

Tax reform considerations for workforce, operations and location strategy

US Tax Reform

Business opportunities for financial services

Key reform rules that directly impact workforce, operations and location

- ▶ **Base erosion anti-abuse tax (BEAT):** minimum tax imposed when deductible payments to foreign related parties exceed 2% of total deductions
- ▶ **Corporate tax rate:** revised rate has been decreased from 35% to 21%
- ▶ **State and local tax (SALT):** capped deductions on state and local property, income and sales tax to \$10,000 per year
- ▶ **Section 162(m):** limits deductions for publicly traded companies to \$1m, expands definition of covered employee and repeals exceptions for performance-based compensation
- ▶ **Workforce:** who delivers your services
- ▶ **Location:** where services reside (includes talent)
- ▶ **Operations:** how services get delivered

- ▶ Consider the **type of workforce** they utilize in foreign locations, e.g., Managed Services, Contractors
- ▶ Consider the **location of workforce** in order to limit foreign related-party payments
- ▶ Consider the **operations service delivery model**; may need to rethink their global shared service operations strategies in order to remain under the BEAT threshold
- ▶ Consider the **SALT impact on the workforce and organizations** residing in high SALT states to evaluate prospective moves to lower SALT states

Questions to consider

- ▶ Are payments for services going to foreign related parties?
- ▶ How will global acquisition economics and structures be impacted?
- ▶ Will the resource mix across onshore/nearshore/offshore/outsource/insource need to be revised?
- ▶ Can foreign-related services be performed by a third party?
- ▶ Are executives eligible for performance-based compensation?

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