

The Global Tax Reset

Summary results of third annual multinational survey 2016

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 resulting impact on their organizations. Nearly 600 Deloitte contacts responded to that first survey.

In early 2015, a follow-up survey was conducted to understand how participants’ views on the tax landscape have evolved. Since last year’s survey, the OECD have published their final recommendations (October 2015). With the reports published and proposals approved by policy makers, the real work of implementation for companies and tax advisers is just about to begin and this year’s 2016 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 wider 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 the CFO and CEO will be expected to know where their profits are earned, why and how much tax has been paid. This has an impact on reporting for the finance function as a whole. Decisions will need to be made on how the company reports its figures and how it will respond to the requirement for transparency and documentation. Organizations operating in different jurisdictions already have complex tax affairs and strategies. A major and primary task will involve unravelling these and having a clear and succinct overview of the company’s tax profile.

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

79% 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 treaty changes in their country as a result of the BEPS initiative.

In response to the anticipated change, 53% of respondents have developed additional corporate policies and procedures as a reaction to the increased scrutiny related to corporate taxation, and 55% 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.

Despite the significant change expected, only 26% 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 significant increase from 2015 (18%).

Key finding: Major impact on compliance burden

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

93% of respondents believe that the additional transfer pricing reporting requirements resulting from the OECD BEPS recommendations will substantially increase their corporate tax compliance burden. 68% 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

Over 92% of respondents agree that tax structures are under greater scrutiny by tax administrations than a year ago. Irrespective of any actual legislative changes, 94% of respondents believe that tax authorities will increase tax audit assessments globally as a result of proposed BEPS initiatives.

Furthermore, 95% of respondents believe that greater scrutiny will be applied by tax authorities surrounding the level of substantive business operations conducted in low tax countries in the future.

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

Although concern around the increase in media, political and activist group interest in corporate taxation remains high, with 74% of respondents agreeing that this is a concern of their organization, interestingly this has decreased in comparison to 2015 (80%).

Tax is certainly still high on organizations' agendas, with reputational risk when executing cross-border tax planning being a particular concern too, with 75% of respondents. This is an unsurprising finding given the increasing interest from outside parties in corporate tax.

Key finding: Significant areas of change

Based on the OECD's final BEPS reports issued in October 2015, transfer pricing was seen as being one of the most significant areas of change for many organizations.

Other key significant areas of change that organizations feel will impact their business will be to manage the challenges around permanent establishments and the provision of cross border services, with increases in personnel and activities in different locations to reflect the taxable profit allocations.

Summary

It is important that companies take a strategic and multi-disciplinary approach 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 – this must also be taken into consideration.

Deloitte can help navigate these 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 outmoded principles of international taxation designed for a pre-digital age. The G20 tasked the OECD with addressing this.

The result is the OECD BEPS Action Plan focused on 15 key areas and 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 (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 [BEPS page on Deloitte.com](#) or contact [Albert Baker](#), Deloitte Global Leader – Tax Policy.

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