



Tax Policy

More than just a statement

Taxlab 2017

Four Faces of Tax

Patrick van Min & Marvin de Ridder, March 28, 2017



Agenda

- Positioning four faces
- Introduction
- Making the statement
- Engaging key stakeholders
- Building confidence
- Questions and answers

Positioning

Across the 4 faces

Catalyst



Strategist



Steward



Operator



Introduction

The global landscape

1

Responsible tax agenda

The responsible tax agenda and the approach to tax transparency by multinationals is changing rapidly

2

Focus Regulators and investors

This heightened attention is reflected in the focus of regulators and investors on tax governance, tax strategy and the corporate income tax positions of multinationals.

3

OECD Guidance

In addition to BEPS, the OECD published "Guidance to tax control frameworks for multinational enterprises and tax administration"

4

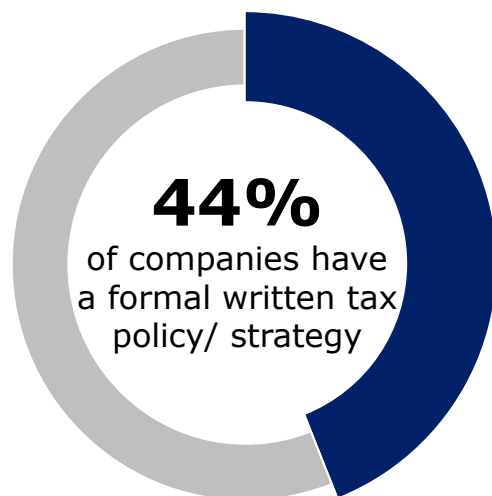
New legislation

Several countries (UK/Germany/Ireland/Spain) have formalized rules around reporting and publishing tax strategy / tax policy or tax control framework

Deloitte review (2016)

44% of companies claim to have a formal written tax policy in place

Formal written tax policy in place setting out governance standards



Among those with a tax policy in place...

Policy/ strategy has been signed off by the board

64%

34% of total sample

Policy/ strategy has been turned into an operational plan (governance manual or similar)

55%

90% of these (22% of total sample) are confident this is being followed – 25% 'very confident'

Tax transparency

Starting with the end in mind



- Potential reviews – general questions about implementation of strategy, oversight from Board
- ‘Board to Board’ – specific challenges regarding an issue, engaging directly with ‘owner’ of strategy
- Public scrutiny – senior executive defending tax strategy in, say, media or parliamentary committee

- ✓ Meet compliance requirements and mitigate reputational risk
- ✓ Engage key stakeholders around tax
- ✓ Secure organisational support to achieve tax goals



Making the statement
Meeting the requirement
and beyond

Making the statement

What are the requirements?



- **Determine scope** – Which companies are included?
- Requirement limited to **local tax matters**? Or prepare document for global use?
- **All taxes in-scope?**
- What are the **required key content requirements** of the policy/strategy to be published
- Do we **publish** policy/strategy and where? Only when required?



- **Penalties and consequences** – are there legal consequences of non-publishment or non-compliance?

Making the statement

Content (UK compliant)



- Have you drafted a document you can share with the business?
- Have you considered whether to include additional content, e.g. regarding context, compliance, contribution?
- Have you determined whether you will make a UK only or global statement?
- Have you looked at interaction with financial reporting

Poll question #1 – Global or local statement?

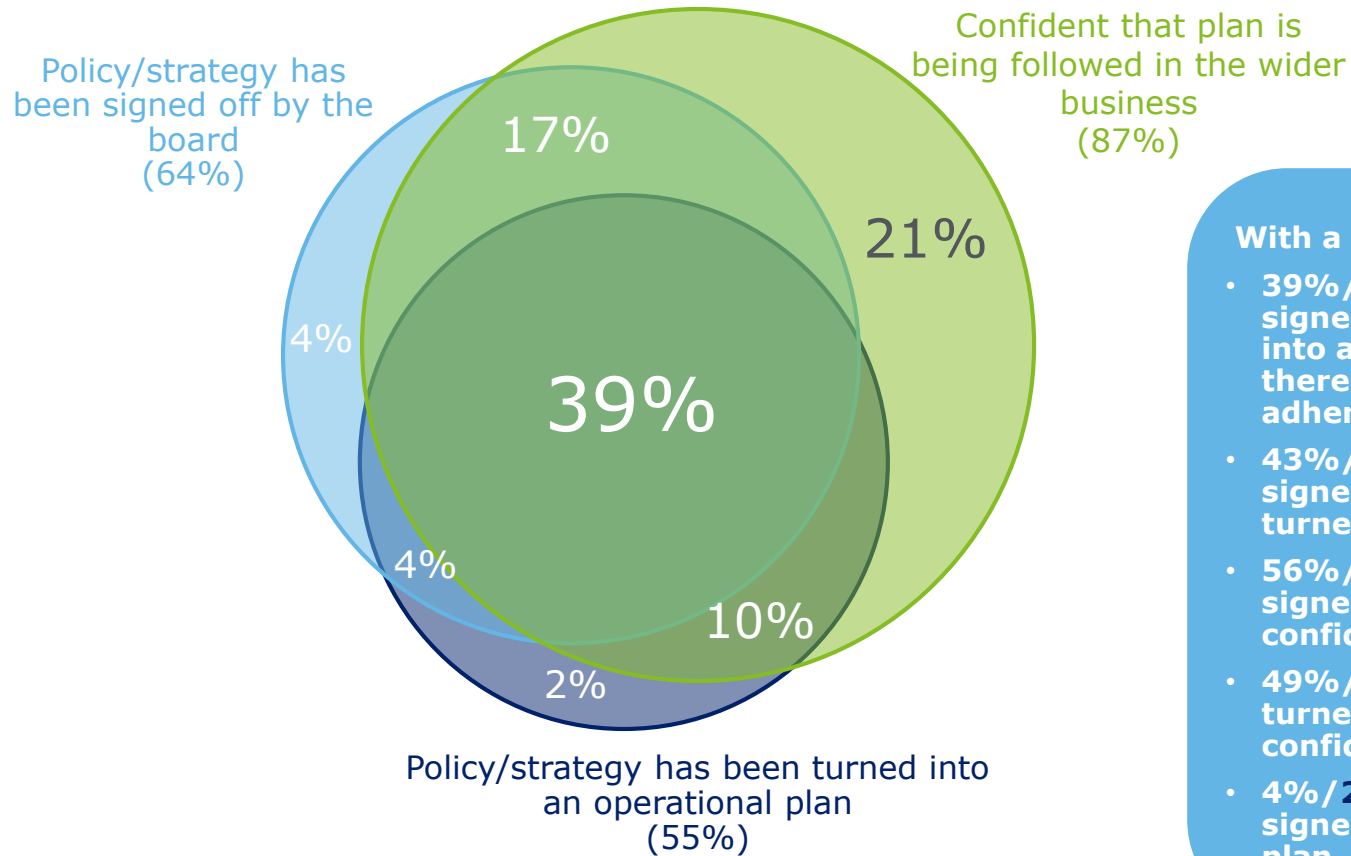
What kind of statement does your organisation expect to make? (Please select only one answer)

- We are not planning to make any statement
- Local statement only
- Local statement, with comment regarding how we manage foreign taxes
- Global statement, including appropriate content to meet local requirements
- We are considering this point but have not concluded
- Don't know/ not applicable

Engaging key stakeholders
Addressing difficult questions

Deloitte review (2016)

Among the 44% with a tax policy in place...

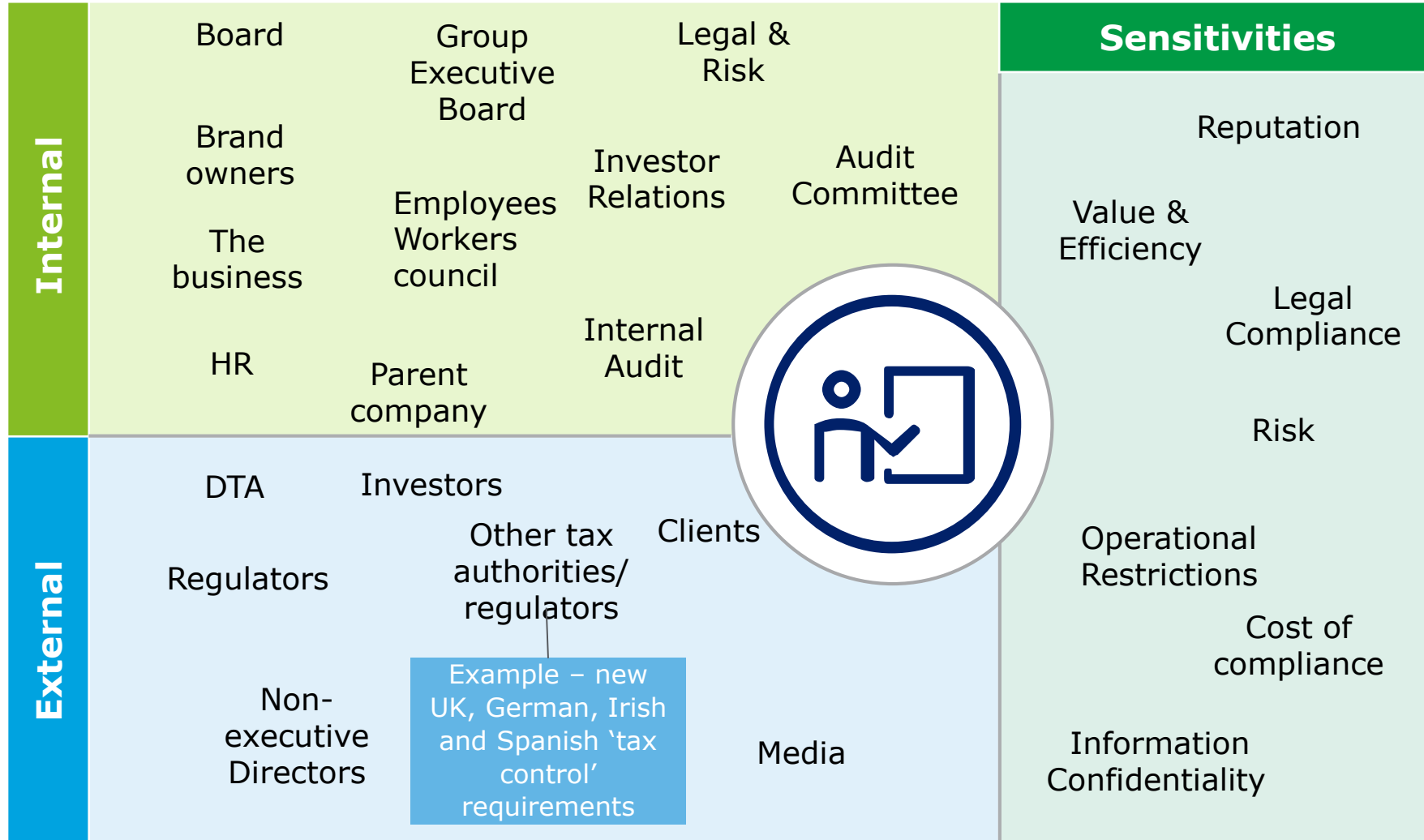


Among those With a tax policy/Total sample:

- **39%/17%** - Policy has been signed off by board, turned into an operational plan and there is confidence in its adherence
- **43%/19%** - Policy has been signed off by board and turned into a plan
- **56%/25%** - Policy has been signed off by board and have confidence in its adherence
- **49%/22%** - Policy has been turned into a plan and have confidence in its adherence
- **4%/2%** - Policy hasn't been signed off or turned into a plan, and not confident in adherence

Engaging key stakeholders

Thinking beyond local and tax



Engaging key stakeholders

Addressing difficult questions

We talk about our appetite for **planning** in the statement – have we tested this against decisions we have made recently or are coming up?

The statement covers **all taxes** – have we considered how it applies to employment taxes, eg executive remuneration, contractors?

Some examples

We confirm that the Board has **oversight over tax risks** – do they periodically get management information to enable them to do that?

The statement refers to having the **right resources** in place to manage our taxes – have we taken the opportunity to assess this?

Action Plan with external stakeholders - Recommendations

Consistency and Responsibility

Communication pack

- Corporate tax
- BUT ALSO the other taxes (how much does the company pay in terms of social security and payroll taxes....local taxes....)

Same message

- No contradictions between communications (eg board versus workers councils)
- Business always comes first

Educating internal non tax teams

- Communication pack
- Global consistent message adapted for each type of stakeholder (NGO...)
- Role plays?

Poll question #2 – Engagement with stakeholders?

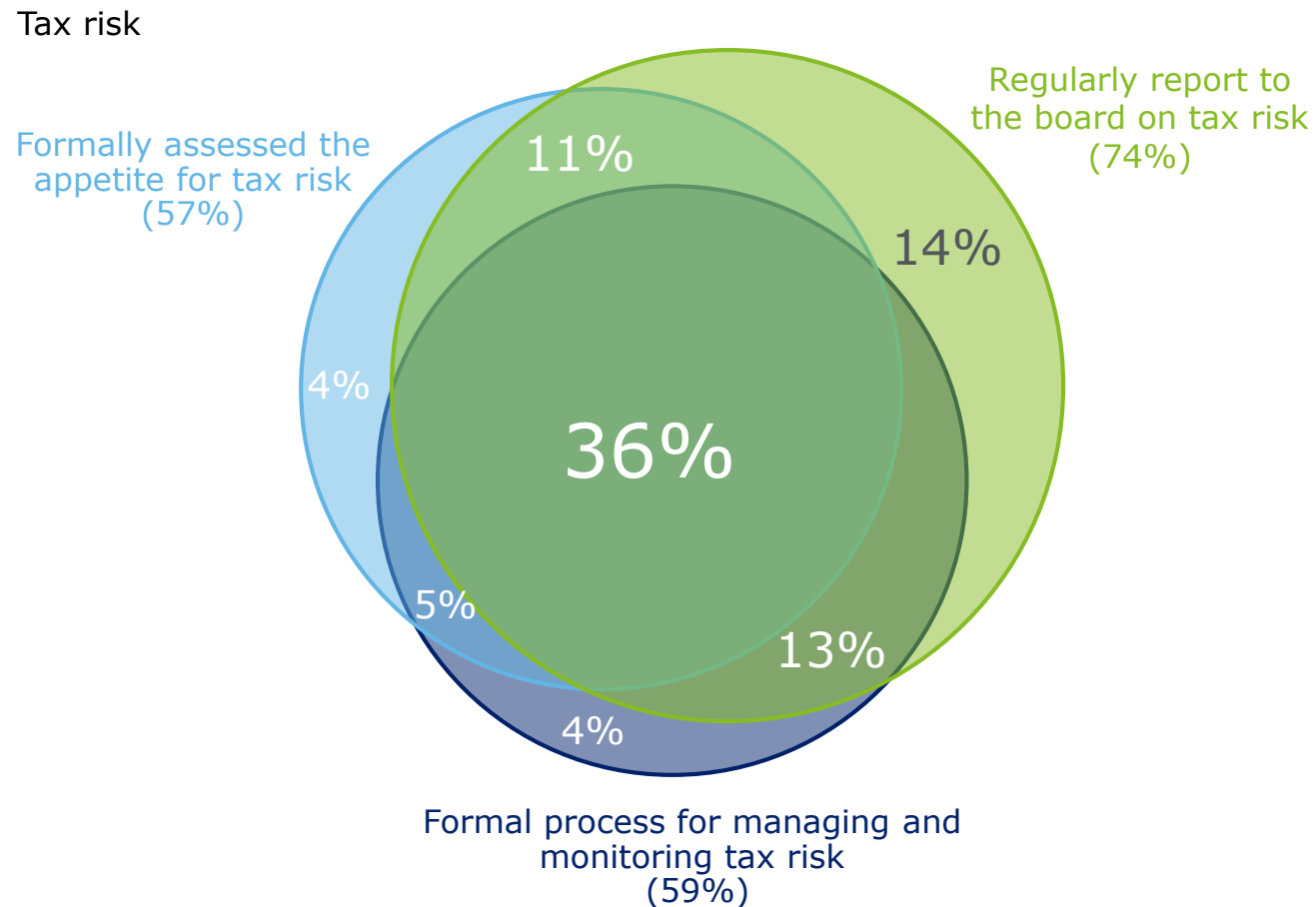
In shaping your plan to develop your tax strategy statement, to what extent are you confident that your organisation has addressed the key questions for your business with relevant stakeholders?

- Our thinking has been limited to the tax team and we are happy with that
- We have engaged with key stakeholders and the key issues have been raised and addressed
- To date our thinking has been limited to tax but we intend to engage with key stakeholders soon
- We have engaged with key stakeholders, but have yet to address the key issues
- Don't know/not applicable

Building confidence
Living the strategy

Deloitte review (2016)

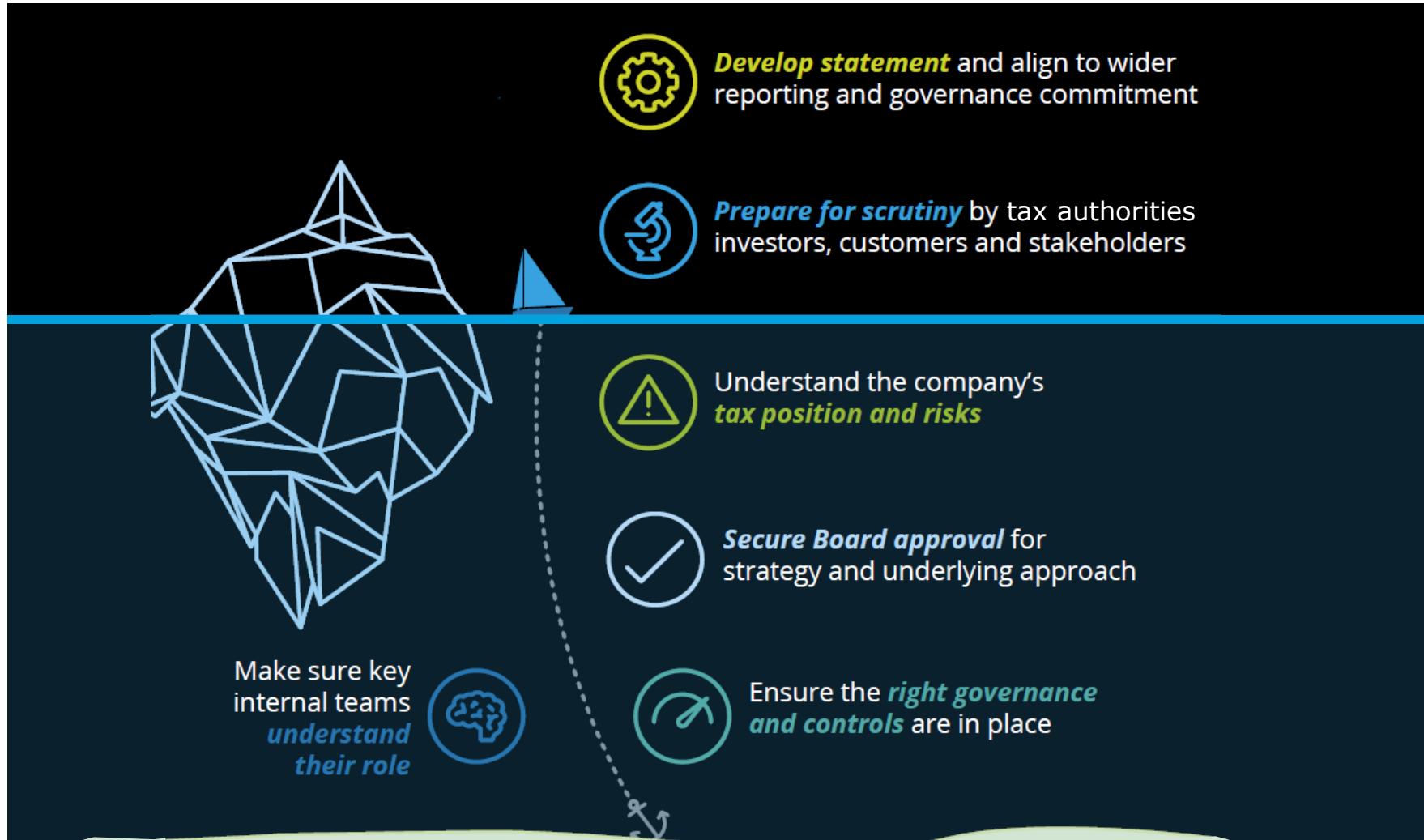
Just over one in three companies formally assess their appetite for tax risk, have a formal process for managing and monitoring this risk and regularly report on this to the board



- 36% have formally assessed appetite for risk, have a formal process for managing and regularly report to the board
- 41% have formally assessed appetite for risk and have a formal process for managing
- 47% have formally assessed appetite for risk and regularly report to the board
- 49% have a formal process for managing tax and regularly report to the board
- 12% have not formally assessed appetite for risk, do not have a formal process for managing and do not regularly report to the board

Building confidence

The statement is the tip of the iceberg

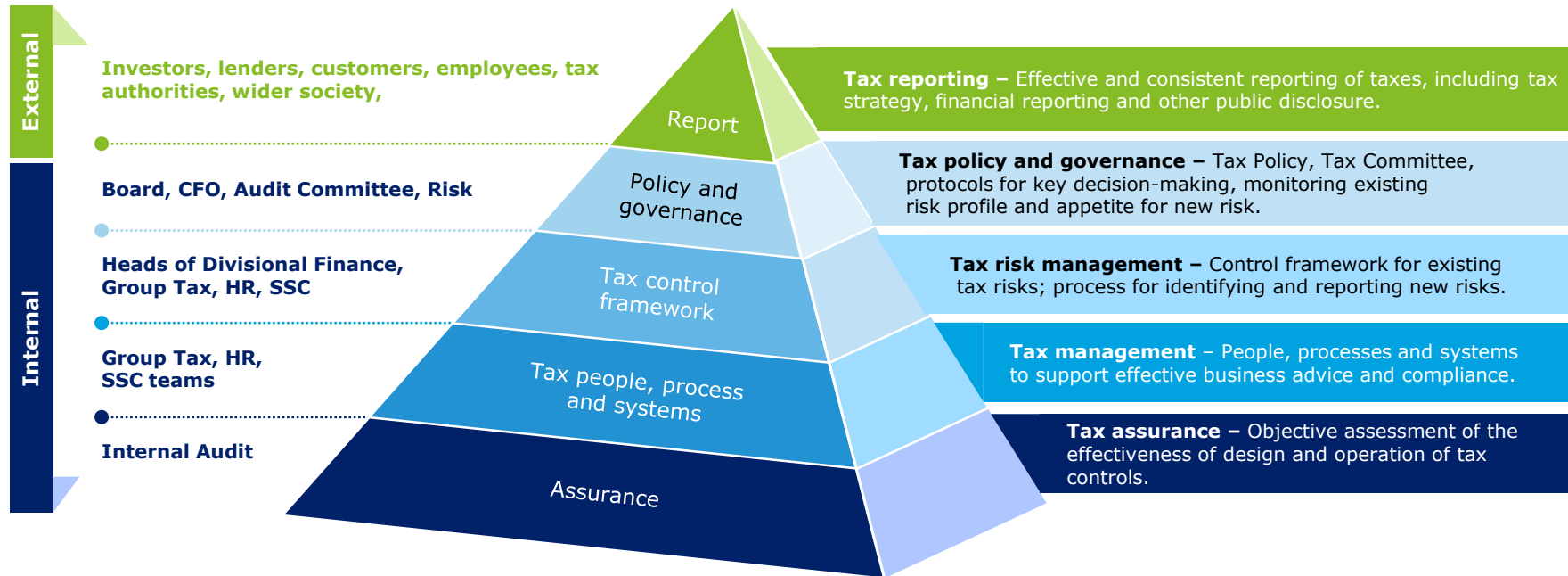


Building confidence

Living the strategy requires an organisational response



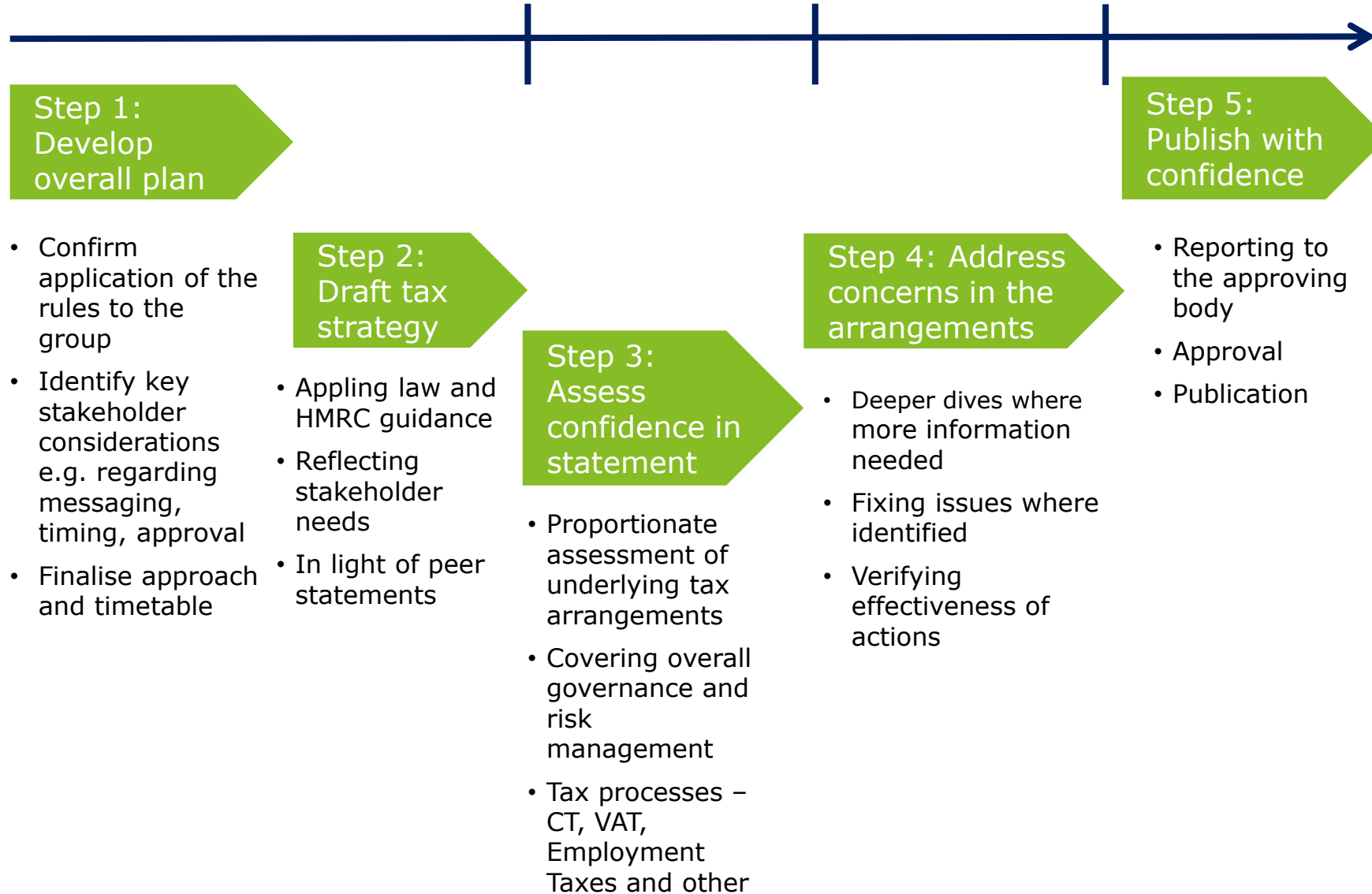
It is expected that many bodies faced with these increased transparency requirements will seek assurance that compliance can be supported and evidenced by internal policies, practices and procedures.



This is the sort of response we would expect groups to use when handling similar tax assurance challenges, e.g. SAO in the UK, Directors' compliance statements in Ireland and Spain and the proposed Tax Control System requirement in Germany.

Building confidence

An example plan



Poll question #3 – Living your strategy?

Which of the following, if any, give your organisation concerns regarding the publication of your tax strategy?

- Addressing worries about specific tax (or global, if relevant) risks
- Assuring the approving body of the statement that we live up to the statements generally
- Evidencing to tax authorities that that governance and risk framework operates in practice
- How it will compare with peers and/or media and other external scrutiny
- No concerns, other than the practicalities
- Don't know/not applicable

Concluding thoughts

Complying with confidence

1

Get started early and start by circulating some draft wording

2

Test the statement against the needs of key stakeholders to ensure it fits the organisation

3

Get the underlying substance right so that you can mitigate financial/reputational risk if challenged

Questions and answers

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