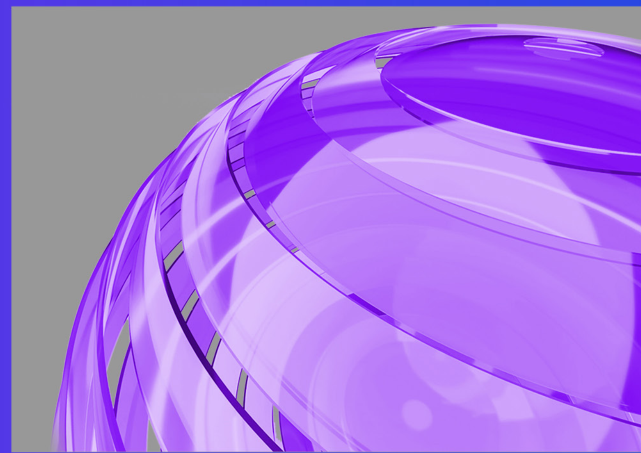
International tax reform analyzer



Modeling the changing U.S. international tax legislative and regulatory landscape

The U.S. tax law enacted in December 2017 (the 2017 Tax Act) was a game changer for many businesses. The complex interaction of the new rules with the former tax system creates significant complexity for multinational organizations evaluating the potential impact of these rules to their global effective tax rate (ETR) and cross-border tax planning.

KPMG can help

The **KPMG international tax reform analyzer (ITRA)**, a KPMG LLP Excel-based tool, allows for extensive modeling of international tax rules, including those introduced by the 2017 Tax Act, prior existing provisions, and current international tax proposals.

ITRA has helped more than 900 companies gain increased visibility into their global tax profile, identify the key drivers of their global ETR, and assess what planning can be considered to potentially improve their tax position.

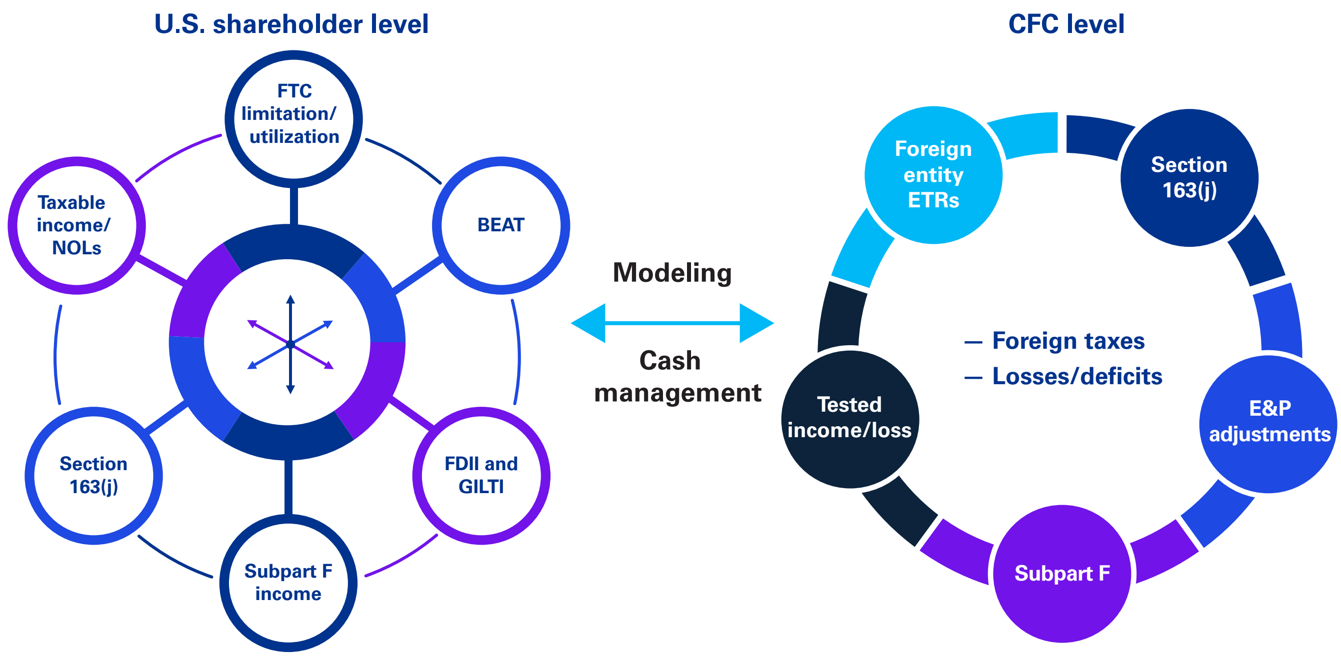
Key ITRA features:

- Powerful modeling capabilities can handle tax provision, tax compliance, and tax planning.
- Scalability can accommodate both “back-of-the-envelope” and in-depth calculations.
- Extensive scenario planning ability facilitates alignment of tax planning with business goals and objectives.
- High-impact visualizations enable easy comparison of planning opportunities and cost-benefit analyses for discussion with stakeholders.
- Regular updates factor in legislative changes and new technical guidance from the U.S. Department of the Treasury and the Internal Revenue Service.

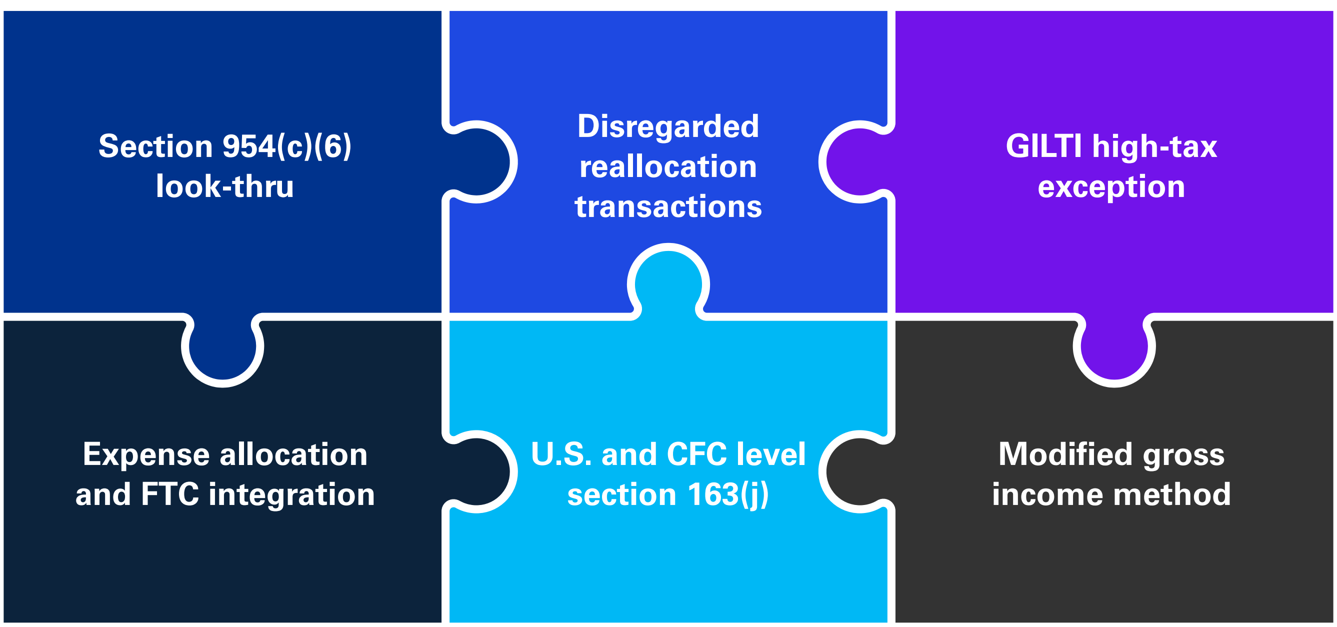
You cannot rely on intuition

Current U.S. tax rules for multinational companies are highly interdependent.

The significant interaction among various post-tax-reform rules requires detailed modeling at both the CFC and U.S. shareholder levels to help determine the potential global tax impact of tax reform on tax planning.



ITRA's calculation logic encompasses some of the most challenging parts of U.S. international tax rules, helping your team to comply efficiently and accurately with regulatory requirements and focus on value-added prospective tax planning.



ITRA key functionality

ITRA can handle multiple use cases.

ITRA can be used to model calculations for quarterly tax provisions and for the year-end compliance process. It can also accommodate the modeling of any number of planning scenarios for up to 20 years using percentage growth rates or actual projections.

ITRA is scalable.

Depending on the objectives, ITRA can be used for high-level directional analyses to, for example, model the cash tax and ETR impact of scenarios using 10-year EBITDA projections. Or ITRA can be used to model detailed base case and scenario planning, using refined financial data by legal entity, including the allocation and apportionment of expenses to groupings of income at both the foreign entity and U.S. shareholder levels.

ITRA can model multiple scenarios.

ITRA can be used to model multiple scenarios within the same base model to see results side by side immediately. These scenarios include acquisitions, dispositions, supply chain planning (e.g., the movement of intellectual property to or from the United States), changes to the mix of GILTI inclusions versus subpart F inclusions, foreign tax credit (FTC) limitation planning, and legal entity and debt restructuring planning, among others.

ITRA produces high-impact outputs.

ITRA outputs include (1) visuals generated by Power Business Intelligence (PowerBI) that highlight key drivers of the base case global tax profile and the potential impact of proactive planning scenarios and can be used in discussions with tax, finance, and C-suite stakeholders and (2) Excel reports—organized by key tax reform provision and structured to take a user through ITRA inputs, tax rule calculation flows, and resulting numerical outputs.

In addition, ITRA's tax compliance connector (Connector) is able to produce reports in IRS tax form format and can be used to interface directly with Corptax and Thomson Reuters ONESOURCE Income Tax and GoSystem Tax RS tax compliance e-filing software.

ITRA links to other KPMG technology.

ITRA is a cross-functional tool that connects with other KPMG tax tools, including the KPMG PTEP Analyzer and the KPMG BEPS 2.0 Model. As a result, a broader picture of the potential impact of tax reform can be achieved.

ITRA's scope

ITRA's functionality encompasses calculations at both the foreign entity and the U.S. shareholder levels, including the ability to help analyze how the impact of various tax focus areas may affect your global ETR—in both dollar and rate terms—and concisely summarizes your current tax posture, potential options for your tax profile, and the potential impact of proposed legislative changes.

Specifically, ITRA can be used to analyze a corporation's base case global tax profile across such areas as:

- Foreign tax planning and rate differential
- GILTI inclusion
- GILTI/FDII section 250 deduction
- GILTI high-tax exception (HTE) complexities, including ability to facilitate identification of tested units and ETR by tested unit, handle Treas. Reg. 1.861-8 enhanced expense apportionment methodologies, calculate CFC and qualified business unit level modified gross income, and automate disregarded reallocation transaction ordering per final GILTI regulations
- Subpart F inclusion
- Section 954(c)(6) look-thru analysis
- FTC utilization
- Section 163(j) limitation (U.S. and CFC)
- NOL utilization, including the interaction with Treas. Reg. 1.904-(g)(3)
- Base erosion anti-abuse tax (BEAT)
- Corporate alternative minimum tax (CAMT)

In addition, ITRA can help analyze the potential impact of various scenarios, including, among others:

- Planning scenarios in response to legislative proposals
- GILTI/proactive subpart F
- FTC planning
- GILTI/subpart F HTE analysis
- FDII planning
- BEAT planning
- Interest expense limitation planning
- Acquisition scenarios
- Disposition scenarios
- Intellectual property restructuring scenarios
- Entity/loan restructuring scenarios
- Local country tax planning

ITRA output samples

Base case scenario modeling

ITRA scenario modeling can assist taxpayers in understanding the impacts of the various tax elections and legislative proposals to identify potential opportunities and risks.

ITRA allows users to run any number of scenarios, including the application of the GILTI HTE to determine whether or not making the election results in an overall benefit to U.S. cash tax and ETR.

	Base case		GILTI high-tax scenario		Difference	
Estimated US Global Rate Reconciliation	USD	% Rate Rec	USD	% Rate Rec	USD	% Rate Rec
Consolidated Book Income/(Loss)	3,899,219,293		3,899,219,293		-	0.0%
US Statutory Tax Rate	21.0%		21.0%		-	0.0%
Income Tax at Statutory Rate	**818,836,052**	**21.0%**	**818,836,052**	**21.0%**	**-**	**0.0%**
Foreign Branch Tax Impact	16,642,098	0.4%	16,642,098	0.4%	-	0.0%
Foreign Corp Tax Impact	18,883,940	0.5%	18,883,940	0.5%	-	0.0%
FDII 250 Deduction	(76,505,542)	-2.0%	(76,505,542)	-2.0%	-	0.0%
GILTI Inclusion	118,383,444	3.0%	12,987,331	0.3%	(105,396,112)	-2.7%
GILTI 250 Deduction	(85,389,584)	-2.2%	(7,855,937)	-0.2%	77,533,647	2.0%
GILTI 78 Gross Up	52,395,725	1.3%	2,724,542	0.1%	(49,671,182)	-1.3%
GILTI FTCs	(56,580,620)	-1.5%	-	0.0%	56,580,620	1.5%
Subpart F Inclusion	4,408,872	0.1%	4,408,872	0.1%	-	0.0%
Subpart F 78 Gross Up	1,816,236	0.0%	1,816,236	0.0%	-	0.0%
General Limitation FTCs	(6,807,343)	-0.2%	(7,086,371)	-0.2%	(279,028)	0.0%
Foreign Branch FTCs	(10,337,210)	-0.3%	(9,762,799)	-0.3%	574,410	0.0%
Global Income Tax Exp	**795,746,066**	**20.4%**	**775,088,421**	**19.9%**	**(20,657,645)**	**-0.5%**

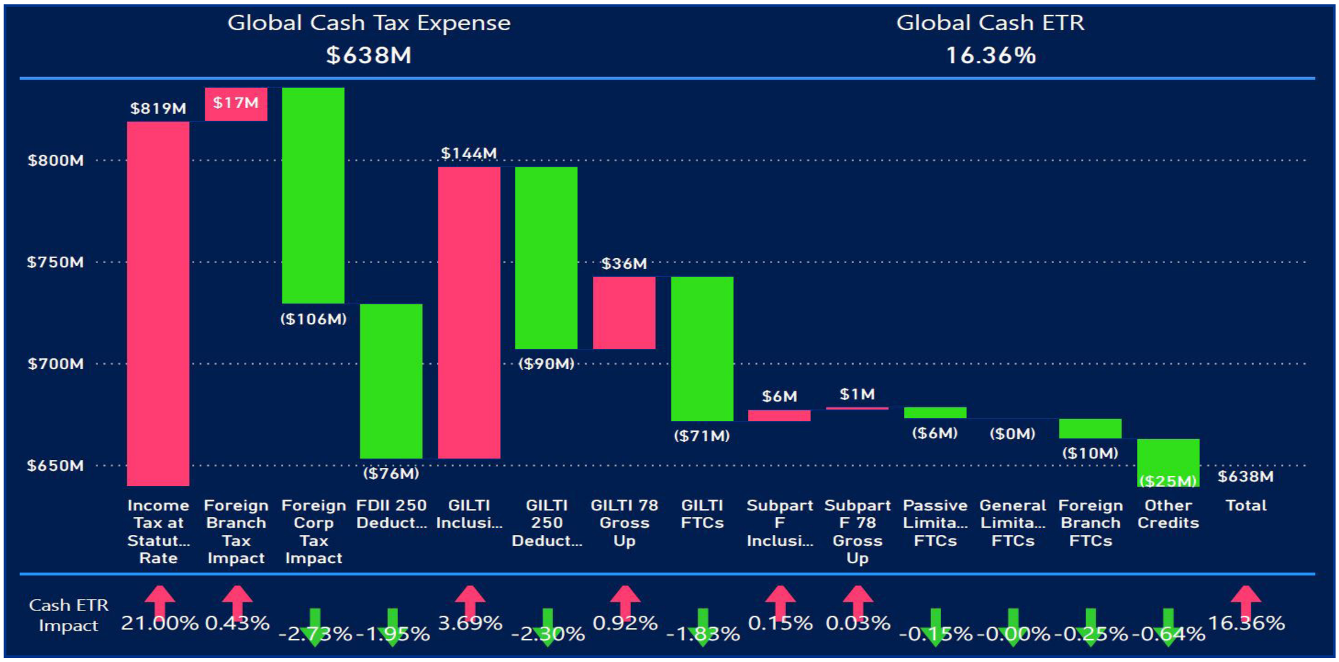
CAMT example Excel output

The following is an example of ITRA's capabilities with regard to the CAMT rules. After the determination of adjusted financial statement income, users can compare their tentative minimum tax liability to the regular tax liability to determine whether they are subject to additional tax.

Corporate Alternative Minimum Tax Calculation	USD	USD
	2023	**2024**
Current Year Global Book Income		
US Group (including foreign branches or US)	2,386,089,054	2,433,810,835
CFC Group	1,301,798,543	1,342,183,828
Foreign Income Taxes Paid (zero if US deducts creditable foreign income taxes)	211,331,696	246,602,923
User Adjustment to AFSI	891,357,212	673,198,403
Adjusted Financial Statement Income before NOLs	**4,790,576,505**	**4,695,795,989**
Alternative Minimum Tax Liability		
AFSI less AFSI NOLs	**4,790,576,505**	**4,695,795,989**
Tax Rate on AFSI	15.0%	15.0%
Tentative Minimum Tax Before AMT FTC	**718,586,476**	**704,369,398**
Qualifying CFC Taxes — [a]	211,331,696	246,602,923
Tentative Net Book Income at CFCs and DREs of CFCs (from tab A3)	1,513,130,239	1,588,786,751
User Adjustment to CFC Net Book Income	8,312,567	2,913,812
CFC/DRE Net Book Income	1,521,442,806	1,591,700,563
15% of Net Book Income at CFCs/DREs — [b]	228,216,421	238,755,084
Lesser of [a] and [b]	211,331,696	238,755,084
Foreign income taxes paid by US and US branches	16,642,098	16,974,940
Corporate AMT FTC	**227,973,794**	**255,730,024**
Tentative Minimum Tax	**490,612,682**	**448,639,374**
Regular Tax (incl. BEAT and FTC, pre-sec.38)	408,136,524	435,834,455
Net Minimum Tax	**82,476,158**	**12,804,919**

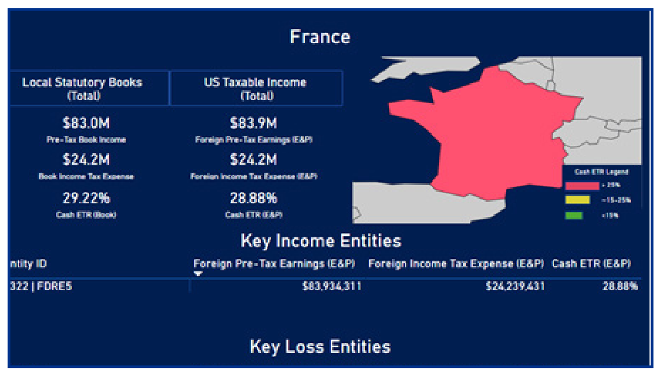
ITRA visualization samples

ITRA's online, PowerBI-based visualizations provide clients and users the ability to view and compare scenarios for multiple years. Clients and users can directly access visualizations through KPMG Digital Gateway to glean insights and better communicate with C-suite executives, audit committees, and other stakeholders.



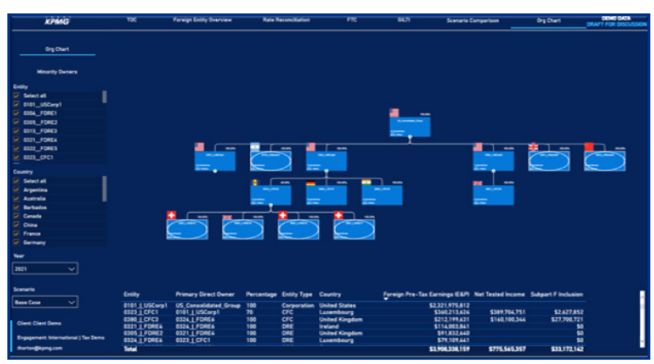
Estimated global ETR reconciliation

Cash tax expense and ETR analysis by scenario

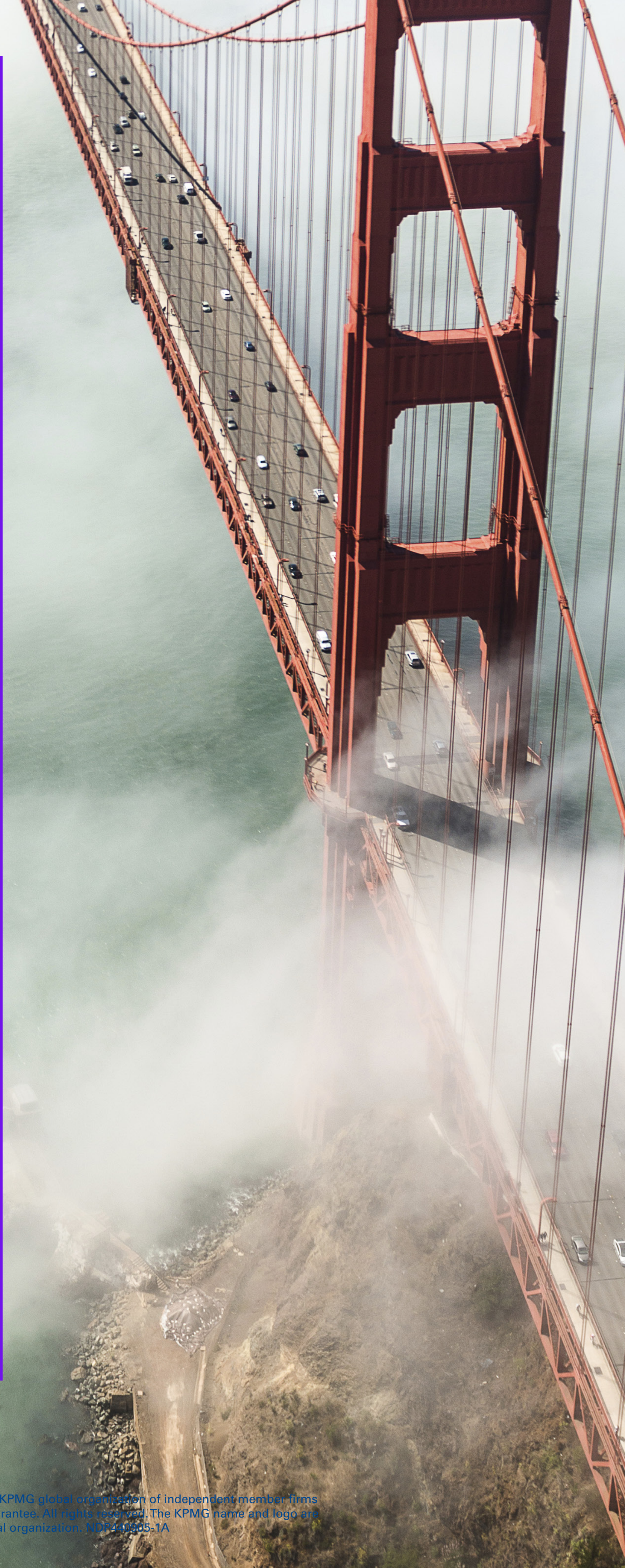


Key country income/loss summary

Foreign tax credit profile chart



Organizational structure chart



ITRA benefits

- ITRA is Excel-based, **transparent**, and not a "black box."
- Clients can obtain personal **desktop access** to their Excel version of ITRA. (This capability is not available to KPMG SEC Audit clients.)
- ITRA has been **used on hundreds of large clients from the Fortune 10 to the Fortune 1000**.
- ITRA is a holistic and flexible Excel model that can be **used for tax consulting, provision, and compliance**.
- Regulations, tax law changes, and enhanced functionality are added free of charge on a timely basis.
- **Detailed, audit-ready ITRA output reports** by key tax rule (e.g., FDII, GILTI, subpart F, section 163(j), BEAT, and section 861 expense allocation and apportionment) are included.
- ITRA delivers online visualizations, including the ability to view and compare scenarios for multiple years, accessible directly by clients through KPMG Digital Gateway, allowing tax teams to glean insights and better communicate with C-suite executives, audit committees, and other stakeholders.
- The suite of KPMG international tax modeling tools includes the following additional "bolt-on" models and functionality:
  - The KPMG PTEP Analyzer tracks PTEP layers and other key repatriation attributes and models various repatriation scenarios.
  - The KPMG BEPS 2.0 Model calculates the impact of the OECD's global minimum tax measures (known as Top-Up Tax under Pillar Two).
  - ITRA's Connector creates tax-compliance-focused output reports that mirror certain IRS tax forms.

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