

Deloitte.

European Tax
Survey 2015
Benchmarking –
Switzerland vs
Europe



Introduction

The 2015 Deloitte **European Tax Survey was conducted in Autumn 2015**, and closed just before the release of the OECD/G20's final Base Erosion & Profit Shifting (BEPS) package.

The political and economic external environment continues to be challenging, but **international tax reform is gathering pace**. Tax professionals are under **increasing pressure to understand and comply** with additional new requirements, including the need to report more information on their activities and tax profile by country.

In order to **understand the impact of these trends and the potential effect** on the tax department of today, as viewed by tax professionals across Europe, Deloitte has undertaken its third annual European Tax Survey.

As used in this communication, Deloitte means Deloitte Touche Tohmatsu Limited and its member firms.

Study design and methodology

- Online survey
- Collaboration between member firms Europe
- 803 respondents took part
- 21 countries were invited to take part:
 - Austria
 - Belgium
 - Bosnia & Herzegovina
 - Bulgaria
 - Croatia
 - Cyprus
 - Czech Republic
 - Denmark
 - Finland
 - France
 - Germany
 - Italy
 - Luxembourg
 - Netherlands
 - Norway
 - Portugal
 - Slovenia
 - Spain
 - Switzerland
 - Turkey
 - United Kingdom

Key findings overall

Impact of changing landscape

- The biggest concern for the second year running was **changes in tax legislation**,
- Slightly more respondents said that **BEPS was important to their tax department** than the year before (53.1%, up from 52.4% last year). There was also evidence that the BEPS agenda is starting to get traction **beyond the tax department**.
- More than a third of respondents intended to **review or amend their entire international tax strategy** in response to the OECD/G20 BEPS Action Plan, and more than a half anticipated that their tax compliance costs would increase as a direct result of BEPS.
- 43.5% had **started planning for the likely impact of BEPS**. The majority of those who had started preparing for BEPS were readying their organisations for the BEPS Action 13 transfer pricing documentation changes (84.8%).
- Respondents were **increasingly beginning to develop additional disclosure around tax** in their organisation's financial statements, particularly if they feel their organisation is, or may become, subject to scrutiny from external stakeholders.
- Respondents were **ambivalent about a potential mandatory Common Corporate Tax Base across the EU** – 61.1% had no opinion, while 19.1% and 19.8% thought it would be positive or negative respectively.

Key findings overall

Key success factors for tax professionals

- The most important **measures of success for tax professionals were compliance** (filing tax returns on time and accurately) and certainty around tax liabilities.
- Most respondents (73.7%) thought that **scrutiny around corporate tax strategy had increased** over the last 5 years, but only 51.7% thought it had done so over the last year.
- In **response to increased scrutiny**, 44.8% said they ensured buy-in to their formal group strategy, and 43.4% said they developed additional disclosure around tax in financial statements.

Most favourable locations

- The **Netherlands, Switzerland, Austria and UK** were seen as the **most favourable jurisdictions** to operate in of the larger economies, while Luxembourg and Ireland were seen as the most favourable of the smaller jurisdictions. **Germany, Italy and France** were seen as the **most challenging**.
- Respondents **valued good relationships with tax authorities and simpler tax systems** most highly, with the most commonly selected reasons for tax uncertainty being ‘frequent changes to legislation’, and ‘ambiguity, weaknesses and reversals in tax authority doctrine or publicly available information’.
- The main factor that could **increase competitiveness of a location**, as chosen by 43.3% of respondents, was **simplification of the tax system**, the same factor chosen for the last two years.
- **Fewer respondents had been subject to a tax audit** in the last three years – 65.1% compared with 70% in 2014.

Key findings Switzerland

The tax environment in Switzerland

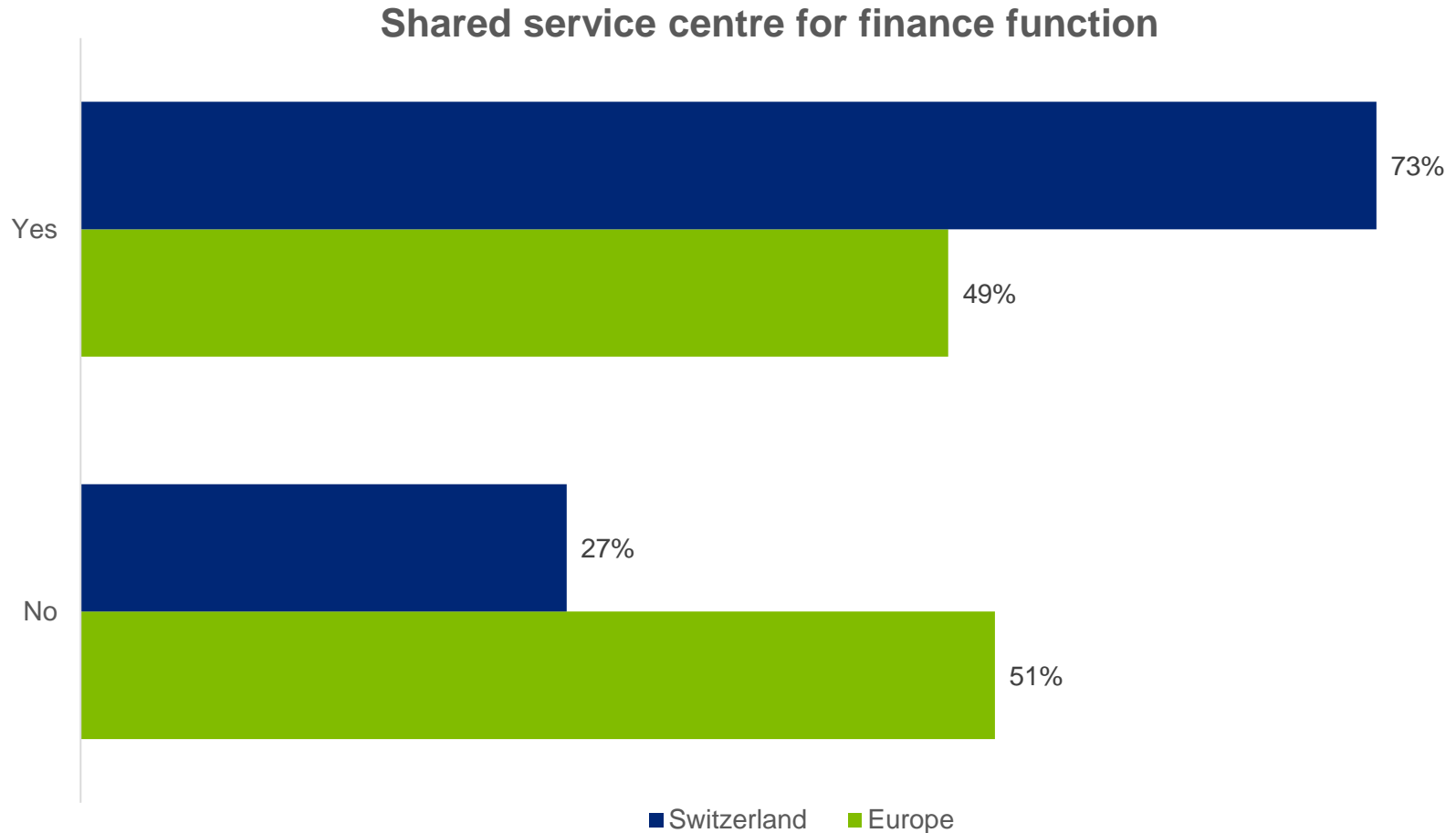
- Despite the ongoing discussions related to the Corporate Tax Reform III in Switzerland, over 80% of respondents did not consider that the degree of tax uncertainty in Switzerland was high. Indeed over 80% consider the **Switzerland provides a higher degree of tax certainty than other European countries**.
- 90% of Swiss respondents considered that their **relationship with the tax authorities was very good or excellent**. However relations could be further improved by a more risk focused approach from the tax authorities (50%) and a more conservative tax strategy on the part of their organisation (33%).

Responding to BEPS

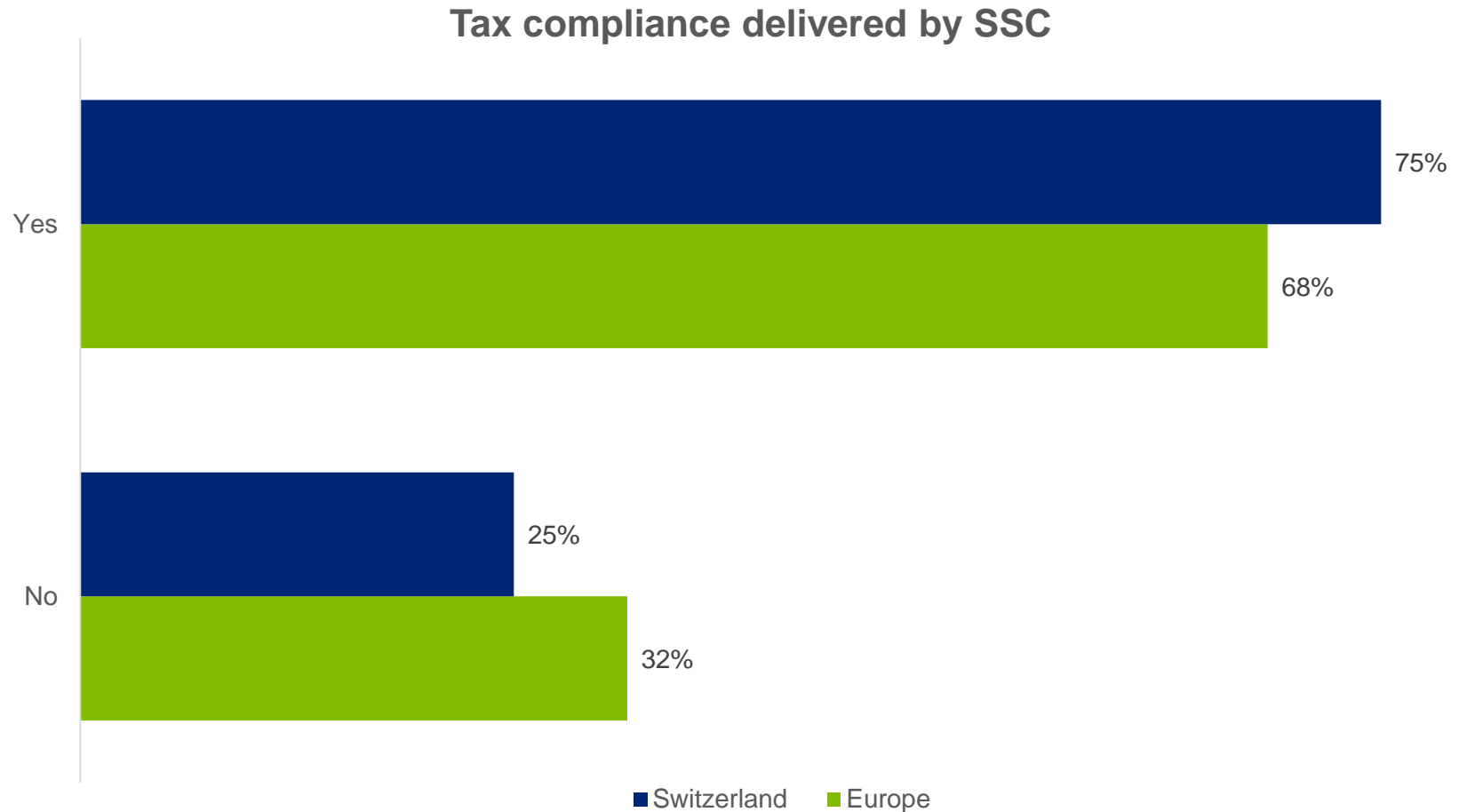
- **Over 90%** of the Swiss respondents have **already started preparing for the implementation of BEPS** with over 80% focusing on transfer pricing documentation requirements and over half on permanent establishment issues.
- There is a **clear concern over the administrative aspects of BEPS** with over 70% of those surveyed in Switzerland expecting their compliance and documentation burden to increase following implementation. Less than 20% are planning increased headcount to cope with the increased workload.
- **Over half the respondents are expecting to review or amend their international tax strategy** as a result of BEPS.

Key findings

Do you have a shared service centre for the finance function within your organisation?



Is any part of tax compliance delivered by your organisation's shared service centre?



Which of the following are viewed as successful outcomes for your organisation's tax function?

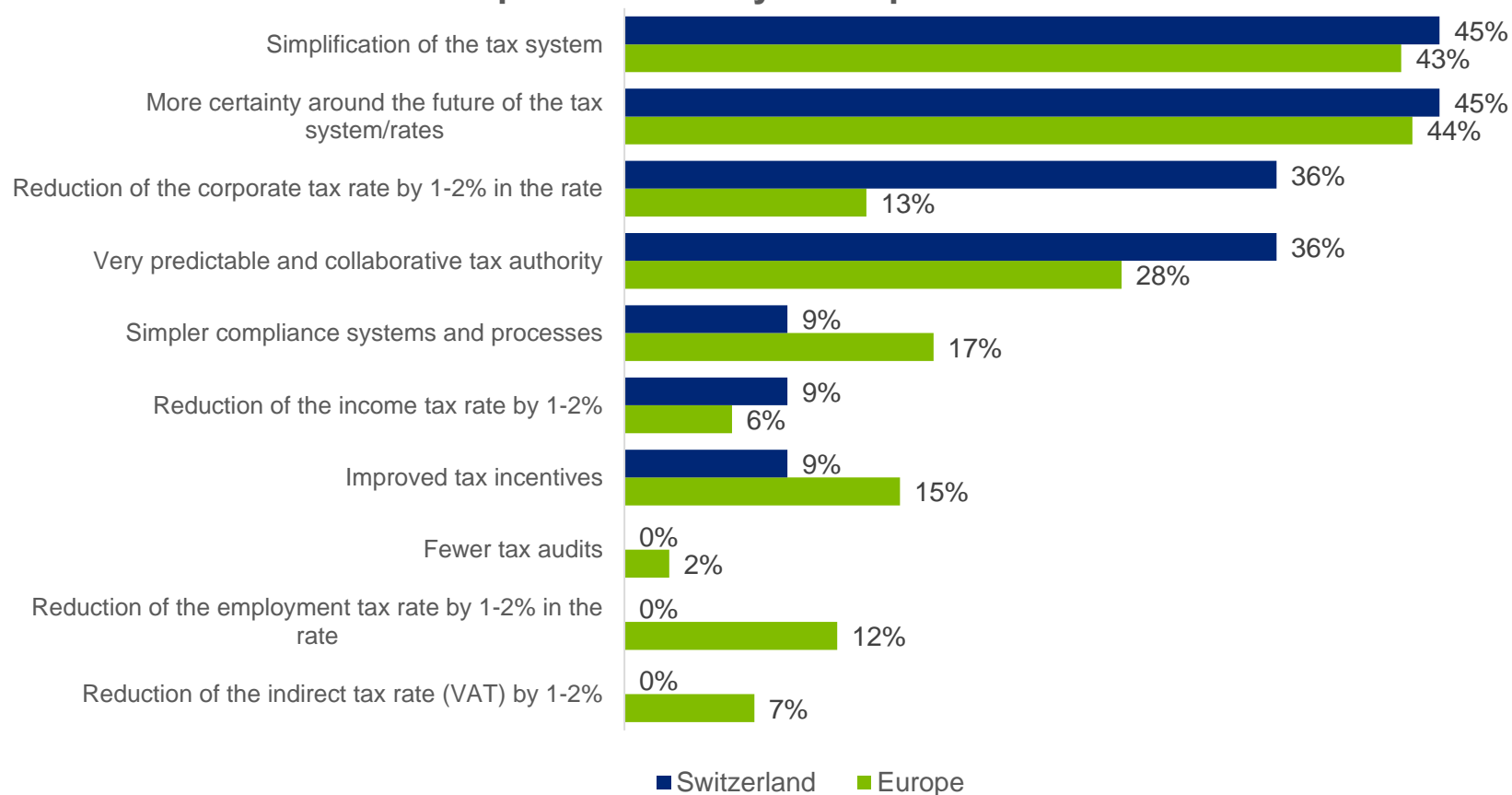
	Switzerland			Europe		
	Low	Medium	High	Low	Medium	High
Low Effective Tax Rate	9%	27%	64%	14%	40%	46%
Tax returns and compliance filed on time	0%	20%	80%	3%	23%	75%
Good relationship with the tax authority	0%	55%	45%	7%	35%	58%
Close integration with the business and its strategy	0%	0%	100%	6%	28%	66%
Certainty around tax liabilities	0%	9%	91%	3%	25%	72%

Which tax risks and uncertainties concern you most?

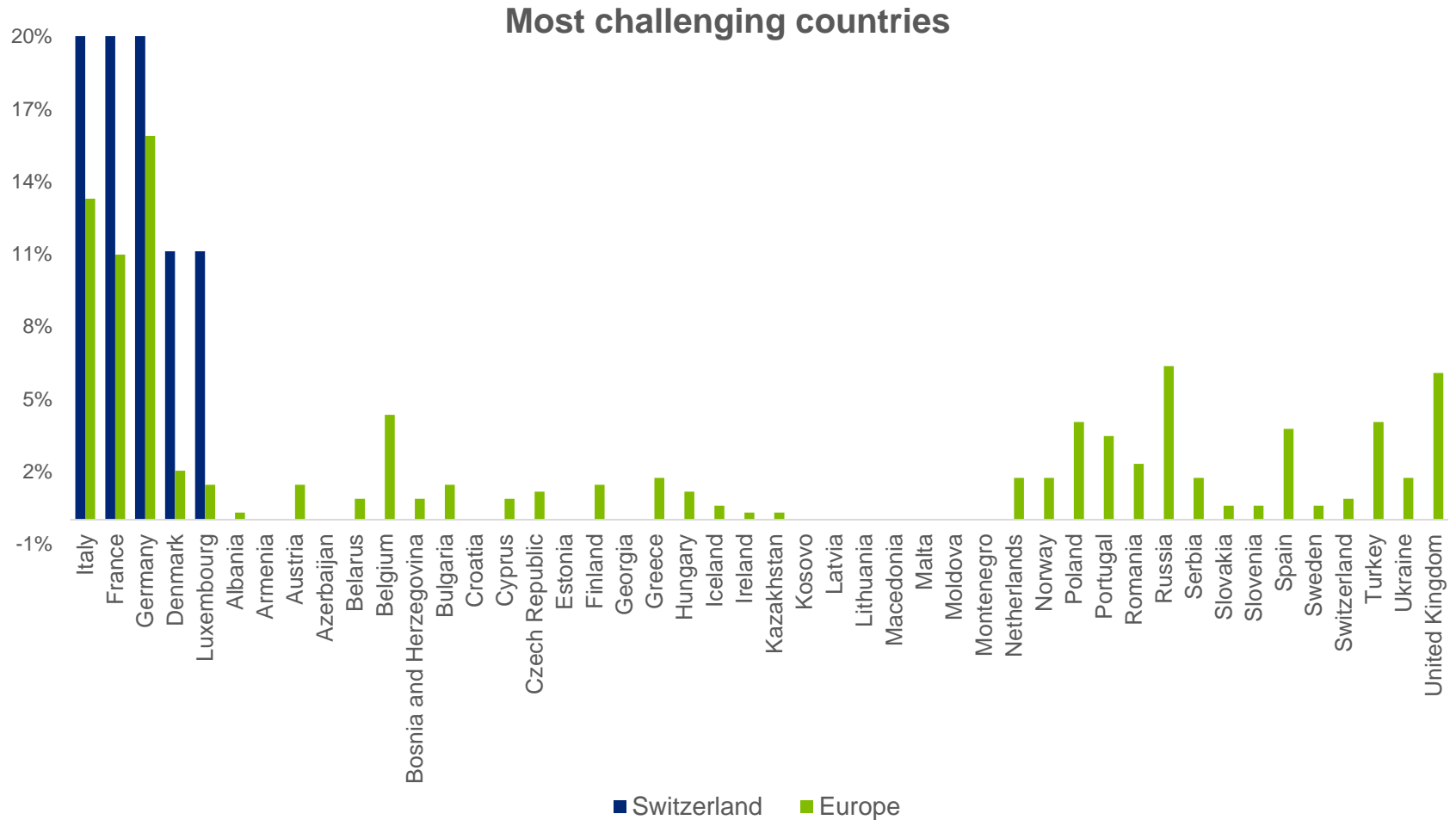
	Switzerland			Europe		
	Low	Medium	High	Low	Medium	High
Compliance, such as getting tax returns filed on time and accurately	27%	36%	36%	22%	38%	39%
Tax authority scrutiny such as outstanding cases with your tax authority or tax audits	9%	55%	36%	13%	41%	46%
Governance, such as ensuring that tax activities are aligned with wider corporate objectives and getting buy in from the Board and business with regard to tax issues	0%	82%	18%	15%	47%	38%
Tax resource, such as key tax staff leaving or staff shortages	9%	55%	36%	29%	47%	25%
Technology and systems, such as data quality issues or/and inadequate finance systems	27%	27%	45%	24%	44%	32%
Change of tax regulation, for example the introduction of new tax laws, keeping up with rapidly changing legislation or dealing with legislation that you aren't familiar with	9%	27%	64%	8%	31%	61%

What change(s) to your country's tax legislation do you think would have the greatest positive impact on your country's commercial competitiveness?

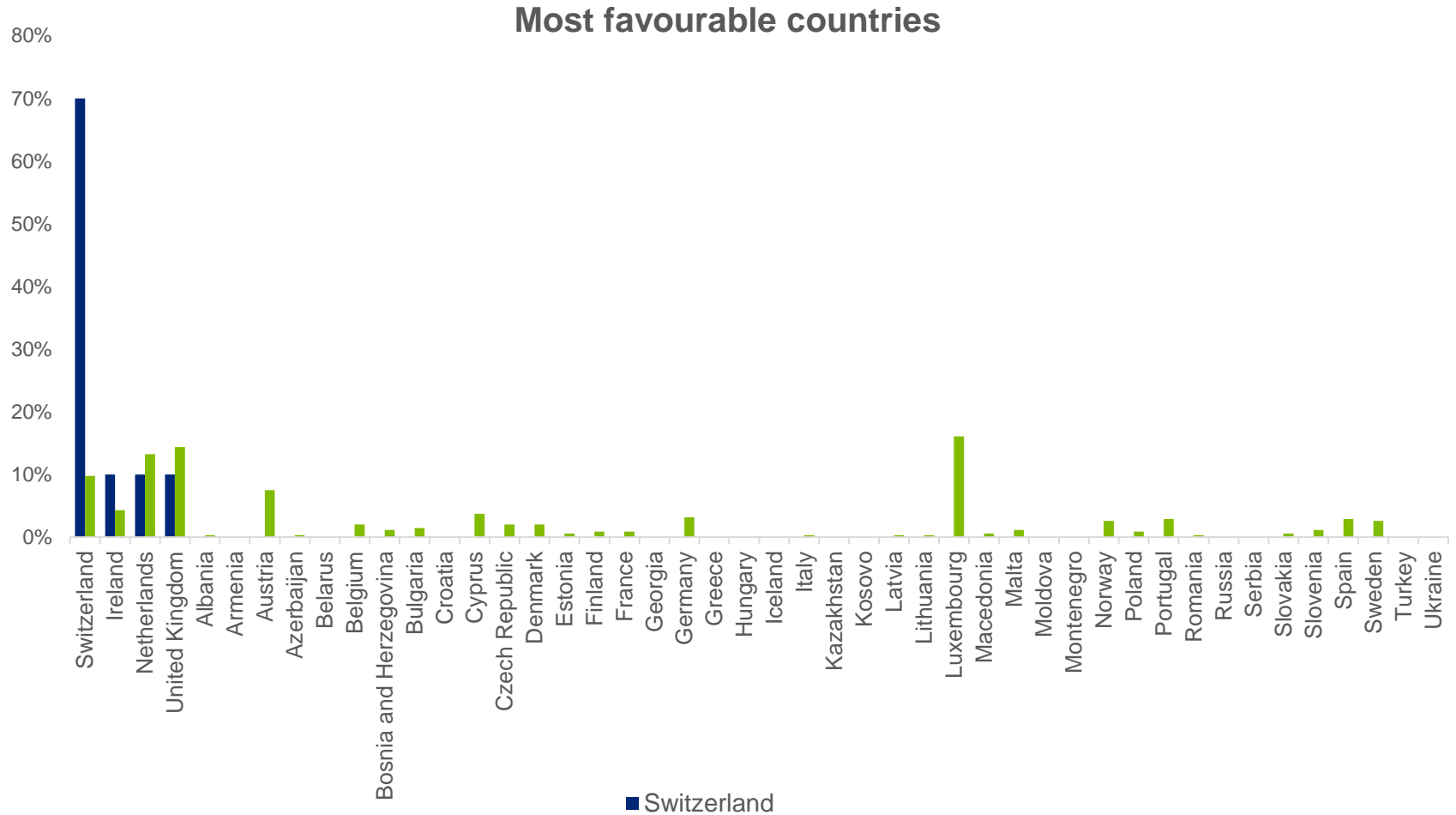
Changes in country's tax legislation that would lead to positive impact on country's competitiveness



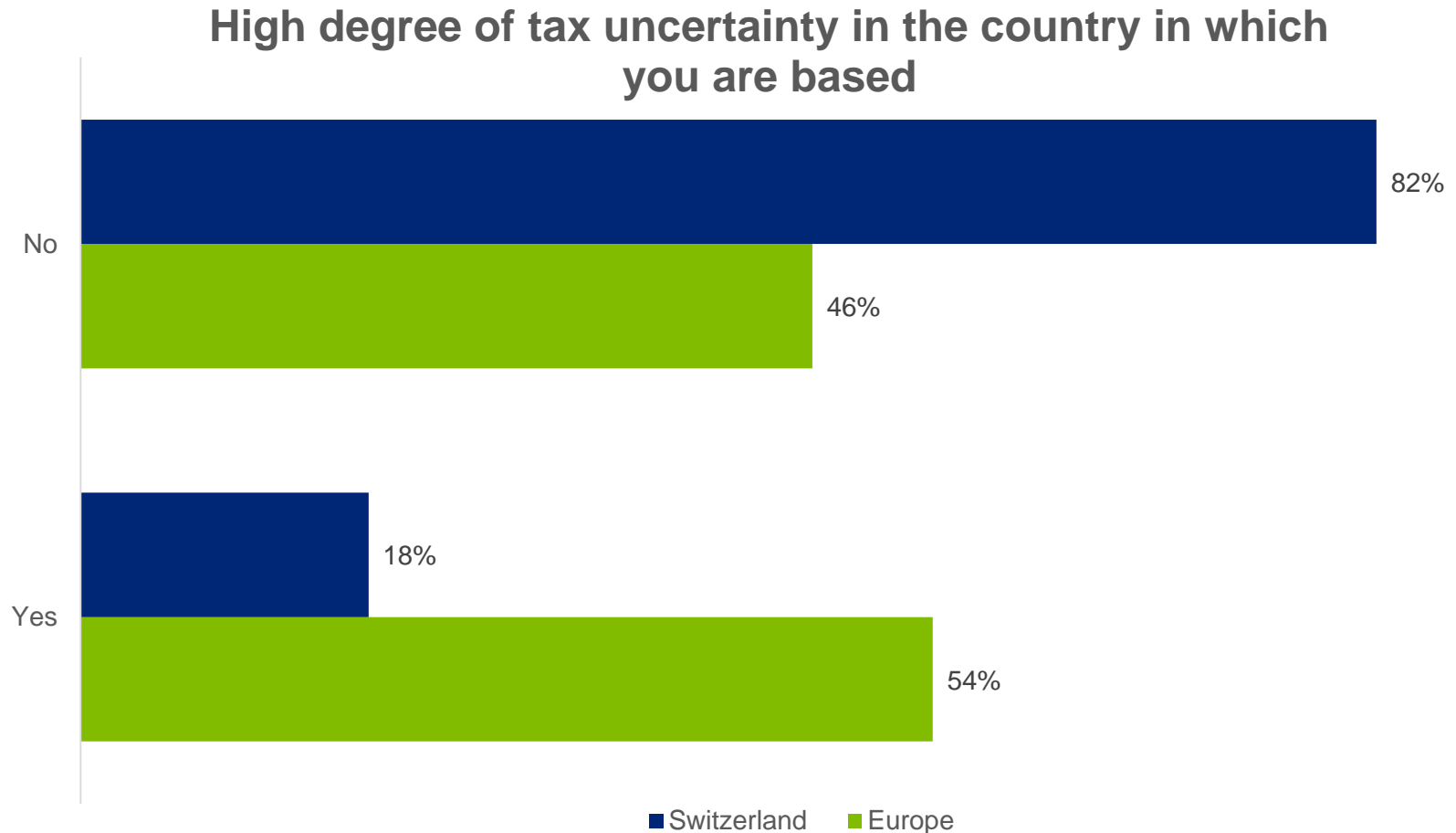
Which countries would you say is most challenging?



Which countries would you say is most favourable?

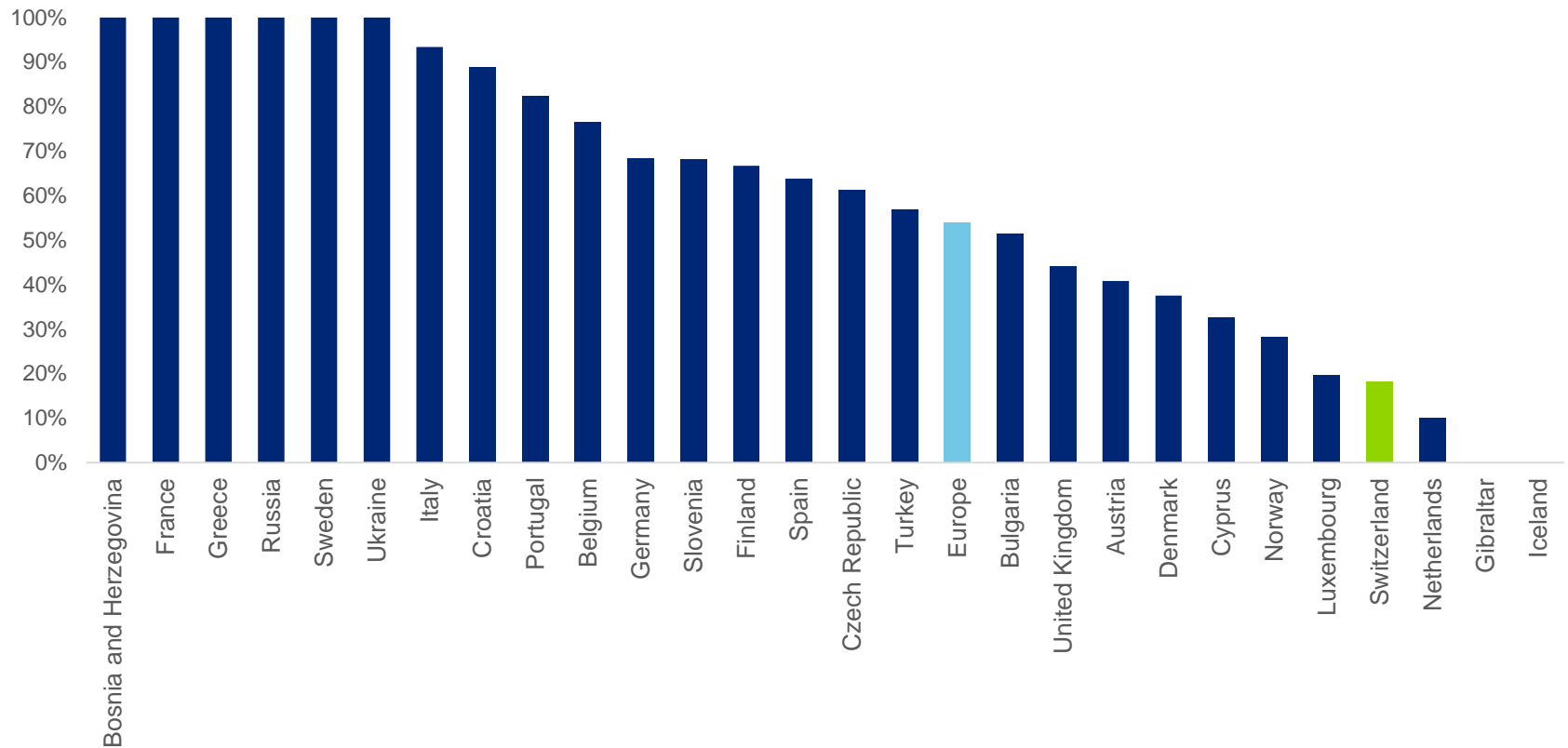


Do you think there is a high degree of tax uncertainty in the country in which you are based?

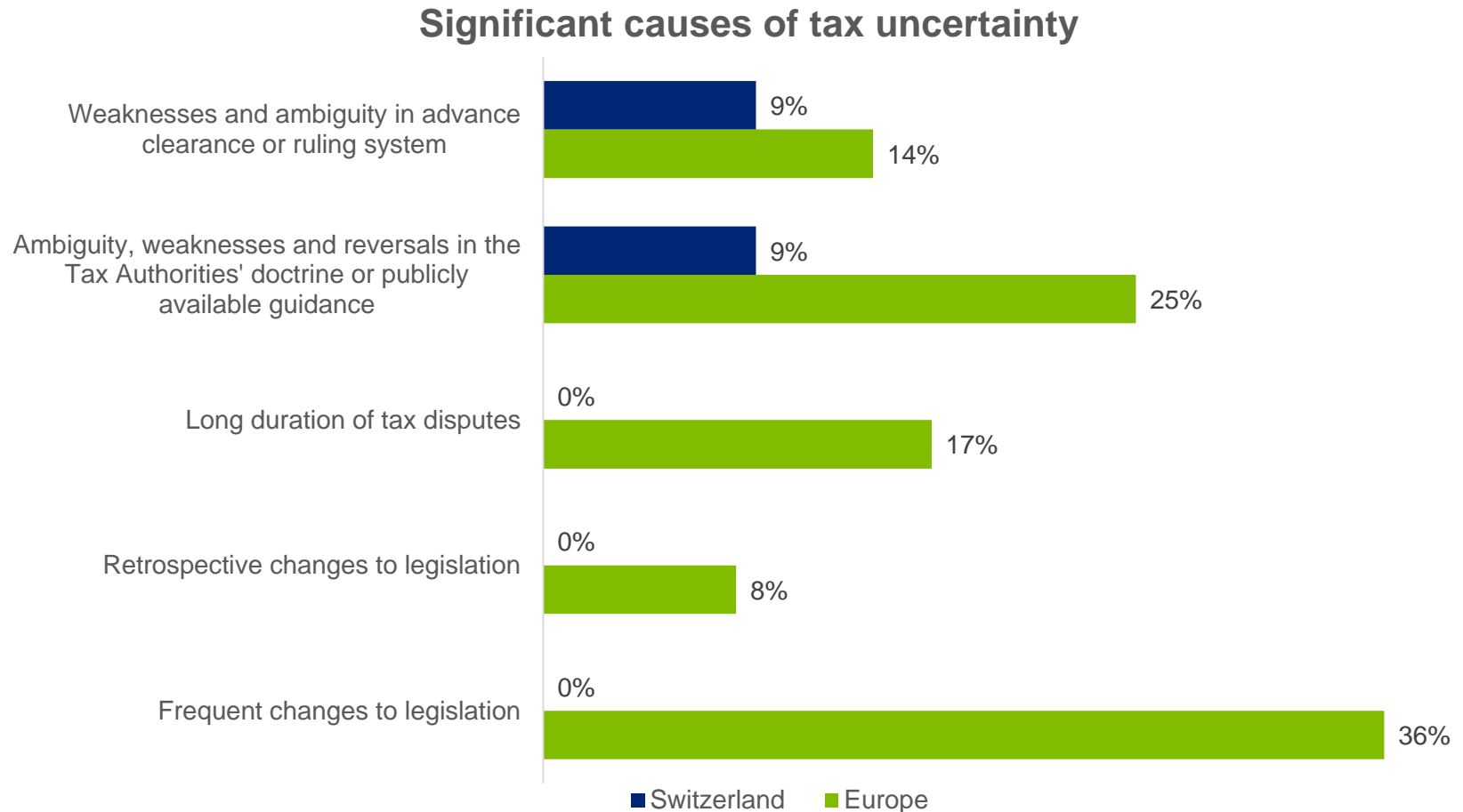


Do you think there is a high degree of tax uncertainty in the country in which you are based?

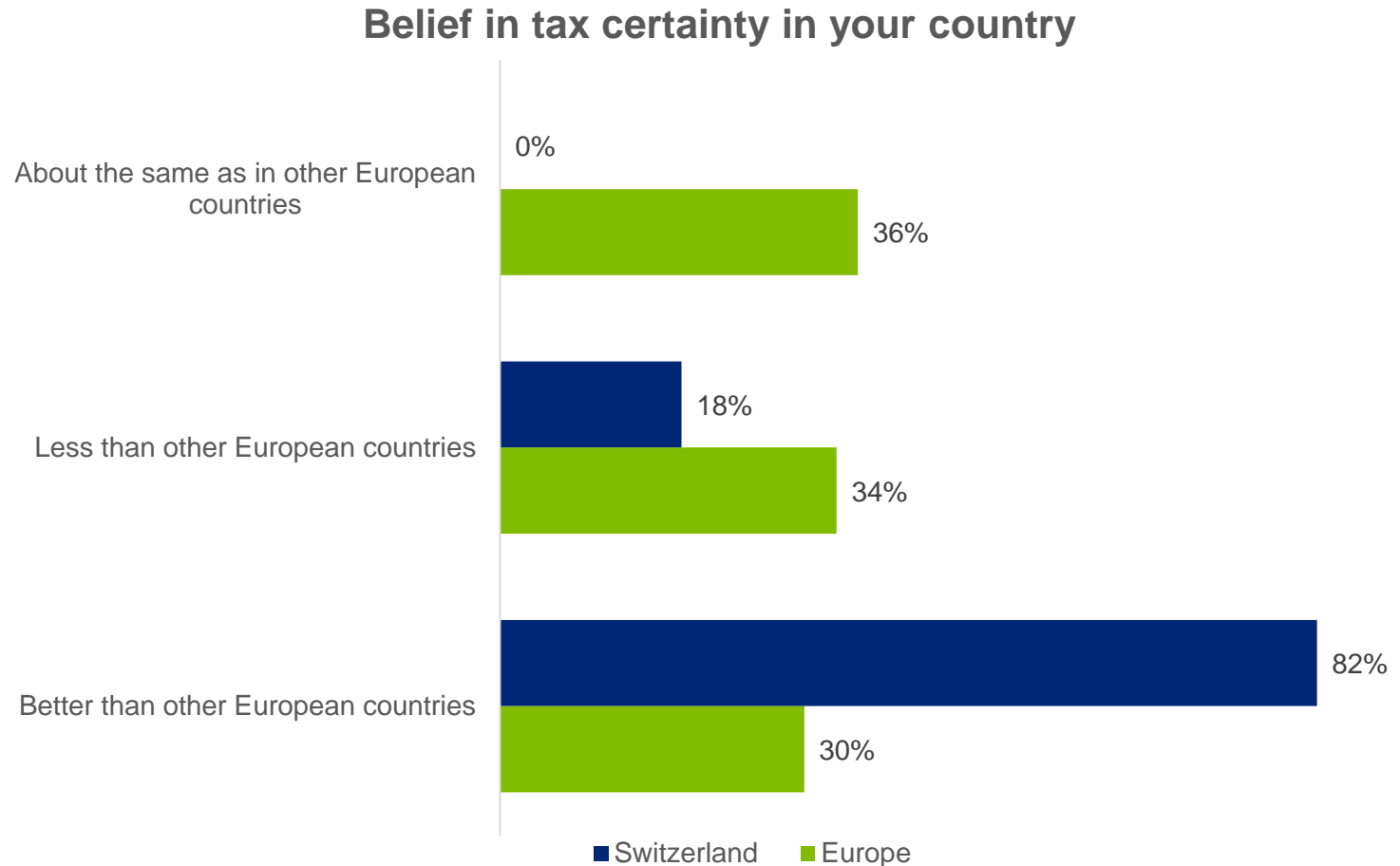
High degree of tax uncertainty in the country in which you are based



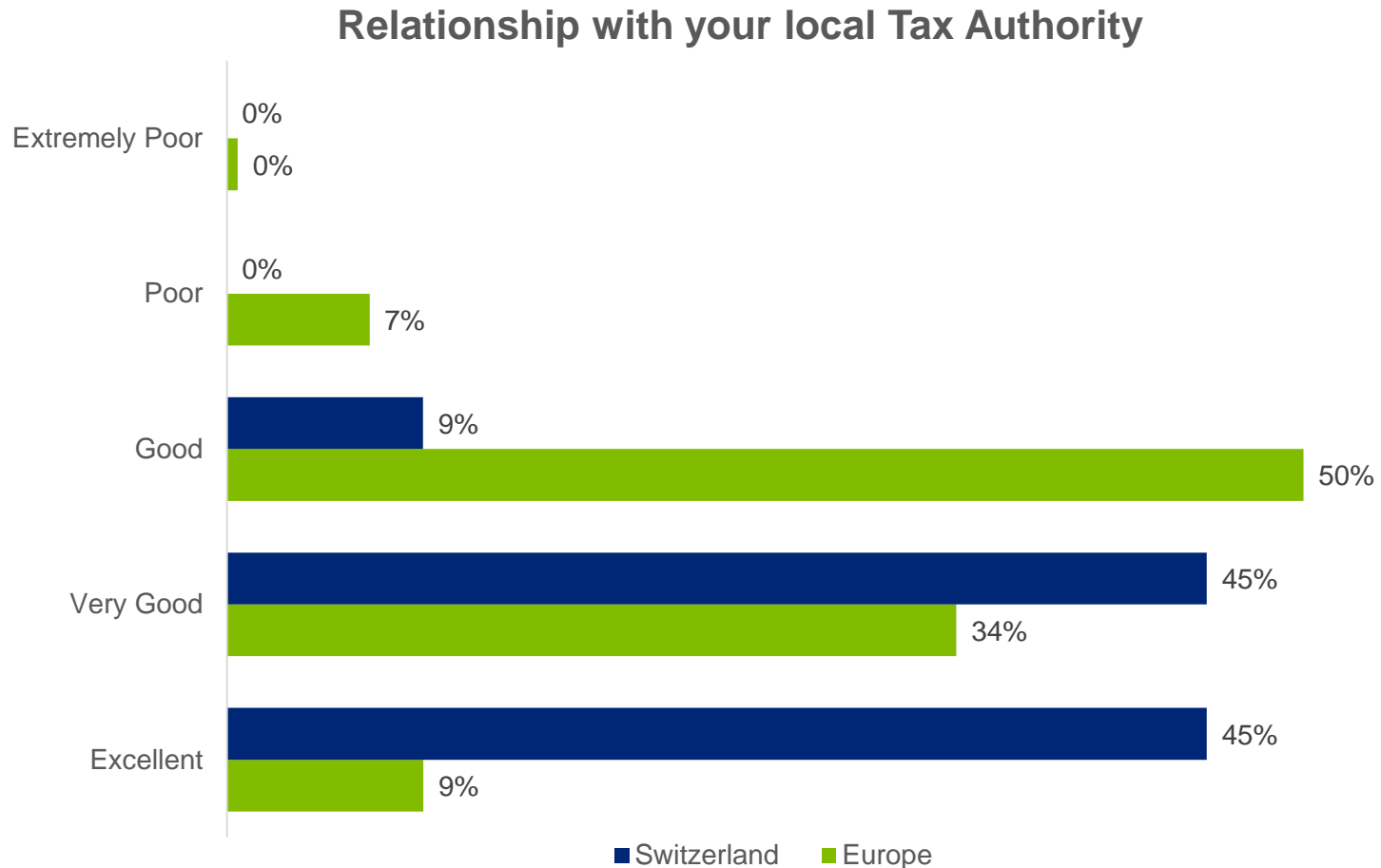
What are the two most significant causes of tax uncertainty in the country you are based?



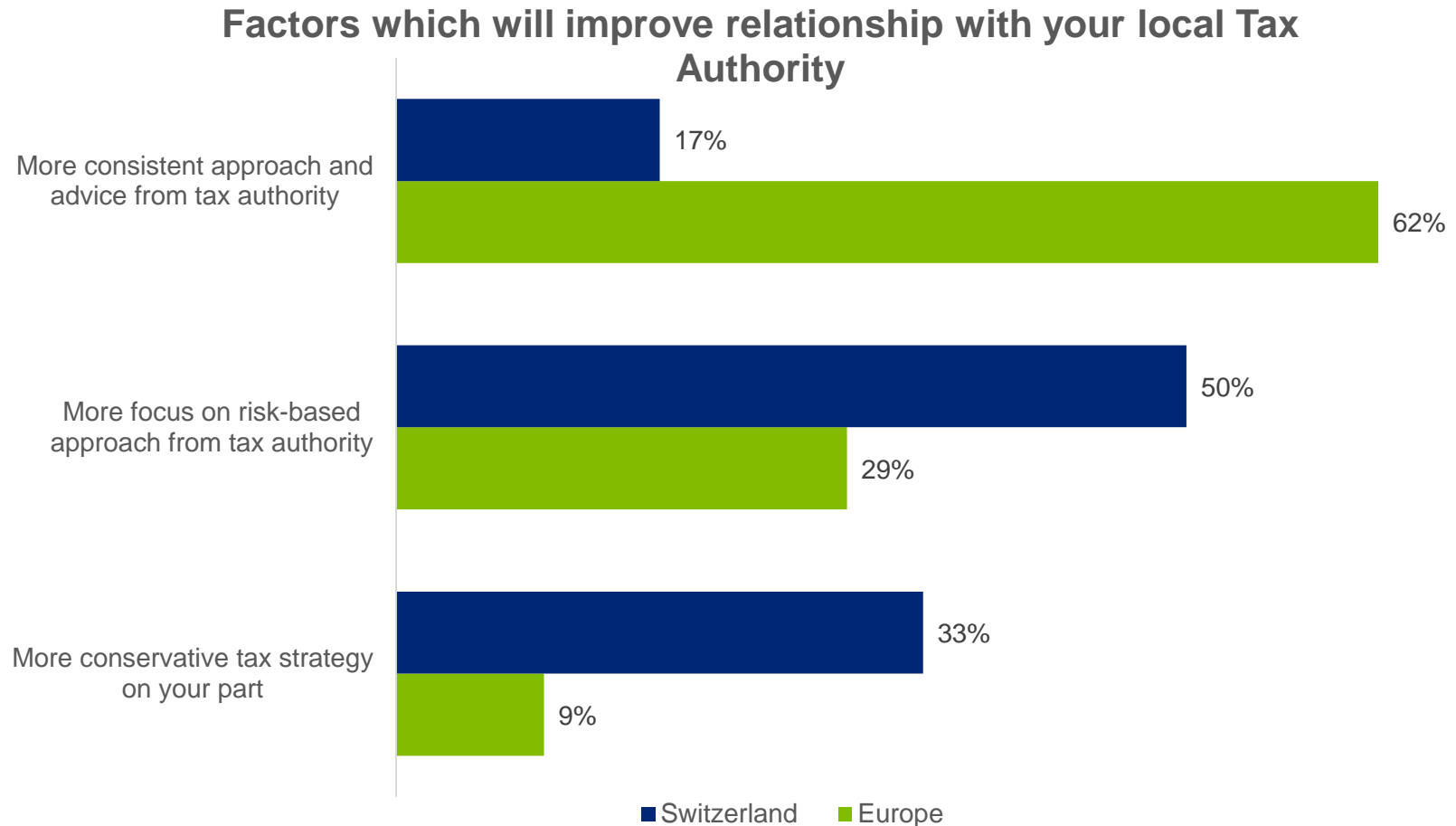
In so far as it is possible for you to say, overall, do you believe tax certainty in your country?



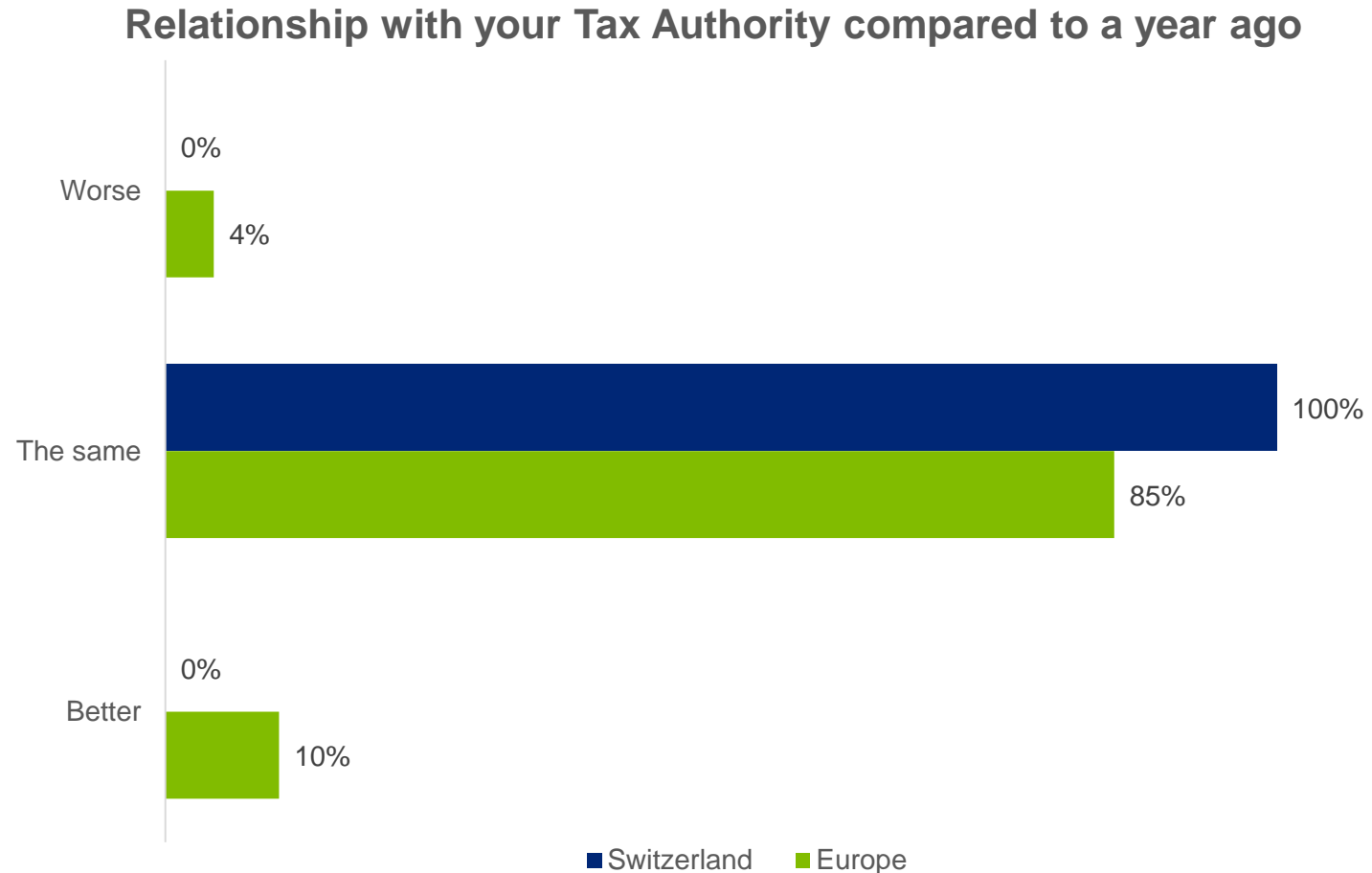
How would you describe the relationship with your local Tax Authority in your country?



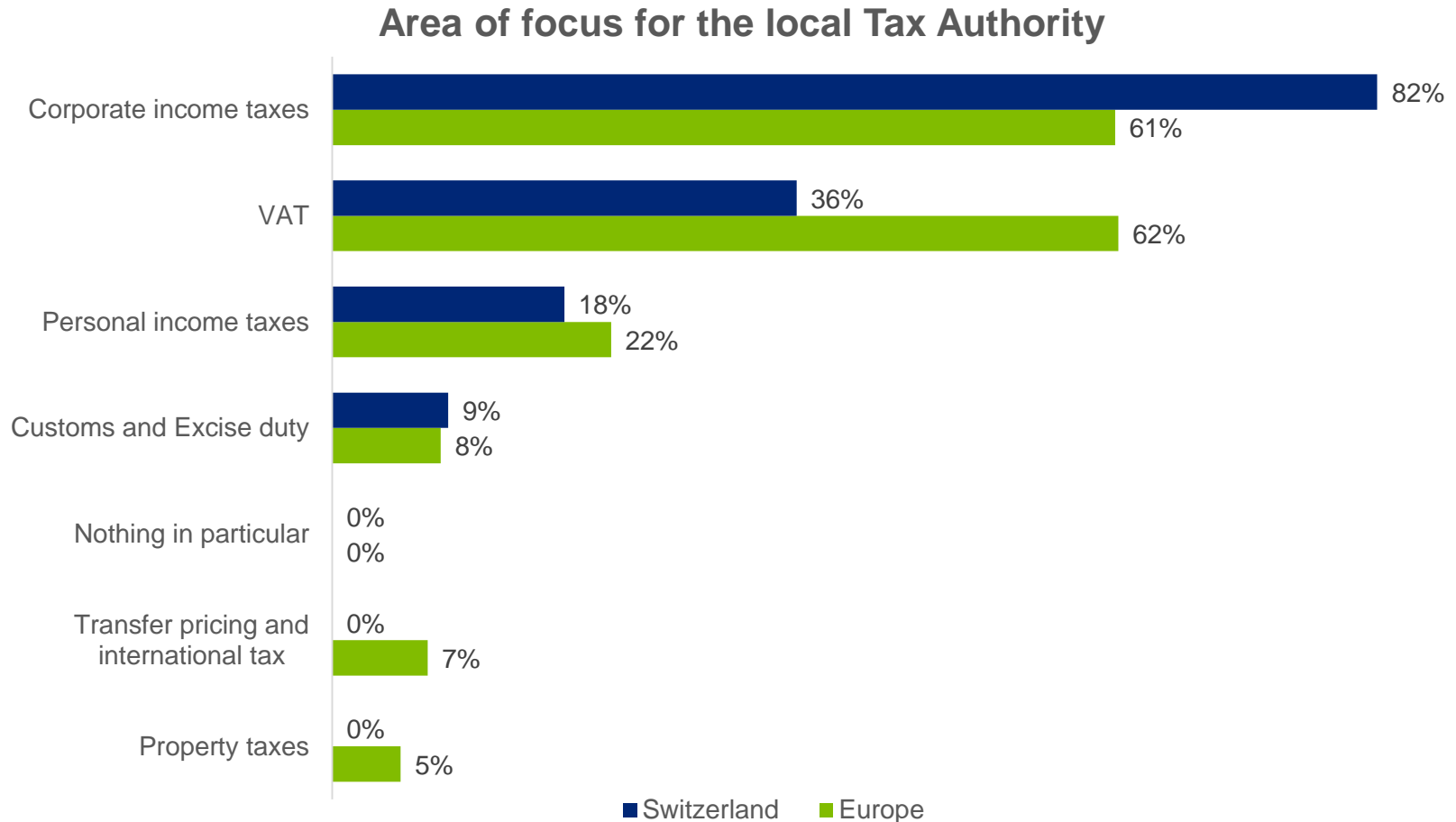
Which if any of the following would improve your relationship with your local tax authority?



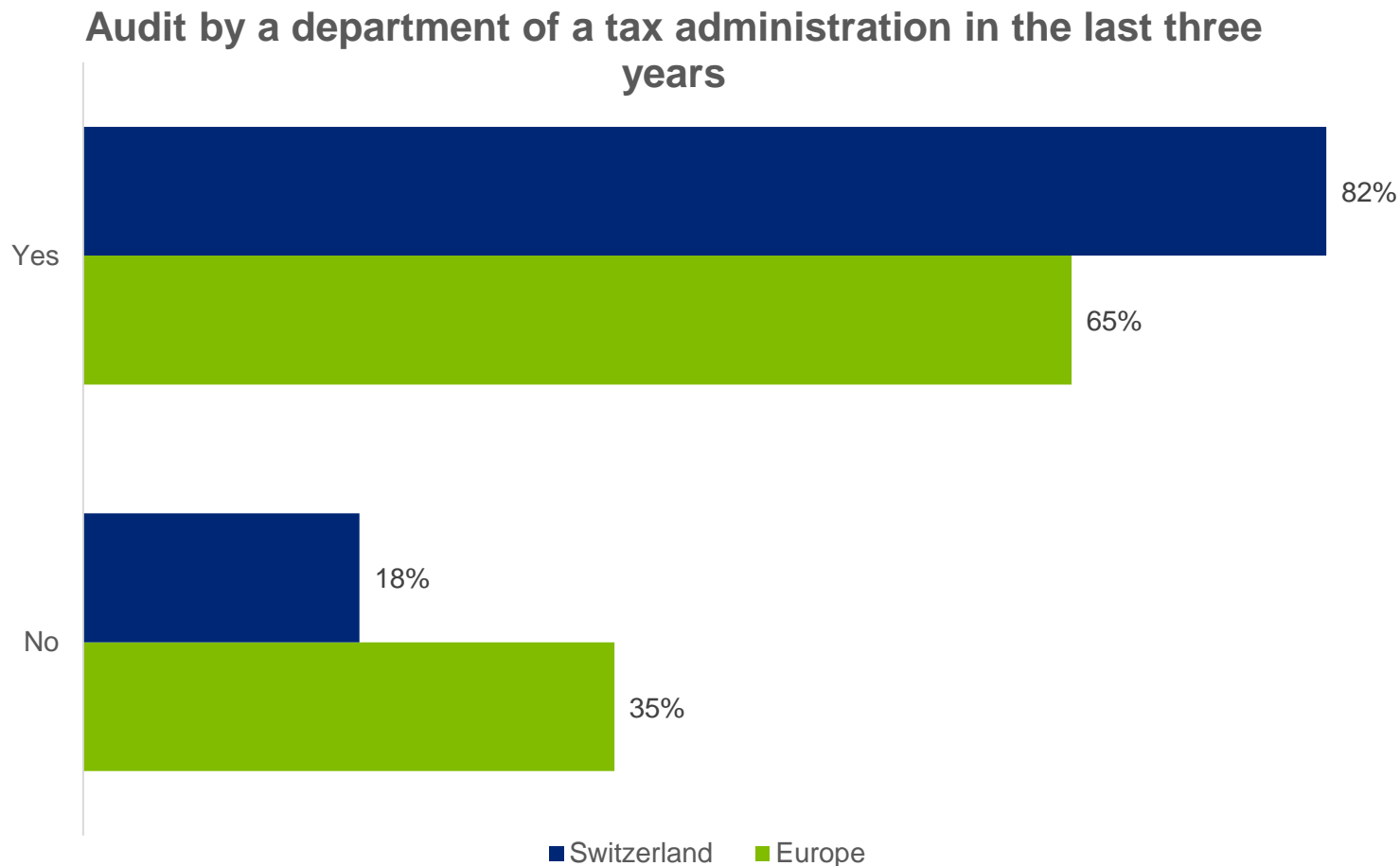
How is your relationship with your Tax Authority compared to a year ago?



With reference to the country in which you are based, in which area is the local tax authority focusing most?

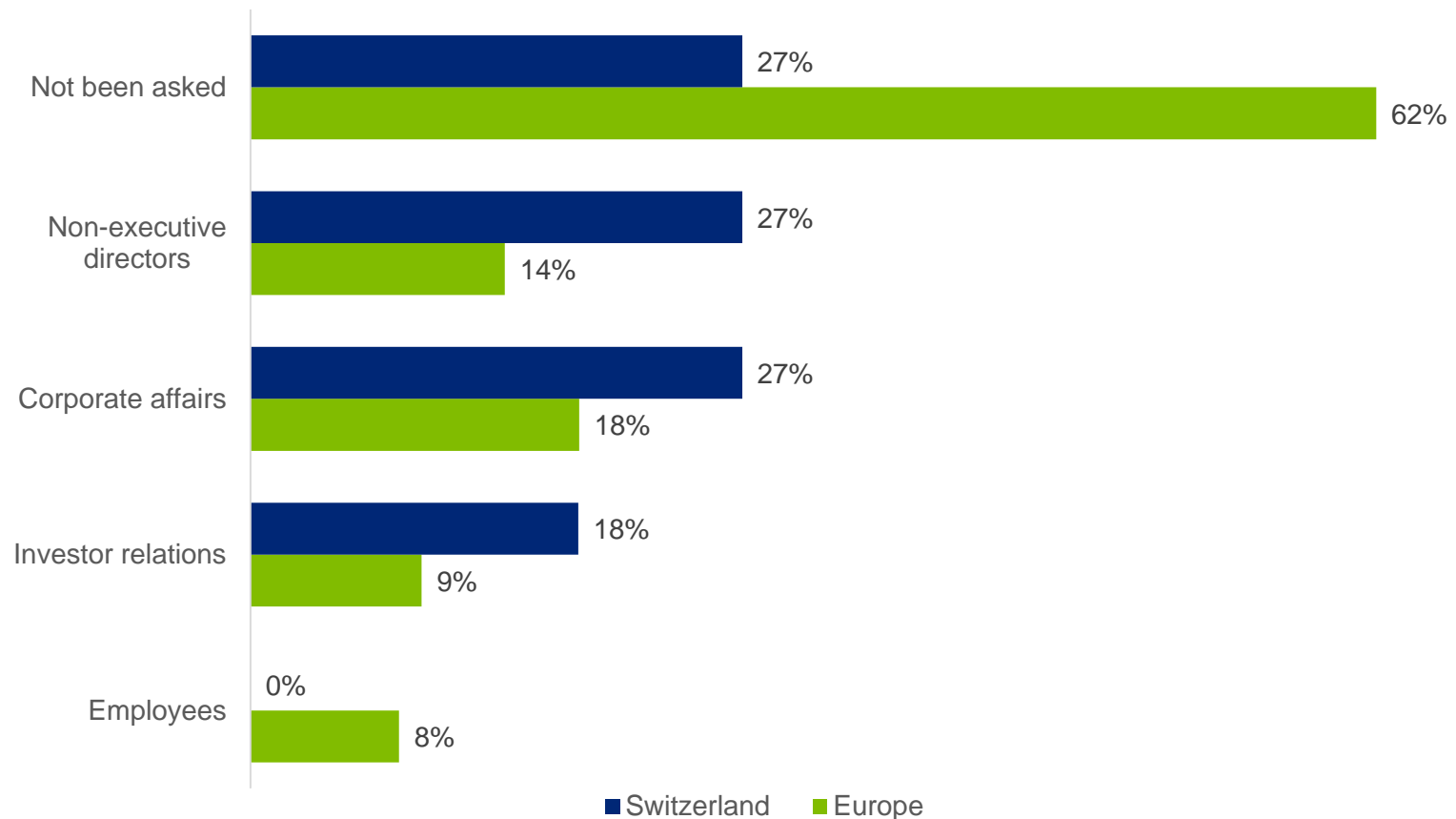


With reference to the country in which you are based, has your organisation been audited by a department of a tax administration in the last three years?



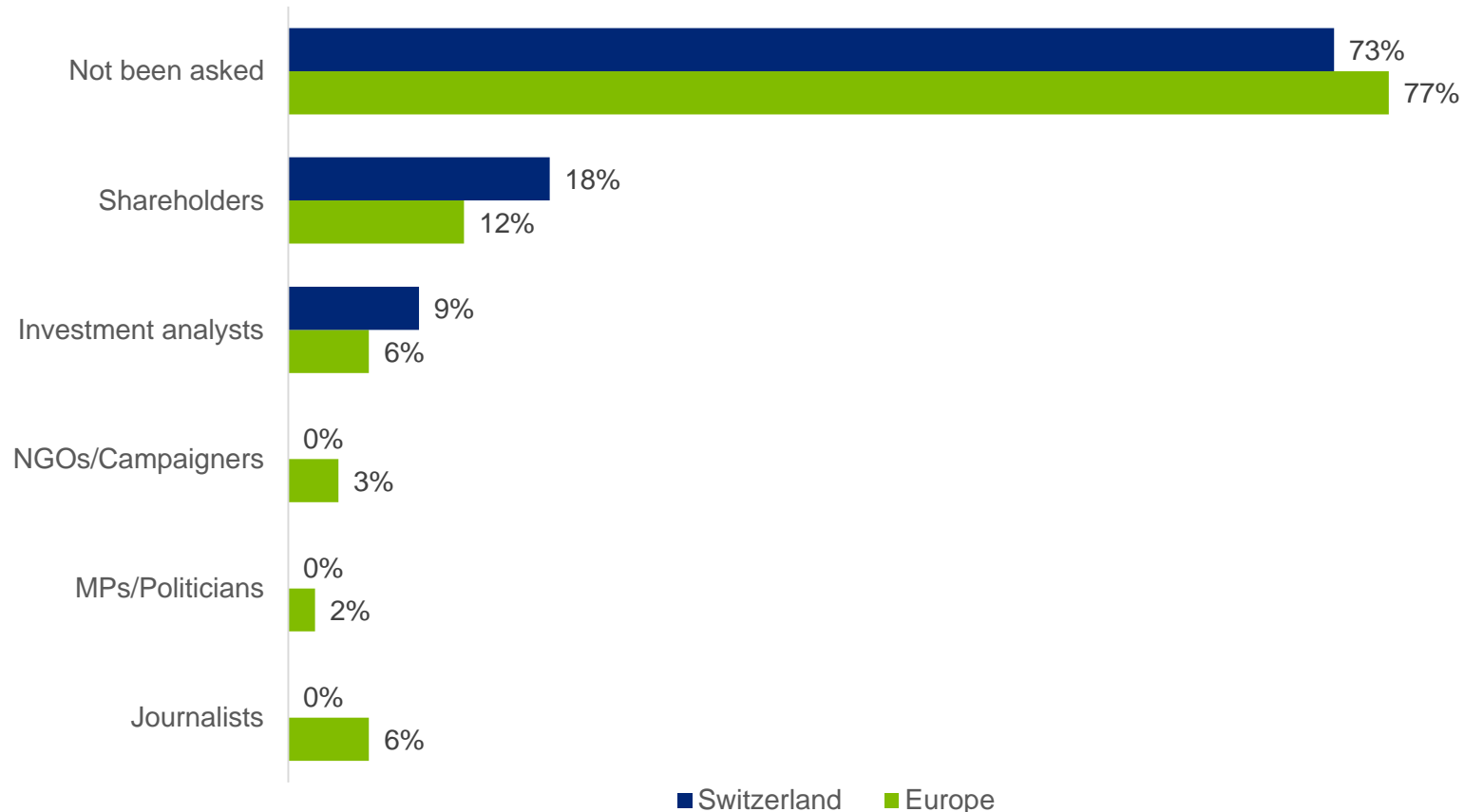
Over the past twelve months, have you been asked to justify your tax strategy by any of the following internal stakeholders?

Justification of your tax strategy by internal stakeholders

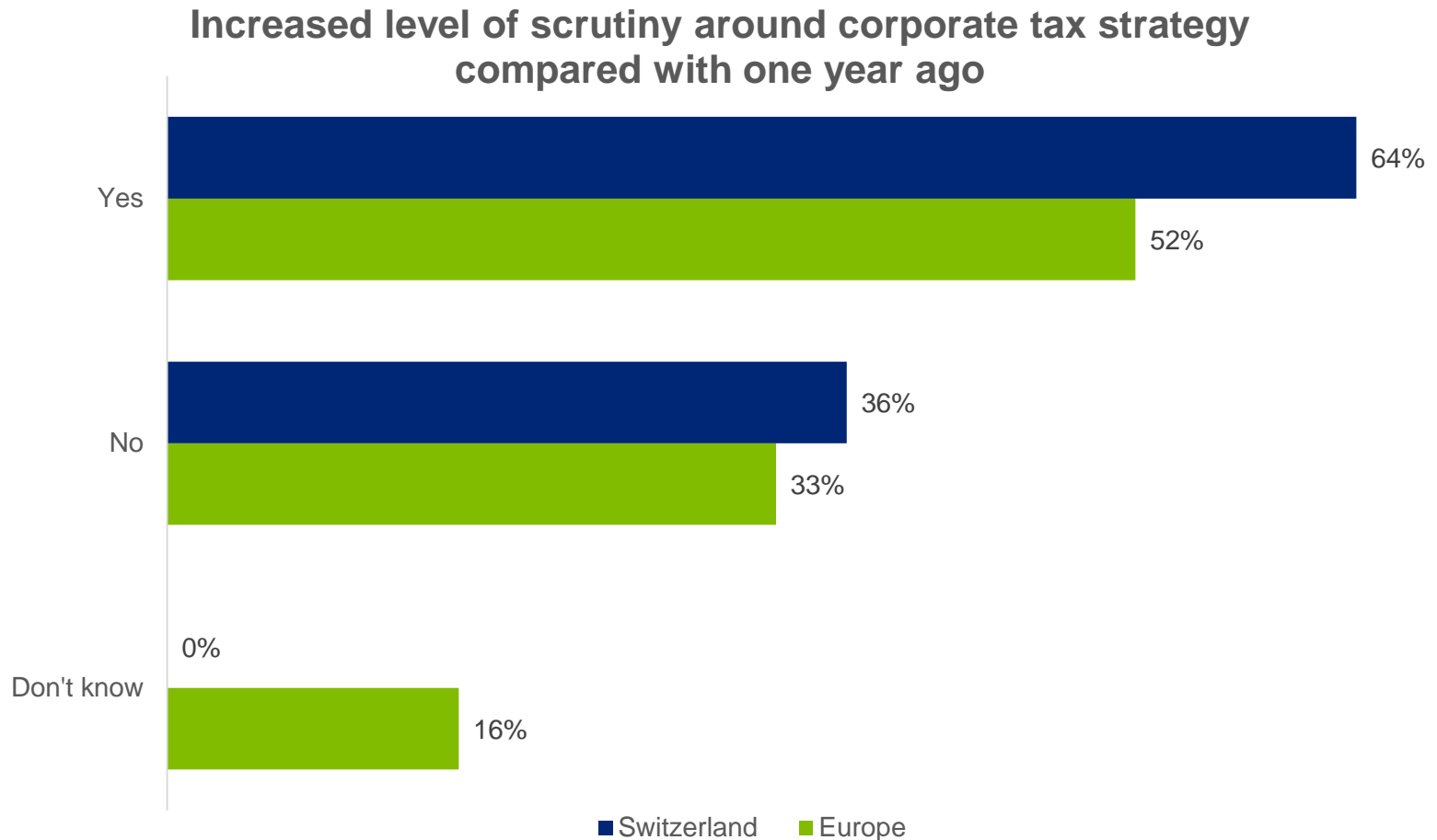


Over the past twelve months, have you been asked to justify your organisation's tax strategy by any of the following external stakeholders?

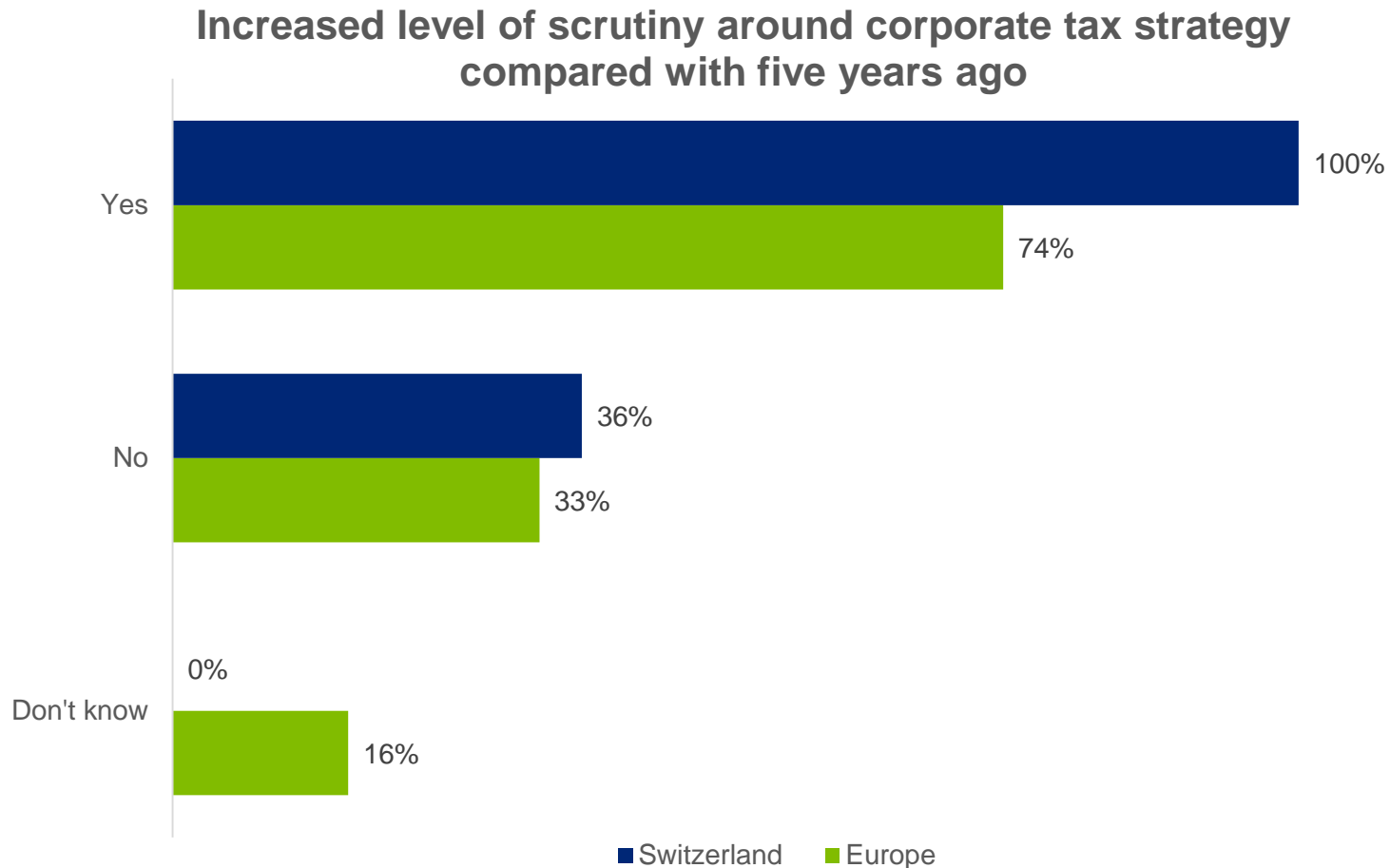
Justification of your tax strategy by external stakeholders



Do you think there is generally an increased level of discussion and scrutiny around corporate tax strategy in your country at the moment compared with one year ago

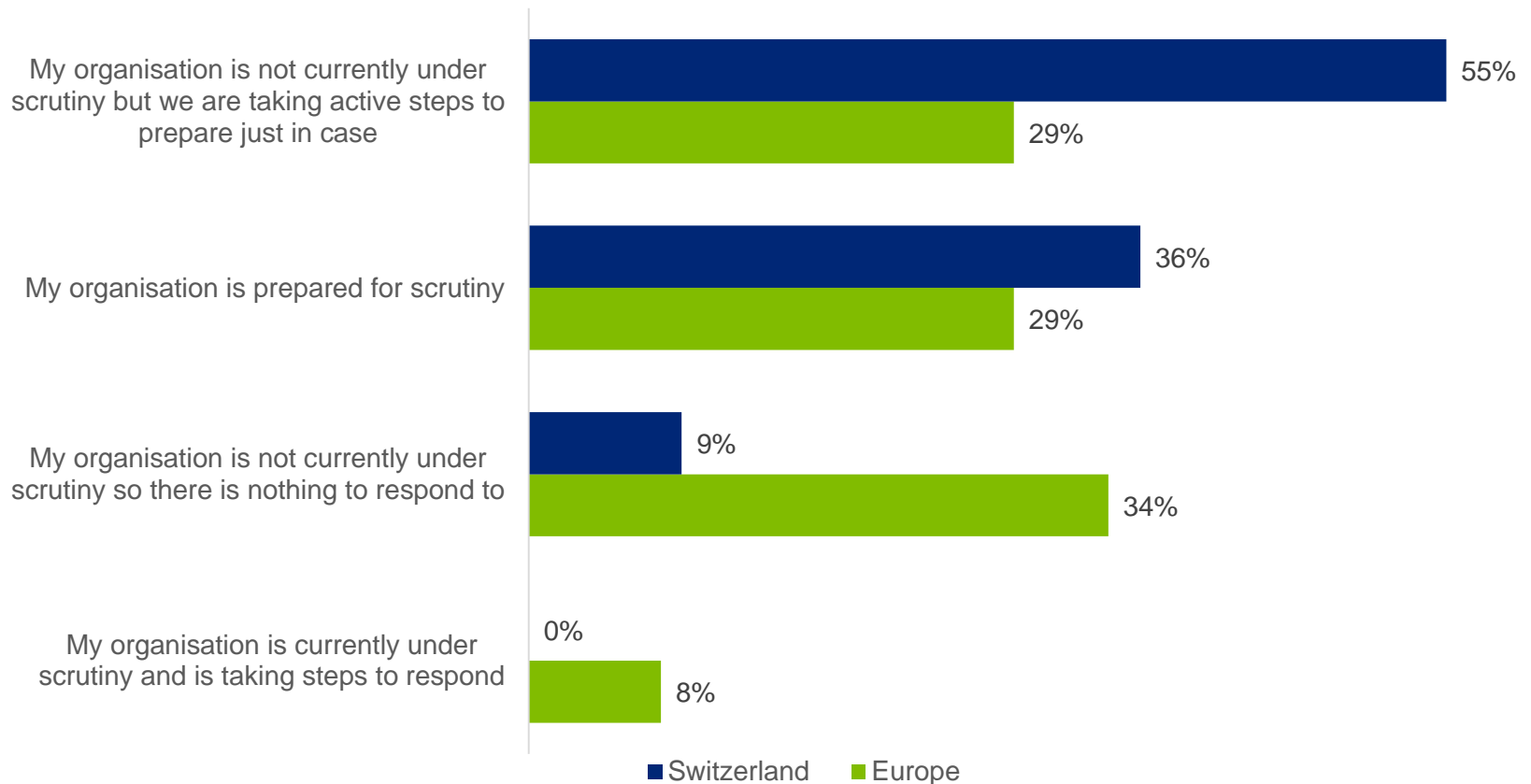


Do you think there is generally an increased level of discussion and scrutiny around corporate tax strategy in your country at the moment compared with five years ago

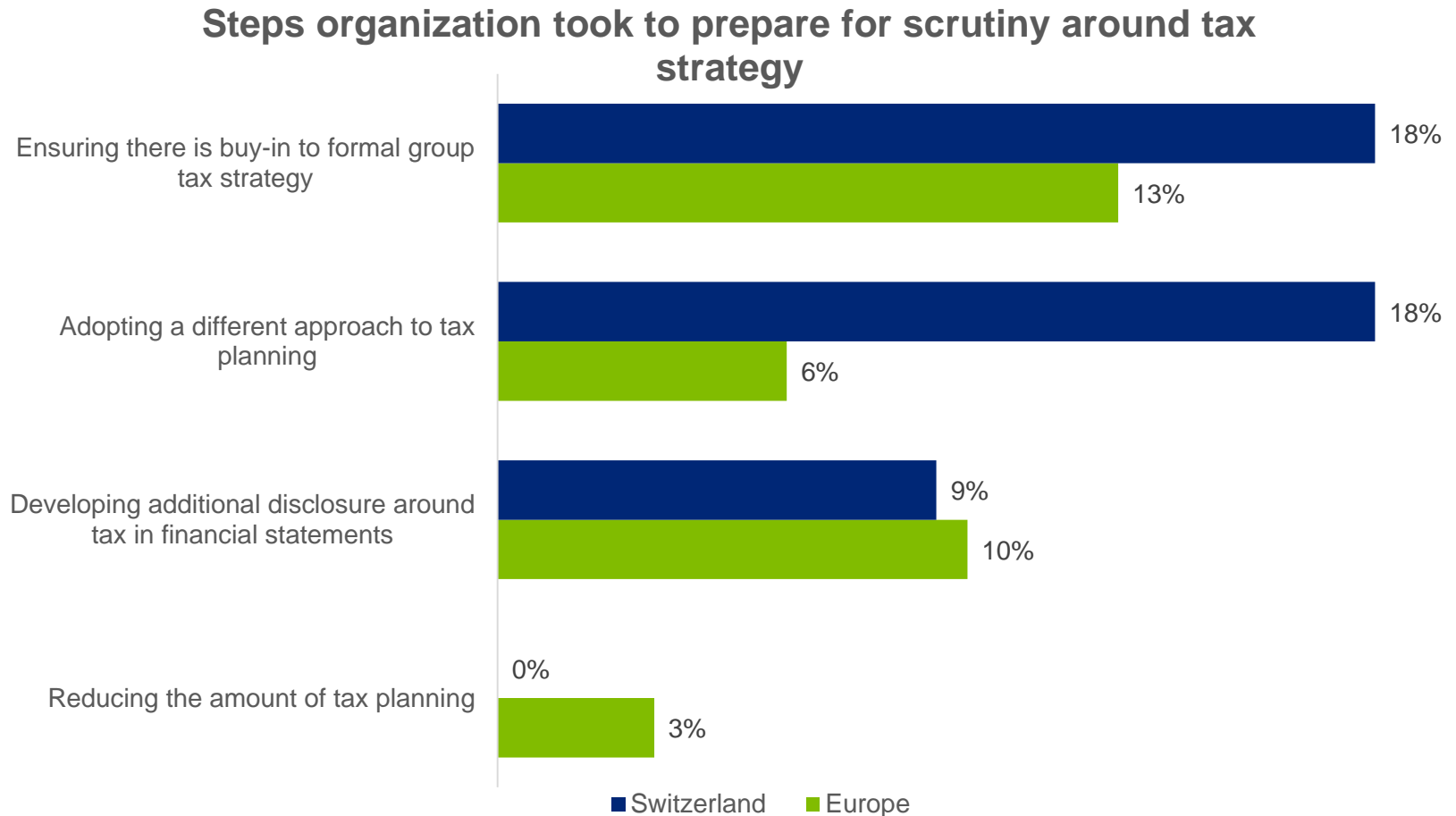


How is your organisation responding to scrutiny around its strategy?

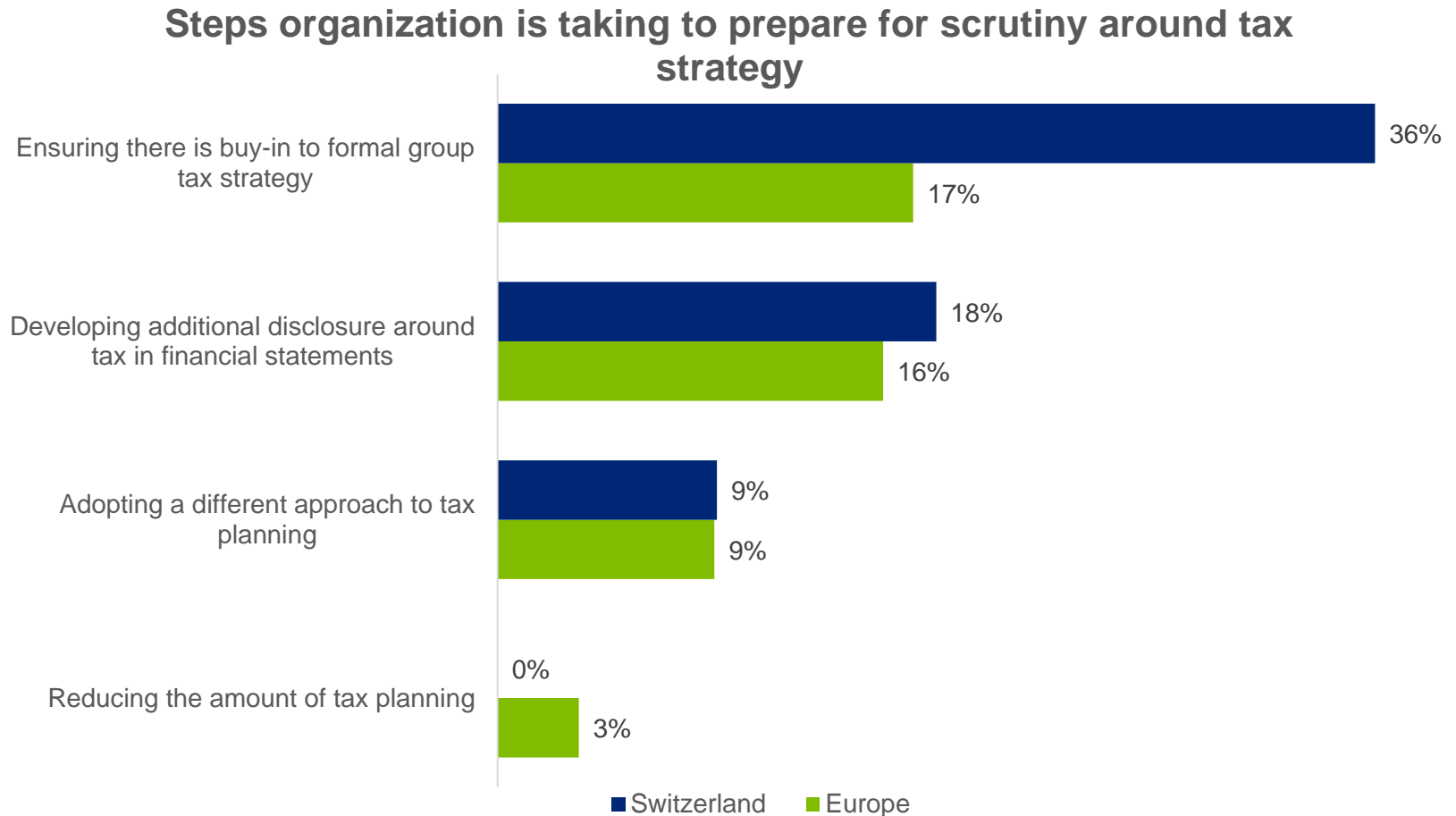
Response to scrutiny around tax strategy



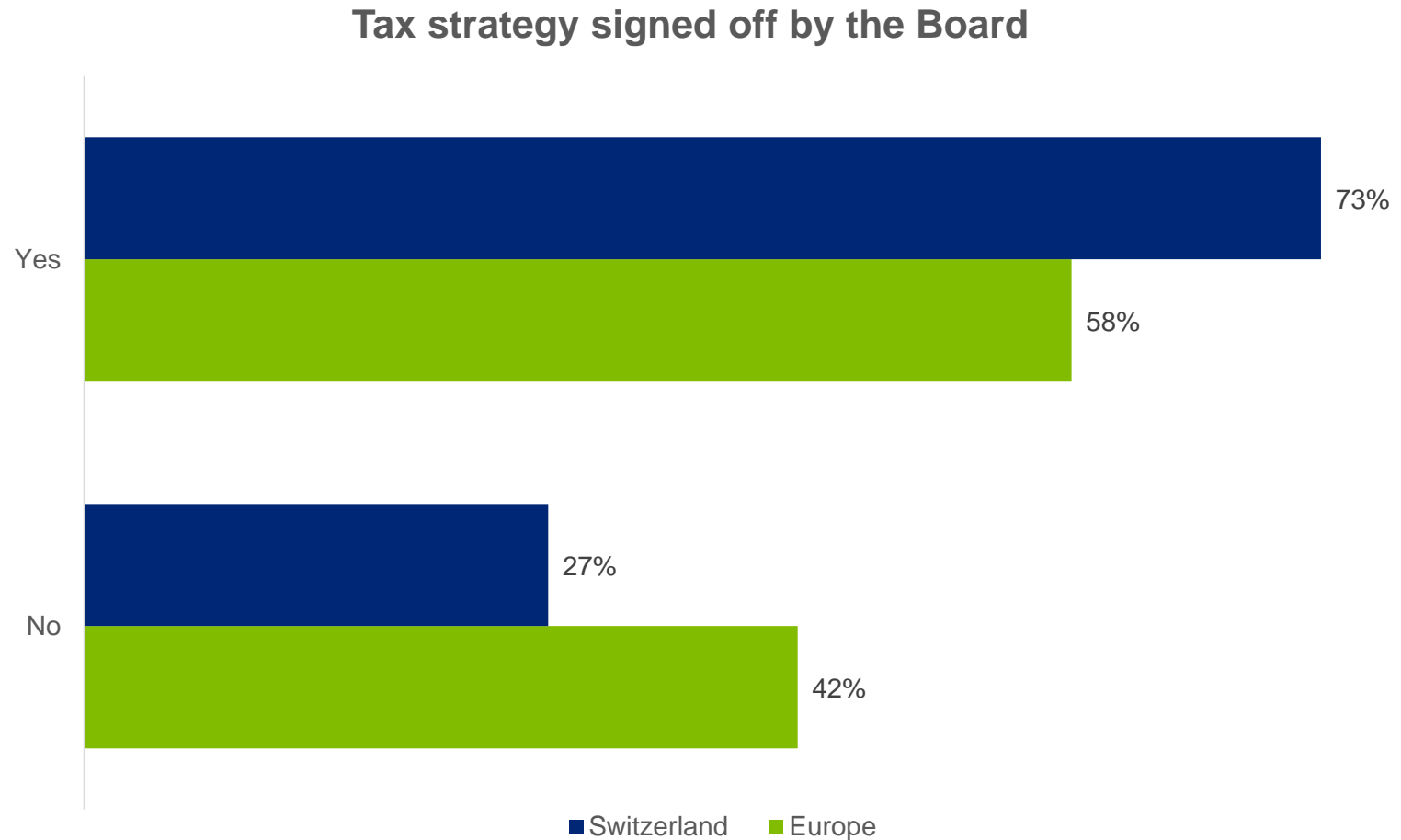
What steps did your organisation take to prepare for scrutiny around its tax strategy?



What steps is your organisation taking to prepare for scrutiny around its tax strategy?

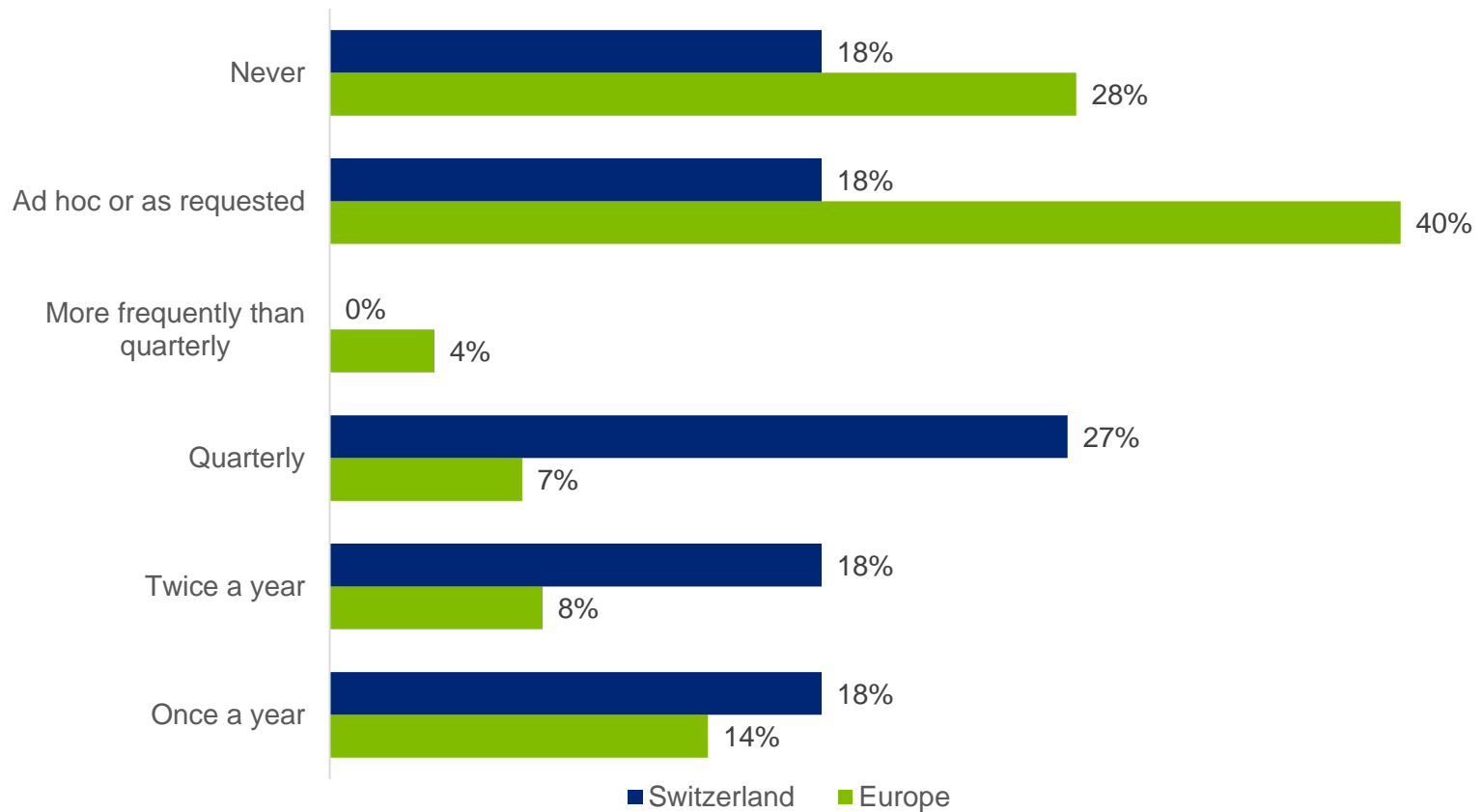


Has your tax strategy been signed off by the Board/Executive Committee?



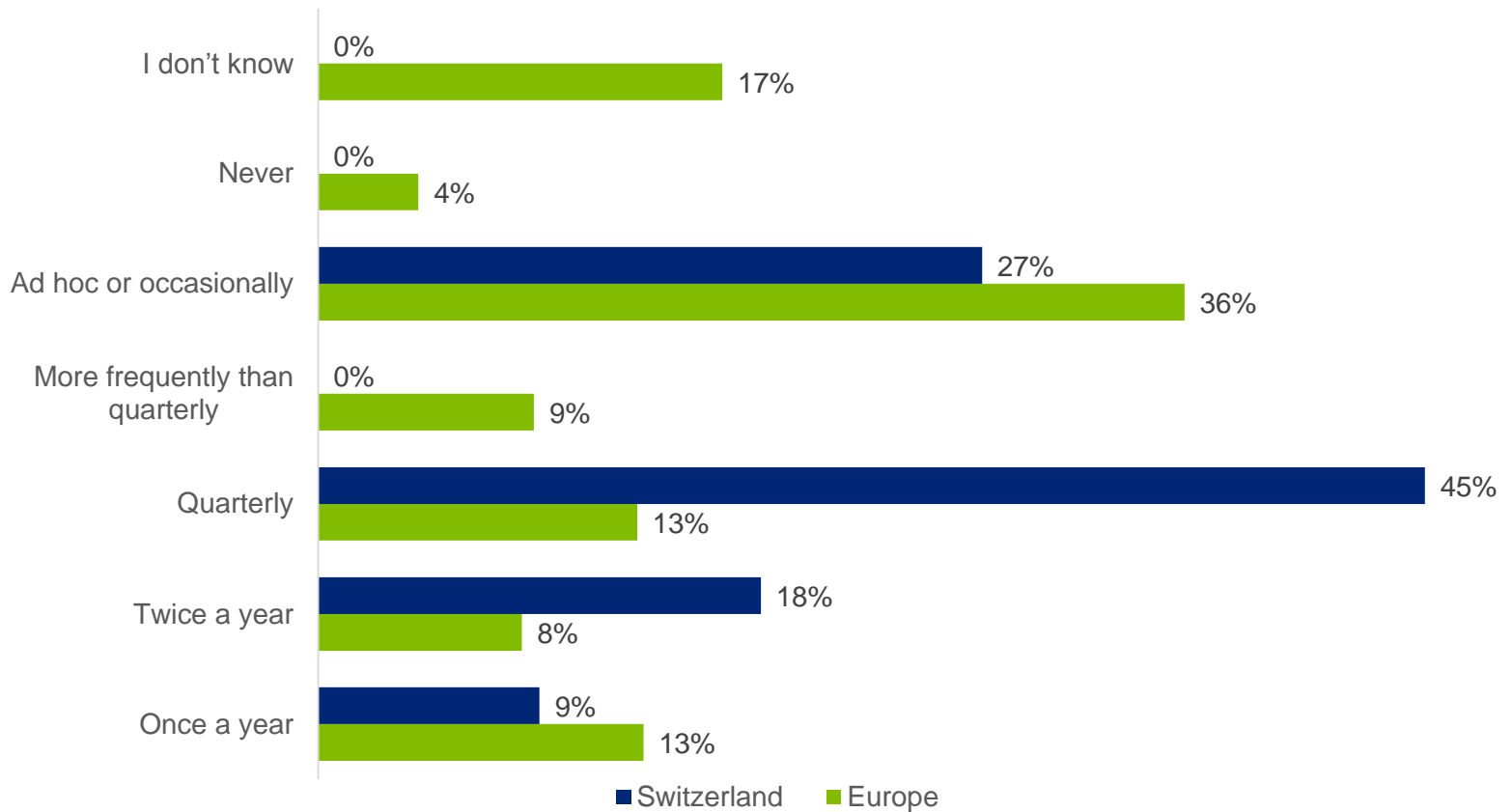
How often do you personally appear before the Board to discuss tax strategy?

Personally appear before the Board to discuss tax strategy



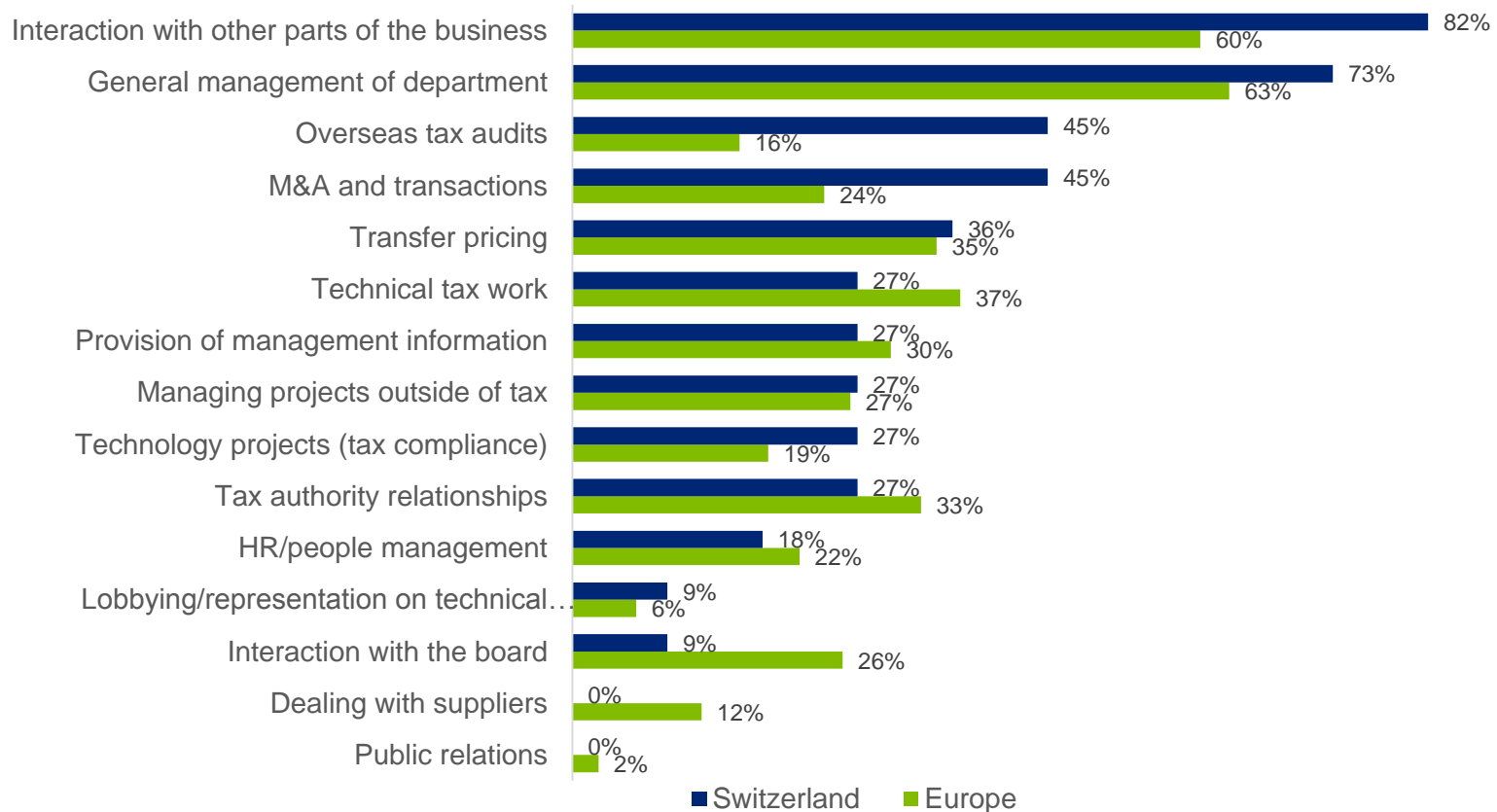
As far as you are aware how often is tax discussed by the Board?

Frequency of discussion on tax by the Board



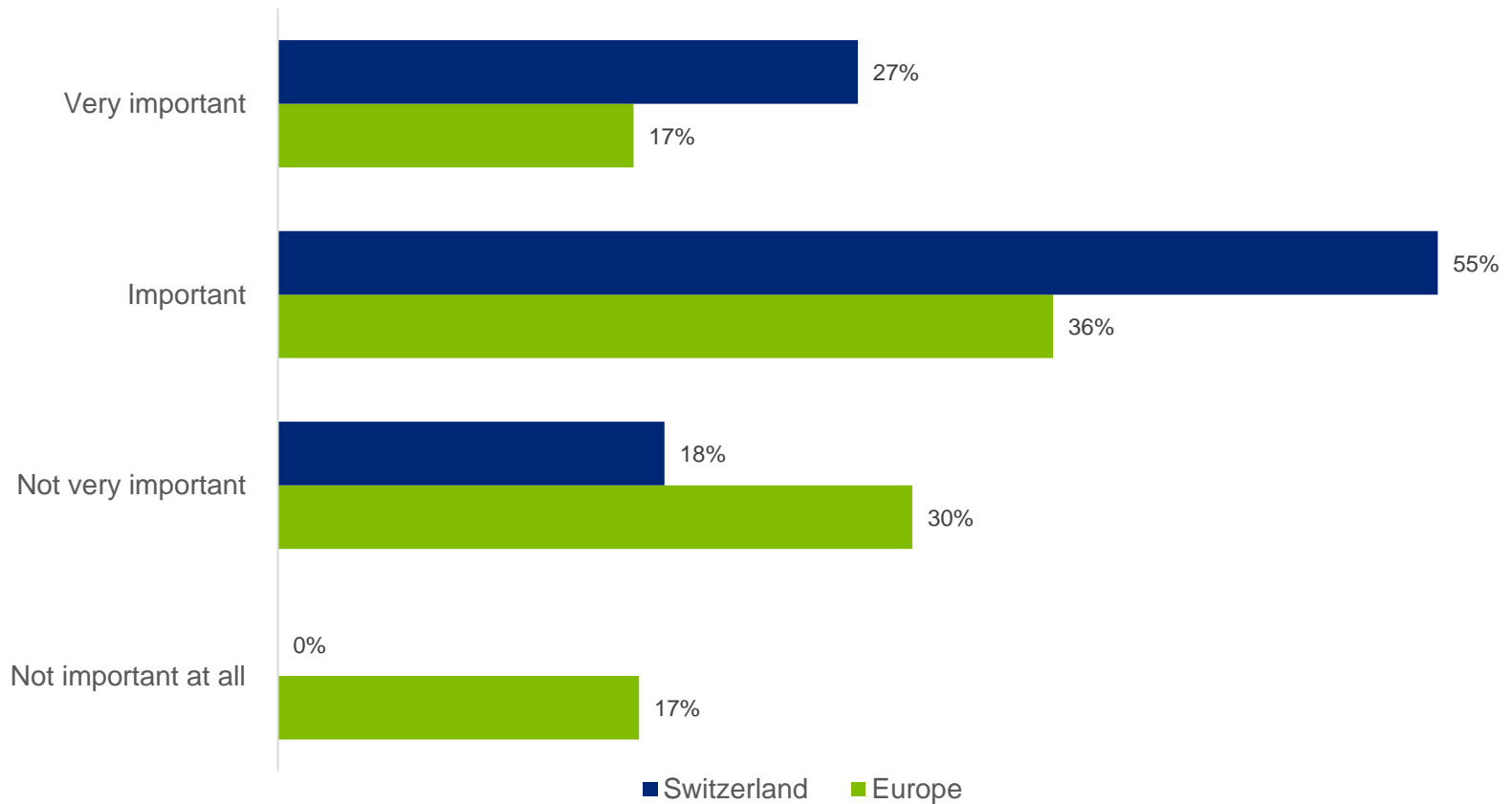
What are the main activities that occupy your time?

Main activities that occupy your time

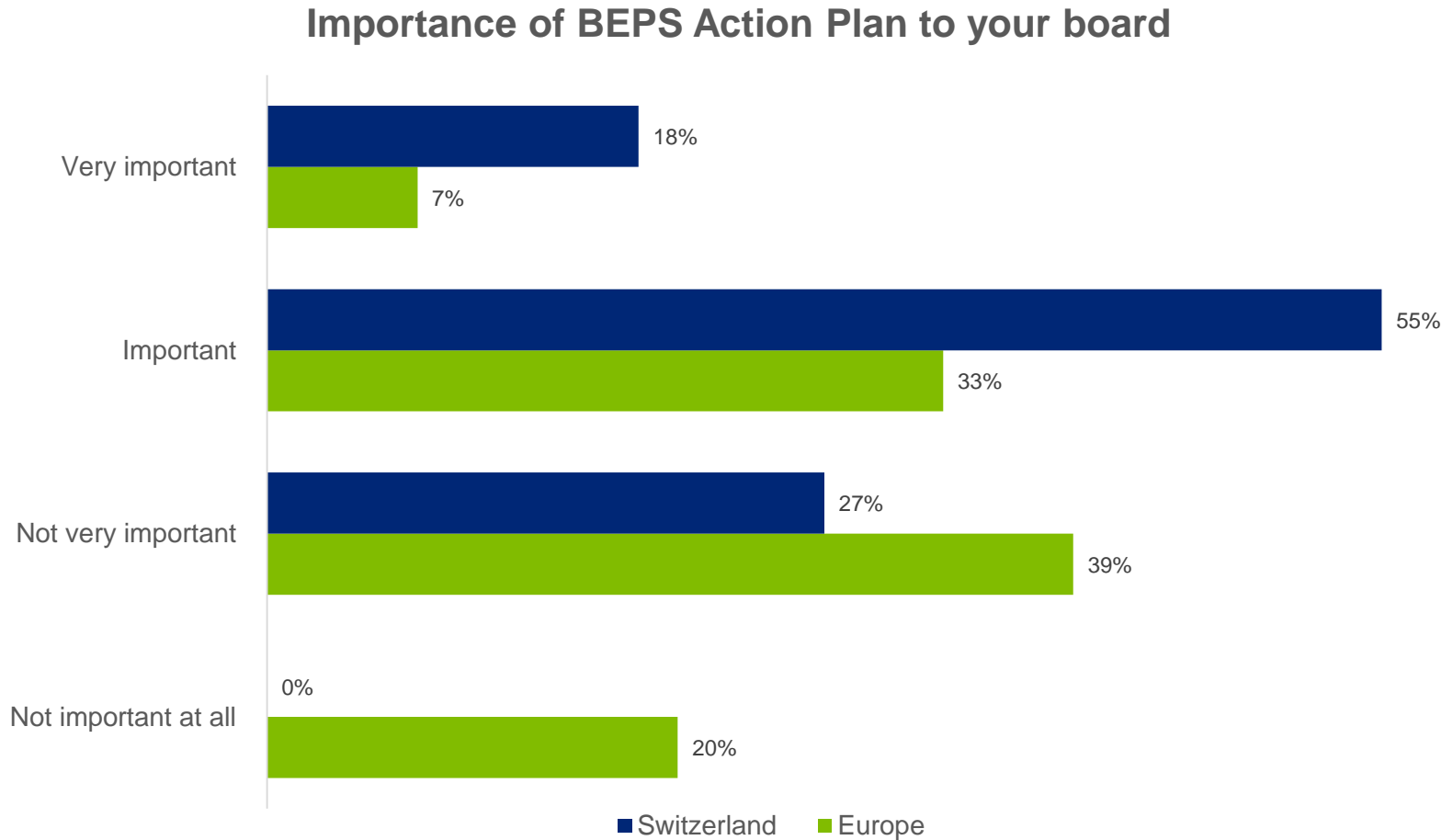


How important is the BEPS Action Plan currently to your tax department?

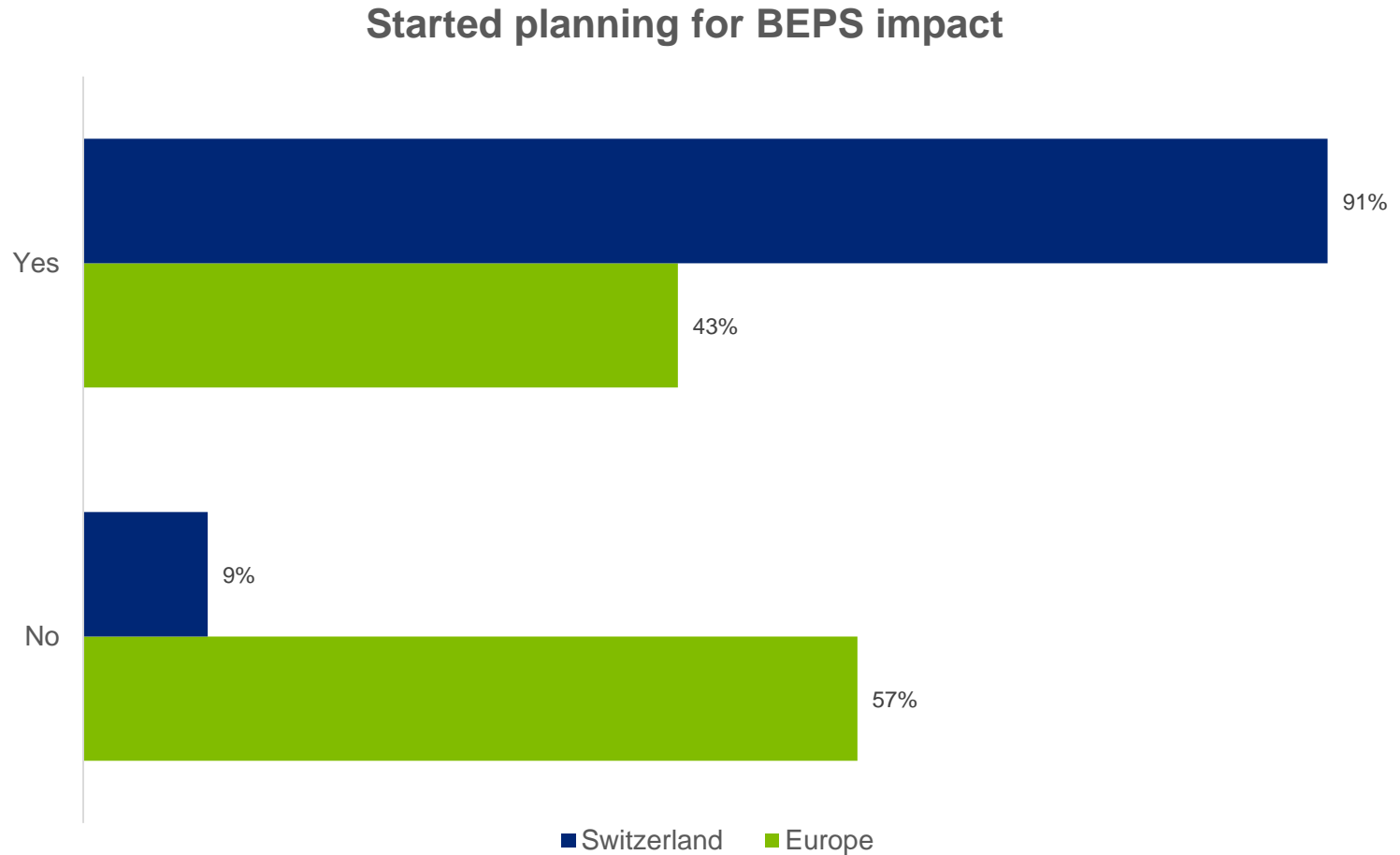
Importance of BEPS Action Plan to your tax department



How important is the BEPS Action Plan currently to your organisation's board/leadership?

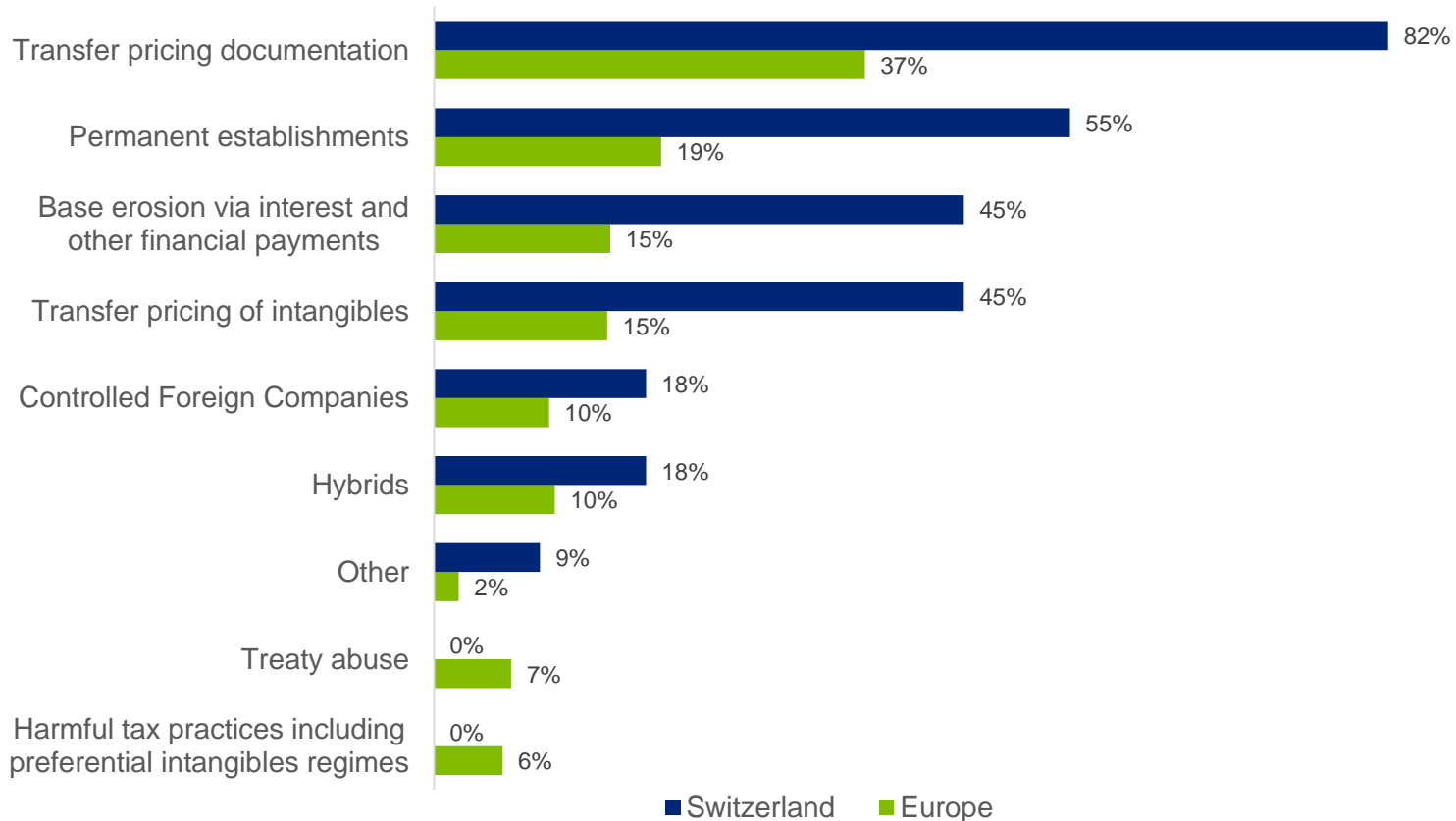


Has your organisation started planning for the impact of likely changes resulting from the BEPS Action Plan?

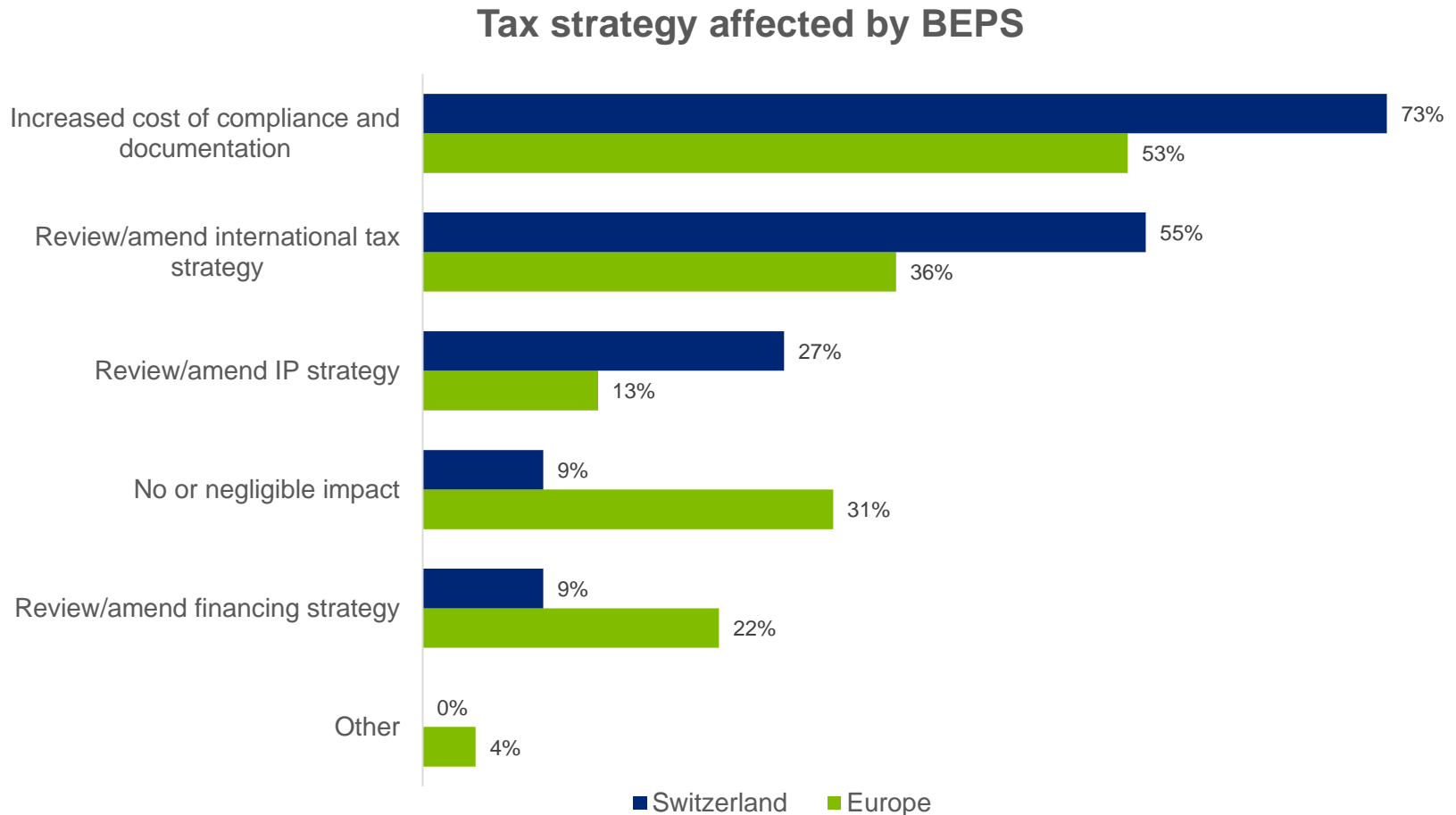


For which of the BEPS Actions have you started planning for?

Planning started for BEPS action

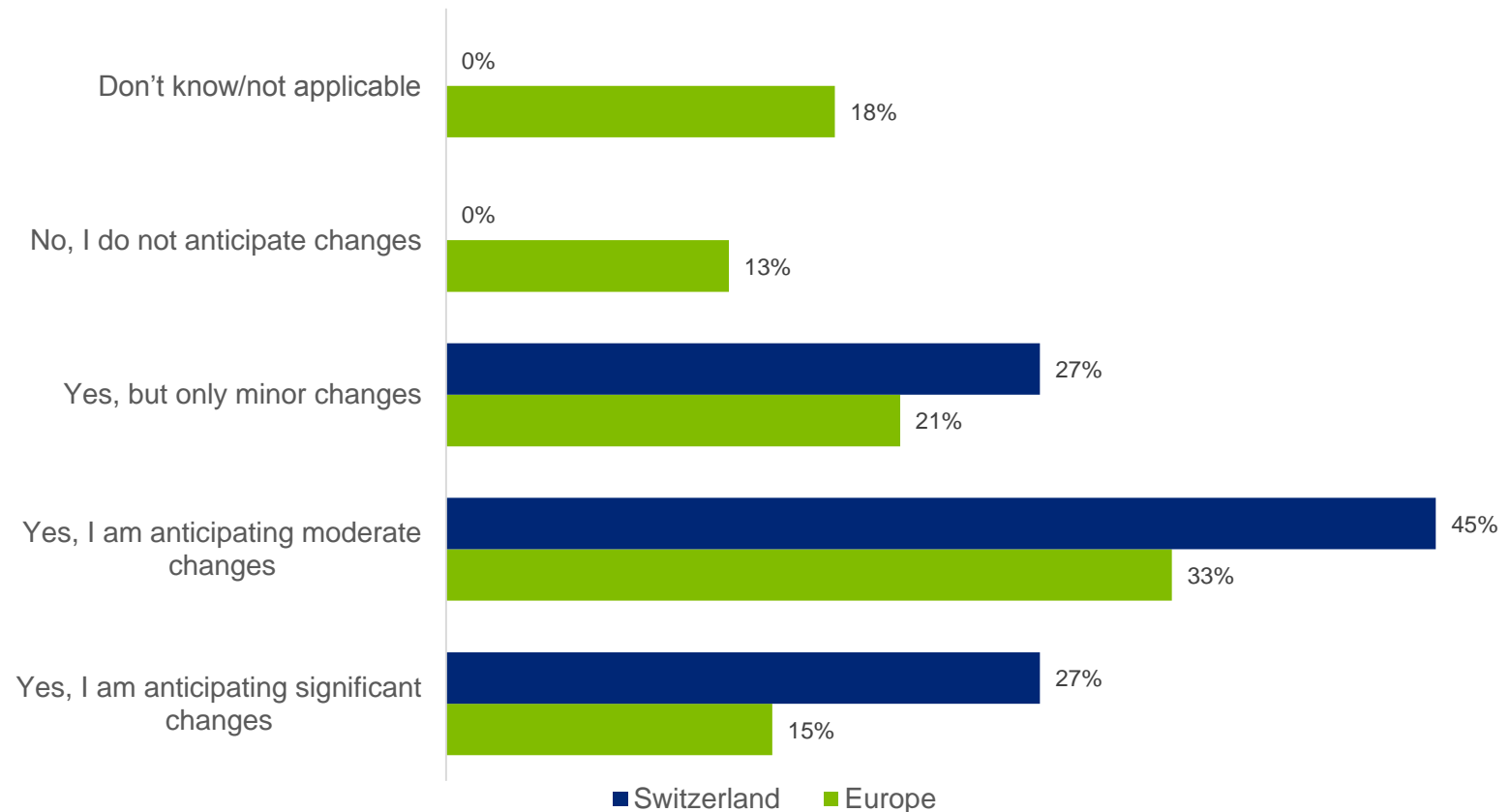


How do you think your organisation's tax strategy will be affected by BEPS?



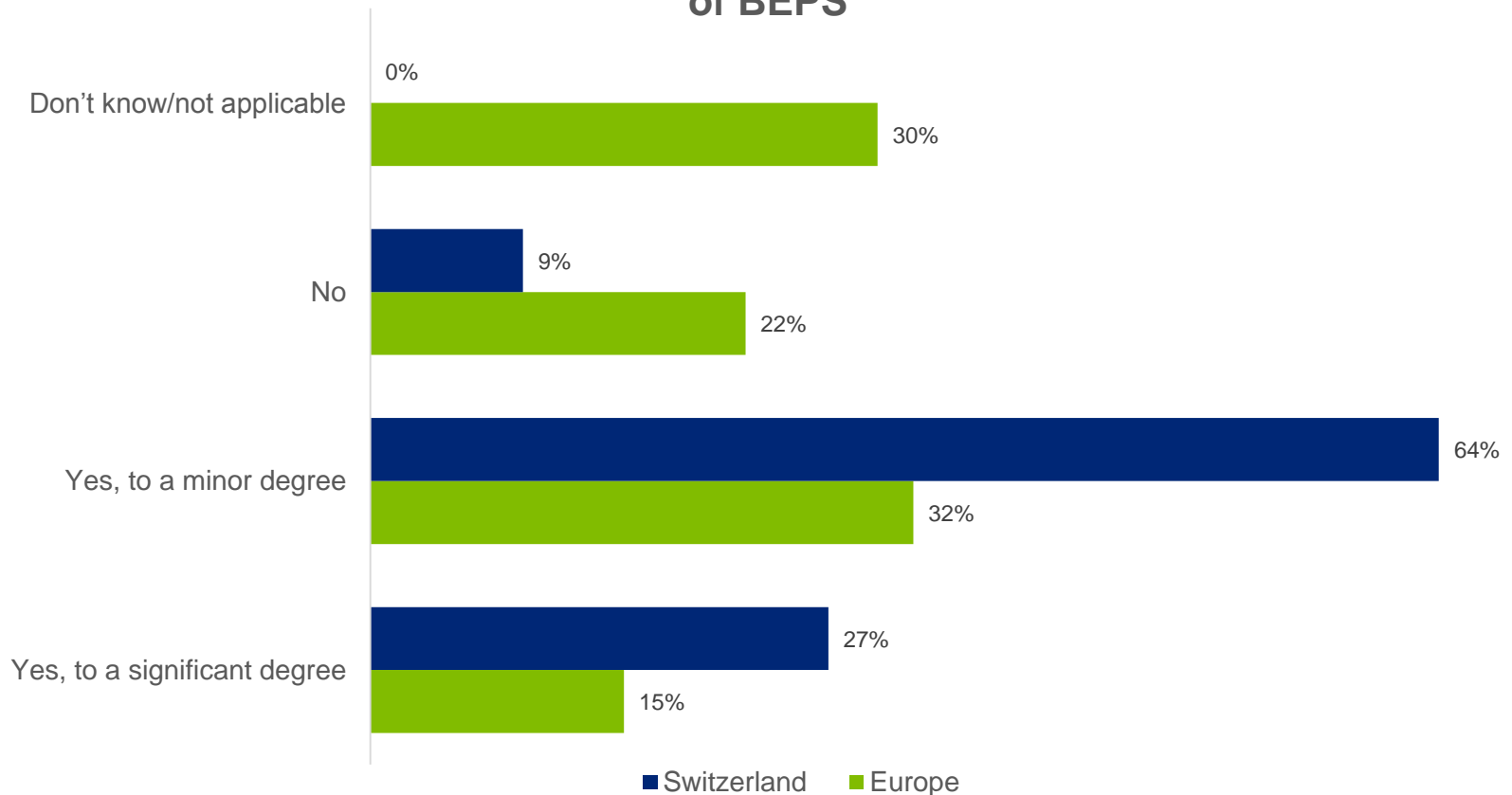
In your country, are you anticipating legislative and treaty changes as a result of the BEPS initiative?

Anticipating legislative change because of BEPS



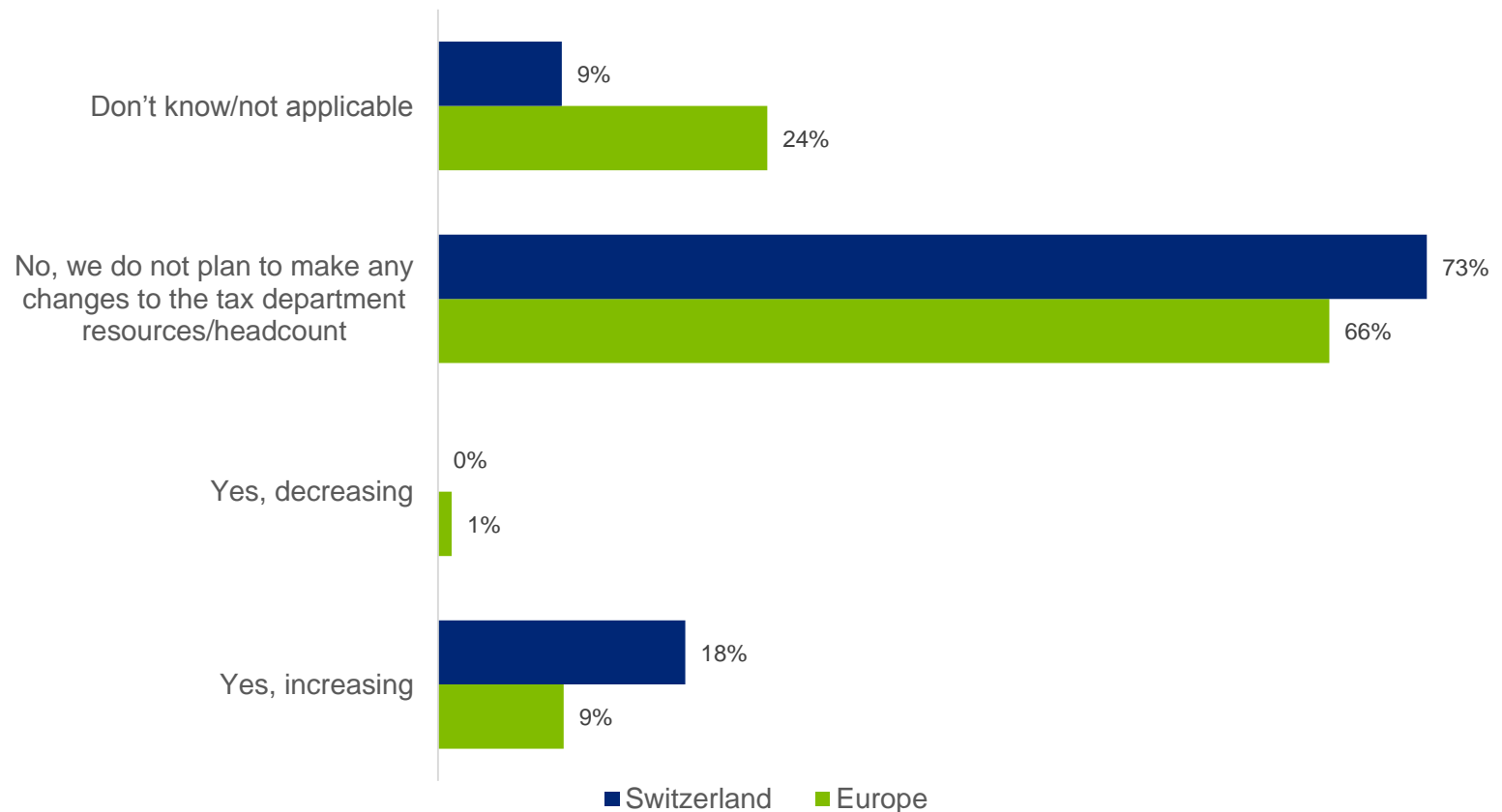
Do you believe that double taxation will arise as a result of the implementation of the BEPS proposals?

Chances of double taxation arising as a result of implementation of BEPS

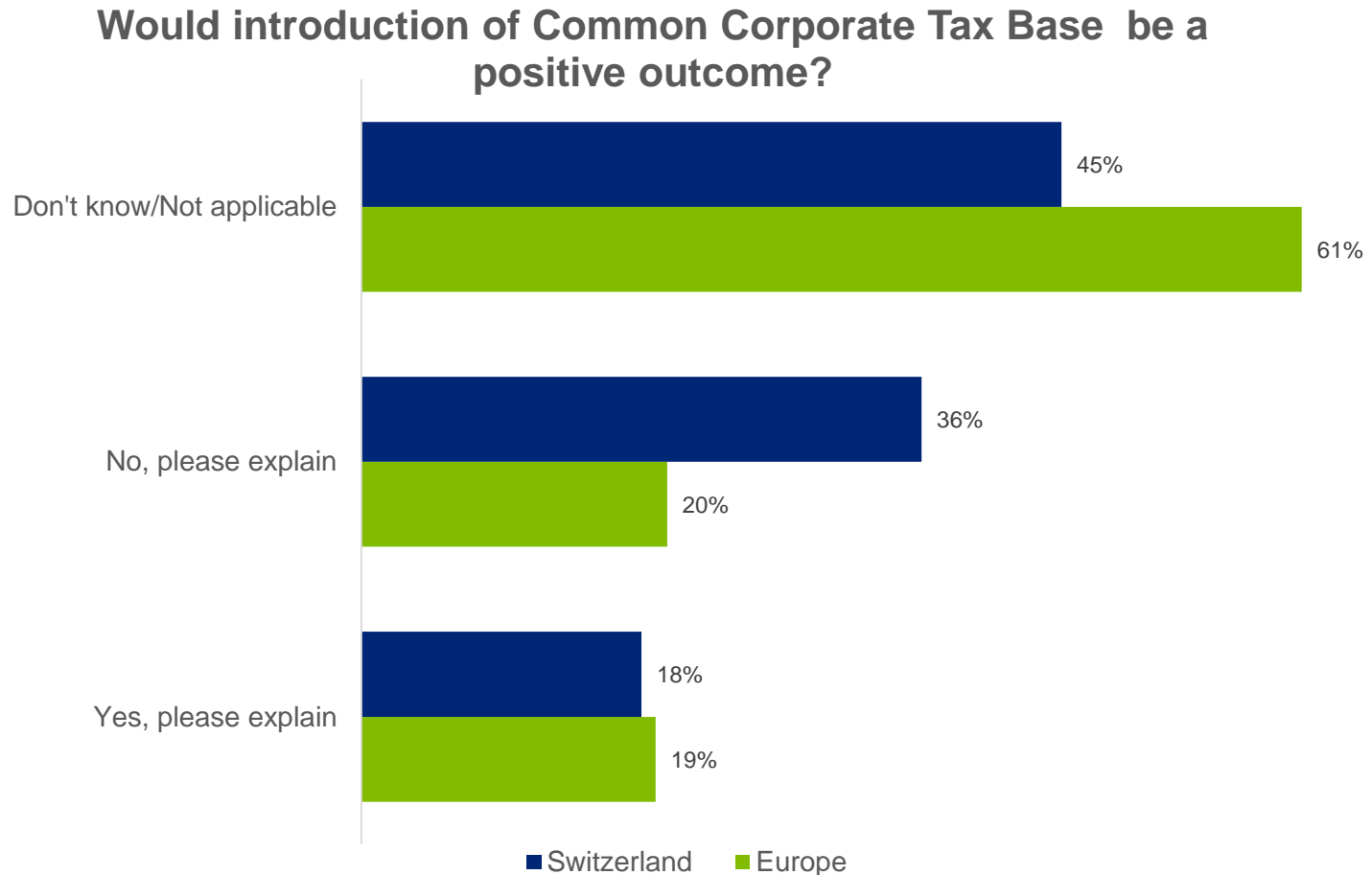


Is your group planning on changing resources/headcount for the tax department wholly or partly as a result of the anticipated changes arising due to the BEPS initiative?

Change in resources for tax department due to BEPS

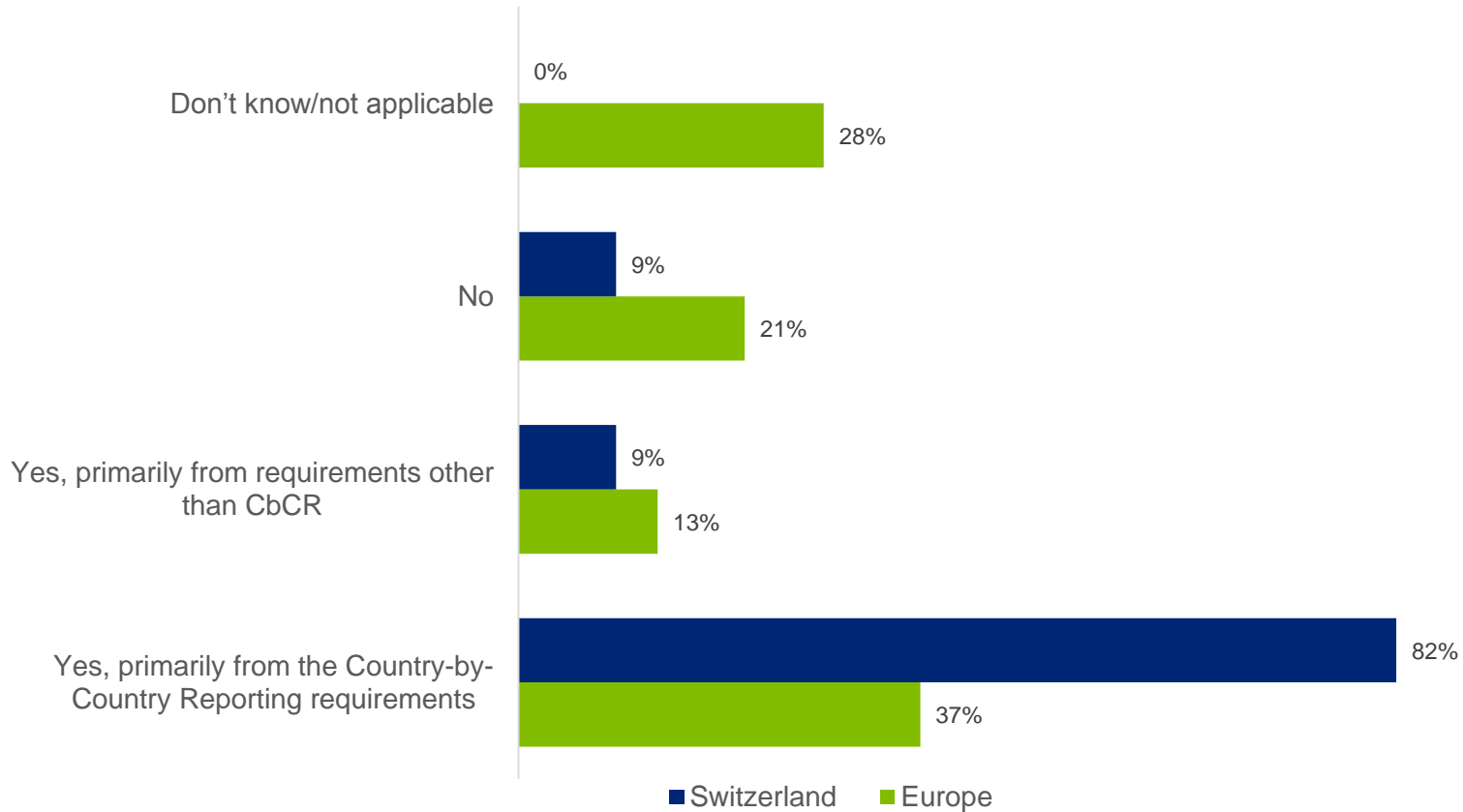


In your view, would the introduction of a mandatory Common Corporate Tax Base within the European Union be a positive outcome for your group?



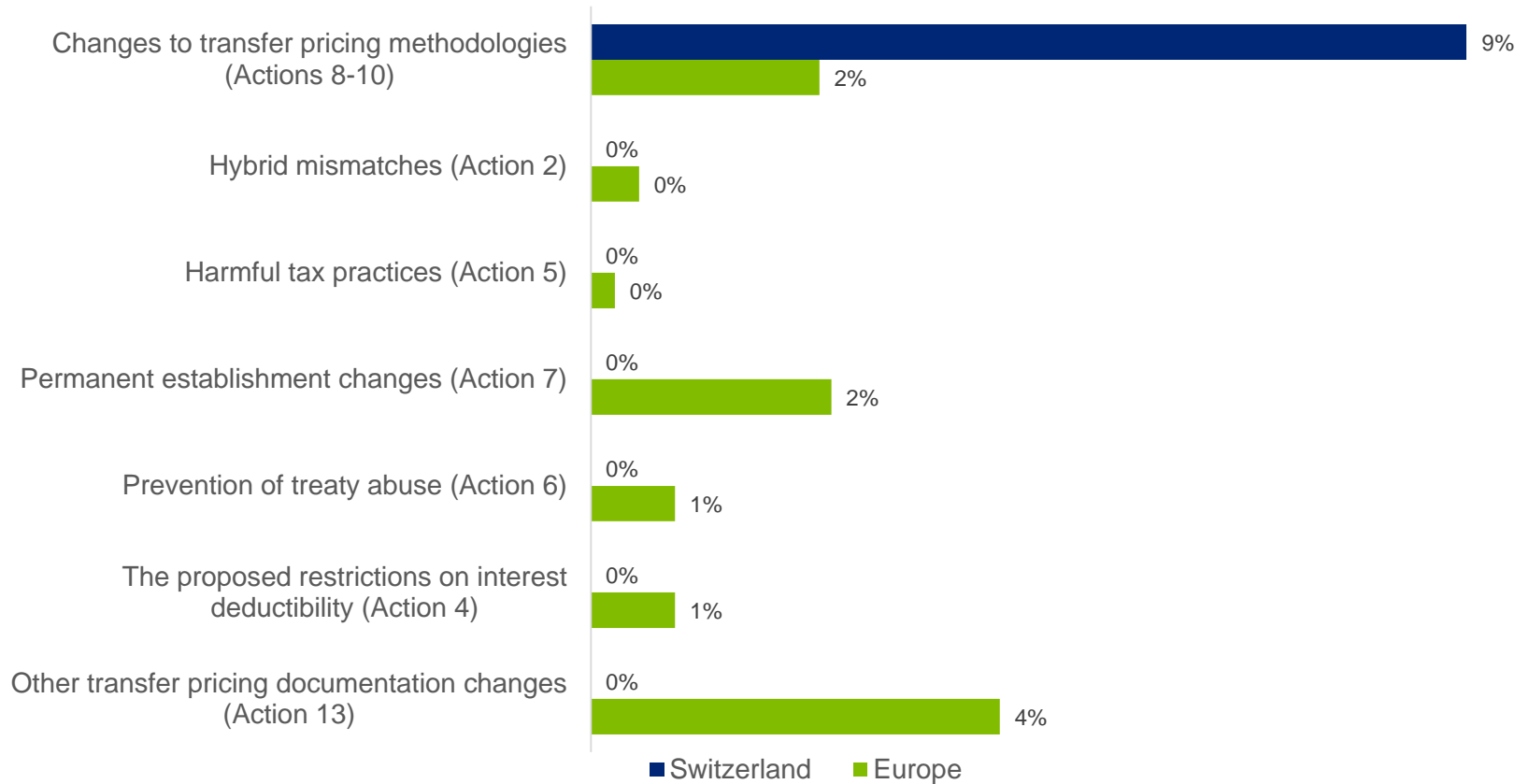
Do you anticipate that your group's compliance burden will significantly increase as a result of the BEPS initiative?

Increase in compliance burden because of BEPS



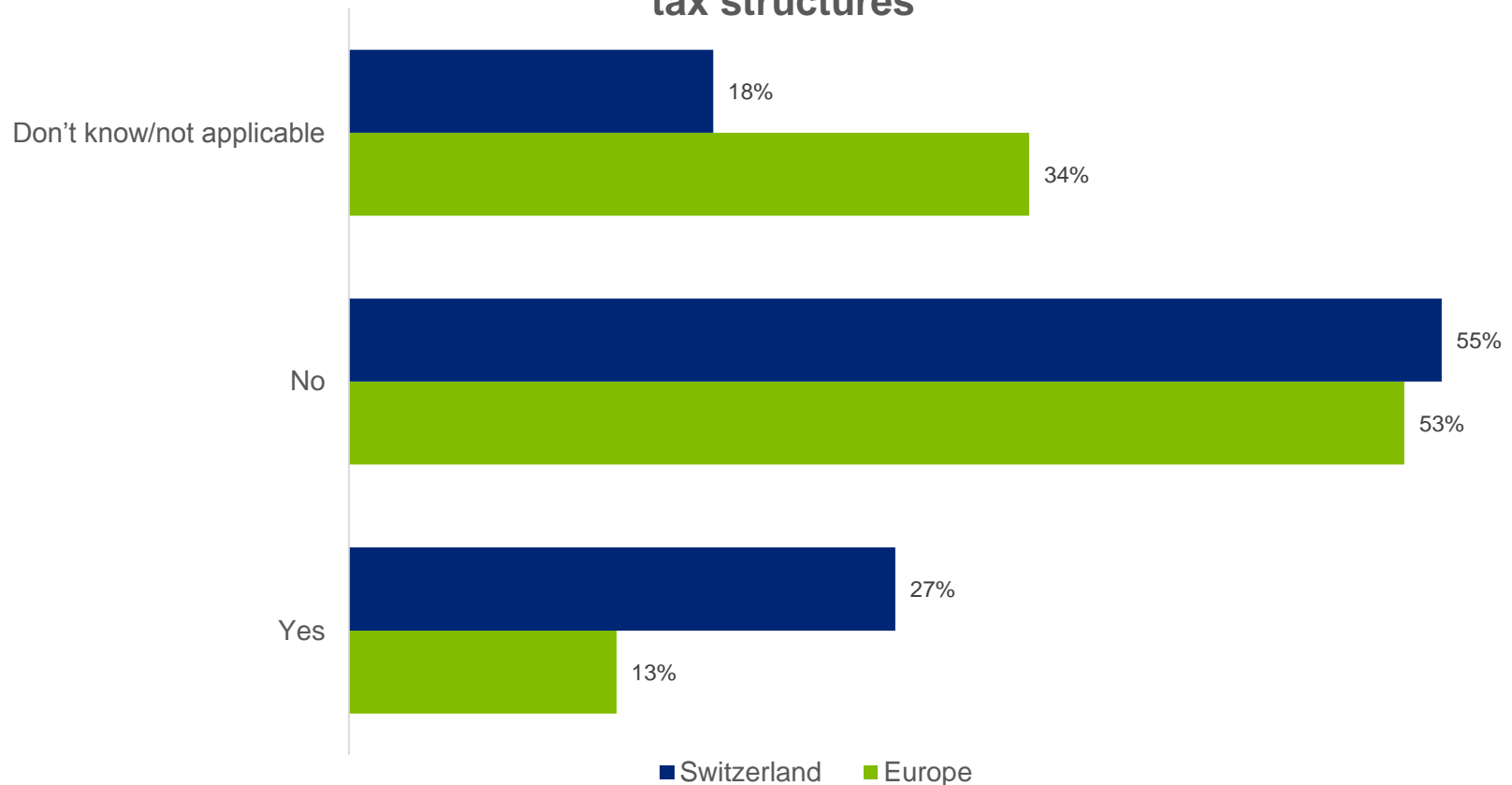
Which requirement in particular?

Increase in compliance burden because of BEPS



Has your group considered any of the ongoing State Aid cases initiated by the European Commission in respect of new or current tax structures?

Consideration of State Aid Cases with respect to new or current tax structures





Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/ch/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte AG is a subsidiary of Deloitte LLP, the United Kingdom member firm of DTTL.

Deloitte AG is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte AG would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte AG accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.