



# Podcast transcript

## An international tax perspective on the future of tax

Podcast with Rodney Lawrence, Global Head of International Tax, KPMG International

*Musical intro*

**Announcer:**

Hello and welcome to another episode of the KPMG podcast series for tax leaders. In today's episode I am joined by Rodney Lawrence, Global Leader for KPMG's International Tax Services Practice for KPMG International. Rodney, thank you for joining me today.

**As you know, this series looks at the way in which three key themes, geopolitics, digitalization, and changing business models are reshaping and changing the daily lives of tax leaders and of course, their teams. Which of these areas would you say is most prevalent from your perspective as a business issue for tax leaders, and I guess specifically in the international tax space?**

**Rodney:**

So specifically in international tax, I would say it's changing business models, and that's because business models are evolving far faster today than they've evolved in the past, in part because of digitalization and the digital economy, so what we see clients struggling with a lot is, fiscal, the tax folk, even an understanding of where their business is going and just trying to fit that into our existing global framework and tax rules. Very, very difficult. And then from there, the next most challenging thing for those tax leaders is to try and figure out where are things going, because we have a generally understood framework of tax today that's worked for a number of years, it's getting upended through all of the efforts of the OECD, and a lot of clients are really struggling with trying to understand, how is my business model evolving, and how will that be taxed today, but then how will that be taxed in 3 or 4 years' time, and it could be significantly different.

**Announcer:**

**And Rodney, what about geopolitics? You didn't mention it but it obviously has a huge impact on the world of international tax.**

**Rodney:**

So it is impacting international tax more and more, and I think that just highlights the way the field of international tax itself is changing. Several years ago, if you asked a person, what is international tax, they would reply with a focus on direct corporate taxes. When you look at what geopolitics is doing today, you see that that's changing the way that people need to think about international tax, and it's changing the way our clients are actually thinking about international tax, too, so many clients have extended global supply chains built with direct tax in mind. Well look at what's going on in the world today politically: threats of tariffs, actual tariffs, new import duties, digital services tax, entrance taxes, all these things were never traditionally international tax focuses, but the geopolitical world today is forcing our clients to take a step back and broaden what they think of in terms of taxes when they either structure their tax department, or when they take a look at their supply chain. So geopolitics is actually impacting our clients quite significantly, because it's forcing them to take account of things they tended to ignore in the past.

**Announcer:**

**Rodney, I know one geopolitical issue facing tax leaders is regulatory developments. Which ones do you think are receiving the most attention from your clients, and do you think they are paying attention to the right ones?**

**Rodney:**

So the biggest regulatory development in recent history was U.S. tax reform, and that was an interesting one to watch, because for the longest of times, everyone was saying tax reform will never happen, so they didn't really prepare for it, and it almost caught people by surprise just how quickly it

came up, but what I will say is that really sparked tax departments to invest in technology and what-iffing spreadsheet capabilities and stuff like that, so they really paid attention to that. One thing I think that people haven't really paid a lot of attention to just yet is BEPS 2.0. Some industries clearly have: high tech, internet equipped businesses, but mainstream manufacturers and search providers haven't really been paying much attention to that, and I think that might be a little short sighted. Of course, it's easy for me to say that, because I'm not the company with limited resources having to focus on the day job, but some of the changes in terms of profit allocations and taxing rights are so impactful to every business, not just high tech businesses, but every business, that not having any visibility whatsoever into what this might mean for you, that's almost malpractice in tax if you're a tax department. So I would say tax reform, handled very, very well in the U.S., but the global development's going on today, less so. Look, maybe that's because everyone's just tired of change.

**Announcer:**

**To wrap things up Rodney, if you could offer just one piece of advice to tax leaders in terms of managing their international tax responsibilities more effectively in today's globalized and digitized world, what would that piece of advice be?**

**Rodney:**

I think the single greatest piece of advice I could give would be to strive for consistency everywhere around the world. Now the reason I say that, I'm thinking back to my time in Africa, and I was talking to Partners from about 20 of the different African countries, and just a number of interesting stories came out relative to the African countries' use of tax inspectors without borders, and how an issue would follow a client from one country to the next country to the next country, and they didn't know why it was following them, but it was dogging them, and it's because the tax authorities were all exchanging information, and just the number of stories I got from folk, both good and bad, but the bad ones were always about where a taxpayer or a client had different stories in different countries, and they were just called out, so the single biggest piece of advice I think I could give someone in terms of managing their international tax affairs is to have a globally coordinated story that's replicated in every country they do business, keeping it simple.

**Announcer:**

**Rodney, I'm sure our listeners will welcome your advice and thanks very much for taking the time to be with us today.**

Join us next time when we'll take a look at another trending topic. Please feel free to email us with any suggestions for future topics you would like to hear about at [tax@kpmg.com](mailto:tax@kpmg.com). Thanks for listening!

*Musical exit*

