



A tax strategy for
the road to net zero



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The road to net zero

Climate change is the defining issue of our time. Government policies, customer, employee and consumer demands, investor pressure and technology are all converging to drive decarbonisation.

Against this backdrop, the role of business is shifting, as society is increasingly demanding that business acts as a force for good. Corporates will play a key role in responding to climate change. Numerous organisations have made public commitments to reduce greenhouse gas emissions.

Progress towards these goals needs a plan. The way any company acts today in response to climate change will almost certainly impact its degree of advantage tomorrow.



Why does this matter for the tax team?

Organizations are increasingly focusing on purpose, with ever greater focus on Environmental, Social and Governance (ESG) principles.

This places climate response and the road to net zero at the core of business strategy. It is not only up to the Board and the executives to take action. Whereas the Board and Executives typically determine the lines of the overarching sustainability strategy and plan, tax leaders should also consider how their teams can positively contribute to these changing business priorities and wider social purpose. They need of course draw the lines of their sustainability strategy and plan.

For many organisations, climate change will have a profound impact on business operations. As with any business transformation, there will be tax consequences as a result of business model and supply chain changes. This also brings potential for the tax team to try to capture the value related to this business transformation and ensure the tax strategy follows the business change. In addition, many of the policy levers used by governments on the road to net zero will be in the tax sphere, ranging from grants and incentives, to carbon taxes. For example, the EU's Green Deal contains an Investment Plan to stimulate public and private investment as well as tax measures such as reforms to the Energy Tax Directive (ETD), that could be in force as of 2023 and a proposed Carbon Border Adjustment Mechanism (CBAM).

The OECD has recently noted that energy and carbon taxes have a key role to play in the transition to a socially inclusive zero-carbon economy. In addition, policy makers are starting to consider whether tax and regulatory policy take account of climate commitments.

In Belgium, various tax incentives and grants schemes are available to support the energy transition, from both regional and federal level. Identifying these will accelerate the deployment of your sustainability strategy. At the same time, companies active in Belgium need to consider the present and future implications of the energy taxation landscape, being in full transition towards more sustainability driven and excise-based taxation and exemption mechanisms.

As a result, more and more indirect tax and global trade regulatory schemes, including a series of parafiscal levies and requirements, are designed and implemented at the EU and Belgian level. EU ETS, CBAM, Plastic and waste taxes, carbon taxes, rebalanced excise duties, etc. will have an increasing impact on your business, both from an administrative and financial perspective. Do you know how business operations and the tax team will be impacted by these indirect and environmental taxes; and have these been adequately taken into account when designing your company's sustainability strategy ?

Moreover, whether we evocate EU legislation or national legal frameworks, both are evolving to embrace the sustainability transformation pushed by public opinion. Anticipating the legal transformation induced by your sustainability strategy will be useful to ensure that a sustainability strategy sticks to the desired schedule.

Tax teams need to be ready to respond and potentially contribute to the policy environment, ensure that tax is integrated into business decision making, and have the right skills and resources to react to the emerging business opportunities and challenges. Underestimating this role may result in higher taxes, non-compliant reporting and fines, missed grants and incentives or, in a worst-case scenario, even the banning of your products from the EU market.

By activating the available incentives, assessing tax impacts of changes in legislation, and potentially capturing the value attributable to your companies' business changes through tax aligned planning, tax leaders will play a key role to make the sustainability strategy of the company financially viable.



Achieving net zero goals means the tax team needs to find a new balance

As the response to climate change becomes embedded in organisations, the role of the tax team will evolve. We are already seeing a greater emphasis on tax policy, business advisory and risk management within tax teams in response to broader political, economic and social developments. Climate change is another driver, and accelerator, of change. Tax teams will need to be equipped with the right technology, skills and resource model to allow them to deliver the tax strategy for the road to net zero.

The interactive tool “tax atlas” developed by Deloitte will allow you to identify, at a global level, the landscape of environmental taxes and incentives ([link here](#)). Moreover, the “My Global Incentives” Deloitte tool is supporting the whole process of tax incentive and grants implementation, ensuring that you identify and apply in a smooth way for any tax incentives or grant schemes available in each country ([link here](#)).

Deloitte can bring the right technology and tools to support and integrate the diligence and reporting requirements accompanying the recent and anticipated sustainability-driven tax initiatives.

5 questions for tax leaders to consider

01

How do we monitor and track tax policy developments – both measures expected to be introduced in the short and long term? And what is your role and responsibility as tax leader?

02

Are material environmental tax costs and incentive savings factored into business decisions at the outset? Such as the impact of the revised Belgian energy taxation; the EU Carbon Border Adjustment Mechanism (CBAM) or the impact of other countries’ measures regarding foreign trade and environmental tax.

03

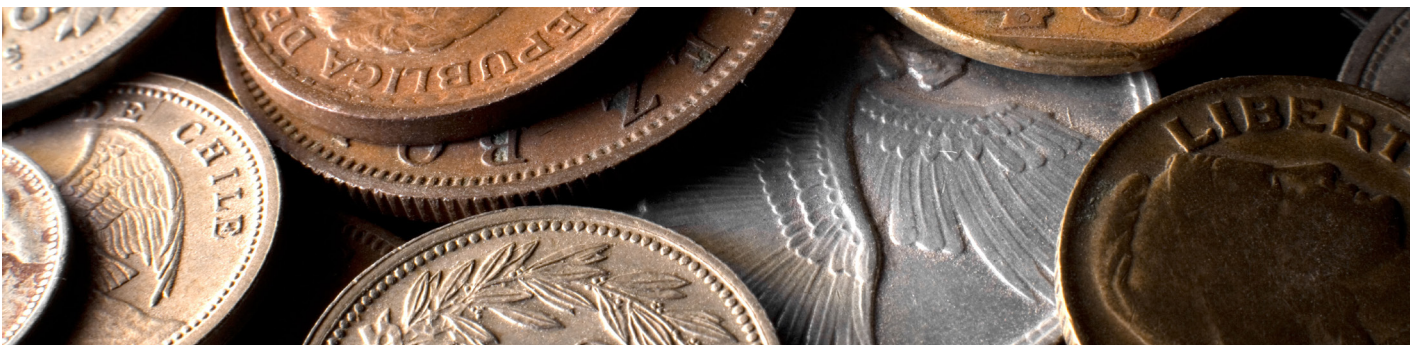
Is tax involved in the business change discussions to ensure the company’s tax strategy continues to be integrated and aligned to the business strategy and operating model? Is tax here aligned with HR and Legal when it comes to the impact on talent management, payroll tax, immigration, employment contracts and salary cost allocation?

04

How will the skills, systems and processes needed within the tax team change in future e.g. to manage the increasing variety of indirect taxes, related compliance requirements and the transfer pricing of new business models (including intellectual property ownership, alignment to value creation, etc.)?

05

What are the areas where the business should consider tax policy engagement? What information is reported for tax transparency purposes? Is the tax code of conduct still aligned with the ESG ambitions of the organization?



Why Deloitte?

Tax teams across the globe are challenged with developing a tax strategy that supports the business to achieve its net zero goals. Government policies, society and business operations are changing as we collectively implement plans to achieve net zero goals.

How a tax team prepares for these changes, whilst still being able to address the immediate challenges of BEPS 2.0, COVID-19 and digitisation, will influence its success.

Our team's expertise covers a range of tax specialisms to help tax leaders design, implement and achieve their net zero tax strategy and purpose.

We work alongside our sustainability team, who've helped define many of the sustainability frameworks and guidelines that are now well-established in global businesses. Our team is very well placed to support you on your road to net zero.



Sustainability & Climate Tax Services

As an organization transitions to a sustainable, low-carbon future, tax considerations will be essential for success. Deloitte is ready to help bring value to your organization's climate transformation, wherever you are on your journey.

Advise on practical tax efficient strategies to support returns on sustainable investments by utilizing tax credits and incentives in the form of trade carbon offsets or carbon credits, incentives, discretionary grants, statutory investment tax credits, payroll tax reductions and reliefs in areas such as:

- Alternative energy and power
- Alternative fuels
- Batteries
- Carbon capture
- Carbon "sinks"
- Electric and autonomous vehicles
- Energy efficiency
- Food – agriculture and production
- Green technology solutions
- Pollution control
- Water
- New intangibles

Advise and supporting compliance on various forms of environmental taxes imposed by jurisdictions including VAT, excise, property, plastic, and carbon taxes, such as:

- Carbon border adjustment (CBAM)
- BE energy transition
- E-mobility
- Economic partnership agreements
- EU Energy Taxation directive
- Global Trade regulations (deforestation, due diligence, etc.),
- Free trade agreements
- Sustainable society policy

Help to manage the risk of increasing costs to operations due to taxes designed to discourage anti-ecological behavior and reduce excessive emissions in relation to Sources of Carbon Dioxide, Waste management, Water pollution , etc.

Services

GOVERNMENT GRANTS, CREDITS, AND INCENTIVES



INDIRECT TAX

Advise on tax considerations in climate and broader sustainability disclosures including more demonstrable tax governance and transparency of global tax payments:

- Advise on factors shaping tax and sustainability reporting
- Provide guidance on the coverage of tax in climate-related and other disclosures
- Support with preparing tax sustainability and transparency reports (the design of a sustainable tax reporting strategy aligned to business initiatives)
- Build robust tax governance, controls, processes, and systems
- Develop clear and cohesive communications strategies that resonate with key stakeholders and align with reporting frameworks
- Recommend tax data management solutions to facilitate data collection, analysis, and reporting for tax-related sustainability disclosures

Assistance for leaders in understanding the tax implications and options as they seek to transform their supply chain to be more sustainable.

- M&A, joint ventures, and investment planning (incl. due diligences)
- Intellectual Property: Global strategies related to tax treatment of R&D and new IP related to sustainable products and solutions
- Global supply chain: Assessing the impact on an organization's global tax footprint related to changes in the supply chain including investments in renewable energy structures
- Carbon Market Participation: Understanding tax considerations of participating in global carbon market activities including the origination, sale, purchase, and utilization of carbon offsets/allowances.
- Transfer pricing: Assessing the transfer pricing impact of new business models and transformation, including changes in IP strategy and supply chain
- Supply chain tax advisory: Advise related to customs duty implications arising from potential carbon tax regimes and execution of sustainable supply chains. Verification services related to supply chain source of origins to confirm compliance with fair labor standards and ethical supply chains

Advise on the strategic and operational implications of transforming a workforce to embrace climate and sustainability initiatives:

- Rewards & Benefits: Embedding ESG metrics and targets in executive incentive plans, aligning remuneration policies & incentive packages, pension and (flex) benefits with the organizations sustainability strategy
- Global mobility: Integrating sustainability strategies with workforce engagement, in areas such as benefits and workplace facilities
- Resourcing and mobility: Assisting with corporate mobility and travel policies and alternative resourcing models that reduce an organization's climate footprint
- Global supply chain talent management: Advise on payroll, immigration, and cost allocations as result of sustainability supply chain transformation



**TAX GOVERNANCE
AND TRANSPARENCY**



**CORPORATE
INCOME TAX
ADVISORY**



**REWARDS AND
MOBILITY
WORKFORCE**

Deloitte is committed to playing a leading role in building trust in business, driving more inclusive and sustainable growth, and enhancing skills, education and inclusion for all. WorldClimate is Deloitte's strategy to drive responsible climate choices within our organisation and beyond. The opportunity to create a more sustainable world is at our collective fingertips. We all are compelled to act.

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