



International Tax Planning: The Role of IFRS in Reducing Costs and Tax Optimization

International Tax Planning: The Role of IFRS in Cost Reduction and Tax Optimization

Author: Jaqueline Costa Borges

Graduated in Accounting Sciences, from Anhanguera University - Criciúma, Santa Catarina

Summary

International tax planning is a strategic dimension for companies operating in multiple jurisdictions, as it allows them to reduce costs, optimize financial flows, and maintain legal compliance in heterogeneous and dynamic regulatory environments. International Financial Reporting Standards (IFRS) play a central role in this process by providing harmonized principles for revenue recognition, measurement of assets and liabilities, translation of foreign currencies, and accounting for deferred taxes, creating an informational "lingua franca" that, when combined with robust governance and adequate transparency, mitigates the risks of asymmetry and unwanted tax reclassification (IASB, 2018; CPC 32, 2014; HANLON; HEITZMAN, 2010). This article compares Brazil and the United States from an applied perspective, highlighting how the adoption of IFRS in Brazil (via the CPC) and the continuation of US GAAP in the US influence decisions regarding corporate structure, transfer pricing, the location of intangible assets, and the use of financial instruments, against the backdrop of the international agenda to combat base erosion and profit shifting (OECD, 2015; DEVEREUX; VELLA, 2018). It also discusses legal, ethical, and sustainable optimization strategies, as well as guidelines for SMEs to adapt their practices to the global reality, strengthening competitiveness without engaging in abusive planning.

Keywords: International tax planning; IFRS; CPC; US GAAP; deferred taxes; BEPS; IAS 12; IAS 21.

Abstract

International tax planning is a strategic dimension for firms operating across multiple jurisdictions, enabling cost reduction, optimization of financial flows, and legal compliance amid heterogeneous and dynamic regulatory environments. International Financial Reporting Standards (IFRS) play a central role by providing harmonized principles for revenue recognition, measurement of assets and liabilities, foreign currency translation, and deferred tax accounting, thereby creating an informational lingua franca that, when combined with robust governance and proper transparency, mitigates the risks of asymmetry and unintended tax reclassification (IASB, 2018; CPC 32, 2014; Hanlon & Heitzman, 2010). This paper offers an applied comparison between Brazil and the United States, showing how IFRS adoption in

Brazil (through CPC) and US GAAP in the US condition decisions on group structure, transfer pricing, location of intangibles, and use of financial instruments, under the international agenda to curb base erosion and profit shifting (OECD, 2015; Devereux & Vella, 2018). We also discuss legal, ethical, and sustainable optimization strategies and guidance for SMEs to adapt their practices to the global reality, strengthening competitiveness without engaging in abusive planning.

Keywords: International tax planning; IFRS; CPC; US GAAP; deferred taxes; BEPS; IAS 12; IAS 21.

1. Fundamentals and Conceptual Framework of Tax Planning under IFRS

Understanding international tax planning from the IFRS perspective begins with the recognition that accounting standards shape economic incentives, drawing boundaries between taxable events and their financial representation, and that this representation interferes with the calculation bases, the timing of taxes, and the predictability of fiscal cash flow; in this sense, IFRS do not “create” tax advantages per se, but offer a uniform grammar for measuring and disclosing events, reducing legal uncertainty and compliance costs, provided that accounting choices reflect economic substance and are accompanied by robust governance and documentation (BARTH, 2008; HANLON; HEITZMAN, 2010). The corporate tax strategy literature shows that companies with high-quality reports capture lower costs of capital and lower debt spreads, an effect that also depends on the consistency of current and deferred tax recognition throughout the cycle, in line with IAS 12/CPC 32 and the expectations of financial statements users (NIYAMA; GOMES, 2016; SCOTT, 2015). By linking accounting measurement and tax consequences, management builds a timing “map”—deductible and taxable temporary differences, tax bases distinct from accounting bases, and recognition of deferred tax assets conditional on probable future taxable profits—the quality of which explains the resilience of planning in shock scenarios, such as exchange rate volatility, tax rate changes, and cross-border regulatory changes (IASB, 2018; CPC 32, 2014). In Brazil, convergence with IFRS via the CPC demonstrated that strategic gains arise when accounting policies, internal controls, and tax compliance work together, avoiding the “dualism” of disconnected logics that increase reconciliations and the likelihood of disallowances (SANTOS; SCHMIDT, 2010; LOPES; MARTINS, 2012). At the same time, the international horizon ushered in by BEPS/OECD redefines the planning space, discouraging artificial structures and valuing alignment between value creation, operational substance, and profit allocation, shifting the discussion from “where to tax” to “where value is generated” (OECD, 2015; DEVEREUX; VELLA, 2018). From this perspective, IFRS function as a platform for comparability, allowing managers, auditors, and tax authorities to interpret the same economic story, while strategy differentiates itself through the quality of assumptions, documentation, and intertemporal consistency of choices. Finally, as classical literature on tax strategy warns, the net benefit derives less from specific arbitration and more from **institutional design**: data integration, judgment governance and transparency discipline trade-offs between burden reduction, regulatory risk and reputation (SCHOLES et al., 2015; HANLON; HEITZMAN, 2010).



The centrality of IAS 12/CPC 32 stems from the role the standard assigns to income taxes in measuring performance and assessing future cash flows, by requiring recognition of current tax based on taxable income for the period and deferred tax on temporary differences in tax and accounting bases, including tax losses and tax credits, when their realization is probable. This structure creates a “relay” between the present and the future, which can soften or accentuate the payment profile based on decisions on impairment (IAS 36/CPC 01), leases (IFRS 16/CPC 06), financial instruments (IFRS 9/CPC 48), and revenue (IFRS 15/CPC 47), decisions that, in turn, condition the tax base in each jurisdiction (IASB, 2018; CPC 32, 2014). In multinational groups, accounting choices that alter accounting timing can shift **tax timing**.

when there is legal symmetry, but it often produces **temporary differences** that require matrix analysis by country, regime, and treaty, under penalty of overestimating deferred tax assets or underestimating liabilities, with a direct effect on the cost of capital and financial covenants (SCOTT, 2015; NIYAMA; GOMES, 2016). In the Brazilian experience, the transparency of CPC 32 favored predictability and dialogue with investors, although the coexistence of corporate and tax rules requires recurring reconciliations and document governance to support assumptions and sensitivities (SANTOS; SCHMIDT, 2010). In contrast, in the US, ASC 740 (US GAAP) shares fundamentals but adds specific tests for **uncertain tax positions**, with recognition based on **more-likely-than-not**, producing dynamics of provisions and disclosures that, although distinct in form, converge in the objective of reporting tax risk and the effects of revaluations (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). In summary, IFRS and US GAAP offer compatible languages for mapping contingencies and timing, but obtaining economic benefits depends on the accuracy of projections and the integration of accounting, legal-tax, and business planning.

IAS 21/CPC 02 (R2), by regulating the effects of exchange rate variations and the translation of financial statements of foreign operations, directly influences planning by defining when translation differences are recognized in **other comprehensive income** and when they impact profit or loss, as well as by addressing functional currency and foreign currency transactions. These choices affect reported volatility and the tax basis, especially in environments with high exchange rate fluctuations such as Brazil (IASB, 2018; CPC 02, 2015). Natural hedge structures, intragroup financing decisions, **derivatives contracts**, and corporate treasury location interact with IAS 21 to modulate exchange rate exposure, the effective cost of debt, and, consequently, the effective tax burden, given that exchange rate gains and losses may be treated differently by jurisdiction and the nature of the transaction (HANLON; HEITZMAN, 2010). In US GAAP (ASC 830), the logic is essentially similar, but the granularity of functional currency testing and the documentation required in hedge accounting affect designation eligibility and tax symmetry, requiring fine-grained controls and reconciliations that, when well-designed, reduce litigation and optimize the consolidated **effective tax rate** (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). For Brazilian groups reporting under IFRS, consistency between exchange rate policies, capital arrangements, and commodity contracts is crucial, as misalignments generate “useless” temporary differences with no cash benefit and increase ETR volatility, impairing predictability for investors and for dividend flow management.



The revenue standard (IFRS 15/CPC 47) comprises another pillar, as it changes **the timing** and **amount** of recognition as control is transferred to the customer, which directly affects taxable income where tax symmetry with accounting is high; depending on the contractual design (performance obligations, variable price, licenses and royalties), the company shifts the timing of accounting revenue and, consequently, the profile of current and deferred taxes, requiring country-by-country analyses to avoid inconsistent classifications in specific regimes (IASB, 2018; SCOTT, 2015). In groups with significant digital and intangible assets, combining IFRS 15 with **transfer pricing** guidelines and BEPS Actions 8–10 requires clear alignment between **functions, assets, and risks**, as well as the location of revenue recognition. This could lead to substantive challenges that could nullify the intended tax gain and generate double taxation (OECD, 2015; DEVEREUX; VELLA, 2018). In US GAAP (ASC 606), there is significant convergence of principles, which facilitates reconciliations, but differences in sectoral application can produce significant time gaps, reinforcing the need for technical documentation and **advance pricing agreements** when applicable (KPMG, 2018). In short, strategic revenue management requires contractual design, mapping of obligations, and governance of judgments, not just calculations.

IFRS 16/CPC 06 (R2) redesigned lease accounting, bringing most transactions into the balance sheet as **right-of-use** and liabilities, impacting EBITDA, debt, and covenant metrics. These changes alter the bases for current and deferred taxes, depending on local tax neutrality, and interact with decisions regarding **where** to contract and **how to** allocate assets and risks, especially in **sale-and-leaseback** structures and multinational supply chains (IASB, 2018; NIYAMA; GOMES, 2016). In jurisdictions where deductibility follows the contractual flow, the redesign may affect the ETR and planning efficiency; where legislation deviates from the balance sheet, temporary differences are created that require careful assessment under IAS 12/CPC 32, including recoverability testing of deferred tax assets (SCOTT, 2015). In US GAAP (ASC 842), the similarities are substantial, but there are differences in classification and disclosures that require reconciliation for dual reporting groups, under penalty of inconsistent messages to the market.

Financial instruments under IFRS 9/CPC 48 and their **expected loss regime** for financial assets also affect planning, as more timely provisions reduce accounting profit and may, depending on the regime, generate deductible temporary differences and deferred tax assets whose future realization depends on macro scenarios and credit risk. In Brazil, the interaction with prudential requirements and sectoral regimes demands fine coordination between accounting, risk, and tax (NIYAMA; GOMES, 2016; PINHO, 2019). In intragroup arrangements, the classification of instruments as debt or equity and accounting hedge choices affect the tax base of interest, exchange rate variations, and fair value results, which, on a larger scale, alters the consolidated ETR and the stability of taxable cash (HANLON; HEITZMAN, 2010; ALEXANDER; JERMAKOWICZ, 2016). Measurement governance, designation documentation, and backtesting therefore become parts of fiscal control, not just accounting.

At the international regulatory level, the OECD **BEPS Project** (2015) and the subsequent debates on **Pillar One** and **Pillar Two** (global minimum tax rate) have reconfigured the space



planning, reducing the effectiveness of structures that relied exclusively on residence or treaty arbitrations, and requiring a connection between operational substance, intangibles, risk, and location of profits (OECD, 2015; DEVEREUX; VELLA, 2018). In this environment, IFRS functions as a mechanism for **audibility**: coherent statements, clear explanatory notes, and reconciliations by jurisdiction facilitate dialogue with authorities and reduce the likelihood of prolonged litigation, while preserving cash flow predictability for dividends and investments (HANLON; HEITZMAN, 2010). Brazil, with CPC/IFRS, and the USA, with US GAAP and the effects of **TCJA 2017** (GILTI, BEAT, FDII), start from different regulatory bases, but the global vector puts pressure on both to converge in substance, reinforcing the importance of **tax-accounting** integrations to support long-term strategic decisions (KPMG, 2018; ALEXANDER; JERMAKOWICZ, 2016).

Governance is the "anchor" of ethical and sustainable planning: audit committees, independent auditors, and **tax control framework** policies discipline judgments and document economic rationale, mitigating the risks of **earnings management** and abusive planning. The literature shows that transparency and predictability reduce the cost of capital and improve stakeholder relationships, while opportunistic approaches increase regulatory and reputational risk (WATTS, 2003; SCOTT, 2015; HANLON; HEITZMAN, 2010). In SMEs, proportionality is key: modular IFRS adoptions for SMEs, materiality guidelines, and a focus on critical processes (revenue, inventory, leases, exchange rates) present a good cost-benefit ratio, preparing the organization for scaling without adding unnecessary complexity (PERERA; CHAND, 2015; LIMA; LIMA, 2009). In summary, the foundation of planning under IFRS is to build **coherence** between business model, financial reporting and tax choices, with documentation that stands the test of time and regulatory change.

Finally, the Brazil-US comparison reveals that **accounting language** is similar, but **tax grammar** still differs on sensitive points: the coexistence of CPC/IFRS and Brazilian tax legislation requires parallel reconciliations and controls, while in the US, US GAAP coexists with the TCJA and IRS guidelines that require uncertainty testing and specific reconciliations; in both, however, the discipline of **disclosure** and the quality of **judgment** define planning success (SANTOS; SCHMIDT, 2010; KPMG, 2018). By recognizing ethical and legal limits and prioritizing economic substance, management transforms IFRS into **infrastructure** for quality tax decisions, avoiding short-term pitfalls and building sustainable competitive advantage.

2. Revenue Recognition and Value Chains: IFRS 15/CPC 47, ASC 606 and Tax Rulings

Revenue recognition is the "heart" of performance measurement and, consequently, of calculating current and deferred taxes; under IFRS 15/CPC 47, the five-step logic—identifying the contract, performance obligations, transaction price, allocation, and recognition upon transfer of control—repositions the debate from "when to invoice" to "when the customer obtains control," an effect that can **accelerate** or **defer** revenues relative to previous practices, altering the tax profile and requiring careful projections of temporary differences (IASB, 2018; SCOTT, 2015). In globalized value chains,

Back-to-back contracts , digital platforms, licenses and royalties, and **software-as-a-service** models combine simultaneous and ongoing performance obligations, variable pricing, and significant consideration considerations, heightening the importance of clear and consistent accounting policies, documentation of judgments, and **disclosures** that allow investors and tax authorities to understand the substance of transactions (HANLON; HEITZMAN, 2010; NIYAMA; GOMES, 2016). In US GAAP (ASC 606), the convergence of principles makes life easier for **dual filers**, but differences in sectoral application and specific guidelines (principal-agent, right-to-use vs. right-to-access licenses) can generate significant time asymmetries, requiring reconciliation and active management of the **effective tax rate** (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). In short, revenue management under IFRS/US GAAP is simultaneously a technical, contractual, and tax issue.

When a company designs **subscription models**, hardware and software **bundles** , industrial asset **servitization** , or **multi-element arrangements**, determining performance obligations and allocating the transaction price directly impacts **timing** of revenue and, consequently, the taxable base where tax symmetry is high; where there is no symmetry, temporary differences are created that require recording under IAS 12/CPC 32, with possible recognition of deferred tax assets whose realization will depend on the trajectory of future taxable profits (IASB, 2018; CPC 32, 2014). **Transfer pricing** documentation must faithfully reflect such arrangements, since artificial shifts of revenue between jurisdictions without operational substance are an explicit target of BEPS, which reinforces the need for the accounting narrative and the tax narrative to tell the same story, with coherence between **functions, assets and risks** (OECD, 2015; DEVEREUX; VELLA, 2018). Good practices include **playbooks** contract review, judgment **memos** and replicable calculations, in order to reduce uncertainty and litigation.

In the technology and content sector, the distinction between **licenses** that grant usage rights (point-in-time recognition) and those that grant **ongoing access** (recognition over time) changes the profile of recognition and, potentially, **withholding taxes** on royalties, requiring coordination with double taxation treaties and local CFC (controlled foreign corporation) rules; in such cases, instruments such as **APAs** and **rulings** provide predictability to planning, provided they are supported by solid accounting documentation (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). In industry and retail, **loyalty programs**, **right of return** , and **significant consideration considerations** (marketing co-op, rebates) require robust estimates and periodic review, as changes in assumptions alter revenue and taxes, with prospective and retrospective effects that need to be communicated in clear and complete explanatory notes (IASB, 2018; SCOTT, 2015).

The **principal-agent** problem involves direct risk on the **location** and **amount** of revenue and taxes: mistakenly classifying the company as principal when acting as intermediary (or vice versa) can inflate or underestimate the taxable base, attract questions of substance and compromise the consolidated ETR; for this reason, policies, control indicators, exposure to inventory and credit risks, and primary responsibility for delivery and acceptance must be rigorously assessed, preferably supported by **contractual evidence** and **market practices** (IASB, 2018; HANLON; HEITZMAN,

2010). In digital platforms and marketplaces, the boundary between principal and agent is particularly porous, which recommends extensive **disclosures** and reinforced governance over assumptions and changes.

Price variability (conditional discounts, performance bonuses, adjustment clauses, penalties) requires probabilistic estimates and continuous updating, as changes in probability and expected value impact recognized revenue, current taxes, and temporary differences, in addition to affecting performance metrics used in covenants and variable compensation. Data quality controls, **backtesting** of estimates, and **post-mortems** of critical contracts constitute good practices for reducing biases and tax surprises (SCOTT, 2015; NIYAMA; GOMES, 2016). Where there are **withholding taxes** on gross revenues, contractual engineering can shift the materiality of the problem to other items (e.g., services vs. royalties), but such **optimization** is only sustainable if it reflects the economic substance of the transaction and is consistent with BEPS guidelines (OECD, 2015).

The connection between **revenue** and **intangibles** is central to value chains intensive in R&D, brands, and platforms. IFRS requires that the measurement and recognition of intangible assets, as well as the allocation of results among group entities, reflect the reality of those performing **DEMPE** (development, enhancement, maintenance, protection, exploitation) functions, in line with BEPS, under penalty of the tax authority reallocating profits and disregarding structures without substance (OECD, 2015; DEVEREUX; VELLA, 2018). In such an environment, consistency between IFRS 15 (revenue), IAS 38 (intangibles), and technology transfer and licensing documentation becomes a "triple bed" for planning defense, while US GAAP offers detailed sectoral guides that help calibrate judgments and provide predictability for investors (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

For **SMEs** in the process of internationalization, the proportional adoption of **IFRS for SMEs** can capture many of the predictability and comparability benefits without imposing the same complexity burden as full IFRS. By focusing on critical contracts, simple and consistent policies, lean documentation, and clear reconciliations with tax authorities, the company reduces compliance costs and the risk of material error, builds reputation with banks and suppliers, and paves the way for the scalability of its tax governance (PERERA; CHAND, 2015; LIMA; LIMA, 2009). **Materiality** discipline and prioritization of processes with the greatest impact on ETR are practical elements of planning that respects ethical and regulatory boundaries.

In the Brazil–US comparison, IFRS–US GAAP convergence in revenues has reduced analytical barriers, but **remaining differences** in sectoral guidelines, disclosures, and administrative jurisprudence influence **application** and, consequently, planning. In Brazil, the coexistence of CPC/IFRS with specific tax rules maintains the need for reconciliations and document governance. In the US, the post-TCJA environment creates new incentives (GILTI, FDII, BEAT) that require care not to conflict with the substance required by BEPS and accounting principles (KPMG, 2018; ALEXANDER; JERMAKOWICZ, 2016). In both cases, sound planning means contracts that reflect operational reality, consistent accounting policies, complete **disclosures**, and documentation of

transfer pricing that “talks” to financial statements, reducing the risk of inconsistencies and costly litigation.

3. Foreign Currency and Conversion: IAS 21/CPC 02, Net Investment Hedging and Tax Implications

IAS 21/CPC 02 provides the conceptual basis for measuring and presenting the effects of exchange rate variations on both foreign currency transactions and the translation of financial statements of foreign operations. It defines criteria for choosing the functional currency, recognizing exchange rate differences in profit or loss or other comprehensive income, and reclassifying them upon disposal of foreign operations. These decisions directly impact tax planning because they shape the timing of exchange rate gains and losses, which, depending on the jurisdiction, may comprise the tax base for current taxes, generate temporary differences under IAS 12/CPC 32, and alter the predictability of the **effective tax rate** (IASB, 2018; CPC 02, 2015; CPC 32, 2014). In Brazil, marked by episodes of strong exchange rate fluctuations, consistency between functional currency, intragroup financing strategy, and hedging policies is crucial to reducing unwanted volatility and avoiding “low-quality” deferred tax credits. In the United States, under ASC 830, the logic is substantially convergent, but with detailed application guidelines that require granular documentation to support choices and ensure symmetry with tax treatment (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). In both cases, judgmental governance and the quality of explanatory **disclosures** on exchange rate risks and translation assumptions serve as the first line of defense against litigation and disallowances, and are an integral part of ethical and sustainable planning (SCOTT, 2015; HANLON; HEITZMAN, 2010).

Determining the **functional currency** constitutes the first critical judgment, as it must reflect the currency of the primary economic environment in which the entity generates and consumes cash, taking into account indicators such as the currency that influences selling prices, labor and input costs, and financing currency. Poorly informed choices can create misalignments between actual economic risk and reported accounting risk, generating artificial differences that weaken planning and the narrative for investors and authorities (IASB, 2018; CPC 02, 2015). In multinational groups, imposing a “convenient” functional currency for consolidation purposes, dissociated from local operational realities, tends to increase reconciliation costs and uncertainty about the ETR, while disciplined, documented, and periodically reviewed adoption reduces noise and signals risk management maturity (SCOTT, 2015; NIYAMA; GOMES, 2016). The literature reinforces that consistent and well-documented judgments are incorporated as a reputational asset, because they allow users to understand the bridge between operational performance, exchange rate exposure and net income, a fundamental element for companies with relevant operations in countries with volatile currencies (ALEXANDER; JERMAKOWICZ, 2016; HANLON; HEITZMAN, 2010).

Regarding the **translation** of statements of foreign operations, IAS 21 determines that assets and liabilities are translated at the closing rate, revenues and expenses at rates on the date of the transactions (or approximate averages), with translation differences recognized in other



comprehensive income and accumulated in a conversion reserve in equity, being reclassified to income upon the total or partial disposal of the operation. This mechanism "appears" to be economically neutral in the short term, but creates a latent reserve with a potential tax effect upon divestment, depending on local rules on taxation of foreign exchange gains and OCI reclassifications (IASB, 2018; CPC 02, 2015). In planning, the company must model scenarios for divestment, corporate reorganizations, and liquidations, estimating the tax impact of recycling, to avoid surprises that affect dividends, covenants, and value metrics (NIYAMA; GOMES, 2016; SCOTT, 2015). On a US GAAP basis, the **cumulative translation adjustment** mechanics are analogous, but case law and practice guides require particular care with partially sold transactions and with changes in the denominator of the functional currency (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

In foreign currency **transactions**, the golden rule is clear: monetary items are remeasured at the closing rate, and exchange differences are recognized in profit or loss, while non-monetary items measured at historical cost remain at the transaction date rate, and non-monetary items measured at fair value use the measurement date rate. This design protects representational fidelity but can amplify net income volatility in erratic exchange rate environments, with first-round effects on taxable bases where there is symmetry between accounting and tax authorities (IASB, 2018; SCOTT, 2015). In contexts where tax authorities apply specific rules for the deductibility of exchange rate variations or restrict offsets, planning should map the temporary differences generated and the probability of realizing credits, avoiding inflating deferred tax assets without economic backing (CPC 32, 2014; HANLON; HEITZMAN, 2010). Data discipline and country-by-country reconciliation are essential to provide boards and investors with visibility into the "exchange rate" portion of the ETR and its expected behavior under different rate shocks (NIYAMA; GOMES, 2016).

Hedge accounting adds a powerful layer of smoothing aligned with risk management: by designating qualified cash flow, fair value, or **net investment hedges abroad**, the entity shifts part of the exchange rate volatility from the income statement to the OCI or neutralizes it through value adjustments, with a direct effect on the stability of the ETR and taxable income when there is tax symmetry (IFRS 9/CPC 48; IASB, 2018). The literature and practice guides emphasize that the benefit depends on **ex ante documentation**, economic effectiveness, and the alignment between the managed risk and the designated instrument, under penalty of disqualification and retroactive reclassification of effects (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). In **net investment hedges**, for example, gains and losses on the hedged instrument are recognized in the OCI and reclassified to the income statement upon disposal of the foreign operation, mirroring the treatment of the translation reserve. used consistently, the arrangement reduces result volatility and provides fiscal predictability in divestment events, as long as the jurisdiction accepts symmetry in treatment (IASB, 2018; NIYAMA; GOMES, 2016).

Intragroup financing decisions are a practical planning axis where IAS 21 and IFRS 9 intersect: loans in the parent company's functional currency to subsidiaries with



Different functional currencies generate exchange rate variations in the borrower's portfolio, affecting local results and potentially the tax base. Capitalizations or equity instruments can reduce profit volatility but alter the return hierarchy and the availability of tax credits (HANLON; HEITZMAN, 2010; OECD, 2015). In jurisdictions with **thin capitalization** rules and limitations on interest deductibility, the optimal arrangement emerges from a balance between financial cost, exchange rate protection, and **operational substance**, with robust transfer pricing documentation that demonstrates the functions, assets, and risks effectively performed (OECD, 2015; DEVEREUX; VELLA, 2018). Under US GAAP, measurement is similar, but the evidence required by auditors and interaction with the IRS recommend **APAs** when justified by volume or complexity (KPMG, 2018; ALEXANDER; JERMAKOWICZ, 2016).

In **commodity** -intensive chains or with revenues indexed to strong currencies, invoicing policy, the negotiation of **currency of account clauses** , and the use of derivatives for "natural hedging" influence the timing and location of taxation. Contractual architecture should reflect control, performance obligations, and credit risk to avoid conflict with IFRS 15/ CPC 47 and BEPS guidelines on profit allocation. Misalignments between accounting history and tax documentation tend to raise questions of substance and double taxation (IASB, 2018; OECD, 2015). Market practice recommends **playbooks**. integrated legal-accounting-tax systems, with checklists for critical clauses, principal tests– agent and materiality matrices, reducing inconsistencies and increasing auditability (SCOTT, 2015; HANLON; HEITZMAN, 2010).

Hyperinflation (**IAS 29**) is not a baseline scenario in many economies, but its interaction with IAS 21 is relevant for groups with a presence in affected jurisdictions: the restatement of financial statements in current purchasing power units and subsequent conversion significantly alters the income and equity series and, by extension, the calculation basis for current and deferred taxes, requiring high governance of data, estimates and **disclosures**. (IASB, 2018; ALEXANDER; JERMAKOWICZ, 2016). Planning should include **hard currency clauses**, contractual safeguards, and hedging policies compatible with local regulatory realities in order to preserve substance and minimize litigation.

Finally, an effective design under IAS 21 combines **policy consistency, judgment documentation, scenario simulation** , and **disclosure governance**, recognizing that the value of planning arises less from ad hoc arbitrage and more from the ability to tell, with evidence, the same story to the market and tax authorities. Convergence with ASC 830 helps, but differences in application and case law require clear reconciliations and **bridges** in management reports (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). This disciplined arrangement reduces the cost of capital, stabilizes the ETR, and strengthens the resilience of taxable cash flow, essential premises for long-term investment decisions (NIYAMA; GOMES, 2016; SCOTT, 2015).

4. Financial Instruments (IFRS 9/CPC 48) and Leases (IFRS 16/CPC 06): Accounting Timing, Deferred Taxes (IAS 12/CPC 32) and ETR

IFRS 9/CPC 48 redesigned the classification and measurement of financial assets based on the business model and contractual cash flow characteristics (amortized cost, FVOCI, and FVTPL), in addition to introducing the **expected credit loss (ECL) regime**, replacing the incurred loss. These changes have a direct impact on the trajectory of accounting profit, current taxes, and the formation of temporary differences under IAS 12/CPC 32, requiring tax planning to take an integrated view of credit risk, pricing, provisions, and deductibility (IASB, 2018; NIYAMA; GOMES, 2016). In financial sectors, the anticipation of losses via ECL smooths the accounting recognition of impairment, but may diverge from the tax calendar, generating deferred tax assets whose realization depends on future taxable profits and legal limits. Outside the sector, classifications in FVTPL or FVOCI shift volatility to earnings or OCI, repositioning the ETR and requiring **disclosures** that explain the bridge between measurement, risk, and tax effects (SCOTT, 2015; PINHO, 2019). In US GAAP, **CECL** operates with a similar philosophy, but differs in parameters and sector guidelines, requiring reconciliations for dual reporters (KPMG, 2018; ALEXANDER; JERMAKOWICZ, 2016).

In **ECL**, the transition through stages (12 months vs. lifetime) and the incorporation of **prospective information** via macro-scenarios, overlays, and backtesting create robust data and governance requirements. From a tax perspective, the deductibility of provisions may follow specific rules and different timing, requiring the recording of temporary differences and recoverability tests for deferred tax assets that consider the credit cycle and demand elasticity (IASB, 2018; PINHO, 2019). Sustainable planning avoids the temptation to use overly pessimistic models to "shield" taxable income, as such a strategy weakens credibility and is likely to be challenged by auditors and tax authorities. Instead, value arises from economically well-calibrated models, with documented governance, **backtesting**, and clear reconciliations between accounting and tax (SCOTT, 2015; HANLON; HEITZMAN, 2010). In industrial and retail groups, the provision policy on accounts receivable and the classification of treasury instruments materially influence the calculation basis and the ETR, requiring integration between treasury, risk and tax.

Hedge accounting in IFRS 9, by better aligning management practices with accounting, reduces accounting volatility and, when symmetric, also tax volatility. Cash flow hedge designations can shift gains and losses to OCI, smoothing the result and creating temporary differences or current effects depending on the local regime, while fair value hedges adjust the basis of the hedged item, altering profit and taxation in the period (IASB, 2018; ALEXANDER; JERMAKOWICZ, 2016). In planning, documentation of effectiveness, horizon consistency between risk and instrument, and assessment of transaction costs determine long-term net efficiency, overcoming tactical and opportunistic approaches that typically generate litigation (KPMG, 2018; HANLON; HEITZMAN, 2010). In dual reporters, subtle differences between IFRS 9 and ASC 815 in testing and disdesignations require consistent **bridges** in MD&A and **disclosures**.



IFRS **16/CPC 06 (R2)** brought virtually all leases to the balance sheet, recognizing **right-of-use assets** and **lease liabilities**, which increases EBITDA, alters leverage, and changes covenant metrics. Fiscally, the effect depends on the neutrality of the legislation: where the tax authorities follow the contractual expense, the asymmetry with the accounting standard creates relevant temporary differences, requiring mapping and recoverability testing; where there is alignment, the ETR stabilizes, but **sale and leaseback** arrangements and cross-border structuring require attention to substance and transfer pricing (IASB, 2018; NIYAMA; GOMES, 2016). In multinational operations, decisions on **where**

The nature of lease agreements (leasing entity/lessee) and **the currency in which they are** denominated impact not only accounting and the tax base, but also exchange rate risk. Planning should consider the benefits of scale, retention rules, and deductibility limitations (OECD, 2015; DEVEREUX; VELLA, 2018). Transparency in **disclosures** regarding the term, incremental rate, and contractual variables is a prerequisite for the credibility of the design.

IAS **12/CPC 32** is the link that translates differences between the accounting basis and the tax basis into deferred tax assets and liabilities, determining when to recognize, measure, and revalue such balances. Under IFRS, there is no formal valuation allowance as in US GAAP, but economic symmetry is preserved through **probability of realization** testing with positive and negative evidence. While in ASC 740, the **valuation allowance** is explicit, creating a practical bridge between regimes (IASB, 2018; ALEXANDER; JERMAKOWICZ, 2016). Events such as tax rate changes, restructurings, acquisitions, and divestments require repricing of deferred tax balances, with an immediate impact on profit or loss and ETR. Scenario modeling and **sensitivities** communicated in notes are recommended (SCOTT, 2015; NIYAMA; GOMES, 2016). IFRIC **23** (2017) adds discipline to uncertainty in tax treatments, requiring that measurement reflect the best estimate of the expected result, considering practices and precedents, with sufficient **disclosures** for the user to understand magnitude and risk; in the US, the **more-likely-than-not** framework of ASC 740 fulfills a similar function (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

In **business combinations** (IFRS 3/CPC 15), the recognition of deferred taxes arising from identifiable temporary differences, including credits on purchased tax losses, can substantially alter the allocation of the purchase price and goodwill, with medium-term consequences for the ETR and impairment governance (IASB, 2018; SCOTT, 2015). Prudence requires assessing the realizability of deferred tax assets based on realistic projections of future taxable income, business plans, and legal constraints, avoiding overvaluation of tax synergies that could translate into future losses and questions from auditors and regulators (NIYAMA; GOMES, 2016). Under US GAAP, the interaction between ASC 805 and ASC 740 offers detailed guides for measurement windows and reclassifications, reinforcing the need for **M&A playbooks** that integrate accounting, tax, and legal (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

International **regulatory changes** shape the horizon: the BEPS Actions (2015) reduced the space for purely artificial structures, while the 2020–2021 discussions on **Pillar Two** (global minimum tax rate) signaled pressure for effective bases aligned with substance, requiring that deferred tax planning and measurement consider



potential effects of top-up taxes and income inclusion rules, under penalty of abrupt ETR revisions (OECD, 2015; DEVEREUX; VELLA, 2018). Preparation involves an inventory of temporary differences by jurisdiction, simulations of regulatory scenarios, and strengthening sensitivity and risk **disclosures**, avoiding surprises that erode investor confidence (SCOTT, 2015; HANLON; HEITZMAN, 2010). Durable strategies prioritize coherence between value creation, profit allocation, and financial reporting, minimizing dependence on arbitrage, which tends to disappear.

For **SMEs** and growing groups, proportionality is imperative: simple and consistent classification policies in IFRS 9, effective controls for leases in IFRS 16, and a disciplined IAS 12/CPC 32 **roadmap** (difference inventory, realization tests, reconciliations) capture much of the predictability and comparability benefits without excessively burdening the framework; documentation of judgments and continuing education are low-cost, high-impact levers (PERERA; CHAND, 2015; LIMA; LIMA, 2009).

At all sizes, the common denominator is **governance**: without it, the same mechanism that reduces the cost of capital and stabilizes ETR can become a source of operational and reputational risk; with it, IFRS 9, IFRS 16 and IAS 12 become a decision-making infrastructure that aligns tax planning, financing strategy and market confidence (NIYAMA; GOMES, 2016; HANLON; HEITZMAN, 2010).

In summary, the **IFRS 9 – IFRS 16 – IAS 12** axis provides the accounting levers that structure the **timing** of the result and, consequently, the trajectory of current and deferred taxes; the role of planning is to coordinate these levers with economic substance, legal limits and international guidelines, maximizing efficiency **without** sacrificing transparency and ethics. Conceptual convergence with US GAAP facilitates dialogue with global investors, but the remaining differences require clear reconciliations and **bridges**, reinforcing the importance of quality **disclosures** and governance that stands the test of time (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018; SCOTT, 2015).

5. Corporate structures, intangibles and transfer pricing: profit allocation between jurisdictions under IFRS and BEPS

The corporate architecture of multinational groups is a key determinant of tax efficiency and the predictability of the **effective tax rate** (ETR), but since BEPS/OECD, it has also become a locus of scrutiny regarding the alignment between **economic substance** and profit allocation. In this context, IFRS provide the framework for describing the group's reality: where the relevant assets and liabilities are located, who bears the risks, what contractual revenue streams are, and what measurement assumptions govern performance. When this narrative is consistent with **transfer pricing documentation**, the likelihood of litigation decreases and planning benefits become sustainable (OECD, 2015; HANLON; HEITZMAN, 2010). Frameworks based solely on “empty boxes” have become risky, as the connection between **functions, assets, and risks** (FAR) and profit capture has been reinforced in BEPS Actions 8–10, requiring service centers, holding companies, and intellectual property companies to demonstrate operational substance, qualified personnel, decision-making, and costs commensurate with the value claimed (DEVEREUX; VELLA, 2018; OECD, 20



balance sheet effects of leases, financial instruments and business combinations, IFRS expand the auditability of this substance, favoring strategies based on real efficiency and not only on formal arbitration (IASB, 2018; NIYAMA; GOMES, 2016).

In the domain of **intangibles**, the pair IAS 38/CPC 04 and IFRS 3/CPC 15 is decisive, as it defines criteria for recognition, initial measurement and subsequent measurement, in addition to the allocation of the purchase price in acquisitions, with lasting impacts on amortization, **impairment** and deferred taxes (IAS 12/CPC 32). The accounting narrative should reflect the value construction of intangible assets throughout the **DEMPE** (development, enhancement, maintenance, protection, exploitation) cycle, the core of the substance test in transfer pricing under BEPS (OECD, 2015; DEVEREUX; VELLA, 2018). When a group locates intellectual property in a favored tax jurisdiction, but the development and material management of the asset occur in another, the misalignment between IFRS reporting (capitalization, useful life, impairment testing) and TP documentation tends to attract the reallocation of profits and taxes, nullifying the intended gain (HANLON; HEITZMAN, 2010; SCOTT, 2015). Thus, a sound strategy integrates **accounting, legal, and tax frameworks** so that contracts, policies, and disclosures tell the same story about who creates and who captures value.

Business combinations increase complexity because the identification and measurement of identifiable assets and liabilities—especially acquired intangibles, contingent liabilities, and tax bases other than accounting—generate significant temporary differences, altering the ETR and subsequent **goodwill** (IFRS 3/CPC 15; IAS 12/CPC 32). A common error is overestimating tax synergies in the **purchase price allocation** without evidence of the realizability of deferred tax assets, which later translates into unfavorable impairment tests and ETR revisions, with reputational and governance effects (SCOTT, 2015; NIYAMA; GOMES, 2016). Good practices include **M&A playbooks** with documentation trails for tax basis, legal restrictions by jurisdiction, reorganization schedules, and **bridges** between accounting measurement and prospective tax effects, allowing investors to understand the bridge between value paid, value recognized, and realizable value in cash terms (HANLON; HEITZMAN, 2010).

In **digital chains** and platform models, the boundaries between revenue, service, license, and **royalties** are porous; therefore, consistency between IFRS 15/CPC 47 (performance obligations, variable price, principal–agent) and the **Nexuse DEMPE** guidelines under BEPS is essential to avoid double taxation or contentious base erosion (IASB, 2018; OECD, 2015). The classification of contracts—for example, licenses with a right to use at a point in time versus continuous access—changes the **timing** of accounting recognition and, in many countries, the timing of withholding taxes and local taxation. If transfer pricing documentation does not reflect this architecture, an inconsistency emerges that both auditors and tax authorities tend to challenge (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). **Ex-ante** strategies, such as **APAs** and **rulings**, are only defensible when the IFRS narrative is technically robust and the economic substance is indisputable (DEVEREUX; VELLA, 2018).

Decisions on **intragroup financing** connect IFRS 9/CPC 48 (classification, measurement, expected losses), IAS 21/CPC 02 (exchange rate) and local rules on **thin capitalization** and limitation of interest deductibility; the choice between debt, equity and



The use of hybrid instruments affects the cost of capital, foreign exchange exposure, and the tax base, in addition to requiring transfer pricing documentation that demonstrates arm's length in rates and conditions (HANLON; HEITZMAN, 2010; OECD, 2015). Artificial rate adjustments, spreads detached from risk, and the absence of market-consistent **covenants** are warning signs; on the other hand, **hedge accounting** and the design of **natural hedges** tied to the actual operation tend to reduce accounting and tax volatility, favoring a stable and predictable ETR (IASB, 2018; NIYAMA; GOMES, 2016). In Brazil, the coexistence of CPC/IFRS with specific tax rules demands transparent reconciliations and recoverability tests of tax credits, while in the US, ASC 740 adds the layer of **uncertain tax positions**, imposing extra discipline on measurement (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

The **location of service centers** (shared services and centers of excellence) is another planning lever in which substance and transfer pricing intertwine; **cost-sharing** contracts and apportionment policies require verifiable allocation metrics, with operational indicators that support the benefit received by each jurisdiction, under penalty of questioning and repricing by the authority (OECD, 2015; DEVEREUX; VELLA, 2018). IFRS, by requiring **disclosures** about related parties, revenue policies, and critical judgments, help build the necessary evidence trail, provided the company maintains **data governance** and reconciliations between management reports, financial statements, and tax documentation (SCOTT, 2015; HANLON; HEITZMAN, 2010). When this information architecture is consistent, efficiency gains are preserved and litigation decreases, even in volatile regulatory environments.

In **international corporate reorganizations** — spin-offs, mergers, changes of headquarters and divestments —, the synchronization between accounting schedules (recognition, measurement and write-off of assets and liabilities), accumulated exchange rate effects in **OCI** (IAS 21) and tax repercussions (taxation of capital gains, recycling, limitations on loss offsetting) determines the efficiency of planning (IASB, 2018; CPC 02, 2015; CPC 32, 2014).

The lack of ex-ante modeling and disclosed **sensitivities** can generate jumps in the ETR and compromise financial covenants; therefore, playbooks with regulatory checklists, **bridges**

Accounting-tax procedures and governance approval trails are considered good practices, with reputational benefits perceived by investors and creditors (NIYAMA; GOMES, 2016; SCOTT, 2015). In groups with dual reporting (IFRS/US GAAP), narrative **bridges** in management reports are essential to avoid contradictory messages.

Ethics is an inescapable frontier: the literature distinguishes **legitimate planning**, based on substance and transparency, from **abusive planning**, which exploits regulatory gaps without economic adherence, increasing the risk of disallowances, fines, and reputational damage (HANLON; HEITZMAN, 2010; SCHOLLES et al., 2015). Audit committees, **tax control framework** policies, and internal cyclically adjusted ETR metrics, with reconciliations by jurisdiction, create incentives for prudent choices and help anchor market expectations. In this design, IFRS are the informational infrastructure that makes planning **auditable** and **defensible**, while BEPS is the regulatory framework that prevents tax competition from degenerating into a race to the bottom (OECD, 2015; DEVEREUX; VELLA, 2018). The balance between the two sustains lasting competitive advantage.



Finally, the **Brazil-US** comparison reveals convergence of principles, but divergences in application that impact planning: Brazil coexists with CPC/IFRS and tax specificities that require reconciliations and realizability tests for deferred tax credits; the US operates under US GAAP, **ASC 740**, and the legacy of the 2017 **TCJA** (GILTI, FDII, BEAT), which redesigned profit localization incentives, adding layers of uncertainty and compliance (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). In both, the best strategy is one that **tells the same story** to the market and tax authorities, with mutually consistent contracts, accounting policies, and TP documentation, reducing the cost of capital and increasing the predictability of fiscal cash (SCOTT, 2015; NIYAMA; GOMES, 2016).

6. Sustainable ETR, governance and practical pathways for SMEs: frameworks, controls and metrics under IFRS

Building a **sustainable ETR** means stabilizing the relationship between income tax and pre-tax income throughout the cycle, avoiding peaks and valleys that confuse investors and increase the cost of capital; under IFRS, this depends on the quality of **estimates**. (deferred tax assets and liabilities), **disclosure** discipline (ETR reconciliations), and consistency between accounting policies and contractual design—elements that, together, define the credibility of planning (IASB, 2018; CPC 32, 2014; SCOTT, 2015). The literature documents that companies with transparent tax reporting, rich explanatory notes, and effective governance of judgments capture smaller spreads and more stable relationships with creditors (HANLON; HEITZMAN, 2010; NIYAMA; GOMES, 2016). This is not achieved through episodic "optimizations," but through **processes**: inventory of temporary differences by jurisdiction, periodic recoverability tests, simulations of tax rate changes, and **post-mortem** assessments of estimates to reduce biases, creating institutional learning and predictability.

Tax governance is the system's anchor. A mature **tax control framework** includes written policies, roles and responsibilities, segregation of duties, critical judgment review routines, integration with internal audit, and an active **audit committee** capable of challenging assumptions and soliciting **sensitivities** (HANLON; HEITZMAN, 2010; SCOTT, 2015). In multinational groups, coordination between headquarters and subsidiaries requires **harmonized data** and aligned closing calendars, as well as repositories of **transfer pricing documentation**, intercompany agreements, and accounting **bridges** that support country-by-country reconciliations. When governance works, strategic decisions—location of intangibles, intragroup financing, outsourcing of services—are evaluated **ex ante with** integrated accounting and tax lenses, reducing the risk of shortsighted decisions and inconsistent arbitration (OECD, 2015; DEVEREUX; VELLA, 2018). The result is a more stable ETR, a more credible discourse, and less litigation.

In terms of **metrics**, in addition to the accounting ETR, the **cash tax rate** (taxes paid/EBITDA), the **tax risk heatmap** by jurisdiction, the ETR-cash tax reconciliation, and deferred tax asset **quality** indicators (percentage realizable in 12, 24, and 36 months) are gaining importance, allowing the board to assess the "temperature" of fiscal risk and cash resilience (NIYAMA; GOMES, 2016; SCOTT, 2015). To communicate value to the market, **disclosures**



that explain relevant variations in the ETR (regulatory changes, restructurings, court decisions, OCI recycling) reduce uncertainty and avoid misinterpretations of performance.

In **dual filers**, management reports must harmonize IFRS/US GAAP narratives and explain structural reconciliations, preserving intertemporal comparability (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). Stable and explained metrics are, in themselves, a reputational asset.

For **SMEs** in internationalization, proportionality is the golden principle: **IFRS for SMEs**

offers a way to access the benefits of comparability and predictability without imposing the full complexity cost of full IFRS (PERERA; CHAND, 2015; LIMA; LIMA, 2009).

A practical roadmap involves four fronts: (i) simple **contracts** consistent with the business model, avoiding clauses that create ambiguous performance obligations under IFRS 15; (ii) **accounts receivable** with clear provision policies and backtesting under IFRS 9; (iii) **leases** with complete registration and disciplined calculation of right of use and liabilities under IFRS 16; and (iv) **taxes** with an inventory of temporary differences, realization tests, and transparent reconciliations under IAS 12. This core, combined with **well-defined materiality** and a realistic closing calendar, captures a large part of the informational gains and reduces the cost of compliance, while building banking reputation and improving negotiations with suppliers (NIYAMA; GOMES, 2016).

Data integration is a silent accelerator of sustainable ETR. Internal taxonomies aligned with **XBRL**, standardized account catalogs, and **data lakes** with jurisdiction labels allow for rapid closing, reconciliation of differences, and generation of **dashboards** for committees and boards (SCOTT, 2015). Although full XBRL adoption varies by country, investment in data architecture and **automated controls** reduces human error, anticipates anomalies, and strengthens audit trails—a critical condition when a company seeks **APAs**, participates in coordinated audits, or conducts significant M&A transactions (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). The initial cost is offset by reduced rework and increased credibility, integrating accounting, tax, and financial planning into a single language.

The **interface with the tax authorities** continues to be an area of risk and opportunity. Where there are **disputes** Among relevant issues, the application of **IFRIC 23** (Uncertainty in Tax Treatments) disciplines measurement and disclosure, reducing surprises and avoiding last-minute "big baths" (IFRIC 23, 2017; IASB, 2018). Dialogue with authorities—through **cooperative compliance programs**, formal consultations, and well-documented technical advocacy—reduces **information asymmetry** and increases the predictability of tax cash, especially when the company demonstrates consistency between IFRS reporting and TP documentation (OECD, 2015; HANLON; HEITZMAN, 2010). In Brazil, the coexistence of CPC/IFRS and specific tax standards requires reinforced document governance; in the US, the **ASC 740** discipline on **uncertain tax positions** plays a similar prudential role (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

Managing **regulatory change** requires vigilance and simulation. Between 2015 and 2021, the international debate shifted to **Pillars One and Two** (global minimum tax rate), signaling that the scope for structures based solely on rate differentials is narrowing (OECD, 2015;

DEVEREUX; VELLA, 2018). A sustainable ETR anticipates these shocks: it inventories temporary differences by jurisdiction, tests **top-up tax scenarios**, reviews transfer pricing policies, and reassesses the location of intangibles and service centers in light of substance and governance (HANLON; HEITZMAN, 2010; NIYAMA; GOMES, 2016). By communicating such analyses in clear **disclosures**, the company reduces noise, provides visibility to boards and markets, and demonstrates management maturity.

Finally, **ethics** completes the circle. International tax planning creates value by reducing the cost of capital, stabilizing cash flow, and improving resource allocation **without** violating substance, arbitrating formalities, or sacrificing stakeholder trust. The best defense is **consistency**: contracts that reflect actual operations; accounting policies that capture the economic essence; tax documentation that aligns FAR and remuneration; and **disclosures** that allow users to reconnect accounting profits to taxes paid (HANLON; HEITZMAN, 2010; SCHOLES et al., 2015). In this framework, IFRS are the technical infrastructure that makes planning **auditable**; governance, the mechanism that makes it **reliable**; and BEPS, the threshold that makes it **legitimate** and **sustainable** over time (OECD, 2015; DEVEREUX; VELLA, 2018).

7. Implementation roadmap: diagnosis, governance, data and wave execution under CPC/IFRS and BEPS

The starting point for robust, ethical and sustainable international tax planning is an **integrated diagnosis** that cross-references the accounting map (CPC/IFRS) with the group's tax geography, identifying where results are generated and appropriated, which contracts formalize the transfer of control (IFRS 15/CPC 47), how financial instruments (IFRS 9/CPC 48) and leases (IFRS 16/CPC 06) are classified and measured, what the functional currency and conversion regime are in each jurisdiction (IAS 21/CPC 02), and how temporary differences are recognized, measured and tested (IAS 12/CPC 32); This inventory needs to be interconnected with **transfer pricing** and the **functions, assets, and risks** (FAR) trail required by BEPS Actions 8–10, because without this bridge, the intended accounting gain will not translate into **predictable ETR** and taxable cash (IASB, 2018; CPC 32, 2014; OECD, 2015; DEVEREUX; VELLA, 2018). In addition to the "static" snapshot, a "dynamic" X-ray is recommended, with historical series of accounting ETR, **cash tax**, structural reconciliations, and non-recurring events, allowing for the separation of noise from trends and the prioritization of levers with greater impact. The literature shows that reporting quality and consistency of judgments reduce the cost of capital and litigation, while fragmented diagnoses push problems into the future (HANLON; HEITZMAN, 2010; SCOTT, 2015; NIYAMA; GOMES, 2016).

With the diagnosis in hand, the second step is to establish a **tax governance architecture** with clear roles and procedures: a formalized **tax control framework**, sponsored by the board and regularly audited, with segregation of duties, a materiality matrix, judgment protocols, **checklists** for critical topics (revenue recognition, hedging, leases, business combinations, uncertainty under IFRIC 23), and a regular **audit committee** agenda to challenge assumptions and review **sensitivities** (IFRIC 23, 2017; IASB, 2018; SCOTT, 2015). This framework should integrate accounting, tax, legal, risk, and treasury, under technical leadership capable of translating IFRS principles into operational policies and



replicable documentation; the Brazilian experience shows that, without governance, corporate-tax “dualism” reemerges in the form of parallel controls and manual reconciliations, increasing operational risk and the chance of disallowances (SANTOS; SCHMIDT, 2010; LOPES; MARTINS, 2012). The objective is not to create bureaucracy, but **to standardize judgments** and make the relationship between economic substance, reporting, and tax consequences auditable.

The third step consists of aligning **data and technology**: standardizing charts of accounts, **catalogs of tax attributes**, cost centers, and profit objects, as well as a **data lake** with jurisdiction labels and audit trails that support fast closing, ETR-cash tax reconciliations, and country-specific risk **dashboards**. Although XBRL adoption varies across jurisdictions, the discipline of internal taxonomies and automated controls reduces human error, anticipates anomalies, and accelerates **backtesting** of estimates (SCOTT, 2015; ALEXANDER; JERMAKOWICZ, 2016). This digital foundation also enables successful **APAs** and technical defenses in coordinated audits, because it allows for the reproduction of calculations, the identification of hypotheses, and the demonstration of consistency between what the company discloses in its financial statements and what it supports in its transfer pricing documentation (KPMG, 2018; OECD, 2015). In SMEs, modular solutions (simple ETL, document repository, spreadsheets with versioning and trail) already capture a large part of the benefit at a viable cost (PERERA; CHAND, 2015; LIMA; LIMA, 2009).

In the fourth stage, we move from the “how” to the “what”: **projects in waves** to address the levers with the greatest impact on ETR and cash flow predictability. “Wave 1” prioritizes **revenue** (IFRS 15/CPC 47) in critical contracts, addressing issues related to principal-agent, variable pricing, licenses, performance obligations over time, and evidence of transfer of control. Here, contract review **playbooks** and judgment memos avoid inconsistencies between the accounting narrative and tax documentation (IASB, 2018; HANLON; HEITZMAN, 2010). “Wave 2” focuses on **financial instruments** (IFRS 9/CPC 48): classification, ECL, hedge accounting, and natural hedges aligned with actual exposure and local deductibility. then, “Wave 3” addresses **leases** (IFRS 16/CPC 06), inventorying contracts, recalculating incremental rates, and simulating impacts on the ETR, including **sale and leaseback** and location decisions (NIYAMA; GOMES, 2016; KPMG, 2018). Each wave delivers reduced volatility and documentation that reduces litigation.

The fifth stage addresses **corporate structure, intangible assets, and reorganizations**, with a DEMPE assessment, substance testing, and reconciliations between IFRS 3/IAS 38 and **transfer pricing reports**. Acquisitions and spin-offs require **M&A playbooks** that tie together purchase price allocation, deferred tax recognition, OCI impacts (IAS 21), and tax schedules by jurisdiction, avoiding unrealistic synergy promises and unfavorable future impairment tests (IFRS 3/CPC 15; IAS 12/CPC 32; SCOTT, 2015). In digital and content chains, licenses, royalties, and revenue sharing require consistency between contracts, accounting policies, and **BEPS Nexus**, under penalty of profit reassignment (OECD, 2015; DEVEREUX; VELLA, 2018). The golden rule: **the same story** must emerge from the contract, the explanatory note, and the TP file.

The sixth stage formalizes a **package of metrics** for boards and the market: in addition to the accounting ETR, **cash tax rate**, ETR–cash tax reconciliation, asset quality pyramid



deferred tax (percentage realizable in 12/24/36 months), country risk map, sensitivity analysis to exchange rate (IAS 21) and regulatory shocks (BEPS, tax rate changes, deductibility restrictions) (NIYAMA; GOMES, 2016; SCOTT, 2015). The discipline of disclosing relevant variations—repricing of deferred taxes due to tax rate changes, OCI recycling in divestments, effects of court decisions—reduces asymmetry and stabilizes expectations, something especially valuable for **dual filers** that need to harmonize IFRS and US GAAP (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018). Stable and explained metrics are a reputational asset and a governance tool.

The seventh stage is **regulatory change management**: between 2015 and 2021, BEPS solidified substantive principles, and discussions on **Pillars One and Two** advanced, signaling a compression of tax arbitrage margins and the emergence of **top-up taxes** under certain conditions. The roadmap should include impact **simulations** by jurisdiction, revisit transfer pricing policies, reassess the location of intangibles and service centers, and test the robustness of deferred tax assets under minimum tax rate scenarios (OECD, 2015; DEVEREUX; VELLA, 2018). Preparation includes strengthening **IFRIC 23** for relevant uncertainties, as well as formal channels for dialogue (consultations, APAs) when predictability benefits exist (IFRIC 23, 2017; IASB, 2018). Long-lasting plans anticipate **shocks**, not "run-and-run."

Finally, the eighth step is **institutionalization**: policies, manuals, approval trails, a judgment repository, an estimate **refresher schedule**, and **ongoing training** for accounting, tax, legal, and business areas, with an emphasis on principles (substance over form), measurement, disclosure, and ethics. SMEs benefit from adopting a **proportional** version of this package (IFRS for SMEs, materiality, core processes), while listed groups need to go further, connecting the package to management incentives and performance metrics (PERERA; CHAND, 2015; LIMA; LIMA, 2009). The tax strategy literature is clear: sustainable value comes from **internal institutions**—governance and data, not from accounting "shortcuts." When contracts, IFRS policies, and TP files, processes, and people—tell the **same story**, the ETR stabilizes, the cost of capital falls, and regulatory risk remains under control (SCHOLLES et al., 2015; HANLON; HEITZMAN, 2010).

Conclusion

This article argued that **international tax planning** is not limited to identifying regulatory gaps, but rather involves **aligning economic substance, CPC/IFRS reporting, and tax documentation**, under governance capable of regulating judgments and demonstrating intertemporal consistency. It was shown that the core instruments— **IFRS 15** (revenue), **IFRS 9** (financial instruments and ECL), **IFRS 16** (leases), **IAS 21** (functional currency and translation) and **IAS 12** (profit taxes) — are the **timing** levers of the result and, consequently, of the ETR and tax cash flow, while **BEPS/OECD** redefines the legitimate boundary, requiring a link between **FAR/DEMPE** and profit allocation (IASB, 2018; OECD, 2015; DEVEREUX; VELLA, 2018). In the Brazil-US comparison, the conceptual convergence between **IFRS** and **US GAAP** facilitates global reading,



although differences in application and jurisprudence impose **bridges** and reconciliations for dual filers (ALEXANDER; JERMAKOWICZ, 2016; KPMG, 2018).

From a strategic perspective, an **eight-step roadmap** was proposed —diagnosis, governance, data, thematic waves, structure and intangibles, metrics, regulatory change, and institutionalization—that transforms principles into practice, reducing ETR volatility, litigation, and the cost of capital. Academic evidence suggests that **transparency**, **predictability**, and **consistency** are rewarded by markets and regulators, while opportunistic approaches increase risk and erode reputation (HANLON; HEITZMAN, 2010; SCOTT, 2015; NIYAMA; GOMES, 2016). For **SMEs**, the key is proportionality: focusing on critical contracts, simple controls, and lean documentation, reaping the most informational benefits at a viable cost (PERERA; CHAND, 2015; LIMA; LIMA, 2009).

In short, the **role of IFRS in cost reduction and tax optimization** is not "magical": it is the ability to create an **auditable lingua franca** in which accounting, tax, and business tell the same story, enabling better decisions, **sustainable ETR**, and access to capital on more favorable terms. Plans that rely on this coherence—and not on short-term arbitrage—tend to survive cycles, reforms, and scrutiny, achieving a legitimate and lasting competitive advantage.

References

- ALEXANDER, D.; JERMAKOWICZ, EK *International Financial Reporting Standards: An Introduction*. 4th ed. London: Routledge, 2016.
- DEVEREUX, M.; VELLA, J. Implications of digitalization for international corporate tax reform. *Oxford University Center for Business Taxation – Working Papers*, 2018.
- HANLON, M.; HEITZMAN, S. A review of tax research. *Journal of Accounting and Economics*, vol. 50, no. 2–3, p. 127–178, 2010.
- IASB – International Accounting Standards Board. *IFRS 9 Financial Instruments; IFRS 15 Revenue from Contracts with Customers; IFRS 16 Leases; IAS 12 Income Taxes; IAS 21 The Effects of Changes in Foreign Exchange Rates*. London: IFRS Foundation, 2018 (Red Book).
- IFRIC 23. *Uncertainty over Income Tax Treatments*. London: IFRS Foundation, 2017.
- KPMG. *IFRS compared to US GAAP: An overview*. New York: KPMG, 2018.
- LIM A, GASF; LIMA, IS Impacts of IFRS adoption on Brazilian SMEs. *Accounting & Finance Journal*, v. 20, n. 51, p. 38–56, 2009.
- LOPES, AB; MARTINS, E. *Accounting Theory: A New Approach*. 2nd ed. São Paulo: Atlas, 2012.
- NIYAMA, JK; GOMES, AL *International Accounting*. 3rd ed. São Paulo: Atlas, 2016.
- OECD – Organization for Economic Co-operation and Development. *OECD/G20 Base Erosion and Profit Shifting (BEPS) Project – Final Reports*. Paris: OECD Publishing, 2015.



- PERERA, H.; CHAND, P. Accounting and the adoption of IFRS by developing countries. *Critical Perspectives on Accounting*, vol. 30, p. 72–82, 2015.
- PINHO, D. Expected losses in Brazil: challenges of implementing IFRS 9. *Journal of Contemporary Administration*, v. 23, n. 4, p. 423–440, 2019.
- SANTOS, ES; SCHMIDT, P. Accounting dualism in Brazil: implications of IFRS adoption. *Revista Universo Contábil*, v. 6, n. 2, p. 28–47, 2010.
- SCHOLES, MS; WOLFSON, MA; ERICKSON, M.; MAYDEW, EL; SHEVLIN, T. *Taxes and Business Strategy: A Planning Approach*. 5. ed. Upper Saddle River: Pearson, 2015.
- SCOTT, WR *Financial Accounting Theory*. 7. ed. Toronto: Pearson, 2015.