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OECD's Base Erosion and Profit Shifting (BEPS) initiative

Summary results of second annual multinational survey

May 2015



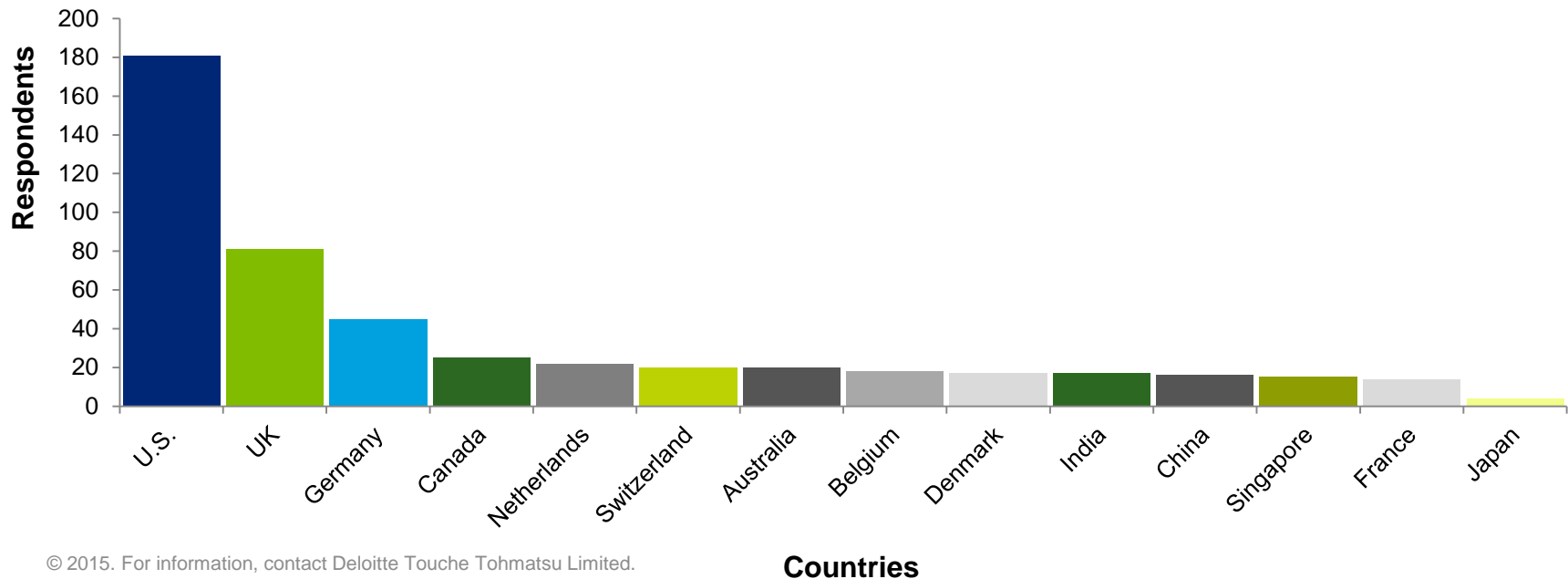
OECD's BEPS initiative—second annual survey

Overview of the 2015 survey

The purpose of Deloitte's 2015 follow-up survey was to gauge clients and contacts' views of the impact of BEPS on their organizations given the increased scrutiny with respect to “responsible tax.” This survey was meant to understand whether these views have evolved since the initial survey in 2014.

Over 550 people from over 14 countries responded to the 2015 survey, including 182 respondents from the United States and 84 responses from the United Kingdom. For further details, see the full results report.

Country participation



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Key findings

Legislative and treaty changes

- **87%** of respondents agree or strongly agree that the BEPS Legislative and initiative will result in **significant legislative and treaty changes** in many countries
- 2014 result to the same question was **81%**

Double taxation

- **75%** of respondents agree or strongly agree that **double taxation will occur** as a result of unilateral tax law changes in anticipation of the OECD BEPS recommendations
- 2014 result to the same question was **69%**

Tax authority scrutiny

- **96%** of respondents agree or strongly agree that tax authorities will apply **greater scrutiny around the level of substantive business operations** conducted in low tax countries as a result of BEPS initiatives
- 2014 result to the same question was **92%**

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Key findings

Implementation of tax structures

- **91%** agree or strongly agree that **tax structures implemented today are under greater scrutiny** by tax administrations now than they would have been a year ago
- 2014 result to the same question was **69%**

Assessment of the impact of BEPS

- **69%** of respondents said that their organizations have **assessed the potential impact** of tax law changes related to BEPS
- 2014 result to the same question was **58%**

Additional resources

- **18%** of respondents are planning on **securing additional resource/headcount for their tax group** wholly or partly as a result of the anticipated changes arising due to the BEPS initiative
- No comparative data as this was a new question for 2015

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Comments on potential impact

Respondents are concerned about the impact of “responsible tax” debates and the implications of OECD’s BEPS initiative. Highlights of the feedback included:

“The BEPS initiative adds little to countries abilities to enforce their current laws, which already generally include substance requirements. However, the responsible tax movement seems to misunderstand tax law & how it works. The over simplification of arguments in the media and political arena will be a continuing struggle.”

“How does one define responsible tax ? It is a slippery slope interpreted differently by different countries depending on what is in their best interest ultimately.”

“Increased scrutiny leading to increased audits (with irrational outcomes) and administrative burden (country by country reporting/transfer pricing documentation/additional analysis).”

“It is a one sided agenda. Companies are automatically presumed to be engaged in tax avoidance. Tax planning will become increasingly difficult, meaning tax departments just end up doing greater levels of compliance instead of adding value.

“[Concerned] that the implementation of BEPS will fail, and each country will implement parts of the suggested changes on their own and make the tax situation even more complicated.”

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Comments on potential areas of change

Anticipated significant areas of change identified by businesses as a result of BEPS initiative:

1

“Increased compliance burden, more audits, more double taxation, more competent authority/arbitration activity.”

2

“Compliance burden and time consuming nature of country-by-country reporting.”

3

“Reconsideration of permanent establishment (PE) status.”

4

“Preparation of additional transfer pricing documentation compliant with master file and local country file requirements”


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Comments on organizational response

Organizations are taking different approaches to how they monitor and respond to BEPS:



“Monitoring and assessing any required changes to structures and reporting requirements.”



“Monitoring the situation, assessing impact, trying to do majority of the work in house.”



“Monitoring the developments, considering effects on tax planning structures, and educating C suite and the Board of Directors on BEPS.”



“Monitoring only, mainly via professional affiliations, because the individual actions under BEPS are not yet clear enough to drive structuring activities.”



“Monitoring the situation and making changes where necessary. We have engaged advisors to assist in most of the higher risk areas.”



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