductions} = \$300\text{M}} \geq 3\%$$

- BEAT liability is the excess of (a) 10% of U.S. Group's Modified Taxable Income (MTI) over (b) U.S. Group's regular tax liability (assuming no credits)
  - Here, *MTI* = (i) *Taxable Income* (\$100M) plus (ii) aggregate *Base Erosion Tax Benefits* (\$125M) ((i) and (ii) combined, \$225M)
  - U.S. Group's regular tax liability = \$21M (\$100M x 21% corp tax rate)
- Thus, U.S. Group is subject to **\$1.5M BEAT liability** in 2019 (e.g., (10% x \$225 million = \$22.5M) less \$21M), which is *in addition to* U.S. Group's \$21M regular U.S. federal tax liability

# Key provisions for U.S. inbound companies

Key provisions – General corporate tax measures	Effective date	
<p><b>NOL limitation modifications</b></p>	<p>Annual use of ‘post-reform’ NOL carryforwards generally limited to 80% of corporate taxable income</p> <p>Use of ‘pre-reform’ NOL carryforwards (i.e., losses arising in tax years beginning before 1/1/2018) still applied up to 100% of corporate taxable income</p> <p>Indefinite carryforwards but generally no carryback allowed for tax post 2017 tax years; NOLs arising in tax years ending before 1/1/2018 remain subject to 20 year carryforward/2 year carryback rules</p>	<p>Generally applies to losses arising in tax years beginning after 31/12/2017 (Carryforward/carryback rules apply for tax years ending after 31/12/2017)</p>
<p><b>Misc. deductions/credits</b></p>	<p>Repeals section 199 domestic production activities deduction, but IC-DISC survives</p> <p>R&amp;D credit survives, but must capitalize research and experimental (R&amp;E) expenditures paid or incurred in tax years beginning after 31/12/2021</p> <p>R&amp;E expenditures attributable to research within the U.S. (including territories) amortized ratably over 5 years; R&amp;E attributable to non-U.S. activities amortized over 15 years</p>	<p>Section 199 repeal applies to tax years beginning after 31/12/2017</p>



# Key provisions for U.S. Subsidiaries

Key provisions – Int'l tax measures affecting inbounds	Effective date
<p><b>Reduced rate for foreign-derived intellectual property income (FDII) of U.S. corporations (1/2)</b></p>	<p>Tax-deduction for certain foreign-derived income of U.S. corporations (FDII) (U.S.-style patent box or BAT-light?)</p> <p>37.5% deduction (13.125% ETR) for U.S. entity's 'foreign-derived intangible income'</p> <ul style="list-style-type: none"> <li>— For taxable years beginning after 31/12/25, the deduction drops to 21.875% (16.406% ETR)</li> </ul> <p>Applies to income from sales, rentals and licenses of property or provision of services to non-U.S. entities/persons for use outside the U.S.</p> <p>Deemed intangible income eligible for deduction determined as excess of certain gross income over deemed 10% return on average tax basis of certain tangible assets</p> <p><b>Can apply even if no intangibles are owned!</b></p> <p>Certain related-party anti-abuse rules apply</p> <ul style="list-style-type: none"> <li>— Generally, a 'sale' of property to a related foreign person will not qualify for FDII benefits unless the property is either (i) ultimately sold to an unrelated foreign person, or (ii) used in connection with property sold to or services provided to an unrelated foreign person, for use outside of the United States</li> </ul> <p>Subject to possible WTO challenge?</p> <ul style="list-style-type: none"> <li>— Inconsistent with Patent Box rules; possible reactive measures from EU?</li> </ul>

# Key provisions for U.S. Subsidiaries

Key provisions – Int’l tax measures affecting inbounds	Effective date
<p><b>Reduced rate for foreign-derived intellectual property income (FDII) of U.S. corporations (2/2)</b></p>	<p><b>High-level FDII Formula</b></p> <p><b>FDII = Deemed Intangible Income x Foreign Derived Deduction Eligible Income / Deduction Eligible Income</b></p> <p>Deduction Eligible Income (“DEI”): Gross income less</p> <ul style="list-style-type: none"> <li>— Subpart F income</li> <li>— GILTI</li> <li>— Foreign Branch Income</li> <li>— Dividends from CFCs</li> <li>— Other (financial services income, domestic oil and gas extraction income)</li> <li>— Deductions (including taxes) properly allocated to such income</li> </ul> <p>Deemed Intangible Income (“DI”): DEI – Deemed tangible income return (“DTIR”)</p> <ul style="list-style-type: none"> <li>— Deemed tangible income return (“DTIR”) = 10% x QBAI</li> <li>— QBAI: domestic corporation’s basis in depreciable tangible property</li> </ul> <p>Foreign Derived DEI (“FDDEI”): DEI received from foreign sales and services</p> <ul style="list-style-type: none"> <li>— Sales (including leases and licenses) to foreign person</li> <li>— Services to foreign person</li> <li>— Special limitation rules for related party sales and services</li> </ul>
	<p>Tax years beginning after 31/12/2017</p>

# Key provisions for U.S. Subsidiaries with Sandwich Structures

Key provisions – Int’l tax measures affecting CFC “sandwich” structures	Effective date
<p><b>Global CFC low-taxed excess returns tax (GILTI)</b></p> <p><b>General rule</b></p> <p>Generally taxes U.S. Shareholders on their portion of a CFC’s global intangible low taxed income by establishing a new current inclusion regime similar to Subpart F</p> <p>Very broadly, GILTI is 50% (37.5% after 2025) of the excess of the U.S. Shareholder’s share of all CFC’s non-Subpart F/non ECI income over a 10% ‘routine return’ on certain tangible depreciable property (i.e., QBAI)</p> <ul style="list-style-type: none"> <li>— “Routine return” on QBAI reduced by interest expense taken into account in determining net CFC tested income.</li> <li>— 10.5% ETR ratcheting up to 13.125% ETR for tax years beginning after 31/12/25</li> </ul> <p>Allowable FTCs:</p> <ul style="list-style-type: none"> <li>— Capped at 80% of foreign taxes paid</li> <li>— New separate FTC basket, and</li> <li>— No carryforwards or backwards</li> </ul>	<p>Tax years beginning after 31/12/2017</p> <p>30/11 CFCs – Delayed applicability</p>

# Key provisions for U.S. Subsidiaries with Sandwich Structures

Key provisions – Int’l tax measures affecting CFC sandwich structures	Effective date
<p><b>Global CFC low-taxed excess returns tax (GILTI)</b></p> <p><b>Additional observations</b></p> <p>Computation done on a U.S. Shareholder-by-U.S. Shareholder basis, not CFC-by-CFC</p> <p>Expense allocations important</p> <p>QBAI determined on a quarterly average tax basis using U.S. tax basis principles</p> <p>No QBAI from tested loss property</p> <p>Interest Expense = interest expense paid by CFCs outside of the USSH’s chain</p> <p>No loss sharing within consolidated group</p>	<p>Tax years beginning after 31/12/2017</p> <p>30/11 CFCs – Delayed applicability</p>

# Key provisions for U.S. Subsidiaries with Sandwich Structures

Key provisions – Int'l tax measures affecting CFC sandwich structures		Effective date
<b>Mandatory repatriation</b>	<p>Deferred foreign corp earnings subject to one-time tax – applies to <math>\geq 10\%</math> U.S. shareholders</p> <p>Increased repat rates – 15.5% rate on cash and liquid assets/8% rate on non-cash and illiquid assets</p> <p>Election to pay tax liability in instalments over 8 years (backloaded)</p> <p>Multiple testing dates to determine earnings and aggregate cash position</p> <p>Recapture rule targeting expatriated U.S. entities anytime w/in 10 years after enactment</p> <p>Scaled back foreign tax credits; election to NOT utilize NOLs against Mandatory Repatriation inclusions</p>	Last tax year beginning prior to 1/1/2018
<b>Foreign source dividend exemption system</b>	<p>Creates 100% exemption for dividends received by U.S. corporations from 10% owned foreign corporations attributable to non Sub-F and non GILTI returns</p> <p>Applies also to portion of stock gain treated as dividend income under existing rules</p>	Tax years beginning after 31/12/2017
<b>Foreign tax credits regime modifications</b>	<p>Repeals the section 902 indirect foreign tax credit</p> <p>Retains the section 960 credit, applying it on an item-specific basis (i.e., without regarding to foreign earnings pools)</p> <p>Separate GILTI basket created</p> <p>Separate foreign branch basket created</p>	Tax years beginning after 31/12/2017

# Key provisions for U.S. Subsidiaries with Sandwich Structures

Key provisions – Int’l tax measures affecting CFC sandwich structures	Effective date
<p><b>Super Subpart F regime</b></p> <p>Subpart F regime mostly unchanged, but expansion of CFC stock attribution rules and U.S. Shareholder definition</p> <p>Potentially significant increase in CFCs for inbound companies with “sandwich” structures – creates CFCs by attributing shares held by related foreign companies to U.S. shareholder</p> <p><u>Other notable mentions:</u></p> <ul style="list-style-type: none"> <li>— Section 956 survives,</li> <li>— CFC related-party look-thru rule remains temporary,</li> <li>— ‘hybrid dividends’ excluded from CFC related-party look-thru rule,</li> <li>— 30-day rule repealed, and</li> <li>— nominal de-minimis exception threshold remains fixed</li> </ul>	<p>Generally, tax years beginning after 31/12/2017</p> <p><b>(foreign stock attribution rule also applies to last tax year)</b></p>

# U.S. State and Local Income Tax Considerations

## U.S. tax reform impact

- State conformity to federal
  - Certain states may automatically conform entirely to the federal tax code upon enactment of the federal legislation, some may conform as a particular date, whereas others may adopt certain provisions of the code through future legislation
  
- Reduction in the corporate tax rate will reduce the federal benefit of state income taxes
  
- Full expensing of property other than real property
  - Consider states that decouple from federal bonus depreciation
  
- Net operating loss limitation
  - Consider specific state operating loss limitations as well as whether state taxable income begins with federal taxable income before or subsequent to net operating loss utilization
  
- Interest expense limitation may also apply to states accepting the federal limitation
  
- Timing and forthcoming law changes
  - States may have a variety of different enactment dates as state legislatures contemplate conformity

# M&A Tax Impact and Considerations

## U.S. tax reform impact

- Reduction in corporate tax rate of 21%
  - Increase in investment in the U.S. and re-evaluate the choice-of-entity for expanding U.S. operations.
  - May lessen need to for tax-free transactions as corporate sellers will recognize gain at reduced tax rates. As a result, there may be an increased number of taxable acquisitions.
  - If a corporation sells an asset and reinvests the proceeds into depreciable tangible property (discussed below) the net effect will be a 21% tax on the gain realized on the sale, and a 21% deduction for the reinvested proceeds..
  
- Full expensing of property other than real property
  - Increases the incentive for buyers to structure taxable acquisitions as actual or deemed (e.g., pursuant to section 338) asset purchases, particularly for asset-intensive targets.
  - Likely neutral to sellers that are corporations (capital gains tax rate = ordinary income tax rate) but may result in a higher tax to individual owners of pass-through entities.
  - May result in contentious PPA negotiations.
  
- Interest expense limitation
  - Reduces the attractiveness of debt financing for U.S. acquisitions, necessitates review of existing U.S. group capital structures, and requires modelling of optimal global debt placement.
  
- Mandatory Repatriation and Participation Exemption
  - Mandatory repatriation computations will be an important item to review during the tax due diligence process.



# M&A Tax Impact and Considerations (continued)

## U.S. tax reform impact

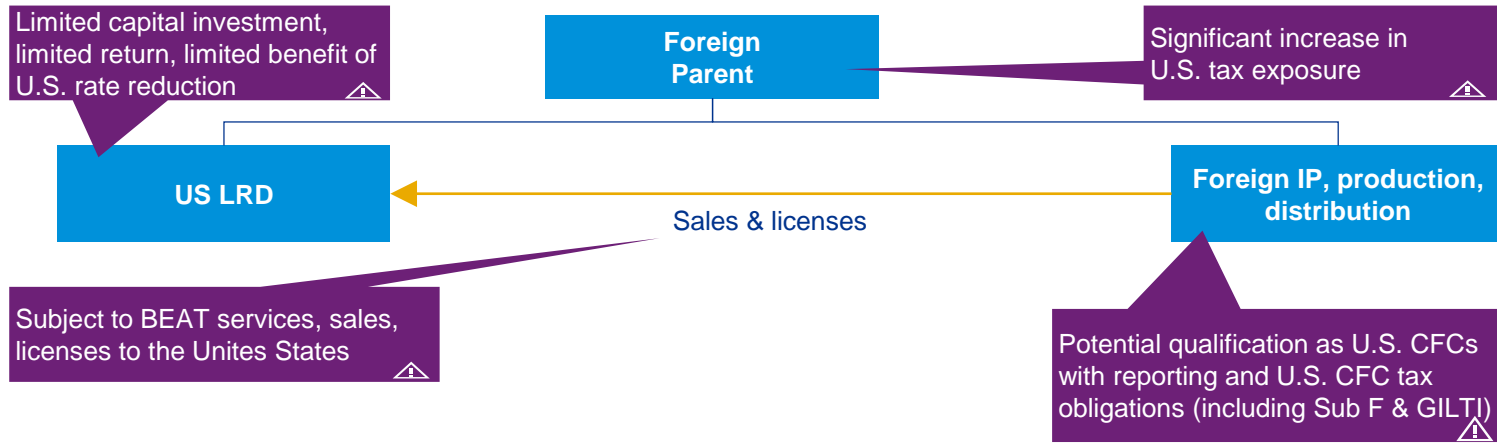
- Mandatory Repatriation and Participation Exemption
  - US corporation may generate less tax cost when selling its foreign subsidiary or foreign assets.
  - The appropriate pricing/contractual provisions will need to be determined to allocate tax between buyer and seller because the tax from mandatory repatriation may be spread over eight years.
  - In general, there are likely to be practical challenges in verifying the accuracy of the earnings and profits and foreign tax pools associated with mandatory repatriation.
  
- Overall
  - We can assist our clients with assessing how the new law will impact their current operations and the operations of U.S. acquisition targets.
  - Supplemental due diligence will be needed to ensure that the target entities are complying with the new laws and correctly assessing the impact of the new legislation on their operations.



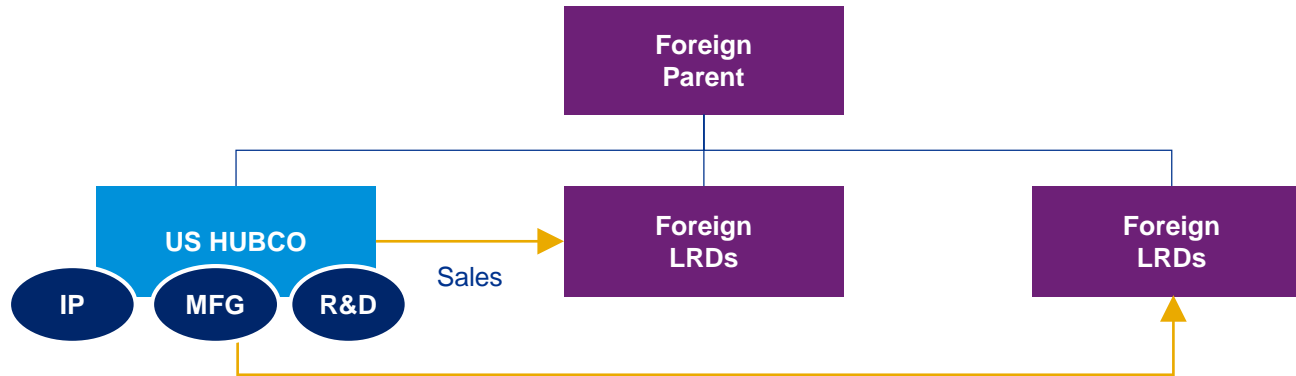
# Possible value chain considerations post U.S. tax reform

# Illustration of potential U.S. inbound considerations in U.S. tax reform environment

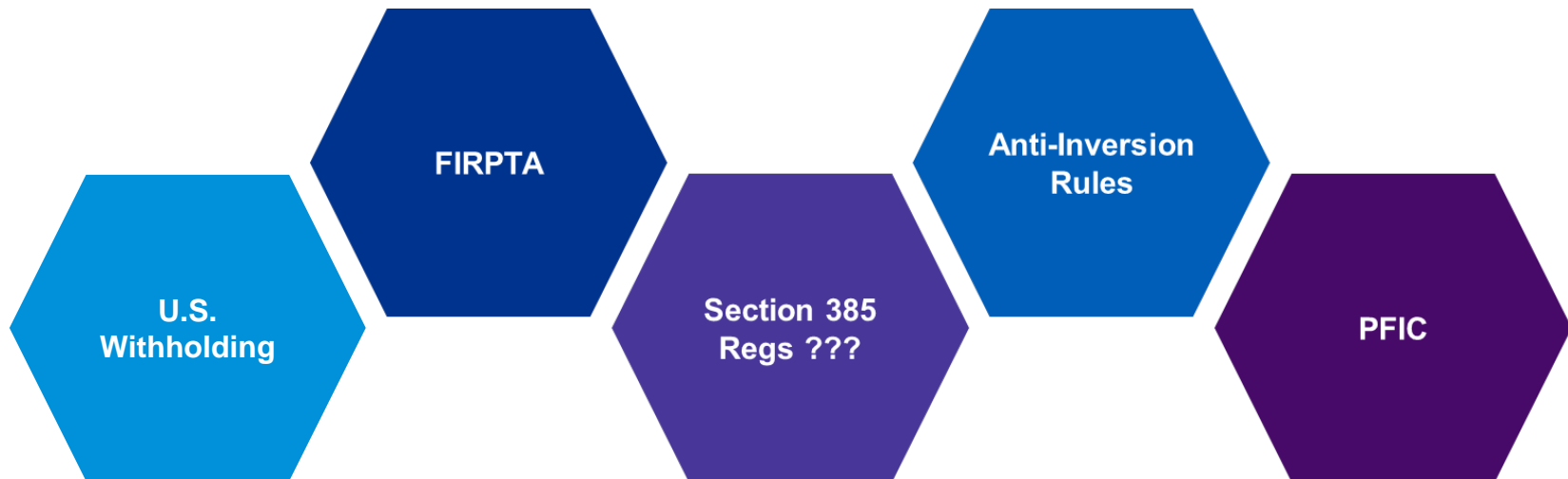
## Current



## Future



## Notable U.S. international tax rules left (mostly) unchanged





# Action steps

# How KPMG can help?

**Experienced and dedicated tax professionals + sophisticated U.S. tax reform modelling tool** to assist you navigate **your journey in the U.S. tax reform landscape**, including the following services

**Model impact of U.S. tax reform on U.S. and global ETR**

**E&P studies to quantify mandatory repatriation tax**

**Customized workshops to assess impact on your supply chains and operating model going forward**

**Financial statement impact reviews and computations**

**Assistance with U.S. debt and BEAT analysis**

# Action steps for immediate consideration

- 1** Compute financial statement impacts and disclosure requirements for 2017
- 2** Tax accounting methods: evaluate opportunities to defer income/accelerate deductions and losses
- 3** Detailed modelling of static/scenario overall cash tax and ETR impact
- 4** Analyze potential non-U.S. CFC tax exposure and develop mitigation strategy
- 5** Develop mitigation strategy for excess U.S. debt levels due to expense limits/hybrid mismatch rules
- 6** Review BEAT exposure and consider possible supply chain modifications
- 7** Compute E & P and aggregate cash position if mandatory repatriation tax exposure
- 8** Determine impact of new CFC stock attribution rules for groups with U.S. “sandwich” structures
- 9** Consider export incentive opportunities
- 10** Consider opportunities to maximise 100% expensing of qualifying capital investments

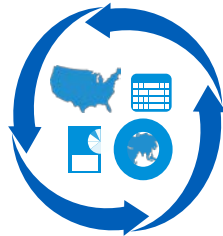
# KPMG tax reform model – Overall process

## 1. Input data



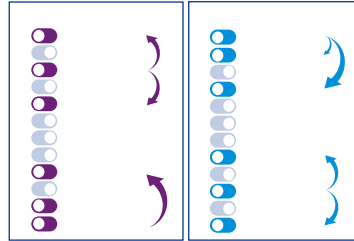
Import/input base case information

## 2. Determine Future years' assumptions



Determine assumptions concerning financial projections and growth rates and, if applicable, known operating model changes.

## 3. Perform scenario analysis



Toggle on and off different U.S. tax reform scenarios to determine impact.

## 4. Analyze using alternate planning and operating model changes



Review and iterate key inputs for responsive planning and possible operating model changes. Evaluate results of scenario planning.

## 5. Visualize and present

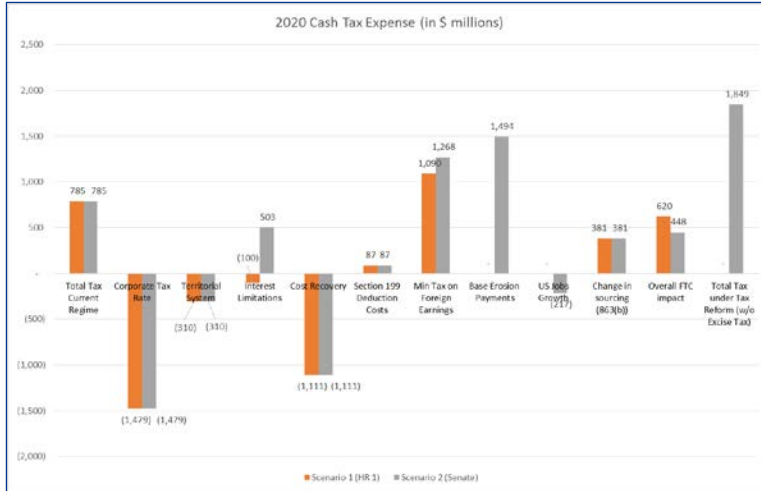


Visualize impact for presentation to key stakeholders, highlighting impact of U.S. tax reform scenarios and possible responses with planning and operating model changes.

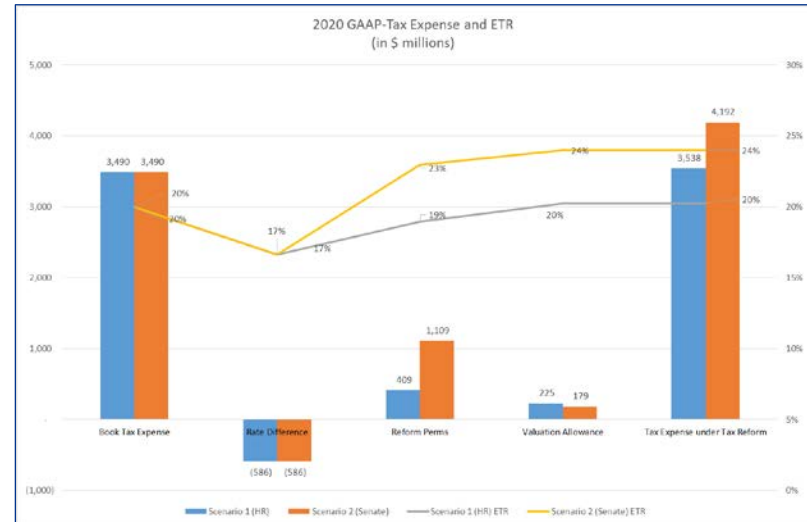


## Action steps

# KPMG tax reform model – Future considerations



See the impact of different scenarios for your company





# Stay tuned

Follow the latest tax reform news with KPMG

Stay tuned

# KPMG portals to follow the latest news

## KPMG Institutes – U.S. Tax reform portal

**Outlook for U.S. Tax Reform**

Bookmark this page and check back frequently for ongoing insights from KPMG LLP (KPMG) on U.S. tax reform.

**Possible Path to Tax Reform**  
Where are we now?  
KPMG's interactive file of how tax reform is progressing in Washington  
Download Nov 17 update

**Senate Tax Reform Bill**  
KPMG's initial observations  
A look at the Senate Finance Committee bill  
Read KPMG's Nov 16 report here

**House Tax Reform Bill**  
KPMG's initial observations  
A look at H.R. 1, as passed by the U.S. House of Representatives  
Read KPMG's Nov 16 report

**Tax Reform Thursdays Webcasts**  
Explore the potential impact of tax reform  
KPMG Webcasts that examine key issues and developments surrounding potential tax reform  
Visit list of Webcasts and access polling results

**Tracking Tax Reform**  
Follow the tweets and tweets along the way  
Get updates on what's happening from KPMG's Federal Regulatory & Legislative Services group  
Nov 20 | A WAG Week in Washington for Tax Reform

**Tax Reform Modeling**  
Six scenarios to model tax reform impacts  
Many companies are modeling the potential implications of U.S. tax reform  
Read why and learn more about KPMG's tools

Link:

<http://www.kpmg-institutes.com/institutes/tax-governance-institute/articles/campaigns/tax-reform-under-trump.html>

## TaxNewsFlash – U.S. Tax reform portal

**TaxNewsFlash-Tax Reform**

November 30, 2017  
What are the prospects for tax reform in 2017? While enactment of tax reform legislation is by no means certain, the odds for tax reform appear to be more favorable than they have been at any other time since the Tax Reform Act of 1986.

**Highlights**  
TaxNewsFlash U.S. homepage  
Tax reform proposals

**Related content:**  
FATCA exchange system, reports, test session  
The IRS issued a release on the FATCA exchange system

**TaxNewsFlash-Tax Reform**  
Read more on KPMG Institutes: Outlook for U.S. tax reform  
Return to the TaxNewsFlash U.S. homepage

**2017**

- Nov 30 - Explanation, macroeconomic estimate of reconciliation (tax reform) bill in Senate
- Nov 29 - KPMG report: Tax reform proposals, implications for banking and capital markets
- Nov 28 - Senate Budget Committee votes to send tax reform bill to Senate floor
- Nov 28 - KPMG report: Income tax accounting considerations of U.S. tax reform
- Nov 27 - KPMG report: Oil, gas and mining provisions—House, Senate Finance Committee versions of tax reform bills
- Nov 22 - KPMG report: Provisions affecting private equity funds in tax reform bills—House bill and Senate Finance Committee bill
- Nov 21 - KPMG report: Insurance provisions in tax reform approved by Senate Finance Committee (as of November 20)
- Nov 20 - Senate Finance Committee releases tax reform bill text
- Nov 18 - KPMG report: Senate tax reform bill—initial observations on Finance Committee bill
- Nov 17 - JCT reverse estimate of Senate Finance-approved tax reform bill
- Nov 16 - Senate Finance Committee approves tax reform bill, including Chairman's "manager's amendment"

Link:

<https://home.kpmg.com/us/en/home/insights/2016/12/tnf-tax-reform-expectations-for-2017.html>





# Thank you

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