



The New Tax Order

**Evolving tax policy is rewriting the
rules of business success**



Executive Briefing
December 2025



The impacts of major disruptive forces on tax policies and tax systems affect trust and competitiveness as much as revenue. Understanding that link is essential for every global business.

Brad Silver

Global Tax & Legal Services Leader, PwC United States

Across the world, governments are changing how they raise revenue. Five forces - AI, government fiscal strain, geopolitical fragmentation and protectionism, populism, and the climate transition - are driving this shift, each reshaping the business landscape and the way value is created, captured, and taxed.

As a result, a new tax order is emerging that rebalances how and where value is taxed, who bears the burden, and how tax systems connect to wider goals of growth, trust and sustainability. Fiscal systems are becoming more digital, more transparent, and more complex than ever before.



As expectations on transparency rise, businesses must earn trust not only through tax compliance but through clear reporting of their societal contribution.

Gilly Lord

Global Leader, Policy and Regulation, PwC United Kingdom

For business leaders, tax is becoming even more a barometer of change, an instrument of competitiveness, and a lever for resilience and trust. Below is a summary of how the five forces are transforming tax policy and, with it, strategic imperatives for business.



01 AI and digital transformation

Artificial intelligence is breaking the link between value creation and physical location, prompting governments to seek ways to tax virtual value.

Governments are responding with new digital and data taxes while using AI to enforce rules in real time. In addition, governments are offering major incentives for strategic tech sectors such as semiconductors and clean data infrastructure.

Businesses that treat data accuracy as a fiscal asset (critical as AI examines company data to calculate tax) and integrate tax foresight into digital strategy will stay ahead.

02 Demographic and fiscal pressures

Ageing populations, high debt and rising spending demands are putting public finances under strain.

Expect governments to broaden tax bases, expand minimum corporate taxes and tighten enforcement.

Companies need a clear view of how these shifts could affect profitability, investment decisions and reporting transparency.

03 Geopolitical fragmentation

As the world reorganises into regional blocs, tax policy is becoming a tool of industrial strategy.

Tariffs, local credits and reshoring incentives are redrawing global supply chains.

Business leaders should plan for a world of increasingly fragmented tax regimes and use scenario planning to test where to build, produce and source.

04 Populism and the politics of fairness

Economic inequality and public scrutiny are pushing governments to target perceived winners, from multinationals to high-growth sectors.

Transparency, reputation and purpose now influence tax treatment as much as technical compliance.

Trust and narrative matter. How companies explain their contribution to society can shape their fiscal and social licence to operate.

05 Climate transition

Despite some political pushback, many fiscal systems are being redesigned for a net-zero economy.

Expect wider carbon pricing, green tax credits and penalties for high-emission assets.

Tax is fast becoming a primary tool to finance the transition and attract sustainable capital.

The bottom line

The five forces are redefining how we move, build, fund and power the economy. Together, they are putting trillions of dollars of value in motion and reshaping how businesses create, capture, and are taxed on value.

For business leaders, tax signals how governments are shaping those flows of value. As tax policy becomes more volatile and complex, the winners in the new tax order will be the companies that link tax foresight to strategy, investment and trust. Those that do will not just stay compliant. They will gain competitive advantage.

Next, we explore each disruptive force and its tax policy implications in depth.

01

AI is forcing a rethink of how to tax – and providing some of the solutions

Artificial intelligence is forcing governments to rethink the very foundations of tax policy. As value creation moves into digital ecosystems, the traditional link between activity and location is dissolving.

Governments are responding on two fronts: designing new ways to tax digital value and using AI to automate enforcement.

Impacts on tax policy

Very likely	Expansion of digital and data taxes targeting online platforms and cross-border transactions
Very likely	Growth of AI-enabled tax filing and real-time enforcement systems
Likely	Targeted tax incentives for strategic digital industries such as AI and semiconductors
Possible	Early experiments in taxing AI's "labour" or automated output

What this means for business

AI is redrawing where and how value is created. As platforms monetise data across borders, questions multiply: which country owns the right to tax the value - where data is generated, stored, or consumed? Governments are taking action, introducing unilateral digital service taxes and tightening rules on digital income.

At the same time, tax authorities are using AI to analyse vast datasets, cross-check disclosures, and automatically calculate liabilities. This shift is turning annual filings into continuous, data-driven interactions between companies and governments.

For business leaders, data accuracy now determines fiscal exposure. Tax, finance, and technology teams must align to ensure that what a company reports is consistent with what its systems reveal.

AI also brings opportunity. Many governments are deploying powerful tax incentives to build domestic capability in digital and high-tech industries. Businesses that align investment and reporting strategies with these incentives can turn fiscal change into competitive advantage.

Partner perspectives

“

Digital fundamentally changes where and how value is created, and policymakers haven't yet solved how to tax that new value.

Paul Lau

Tax Partner, PwC Singapore

“

Enabled by technology, governments are increasingly able to directly access company data and automatically calculate tax due, often in real time.

Marcel Jakobsen

Global Chief Technology Officer, Tax and Legal Services, PwC Netherlands

“

The government now knows more about your business than you know about your business. They have data not just on your company but on your suppliers, partners and competitors.

S. Ramesh

Managing Director, Indirect Tax, Price Waterhouse & Co LLP, India

Key takeaway

AI is transforming both sides of the tax equation. For governments, it enables new sources of revenue and transparency. For companies, it demands seamless data integrity and opens fiscal incentives for innovation.

Businesses that anticipate how AI will reshape tax policy - and how tax data will shape their reputation - will be best positioned to lead in the digital economy.





02

Fiscal pressures are driving higher and new taxes

Governments are facing a severe fiscal squeeze driven by high debt, slow growth, ageing populations, and growing demands for spending on infrastructure, defence, and climate action. Policymakers are seeking new ways to raise revenue without stifling growth or sparking political backlash.

Impacts on tax policy

Very likely	Increases in business taxes and broader implementation of Pillar Two
Very likely	Intensified tax enforcement and litigation
Likely	Expansion of broad-based consumption taxes, including carbon and digital taxes

What this means for business

Business – perceived by some citizens as a fairer target for increased taxation – should prepare for potential tax rises and growing implementation of Pillar 2's 15% global minimum tax. Consumption taxes may rise – even carbon taxes, despite political pushback - since these can raise revenue quickly from a broad base.

Enforcement will get tougher and litigation more common as authorities take a harder line on tax policy interpretation.

Partner perspectives

“

“Fiscal pressures are not limited to ageing, developed economies. Developing countries too are looking for resources to fund development. Everywhere, the old challenge is back - how to raise more tax revenue without compressing growth.”

Akhilesh Ranjan

Tax Policy Advisor, Price Waterhouse & Co LLP, India

“

Financial pressures are causing tax policy to change quickly and unpredictably. Given the heightened risk and uncertainty, tax is now a boardroom conversation.

Edna Gitachu

Tax Policy Lead, PwC Kenya, and Africa Tax Policy Co-ordinator

“

Some may hope that Pillar Two fades away, but it is here to stay. It's prompting many CFOs to globally integrate their tax functions - with technology to back it.

Chris Woo

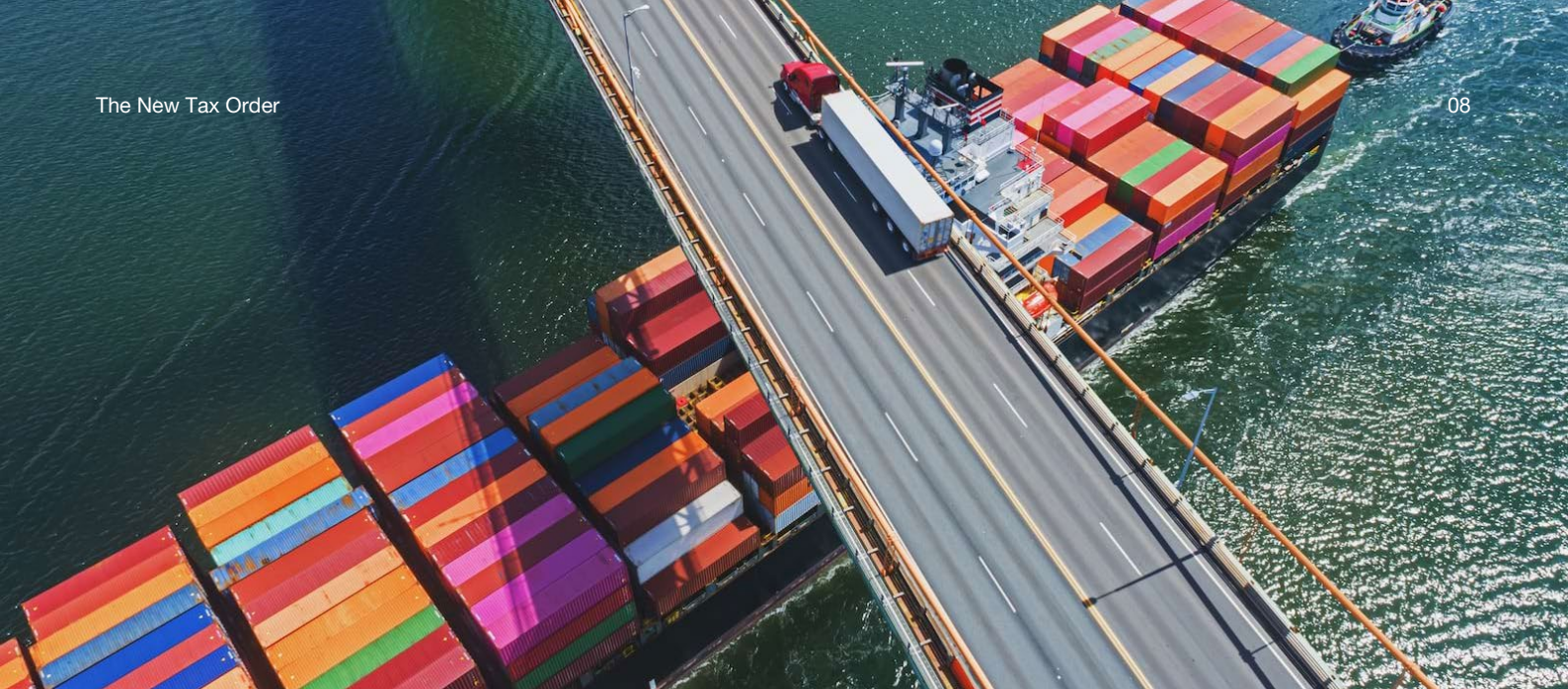
Tax Leader for PwC Asia Pacific

Key takeaway

Fiscal pressures are making the tax environment tougher for businesses with new vulnerabilities and, in all likelihood, new costs. Tax exposures are likely to rise, making proactive policy modelling more essential than ever.

Compliance will become more complex with stricter enforcement. Tax payments may rise even without policy changes as interpretations become more strict.





03

Geopolitical tensions and protectionism drive a volatile and fragmented tax landscape

Geopolitical tensions are driving a surge in protectionist trade policies, regional economic blocs, and supply chain reshoring which are redefining global commerce - and with it, tax policy. Tax measures are being recalibrated to support national interests, secure supply chains, and address fiscal shortfalls.

These dynamics are accelerating a shift away from harmonised international rules toward more fragmented, state-centric tax frameworks. As economic nationalism intensifies, businesses must navigate a patchwork of shifting tax exposures.

What this means for business

The tax landscape is becoming more multipolar, volatile, and fragmented. Business leaders must continuously scan for policy shifts, adjust supply chains, and integrate geopolitical risk into fiscal planning.

Impacts on tax policy

Very likely	Rising tax nationalism and global tax fragmentation
Very likely	Tariffs / taxes or incentives to promote domestic industries and reshoring

Partner perspectives



Prepare for a geopolitical future with multiple centres of gravity and a complex set of unilateral and multilateral policies to navigate.

Will Morris

Global Tax Policy Leader, PwC United States



Tariffs are likely here to stay beyond current administrations or changes of political party. Once tax collections come in, it's hard to unwind. We are likely to face a world of growing economic fences between regions.

Chris Woo

Tax Leader for PwC Asia Pacific



We will see much more litigation between countries because they do not always agree on the interpretation of international tax programs. Clients will get caught up in this and should prepare for uncertainty and legal challenges.

Dieter Wirth

Tax, Legal & HR Services Leader, PwC Switzerland

Key takeaway

Expect fragmented and fast-evolving tax regimes. Model exposure continuously, using scenario planning to anticipate regional divergence and policy shocks. Build resilience to double taxation and disputes as treaty protections weaken. Reassess supply chain footprints and tariff exposure as reshoring incentives and protectionist taxes multiply.



04

Populism drives an atomised tax landscape – with business potentially in the crosshairs

Populism driven by rising anti-globalist sentiment, migration pressures, and economic dislocation is reshaping the tax policy landscape. Governments are increasingly under pressure to tax perceived elites and multinationals more aggressively while expanding support for citizens and domestic industries.

Populism is driving more tax protectionism, more unilateral tax measures, and a greater focus on using tax policy to signal commitment to domestic priorities.

What this means for business

Businesses should expect a more interventionist, fragmented, and unpredictable tax landscape.

Governments may cut taxes for citizens while raising them for foreign companies, high-profit sectors, or wealth holders. Compliance burdens will rise as unilateral rules, incentives, and penalties proliferate.

Impacts on tax policy

Very likely	Increased tax protectionism
Very likely	Tax rises (or cuts) to benefit citizens

Partner perspectives



High net worth individuals and companies are sometimes conflated in the public eye when it comes to taxation – and both are in the crosshairs.

Kevin Livingston

Washington National Tax Services Leader, PwC US



The fiscal position in most countries is not sustainable. It's very hard politically to increase taxes or cut spending, so wealth taxes are more and more on the table.

Dallas Dolen

Technology, Media, and Telecommunications Industry Leader, PwC US

Key takeaway

The politics of fairness will continue to shape tax policy. Expect the tax targeting of perceived winners, from multinationals to high-growth sectors.

Tax treatment is no longer determined by compliance alone. Purpose, reputation, and impact on citizens also matter. The story a business tells about its economic and social contribution is central to securing fiscal predictability and licence to operate.





05

Growing focus on sustainability despite political pushback

Governments are using tax policy to accelerate the climate transition, from rewarding sustainable investment to penalising high emission activities. Despite political pushback, structural forces are pushing the sustainability agenda forward: intensifying climate impacts, demand for energy and supply chain security, and fiscal pressures that make climate-linked taxes attractive.

Impacts on tax policy

Very likely	Growing incentives for sustainable investment
Very likely	Rising tax implications of mandatory climate disclosures
Likely	Tax penalties for non-sustainable activities and assets
Possible	Gradual expansion of carbon pricing

What this means for business

Businesses face a rapidly expanding set of climate-linked obligations and incentives. Governments are offering trillions of dollars in incentives for sustainable investment. At the same time, mandatory climate disclosures increasingly focus attention on material climate impacts, affecting financial forecasts and capital expenditure plans.

Pressure is rising on non-sustainable assets. Companies with carbon-intensive supply chains or negative environmental impacts will face growing financial and operational risks.

Partner perspectives



As climate change hits harder and becomes more real to people, measures like carbon taxes become more likely.

Christine Saliba

Global Consumer Markets Leader for Tax & Legal Services,
PwC US



The climate pushback in some quarters should not lead us to underestimate the change that is underway.

S. Ramesh

Managing Director of Indirect Tax, Price Waterhouse & Co
LLP, India



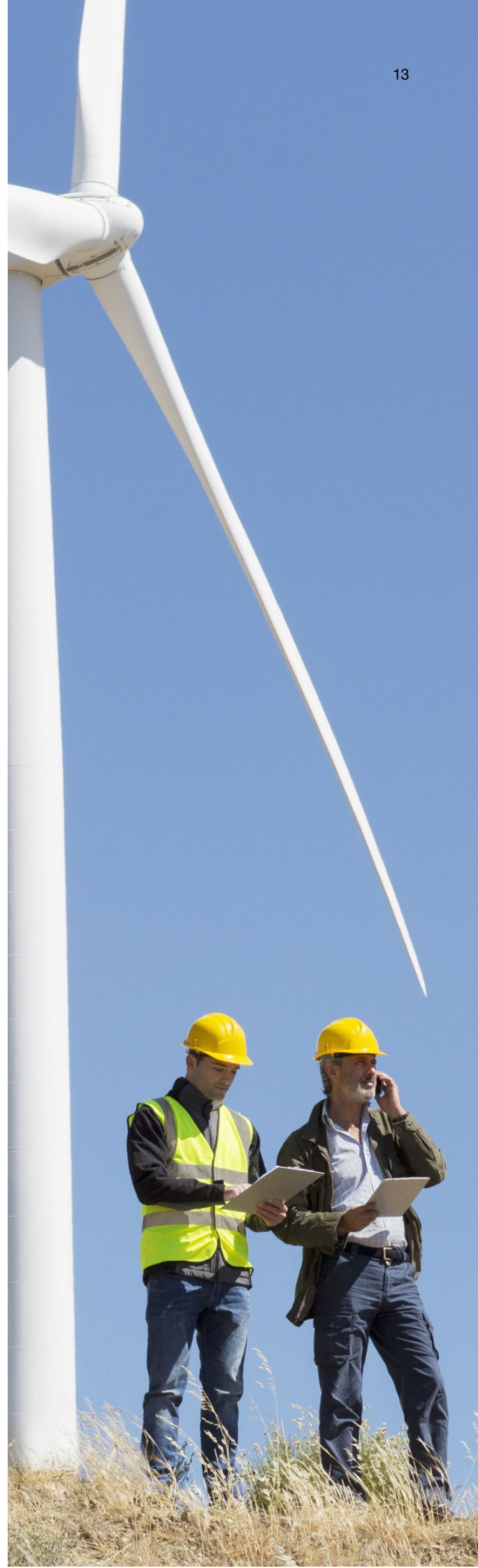
We expect more climate-linked tax incentives and grants. There is now an economic logic to these. Governments want to ensure a reliable supply of affordable energy – including to support AI.

Paraic Burke

Head of Tax, PwC Ireland

Key takeaway

The costs of misalignment with sustainability are rising, from direct penalties to foregone incentives. As sustainability-linked taxes are increasingly used as both carrot and stick, the business case for action grows. Expect increasing pressure from shareholders to navigate the web of penalties, incentives, and disclosures.





06

Next steps for business leaders



The new tax order is about choices. Leaders who link tax foresight with strategy will be well positioned to capture the opportunities of the next era.

Teresa Owusu-Adjei

Clients and Markets Leader, Global Tax and Legal Services, PwC United Kingdom

The new tax order will not wait for businesses to adapt. Companies that see tax as a signal of where value is moving, not just as a cost or compliance issue, will be better placed to position for advantage in a volatile tax landscape.

Here are five practical ways leaders can turn tax disruption into opportunity.



01 Anticipate tax changes

Build a tax policy forecasting capability to institutionalise horizon scanning.

Analyse the political, fiscal, and social pressures facing governments to foresee future tax shifts.

Join industry coalitions, share data responsibly and offer insights that help policymakers design better systems.

02 Build agility as a competitive muscle

Model alternative supply chains, sourcing and pricing strategies.

Scenario-plan policy futures so strategy flexes before new rules land.

Use disruption drills, just as you would for cyber or climate risk, to test how policy shocks would affect your business.

03 Strengthen data and tech foundations

Real-time taxation demands real-time data integrity.

Ensure teams draw from one consistent source of truth.

Invest in tech / AI systems that enable transparency, anticipate how authorities will interpret data, and strengthen analytical capabilities.

04 Make tax part of strategic decisions

Tax reveals how regulation, reputation and capital flows connect.

Tax cannot sit at the end of the value chain, not least because tax is one of many businesses' most significant financial obligations. Bring tax into the earliest stages of decision making, from new investments to supply chain shifts and sustainability plans.

When the tax lens informs the business model, decisions become more resilient and more capital-efficient.

05 Integrate globally, act locally

As tax enforcement and transparency increase, fragmented systems create risk.

A centrally coordinated tax function linked by technology and common standards allows faster, consistent responses to change, while giving local teams the agility to adapt to regional rules.

The takeaway

Tax is now part of every major business decision, from where you build to how you earn trust.

Leaders who treat it as a window into political, social and economic change will not only stay compliant; they will see around corners and capture new value before others do

Project leaders

Brad Silver

Global Tax & Legal Services Leader, PwC United States

brad.silver@pwc.com

Teresa Owusu-Adjei

Clients and Markets Leader, Global Tax and Legal Services, PwC United Kingdom

teresa.s.owusu-adjai@pwc.com

Will Morris

Global Tax Policy Leader, PwC United States

william.h.morris@pwc.com

Gilly Lord

Global Leader, Policy and Regulation, PwC United Kingdom

gillian.lord@pwc.com

Contributors

Akhilesh Ranjan, Tax Policy Advisor, Price Waterhouse & Co LLP, India

Allison Rosier, Global Asset & Wealth Management Leader for Tax & Legal Services, PwC US

Charlotte Richardson, Global Health Industries Leader for Tax & Legal Services, PwC UK

Chloe Fox, Global Tax Policy Director, PwC Ireland

Chris Woo, Tax Leader for PwC Asia Pacific

Christine Saliba, Global Consumer Markets Leader for Tax & Legal Services, PwC US

Dallas Dolen, Technology, Media, and Telecommunications Industry Leader, PwC US

Dieter Wirth, Tax, Legal & HR Services Leader, PwC Switzerland

Edna Gitachu, Tax Policy Lead, PwC Kenya, and Africa Tax Policy Co-ordinator

Edwin Visser, Deputy Global Tax Policy leader/ EMEA Tax policy leader, PwC Netherlands

Elizabeth Stone, Global Financial Services leader for Tax & Legal Services, PwC UK

James O'Reilly, Global Energy, Utilities and Mining Leader for Tax & Legal Services, PwC Australia

John Livingstone, Tax Principal, Global Industrial & Services Leader for Tax & Legal Services, PwC US

Kevin Levingston, Washington National Tax Services Leader, PwC US

Marcel Jakobsen, Global Chief Technology Officer for Tax and Legal Services, PwC Netherlands

Paul Lau, Tax Partner, PwC Singapore

Paraic Burke, Head of Tax, PwC Ireland

Pavan Kakade, Global Technology, Media and Telecommunications Leader for Tax & Legal Services, PwC UK

Renate de Lange, Global Sustainability Leader for Tax & Legal Services, PwC Netherlands

S. Ramesh, Managing Director of Indirect Tax, Price Waterhouse & Co LLP, India

Sanjay Tolia, Partner and former Tax Leader, Price Waterhouse & Co LLP, India



Thank you

[Access the online version](#)