

The Global Tax Reset

Thinking strategically about the OECD's BEPS project and the changing nature of global tax

Business priorities

Even with the Global Tax Reset that is taking place as a result of the confluence of the OECD's BEPS project, reactive country legislation, increased media attention and the sharing of information between governments: the strategic priorities of businesses remain the same – increased profitability through revenue growth, cost control and operational efficiency:

- What is changing and how will it impact our business and ETR?
- How will we comply with the new reporting requirements?
- Are there strategic changes to our business model or global structure we should be considering now?

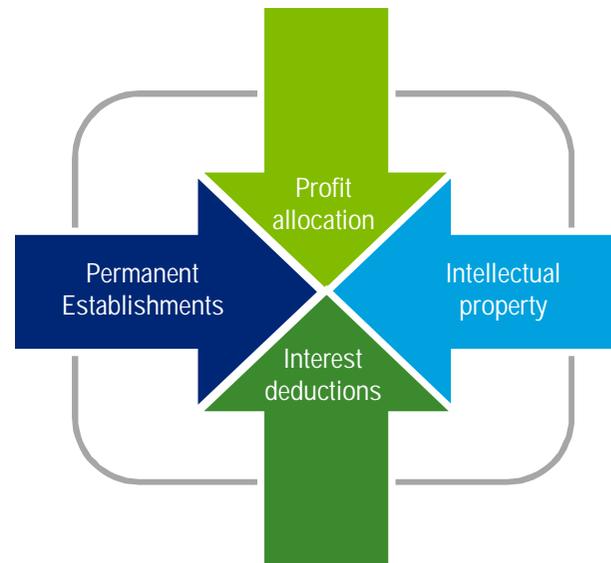
Areas of change? / Areas of risk?

New compliance requirements	Business model risk
Public scrutiny of tax positions	Possible double taxation

BEPS considerations

The focus areas of the OECD's BEPS action are:

- Updating tax regimes to address the modern business economy
- Preventing artificial transfer of profits to low tax jurisdictions
- Increasing transparency and standardization of documentation



The majority of the OECD's BEPS action items will be finalised by the end of 2015 and implementation in most jurisdictions is expected in 2016-2018. In some countries, implementation has already begun.

Australian perspective

- Country by Country reporting: expected to commence from 1 January 2016
- Multinational anti-avoidance law (MAAL) expected to commence from 1 January 2016
- Board of Tax to report on implementation of hybrid proposals
- December 2015: ATO to report limited tax data for companies with turnover of more than \$100m
- Board of Tax to report on voluntary transparency code
- Response to Action 4?: Government view is different to that of the ALP
- ATO to continue International Structuring & Profit Shifting (ISAPS) process
- Increased co-operation between ATO and other tax authorities
- GST changes on low value supplies and digital imports: expected to commence from 1 July 2017

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New challenges

"We aren't sure we can comply with the new reporting requirements"

"Do I need to report the potential impact on our ETR to investors"

"We are concerned about the media misinterpreting our numbers to the public"

"We are struggling to get the data we need from our systems"

"We are concerned about the impact on our ETR"

"We need to rethink our operating model, financing, IP and TP strategies"

"We want to be more confident in our ability to defend key decisions if challenged"

Identify strategic focus

1

Risk – Assess ability to comply with CbC Reporting and potential impact on ETR and understand areas of vulnerability based on company's current operating model

- Identify and prioritise areas of concern
- Consider implications of new information in the public domain

2

Compliance – Test ability to respond to new compliance requirements

- Test data aggregation processes and run simulations on 2013 & 2014 data
- Identify data and documentation concerns

3

Business model – Evolve business strategy to mitigate risk and impact on ETR

- Consider financing, IP and other strategic choices
- Evaluate business and treasury model alternatives
- Consider BEPS impacts in M&A due diligence

Tax function transformation

Use this framework to facilitate a deeper analysis about strategic focus. Evaluate impacts to the Business, ETR and Risk Profile. What actionable steps are required now?

		Business Impact	ETR Impact	Risk Impact
Tax Function Transformation	CbC reporting			
	TP Documentation			
	TP Methodology			
	Supply chain and services			
	Centralisation of IP			
	Financing			

BEPS: Australian perspective

2015	2016	2017	2018
5 October 2015: OECD releases final BEPS reports	Early 2016: Action 6 update (after US finalises model treaty)	Late 2016: Action 7 PE profit attribution	Early 2017: Action 8 profit split work to be finalised
Oct / Nov 2015: G20 Finance and Leaders meetings	1 January 2016: CbC reporting rules commence*	End 2016: Action 4 banking and finance update	31 December 2017: CbC reports due to ATO for 31 Dec 2016 year ends
November 2015: Negotiation of multilateral instrument to begin	1 January 2016: MAAL provisions take effect*	End 2016: Multilateral instrument open for signing	1 July 2017: GST on intangibles and low value imports*
30 November 2015: Final Senate Inquiry report	March 2016: BoT to report on anti-hybrid rules		
December 2015: >\$100m tax data published	May 2016: BoT to report on voluntary disclosure code		

* Subject to passage of legislation



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