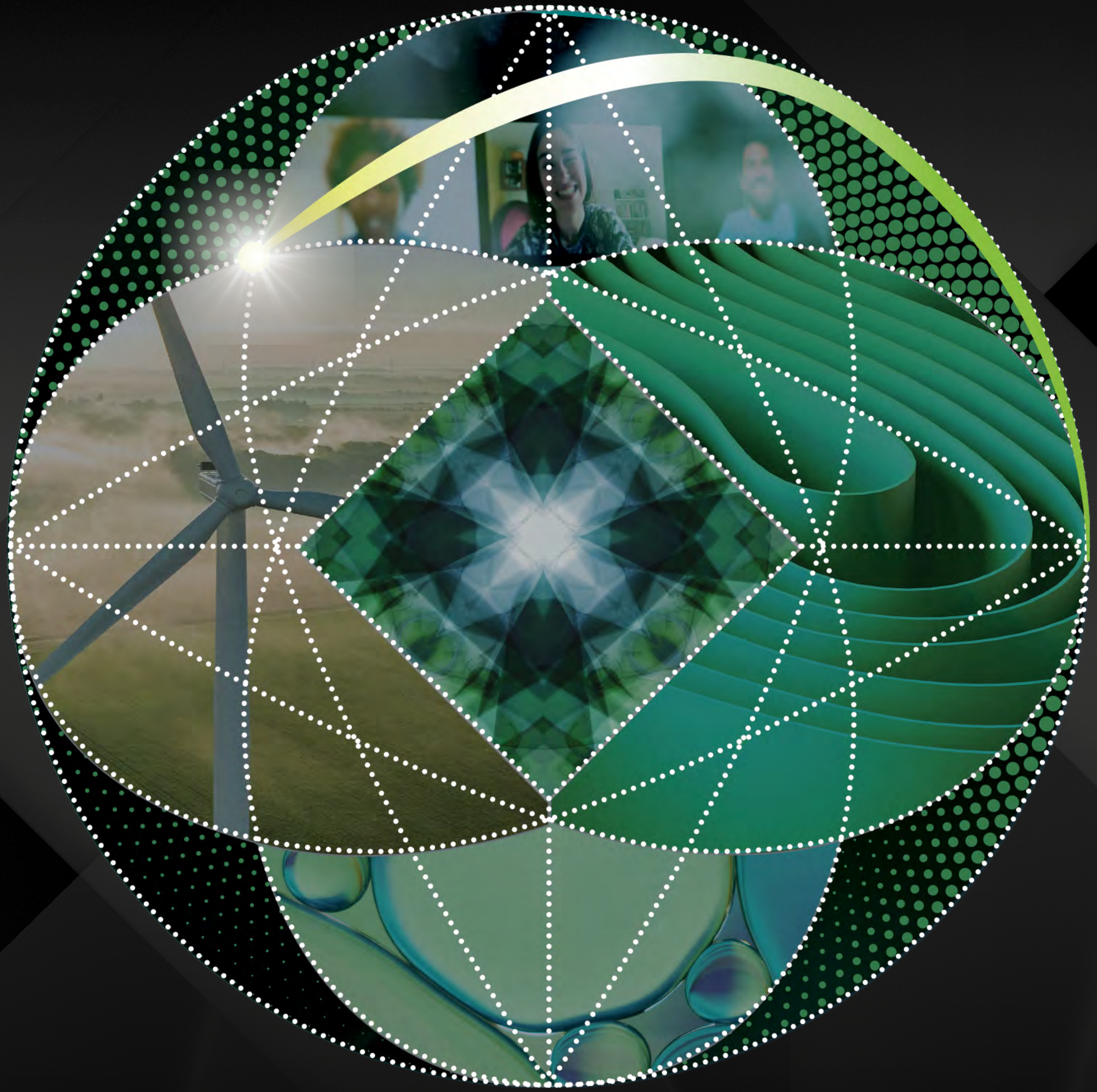


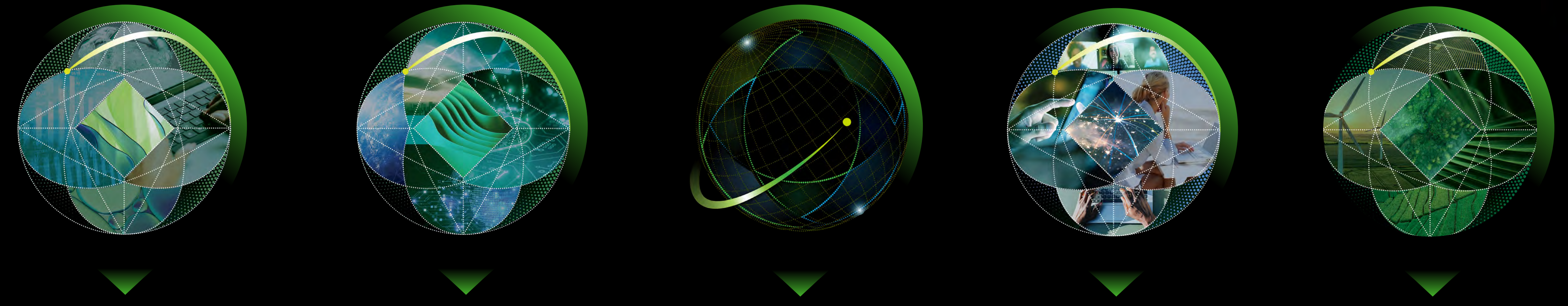
2024 Global Tax Policy Survey

The future in focus

Executive summary

The 2024 Global Tax Policy Survey explored the key topics emerging around the world through the lens of five global tax policy themes that are shaping the changing tax landscape. Given the prominence of artificial intelligence (AI) and generative artificial intelligence (GenAI) in current tax discussions and debates, we also asked respondents to rank their impact against those of the main themes.

Our respondents ranked the impact of the five themes as follows:



1. Transparency & Reporting

2. Digitalization of Tax

3. International Tax Reform

4. Future of Work

5. Climate & Sustainability

This overall ranking will inevitably raise a few eyebrows, and arguments could be raised for a different ordering, in particular as to why the pressing matter of Pillar Two in International Tax Reform is not being ranked more highly. In our view, this is likely to be a question of timing, with the impact of reporting and filing not being felt until 2025. What is clear from the survey's detailed findings is that each of these themes present significant and pressing challenges for companies across the globe.

01 ‣ Transparency & Reporting

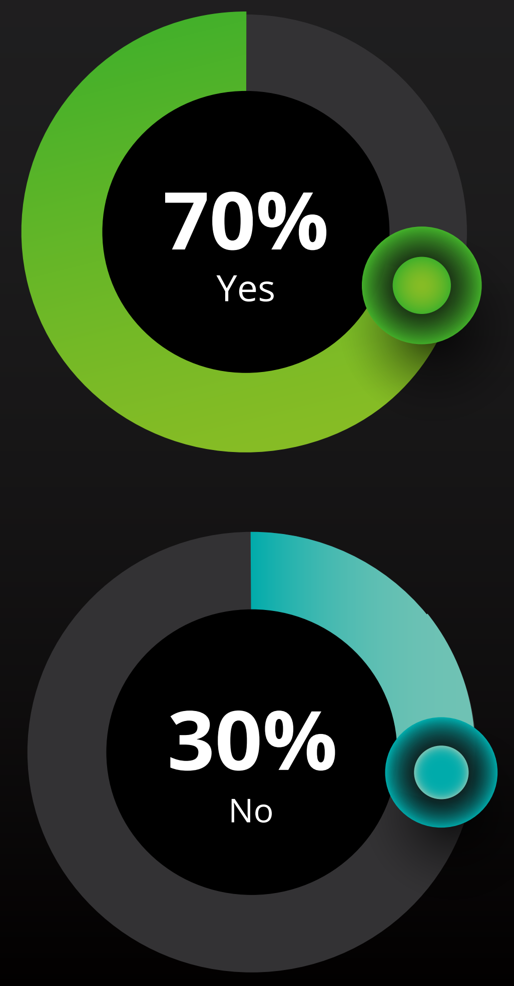
The growing pressure for companies to be more transparent about tax makes this the number one issue for tax leaders. Given that disclosures cover the totality of global tax management across all tax types and jurisdictions—compliance, planning, judgments, contribution, governance, and risk, etc.—this is not a surprising outcome.

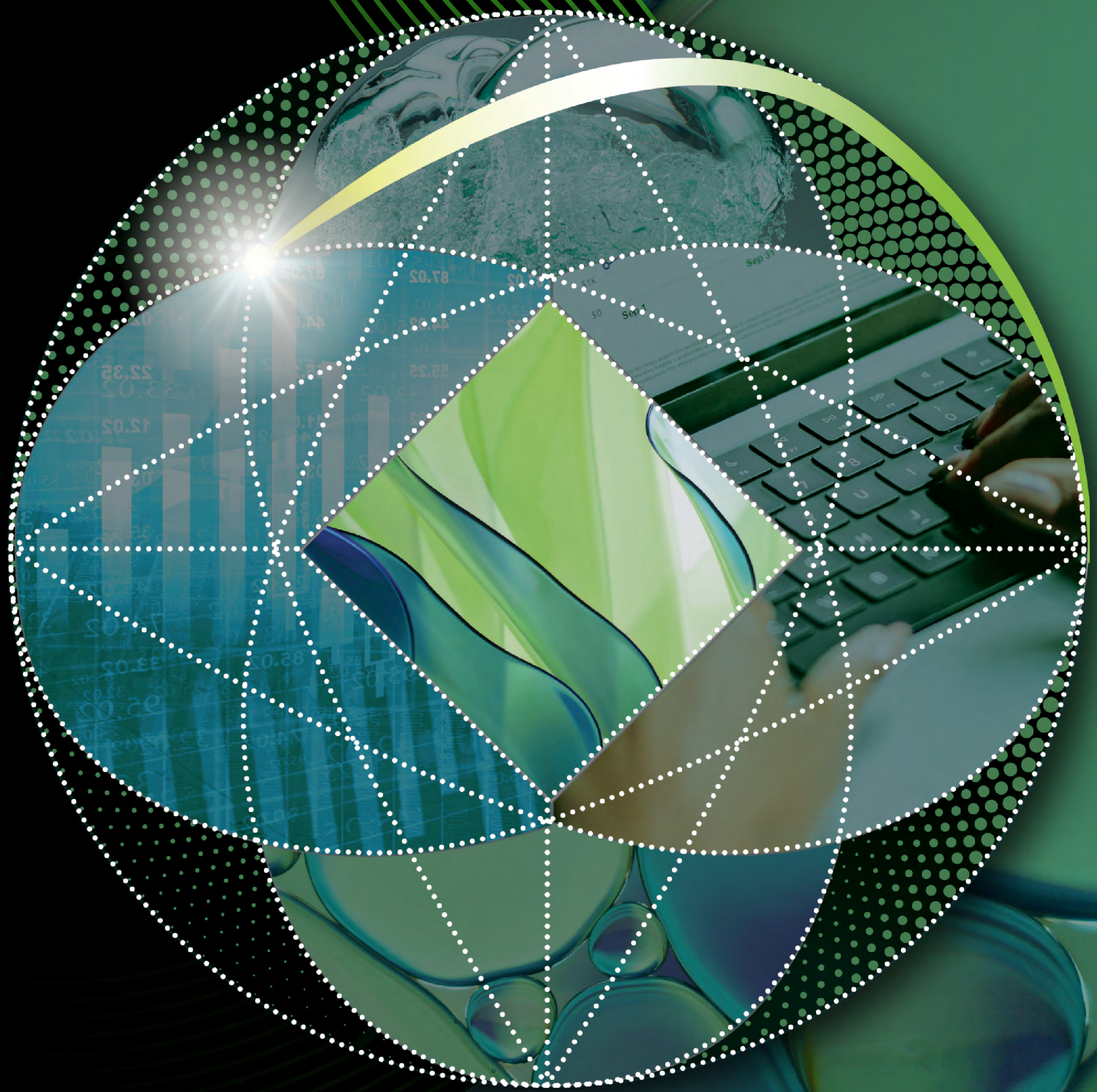
Most expect public country-by-country reporting to lead to an increase in their public tax transparency disclosures, with many looking to report more than is required under the rules. This fuller reporting may be driven by the respondents' desire to ensure their wider stakeholders understand the context and circumstances underlying the tax data.

The pressure on tax functions is expected to grow, as most respondents expect to be affected by the environment, social, and governance (ESG) discussions, with tax data being drawn into wider reporting—alignment across various departments will then be critical to the efficient delivery of tax transparency strategies.

While the majority of respondents have a tax transparency strategy in place, they face challenges in executing it, ranging from providing comfort to senior leadership, to governance, data, risks, and understanding the applicable rules.

Respondents expecting an increase in public reporting on tax:





02 Digitalization of Tax

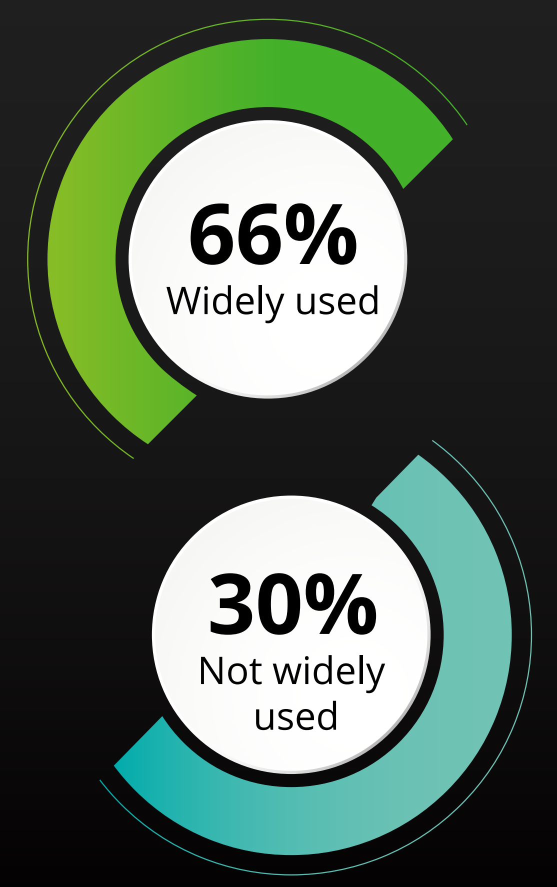
There is a general recognition that digitalization will become more prevalent in tax processes and a sense of moderate progress towards Tax Administration 3.0 (a digitalized model where 'tax just happens').

While many respondents expect Tax Administration 3.0 to bring a wide range of benefits, others are wary of increased costs and complexity. This may be due to a lack of clarity of what Tax Administration 3.0 actually means and its potential benefits, as well as an absence of clear delivery roadmaps.

Respondents are broadly optimistic about the use of GenAI in tax compliance in the next three years (though often with significant human oversight) but remain somewhat cautious about the expected benefits. This may be linked to the reported slow progress in implementing regulations for the use of AI in tax.

It is encouraging to see more business confidence in e-invoicing and e-trade/customs requirements simplifying compliance, albeit at a significant initial investment in software. The high level of support of the EU VAT in the Digital Age proposal evidences the value of harmonization and alignment.

In tax compliance, respondents expect AI to be:



03 International Tax Reform

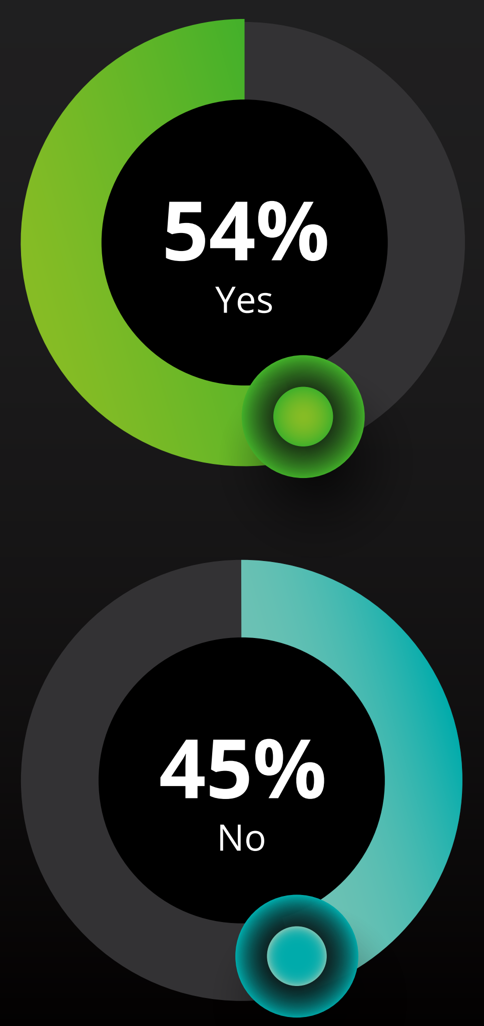
Given the centrality of Pillar Two, as well as Pillar One and digital service taxes, on the international tax scene, we might have expected these issues to top the list as significant topics for the respondents. Their lower ranking may, however, be a question of timing where tax transparency and, to some degree, digitalization of tax is already part of daily life. The real impact of Pillar Two, in particular, is yet to be felt and at the time the responses were collected, there was little certainty on Pillar One and digital services taxes.

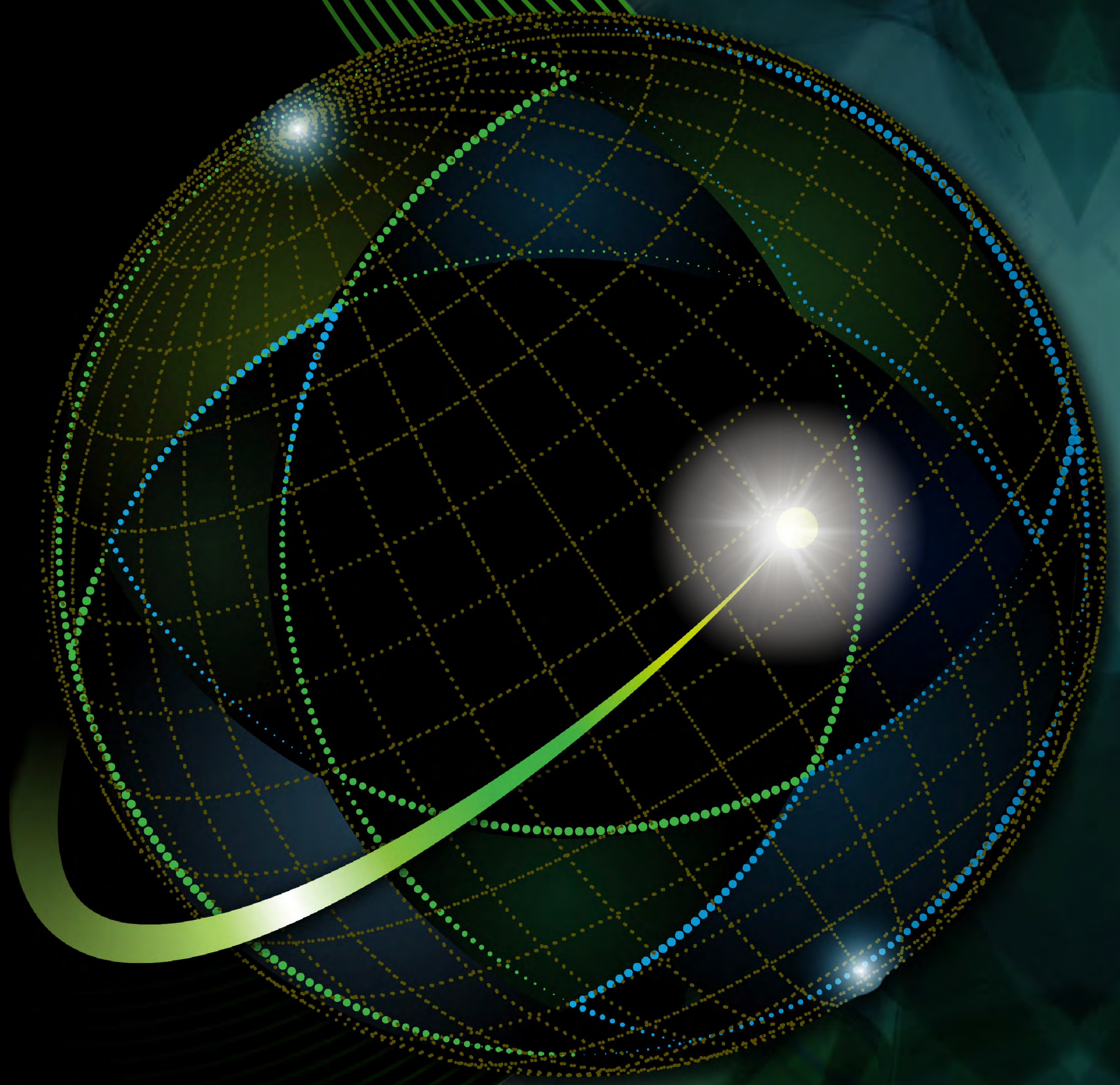
Pillar Two has clearly gained momentum with a majority of respondents expecting implementation in the next three years, although opinions split between those foreseeing increased complexity and those who see simplification being delivered through the "decluttering" of existing measures.

While Pillar Two may have closed the book on tax competition based on headline tax rates, many anticipate and welcome the emergence of a new form of competition based on Pillar Two compatible tax incentives.

For an in-depth look at Pillar Two practice insights read the 2024 Pillar Two survey: [Committed to Compliance]

Respondents expect more complexity under Pillar Two?





04 Future of Work

International remote work is a key challenge for organizations managing the tax and legal risks arising from increased flexibility and mobility. A stand-out finding was that the tax implications of international remote working topped the 'most impactful' list for respondents from Africa.

Overall, respondents are mainly concerned about corporate tax implications of international remote working, closely followed by employee tax and social security issues. This may point to the need for multidisciplinary teams (including HR, tax, mobility, immigration, employment law, data privacy, etc.) to holistically consider the tax, legal, and regulatory risks of international remote working, along with associated guardrails to protect the business.

International remote working is still a relatively new concept in the tax landscape, so it is not surprising that the respondents showed some appetite for Organization for Economic Co-operation and Development (OECD) input on harmonization of tax rules, provision of clearer guidance and simpler administration.

Respondents main concerns of international remote working:

75%
Corporate Tax

65%
Employee Taxes

48%
VAT

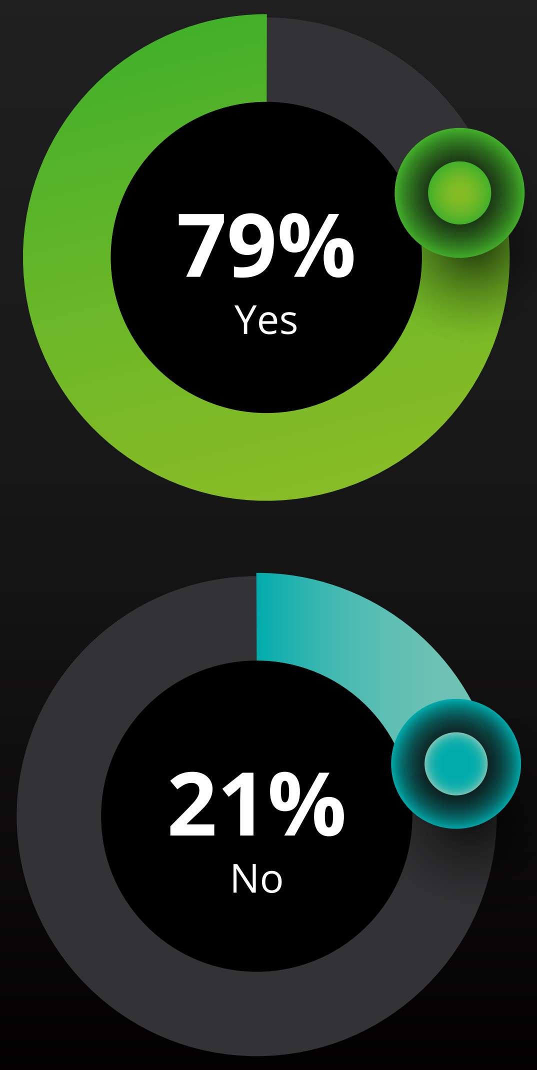
05 Climate & Sustainability

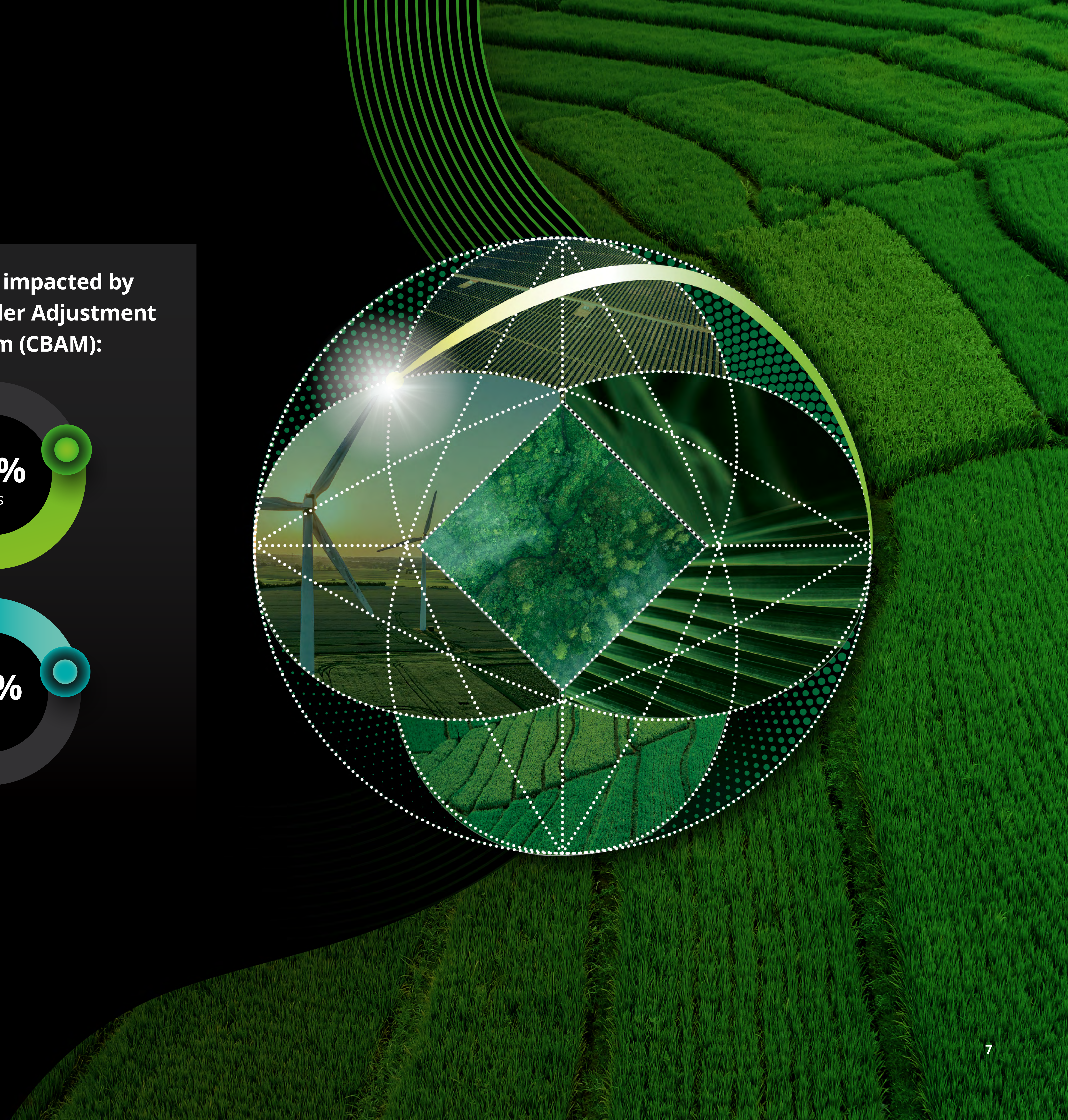
In a classic case of "last but not least" climate and sustainability issues remain a core concern. The lower ranking may be due to governments relying on other measures alongside tax measures, and discretion available to taxpayers in relying on 'green' tax incentives which may be viewed as being less impactful.

Across the variety of environmental taxes, taxes on energy consumption are having the most significant impact on our respondents, with, somewhat surprisingly, taxes on waste and pollution ranked last in the list.

The survey exposed a key tension between the expected benefits of carbon-pricing regimes in principle (climate change mitigation, clear technologies) and the challenges of how these regimes are administered in practice (with high compliance costs, complex legislation, and limited guidance).

Respondents impacted by EU Carbon Border Adjustment Mechanism (CBAM):





Overview

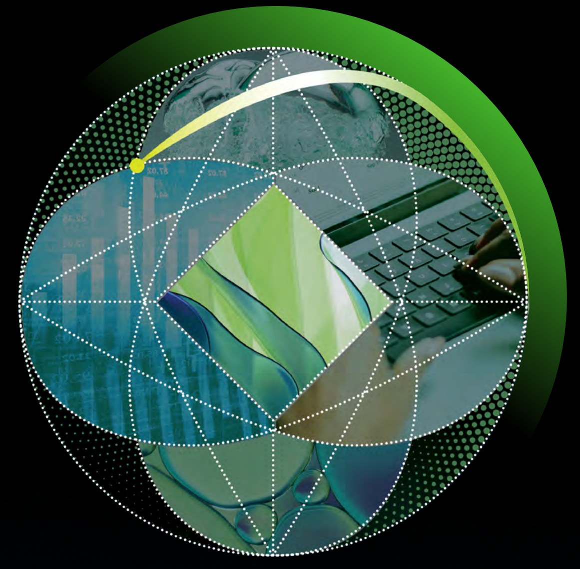
The 2024 Global Tax Policy Survey provides a focus on the future by exploring the key topics emerging around the world through the lens of five global tax policy themes which are shaping the changing tax landscape.

The survey explores the current impact of these themes on businesses across the world, and also tax leaders' expectations for the future.

When asked about the relative impact of these themes, respondents ranked them as follows:

The overall prioritization may have been driven as much by the day-to-day impact of these trends within tax functions as by their intrinsic significance. In the case of Transparency & Reporting and Digitalization of Tax, reporting requirements and, to some extent, digitalization of tax are already a reality. The impact of Pillar Two, on the other hand, is yet to be felt as a practical consideration as many countries are still in the process of implementing the rules, and, at the time the survey was conducted (March—April 2024), the fate of Pillar One and Digital Services taxes was still uncertain.

1.



Transparency & Reporting

2.

Digitalization of Tax

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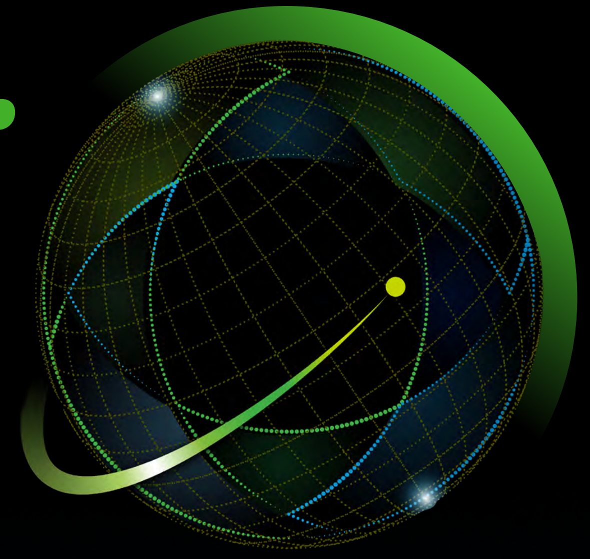

International Tax Reform

4.

Future of Work

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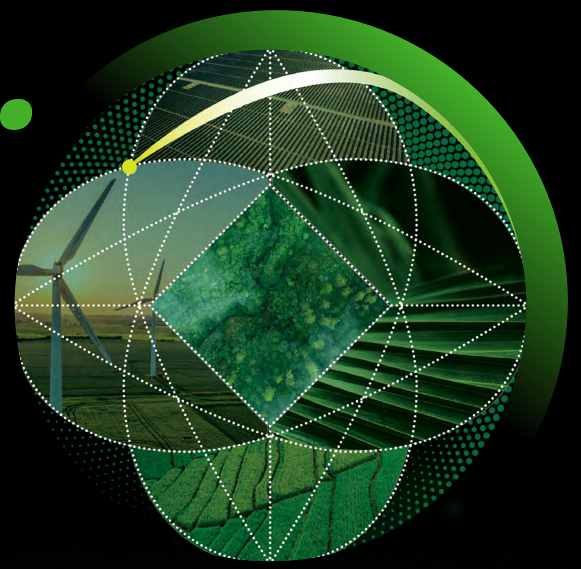


Climate & Sustainability

Overview

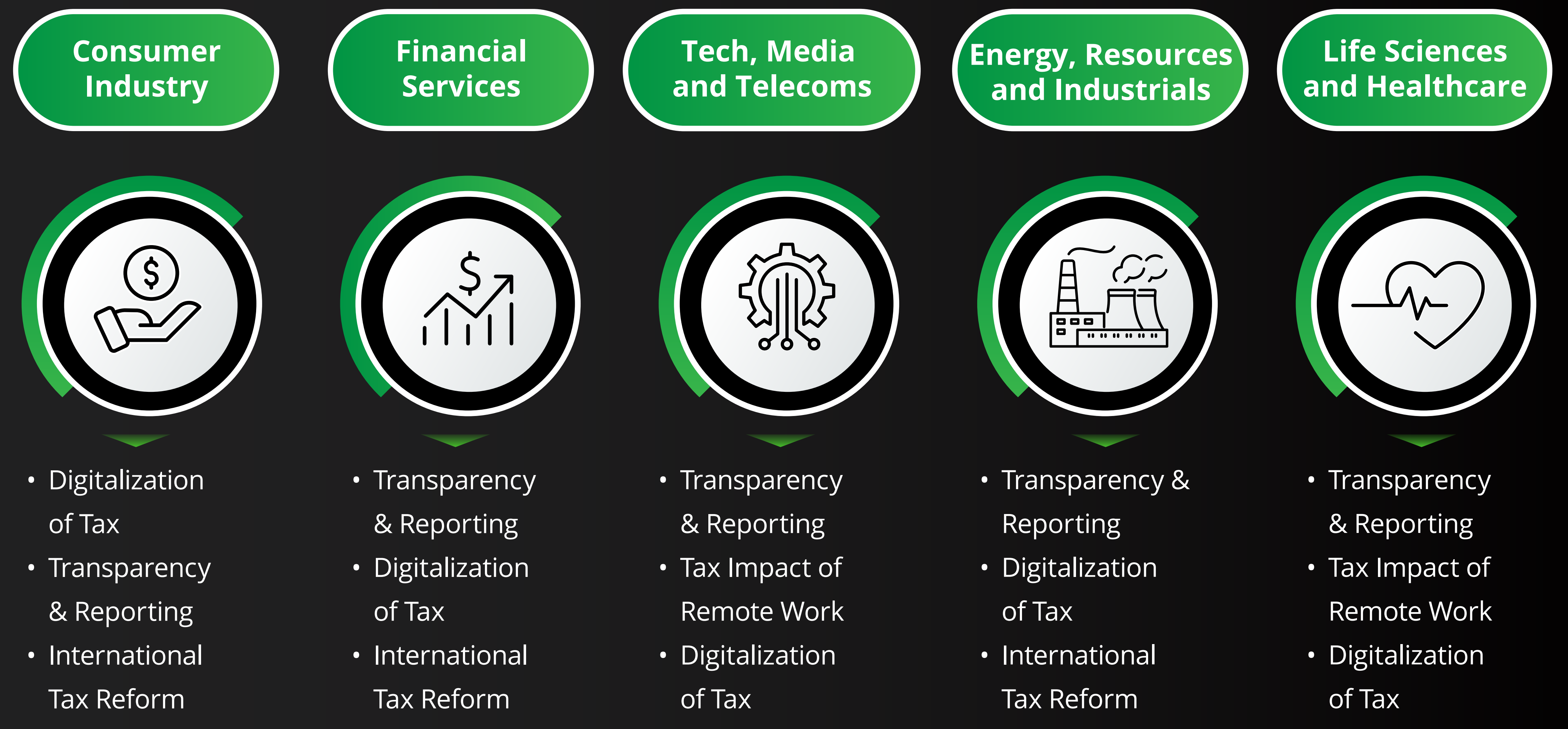
Regionally, it is notable that respondents from Africa place the tax impact of Remote Working at the top of their ranking. Beyond this there is a broad consensus across the regions that Transparency & Reporting and Digitalization of Tax are amongst the Top three most impactful topics.

Given the emergence of artificial intelligence and generative artificial intelligence (AI/GenAI) and the discussions on their potential uses in tax, we asked respondents to rank the impact of AI/GenAI; however, only a third considered it the most significant issue (interestingly, respondents from Africa identified it as a Top three issue).

The two charts below show the Top three rankings by region and by industry sector.

Impact of Tax Landscape Changes on Businesses – per region (Ranked in Top three)

Impact of Tax Landscape Changes on Businesses – per industry (Ranked in Top three)

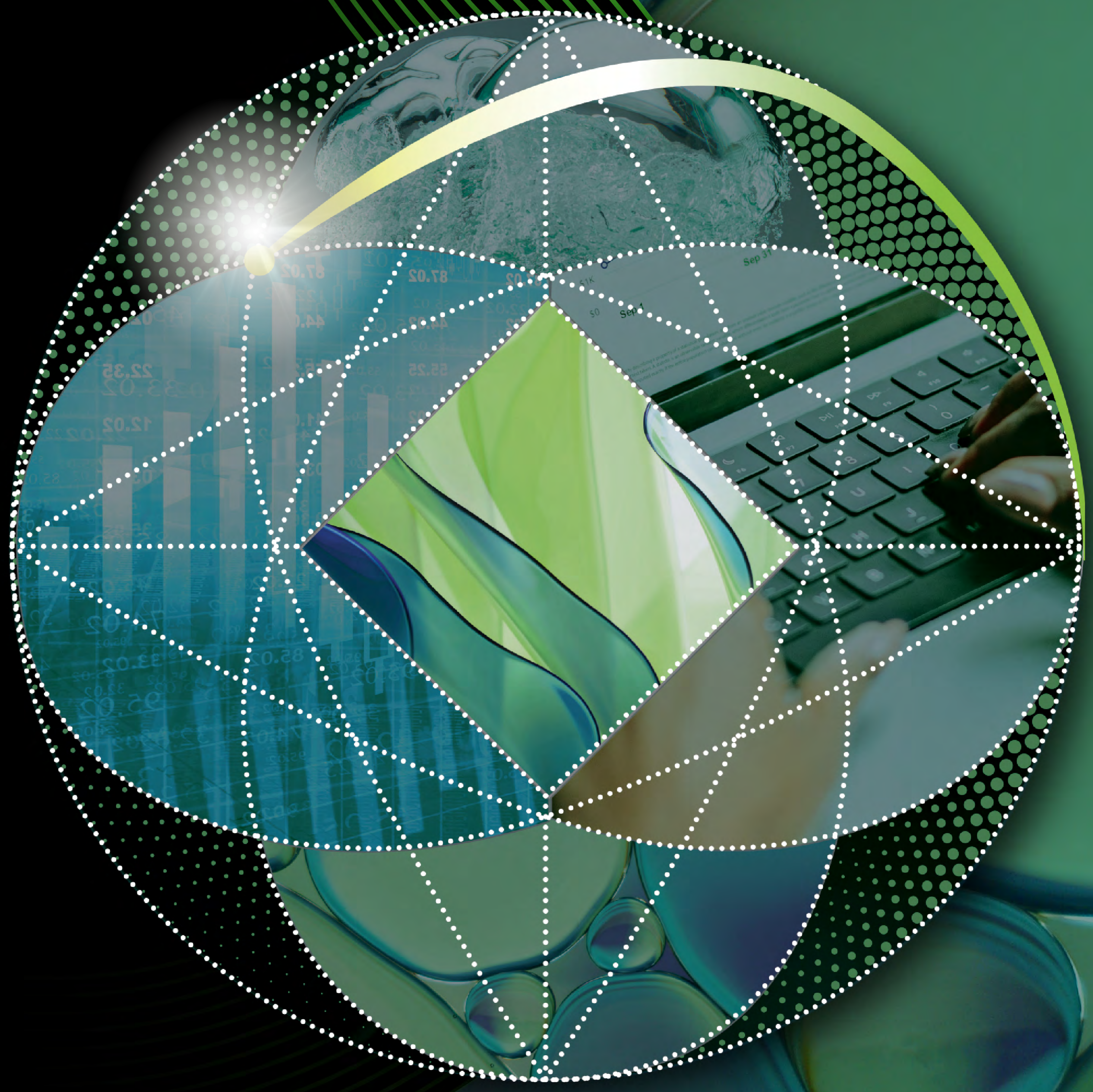


01 ‣ Transparency & Reporting

Across the survey sample as a whole, Transparency & Reporting were identified as the topic having the greatest impact on businesses. This reflects the proliferation of mandatory and voluntary tax reporting regimes across the globe in the last few years, with multinational enterprises (MNEs) having to disclose increasing volumes of tax data to tax authorities and other stakeholders. There is a growing burden as not just tax departments, but also other business functions, as well as senior leadership, need to engage with the disclosures. With more reporting requirements in the pipeline, e.g., the GloBE information return under Pillar Two, tax is now being pulled into the wider sustainability reporting, e.g., under the EU Corporate Sustainability Directive. Transparency & Reporting is no longer limited to the tax function.

The impact of tax transparency requirements

International tax transparency initiatives such as EU Public Country-by-Country reporting (PCBCR) and the Australian PCBCR regime, will continue to create significant reporting obligations for MNEs. Most of our respondents (70%) expect the development of PCBCR to lead to an increase in public reporting. While this is obvious given the requirements of the new rules, many respondents intend to go beyond what is strictly required.

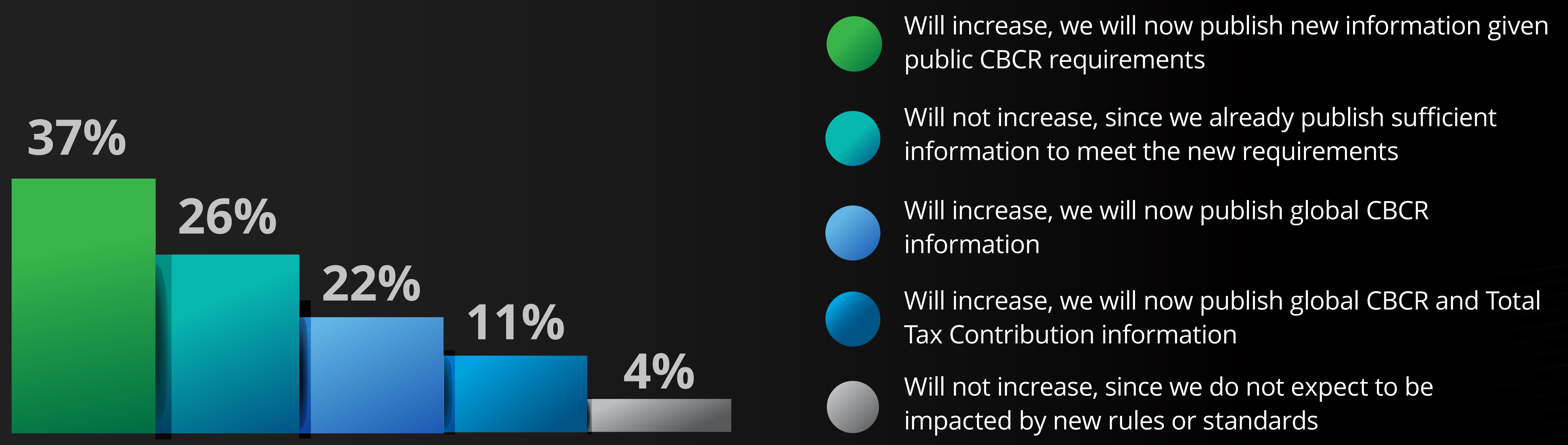


Transparency & Reporting

Interestingly, there is no great regional variation here, with groups outside the EU, which have not traditionally published tax transparency reports, beginning to focus on information that will need to be made public and how they may expand their own reporting.

Beyond tax-focused initiatives such as PCBCR, MNEs will increasingly need to respond to reporting requirements coming from other policy domains (such as sustainability)—84% of respondents expect tax to be material under the EU Corporate Sustainability Reporting Directive (CSRD).

Expected Increase in Public Tax Transparency Disclosures Due to Public Country-by-Country Reporting Requirements



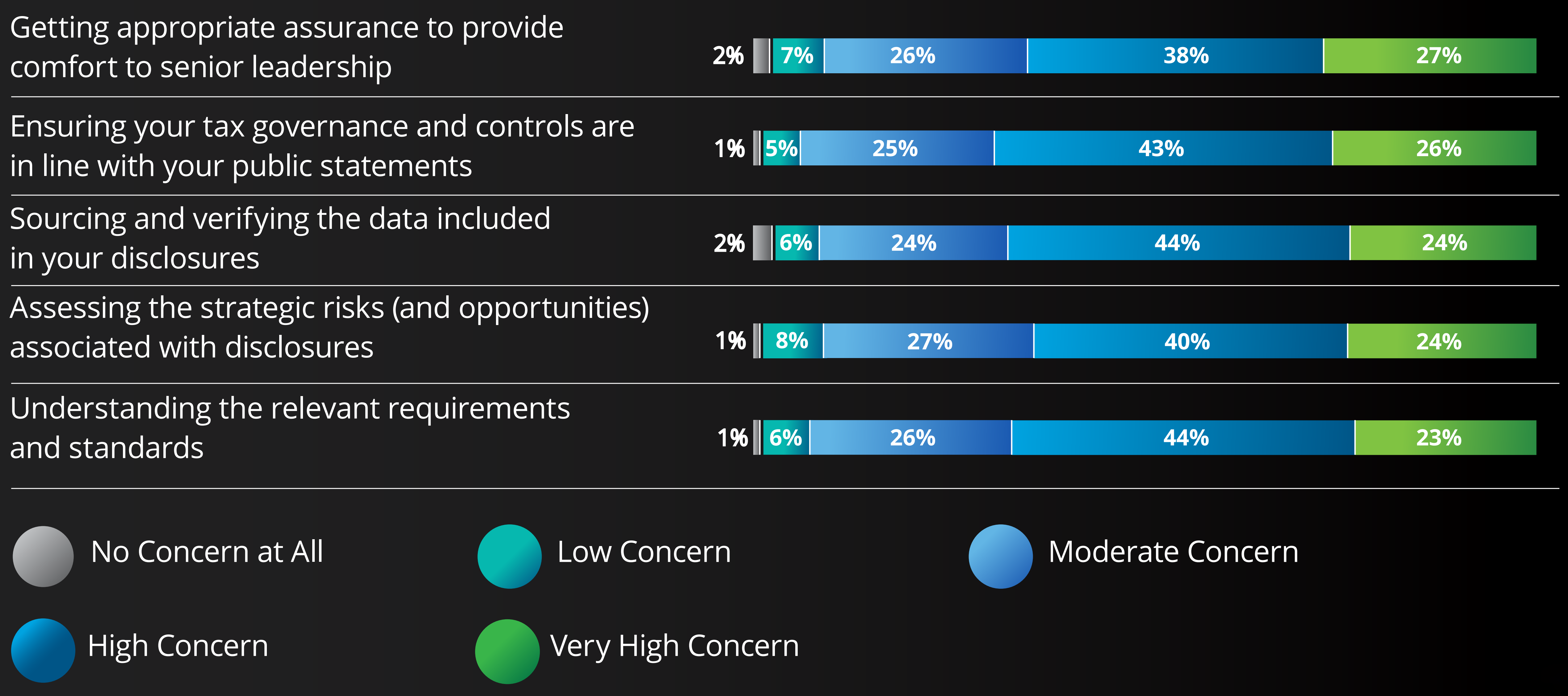
Tax Transparency & Reporting

Responding to the challenge

While almost all respondents (97%) have a tax transparency strategy, they reported a range of concerns about executing it effectively.

This underscores the pressure on businesses in responding to the ever-increasing demand for tax transparency. The effective execution of tax transparency strategies will be a key priority going forward and MNEs are likely to face challenges in balancing their resources between compliance and the needs of their business.

Challenges in Executing Tax Transparency Strategy



02 ‣ Digitalization of Tax

Digitalization of Tax was ranked as the second most significant theme overall and the **single** issue which featured in the Top three ‘most impactful’ lists across all the regions surveyed. In common with Transparency & Reporting, Digitalization of Tax is a current and on-going process, and therefore very much at the forefront of minds of the tax leaders.

The movement towards Tax Administration 3.0

When asked about movement towards Tax Administration 3.0 in their countries, most respondents (91%) reported at least some progress. It is interesting that on a regional basis, respondents in Africa lead in terms of reporting significant movement to Tax Administration 3.0 (20%).

Digitalization of Tax

Overall, respondents expected the Tax Administration 3.0 model to deliver positive outcomes in terms of improved customer service, a more collaborative relationship with tax authorities, fewer and more efficient tax audits and less time and resource spending on tax compliance, although none of these were rated particularly high, and a third of respondents expected an increase in both costs and complexity for the tax function. Respondents from Africa, however, were particularly optimistic (60%) about a more collaborative relationship with tax authorities as one of the key benefits.

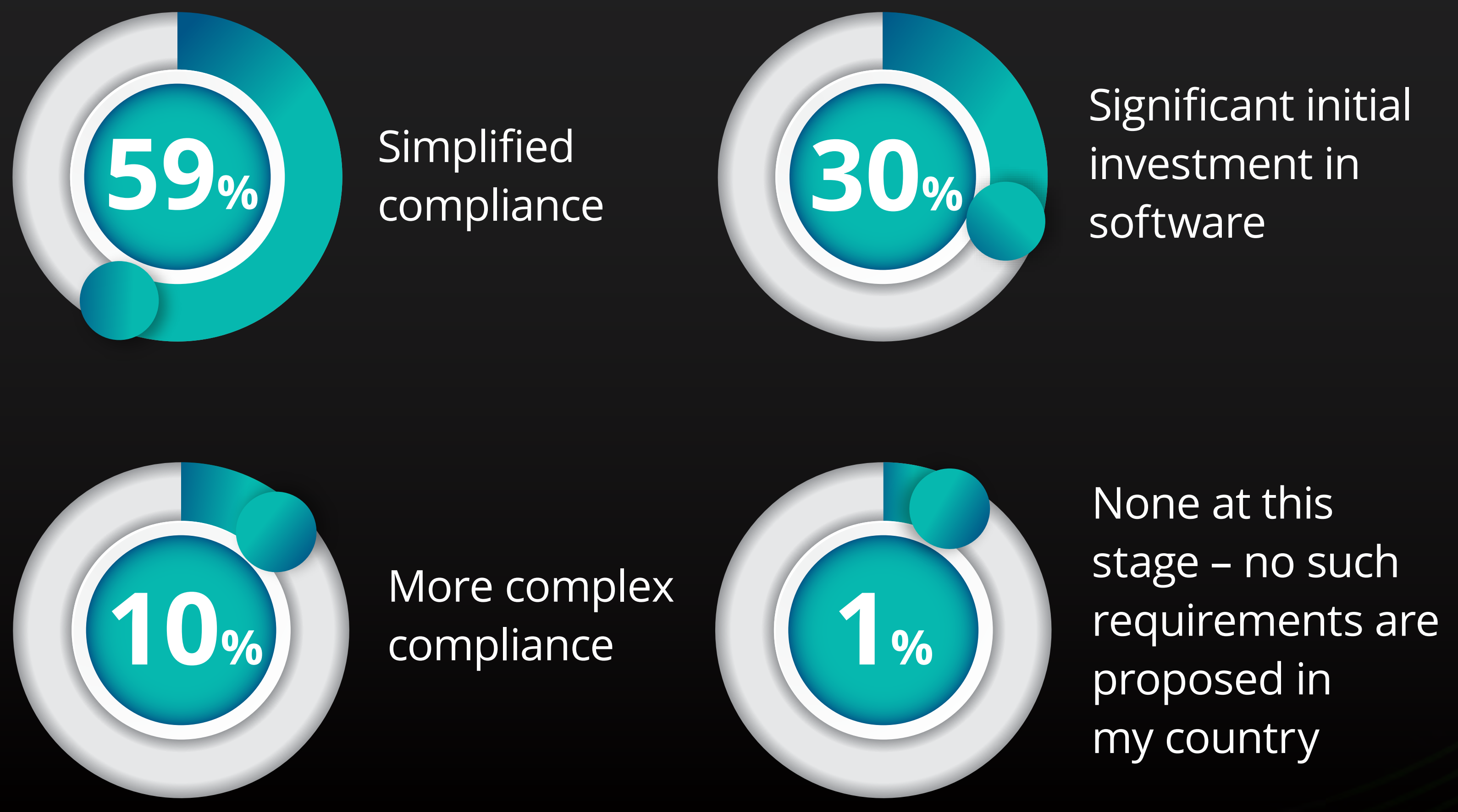
This lukewarm assessment of benefits may be due to different perceptions across the world of what Tax Administration 3.0 entails and a lack of clarity on potential outcomes. Tax authorities may be able to boost the MNEs' optimism about the model by better stakeholder engagement and communication about their digital ambitions, and what progress is being made.

Digitalization of Tax

A clear majority (59%) see the potential of e-invoicing (and digital reporting for trade/customs) for simplifying compliance, even with the need for investment. However, 10% remain to be convinced and believe the effect will actually be the opposite.

On the EU's VAT in the Digital Age (ViDA) proposal, 75% of respondents support the development of a uniform approach to e-invoicing and e-reporting across the EU, suggesting that there is a good understanding of benefits and highlights the value of harmonization and alignment to businesses.

Anticipated Business Impact of Introduction of E-Invoicing and E-Trade/Customs Requirements



Digitalization of Tax

The role of AI

While the use of AI in tax compliance is in its very early days, around two-thirds of respondents expect it to be widely used in the next three years, although the majority of those expect that significant human oversight will still be required. Respondents in Africa (60%) were most likely to expect AI-based tax compliance with significant human oversight.

Businesses have largely positive expectations for the use of AI-enabled tax compliance software at their companies. Expected benefits were:

- Improved accuracy (34%)
- Reduced costs (23%)
- Greater consistency in tax strategy across the enterprise (15%)
- More time/focus spend on core functions (14%)
- Greater compliance with regulations (14%)

However, none of these benefits scored particularly highly which suggests businesses are still fairly cautious about relying on AI for their tax compliance at this stage. This may, to some extent, be explained by the fact that the use of AI in tax is still fairly unregulated—only 29% of respondents report the existence of firm plans or draft regulations on this in their country.

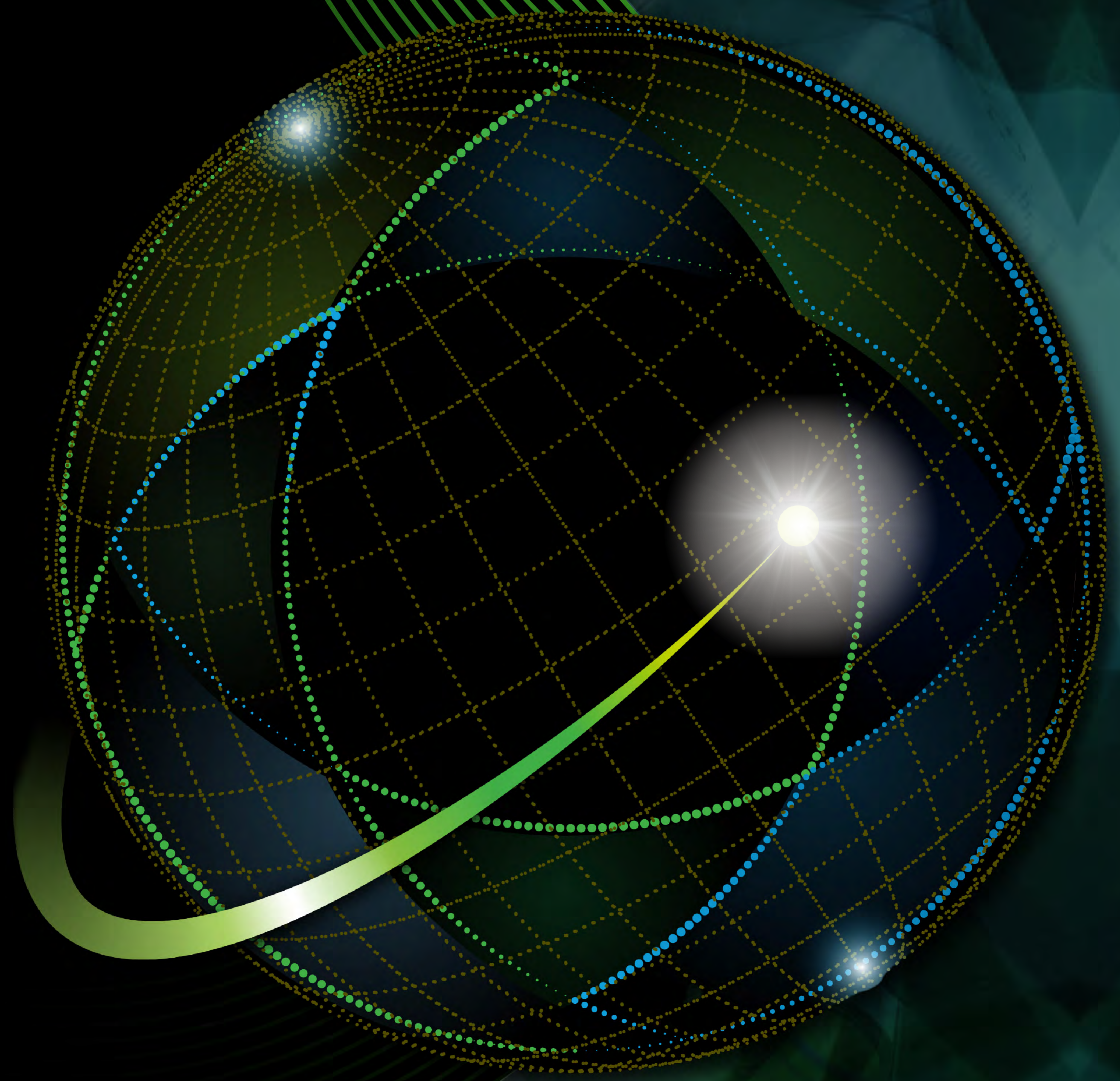
03 International Tax Reform

The global international tax scene has been dominated in recent years by the development of the OECD’s BEPS Pillar One and Pillar Two initiative, such that we might have expected these issues to be at the top of priority lists across the board; however, the survey results did not show this.

The International Tax Reform theme, encompassing Pillars One and Two, the digital service taxes, and the United Nations alternative approach, was ranked third. Regionally, the theme ranked in the Top three in Europe, APAC, and the Middle East.

This result may be explained by the fact that, while the impact of Pillar Two on the tax function will be very significant, it remains a work in progress—companies, countries, and those who advise them are still coming to grips with evolving updates, requirements, and implications. On the contrary, tax transparency and digitalization are much more current and present in the day-to-day management of priorities and resources.

As the survey shows, companies are operating on the assumption that Pillar Two will be implemented over the next few years.



International Tax Reform

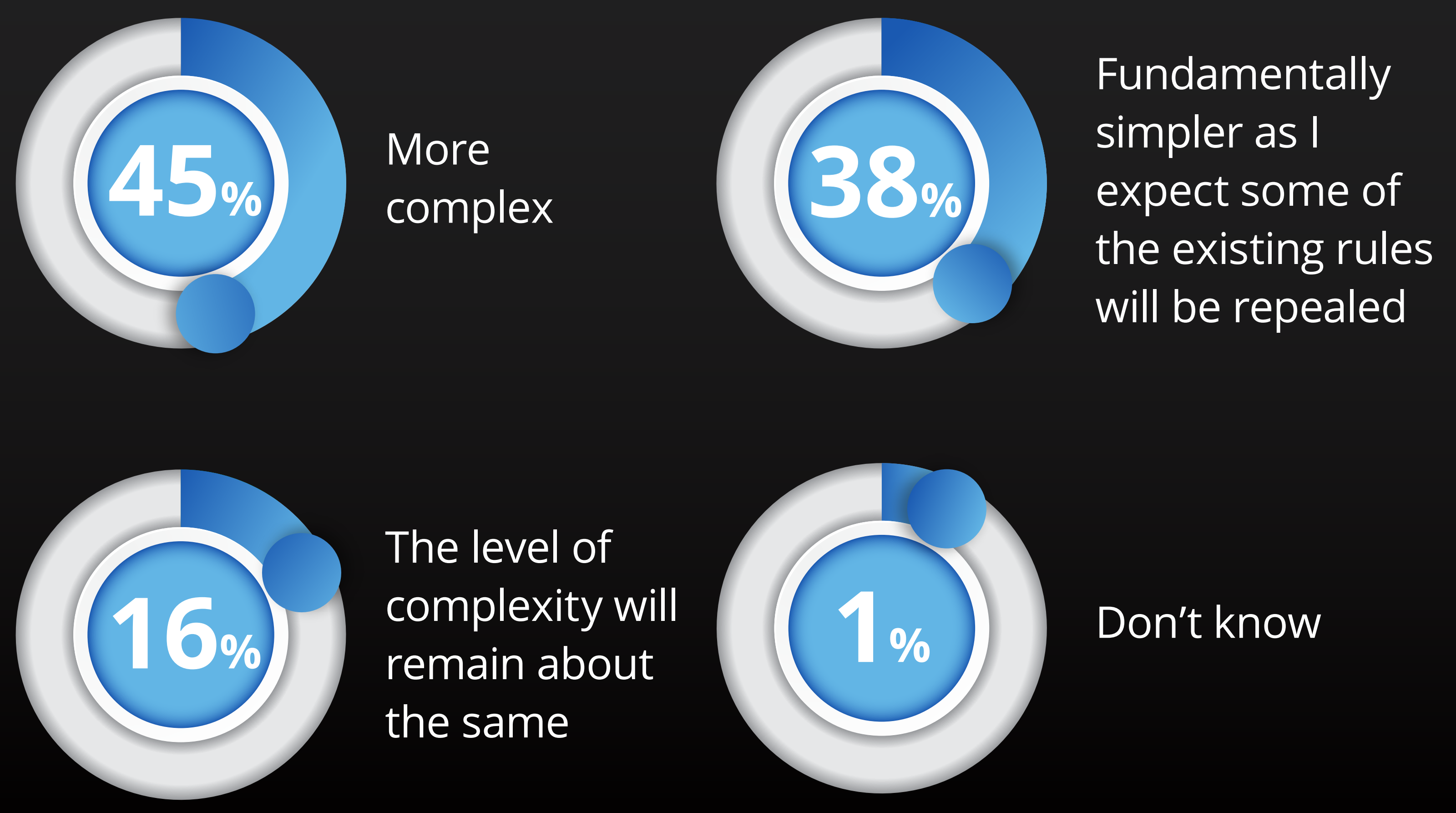
The impact of Pillar Two

Respondents have mixed expectations as to the impact of Pillar Two on their businesses, in particular, views are split on whether Pillar Two rules will increase or decrease the complexity of corporate tax systems, with over a third of respondents expecting simplification due to repeal of some of the existing tax laws.

The divergence between those expecting more or less complexity may be due to different perspectives on the life cycle of the Pillar Two project. A focus on the initial implementation phase might tend to conclude that the outcome is an increase in complexity, while a longer-term focus might envisage a streamlining effect, especially as both the OECD and the EU Commission made recent statements regarding the need to 'declutter' tax laws post-Pillar Two.

Regionally, respondents from Africa (60%) and North America (52%) lead in terms of expecting reduced complexity, while APAC (56%) and the Middle East (56%) have the highest number of respondents expecting the rules to become more complex.

Expected Impact of Pillar Two on Corporate Tax Rules Complexity



International Tax Reform

Future Pillar Two developments

As Pillar Two approaches, it is expected that countries that previously competed for investment based on corporate tax rates will seek other ways to attract investment. Here the development of alternative tax incentive measures, compatible with the Pillar Two rules, is likely to be an important element of the future evolution of the international tax framework.

The survey revealed very strong expectation (77% of respondents) that Pillar Two implementation would usher in the growth of such alternative investment incentive measures, unsurprisingly with an overwhelming support for such measures from the respondents (87%).

The level of expectation on incentives was markedly lower in North America (62%) than elsewhere.

For an in-depth look at Pillar Two practice insights read the 2024 Pillar Two survey: Committed to Compliance

Anticipated Introduction of Investment Incentives Post Pillar Two Implementation

International Tax Reform

Pillar One prospects

The survey took a snapshot of expectations around the implementation of Pillar One. While this revealed a general expectation that Pillar One would be implemented over the next few years, the recent passing of the 30 June deadline for the countries to reach final agreement, will inevitably lead to greater uncertainty in this area.

Wider developments

As the implementation of the two-pillar initiative progresses, the UN is working on its own framework for international tax cooperation, in response to the demand from developing countries for a more inclusive approach. When asked what the UN is likely to prioritize in this effort, respondents reported that they expected a high or a very high priority to be attached to:

- Taxation of digital services
- Issues around ESG considerations
- Ensuring an equitable approach across developed and developing economies
- The promotion of the UN version of the Subject to Tax Rule
- Relocation of taxing rights from residence countries to source countries in broad terms.

04 Future of Work

To explore how modern forms of working interface with tax the survey focused on the tax impact of remote working. This is one of the key challenges organizations are navigating to deliver increased flexibility from a talent attraction and retention perspective, while managing tax and legal risks.

Across the whole of our sample, tax impact of remote working was rated just below the Top three most significant topics. However, it was seen as the most significant topic by respondents from Africa and a Top three topic in both North America and Latin America.

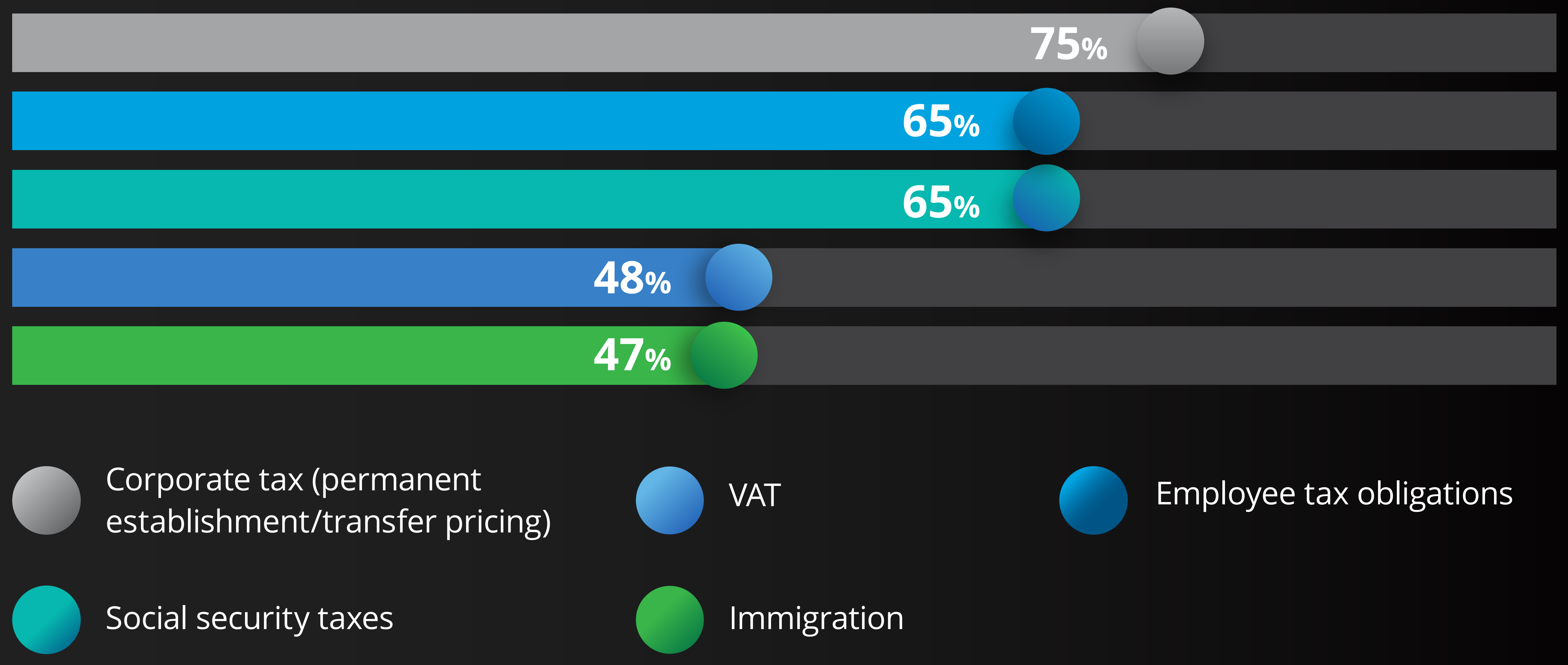
Future of Work

Impact of remote working

While the primary focus was corporate tax issues, it is clear that a range of regulatory concerns, both tax and non-tax arise around remote working.

The concerns with permanent establishment and transfer pricing issues were particularly elevated in Africa (85%), the Middle East (81%), and APAC (80%), while issues around employee tax obligations were to the fore in Africa (73%) and the Middle East (76%).

Top Regulatory Concerns for International Remote Working (ranked in top 3)

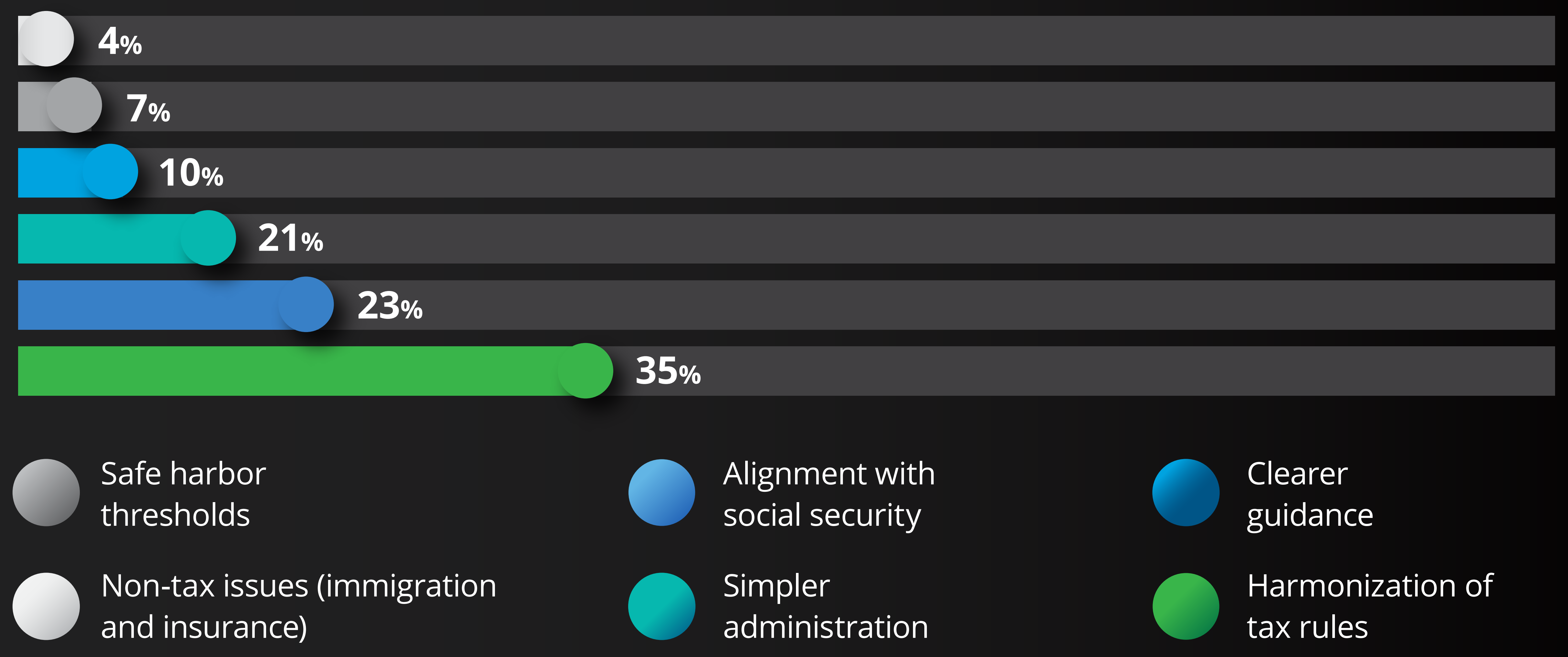


Future of Work

Future developments

Cross-border remote working is a relatively new trend, and international tax regulations and frameworks have yet to be developed. But organizations such as the International Fiscal Association, the UN and the OECD are now looking at the subject. When asked about the focus of the OECD's work in this area, respondents identified their main priorities as set out in the chart below.

Preferred Focus of OECD Input on Short-Term International Remote Work Challenges



The appetite for a solution centered on tax harmonization was greatest in the African region (45%) and the Middle East (44%).

05 Climate & Sustainability

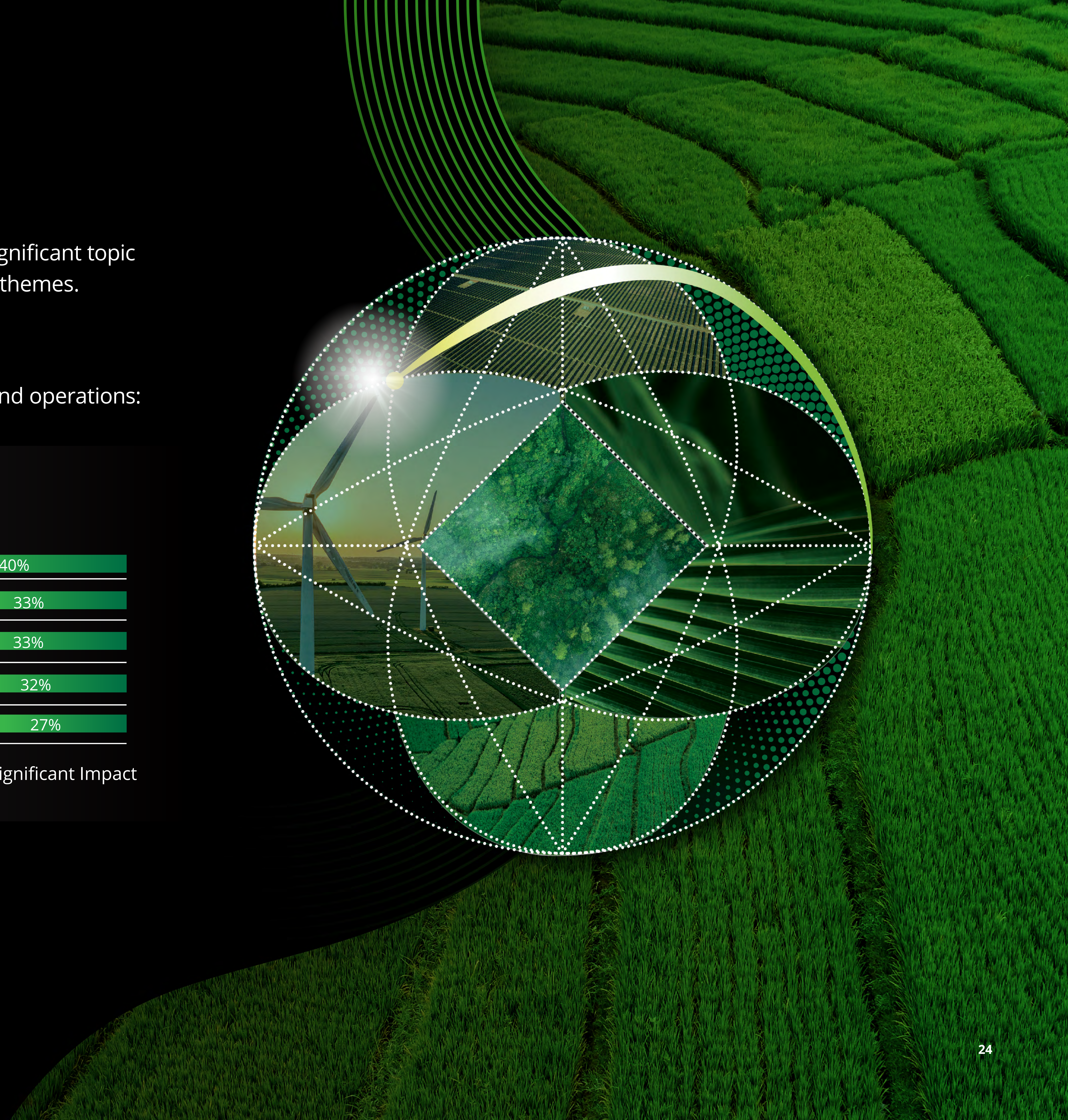
While a third of the survey respondents ranked Climate & Sustainability as the most significant topic for their business in the tax landscape, overall, it was the last in the ranking of the five themes.

Impact of environmental taxes

We asked the respondents about the impact of the following taxes on their business and operations:

Expected Impact of Business and Operational Factors

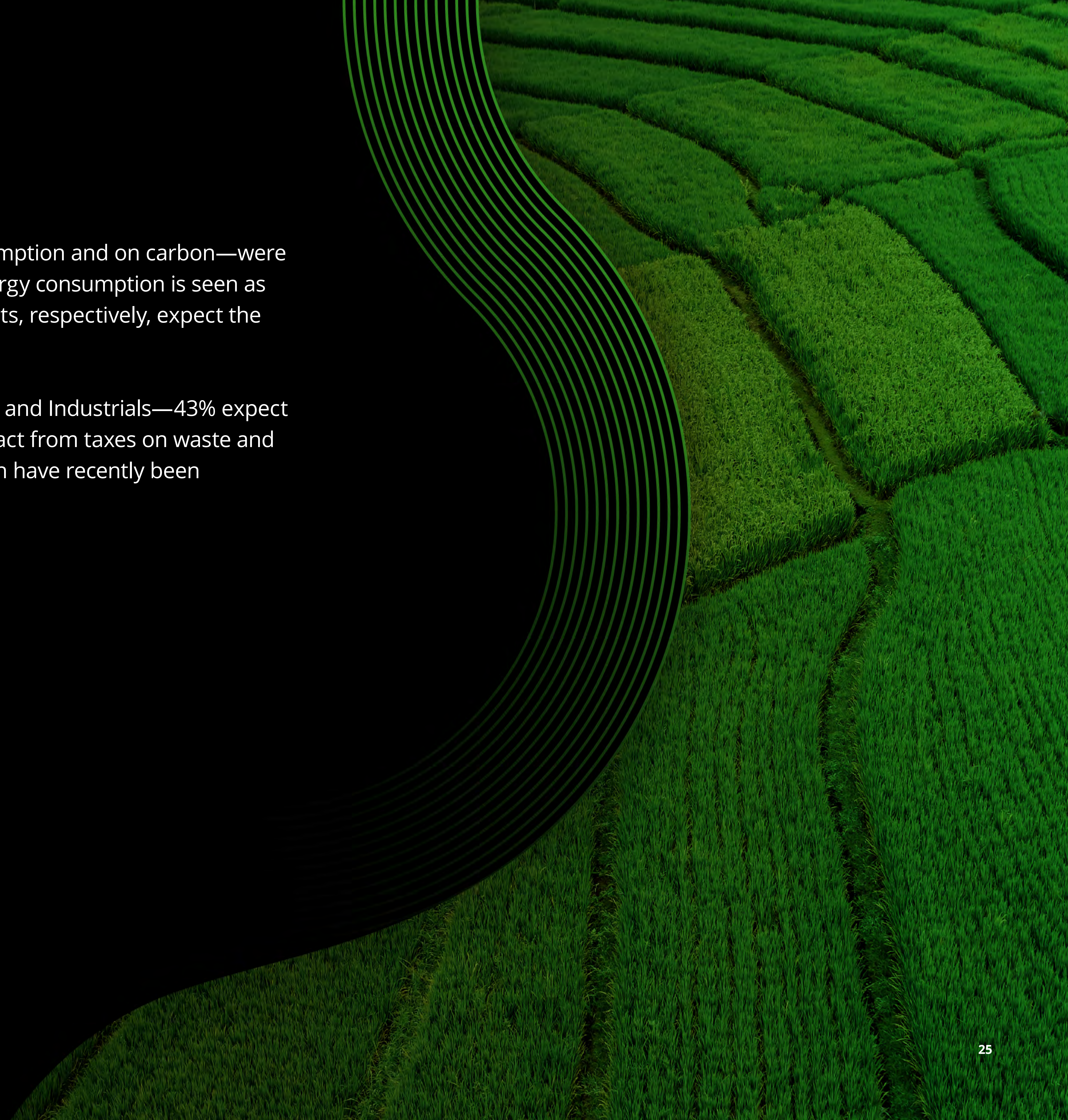
	No Impact At All	Minor Impact	Moderate Impact	Significant Impact
Taxes on energy consumption	2%	14%	44%	40%
Taxes/levies on resources	2%	22%	43%	33%
Carbon Taxes	4%	17%	46%	33%
Taxes on use of transportation	2%	22%	45%	32%
Taxes on waste/pollution	2%	27%	44%	27%



Climate & Sustainability

Unsurprisingly, the taxes which would have the broadest incidence—on energy consumption and on carbon—were rated as having a greater impact across the whole sample. The impact of taxes on energy consumption is seen as particularly high by respondents in Africa and Middle East (51% and 50% of respondents, respectively, expect the impact to be significant).

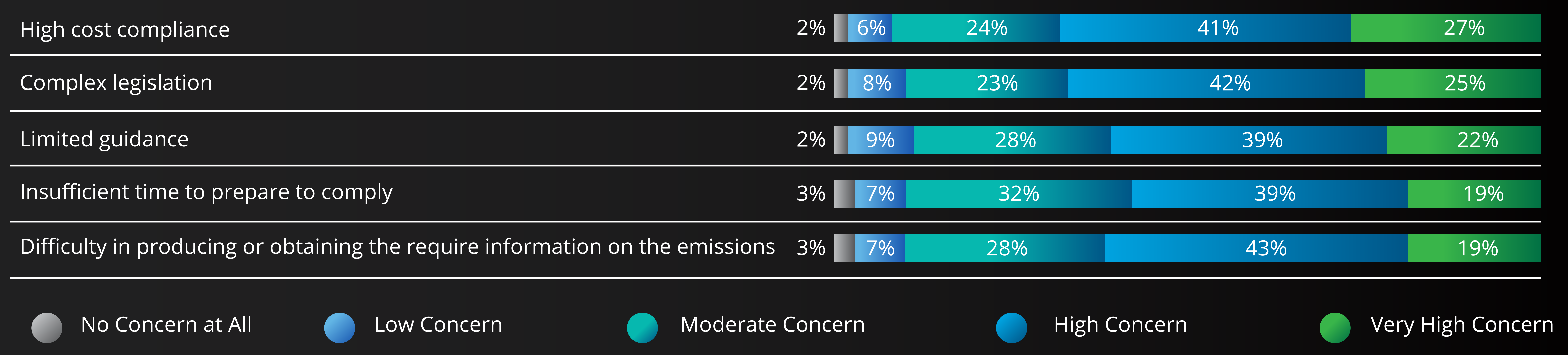
Sector-wise, as might be expected, carbon taxes rank the highest in Energy, Resources and Industrials—43% expect significant impact. It is surprising however that almost 30% expected minor or no impact from taxes on waste and pollution—this may be due to levels of awareness compared to the carbon taxes which have recently been more prominent.



Climate & Sustainability

On specific measures, some 80% of respondents reported being affected by the EU Carbon Border Adjustment Mechanism (CBAM) directly or indirectly although the impact seems lower in the Middle East (34% of respondents believe EU CBAM is not relevant for their group).

EU CBAM Challenges



Climate & Sustainability

Future developments

Looking to the future, respondents were asked for their thoughts about more countries across the globe introducing CBAMs or similar carbon pricing measures. While expanding carbon-pricing regimes presents challenges, many respondents see an upside to such requirements. The expected benefits include promoting sustainability and collaboration on climate change mitigation, an increased likelihood that companies will adopt cleaner technologies and practices, reducing emissions, and driving the shift to a low-carbon economy.

With a strong link to the Transparency & Reporting theme, 83% of respondents expected that future discussions and disclosures regarding ESG would impact their organization tax function. While this trend was broadly consistent across regions, respondents from North America were less certain about the impact of ESG discussions on their tax functions, with 29% not expecting any impact.

Conclusions: the future focus of global tax policy

Tax leaders of large multinational enterprises (MNEs) have an ever-growing agenda with competing priorities. While Pillar Two is a fundamental change, tax transparency and tax digitalization are having more impact right now. These three themes are strongly interconnected, with Pillar Two generating new reporting obligations, and MNEs embracing tax technology to manage the complex data requirements.

The pressure on businesses to disclose more about their tax affairs is growing with demands from other policy areas being added to the agenda. These reporting burdens will increasingly compete with core business activities for both time and resources. There may, though be some let up, as both the OECD and the EU Commission intend to 'declutter' tax laws post-Pillar Two.

Tax leaders are ready to embrace the digitalization of tax compliance, with strong optimism about simplification stemming from e-invoicing and a more cautious expectation of the benefits to come from AI. The moderate progress in moving towards Tax Administration 3.0 and regulating the use of AI in tax may suggest a need for governments to pick up the pace and provide more clarity by defining concepts and setting out roadmaps.

The future of work brings its own, mainly corporate tax-related, challenges and harmonization of tax rules on cross-border remote work would be widely welcomed. This is, however, not just about tax—immigration and employment law are equally important, calling for a holistic approach.

Finally, on climate and sustainability, EU CBAM takes center stage with an overwhelming majority of surveyed MNEs being affected. There is a strong link between climate and transparency—most respondents expect ESG reporting to impact their tax function.

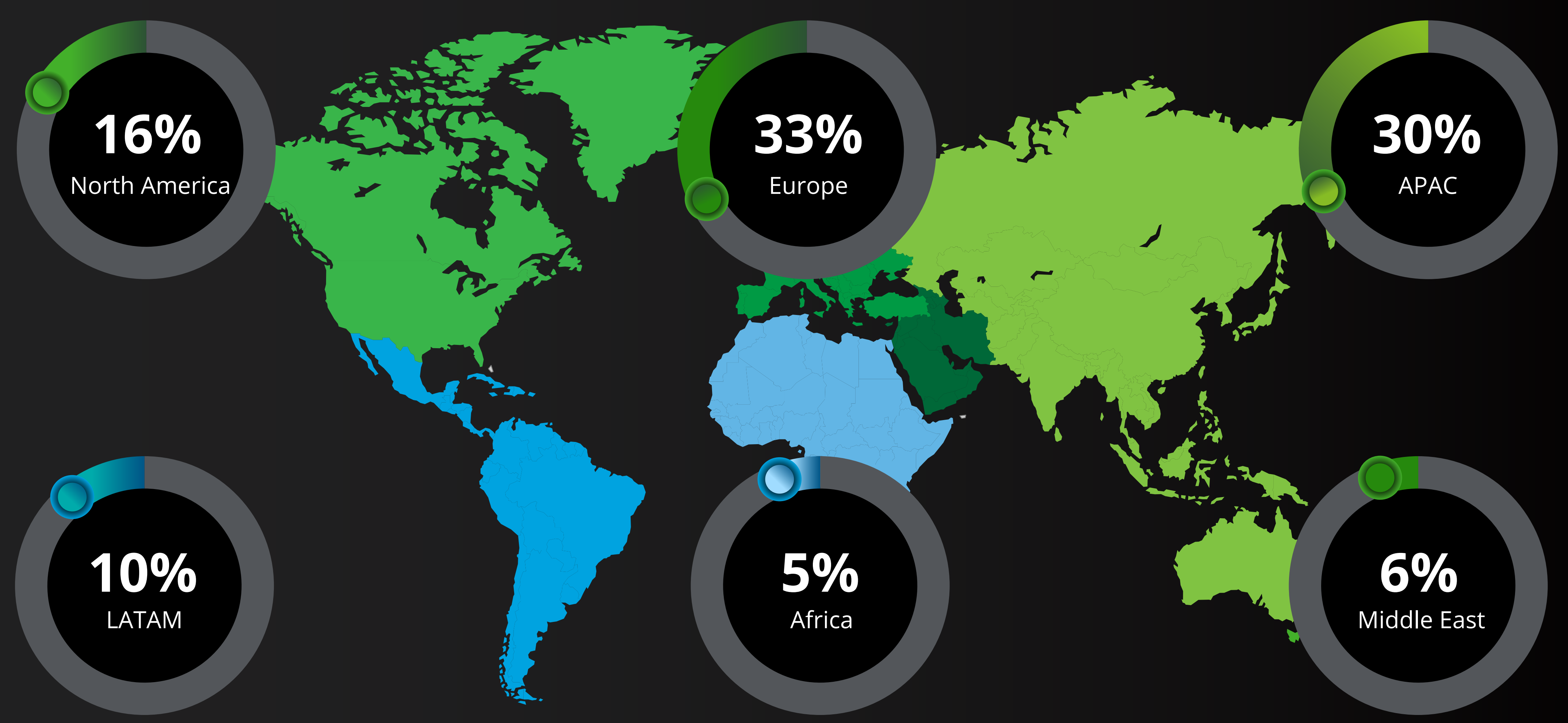
Across our five global tax policy themes, businesses will face growing challenges, such as increasing burdens under transparency and reporting, increased complexity emerging from Pillar Two, or the compliance risks of remote working. On the upside, they will be able to draw on the benefits of increased digitalization and the opportunities emerging from post-Pillar Two tax competition.

About the research

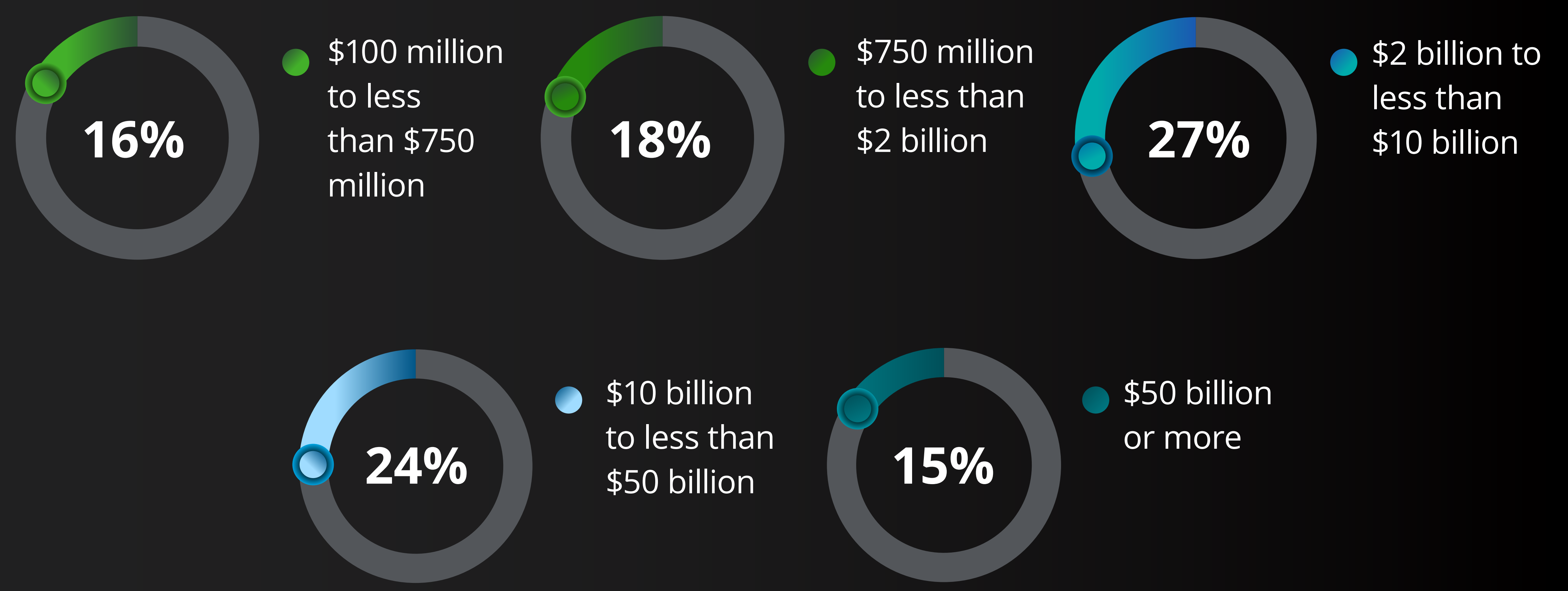
Deloitte surveyed 1012 professionals from tax leaders (69% of the total), CFOs (28% of the total) and other executives (3% of the total) across the world between March and April or 2024. Across the 28 countries represented, the industry breakdown included the consumer industry (27% of the total); ER&I (23% of the total); TMT (22% of the total); FSI (20% of the total); and Life Sciences and Health Care (8% of the total). Companies represented all had a minimum of US$100 million in global annual revenue in their last fiscal year, and 90% were multinational organizations operating in two or more countries. The aim was to examine companies' views, concerns, and actions regarding various tax policy reforms and trends.

The below represents the breakdown of respondents' regions; company size by revenue, titles, and roles.

Location of Respondents by Region

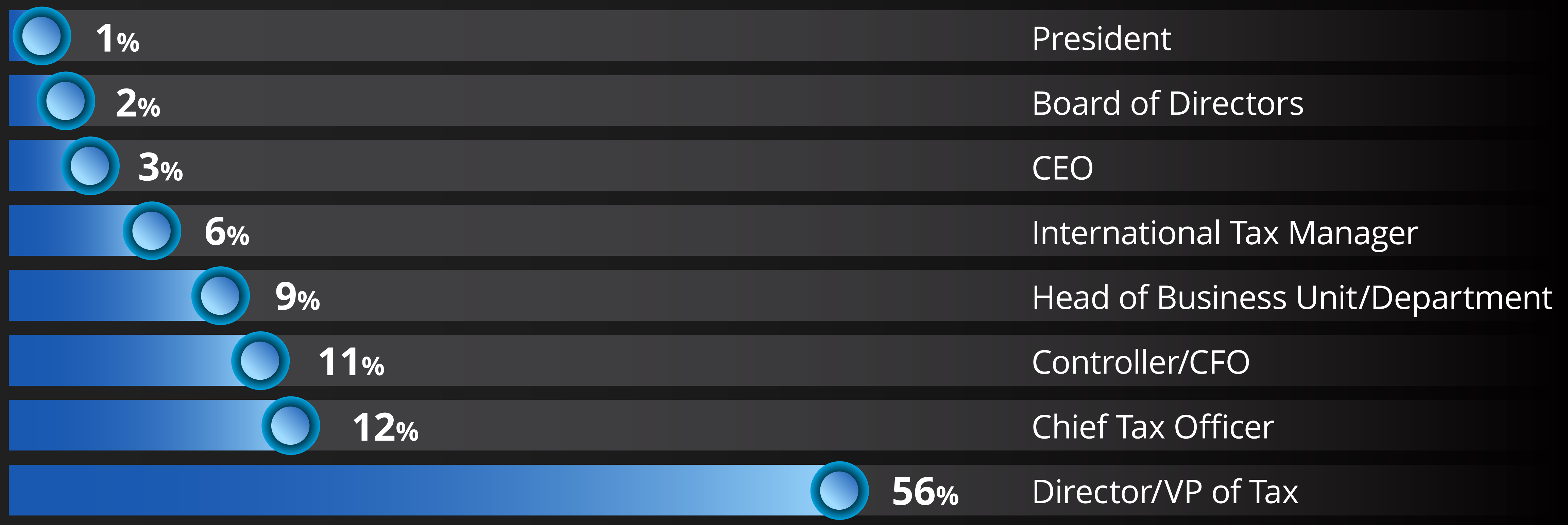


Global Revenue for Last Fiscal Year in US Dollar

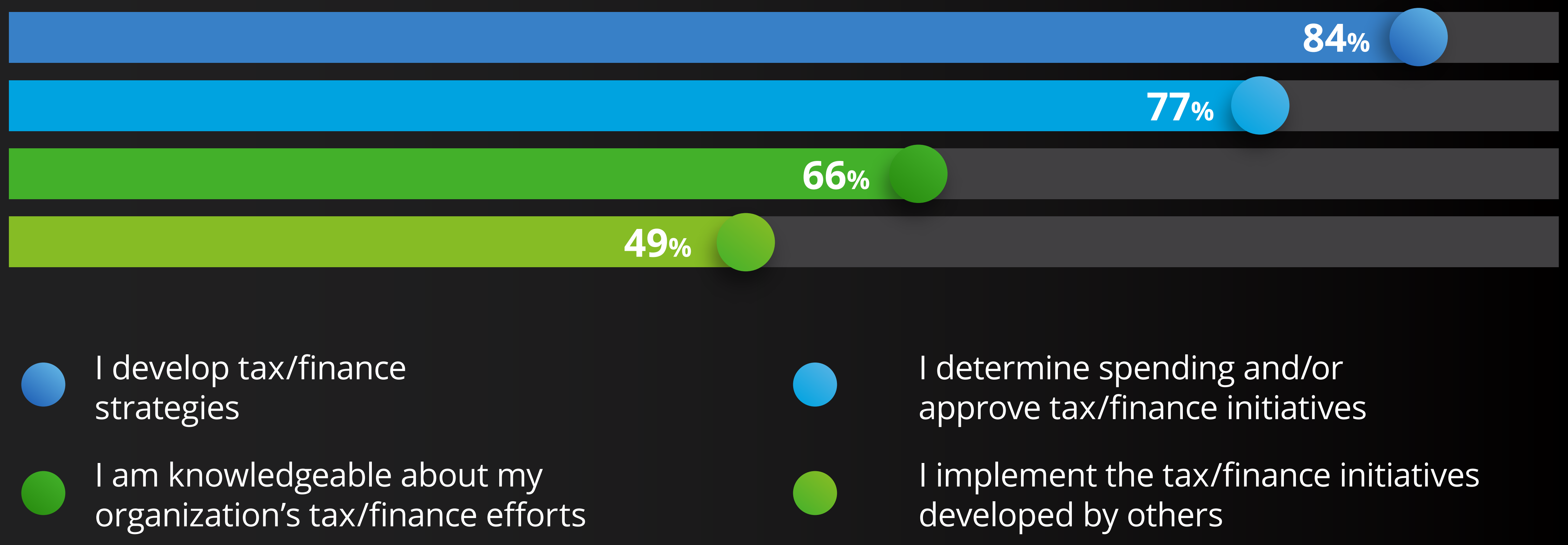


About the research

Job title



Level of Responsibility for Tax/Finance Decisions at Company



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