





E-taxation: Opportunities for multinational enterprises

Status and issues

Geneva, 6 June 2003

Reiner Denner, Tax Partner

Gilles Ronchi, Tax Senior Manager



Agenda

- Introduction E-taxation
- Current developments in E-taxation for enterprises
- Example: E-filing in the United States of America
- Expectations of multinational enterprises of an efficient e-taxation system
- Withholding tax
- Direct taxes
- Important issues for multinational enterprises
- Discussion
- Questions

(VAT issues are covered seperately)

Introduction E-taxation

- The development of the Internet has created new opportunities and risks for multinationals enterprises such as:
 - Global markets / global competition: E-taxation reduces discrimination of internationally active enterprises, allows direct support at the trading level, e.g. for VAT and customs purposes
 - New ways of communication between enterprises and tax authorities including cross border
 - Electronically supported working processes
 - Centralized cash / tax payment management
 - Management of assets and liabilities based on international accounting standards
 - Dependency on international standards of the internet and electronic devices

Current developments in E-taxation for enterprises

- Tax authorities started homepages on which different services are provided
 - Registration support services
 - Direct tax (e.g. Ireland, Singapore)
 - VAT (e.g. Ireland, South Africa, GB)
 - Withholding / payroll tax (e.g. USA)
 - Customs duty (e.g. NL)
 - E-signature (granting, issuing and acceptance)
 - Forms/Tax Payments
 - Downloads of tax forms (many OECD countries)
 - Online filing of forms (Singapore, USA)
 - E-payments for tax duty (generally all countries with e-invoicing regulations)

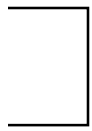
Example: E-tax filing in the United States of America



- IRS e-file for Business
 - Electronic Filing and Payment Options for Businesses
 - Employment Taxes (Forms 940 & 941)
 - Partnership Returns (Form 1065)
 - Estates & Trusts (Form 1041)
 - Filing Information Returns Electronically (FIRE)
 - Corporations, Forms 1120/1120S e-file (beginning 2004)
 - Exempt Organizations, Forms 990/990EZ e-file (beginning 2004)

Expectations of multinational enterprises of an efficient e-taxation system

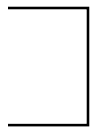
- High security/protection level on both sides, company level and tax authorities level
- Cost neutral respectively optimizing administrative costs
- Cash neutral respectively optimizing cash flow/tax payments
- Part of the centralized cash management
- Fast reimbursement of withholding taxes
- Avoidance of interest costs
- Standardized interfaces (if possible also on international basis)
- Flexible access to data base since online available
- Automation of the declaration
- Efficient processes



Withholding tax I

Expectations of multinational enterprises

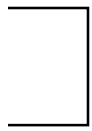
- Forms / Process
 - International standardized forms/processes
 - E-filing of the specific country forms
 - All processes need to be on a high security/protection level on both sides, company level and authorities level
 - Efficient process
- Declaration
 - Implementation in ERP-System
 - Automatic completion of forms



Withholding tax II

Expectations of multinational enterprises

- Withholding tax reclaim process
 - E-transmission to one tax authority
 - Automatic approval and settlement between different tax authorities
 - Reimbursement by one tax authority
 - Introduction of notification procedures for any dividends, interest and royalty payments



Direct taxes I

Expectations of multinational enterprises

- Registration
 - Easy online registration
 - Fast and secure confirmation of (the direct tax number)
E-signatures
- Forms / Process
 - International standardized forms/processes
 - E-filing of the specific country forms
- Declaration
 - E-declaration and submission to tax authorities
 - International tax allocation
 - Implementation in ERP-System
 - Automatic completion of forms

Direct taxes II **Expectations of multinational enterprises**

- Direct tax claim/reclaim process
 - Online assessment acceptance / appeal
 - Online payments for all taxes national/international
 - Online reimbursement for overpaid provisional tax duties

Important issues for multinational enterprises I

■ Security

- E-signature
 - National / international laws
 - Implementation of legal conditions considering a practical business approach
 - International acceptance
- Data security
 - Tax secrecy
 - Secure transmission
 - Legal storage requirements

Important issues for multinational enterprises II

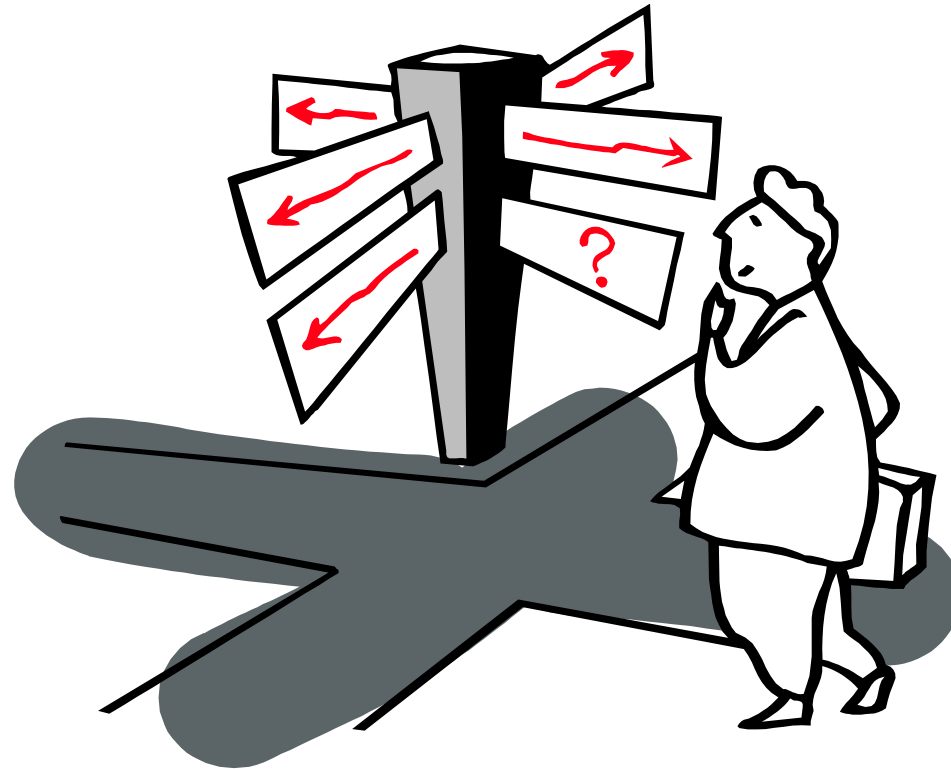
- E-taxation systems
 - Efficiency
 - Uniformity
 - Forms in different countries
 - System in different countries
 - Clarity
 - Integration in current programs and systems
 - Interfaces
 - Flexibility regarding regional / national distinctions

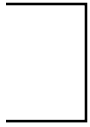
Important issues for multinational enterprises III

- Business secrecy
 - Discrepancy on available data base between different departments, i.e. Accounting department vs. Tax department vs. Management
 - Data storage
 - Authorization / Access within companies / groups / PEs
 - Internal / external firewalls

- Within countries
 - State of laws, technique
 - Administrative procedures
 - Stability of politics

Questions





Contact

Reiner Denner
Tax Partner

KPMG Fides
Badenerstrasse 172
P.O. Box
8026 Zurich

Telephone ++41 - 1 - 249 24 40
Fax ++41 - 1 - 249 23 55
rdenner@kpmg.com

Gilles Ronchi
Tax Senior Manager

KPMG Fides
Badenerstrasse 172
P.O. Box
8026 Zurich

Telephone ++41 - 1 - 249 27 85
Fax ++41 - 1 - 249 23 55
gronchi@kpmg.com

