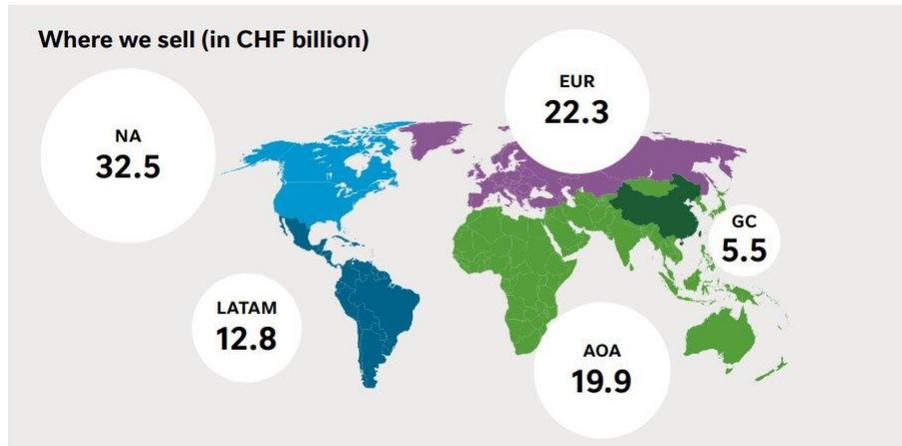




International Tax Forum
Observations on Pillar 2

Nestlé at a glance (2023)

Nestlé Worldwide



- 1 93 billion CHF in sales
In 188 countries
- 2 270,000 employees
340 factories in 76
countries
- 3 Over 2,000 brands
worldwide
- 4 1 billion Nestlé products
sold every day

Nestlé Indonesia



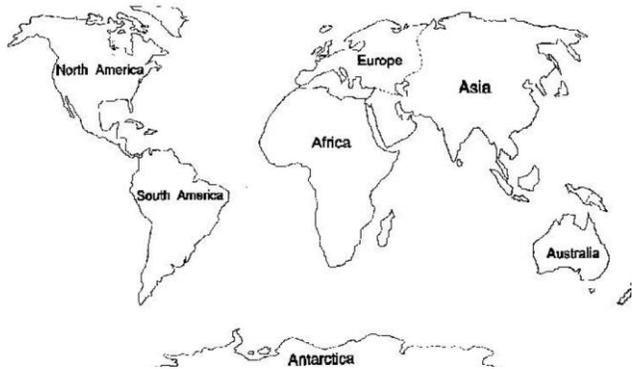
- 1 Ranked #2 foreign food
manufacturer
- 2 3,000+ employees
4 factories
- 3 ~40 Brands
in Market
- 4 Most popular Brand
BEAR BRAND

Pillar 2 – Perspectives on Pillar 2 and Tax Incentives

- Globe rules are complex, and costly for companies to implement
 - Goal to prevent tax competition, with emphasis of preventing artificial profit shifting where substance is “thin”
 - Impact can be in any jurisdiction, regardless of tax rate
 - Effective tax rates below 15% may be gone
- ❖ All prior arrangements need to be reviewed for Pillar 2 impact
 - ❖ Historical construct of Tax Incentive has an impact
 - ❌ Exemptions (0% Tax Rate)
 - ✅ Tax Credits (% of initial year spend)
 - ❖ Benefits countries with operations
 - ✅ Incentives blended
 - ✅ Substance based carveouts

Pillar 2 – Countries are responding

Countries are responding:



The incentives vary by location, with an objective of incentivizing companies, while protecting governmental revenues

- Qualified refundable tax credits
- Transferable tax credits
- Cash grants
- Extending incentive periods*
- Accelerated depreciation
- Traditional benefits (15% floor, not bad)

*(i.e., benefiting from jurisdictional blending)

Pillar 2 – *Maybe Creativity is not required*

What does the business need:

Business focused tax environment providing certainty

APA / ruling process

Efficient audit procedures and approach

Merit based audit approach

Reasonable documentation standards

Consider Cooperative Compliance Programs

Good implementation of Pillar 2

Cash tax commensurate with income

Recognize how global businesses operates

Follow OECD transfer pricing guidelines

No double taxation (disallowed deductions)

Strong treaty network (Indonesia ~ 70)

Appropriately staffed tax department

What does the business want:

***Business environment
supporting a strong business
case for growth!***



Pillar 2 – Conclusions: Summary View

1. What is the biggest challenges that you encounter to implement Pillar 2?
Extremely Complex / Uncertain Rules
2. What kind of incentives do you prefer after the Pillar 2 effectively implemented? **Somewhat indifferent, it is all about the business case**
3. Will the implementation of Pillar 2 give any effect on your investment decisions? **The decision framework¹ likely does not change**
4. What do you think Indonesia should improve to increase the FDI? **Create a competitive business environment with tax certainty**

¹ Changes in expected return could impact Return on Invested Capital (ROIC) determinations.