



The New Tax Order

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



March 2026

Table of contents

Introduction	03
Executive summary: How five disruptive forces are reshaping global tax policy	05
Chapter 1: AI is forcing a rethink of how to tax—and providing some of the solutions	06
Chapter 2: Government fiscal strains increase pressure for higher—and new—taxes	10
Chapter 3: Geopolitical tensions drive a volatile and fragmented global tax landscape	13
Chapter 4: Populism drives an atomised tax landscape—with business potentially in the crosshairs	15
Chapter 5: Growing focus on sustainability despite political pushback	17
Next steps for business leaders	20



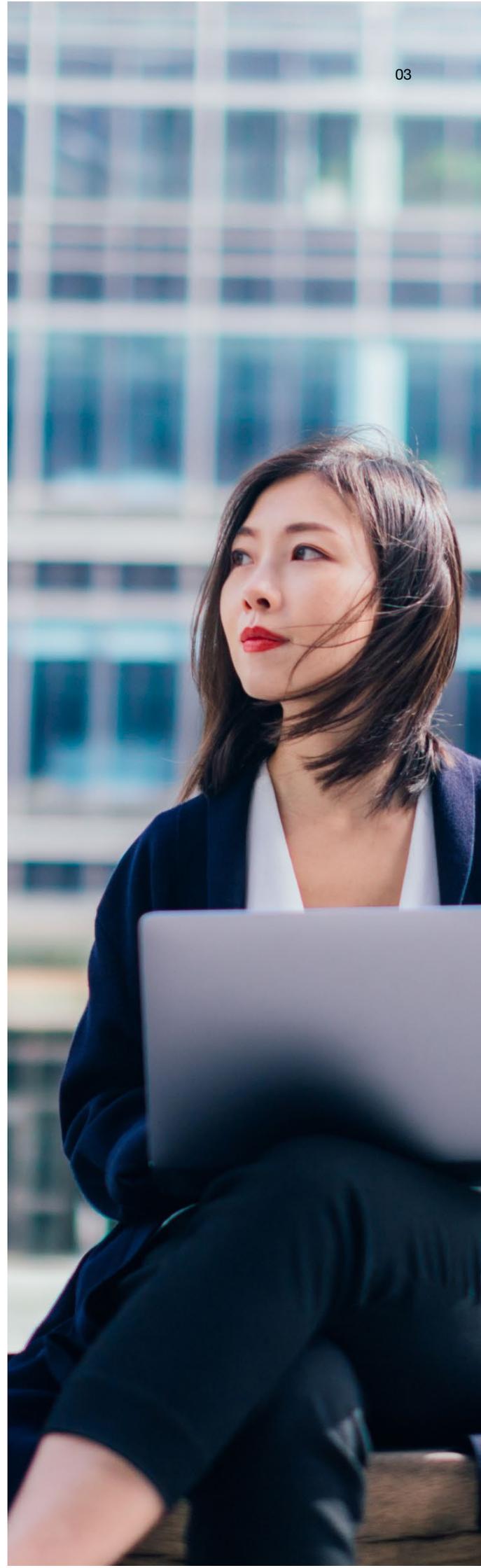
Introduction

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

Old assumptions about how, where, and from whom governments raise revenue are breaking down. For example:

- AI and digital technologies are decoupling value creation from physical location, undermining traditional tax bases and forcing policymakers to reconsider fundamental principles of taxation.
- Governments under fiscal strain are becoming more motivated-and increasingly able through technology-to raise revenue and enforce compliance.
- Geopolitical fragmentation is driving tax and trade nationalism as nations use tax levers to protect domestic interests.
- Climate imperatives are transforming tax codes, with billions of dollars in sustainability incentives deployed alongside levies on carbon and other environmental externalities.
- Populism is amplifying calls for redistributive taxes and heightening scrutiny of corporate tax behavior.

As a result, a new tax order is emerging that rebalances how and where value is taxed, who bears the burden, and how tax connects to wider goals of growth, trust and sustainability. Tax systems are becoming more digital, more transparent, and more complex. For business leaders, this means tax cannot be separated from strategy; it is becoming even more a barometer of change and an instrument of competitiveness. Companies that adapt early stand to thrive in the new tax landscape, while those that fail to pivot risk being left behind.



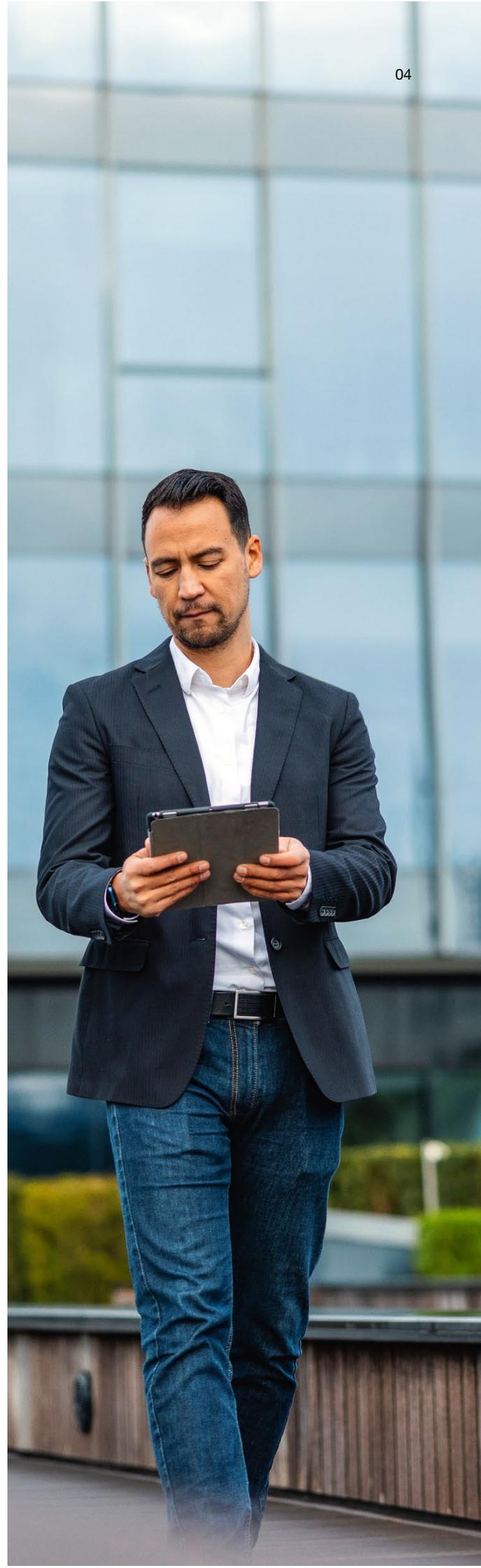


Disruptive forces are reshaping tax policies and systems, affecting business trust and competitiveness as much as they do revenue. It is essential for every global company to understand the impact.

Brad Silver

Global Tax & Legal Services Leader, PwC US

In this article, PwC draws on its perspective as a global tax and business advisor - and interviews with partners on four continents-to explore how disruption is reshaping tax policy and how forward-thinking businesses can respond. We examine the most likely evolutions in taxation, the ways disruptive trends interact and reinforce one another, and the practical steps companies can take to anticipate and adapt to this rapidly changing fiscal environment. (We invite readers seeking a shorter version of this article to visit the [Executive Briefing](#).)

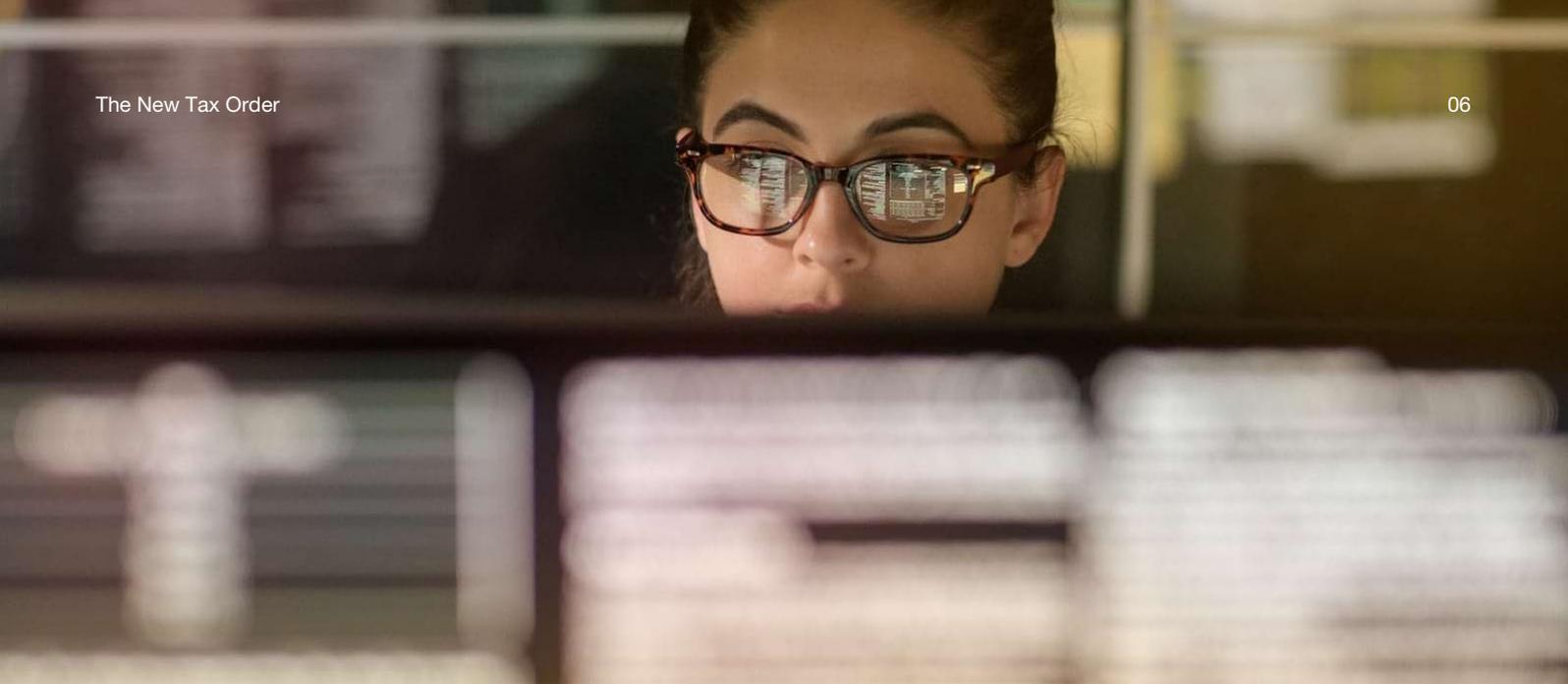


Executive summary: How five disruptive forces are reshaping global tax policy

The table below summarises how five disruptive forces are likely to (continue to) affect tax policy. Many of these effects are already taking place, and the table reflects our view of how likely each is to exert continuing influence in the future. The effects will not, of course, occur uniformly across the world. We expect them to occur or accelerate in at least some jurisdictions.

Disruptive force	Impacts on tax policy
01 AI and digital transformation	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
	Very likely Targeted tax incentives for strategic digital industries such as AI and semiconductors
	Possible Early experiments in taxing AI's "labour" or automated output
02 Government fiscal strain	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
03 Geopolitical fragmentation	Very likely Rising tax nationalism and global tax fragmentation
	Very likely Increased tariffs / taxes or incentives to promote domestic industries and reshoring
04 Populism	Very likely Increased tax protectionism
	Likely Tax rises including wealth taxes—or tax cuts—to benefit citizens
05 Climate transition	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

Below 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



It's difficult to tax 21st century industries using 19th and 20th century concepts.

Will Morris

Global Tax Policy Leader, PwC US

AI is compelling governments to rethink tax policy as more value creation becomes virtual, and as AI disrupts traditional tax bases while creating new, digital ones.

AI-enabled tax filing and compliance is rising, giving governments new ways to tax and reshaping how companies engage with tax authorities.

Very likely: Expansion of digital and data taxes targeting online platforms and cross-border transactions

Emerging technologies are shifting where and how value is created, with major implications for tax policy.

Many taxes assume value is created in a physical place and taxable assets (from workers to factories) are relatively immobile. In an age of AI, these assumptions are eroding. As more value creation becomes virtual and fiscal pressures on governments grow, urgency to tax digital value will rise.



Digital fundamentally changes where and how value is created. So in a technology-enabled world, how do you tax, say, a global virtual network of remote workers.

Paul Lau

Tax Partner, PwC Singapore



In healthcare, for example, digital transformation is shifting value from physical assets to virtual ones. “As pharma converges with tech, value is shifting toward digital treatments not tied to a location. Consider personalised treatments delivered by an algorithm. How do you tax this? Do you tax where the data is collected, or where it is stored, or who owns it, or who uses it?” says Charlotte Richardson, Global Health Industries Leader for Tax & Legal Services at PwC UK.

AI disrupts old sources of tax revenue while creating new ones. Although AI boosts productivity overall, it also disrupts occupations and industries—and the tax they generate. “AI-generated film is incredible now. As AI reduces some of the tax revenue from film crews and ad agencies, what and who do you tax?” asks Dallas Dolen, Technology, Media, and Telecommunications Industry Leader at PwC US.

At the same time, AI creates new value such as data—often described as ‘the new oil’ - but taxation is challenging since it can be difficult to establish at what point value is created, and where. For example, when citizens in Country X use a digital platform based in Country Z, value is created in ways from data generation to retail sales—raising tricky questions about how each country can tax this value.

Governments are adapting tax policy multilaterally (at least in theory) and unilaterally.

Multilateral efforts include the OECD / G20’s Pillar One which aims to reallocate taxing rights to the jurisdictions where users or customers are located, helping countries capture more of the digital value generated by their citizens. However, international consensus on implementing Pillar One has proved very hard to reach, especially on how to allocate revenue between countries. As a result, many countries are pursuing unilateral measures.

Unilateral digital service taxes (DSTs) have been adopted by more than a dozen countries—for example, the UK levies a 2% tax on gross revenues of digital platforms and Tunisia sets a 3% tax on digital platform sales. Regulators are also tightening rules around cryptocurrencies to bring these assets into the tax net.

The rise of DSTs creates challenges for companies. First, risks of double taxation grow since treaties often lack provisions to prevent multiple countries from taxing the same digital activities. To make tax treaties fit for a digital era, questions must be answered: “What kind of relief mechanisms will be granted? Will there be allowable deductions or credits?” says Edna Gitachu, Tax Policy Lead, PwC Kenya, and Africa Tax Policy Co-ordinator.

Second, unilateral DSTs create risks of tax or trade retaliation between countries. According to the Tax Foundation, ‘The United States... plans to eliminate DSTs either through a multilateral agreement or through trade threats and potential trade wars¹.’

Business leaders should expect that any place digital value is created or consumed could be subject to new or expanded taxes—especially where users are located. “There could be a move from an origin based to a destination based tax system—because value is now created not just by makers but by users of digital services,” says Akhilesh Ranjan, Former Tax Policy Advisor at Price Waterhouse & Co LLP, India.

¹ The Tax Foundation, Digital Taxation around the World, 2024

Very likely: Growth of AI-enabled tax filing, real-time enforcement, and ‘precision taxation’

Tax authorities are using AI for real-time automated filing and enforcement to boost efficiency, transparency, and revenue. Automated reporting benefits companies by promoting data consistency, encouraging integrated decision making, and supporting transparent engagement with authorities.

Enabled by technology, governments can increasingly access company data and automatically calculate tax due—often in real time. Periodic filings may recede in importance as tax payments become ‘always-on.’ “With blockchain, tokenisation and real-time reporting enabling instant verification of transactions, tax could become continuous and automatic,” explains Elizabeth Stone, Global Financial Services leader for Tax & Legal Services at PwC UK.

Automated taxation will change relationships between companies and tax authorities. “We’re moving from the old tax model in which the company tells the authority here’s what we owe to a new model in which the authority tells the company here’s what you owe. For some of our clients, that is already their experience,” Elizabeth Stone continues.

AI is enabling ‘precision taxation’ which means using technology and data to tailor taxes to individual circumstances. Governments already use technology for personalised tax enforcement. As AI improves, personalised tax rates or incentives may grow. For example, “a major city in Canada considered implementing a so-called rain tax that taxes properties based on their percentage of surfaces that are impermeable to rain so encourage flooding,” says Sanjay Tolia, Partner and Former Tax Leader for Price Waterhouse & Co LLP, India. Precision taxation gives authorities new ways to rethink taxation, potentially helping them tax digital value.

AI-enabled taxation creates new pressures for business leaders. First, data must be correct and consistent from the moment it is recorded since it may feed directly into tax calculations. To achieve this, companies need integrated global data lakes and standardised data governance.



Companies are now dealing with one government as tech increases data sharing across government agencies. Business leaders must ensure the consistency and reliability of datasets.

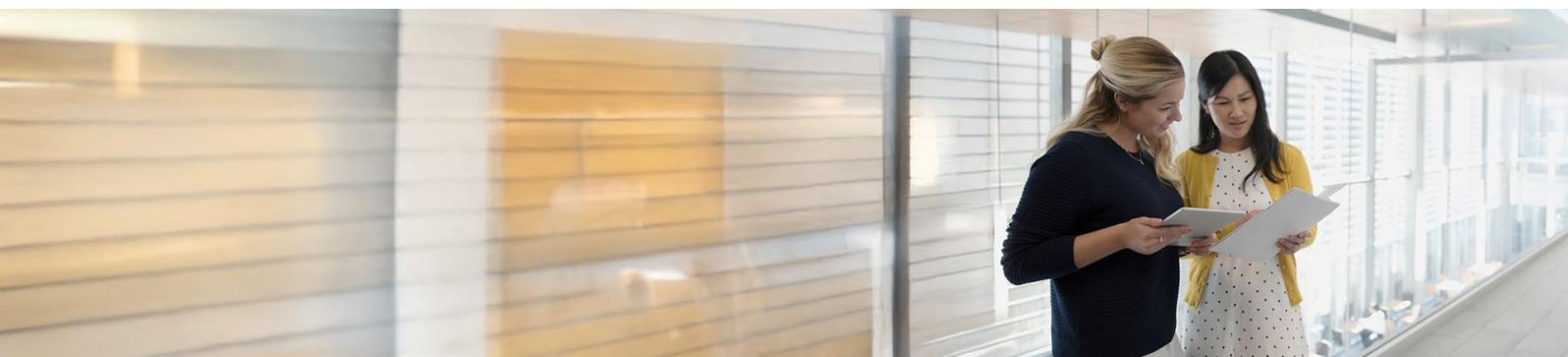
Paul Lau

Tax Partner, PwC Singapore

Second, staffing strategies may need to evolve to deliver dual tax and tech skillsets. This can be more easily said than done: “Do you take technologists and teach them tax or take tax experts and teach them technology?” asks Charlotte Richardson, Global Health Industries Leader for Tax & Legal Services at PwC UK.

Third, companies must anticipate how tax authorities’ AI systems will interpret data in a new age of transparency. “The government now knows more about your business ecosystem than you do. They have data on not just your company but your suppliers, partners, and competitors—plus economy-wide data from different departments for a 360 view,” says S. Ramesh, Managing Director of Indirect Tax at Price Waterhouse & Co LLP, India.

Fortunately, AI can help. “Companies must make sure they are not just doing the right thing but are seen to do the right thing. Appropriate use of technology can help us identify and anticipate how client public data may be interpreted,” says Charlotte Richardson, Global Health Industries Leader for Tax & Legal Services at PwC UK.



Very likely: Targeted tax incentives for strategic digital industries such as AI and semiconductors

Governments are increasingly deploying generous tax incentives-from R&D credits to preferential tax rates - to support strategically vital digital industries.

Examples include the US CHIPS Act's investment credits for domestic semiconductor production, South Korea's tax breaks for onshore semiconductor manufacturing, and China's enhanced R&D deductions for strategic tech sectors.

Possible: Early experiments in taxing AI's 'labour' or automated output

If AI increasingly disrupts jobs, governments may use taxation to offset income tax losses or to fund workforce retraining and social programs. Proposals include taxing the use of autonomous AI systems or applying levies when companies replace human labour. While such measures remain theoretical in most nations, since 2017 South Korea has taxed companies that replace workers with robots, with the funds used for worker retraining.

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

Government fiscal strains increase pressure for higher—and new—taxes

Governments worldwide face deepening fiscal strain from high debt, sluggish growth, aging populations, and rising demands for spending on infrastructure, defence, and climate adaptation. Revenue shortfalls are forcing policymakers to confront anew the classic taxation challenge: how to raise more funds without hurting growth, provoking political backlash, or triggering capital flight.

Business leaders should prepare for a volatile tax environment in which business taxes and enforcement are likely to rise. “Financial pressures are causing tax policy to change quickly and unpredictably. Given the heightened risk and uncertainty, tax is now a boardroom conversation,” says Edna Gitachu, Tax Policy Lead, PwC Kenya.

Very likely: Increased business taxes and broader implementation of Pillar Two

Businesses and wealthy individuals are perceived by some citizens as fairer targets for higher taxation (see Populism section below). Companies should prepare for increases in both direct business taxes and taxes that, though passed on to consumers, are perceived to be business taxes. Wealth taxes for high net worth individuals may also accelerate.



Governments under pressure are, reasonably, trying to figure out how to tax non-voters and how to have indirect taxes that are less visible to voters. Expect more taxes on foreign businesses and cross-border activity, and more withholding taxes, tariffs or digital service taxes since these are less visible

Dieter Wirth

Tax, Legal & HR Services Leader, PwC Switzerland

Pillar Two, part of the OECD/G20 BEPS Framework, provides one means to increase business tax revenue through a 15% minimum tax. Over 140 countries have agreed to implement it, and more than 60 of these have taken steps to do so. Pillar Two may create new revenue streams while reducing tax competition between jurisdictions (though some argue competition will shift from tax rates to incentives).



Some parties may be hoping that Pillar Two goes away, but it is here to stay. Pillar Two is a catalyst for many CFOs to start moving to globally integrate the tax function, with the technology to back it.

Chris Woo

Tax Leader for PwC Asia Pacific

Very likely: Increased tax enforcement and litigation

Governments facing fiscal pressure will intensify enforcement, auditing, and transparency efforts. For example, the EU's [DAC7](#) introduces automatic information exchange between EU tax authorities on taxable events.

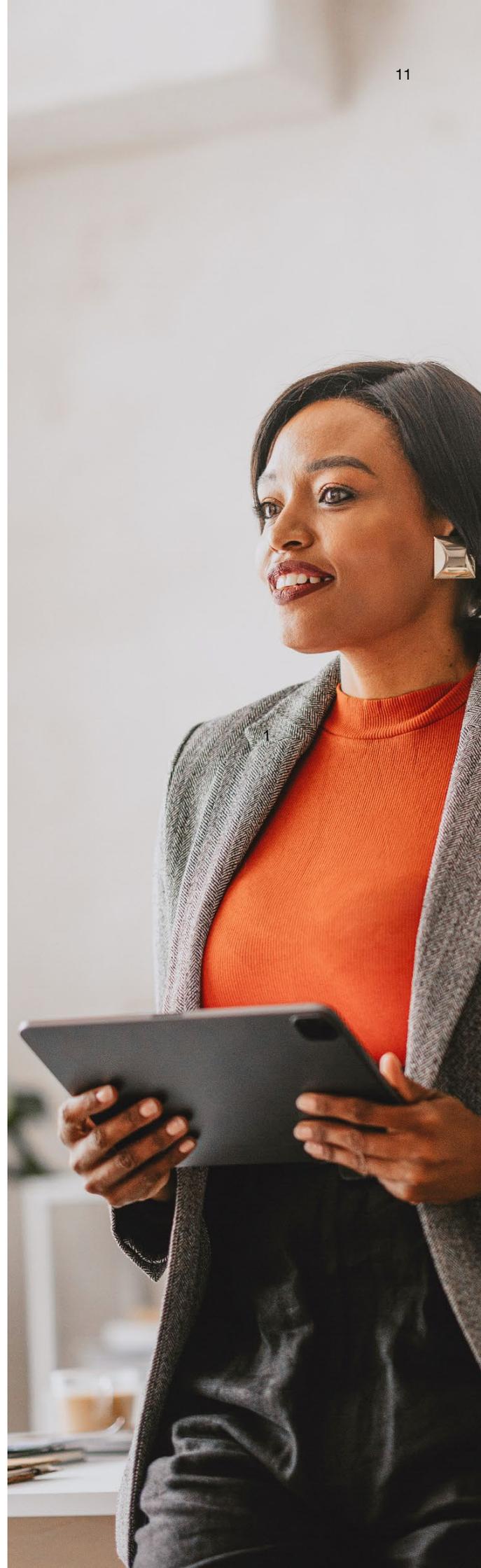
Governments may increasingly challenge companies' interpretations of tax rules in a push to grow revenue. As we have seen, AI is enhancing governments' capacity to enforce tax law. "Expect growing sophistication and intensity of tax enforcement," says Paul Lau, Tax Partner, PwC Singapore.



Tax law is not a black or white matter. There are plenty of grey areas in which rules need interpretation. We expect a rise in challenges, targeted anti-avoidance measures and revenue audits, and more cases taken to litigation.

Paraic Burke

Head of Tax for PwC Ireland



Likely: Expansion of broad-based consumption taxes-including carbon and digital taxes

Policymakers may introduce broad-based taxes that can raise revenue quickly while being difficult to avoid. “Some economists say that all roads for rapid fiscal repair lead to a VAT,” comments Kevin Levingston, Partner and PwC’s Washington National Tax Services Leader at PwC US.



African governments are facing sharp pressures to provide for growing populations, so are striving to broaden tax bases. Large parts of the economy are informal and lightly taxed or untaxed. So carbon taxes and consumption taxes are under consideration since these affect nearly everyone.

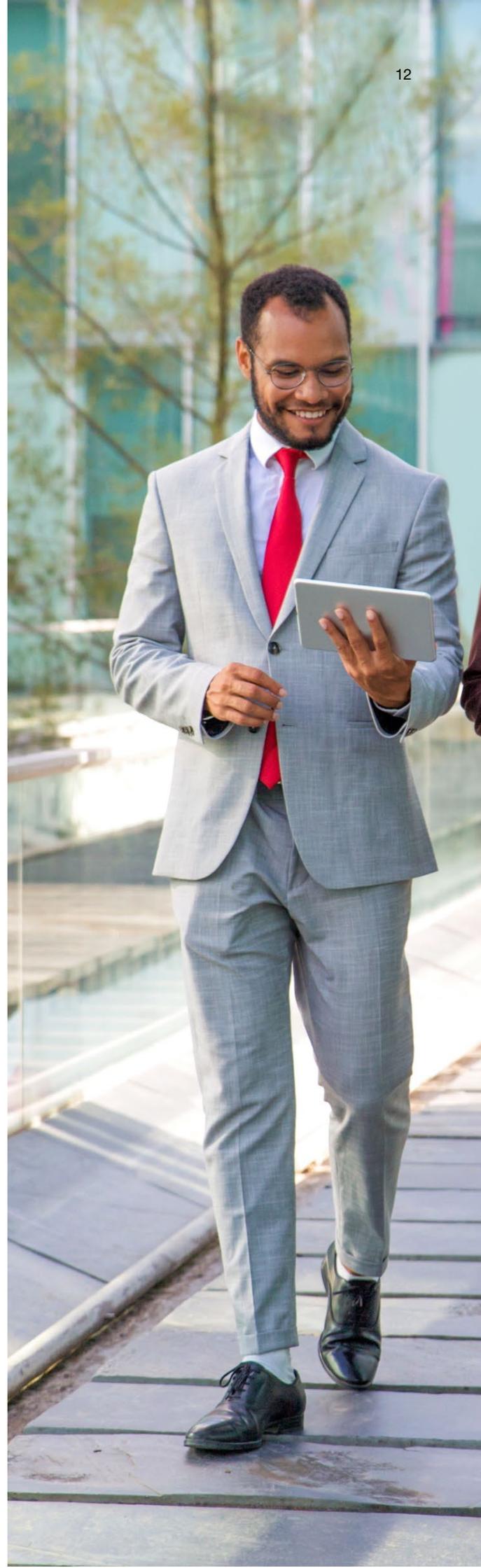
Edna Gitachu

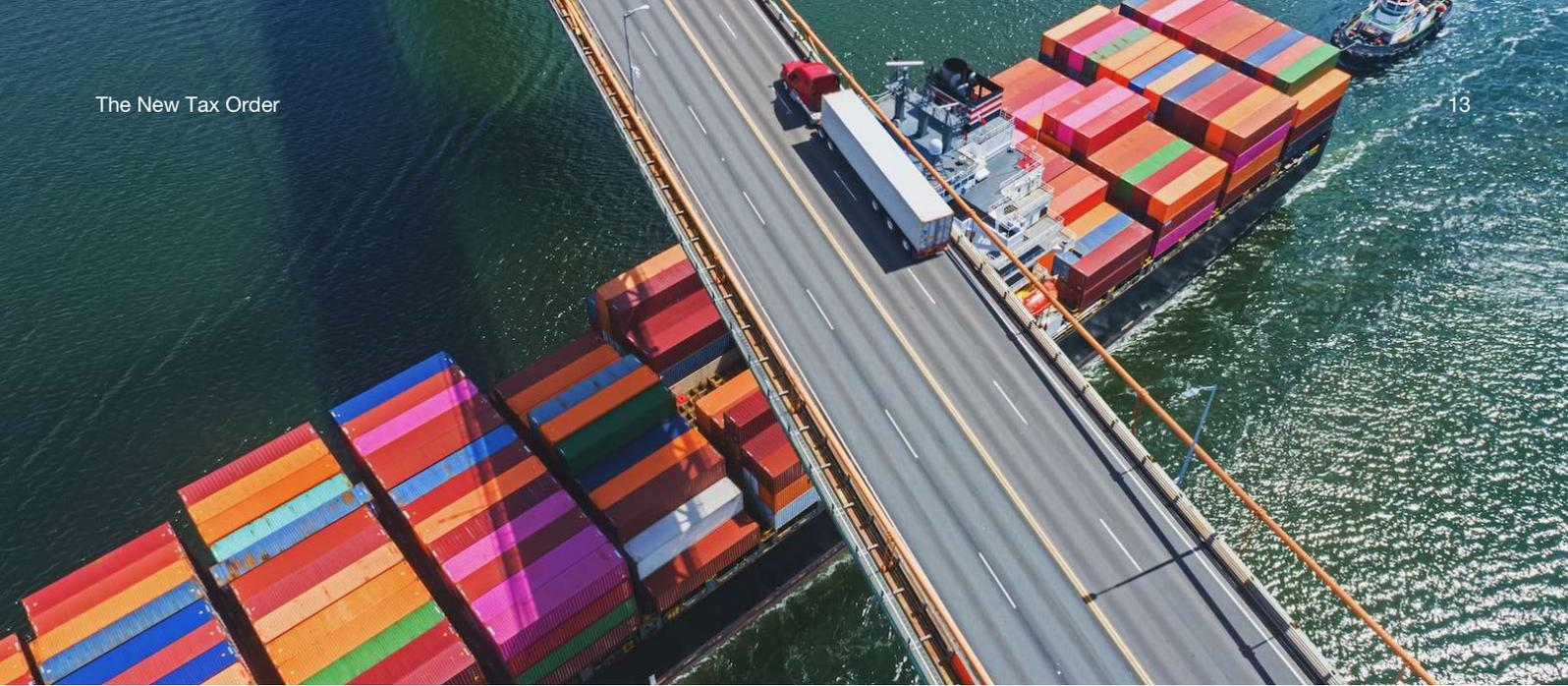
Tax Policy Lead, PwC Kenya

Carbon taxes may expand despite political pushback. “Government fiscal pressures could be a key to accelerate progress to net zero. We will see more and more broad-based climate and environmental taxes,” says Sanjay Tolia, Partner and Former Tax Leader for Price Waterhouse & Co LLP, India.

Key takeaway

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





03

Geopolitical tensions drive a volatile and fragmented global tax landscape

Geopolitical tensions are driving protectionist trade policies, regional blocs, and supply chain reshoring that are redefining global commerce-and 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 fragmented, state-centric tax frameworks. As economic nationalism intensifies, businesses must navigate shifting tax exposures.

Very likely: Rising tax nationalism and global tax fragmentation

Global tax cooperation is becoming harder as countries protect domestic interests. Unilateral tax measures advancing national agendas are proliferating. Even Pillar Two, one of the more widely adopted international measures, varies by country and region, including different approaches to transitional rules and special regimes.



Companies should anticipate an era of greater tax fragmentation as tax multilateralism declines. Prepare for a two-tier world with both multilateral and unilateral tax policies to navigate. New unilateral or regional rules can pop up with quite short compliance deadlines.

Chloe Fox

Tax, Global Tax Policy Director, PwC Ireland

Tax systems and tariffs are increasingly harmonised within regional alliances (e.g., EU, ASEAN, USMCA). “Prepare for a geopolitical future with multiple centres of gravity,” says Will Morris, Global Tax Policy Leader, PwC. “The bottom line for business is more fragmentation, unpredictability, and divergence in global tax policy, for example as regional blocs from Latin America to Southeast Asia seek to create bespoke tax policies,” comments Akhilesh Ranjan, Former Tax Policy Advisor, Price Waterhouse & Co LLP, India

Tax Unification of Africa

The African Continental Free Trade Area, the largest free trade zone by number of countries, is primarily a trade agreement encouraging intra-African trade-but it could spur continental tax convergence.

As value chains and intra-continental trade scale up, incentives will grow to align VAT rates, export duties, and other regimes to facilitate seamless trade.

“We may see the greater tax unification of Africa to ease trade between African countries and keep trade on the continent,” says Edna Gitachu, Tax Policy Lead, PwC Kenya.

The fragmentation of global policy creates challenges and legal hazards for companies. Dieter Wirth, Tax, Legal & HR Services Leader, PwC Switzerland, explains: “We will see much more litigation between countries because they do not always agree on the interpretation of international tax programs, from Pillar Two to digital service taxes. Companies will get caught up in this. For example, the old system of treaties designed to prevent double and triple taxation is not always fit for purpose in a world of digital service taxes. Business leaders should prepare for volatility, uncertainty, and litigation-and consider tax risk insurance.”

For business leaders, fragmentation is making consistency in global tax planning harder-just as AI-driven audits make consistency more critical.

Very likely: Tariffs / taxes or incentives to promote domestic industries and reshoring

Governments are increasingly implementing taxes or tariffs to protect domestic production of critical goods, a trend amplified by populism. This is especially true in strategic sectors tied to national interests or security such as semiconductors, AI, pharmaceuticals, and energy. Export bans, quotas, and retaliatory measures are growing, especially in critical materials such as rare earths, while tax credits and deductions encourage reshoring.

The patchwork of protectionist taxes presents major challenges for companies. “We are advising clients on whether and where to move their manufacturing in response to tariffs. Some are moving to the US in response to US tariffs. Others are locating to territories where they meet the ‘country of origin’ rules in order to achieve a lower tariff. However, companies can’t just ‘lift and shift’ without careful consideration of, for example, the availability of skilled labour, IP protections, local supply chains, local tax incentives, and much more,” says Chris Woo, Tax Leader for PwC Asia Pacific. The future is unlikely to bring relief, he continues: “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.”





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 more aggressively while expanding support for citizens and domestic industries.

Very likely: Increased tax protectionism

Populism prioritises national interests over global coordination, so can deepen the move toward tax protectionism and fragmentation of global tax systems. Expect the acceleration of unilateral tax incentives for domestic hiring and production, taxes on imports, or penalties for companies shifting profits abroad. For example, the proposed US Halting International Relocation of Employment Act (HIRE) seeks to discourage companies from outsourcing jobs by imposing tax penalties on payments to foreign service providers.

Very Likely: Tax rises—or cuts—to benefit citizens

Populism seeks to benefit native populations and 'everyday' citizens, often against perceived elites or non-native parties. For business, populism may lead to tax rises or tax cuts since either may be understood to benefit everyday citizens.



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 Levingston

Washington National Tax Services Leader, PwC US

Start with tax cuts. Populist governments may cut corporate taxes in a bid to encourage economic growth and protect domestic jobs. Tax breaks may be used to support populist or nationalist goals; for example, Hungary's Viktor Orban sought to increase birth rates by abolishing personal income tax for mothers with four or more children.

On the other hand, populism may lead to higher taxes. In some populist narratives, elites and multinationals have unfair economic advantages, including not paying their fair share of tax. The result may be a greater emphasis on taxing wealth, capital, and profits accompanied by increased scrutiny on tax avoidance by corporations and the wealthy. Some populist governments use tax policy to signal resistance to multinational corporations or wealthy foreigners, for example through selective taxation on foreign companies.



From this year, the EU and Australia will require many multinational companies to report their revenue, profits and tax paid by country—crucially, this new reporting is not just to regulators but to the public. This will add fuel to debates on tax fairness and create fresh reputational risks for some companies.

Will Morris

Global Tax Policy Leader, PwC US

Governments under pressure to fund social programs and reduce inequality are increasingly introducing or expanding wealth and windfall taxes, especially targeting sectors with high profits such as energy or tech. A few jurisdictions are floating solidarity taxes or basic income schemes funded by new levies on business or high earners, framed as restoring the social contract.



The fiscal position in most countries is not sustainable. Most people and companies feel they are overtaxed, and yet that 'too much' is not sufficient to maintain the spending in place. It's very hard politically to increase taxes or to cut spending, so wealth taxes are more and more on the table.

Dallas Dolen

1

Technology, Media, and Telecommunications Industry Leader, PwC US

Populism creates conflicting forces. While measures like Pillar Two may appeal to populists who seek to increase corporate tax revenue, populism may simultaneously make it harder to achieve the international coordination required to make Pillar Two work most effectively. The outcome may be more unilateral tax measures to achieve populist aims.





05

Growing focus on sustainability despite political pushback

Governments are using tax policy to encourage emissions reduction, mitigate environmental damage, develop a sustainable economy, and finance the massive costs of climate adaptation. Though there is political pushback against sustainability in some jurisdictions, a number of forces are increasing the pressure for action: accelerating impacts of climate change; government efforts to build energy and supply chain security while participating in a growing sustainable economy; and, as we have seen, government fiscal strain that increases the appeal of new or expanded climate taxes.

Very likely: Growing incentives for sustainable investment

Governments are offering a range of preferential tax treatments to stimulate sustainable investments and accelerate the energy transition such as accelerated depreciation, tax credits, sales tax exemptions, land cost write-downs, and more².

“The climate pushback in some quarters shouldn’t lead us to underestimate the change that is underway in places like India. Our government is committed to net zero by 2070. Some measures simultaneously address populism and climate change—for example, tax incentives to encourage domestic clean energy production,” says S. Ramesh, Managing Director of Indirect Tax at Price Waterhouse & Co LLP, India.

² The IEA Government Energy Spending Tracker says governments have allocated US\$1.34 trillion since 2020 to clean energy investment support including tax incentives, grants, and other mechanisms. The OECD’s Investment Tax Incentives Database (2024) says 2/3 of 70 economies tracked offer tax incentives to improve environmental impact.

Other disruptive forces discussed in this article can encourage tax incentives for sustainable investment. For example, AI's vast energy demands can spur governments to support the development of reliable supplies of renewable energy, while geopolitical tensions and populism can encourage support for domestic manufacturing of sustainability-linked products. "Despite some pushback, we expect more climate-linked tax incentives and grants. There is now an economic logic to these incentives; for example, governments want to ensure a reliable supply of affordable energy for industries like AI," says Paraic Burke, Head of Tax for PwC Ireland.



Clean tax incentives will expand to support robust supply chains, for example through onshore processing in friendly countries.

James O'Reilly

Global Energy, Utilities and Mining Leader for Tax & Legal Services, PwC Australia

For business leaders, sustainability incentives can be sizeable—but so too can the requirements to access them. "By helping clients access sustainable finance—such as the EU Innovation and Horizon schemes—we've learned about common pitfalls. The keys to success can be learned through experience sharing," says Chloe Fox, Global Tax Policy Director, PwC Ireland.

Very likely: Rising tax implications of mandatory climate disclosures

Mandatory reporting on sustainability—including material climate impacts—is advancing globally (for example, in the EU, UK, and Australia), even as SEC enforcement remains uncertain.

For business leaders, reporting is about more than compliance. Reporting can directly influence financial performance and tax outcomes. For example, material climate impacts may affect financial forecasts, capital expenditure plans, and taxable income. At the same time, disclosures can support eligibility for tax incentives and compliance with sustainability schemes such as carbon pricing.

Tax should have a seat at the reporting table to help integrate tax considerations, anticipate financial impacts, and align tax strategies with sustainability goals.

Likely: Tax Penalties for non-sustainable activities or assets

Some policymakers are introducing or strengthening tax penalties for non-sustainable assets or activities (for example, by generating high carbon emissions or contributing to pollution). This may take the form of growing sustainability 'precision taxation.'



Possible: Gradual expansion of carbon pricing

Despite some political pushback, around 80 carbon tax or emission trading schemes are in force in jurisdictions that represent nearly 2/3 of global GDP. These schemes raised over US\$100 billion in 2024. Expansion of carbon pricing continues with countries such as India, Brazil, and Turkey developing new instruments.



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

Measures like the EU's Carbon Border Adjustment Mechanism create incentives for other blocs or countries to institute similar taxes at home, so may support a 'domino effect' of global carbon price adoption. However, carbon prices remain politically challenging to enact in many countries, not least as populism makes tax rises on the general population more difficult.

Trickier still, as accelerating climate change increasingly disrupts supply chains, the potential impacts on inflation and citizens' quality of life may make it even harder to raise consumption taxes. Accelerating climate change may have the paradoxical effect of increasing urgency to reduce emissions while also making it harder to implement what many economists say is one of the most effective measures for doing so—carbon taxes.





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

Global Clients & Markets Leader for Tax & Legal Services, PwC UK

A new tax order is emerging that rebalances how and where value is taxed, presenting business leaders with a fresh set of incentives and risks. Below are five steps leaders can take to turn disruption into opportunity.

01 Anticipate tax changes

Build a tax policy forecasting capability to institutionalise horizon scanning and model implications across jurisdictions. 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.



It is critical for organisations of sufficient size to have a dedicated function to forecast tax policy in jurisdictions where the company operates. Many organisations invest in this kind of function-but many don't.

James O'Reilly

Global Energy, Utilities and Mining Leader for Tax & Legal Services, PwC Australia



Successful businesspeople know that great businesses are built on a deep understanding of customers. The same principle applies to policymakers. Step into their shoes and understand their pressures to understand the likely future shape of tax policy.

Sanjay Tolia

Partner and Former Tax Leader for Price Waterhouse & Co LLP, India

02 Build agility as a competitive muscle

The future will reward companies that can pivot fast as rules evolve. 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 the business.



Companies can use a 'lean and pivot' strategy; this means thinking about what you know for sure and leaning on these points of certainty while preparing to be nimble where there is uncertainty. If you have a plan to manage possible scenarios, you've already sharpened your pencil on insights you can use elsewhere.

Christine Saliba

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

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.



With AI, expect that everything that could be known will be known—and cross-referenced. Companies cannot issue reports on sustainability or any topic without central consistency. The tax team must align with all others with a single data lake and source of truth.

Christine Saliba

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





04 Make tax part of strategic decisions

Tax reveals how regulation, reputation and capital flows connect. Bring tax into the earliest stages of decision making so that decisions are informed by tax considerations from the outset. When the tax lens informs the business model, decisions become more resilient and more capital-efficient.



New sustainability regulations, including environmental taxes, are interconnected and impacting the overall tax position of businesses. However, ownership of these regulations is scattered and fragmented across organisations, which means business leaders do not hear tax as a canary in the coal mine about penalised externalities or changing market conditions. Tax should be addressed at strategy level in the C-suite.

Renate de Lange

Global Sustainability Leader for Tax & Legal Services, PwC Netherlands



Tax should be a key business stakeholder involved during the process of decision making, not as an afterthought.

Pavan Kakade

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

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, more consistent responses to change, while giving local teams the agility to adapt to regional rules.



Companies should expect growing tax enforcement and transparency. It's critical to vertically integrate the tax function - otherwise you will spend all your time firefighting.

Chris Woo

Tax Leader for PwC Asia Pacific

The takeaway

Tax should be part of every major business decision, from where to build to how to earn trust. Leaders who treat tax as a window into political, social and economic change will not just stay compliant - they will see around corners and capture new value before others do.



Partner sponsors

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-adjei@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, Former 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

Thought Leadership Lead

Sarah Brown

Global Thought Leadership Director, PwC UK
sarah.x.brown@pwc.com



Thank you

[Access the online version](#)