



The Global Tax Reset
Summary results of the 2018 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 January 2018, Deloitte’s fifth BEPS survey was conducted to understand how participants’ views on the tax landscape have evolved. 447 people from 39 countries responded to the 2018 survey.

In 2017, more jurisdictions have begun to implement the BEPS recommendations into their domestic laws. The signing of the Multilateral Instrument (MLI) in June 2017 will impact numerous bilateral treaties, although not before 2019 at the earliest.

However, as many of the legislative measures take place in 2019 and 2020, the majority of those surveyed had not yet implemented significant changes to cross-border structures as a result of the legislative measures related to BEPS impact on their businesses.

The majority of those surveyed indicated that their organization was concerned about media, political, and activist group interest in corporate taxation. While many indicated that tax planning in their organization has become a corporate responsibility issue and not just a matter of compliance, the results varied significantly by country.

Unsurprisingly, the majority of those surveyed indicated that their C-suite and/or Board of Directors was actively engaged in establishing and/or approving their organization’s tax strategy and in assessing and monitoring tax risk. Tax governance has moved from being an issue for just the tax director to being a corporate responsibility and risk issue for the whole Board. A company’s tax strategy needs to be discussed and agreed upon with the awareness that it could be publicly questioned.

As the pressure for more tax transparency and reporting intensifies, CFOs and CEOs will be expected to know where their profits are earned, and where 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 ever-growing 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

68% of the participants anticipate significant legislative and treaty changes arising in their country from the BEPS initiatives. 59% of the respondents have developed additional corporate policies and procedures as a reaction to the increased scrutiny expected related to corporate taxation and 66% have changed the way they conduct tax planning for cross-border transactions as a result of the BEPS-related legislative changes or proposals. All of these responses show an increase from the prior year.

At the same time, only 31% of the respondents have secured (or plan to) additional resources or headcount for their tax department as a result of the anticipated changes (a slight increase from 29% in 2017).

Key finding: Major increase of compliance burden and lack of local guidance

91% of the respondents believe that the additional transfer pricing reporting requirements resulting from the BEPS recommendations will substantially increase their corporate tax compliance burden, while 69% expect the amount of compliance to grow as the number of foreign permanent establishments will increase due to the BEPS-related changes.

48% are concerned about lack of domestic guidance on the BEPS-related legislative changes. There is also a concern about interpretation of the new transfer pricing guidelines by the tax authorities—only 21% expect there will be consistency among countries.

Key finding: Greater scrutiny being placed on companies

86% of respondents agree that tax structures are under greater scrutiny by tax administrations than a year ago. Irrespective of any actual legislative changes, 85% of respondents believe that tax authorities will increase tax audit assessments globally as a result of proposed BEPS initiatives.

Interestingly, 80% of the respondents expect public country-by-country reporting to be adopted in the next few years.

Key finding: businesses expect double taxation to arise from BEPS and unilateral tax changes

Despite the international agreement on the BEPS actions, countries continue to introduce unilateral measures to protect their tax base. 59% of the respondents expect significant unilateral changes in their country without coordination with other countries and 78% expect that double taxation will occur as a result. 69% of the respondents believe that even without such unilateral measures, double taxation will arise from some of the BEPS changes.

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 need to take into account increasing levels of disputes with tax authorities, particularly in the transfer pricing area.

Deloitte can help organizations navigate the changing landscape by taking a holistic view of a company's tax profile and help 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 arbitrage opportunities permitted under international tax laws. The G20 tasked the OECD with addressing this.

The result was the OECD BEPS Action Plan, which focused on 15 key areas guided by the principles of coherence, substance, and transparency. This consensus-based approach has expanded to include an inclusive framework of over 100 countries. The recommendations from the the BEPS project are in the process of being implemented.

One of the key challenges is the need to reconcile individual countries' legitimate need to stay competitive and to raise revenue (with the need for multilateral consensus and cooperation that is essential in the current environment.)

Additional information and contacts

For further information, please visit [Deloitte.com](https://www.deloitte.com) or contact [Albert Baker](#), Deloitte Global Leader – Tax Policy.

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