



The New World of Public Tax Reporting – 2025 & Beyond

June 12, 2024

Ahead
of the **wave**

2024 U.S. Cross-Border Tax Conference



Notices

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.

Presenter slides

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Agenda

Introduction

Public Country-by-Country Tax Reporting

Overview of ASU 2023-9 Tax Disclosures

Sample Company Rate Rec & Public CBC Report

Country-by-Country Analytics

Reputational & Tax Policy Considerations

Q&A



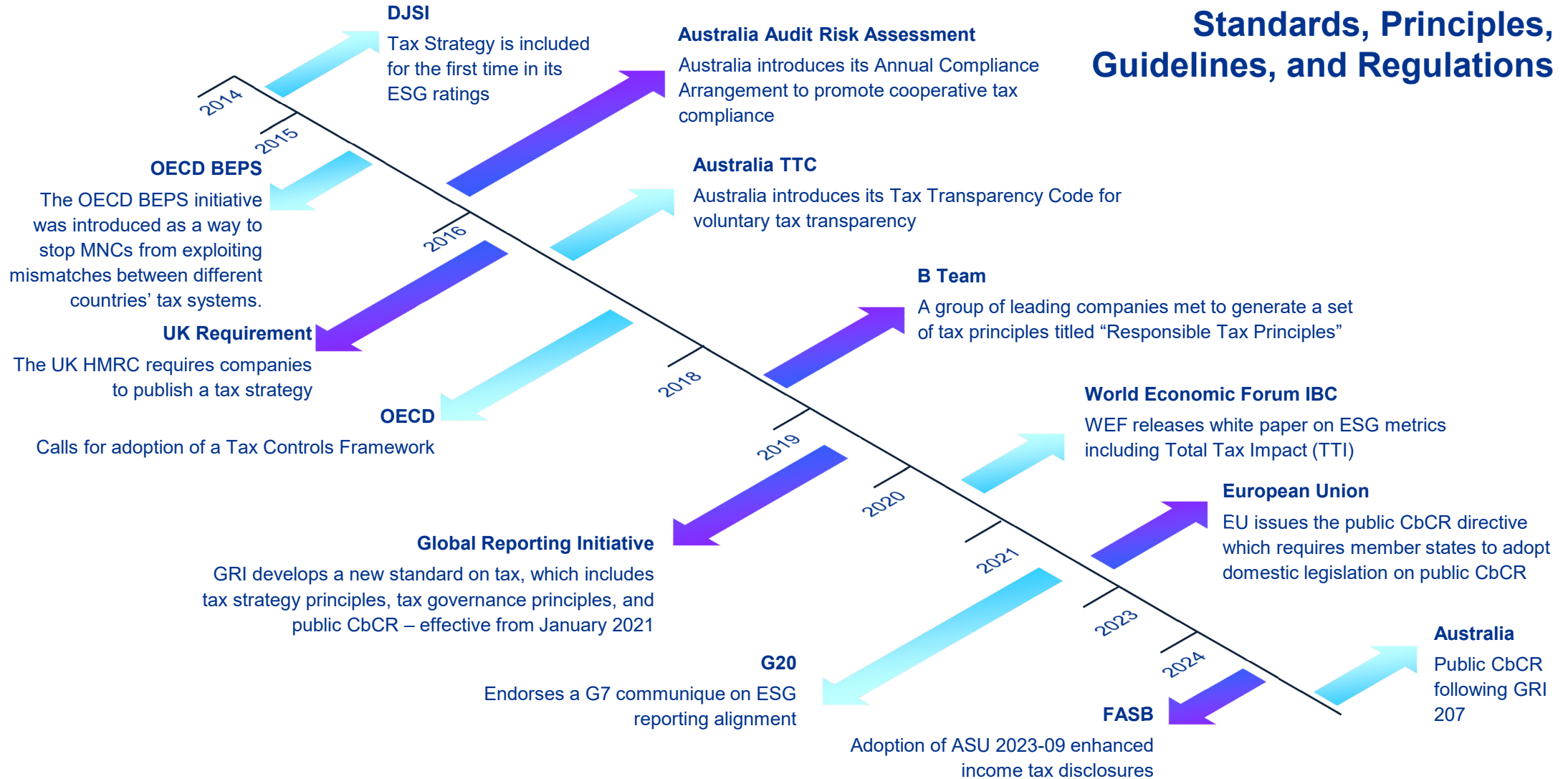
01

Introduction



The road to tax transparency

Standards, Principles, Guidelines, and Regulations



02

Public Country-by-Country Tax Reporting

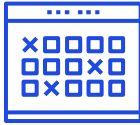


Overview



One report to rule them all?

- Unlike non-public Action 13 country-by-country reporting, there is no global set of public CbC rules
- MNE Groups may have to contend with different PCbC rules depending on their respective global footprints
- Even within the European Union (EU), the Public CbC Directive is only a minimum standard; EU Member States are free to adopt earlier timelines and increase the scope of the Directive



Calendar 2025 first year subject to reporting (maybe?)

- EU PCbC generally applies to periods beginning on or after June 22, 2024
 - Romania has adopted legislation which applies to periods beginning in 2023
 - Croatia has adopted legislation applying to periods beginning in 2024
- AU PCbC generally applies to periods beginning on or after July 1, 2024 (proposed)



Publication required within 12 months of year-end (generally)

- Spain has adopted a 6-month publication deadline
- Hungary may require publication as early as 3-months from the end of the period

What data needs to be reported?

	OECD CbC	EUPCbC	AUPCbC	GRI 207
Full CbC breakout of data	✓	Limited disaggregation	Limited disaggregation	✓
Approach to tax	x	x	✓	✓
Names of entities in the CbC reporting group	✓	✓	✓	✓
Name of the jurisdiction	✓	✓	✓	✓
Description of main business activities	✓	✓	✓	✓
Number of employees	✓	✓	✓	✓
Revenue from unrelated parties	✓	No split	✓	✓
Revenue from related parties (no eliminations)	✓	x	x	x
Revenue from related parties not tax residents of the jurisdiction	x	No split	✓	✓
Profit/loss before tax	✓	✓	✓	✓
Book value of tangible assets	✓	x	✓	✓
Income tax paid (cash basis)	✓	✓	✓	✓
Income tax accrued (current year)	✓	✓	✓	✓
Book to tax reconciliation	x	x	✓	✓
Paid to accrued tax reconciliation	x	✓	x	x

Data aggregation

European Union	1. Each EU Member State	
	2. “Listed” Jurisdictions	
	EU Non-cooperative (Annex I)	EU Monitored (Annex II)
	<ul style="list-style-type: none"> American Samoa Anguilla Antigua & Barbuda Fiji Guam Palau Panama Russian Federation Samoa Trinidad & Tobago US Virgin Islands 	<ul style="list-style-type: none"> Armenia Belize British Virgin Islands Costa Rica Curacao Eswatini Malaysia Seychelles Turkey Vietnam
	3. All others on an aggregated ‘rest of the world’ (ROW) basis	

Australia	1. Australia	
	2. “Listed” Jurisdictions	
	AUS Specified Jurisdictions	
	<ul style="list-style-type: none"> Barbados Bahamas British Virgin Islands Cayman Islands Guernsey Hong Kong Jersey Isle of Man Mauritius Singapore Switzerland + 30 other jurisdictions (including some on Annex I and II) 	
	3. All others on a ROW basis	



Less is more vs. full disaggregation vs. something in between

Data publication

Where?

- MNEs subject to EU PCbC will be required to publish their data in a commercial register of an applicable Member State (publicly accessible) in a standardized electronic format
 - Member States may also require publication on a corporate website
- In Australia, companies will be required to provide the information to the ATO, who will then publish it on a government website

Tying it altogether: Is corporate website publication a practical requirement if not a technical one?

Exceptions?

- EU Member States may allow taxpayers to defer publication of certain **commercially sensitive** information for up to 5 years
- Australian PCbC does not provide for any explicit exceptions (but exceptions may be granted by the ATO)

What does “commercially sensitive mean? Can the entire report be commercially sensitive?

Consistent source of data?

- EU PCbC Directive generally assumes use of UPE’s consolidated financial statements but may allow for some flexibility
- Australian Exposure Draft requires use of UPE’s audited consolidated financial statements

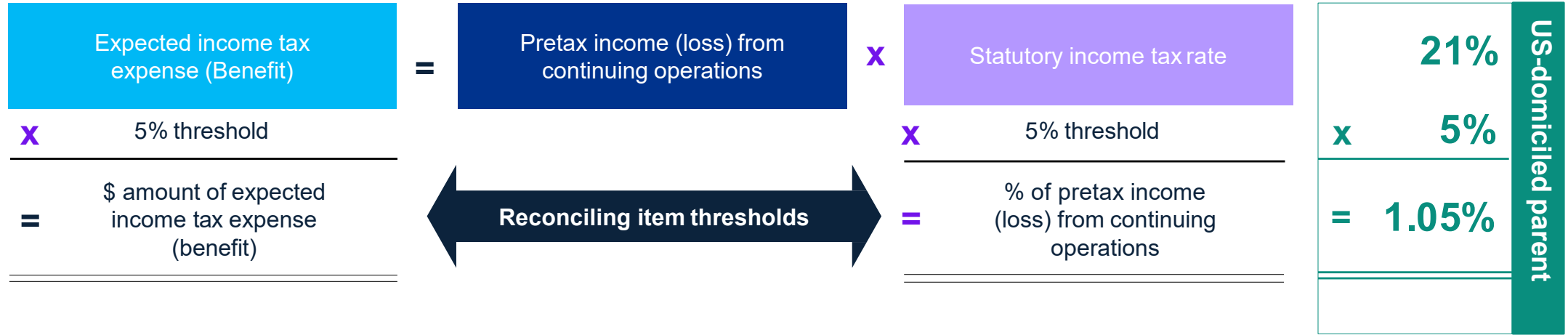
What are the risks of using alternative sources of data? Does the data need to reconcile to public financials?

03

Overview of ASU 2023-9 Disclosures



ASU 2023-9 disaggregation



Domestic Federal

By nature:

- Tax credits
- Nontaxable or nondeductible items
- Cross-border tax laws
- Items not within the specific categories

Foreign tax effects

Further disaggregation by:

- Country
- and
- Nature

Example: Further disaggregation

Before disaggregation

	Amount	Percent
US federal statutory income tax rate	2,520	21.0%
Domestic federal reconciling items		
Tax credits	(270)	(2.3%)
Nontaxable and nondeductible items, net	60	0.5%
Cross-border taxes	190	1.6%
Other	(350)	(2.9%)
Domestic state and local income taxes, net of federal effect	400	3.3%

After disaggregation

	Amount	Percent
US federal statutory income tax rate	2,520	21.0%
Domestic federal reconciling items		
Tax credits		
• Research credits	(250)	(2.1%)
• Other	(20)	(0.2%)
Nontaxable and nondeductible items, net	60	0.5%
Cross-border taxes		
• Global intangible low-taxed income	180	1.5%
• Other	10	0.1%
Excess tax benefits on share-based payments	(400)	(3.3%)
Other	50	0.4%
Domestic state and local income taxes, net of federal effect	400	3.3%

Example: Further disaggregation

Before disaggregation

	Amount	Percent
Foreign reconciling items	(580)	(4.8%)
Worldwide changes in prior year unrecognized tax benefits	70	0.6%
Total	2040	17.0%

After disaggregation

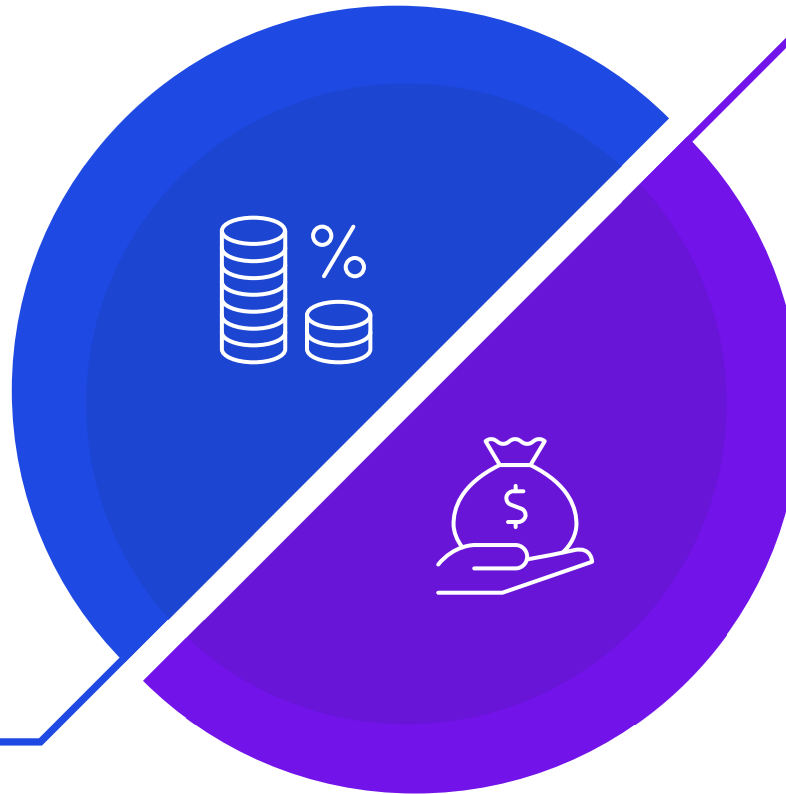
	Amount	Percent
Foreign reconciling items		
United Kingdom		
• Changes in tax laws	—	0.0%
• Nondeductible legal expenses	150	1.3%
• Other	(100)	(0.9%)
Ireland		
• Rate differential	(350)	(2.9%)
• Other	10	0.1%
Japan		
• Changes in valuation allowances	—	0.0%
• State and local income taxes	140	1.2%
• Other	20	0.2%
Singapore	(150)	(1.3%)
Other foreign jurisdictions	(300)	(2.5%)
Worldwide changes in prior year unrecognized tax benefits	70	0.6%
Total	2,040	17.0%

Income taxes paid disclosures

Scope:

- All entities
- Each annual reporting period
- Comparative information by jurisdiction is not required (e.g. tabular presentation)

Amount of income taxes paid* – disaggregated by jurisdiction where income taxes paid* \geq 5% of total income taxes paid*



Amount of income taxes paid* – disaggregated by federal, state, and foreign

**net of refunds received*

04

SampleCo Rate Rec & CBC Report



Rate Reconciliation under ASU 2023-09

Year Ended December 31, 2025

	Amount	Percent
U.S. Federal Tax Statutory Tax Rate	\$476,700,000	21.00%
State and Local Income Taxes, Net of Federal Income Tax Effect (1)	18,000,000	0.79%
Foreign Tax Effects		
United Kingdom		
• Share-based payment awards	(25,000,000)	-1.10%
• Other	4,875,000	0.21%
Japan		
• Tax rate differential	24,050,000	1.06%
• Nondeductible share-based payment awards	24,650,000	1.08%
• Research and development credits	(26,000,000)	-1.15%
• Other	(306,200)	-0.01%
India		
• Changes in unrecognized tax benefits	28,650,800	1.26%
• Other	11,560,400	0.51%
Ireland		
• Tax rated differential	(48,000,000)	-2.11%
• Other	(12,375,000)	-0.55%
Other foreign jurisdictions	19,937,500	0.88%

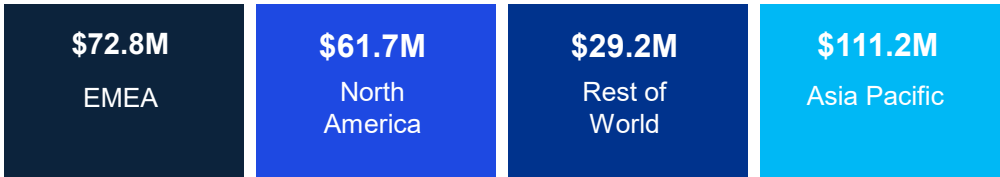
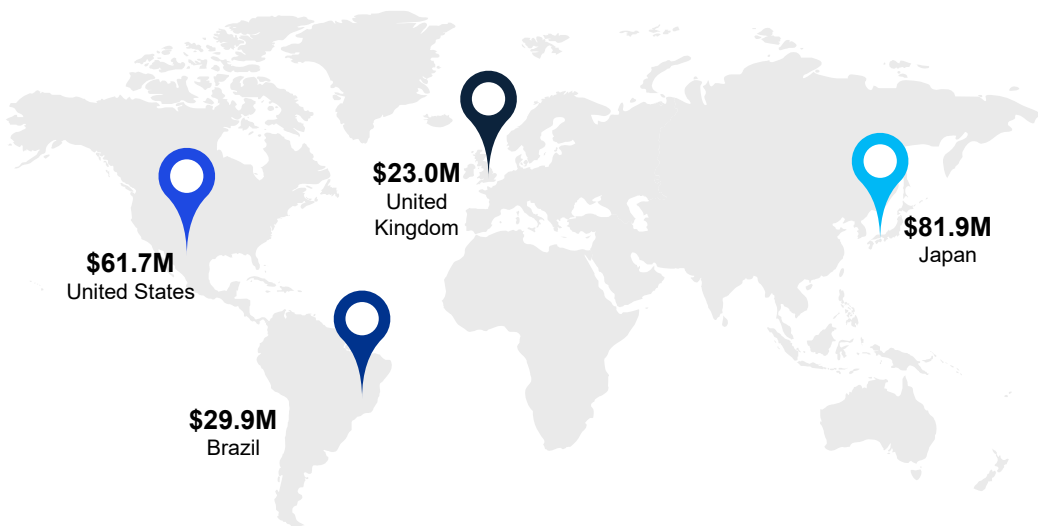
Rate Reconciliation under ASU 2023-09

Year Ended December 31, 2025

	Amount	Percent
Enactment of New Tax Laws		
Effect of Cross-Board Tax Laws		
• Global Intangible Low-Taxed Income	10,27,000	0.45%
• Foreign-derived intangible income	(15,750,000)	-0.69%
Tax Credits		
• Research and development credits	(45,000,000)	-1.98%
• Energy-related tax credits	(8,000,000)	-0.35%
Valuation Allowances	(4,200,000)	-0.19%
Nontaxable or Nondeductible Items		
• Share-based payment awards	(42,000,000)	-1.85%
• Other	3,780,000	0.17%
Changes in World Wide Unrecognized Tax Benefits	(6,350,000)	-0.28%
Other Adjustments	-	
Effective Tax Rate	389,343,500	17.15%

(1) State taxes in California and New York contributed to the majority of the tax effect in this category.

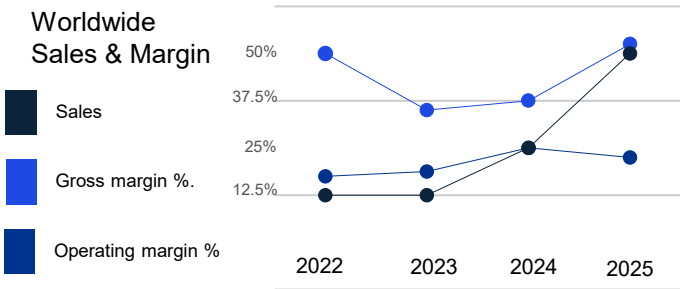
SampleCo Global Tax Report – 2025



Corporate Income Taxes Paid

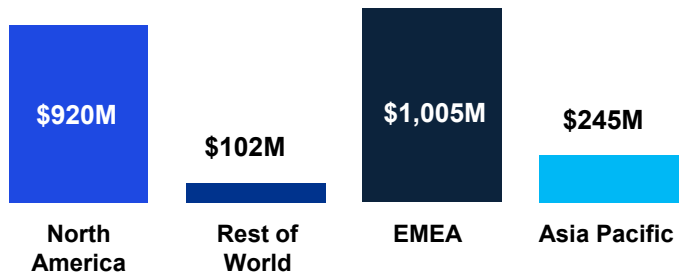


Financial Trends



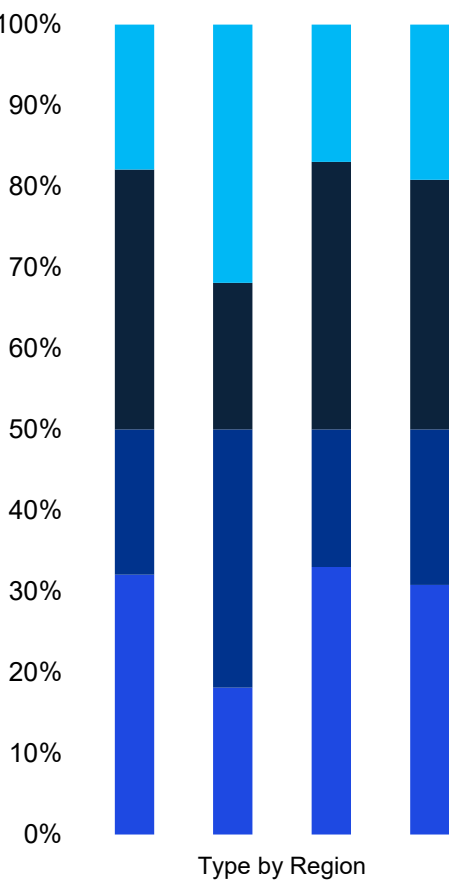
2025 Profit Before Tax

Excludes extraordinary items and discontinued operations



Tax Contribution by Region

2025 taxes paid by tax type by region.



05

Country-by-Country Analytics



Computed country-level metrics

+/-
=
=

A. Cash Tax Paid (PBCR)
Expected Tax (PBCR)
Rate Rec Items (Rate Rec)
Rate Differential (Rate Rec)
B. GAAP Tax Exp

C. Current Tax Exp = Accrued
Tax (PBCR)

Deferred Tax
Exp = B - C

Cash ETR =
A / PBT (PBCR)

GAAP ETR =
B / PBT (PBCR)

France – CBCR tax detail

Financial Data



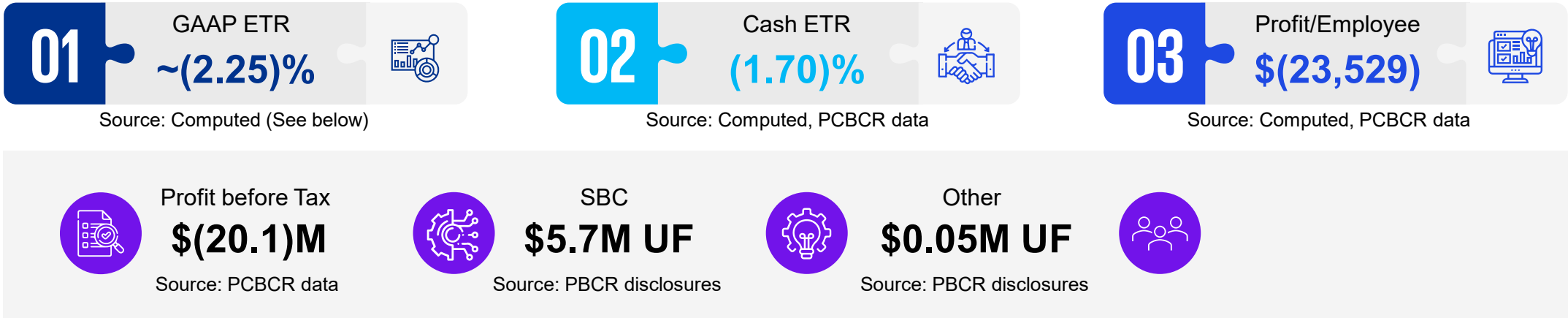
Qualitative Data

SampleCo operates in France through two French subsidiaries that marketing services and sales and customer care support with FrenchCo 2 approved for government contracting.

Tax at the statutory rate (26.5%) of \$(5.3)M differs from accrued tax of \$0.45MM due to \$5.7M non-deductible SBC and \$0.05M of other unfavorable book-tax differences



France – Country-level analytics (26.5% stat rate)



GAAP Tax Expense (Guess)			<div> Reputational risk – Loss-making operations in one of SampleCo’s largest EU markets, impacting taxes paid in France and employee profit sharing.</div> <div> Sustainability risk – Customer sales recognized offshore</div> <div> Sustainability – Transfer pricing may not take into account SBC expense.</div>
Expected tax	(5,300,000)	PBCR	
SBC	5,700,000	PBCR	
Other reconciling items	50,000	PBCR	
GAAP tax expense	450,000		
GAAP ETR	-2.25%		
Note: actual GAAP ETR is -5.96% due to UTB provision			

India – CBCR tax detail

Financial Data



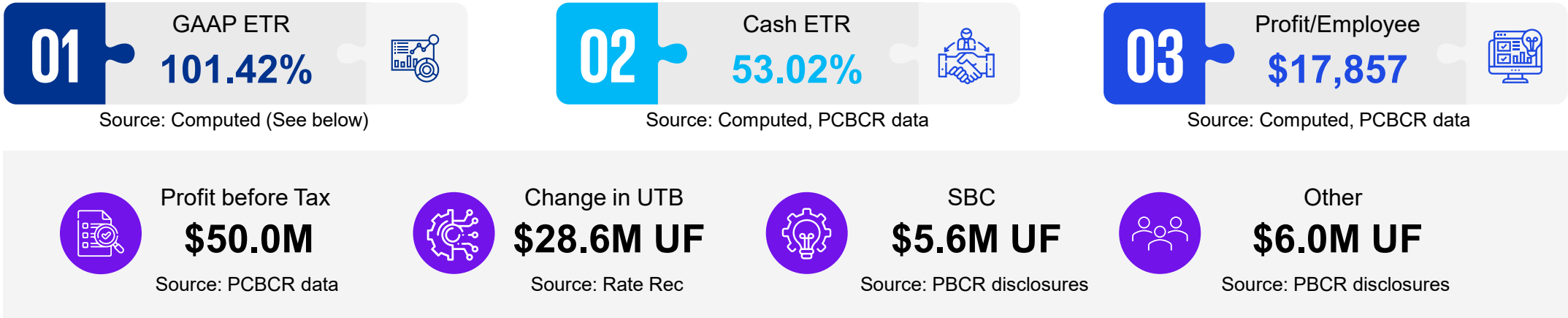
Qualitative Data

SampleCo operates through four wholly-owned affiliates undertaking research & development, customer support, sales & marketing and selling activities


Tax at the statutory rate (34.94%) of \$17.5M differs from accrued tax of \$23.5M due to \$5.6M non-deductible SBC and \$0.4M of other unfavourable book-tax differences




India – Country-level analytics (34.94% stat rate)



GAAP Tax Expense		
Expected tax	17,470,000	PBCR
UTB	28,650,800	Rate Rec
Other reconciling items	11,560,400	Rate Rec
Back-out rate differential	(6,970,000)	PCBR, computed
GAAP tax expense	50,711,200	
GAAP ETR	101.42%	


Financial risk – May signal tax authorities the Company has taken aggressive tax positions in this specific year.


Sustainability risk – Does the company take aggressive tax positions (in India or generally)?

Ireland – CBCR tax detail

Financial Data



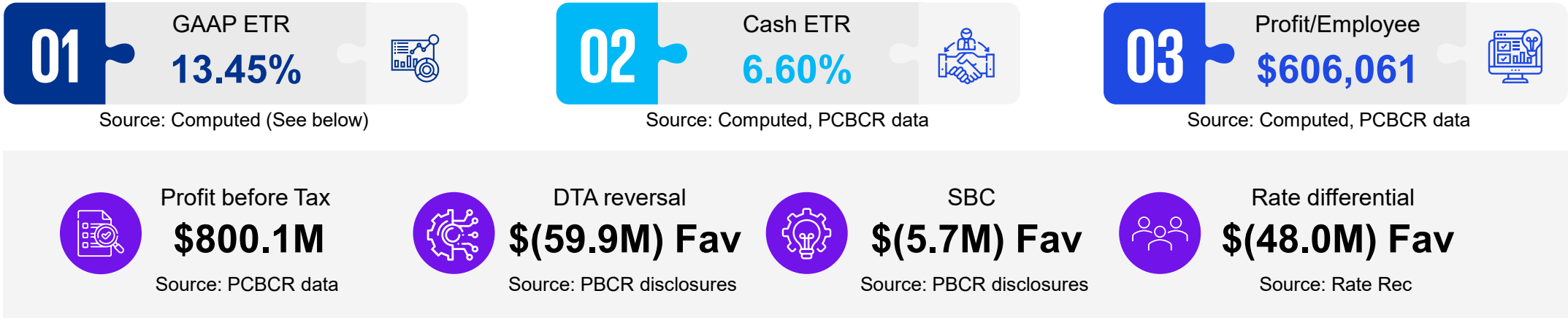
Qualitative Data

SampleCo Ireland is our International Operations Hub serving customers outside North America. The company is a co-developer and owner of critical intangible properties.

Tax at the statutory rate (15.0%) of \$120.0M differs from accrued tax of \$47.8M due to \$(5.7M) SBC windfall, \$(59.9M) DTA reversal, and \$(6.6M) of other favourable book-tax differences



Ireland – Country-level analytics (15.0% stat rate)



GAAP Tax Expense

Expected tax	120,000,000	PCBCR, Rate Rec
Other reconciling items	(12,375,000)	Rate Rec
GAAP tax expense	107,625,000	
GAAP ETR	13.45%	

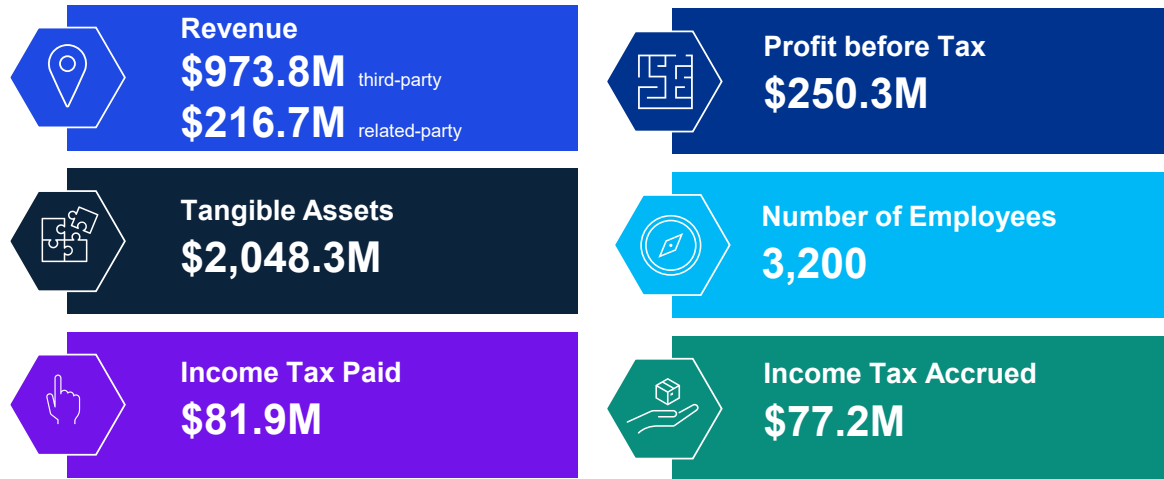
Reputational risk – Possible use of aggressive tax strategies as data suggests Pillar 2 grandfathered IP onshoring to IE given i) large DTA recognized in a prior year 10-K disclosure, ii) significant and sustained low Cash & Accrual ETR well below GloBE min tax rate, and iii) significant and sustained YoY DTA reversal.

Sustainability risk – Possible profit shifting to IE given 6X larger profit/employee as compared to the United States

Sustainability risk – Does the company have a general posture of aggressive tax strategies?

Japan – CBCR tax detail

Financial Data



Qualitative Data

SampleCo Japan performs sales and marketing for the Japan market as well as a large research and development team providing R&D services to the group.

Tax at the statutory rate (30.62%) of \$76.6M differs from accrued tax of \$77.2M due to \$(26.0M) research tax credits offset by \$26.6M non-deductible SBC and other unfavorable book-tax differences



Japan – Country-level analytics (30.62% stat rate)

01

GAAP ETR

29.90%



Source: Computed (See below)

02

Cash ETR

32.76%



Source: Computed, PCBCR data

03

Profit/Employee

\$78,125



Source: Computed, PCBCR data



Profit before Tax

\$250.3M

Source: PCBCR data



SBC

\$(26.0M) Fav

Source: PBCR, Rate Rec



SBC

\$24.5 UF

Source: PBCR disclosures



Other

\$(0.3M) Fav

Source: Rate Rec

GAAP Tax Expense (Guess)

Expected tax	76,550,000	PCBCR, Rate Rec
SBC	24,496,000	PCBCR, Rate Rec
Other	(306,200)	Rate Rec
Tax credits	(26,000,000)	PCBR, Rate Rec
GAAP tax expense	74,739,800	
GAAP ETR	29.90%	



Reputational impact – Significant presence in countries where products and services are sold.



Sustainability – Tax strategies aligned with business substance



Sustainability – The group pays a “fair share” of tax in Japan.?

The Netherlands – CBCR tax detail

Financial Data



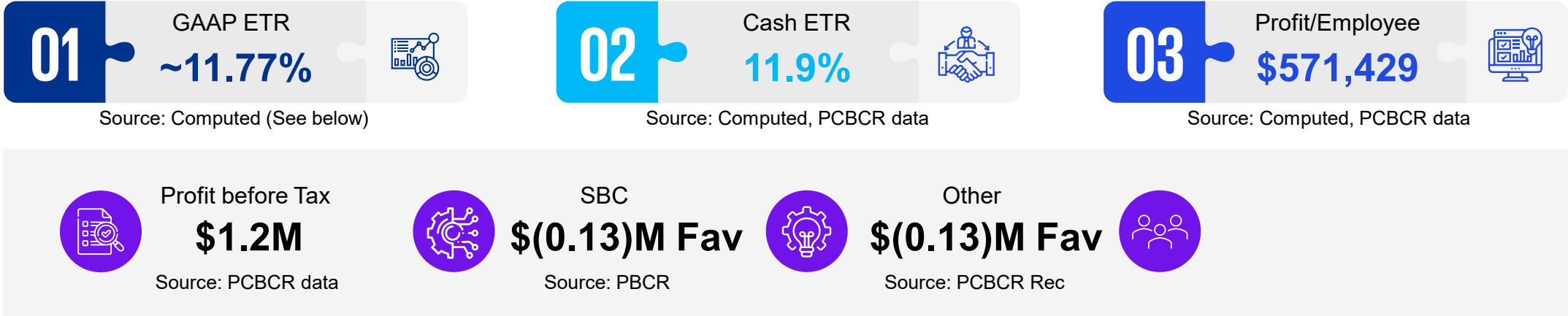
Qualitative Data

SampleCo NL licenses the Company's intellectual property to group members in the course of ordinary business.

Tax at the statutory rate (25.8%) of \$0.93M differs from accrued tax of \$0.90M due to \$(0.03)M of SBC windfall and non-taxable income.

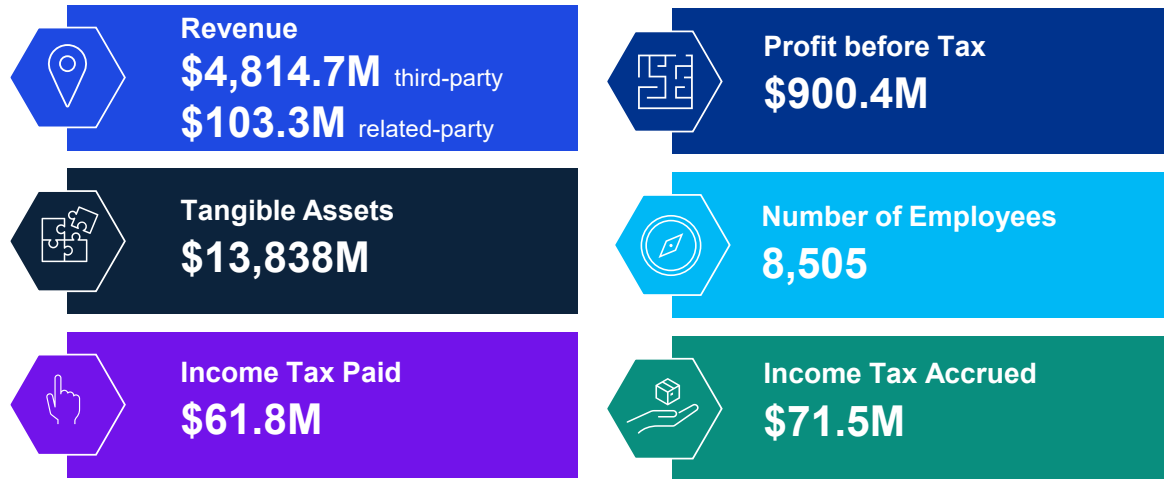


The Netherlands – Country-level analytics (25.8% stat rate)



United States – CBCR tax detail

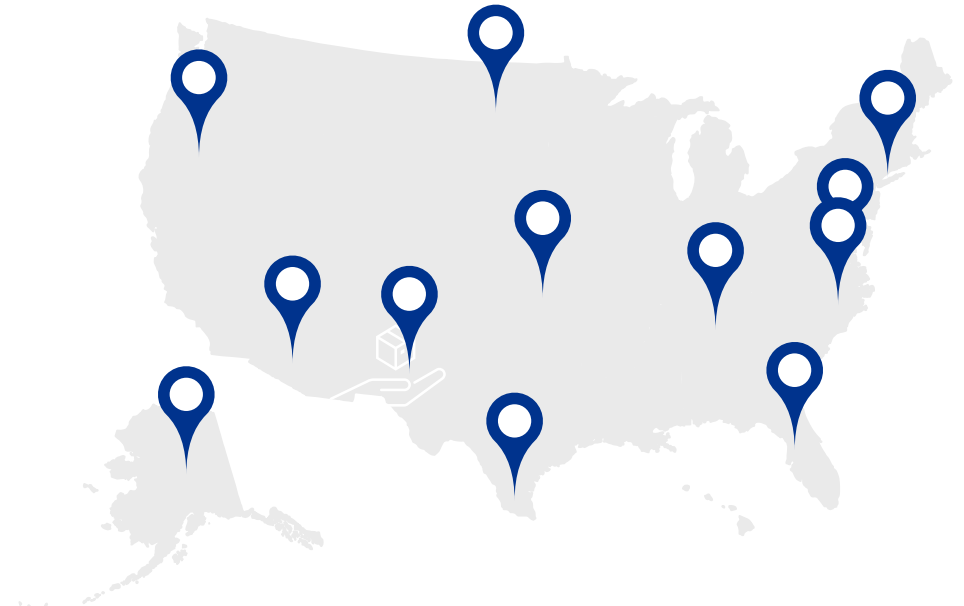
Financial Data



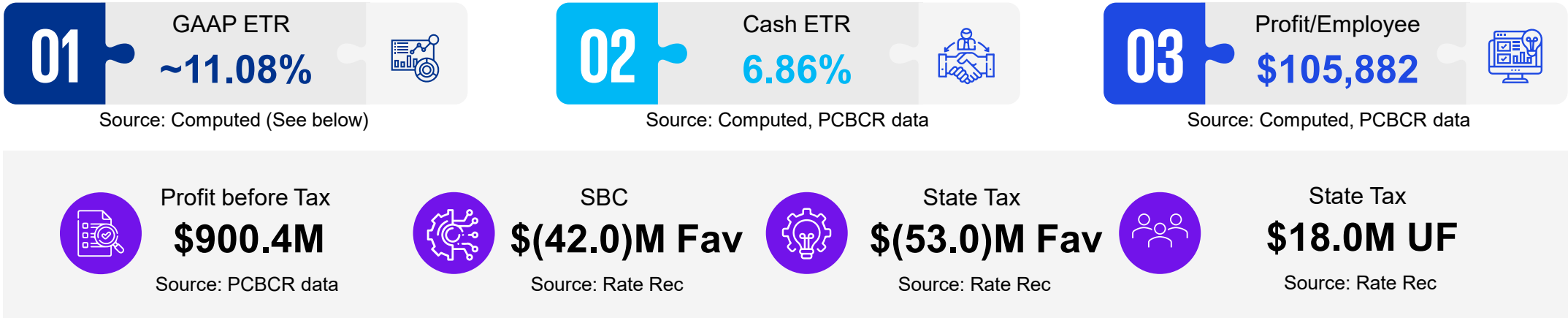
Qualitative Data

SampleCo is headquartered in the United States operating through 14 affiliates performing strategic management and all operations functions.

Tax at the statutory rate (21.0%) of \$189.0M differs from accrued tax of \$71.5M due \$(53.0)M R&D and clean energy tax credits, \$(38.2)M SBC windfall, and \$(26.3)M of other net favorable book-tax differences over state tax expense.



United States – Country-level analytics (21.0% stat rate)



GAAP Tax Expense (Guess)		
Expected tax	189,000,000	PCBCR
UTB	(6,350,000)	Rate Rec
SBC	(42,000,000)	Rate Rec
Valuation Allowance	(4,200,000)	Rate Rec
X-border tax laws	(5,475,000)	Rate Rec
Other reconciling items	3,779,500	Rate Rec
Tax credits	(53,000,000)	Rate Rec
State tax	18,000,000	Rate Rec
GAAP tax expense	99,754,500	
GAAP ETR	11.08%	Note: actual ETR 10.86%

Reputational risk – Both a relatively low GAAP and Cash ETR in SampleCo’s largest (and domestic) market. “Fair share”?

Reputational risk – Despite Pillar 2 and CAMT, SampleCo continues to have an ETR below 15% (SBC and NOL cfwd)

06

Tax Policy & Reputational Considerations



07

Q&A





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