



Global Tax Landscape

Joint Tax Meeting (Pittsburgh, PA)
February 13, 2024



With you today



Doug McHoney



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- PwC International Tax Services global leader
- Principal in the Washington National Tax Services group
- US leader of the Quantitative Solutions and Technology practice
- Host of **PwC Cross-border Tax Talks podcast**



*There is nothing in the world like
persuasive speech to fuddle the
mental apparatus.*
- Mark Twain

CHAPTER 1 - Geopolitics



Truth is stranger than fiction, but it is because fiction is obliged to stick to possibilities; truth isn't.

- Mark Twain

CHAPTER 2 - Pillar Two

The lack of money is the root of all evil.

- Mark Twain



CHAPTER 3 - The Globe



Never tell the truth to people who are not worthy of it.

- Mark Twain

CHAPTER 4 - The US



*The man with a new idea is a crank until
the idea succeeds.*

- Mark Twain

CHAPTER 5 - Lessons

There is no sadder thing than a young pessimist, except an old optimist.

- Mark Twain



Appendix

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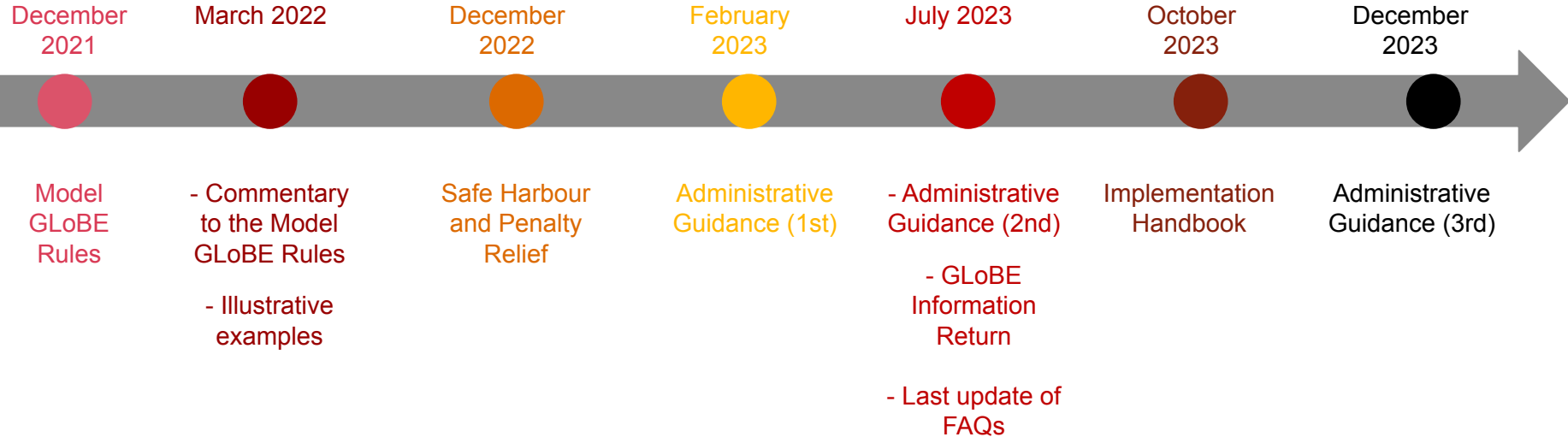
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What we'll cover today

- Pillar Two
- Global tax trends and regional / country tax updates
- EU tax update: FSR and CSRD
- US international tax update

Pillar Two publications by the OECD



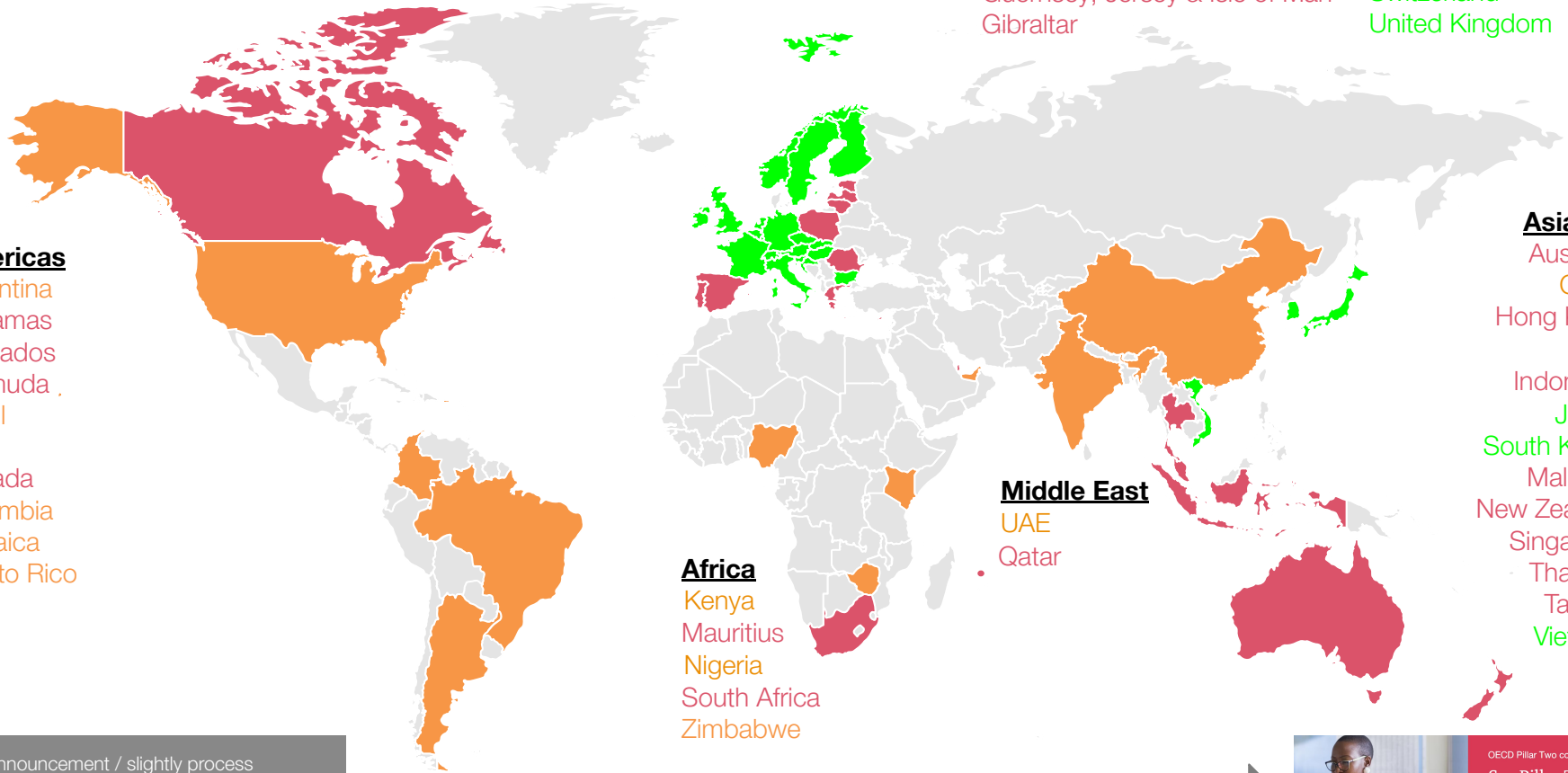
Expected in 2024

- Revised version of the GLoBE Commentary
- Further guidance

A Refresher of Pillar Two Key Concepts

Income Inclusion Rule (IIR)	Undertaxed Payment/Profits Rule (UTPR)
<ul style="list-style-type: none">• Payable in the Ultimate Parent Entity (UPE) jurisdiction or, if no IIR in UPE's jurisdiction, payable in Intermediate Parent Entity (IPE) jurisdiction if IIR in such jurisdiction• Top-up Tax with respect to entities in low-tax jurisdictions (i.e., less than 15% effective tax rate)• Computed on a country-by-country basis• Priority over the UTPR rules• Effective from 2024	<ul style="list-style-type: none">• Backstop if income is not taxed by IIR in UPE or IPE jurisdiction• Payable by entities in UTPR jurisdictions• Increases tax on entities in a UTPR jurisdiction if they have low tax affiliates (below 15%) in other countries• Top-up Tax by disallowing deductions or other adjustments• Allocated to the UTPR jurisdictions based on relative shares of total employees and tangible assets• Effective from 2025
Qualified Domestic Minimum Top-up Tax (QDMTT)	Treaty based Subject to Tax Rule (STTR)
<ul style="list-style-type: none">• Payable in the domestic jurisdiction with the Top-up Tax amount• Meant to be calculated on the same base as the IIR and UTPR• Local GAAP or UPE's GAAP?	<ul style="list-style-type: none">• Model treaty provision to be introduced in tax treaties where a covered item of income is taxed at less than 9% nominal rate• Treaty open for signature since October 3, 2023• Protects the right of developing countries to tax certain base-eroding payments (like interest and royalties) when they are not taxed up to the minimum rate of 9%.

Pillar Two in the World



Europe

European Union (transposed by 18 countries)
 Guernsey, Jersey & Isle of Man
 Gibraltar

Liechtenstein
 Norway
 Switzerland
 United Kingdom

Americas

Argentina
 Bahamas
 Barbados
 Bermuda
 Brazil
 BVI
 Canada
 Colombia
 Jamaica
 Puerto Rico
 US

Africa

Kenya
 Mauritius
 Nigeria
 South Africa
 Zimbabwe

Middle East

UAE
 Qatar

AsiaPac

Australia
 China
 Hong Kong
 India
 Indonesia
 Japan
 South Korea
 Malaysia
 New Zealand
 Singapore
 Thailand
 Taiwan
 Vietnam

- Announcement / slightly process
- Legislation in process
- Legislation in force

All info in PwC's Pillar Two Country Tracker:

OECD Pillar Two country tracker
 See Pillar Two developments by country

How are MNEs approaching Pillar Two?

Pillar Two approaches per country / region / MNE

- Safe harbours
- Constituent Entity analysis
- Impact assessment
- Structuring alternatives
- Data readiness
- Process and operational readiness
- Disclosures and provisioning
- Pillar Two compliance:
 - Outsource, insource or co-source Pillar Two calculations and compliance
 - Development of an in-house calculation engine
 - A centralized compliance approach is highly recommended
- Pillar Two impact on deals
- Denial and/or no action due to slow implementation in the region / country of the HQ



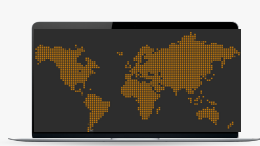
Many MNEs are currently evaluating external providers for end-to-end process

Pillar Two can be led by different stakeholders, not only tax

PwC's Pillar Two Ecosystem

Our Pillar Two Tool:

- > PwC's Pillar Two Engine



Our Thought Leadership:

- > PwC's Pillar Two Data Input Catalog



Tax Insights and Podcasts:

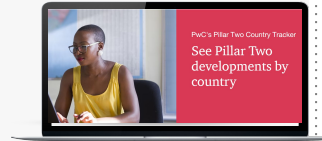
- > Tax Insights and Tax Policy Bulletins



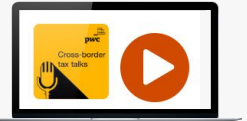
- > PwC's Pillar Two Readiness site



- > PwC's Pillar Two Country Tracker



- > PwC Cross-border Tax Talks, hosted by Doug McHoney (International Tax Services Global Leader)



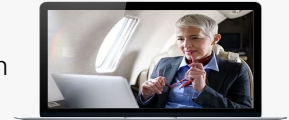
- > Featured Content: four publications (BCR SH, elections, adjustments, entity classifications)



- > PwC's Pillar Two Guide for US MNEs (*)



- > PwC Policy on Demand and Tax in 60 seconds



(*) The [Pillar Two guide for AsiaPac MNEs](#) and [EMEA MNEs](#) are also available

Regional / country tax updates and global tax trends

Regional / country tax updates:

UAE

- Corporate Income Tax introduced

Brazil

- Huge tax reform
- TP arm's length

Australia

- Intangibles integrity measure

EU Directives and Regulations

Global tax trends:

Public CbCR

Minimum corporate income taxes (not necessarily in line with P2)

Digital Services Taxes (P1)

New incentives to remain competitive despite Pillar Two

Other tax trends that started pre-BEPS 2.0:

Anti-hybrid and interest limitation rules

Beneficial ownership disclosure

Green taxes, tax credits and incentives

Tax transparency

What we are seeing in the market lately (other than P2)?

Value and Supply Chain Transformation

(nearshoring, activities closer to markets, new locations, automation of processes, green energy or raw materials, etc.)

EU tax update: FSR and CSRD

Foreign Subsidies Regulation to tackle financial support from third countries that can distort the internal market:

- **Concentrations** where at least one of the merging companies, the acquired company or the JV generates an EU turnover of at least €500M, and the transaction involves parties that have received foreign financial contributions from any number of non-EU countries of at least €50M in the previous three years.
- **Bids in public procurement procedures** where the estimated contract value is at least €250M and the bidder(s) was granted foreign financial contributions of at least €4M per non-EU country in the previous three years.
- **Ex-officio** power of investigation tool

FSR gives the EU Commission far reaching powers to review and potentially block M&A or public procurement procedures.

First notifications of financial contributions required from 10/12/ 2023.

Corporate Sustainability Reporting Directive for **ESG detailed reporting**, how sustainability issues affect a company's business, and the impact of the business' activities on people and the environment.

Reporting due in FY24 (those in scope of Non-Financial Reporting Directive) or FY25

Potential impact to **50,000+** operating across the EU and EEA.

Non-EU entities in scope on a global consolidated basis if significant EU operations:

- Total EU net turnover (revenue) > €150M and:
- One "large" subsidiary in the EU or a subsidiary listed on an EU-regulated market; or
- One EU branch with revenue of ≥ €40M in preceding year

Organisations must undertake an evaluation of their legal entity footprint to report on their environmental and social activities

US international tax update

Legislative Updates

- Tax Bill
 - Domestic Section 174 expensing.
 - Section 163(j) revival of “DA” in EBITDA.

Guidance Expected

- PTEP regulations
- CAMT regulations
- FTC regulations
- Cloud Sourcing regulations
- Moore v. United States
- Liberty Global, Inc. v. United States

Guidance Released

- Notice 2023-80 on FTCs and DCLs
- Notice 2024-10 on CAMT
- Notice 2024-16 on Section 961(c)
- Section 987 Regulations

2025 Potential Legislative Changes

- GILTI rate increases
- BEAT rate increases
- FDII benefit decreases
- Individual AMT expands

Thank you

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