The 6th BRITACOF

Shared Progress in Taxpayer Service for a Better Business Environment

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Business & Industry Tax Dialogue

Improving Tax Environment
–
A Business and Industry Perspective

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Pillar 2 (P2) implementation and its challenges
Digitalization and GenAI
Tax certainty, advance rulings, and APA systems
Customs and transfer pricing tensions
Global minimum taxation and its implications

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Pillar 2 (P2) implementation and its challenges

High Complexity of the P2 rules

- Expertise in International Accounting, Tax and P 2 required

Limited fiscal income but high compliance burden

- For BRI Countries likely not much fiscal income, given the scope
- But high complexity for the outbound business, and tax administrations

Limits the ability to attract inbound investments

- Tax benefits/incentives need to be carefully designed
- Substance based carve out can shield Top up Tax

2

The side-by-side understanding of the G7

Still undefined, how to achieve the side-by-side

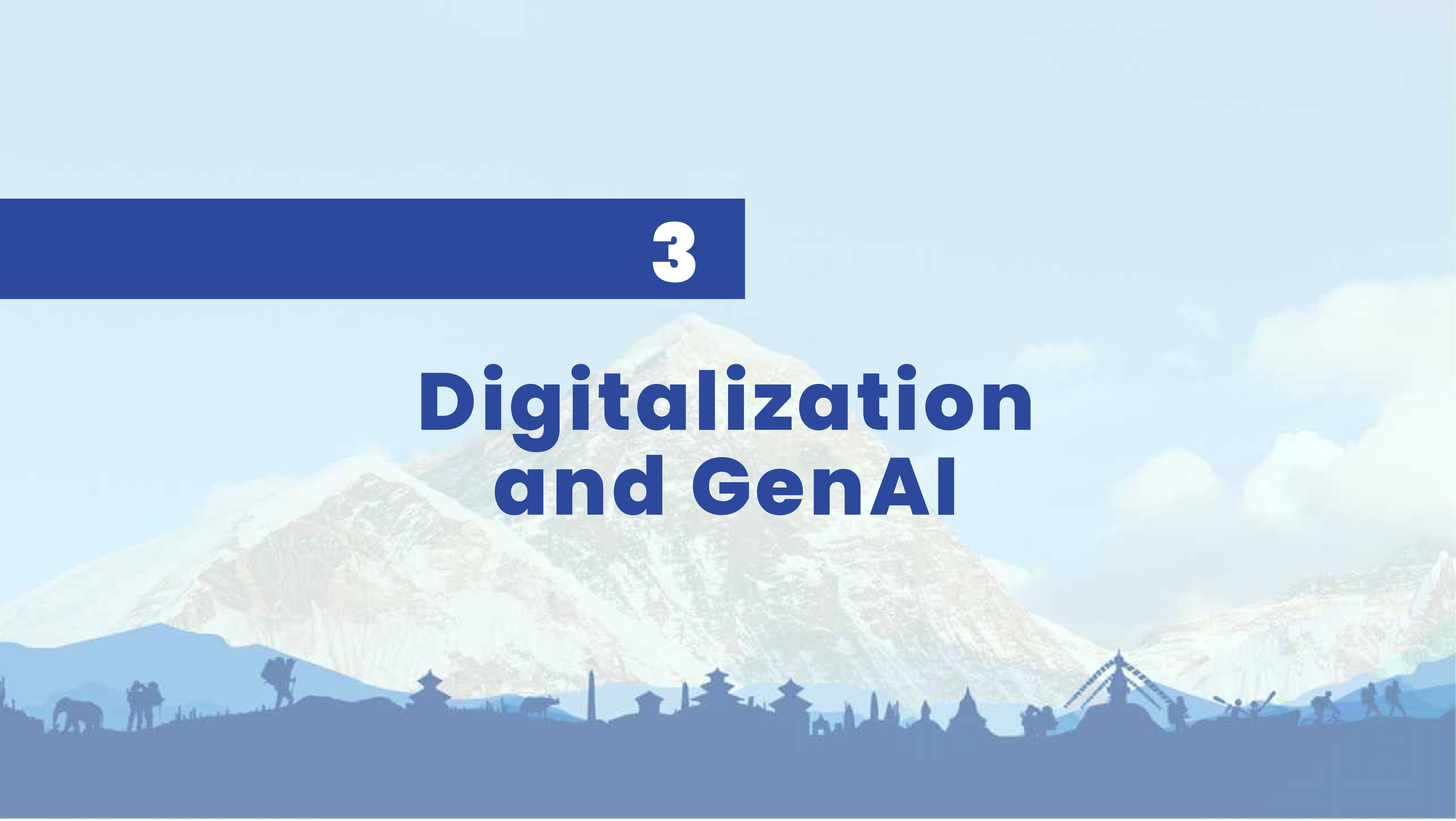
- Safe-Harbor, changes to the Model rules?

Side-by-side is not equal for both sides….

- Non-US companies need to comply with P2 (IIR, QDMTT, UTPR) and U.S. GILTI!
- US companies only need to comply with QDMTTs and GILTI

Global Blending under U.S. GILTI can be beneficial

- U.S. GILTI allows for global blending, P2 only allows jurisdictional blending
- Level playing field not fully achieved



3

Digitalization and GenAI

Generative AI can make up for capacity shortfalls

- Chatbots can take over service functions

Generative AI will have an impact on the services industry

- Shared service centers will be impacted
- Programming jobs will disappear

Generative AI will find its way into value chains

- The tax environment will play a crucial role for creating certainty to attract innovative businesses

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Tax certainty, advance rulings, and APAs

Tax certainty is decisive for investment decisions

- Both, soft and hard tax factors, do influence investment decisions

Advance rulings create certainty

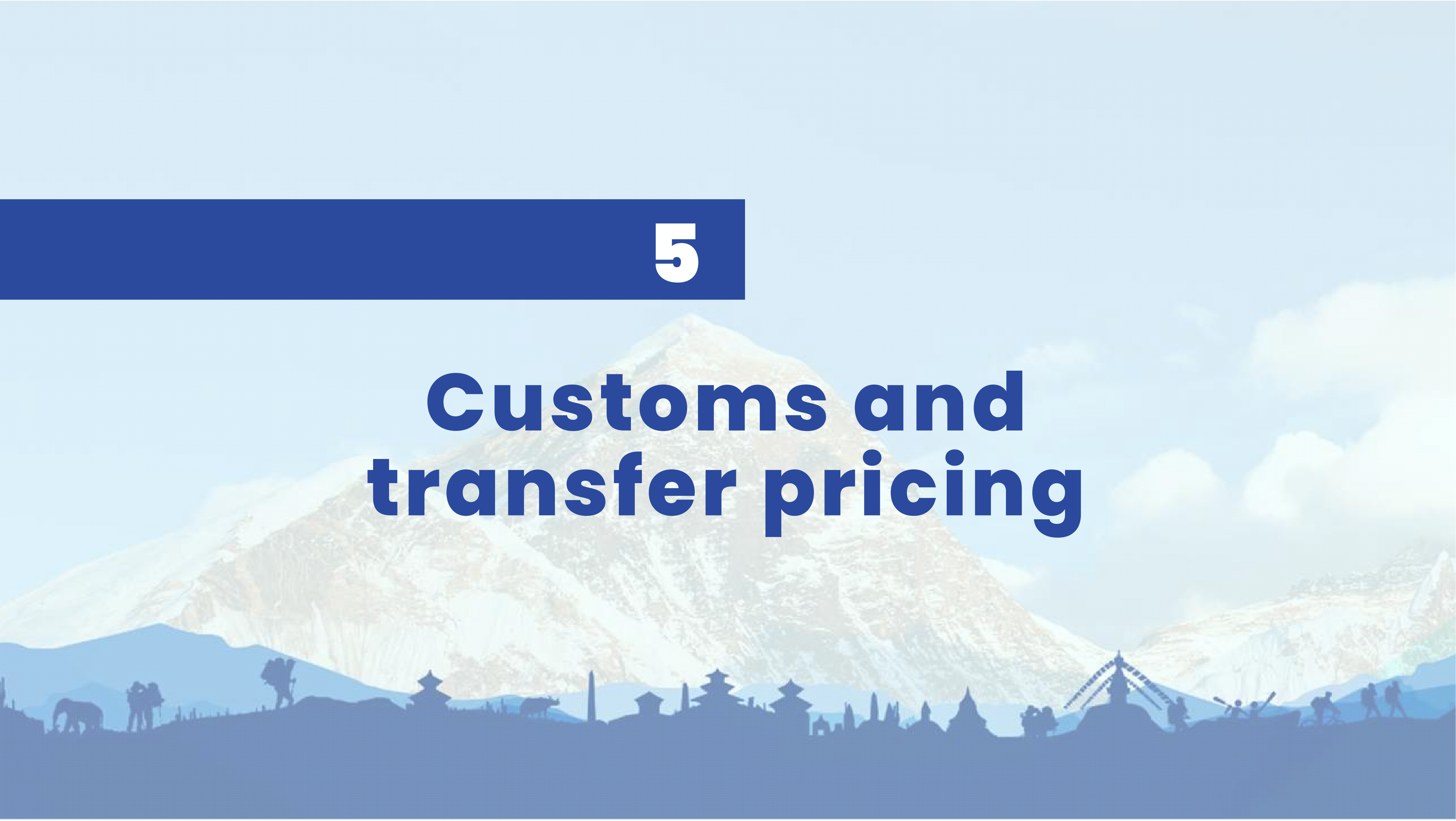
- Especially for new investors a reliable ruling practice can create trust

APAs secure a business plan

- With an APA a business has a foundation for its planning
- And both, taxpayers and tax administrations can save time and efforts avoiding potential disputes

5

Customs and transfer pricing



Customs tariffs have become very volatile…

- Supply chain planning needs lead-time

Higher customs cannot always be rolled-over

- In this case, the profitability suffers
- For Transfer Pricing, it needs to be decided, which party takes the “hit”

With TP adjustments customs cost might go down

- The Transfer Price is an indicator for the customs value
- Some businesses try to manage their custom exposure through TP


Thank you