Reinventing the tax model

US tax reform represents the biggest change in taxation in more than 30 years. Multinational media and entertainment (M&E) companies must respond to its wide-ranging implications. Yet tax reform is really an inflection point in what has become a much wider conversation about the future of the tax function. In the year ahead, companies and tax executives will need to explore how they engage with regulators and how they manage reporting to take advantage of new technologies.

Implications of tax reform

In broad terms, US tax reform lowered both corporate and personal tax rates, offsetting lower revenues with a broader tax base. While the corporate tax rate was set at 21%, various deductions and incentive credits were eliminated.

For multinational M&E companies, there are a couple of specific implications. An opportunity to repatriate accumulated foreign earnings and assets will come with a one-off "toll charge" depending on whether the assets are cash or not. The other notable implication is a provision for anti-base erosion that effectively establishes a global minimum tax on foreign earnings. This latter point will have wide-ranging consequences for companies that take advantage of overseas licensing, cost sharing or offshore IP ownership models.

The broader conversation

Navigating tax reform needs to be viewed in the context of an operating environment that is increasingly complex for M&E companies. Greater globalization, digitization and new ways of consuming content significantly impact the current and future state of the media business, its supply chain and tax positions.

In the short term, the answer lies in being prepared and better understanding the implication of reform. Media companies should already be modeling how proposals could affect their liabilities and business operations, including scenario planning. In parallel, there should also be an ongoing dialogue with tax authorities, not just to understand what the changes mean but also to build influence over those very changes.

This dialogue with regulators forms part of a much larger, longer-term conversation. The tax environment is changing, and expectations on all sides are increasing. Authorities are aggressively advancing their own digital capabilities, requiring near-real-time reporting and performing sophisticated data analytics for tax collection and auditing.

The digital tax solution

Engaging around the changing landscape is not, in itself, sufficient, and media companies need a broader adoption of technologies if they are to be both compliant and efficient. The powerful combination of big data and emerging tax technologies should be seen as an imperative.

The application of big data analytics that leverage artificial intelligence (AI) and machine learning capabilities can uncover both tax risk and opportunities. They also provide better insights and visibility into the enterprise. At the same time, digital tax technologies give companies the opportunity to respond to the evolving demands of regulators. The use of intelligent automation technologies such as robotic process automation enables innovation and helps build a high-performing digital tax function.

The year ahead will be the year of the tax technologist, the person with a grasp of tax regulation and the IT wherewithal to reimagine the tax function. He or she will see the sweeping changes in US tax regulation as a catalyst for a much wider innovation in the tax function.

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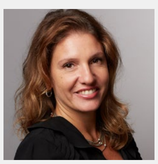

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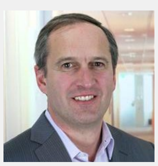

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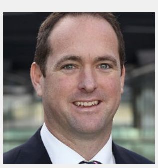

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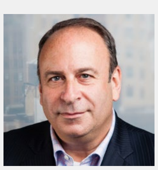

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