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Leveraging Technology to Power Global Tax Planning and Compliance

June 12, 2024

Ahead of the wave

2024 U.S. Cross-Border Tax Conference

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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.

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Agenda

Wrangling Your Data	• 15–20 Minutes
Integrated Tax Modeling	• 10–15 Minutes
Tax Reporting	• 10–15 Minutes
Generative AI Use Cases	• 10 Minutes

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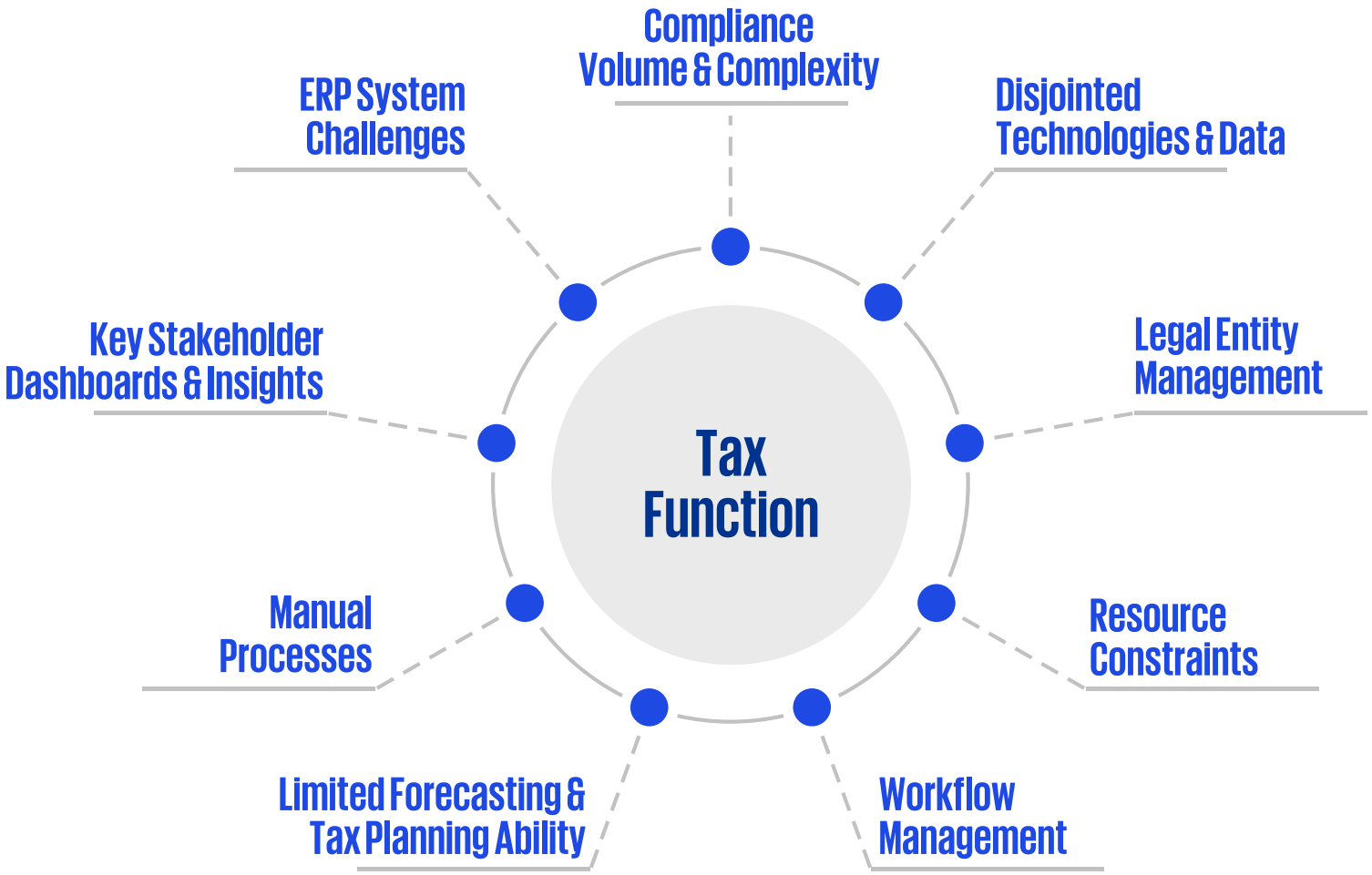
01

Wrangling your Data

Tax department challenges



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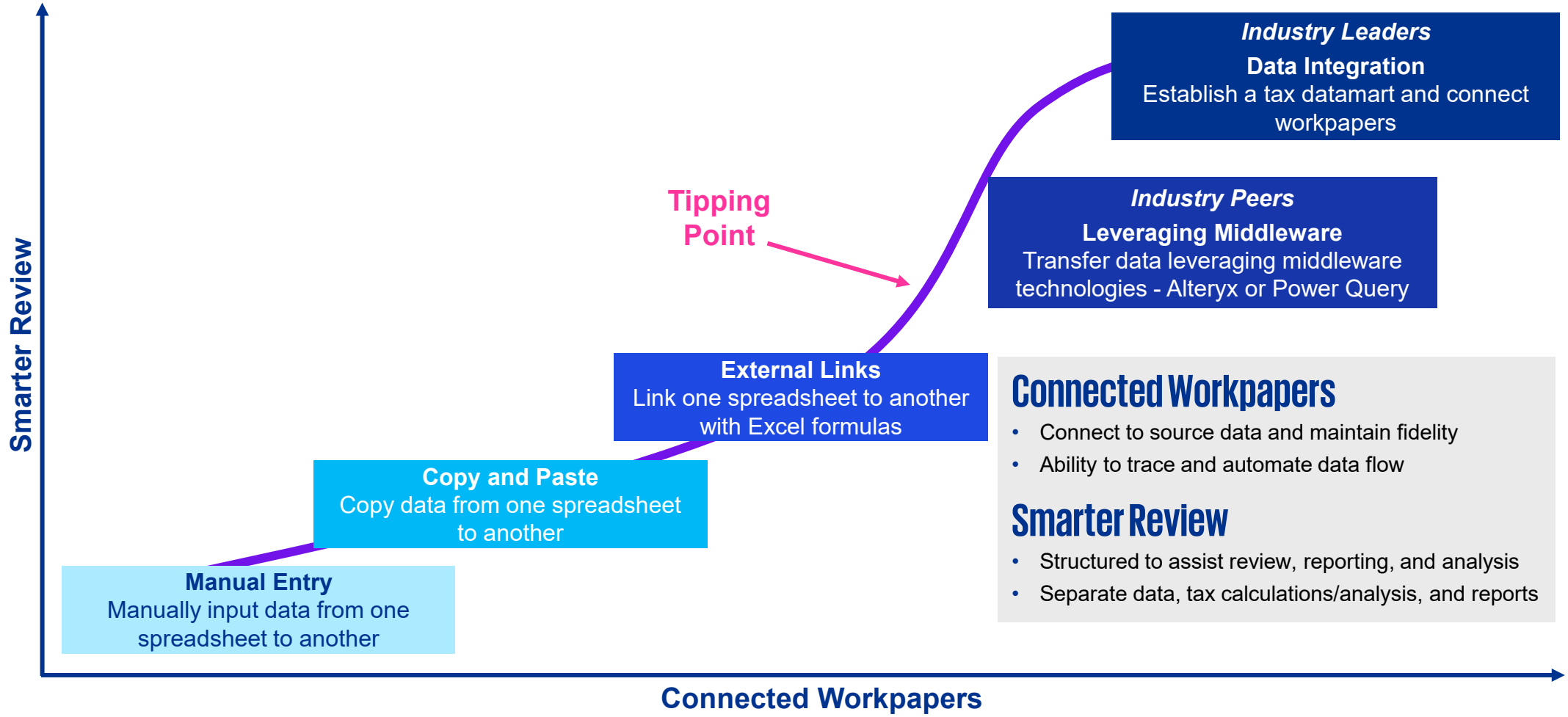
Data integration with connected WPs and smarter review



Connected Workpapers

- Connect to source data and maintain fidelity
- Ability to trace and automate data flow

Smarter Review

- Structured to assist review, reporting, and analysis
- Separate data, tax calculations/analysis, and reports

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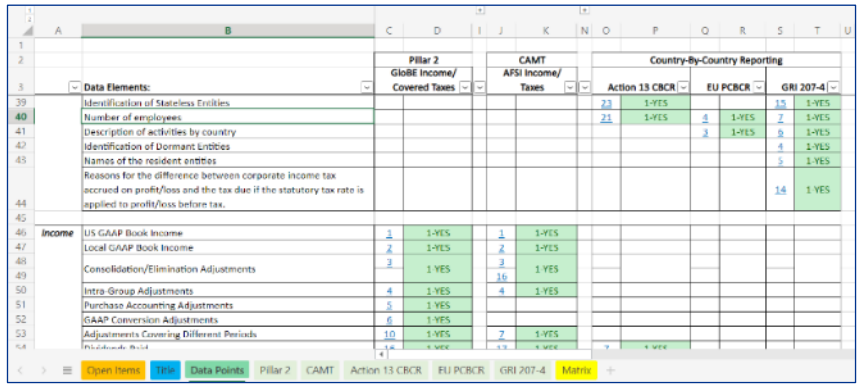
Common data elements



Data hierarchy	
	Level 1 - Calculation Data Points (GLOBE INCOME, ADJ TAX, ETC.)
	Level 2 - Return reporting data points that comprise GloBe Income (i.e., excluded dividends). Items reported for the calculation.
	Level 3 - Data points that make up level 2 (i.e. definition of a level 2 item that is already defined).
	Level 4 - Individual Data Points (answer of level 3 data and is a portion of what makes up level 5)
	Level 5 - Containers of the Level 4 data (tax workpapers, financials, trial balance, new containers created for Pillar 2/CAMT, etc.)
	Level 6 - Where would you find the containers of the Level 4 data? ERP system, databases

Data Hierarchy

Once you have identified the data elements, create a mapping hierarchy that traces the requirements to their ultimate data source with the goal of ultimately building an automated process.

Data Mapping

First identify the data elements required for one use case, then determine where else that data might be used.

✓ – Required
✓ – Conditional
✗ – Not Required
1 – Material?

	Data elements by jurisdiction	EU PCbC	FASB	GRI	Pillar 2	CAMT
Entity-level US GAAP	Top-side US GAAP adjustments	✓	✓	✓	✓	✓
	Intercompany transactions under US GAAP	✓	✓	✓	✓	✓
	Purchase accounting adjustments	✓	✓	✓	✓	✓
	Out-of-period adjustments	✓	✓	✓	✓	✓
	Revaluation adjustment gain/loss	✗	✓	✓	✓	✗
	Pension deferred & permanent items	✓ 1	✓ 1	✓ 1	✓	✓
	Stock-based compensation permanent items	✓ 1	✓ 1	✓ 1	✓	✓
	Reorgnization deferred gain/loss	✗	✗	✗	✓	✓
	All other book-tax differences	✓ 1	✓ 1	✓ 1	✓	✓
Other	PP&E by jurisdiction	✓	✗	✓	✓	✗
	Employee compensation	✗	✗	✓	✓	✗
Corporate Income Tax	Current tax expense	✓	✓	✓	✓	✓
	Deferred tax expense	✓	✗	✓	✗	✗
	Change in uncertain tax positions/other tax expense	✓	✓	✓	✗	✗
	Refundable tax credits & other incentives	✓ 1	✓ 1	✓ 1	✓	✗
	Deemed dividend inclusions (Sub F/GILTI)	✓	✓	✓	✓	✓
	Schedule of DTLs by expected/actual reversal date	✗	✗	✗	✓	✗

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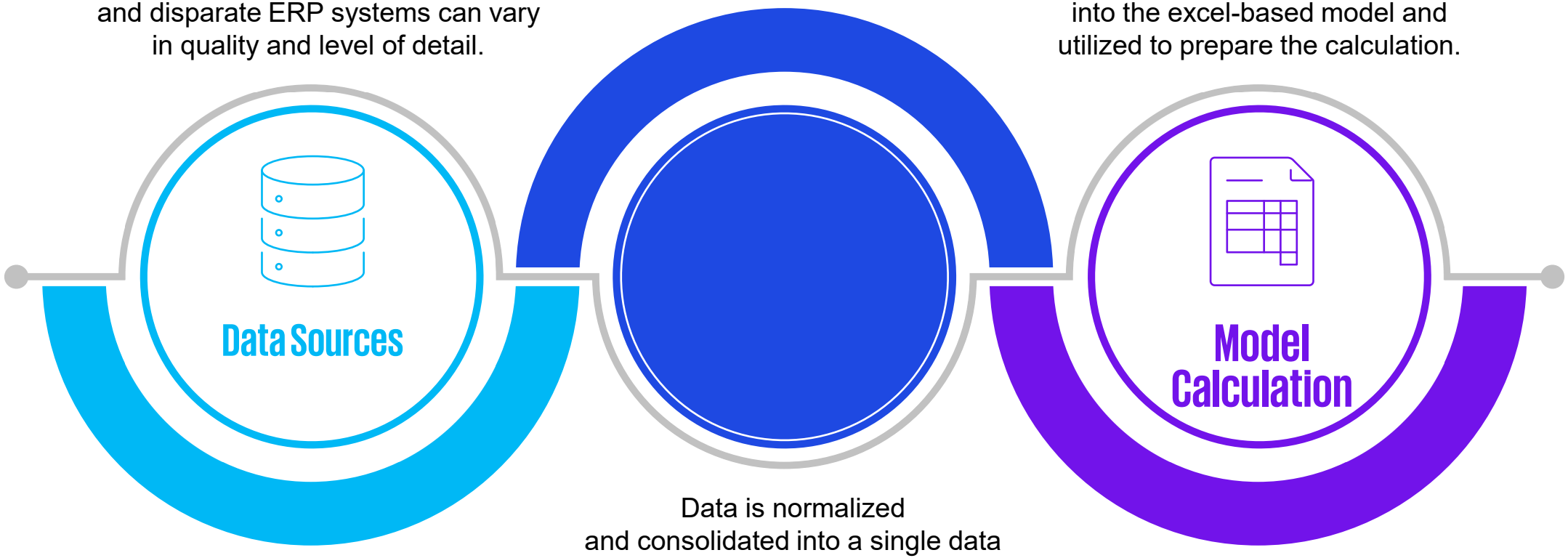
Process diagram

Data extracted from various sources and disparate ERP systems can vary in quality and level of detail.

Transformed data is then loaded into the excel-based model and utilized to prepare the calculation.



Data is normalized and consolidated into a single data source for use downstream.

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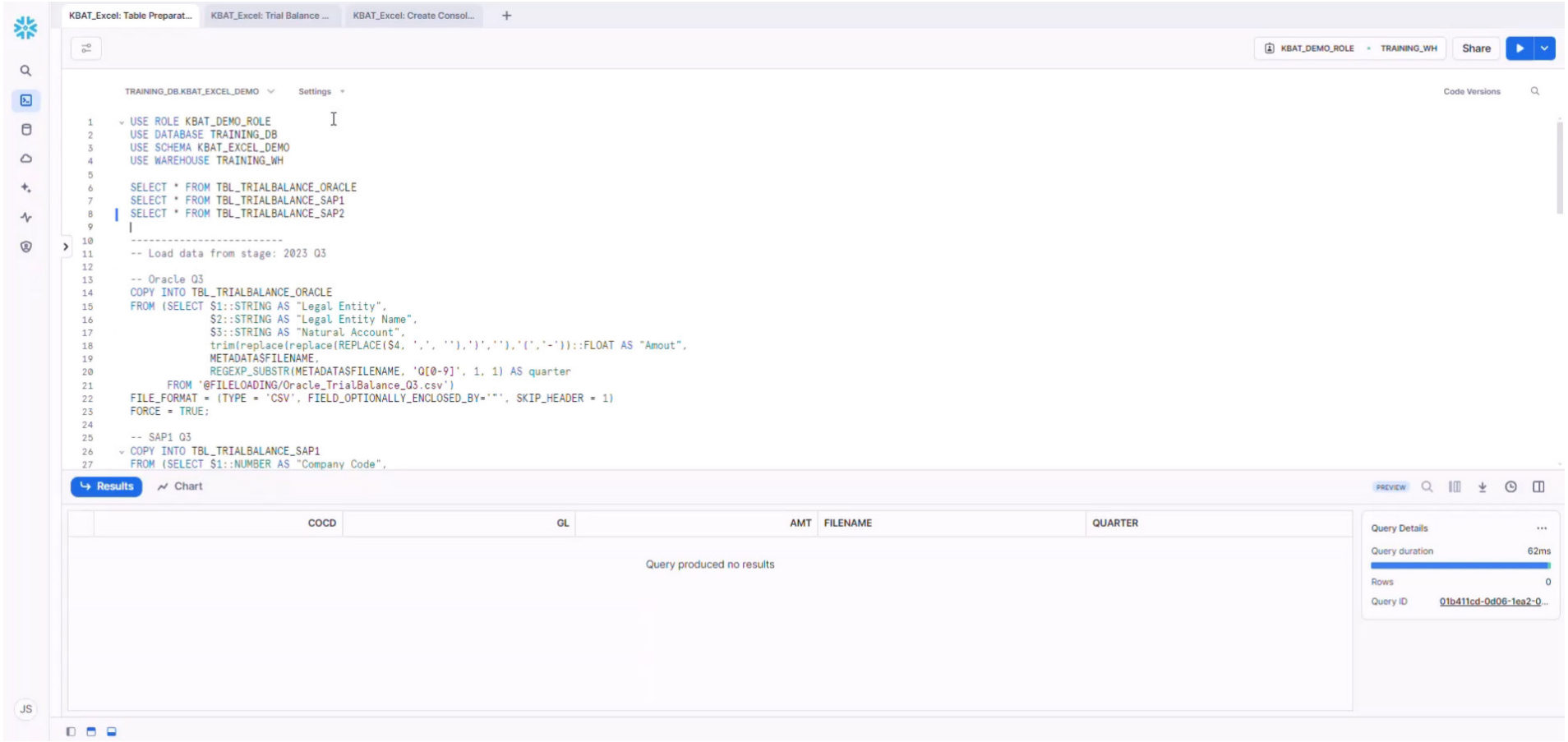
Snowflake Data Prep | **Model Calculation** | **Refresh**



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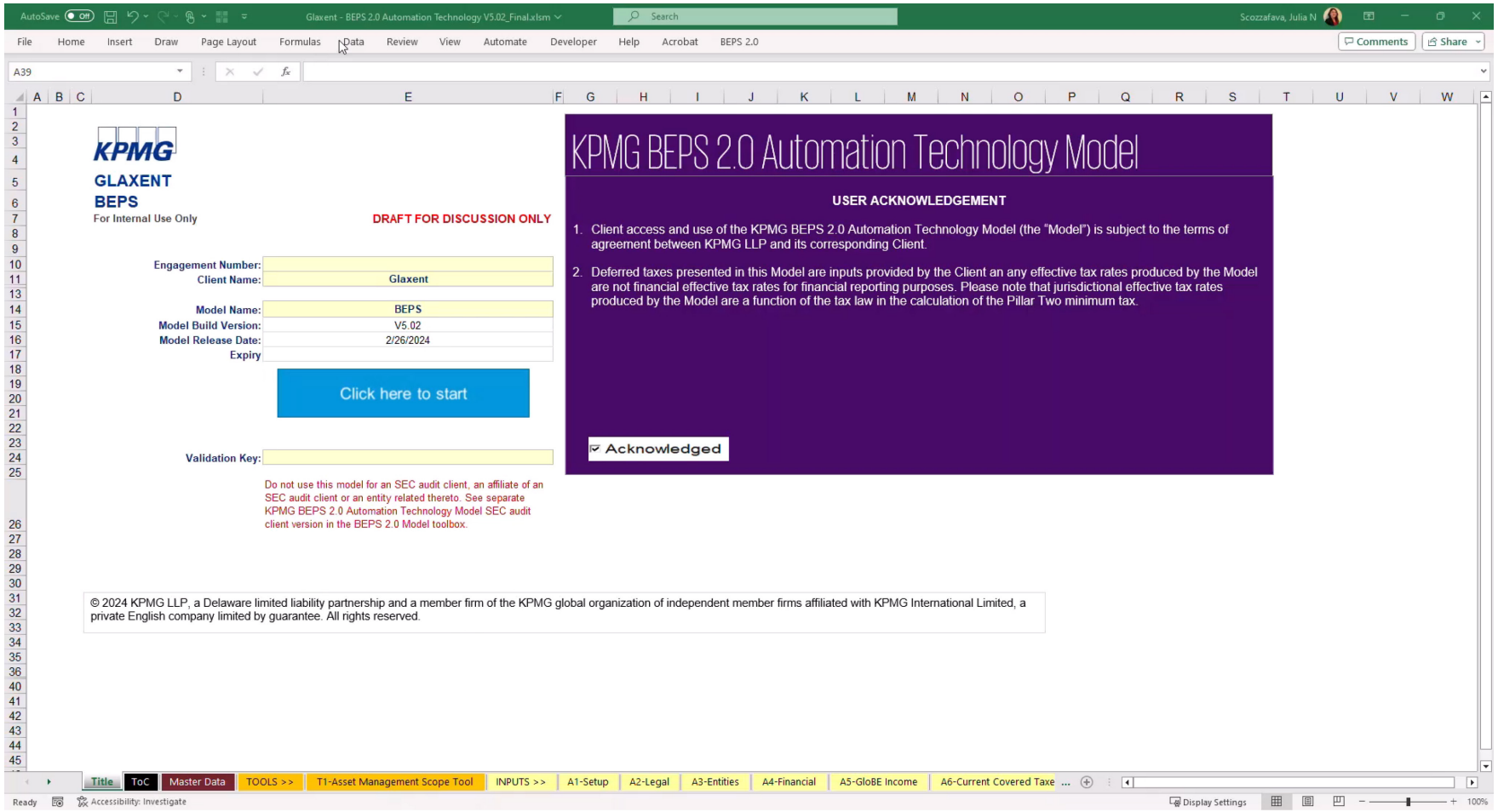
Snowflake Data Prep | Model Calculation | Refresh



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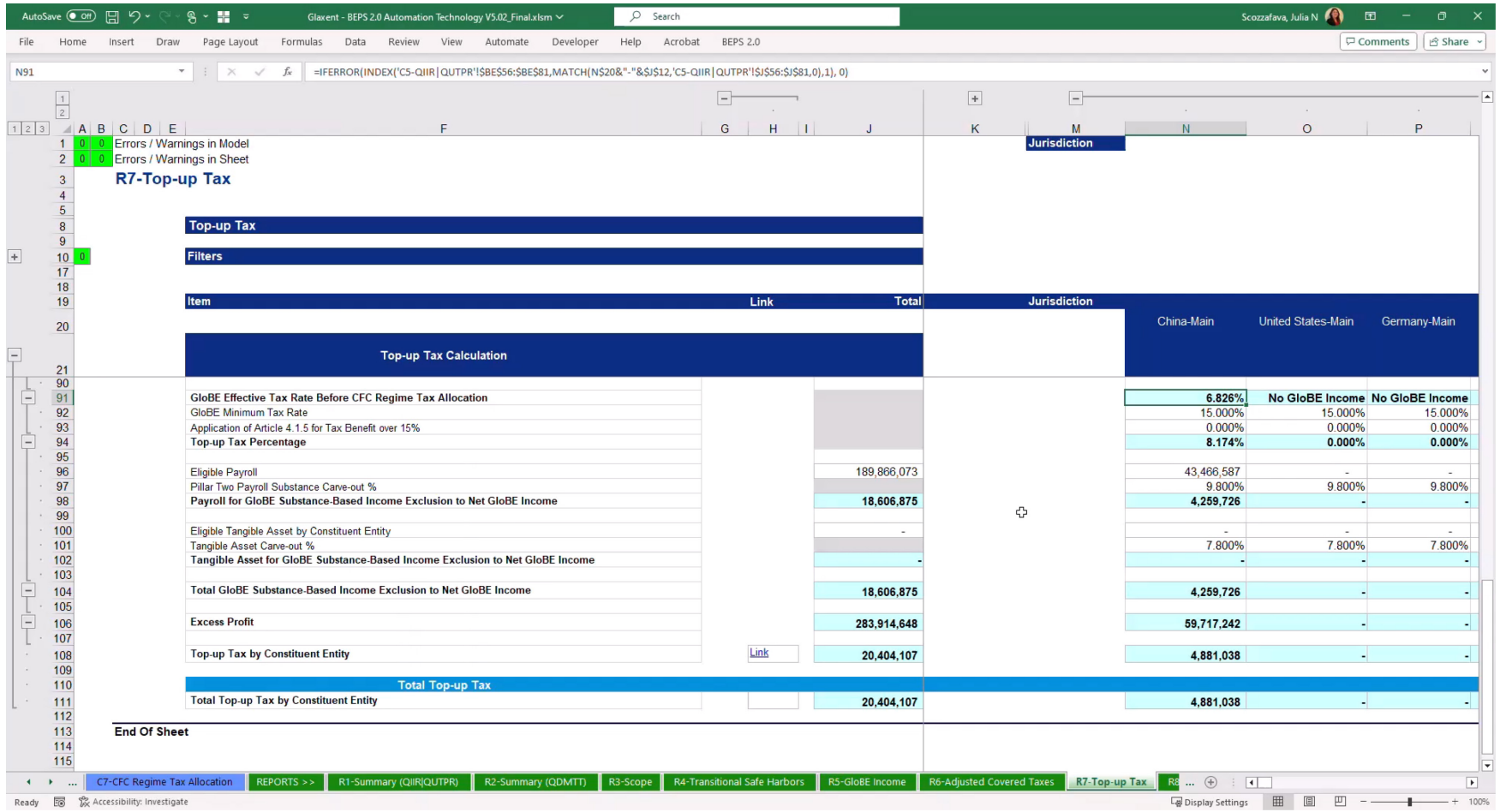
Snowflake Data Prep → Model Calculation → Refresh



Errors / Warnings in Model
Errors / Warnings in Sheet

R7-Top-up Tax

Top-up Tax

Filters

Item	Link	Total	Jurisdiction	China-Main	United States-Main	Germany-Main
Top-up Tax Calculation						
GloBE Effective Tax Rate Before CFC Regime Tax Allocation				**6.826%**	**No GloBE Income**	**No GloBE Income**
GloBE Minimum Tax Rate				15.000%	15.000%	15.000%
Application of Article 4.1.5 for Tax Benefit over 15%				0.000%	0.000%	0.000%
Top-up Tax Percentage				**8.174%**	**0.000%**	**0.000%**
Eligible Payroll		189,866,073		43,466,587	-	-
Pillar Two Payroll Substance Carve-out %				9.800%	9.800%	9.800%
Payroll for GloBE Substance-Based Income Exclusion to Net GloBE Income		**18,606,875**		**4,259,726**	**-**	**-**
Eligible Tangible Asset by Constituent Entity		-		-	-	-
Tangible Asset Carve-out %				7.800%	7.800%	7.800%
Tangible Asset for GloBE Substance-Based Income Exclusion to Net GloBE Income		**-**		**-**	**-**	**-**
Total GloBE Substance-Based Income Exclusion to Net GloBE Income		**18,606,875**		**4,259,726**	**-**	**-**
Excess Profit		**283,914,648**		**59,717,242**	**-**	**-**
Top-up Tax by Constituent Entity	Link	**20,404,107**		**4,881,038**	**-**	**-**
Total Top-up Tax						
Total Top-up Tax by Constituent Entity		**20,404,107**		**4,881,038**	**-**	**-**

End Of Sheet

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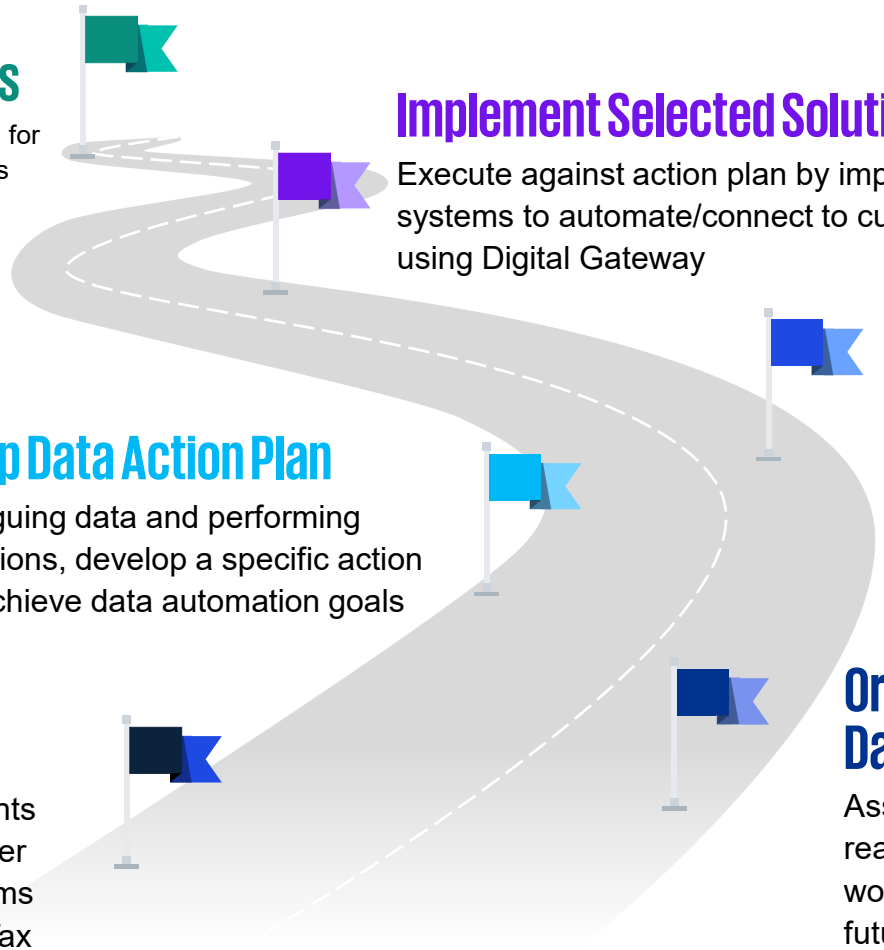
Where do we go from here?

Begin Compliance & Required Tax Disclosures

Complete first set of last mile reporting for all compliance and tax disclosure items leveraging automated internal data processes and KPMG platforms



Implement Selected Solution(s)

Execute against action plan by implementing new platforms and systems to automate/connect to current compliance processes using Digital Gateway

Knowledge Sharing with Internal Stakeholders

Hold discussions with identified data owners to develop a common understanding, learn where the data resides and get buy-in

Develop Data Action Plan

In cataloguing data and performing computations, develop a specific action plan to achieve data automation goals

Document, Organize, & Catalogue All Data Sources

Identify owner and location for data points currently labelled as “unknown” in tracker file and consider whether current systems are effective in providing such data to Tax

Organize & Tag Available Data vs. Unknown

Assess full population of data points readily available via compliance workstreams and build into overall future state data action plan

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02

Integrated Tax Modeling: Demonstration

03

Tax Reporting

Multiple use cases

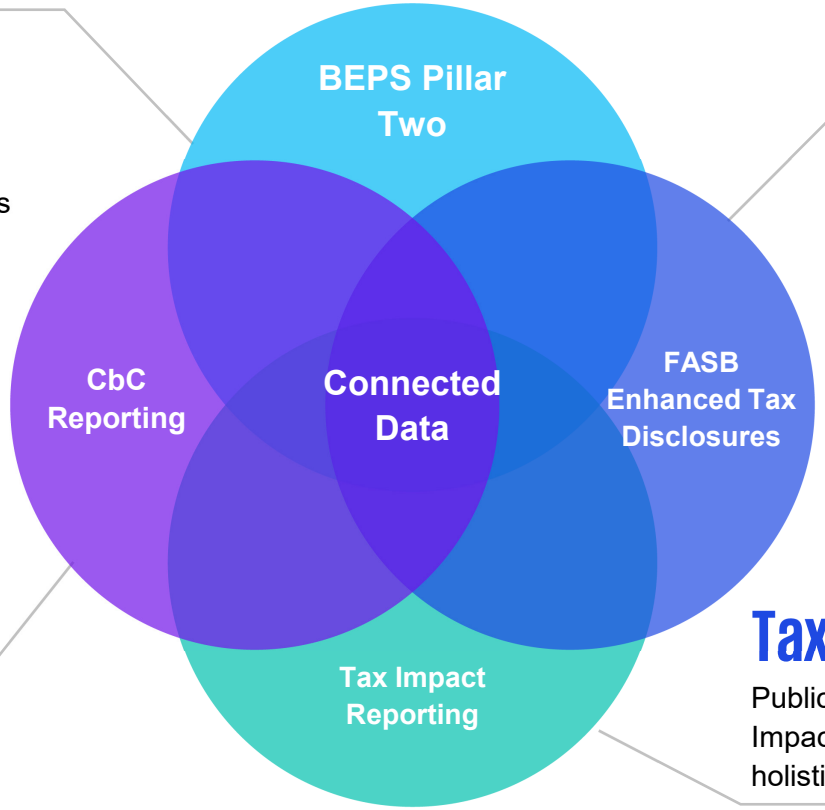
BEPS Pillar Two, Public CbCR, and new FASB Income Tax Disclosure requirements have cast a significantly greater focus on CbC data and related disclosures. MNE groups are revisiting their data collection and reporting processes with the view of collecting data once and using it for multiple use cases.

BEPS Pillar Two

Transitional safe harbor calculations will rely on CbC data and, going forward, country-level "UPE GAAP" consolidations will be the starting point for Pillar 2 calculations and compliance obligations.

Public & Non-public CbC

Public CbC data (P&L and balance sheet information) should also be on "UPE GAAP" and integrated into the process for non-public CbC reporting to tax authorities.



FASB Disaggregation

New transparency and disaggregation requirements for income tax disclosures around ETRs and cash taxes paid.

Tax Impact Reporting

Public CbC reporting will be a catalyst for Tax Impact Reporting to develop an accurate and holistic tax narrative around disclosed tax amounts.

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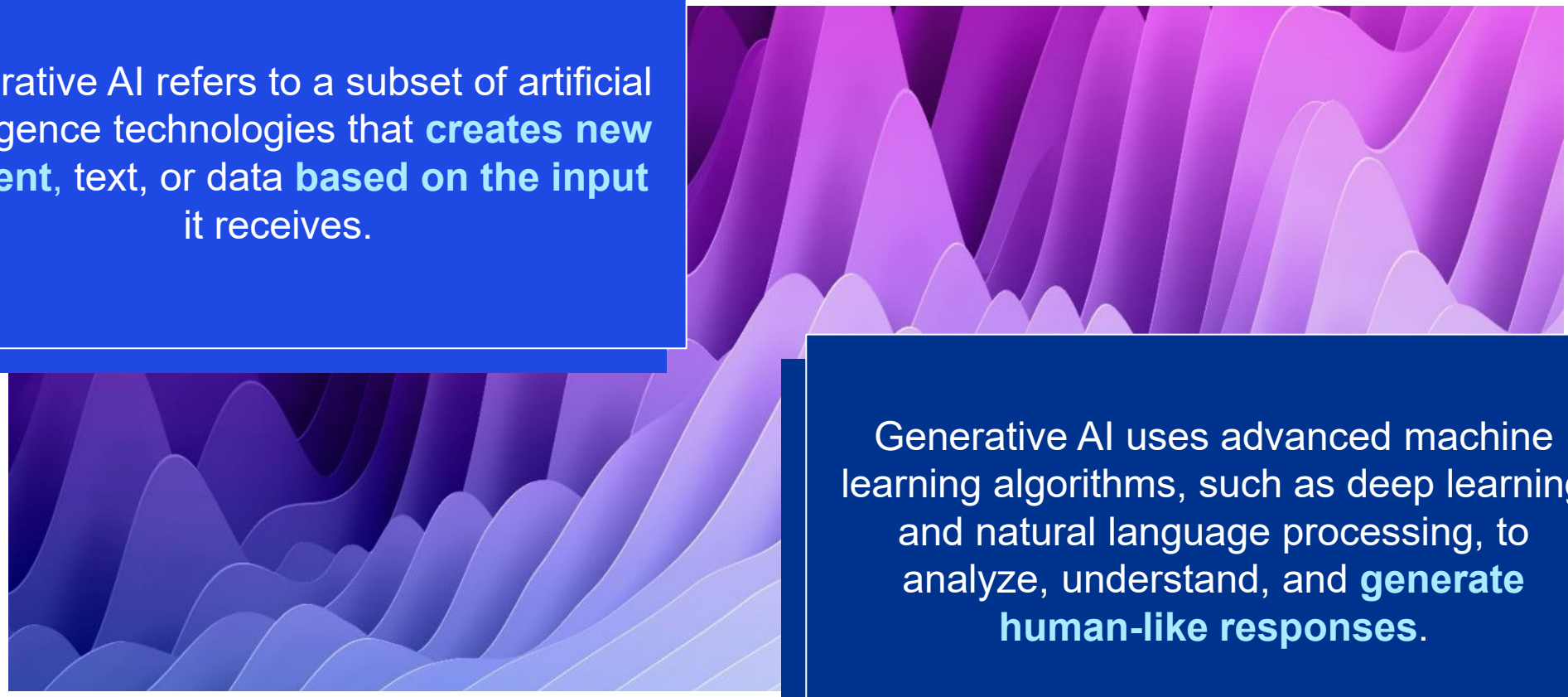
04

Generative AI Use Cases

What is Generative AI?

Generative AI refers to a subset of artificial intelligence technologies that **creates new content**, text, or data **based on the input** it receives.



Generative AI uses advanced machine learning algorithms, such as deep learning and natural language processing, to analyze, understand, and **generate human-like responses**.

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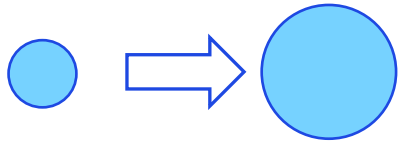
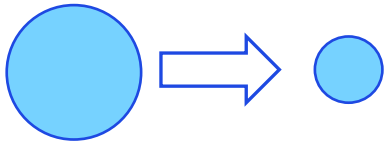
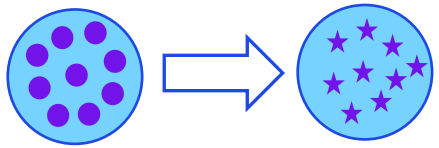
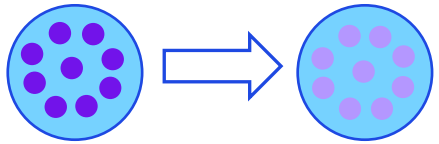
What can Generative AI do?

Capabilities	Representations	Examples
Write		*"Create a bulleted list of project scope assumptions from the following meeting notes"* *"Describe the general income tax filing procedures for multinational corporations"*
Explain		*"Summarize key themes from this tax legislation update"* *"Explain how changes in manufacturing supply chain might impact US state income tax apportionment calculations"*
Edit		*"Analyze the following allocation and apportionment data"*
Compare		*"Compare the following two XMLs of filed returns and identify the material differences"*

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Large language models

- Internet-scale data
- Pre-trained
- Needs instructions
- Recognizable patterns

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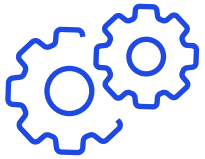
Thinking about Generative AI

Personal Productivity

How is it applicable?

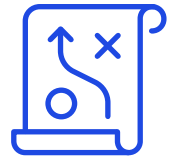
- Researching & analysing internal and external data with a GPT interface
- Preparing, streamlining deliverables and outputs
- Gaining better insights, more efficiently



End-to-end Business Process Optimization

How is it applicable?

- Scrape data, identify patterns
- Generate qualitative outputs and reports from quantitative and qualitative inputs
- Full-scale processes enhanced with back-end AI capabilities



Strategic Value Creation

How is it applicable?

- Near-time analysis and business decisions
- Breaking down the boundaries between working groups
- Connection to other areas of the organization

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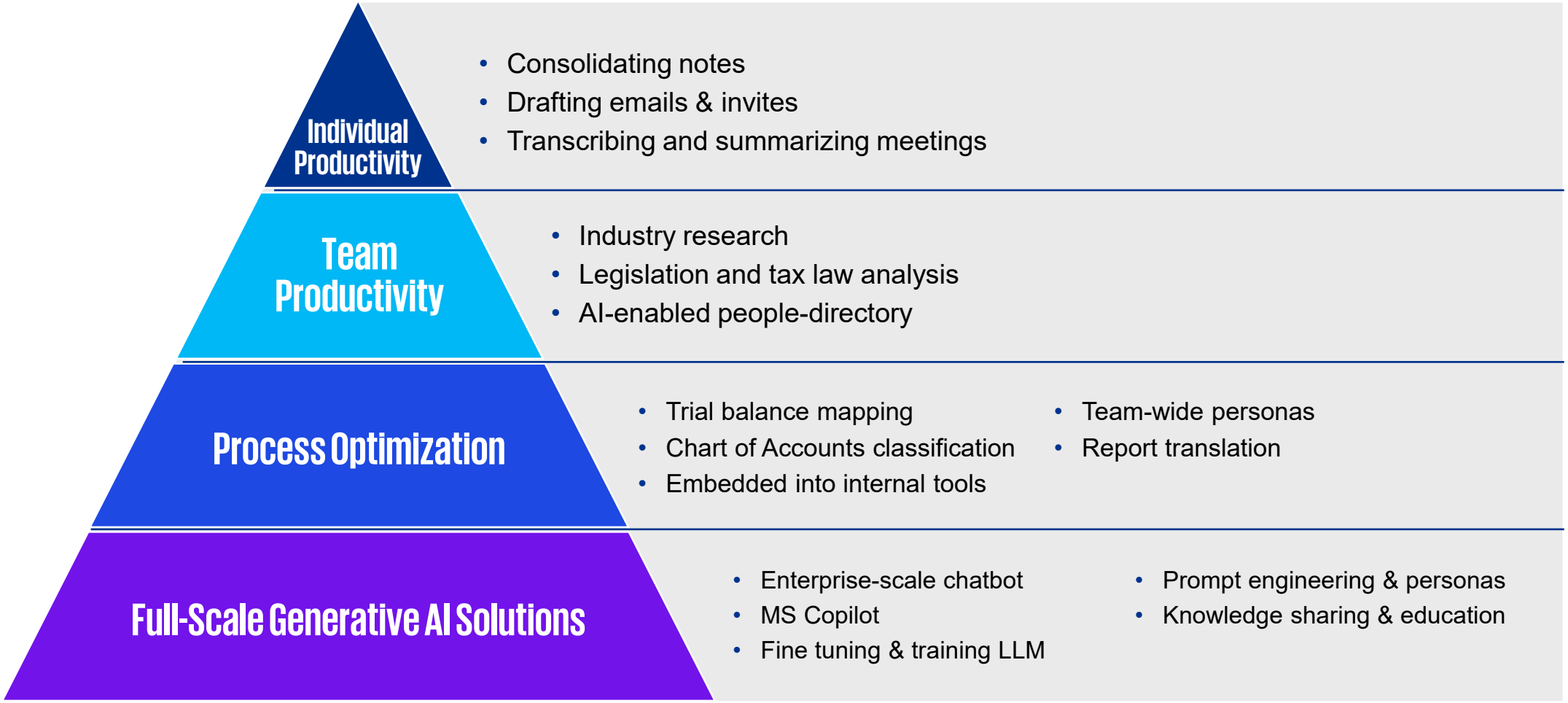
Gen AI in tax organization



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Key questions for the future

Here are some timely questions that we are discussing with our teams and clients.

- **Have you or your organization taken a position on the use of generative AI?**
  - How well do you think you understand the technology?
  - What opportunities do you see for your organization, for finance and for tax? What risks?
- **If your organization does not have a secure generative AI capability, do you know whether you employees are using opensource applications?**
  - What risks do you foresee?
  - Has your organization defined the path to a secure generative AI capability?
- **Have you begun to think about how generative AI might impact your resource needs (e.g., numbers, skills, organization, etc.)?**
  - What opportunities and impacts do you foresee?
  - How might it impact capacity and costs?
- **Have you given any thought about how generative AI might enable tax to play a value-creating role (e.g., strategy and business decisions)?**
  - Could generative AI affect your response to new tax issues (e.g., Stakeholder reporting, BEPS 2.0 Pillar 2, Public C-by-C Reporting, etc.)?
- **How might generative AI impact your data strategy and related risk policies?**
- **Have you begun to consider how tax authorities and auditors might use generative AI?**

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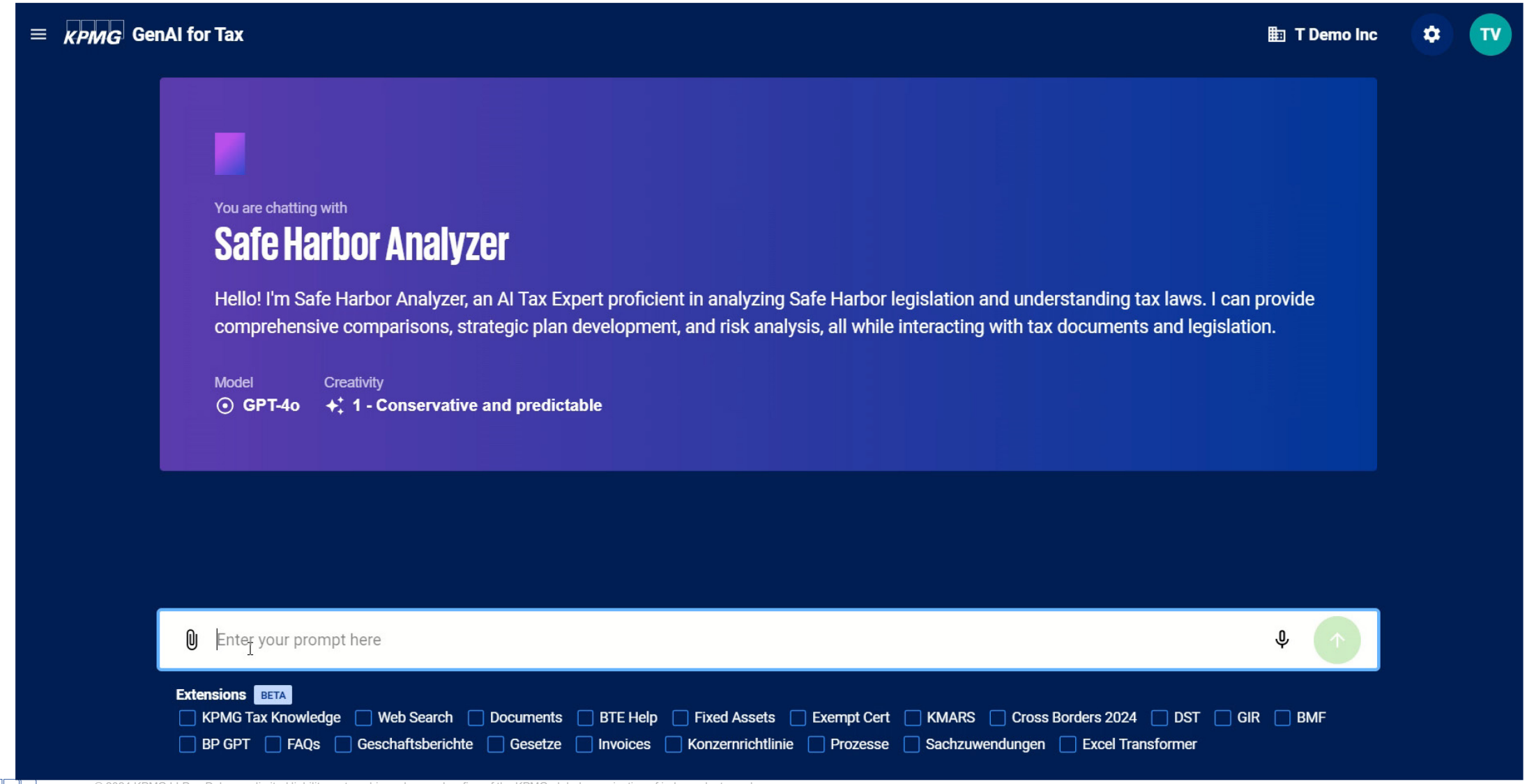
Gen AI for Tax



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Q&A

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