



# Understanding US tax policy in the new world: What it could mean for you

2025 KPMG EMA Tax Summit

Amsterdam

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Date

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# Today's presenters



**Michael Plowgian**  
Principal, Washington  
National Tax  
KPMG US



**Danielle Rolfes**  
Partner in Charge,  
Washington National  
Tax  
KPMG US



**Luis Abad**  
Principal, Washington  
National Tax  
KPMG US

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# Agenda

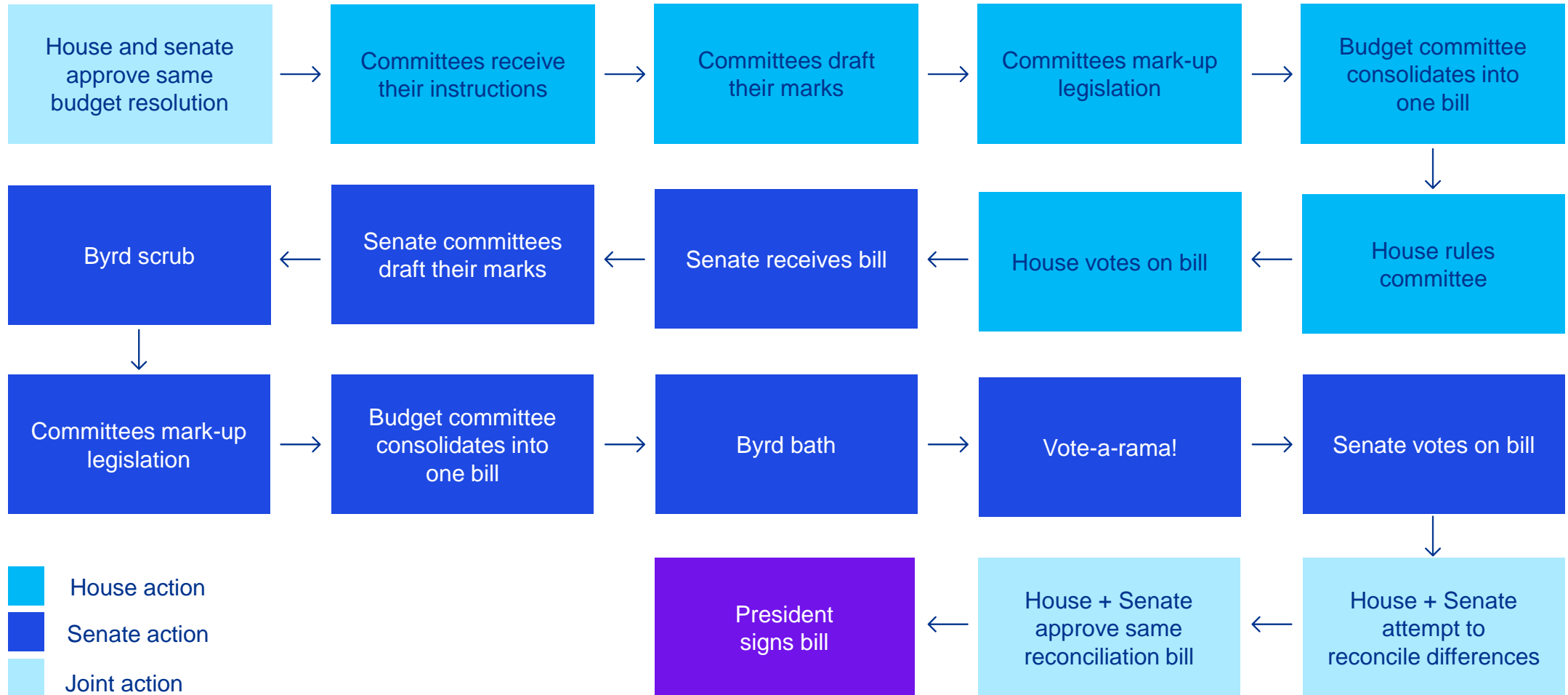
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# U.S. Tax Legislation



# The reconciliation process — start to finish



# Polling question #1

**What provision in the U.S. tax legislation are you most interested in?**

1. Repeal of IRA credits (green energy, etc.)
2. Section 899 — retaliatory measures
3. Section 174 — deduction for R&D expenses
4. Section 162(m) — denial of deduction for excessive compensation



# Proposed section 899: enforcement of remedies against unfair foreign taxes

## Unfair foreign taxes

- Per se unfair foreign taxes: UTPR and DST
- Regulatory authority to sweep in other discriminatory taxes
- Excludes taxes that do not apply to U.S. persons or greater than 50 percent owned CFCs

## “Applicable persons” impacted

- Individuals and corporations resident in an “offending foreign country,” other than a U.S.-owned foreign corporation
- Foreign corporation more than 50 percent owned by applicable persons unless publicly held
- Any other entity identified by Secretary of the Treasury
- Government of offending foreign country (turns off section 892)
- Trust majority owned by applicable persons and private foundation organized in offending foreign country

## Impact

- Increased rates of tax apply only to UTPR
- BEAT modifications apply to UTPR, DST, other taxes identified by Treasury

# Section 899: increased rates of tax

- Increases specified rates (including treaty rates) of tax by five percentage points annually (capped at 15 percentage point increase)
- Overrides exceptions and exemptions under treaty or statute, except for:
  - Portfolio interest, short term OID, and certain other interest and interest-related dividends (with regulatory authority for Treasury to expand to other “similar” items)
- **SFC bill would only apply rate increases for jurisdictions with UTPR**

# Section 899: super BEAT

Super BEAT applies to non-public US corporations and certain branches that are more than 50 percent owned, by vote or value, by one or more “applicable person” and includes the following modifications

Removes the \$500 million gross receipts test and reduce base erosion percentage threshold to 0.5 percent

Regular tax liability is reduced by all allowable credits (and regular BEAT rate increased to 14 percent)

Eliminates exceptions for payments already subject to gross basis tax under section 871 or section 881 and the services cost method exception

Treats amounts paid to a foreign related party that are capitalized, other than the purchase price of depreciable or amortizable property or inventory, as giving rise to a base erosion tax benefit

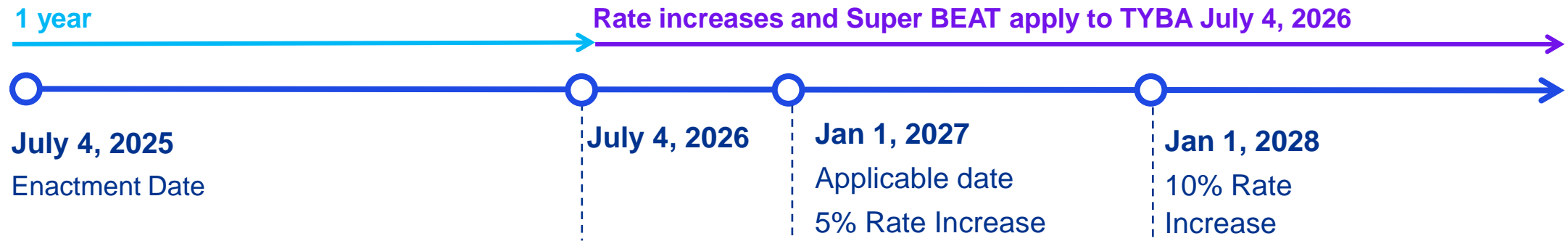
Turns off newly created exception for payments subject to sufficient foreign tax

# Timeline for existing unfair foreign taxes

## 1. Assume enactment July 4, 2025 — Under House-passed version



## 2. Assume enactment July 4, 2025 — Under SFC release



# Senate finance committee text: GILTI, FDII, and BEAT

- **GILTI — Intended to create a global ETR of 14 percent for Net CFC Tested Income (“NCTI”)**
  - Some taxpayer favorable changes
    - Eliminate apportionment of interest and stewardship expense to NCTI
    - Increase foreign tax credit percentage to 90 percent (from 80 percent)
  - Some taxpayer unfavorable changes
    - Eliminate QBAI (U.S. equivalent of SBIE)
    - Reduce deduction
- **FDII — Intended to create an ETR of 14 percent and eliminate QBAI and most expense allocation**
- **BEAT**
  - Increases BEAT rate to 14 percent
  - Exception for payments subject to sufficient foreign tax (90 percent of U.S. rate)
  - Reduces BE percent threshold from 3 percent to 2 percent
  - Treats certain capitalized interest expense as BEPs

02

# Global Tax Landscape



# Polling question #2

**What will happen to Pillar 2 — will the U.S. get what it's asking for?**

1. Yes, the U.S. will get everything it's asking for on Pillar 2.
2. No, other countries will not be able to agree and may retaliate.
3. Countries will reach a deal that goes some way toward what the U.S. wants, but not fully.

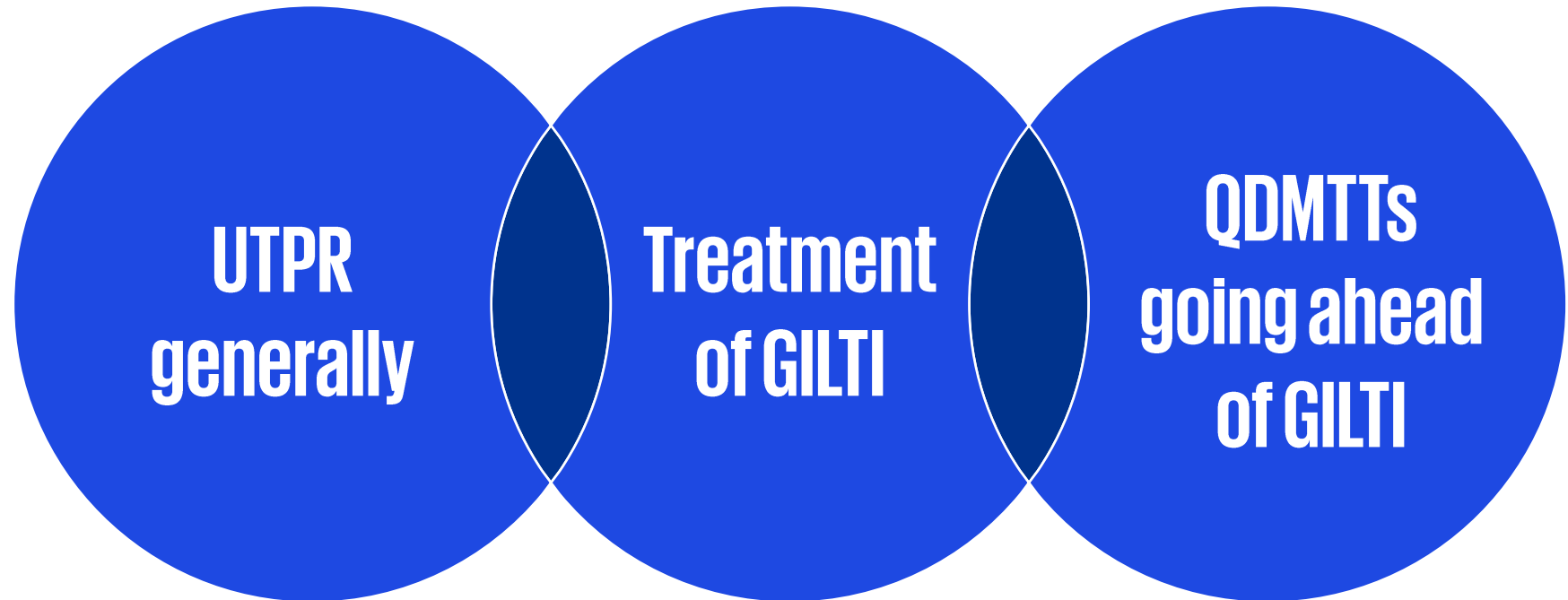


# State of play on pillar two and new US administration?

US is seeking a “side by side” system to avoid US MNEs being subject to multiple minimum tax regimes

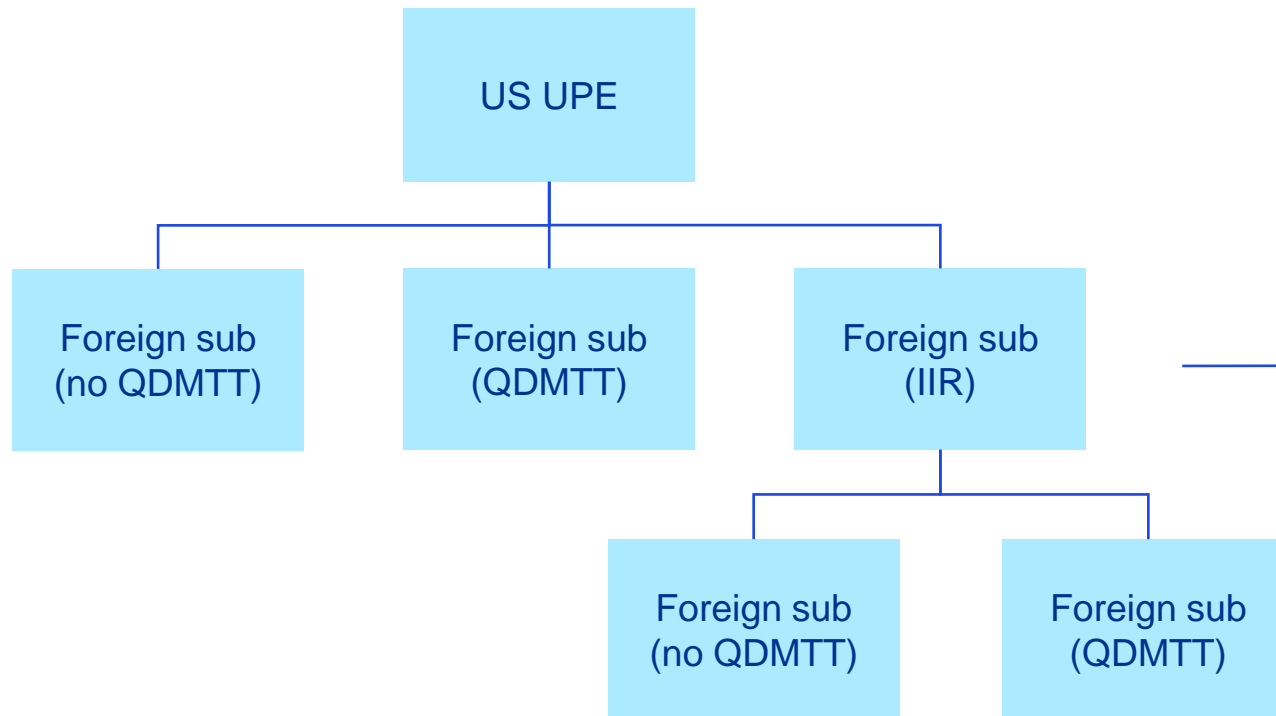
Common concerns  
that have been  
raised include:

(UTPR concern linked  
to retaliation measure  
in the tax bills)



Negotiations to address the above concerns are ongoing

# How would a U.S.-based MNE be impacted in a “side by side” system?



What U.S. Treasury is pushing for:

1. No P2 ETR calculation for US UPE
2. No P2 ETR calculation for non-QDMTT jurisdictions
3. No GIR (although the same calculation would still be required for QDMTT jurisdictions), and thus less information exchange with other jurisdictions
4. More relaxed definition of “Q”DMTT (potentially including the allowance of US-parent level taxes in the numerator of the QDMTT ETR calc)

**Note: negotiations are ongoing and thus all the above is uncertain and subject to change**

03

# U.S. Trade and Tariffs



# Polling question #3

How much is your organization impacted by changing U.S. tariffs?

1. No/low impact
2. Moderate impact
3. High impact
4. Not sure



# The current landscape

The following measures have been implemented or are currently under review, in alignment with the “America First” trade policy initiated by President Trump:

## Country-Based Tariffs (IEEPA)

### All Countries



**Reciprocal IEEPA 10%**  
Except MX/CA & USMCA goods  
(All) except 20% US content  
country specific rates paused

### Canada



**Border IEEPA 25%**  
10% on energy and potash  
Except USMCA eligible goods

### Mexico



**Border IEEPA 25%**  
10% on potash  
Except USMCA eligible goods

### China















**Fentanyl IEEPA 20%**  
**Reciprocal IEEPA 10%\***  
**Sec. 301 ~25%**  
De minimis excluded

### Venezuela Oil



**25% on countries that import venezuelan oil\*\***  
Not addressed in the court of international trade injunction

## Industry-Based Tariffs (Section 232)

 <b>Aluminum***</b> 50%	 <b>Steel***</b> 50%	 <b>Autos****</b> 25%	 (May 3rd) <b>Car parts</b> 25%	 <b>China maritime</b>	<div><div></div> In effect</div> <div><div></div> Threatened</div> <div><div></div> In effect/threatened*****</div>
 <b>Pharmaceuticals</b>	 <b>Semiconductors</b>	 <b>Copper</b>	 <b>Lumber</b>	 <b>Critical minerals</b>	
				 <b>Trucks</b>	 <b>Commercial aircraft, jet engines, and parts</b>

\*China-specific reciprocal tariff rate on pause for 90 days

\*\*All imports from a country that imports VE oil directly or indirectly

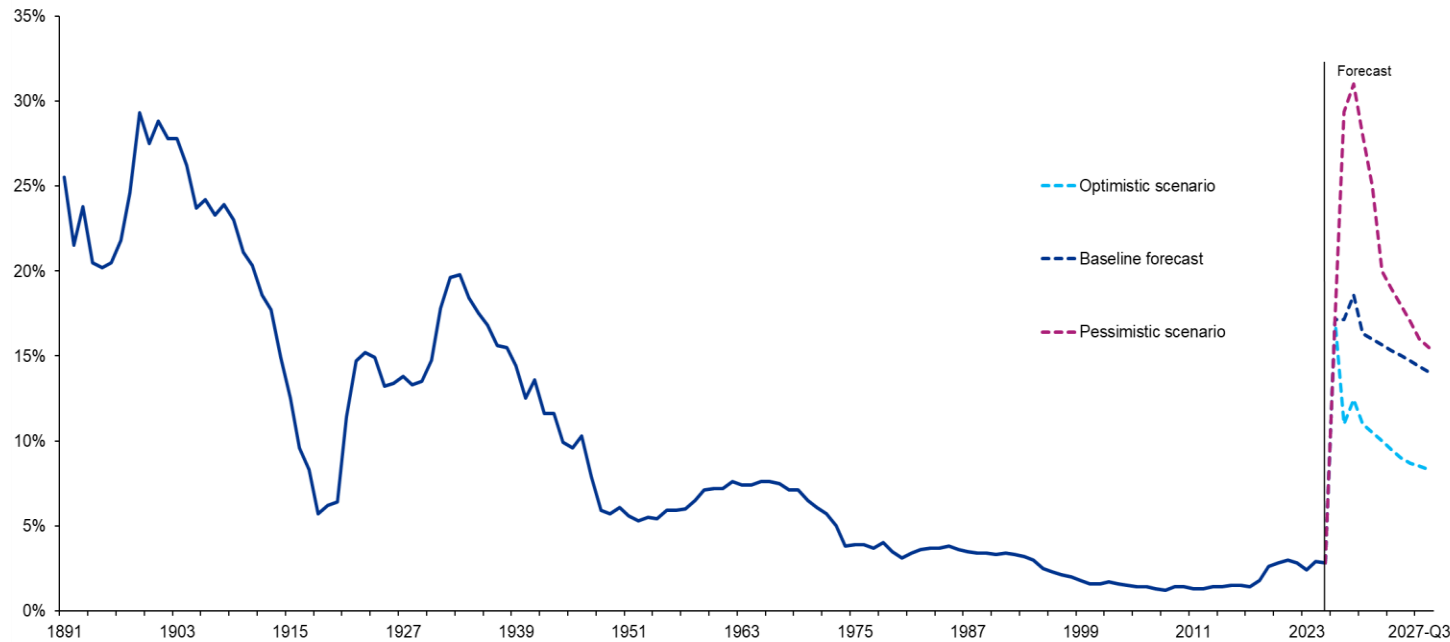
\*\*\*Except imports from the United Kingdom until July 9, 2025

\*\*\*\*Except USMCA U.S. Content

\*\*\*\*\*Will gradually increase over the next three years

# Tracking effective tariff rates

Effective tariff rate, percent



Source: KPMG Economics, United States Census Bureau

## Key Data Points

- Pre-Trump 1.0: 1.5%
- End Trump 1.0: 2.8%
- Baseline Scenario ('26): 16%–18.9%
- Optimistic Scenario ('26): 9.5%–11%
- Pessimistic Scenario ('26): 19%–28%

# Polling question #4

**How are you preparing to address the impact of tariffs (choose all that apply)?**

1. Modeling and scenario planning using technology
2. Considering supply chain changes
3. Considering transfer pricing changes
4. Not taking any action





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