



Global Depreciation Study

Navigate the new depreciation complexities created by tax reform

The international provisions of the new tax reform law have fundamentally changed the US international tax rules and bring a new level of complexity to tax compliance and planning for US companies.

How will tax reform impact your tax cost recovery strategies?

You may need to change the way you approach tax depreciation calculation if:



You have a significant volume of fixed assets domestically and/or internationally.



You need an alternative depreciation system (ADS) tax book to support compliance with the FDII and GILTI provisions.



You conduct business and have assets geographically dispersed in multiple states and face complex bonus depreciation rules.



You have historically used GAAP or statutory book depreciation as a substitute/proxy for tax depreciation with respect to its IRC § 964 earnings and E&P computations.



You want to consider using the alternative tax book value method under Reg. § 1.861-9(i) for purposes of interest expense apportionment for the FTC limitation calculation.



Tax reform brings a new focus on depreciation methods, computations, and basis maintenance

The tax reform law defines two new categories of income: Global Intangible Low-Taxed Income (GILTI) and Foreign Derived Intangible Income (FDII). Calculating either one requires taxpayers to determine their Qualified Business Asset Investment (QBAI). QBAI is the average aggregate of adjusted tax bases in specified tangible property used in a trade or business for which a deduction is allowable under IRC § 167. Adjusted tax

basis must be measured and computed using the alternative depreciation system (ADS) under IRC § 168(g).

Many taxpayers who have not historically maintained a separate ADS tax book now need to create and maintain ADS tax depreciation books for both foreign and domestic companies in order to comply with the GILTI provision and substantiate the FDII deduction.

For many businesses, tax depreciation calculations can be challenging, especially for companies with high asset counts, multiple and disparate fixed asset systems, and resource and technology constraints.

The renewed focus on depreciation computations now raises the stakes.

Understanding FDII and GILTI

The tax reform law introduces new rules for companies that hold their intangible property (IP) in the US, as well as a new category of nondeferred income for profits attributable to IP held offshore within a controlled foreign corporation (CFC).

The FDII incentive:

$$37.5\% \times \text{FDII} + 50\% \times (\text{GILTI} + \$78 \text{ gross-up})$$

\$250 deduction

The GILTI penalty:

$$\text{Net CFC tested income} - \text{Net deemed tangible income return (DTIR)}$$

\$951A income inclusion

The imperative:



Calculate and measure QBAI in time for your next quarterly estimated tax payment



Analyze your company's ability to claim an FDII deduction



Understand the potential impacts of the GILTI inclusion

Helping you move forward with confidence

Deloitte's Global Depreciation Study helps you bridge the gap between your current state and the new tax reform reality. Deloitte's dedicated national team of tax cost recovery specialists leverages the firm's proprietary Depreciation Analysis & Reporting Tool (DART) to conduct a global depreciation analysis and build the ADS tax book you need for FDII, GILTI, and other international tax rules.

Our Global Depreciation Study provides:



Comprehensive analysis of worldwide tax fixed asset basis and establishment of required ADS tax books



Calculations of current-year earnings and profits (E&P) tax depreciation and measurements of QBAI



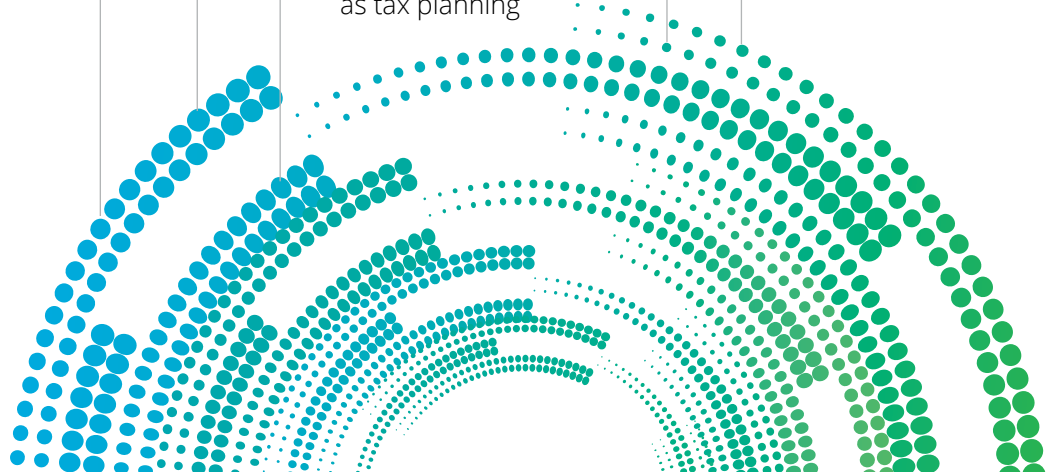
Forward-looking tax cost recovery and tax basis analysis, as well as tax planning



Federal, state, and international tax compliance reporting and forms support



Advanced tax depreciation data analytics and visualization



Our Global Depreciation Study approach

Deloitte can help you build and execute against a roadmap for adapting your depreciation calculations to the new tax law.

Here's how we do it:

1 Analyze the availability and completeness of historical cost basis

2 Document tax function currency for use in tax depreciation book construction

3 Construct ADS tax book as of January 1, 2018 under IRC § 168(g)

4 Consider whether changes in method of accounting are required, and prepare Form 3115, where required

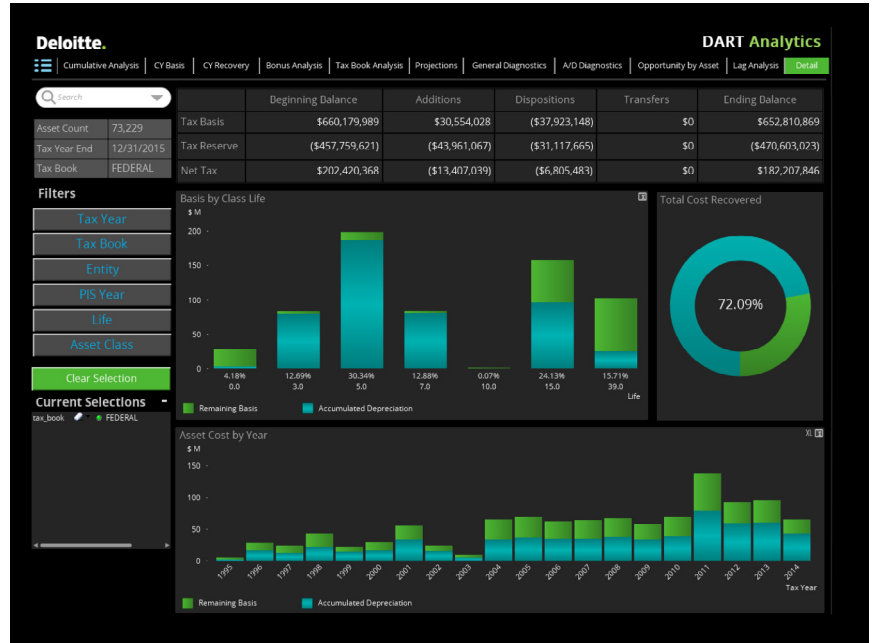
5 Process current-year ADS depreciation and produce ADS tax depreciation and QBAI computations

6 Deliver DART output and tax data analytics, or transition new ADS books to client systems

Depreciation Analysis & Reporting Tool (DART)

A powerful engine for calculating tax depreciation and QBAI computations

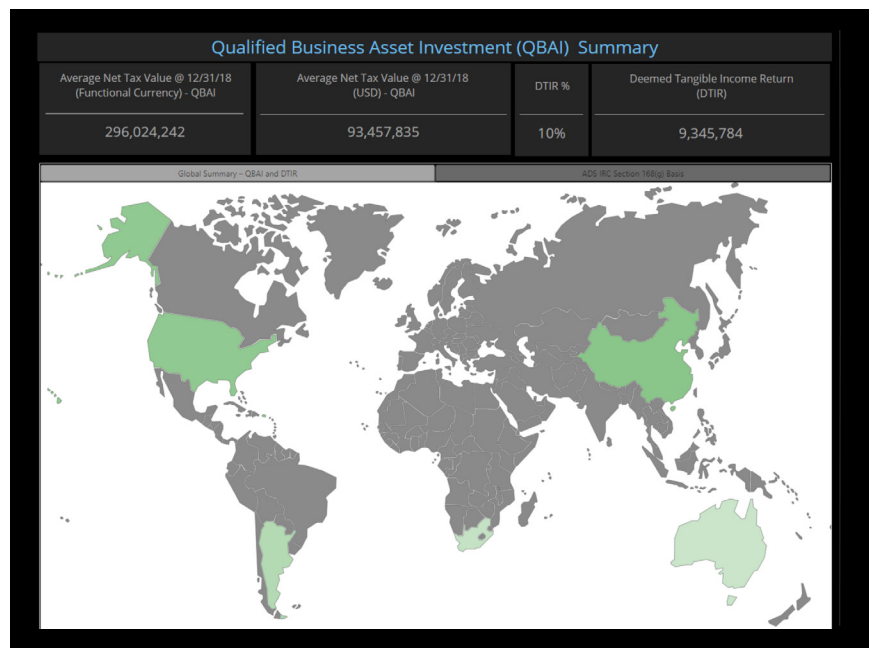
Deloitte tax professionals use DART through each step of the Global Depreciation Study to quickly and efficiently provide the thorough analysis and complex calculations you need to comply with new tax reform provisions and advance your tax cost recovery and tax basis maintenance goals.



Leverage advanced tax depreciation data analytics for deep cost recovery insights

Analyze and calculate tax basis for domestic and foreign companies

Access transparent views into cost recovery computations



Calculate, track, and analyze worldwide QBAI

Visualize QBAI across geographic areas and tax domains

Understand foreign and domestic DTIR

The benefits of Deloitte's DART-powered solution



Fast and efficient tax cost recovery computations for measuring QBAI and supporting FDII and GILTI—without draining your internal tax resources



Scenario analysis for use in broader tax planning and forward-looking cost recovery and tax basis analysis



Improved quality, timing, and effectiveness of the tax compliance process



Opportunities for potential cost recovery acceleration and monetization of cash/tax benefits

Why Deloitte?

- National, dedicated tax cost recovery and technology practice
- Deep experience with depreciation calculations, including:
 - **1,300+** entities ranging from privately held to Fortune 500 companies
 - **10** years of technology development and innovation
- Fully integrated tax fixed asset data analytics and visual reporting
- Tailored services to meet your organization's objectives and approach

Contacts

John F. McKee

National Practice Leader,
Strategic Tax Review Services
and Managing Director
Deloitte Tax LLP
+1 215 246 2532
jomckee@deloitte.com

Daniel Chang

Senior Manager
Deloitte Tax LLP
+1 404 942 6624
dchang@deloitte.com

John M. Belpedio

Senior Manager
Deloitte Tax LLP
+1 212 436 2637
jbelpedio@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

As used in this document, "Deloitte" means Deloitte Tax LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.