



The Global Tax Reset

Summary results of the 2017 annual
multinational survey

In 2014, Deloitte conducted its first “OECD Base Erosion and Profit Shifting (BEPS) survey” to gauge the views of multinational companies regarding the increased media, political and activist group interests in “responsible tax” and BEPS—and the expected impact on their organizations.

In early 2017, Deloitte’s fourth BEPS survey was conducted to understand how participants’ views on the tax landscape have evolved. 460 people from 38 countries responded to the 2017 survey. Since last year’s survey, many jurisdictions have begun to implement the BEPS recommendations. The real work of implementation for companies and tax advisers is beginning, and 2017’s survey responses reflect this changing landscape.

As a result of this and other environmental factors, boards will now be required to play a greater role in the design, implementation and ongoing monitoring of tax policies. Tax strategy has moved from being an issue for just the tax director to being a business issue for the whole board. There is a growing expectation that not only the CFO but also the CEO and other members of the executive should have a strong understanding of the organization’s tax strategy. A company’s tax policy needs to be discussed and agreed upon with the awareness that it could be publically questioned.

As the pressure for tax transparency and documentation intensifies, CFOs and CEOs will be expected to know where their profits are earned, and why and how much tax has been paid. This has an impact on reporting for finance functions as a whole. Decisions will need to be made on how companies report their figures and how they will respond to requirements for transparency and documentation. Groups operating in different jurisdictions already have complex tax affairs and strategies —their challenge will be to have a clear and succinct overview of the group’s tax profile.

Key finding: Substantial change is fully expected and being prepared for

86% of participants in this year’s survey agree that their organization has assessed the potential impact of changes related to BEPS, and 63% agreed that they are anticipating significant legislative and BEPS initiatives. 79% of participants believe that US Tax Reform will be adopted within the next two years.

54% of respondents have developed additional corporate policies and procedures—and 50% of respondents have changed the way they conduct tax planning for cross-border transactions—as a result of proposed changes arising from the BEPS project and expected increased scrutiny related to corporate taxation.

Despite the significant change expected, only 29% of respondents have planned to secure additional resources or headcount for their tax department—wholly or partly as a result of the anticipated changes. While still low, this is a slight increase from 2016 (26%).

Key finding: Major impact on compliance burden

Results show that respondents are expecting a major impact on their compliance requirements as a result of the additional reporting requirements arising from the BEPS recommendations.

94% of respondents believe that the additional transfer pricing reporting requirements resulting from the OECD BEPS recommendations will substantially increase their corporate tax compliance burden. 66% of respondents believe that the increase in the number of foreign permanent establishments resulting from the OECD BEPS recommendations will also substantially increase the compliance burden.

Key finding: Greater scrutiny being placed on companies

91% of respondents agree that tax structures are under greater scrutiny by tax administrations than a year ago. Irrespective of any actual legislative changes, 93% of respondents believe that tax authorities will increase tax audit assessments as a result of proposed BEPS initiatives.

Furthermore, 96% of respondents believe that tax authorities will apply greater scrutiny to the level of substantive business operations conducted in low tax countries.

Key finding: Concern over reputational risk and increasing interest in tax

Concern around the increase in media, political and activist group interest in corporate taxation remains high, with 76% of respondents agreeing that this is a concern for their organization.

Tax is certainly still high on organizations' agendas—with 74% of respondents agreeing or strongly agreeing that reputational risks are of much greater concern when executing cross-border tax planning. This is an unsurprising finding given the increasing interest in tax by many different stakeholders.

Summary

It is important that companies take a strategic and multi-disciplinary approach when it comes to addressing the Global Tax Reset. These developments can impact business models, information technology, legal structures, earnings, cash flow, and communications. Companies also need to take into account increasing levels of disputes with tax authorities, particularly in the area of transfer pricing.

Deloitte can help navigate Global Tax Reset related changes by taking a holistic view of a company's tax profile and helping businesses develop their strategy.

Background to the Global Tax Reset and BEPS

The BEPS initiatives grew out of a perception that many multinationals were not paying their 'fair' share of tax and were taking advantage of the arbitrage opportunities afforded by principles of international taxation designed for a pre-digital age. The G20 tasked the OECD with addressing this.

The result was the OECD BEPS Action Plan focused on 15 key areas, guided by the principles of coherence, substance and transparency. These are currently being implemented and developed into the cornerstones of a new global tax architecture that it is hoped will be backed by international consensus.

One of the key challenges is the need to reconcile individual countries' legitimate need to stay competitive and to raise revenue (for example, through the medium of tax based investment incentives and domestic legislation) with the need for multilateral consistency that is essential if the objective of removing arbitrage opportunities is to be met.

Additional information and contacts

For further information, please visit the [survey web page](#), or contact [Albert Baker](#), Deloitte Global Leader – Tax Policy.



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