Deloitte.

European Tax Survey
Portugal vs EMEA

January 2015

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Executive Summary

Setting the pavement

There have been great changes in the world of tax over the past decades, due to several confluent factors.

But how much has this really affected Heads of Tax?

In order to portray this changing landscape, Deloitte has set out an annual survey, to track these trends and give tax a voice.

The framework

940 organizations completed the questionnaire in full. Partial responses were not utilized. Surveys were sent electronically and could be completed anonymously. The survey period was June – July 2014. In Portugal, 28 companies responded to the questionnaire.

A glimpse at the findings

35% of Portuguese companies have physical presence in 2 to 5 countries, whereas in EMEA, in average, 40% of the companies have presence in more than 20 countries.

For 42% of the Portuguese respondents, the most difficult European economy for their organization to operate in is Russia, significantly higher than for EMEA respondents, which also place Russia at the top as the hardest economy to operate in, but only by 29% of the respondents.

Portuguese and EMEA respondents also agree that The Netherlands is the most favorable European economy to operate in (41% in Portugal and 28% for EMEA respondents).

Executive Summary

A glimpse at the findings (ctd.)

31% of the Portuguese respondents have a more general finance role, whereas in EMEA 28% of respondents are responsible for Regional tax.

In Portugal, more than half of the respondents (55%) are only responsible for their organization's tax affairs in one country. Likewise, in EMEA the highest percentage of respondents, 40%, are responsible for just one country.

Portuguese respondents are especially focused on general management of the department and interaction with other parts of the business (79% and 72%, respectively), as well as interacting with the Board (52%). EMEA respondents, interact less with the business (62%) and do not spend so much time managing the department (67%).

In EMEA and in Portugal, most of the respondents report to the CFO or Finance Director (35% in EMEA and 34% in Portugal), followed closely by reports to the CEO (31% and 30% respectively)

76% of Portuguese companies have 1 to 3 people working in tax department. In EMEA, about 62% of companies have that same amount of people employed in the tax function.

In Portugal and in EMEA most of the tax employees work at the headquarters in one office. 76% in Portugal and 67% in EMEA.

Currently, 69% of respondents have a shared service center for Finance in Portugal, which is clearly higher than the EMEA average.

Executive Summary

A glimpse at the findings (ctd.)

For 72% of Portuguese respondents and for 74% of EMEA respondents, certainty around tax liabilities are highly important when thinking about success.

The Portuguese tax community is seeking simplifications of the tax system (59%) and more certainty around the future of the tax system (52%). These results are in line with the EMEA average.

In this context, for the majority of Portuguese respondents (97%) there is a high degree of tax uncertainty in their country, against a 60% average from EMEA respondents.

The main cause for tax uncertainty results are frequent changes to legislation for both Portugal and EMEA, 93% and 67%, respectively.

Another cause is ambiguity, weaknesses and reversals in the doctrine of Tax Authorities or publicly availably guidance, with 43% of responses in Portugal and 56% in EMEA.

Portugal does not stand well regarding tax certainty, when compared with EMEA. 62% (versus 59% in 2013) consider that tax certainty in Portugal is worse than in other European countries, much higher than the 22% score for EMEA.

Nevertheless, 41% of Portuguese respondents consider that they have a good relationship with their local Tax Authority in general. For the vast majority of the Portuguese respondents (83%), their relationship with Tax Authority is the same compared to a year ago.

Executive Summary

A glimpse at the findings (ctd.)

According to 79% of the respondents, the local Tax Authority is focusing mostly on Corporate Income Taxes, followed by VAT (66%).This tendency follows the EMEA average, except for Transfer pricing and international tax, with 42% of responses from EMEA and only 17% in Portugal.

62% of Portuguese respondents said that their organization has been audited in the last three years. As for EMEA, 83% of the respondents said that their company has been audited in the past three years.

According to 35% of Portuguese respondents their company will be very likely to litigate if the outcome of a tax audit was not satisfactory, against 11% of EMEA respondents that find it very likely to litigate.

In Portugal and in EMEA, the vast majority of the respondents have not been asked to justify their tax strategy neither by their internal nor by their external stakeholders. Nevertheless, 59% of the Portuguese respondents have had their tax strategy signed off by the board, which is slightly lower than in EMEA (63%).

Corporate tax strategy also appears not to be an increasing focus of discussion and scrutiny in Portugal (55% of the respondents, compared to 43% for EMEA).

Portuguese tax strategies are different from other countries in EMEA, in the sense that they adopt a different approach to tax planning (69% against 33% in EMEA), or develop additional disclosure around tax in financial statements (46% in Portugal against 35% in EMEA) to respond to the increased scrutiny.

Executive Summary

A glimpse at the findings (ctd.)

More than half of Portuguese respondents believe that the BEPS Action Plan is not very important to their tax department and that it will not create any impact in their organization's tax strategy. Only 21% consider it important.

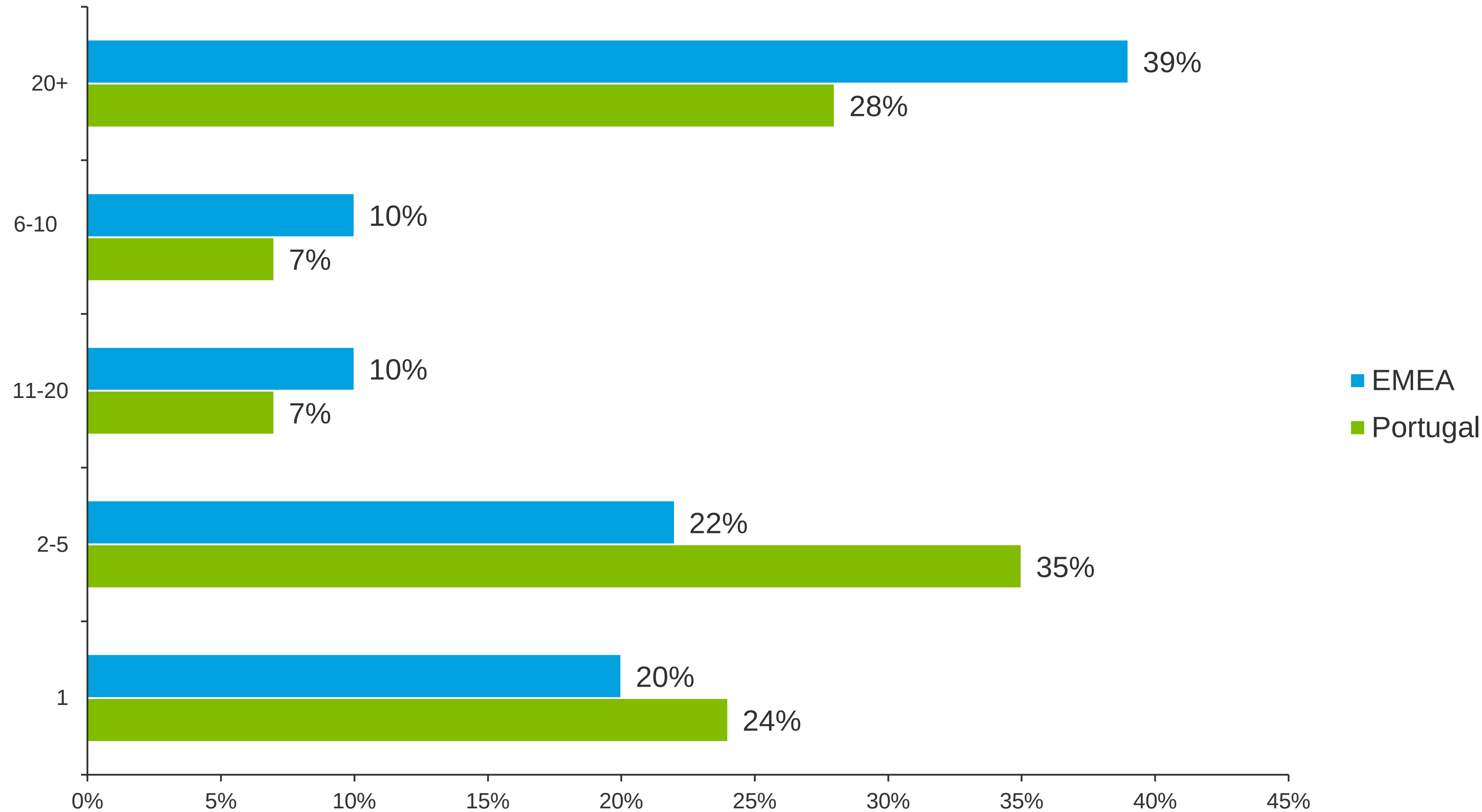
In addition, 48% of the respondents in Portugal and in EMEA believe that the BEPS Action Plan is not very important for their organization's board/leadership.

Almost all Portuguese respondents (97%) replied that they have not started planning for the impact of likely changes resulting from the BEPS Action Plan. For those who have, provision has been made for base erosion via interest and other financial payments.

More than half of Portuguese respondents consider that BEPS will create no or negligible impact on their organisation’s tax strategy.

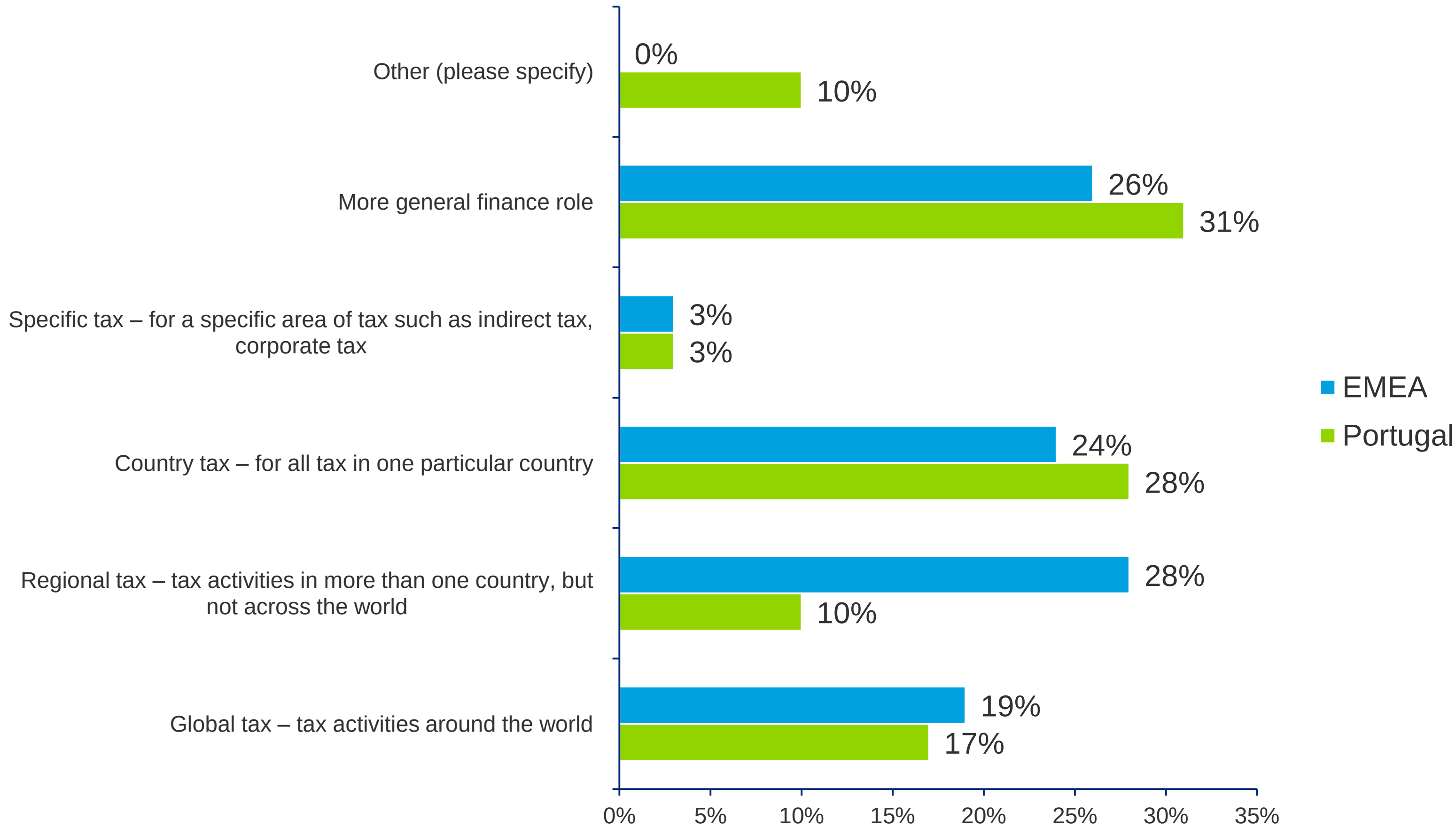
Detailed Study Findings

1. In how many countries does your organization have a physical presence, such as an office?



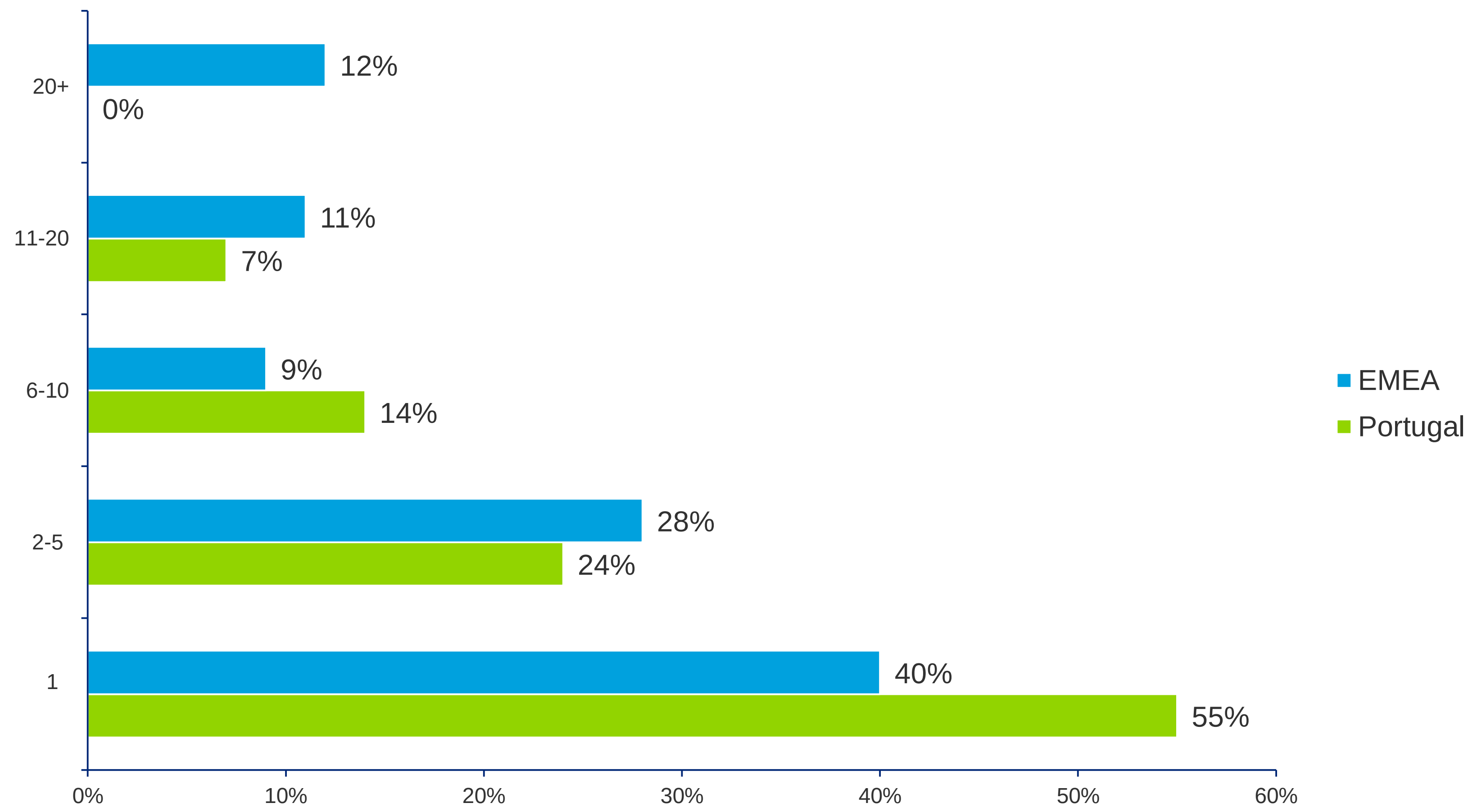
Key takeaway	35% of Portuguese companies have physical presence in 2 to 5 countries. In EMEA, in average, 40% of the companies have presence in more than 20 countries.

2. What area of tax or finance are you responsible for:



Key takeaway	31% of the Portuguese respondents have a more general finance role, whereas in EMEA 28% of respondents are responsible for Regional tax.

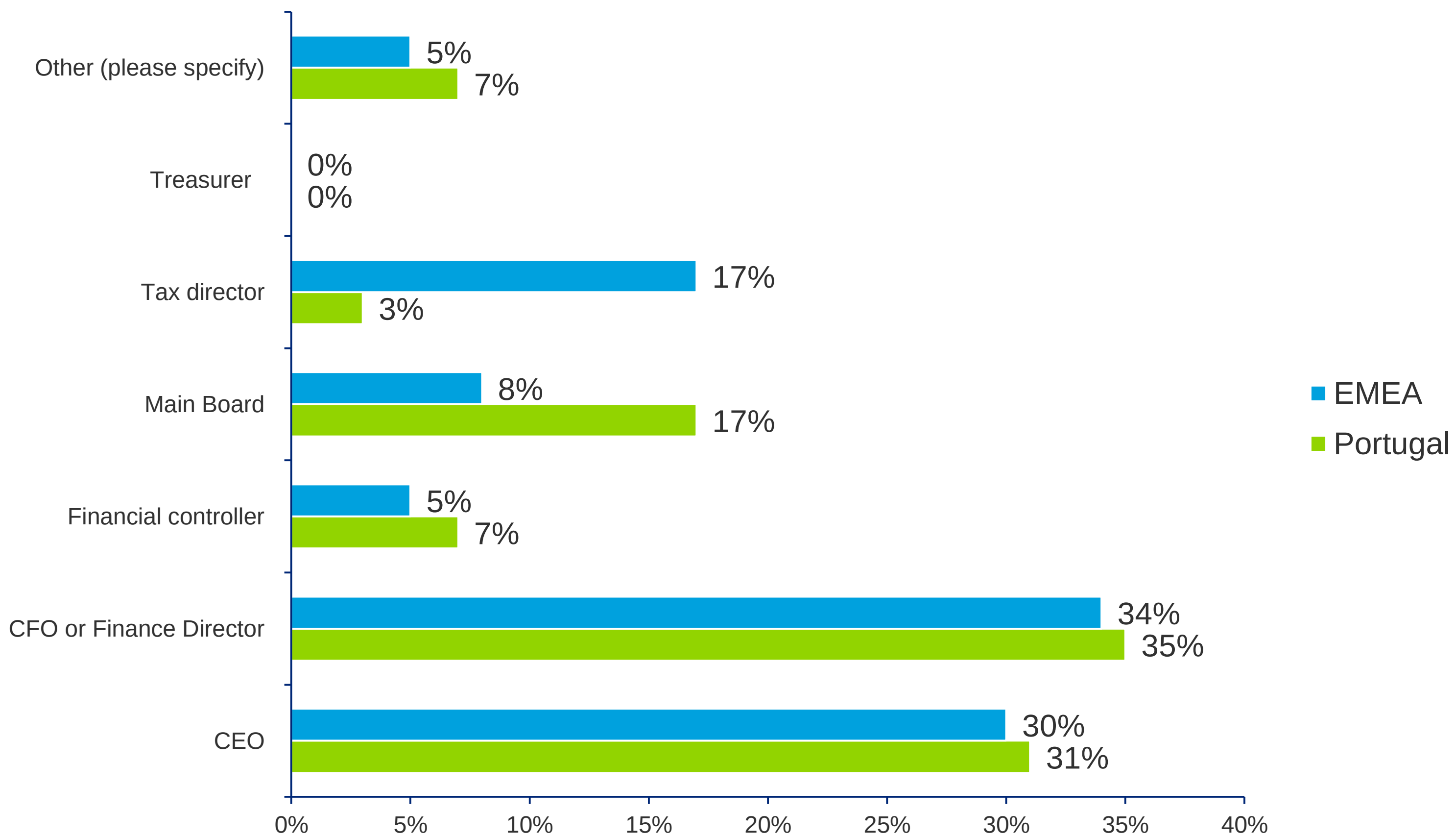
3. For how many countries do you personally have responsibility for your organisation's tax affairs?



Key takeaway

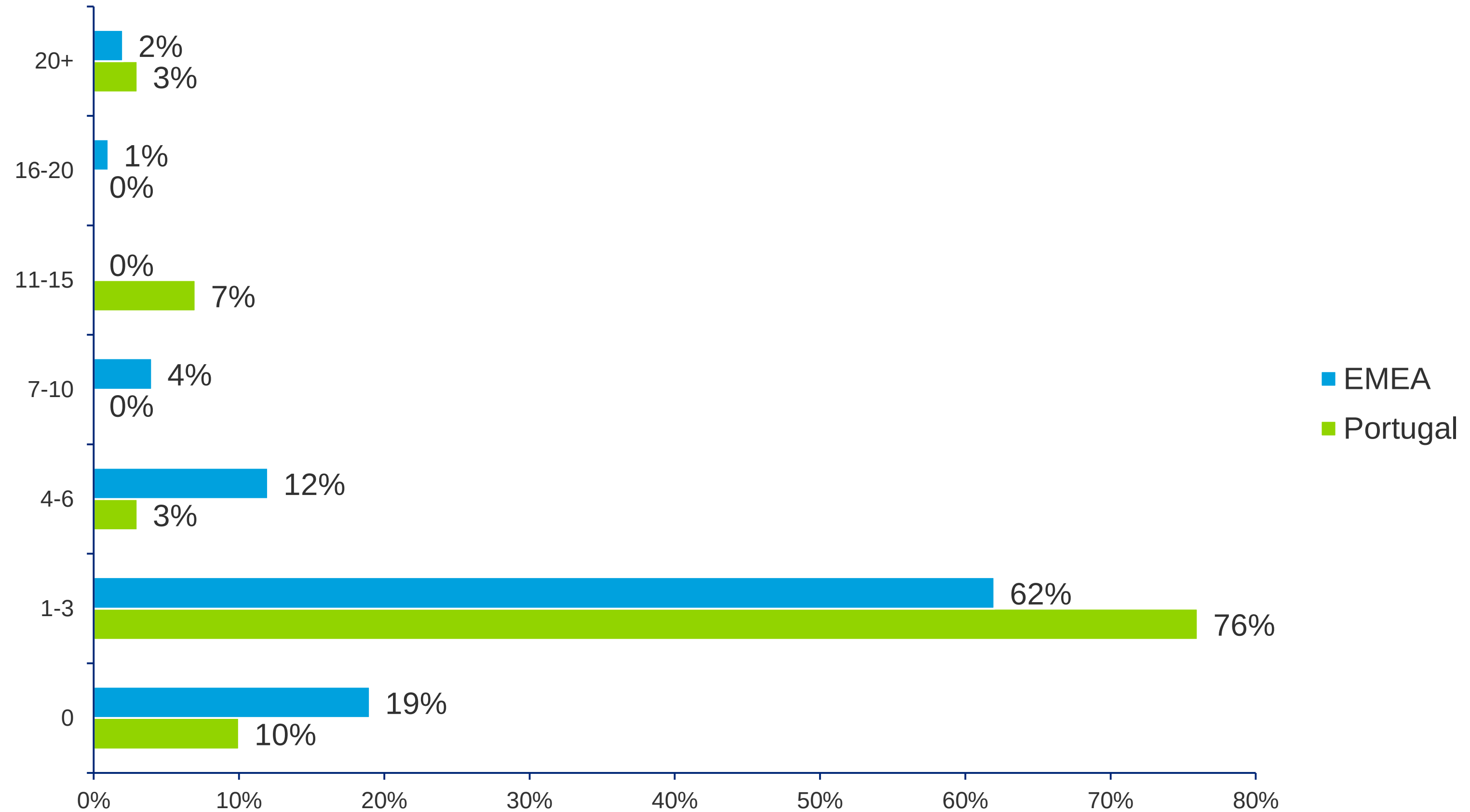
In Portugal, more than half of the respondents (55%) are only responsible for their organization's tax affairs in one country. Likewise, in EMEA the highest percentage of respondents, 40%, are responsible for just one country in terms of tax affairs.

4. Who do you report to:



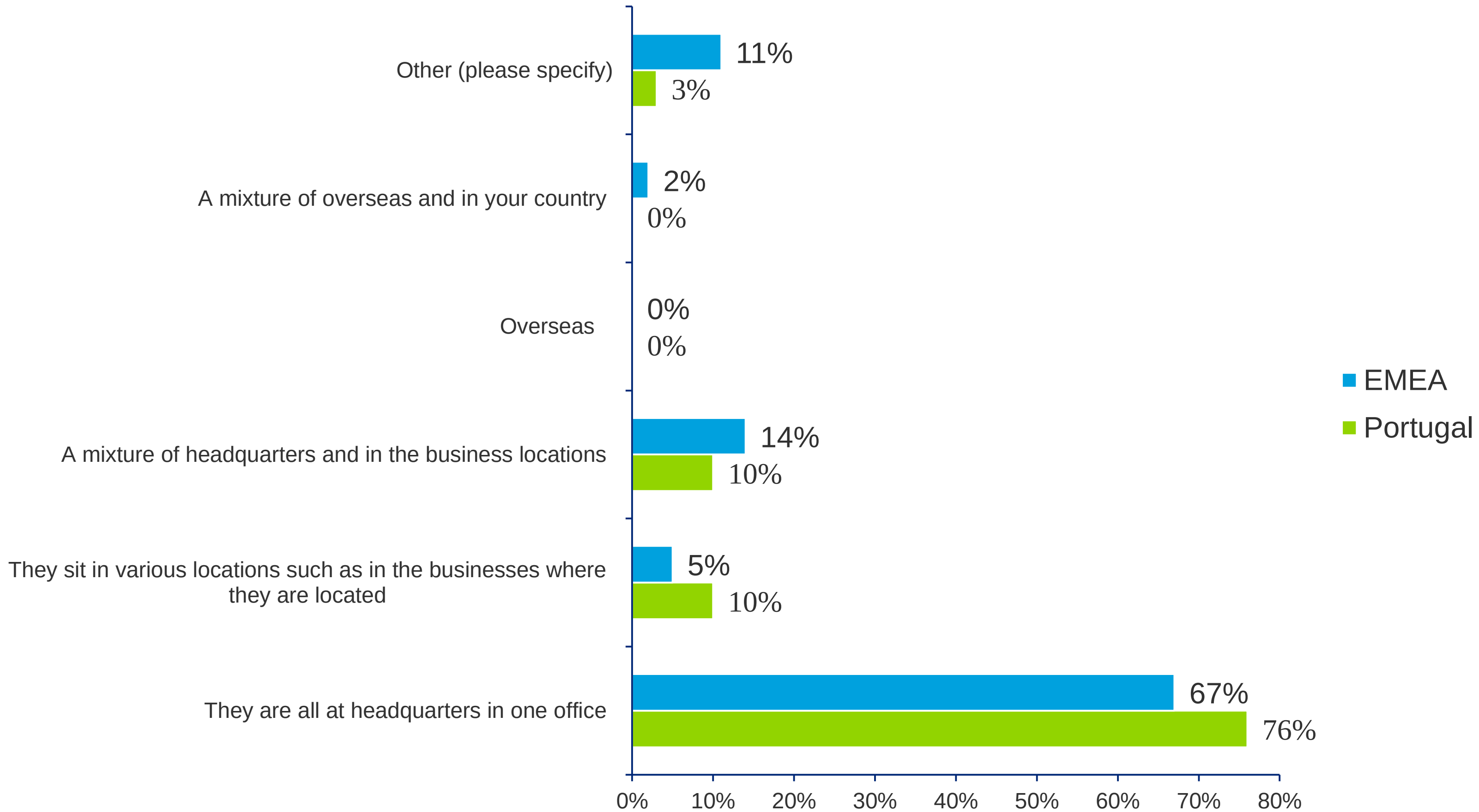
Key takeaway	In EMEA and in Portugal, most of the respondents report to the CFO or Finance Director (35% in Portugal and 34% in EMEA), followed closely by reports to the CEO (31% and 30% respectively).

5. How many people (full time equivalents) are employed in the tax function or department in your country?



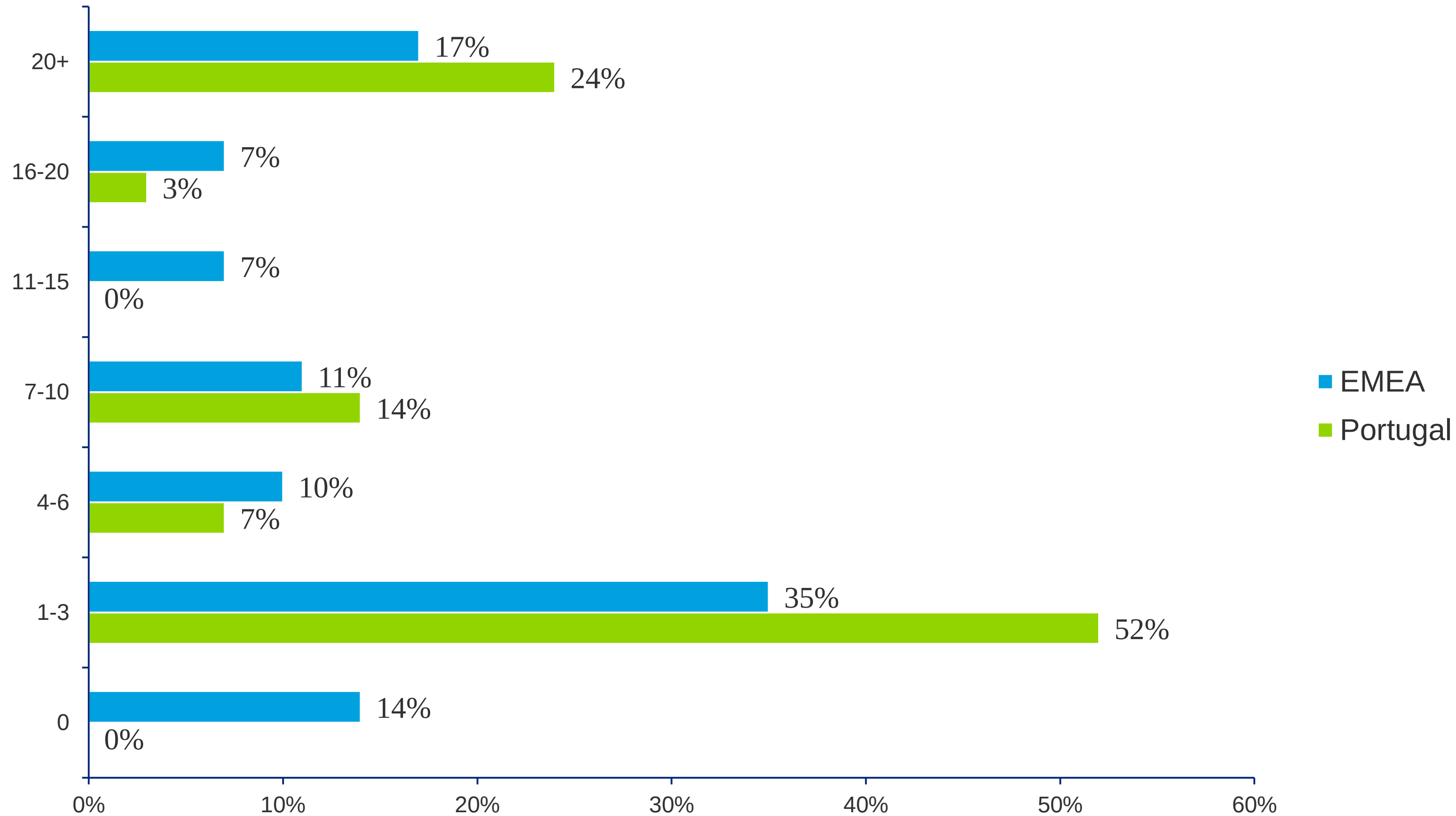
Key takeaway	76% of Portuguese companies have 1 to 3 people working in the tax department. In EMEA, about 62% of companies have that same amount of people employed in the tax function.

6. Where are these people located?



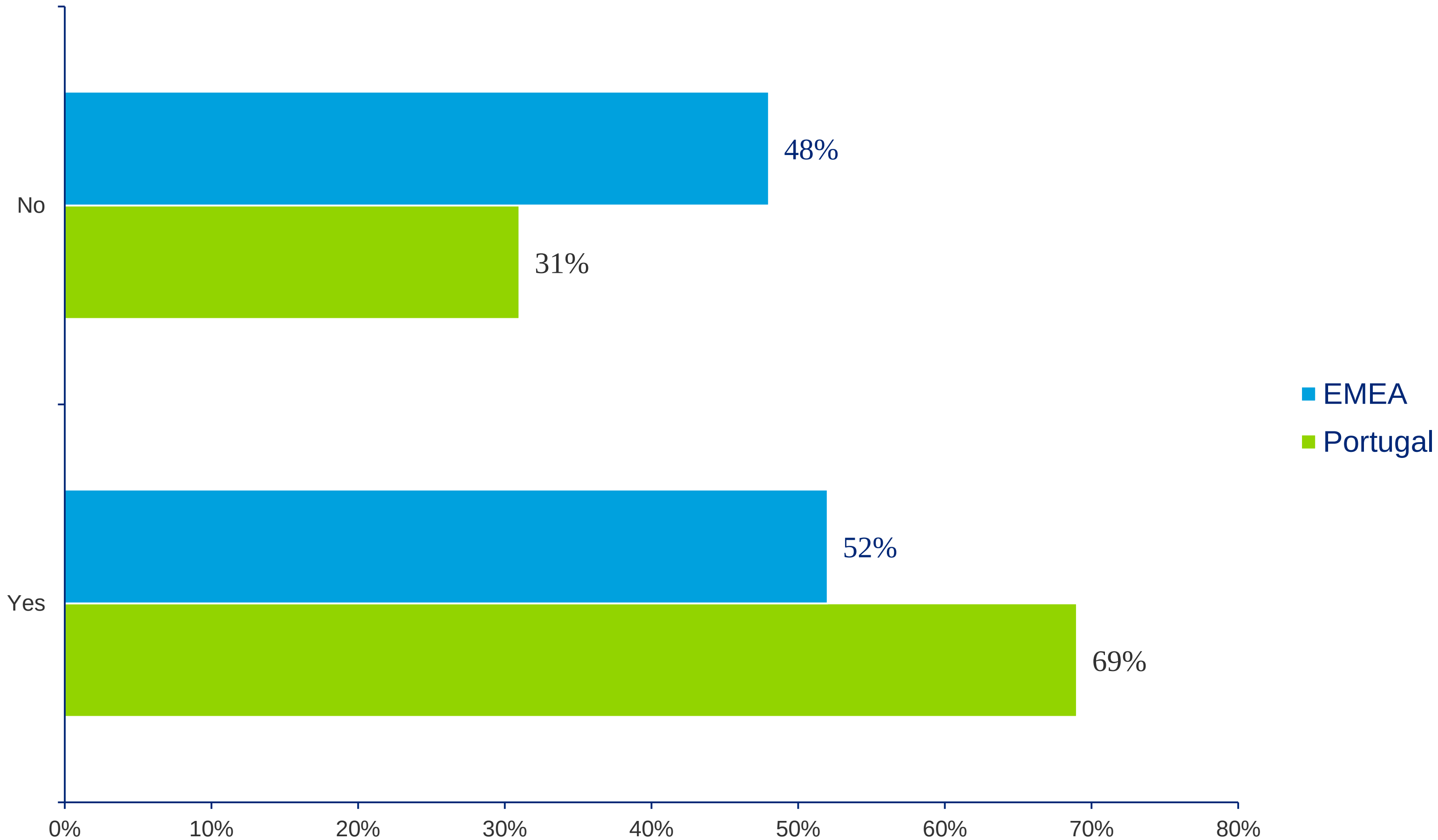
Key takeaway	In Portugal and in EMEA most of the tax employees work at the headquarters in one office. 76% in Portugal and 67% in EMEA.

7. How many people (full time equivalents) are employed in all of the tax functions throughout your organisation?



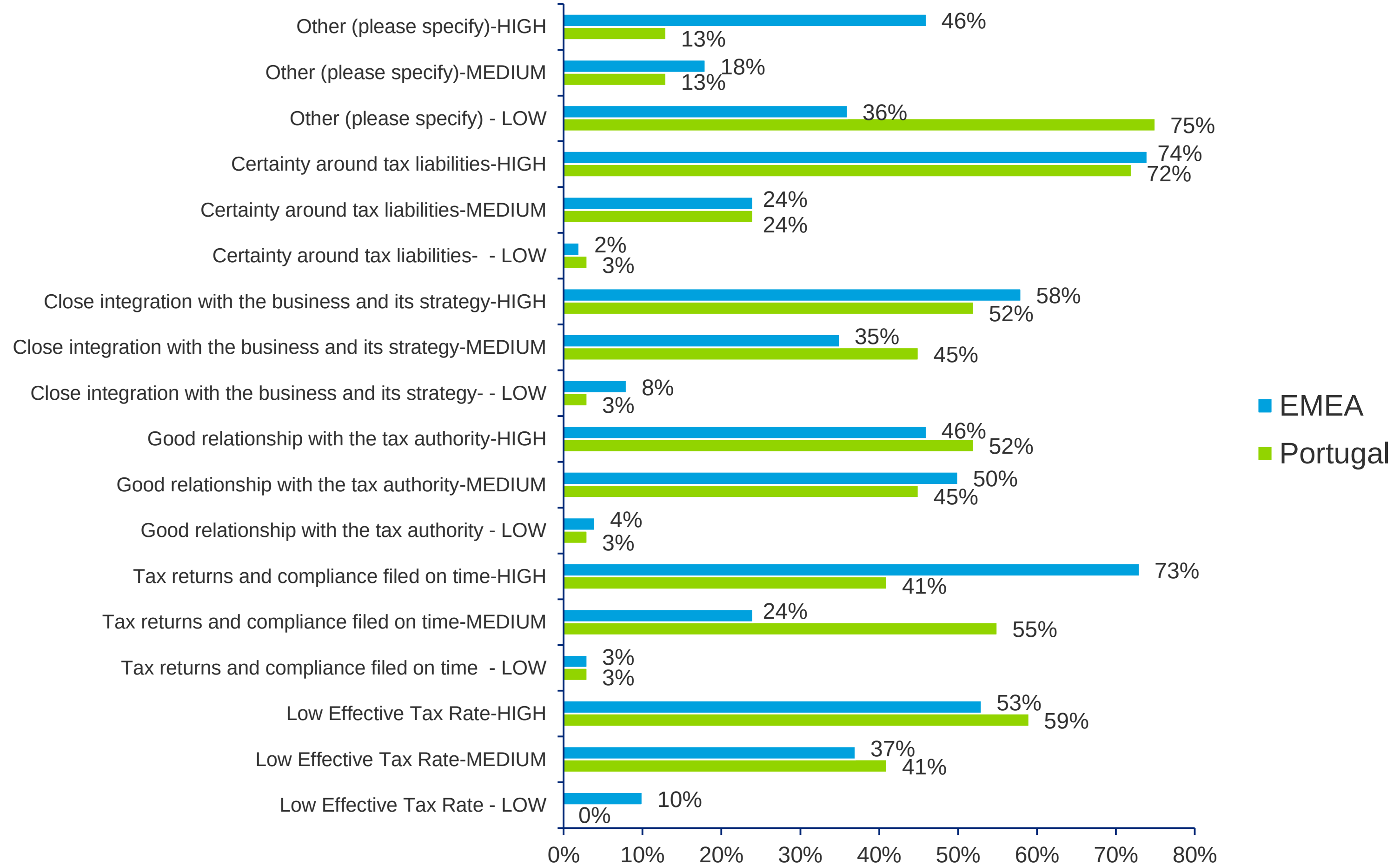
Key takeaway	In Portugal and in EMEA most of the organizations have 1 to 3 employees in tax functions. 52% in Portugal and 35% in EMEA.

8. Do you have a shared service center for Finance within your organization?



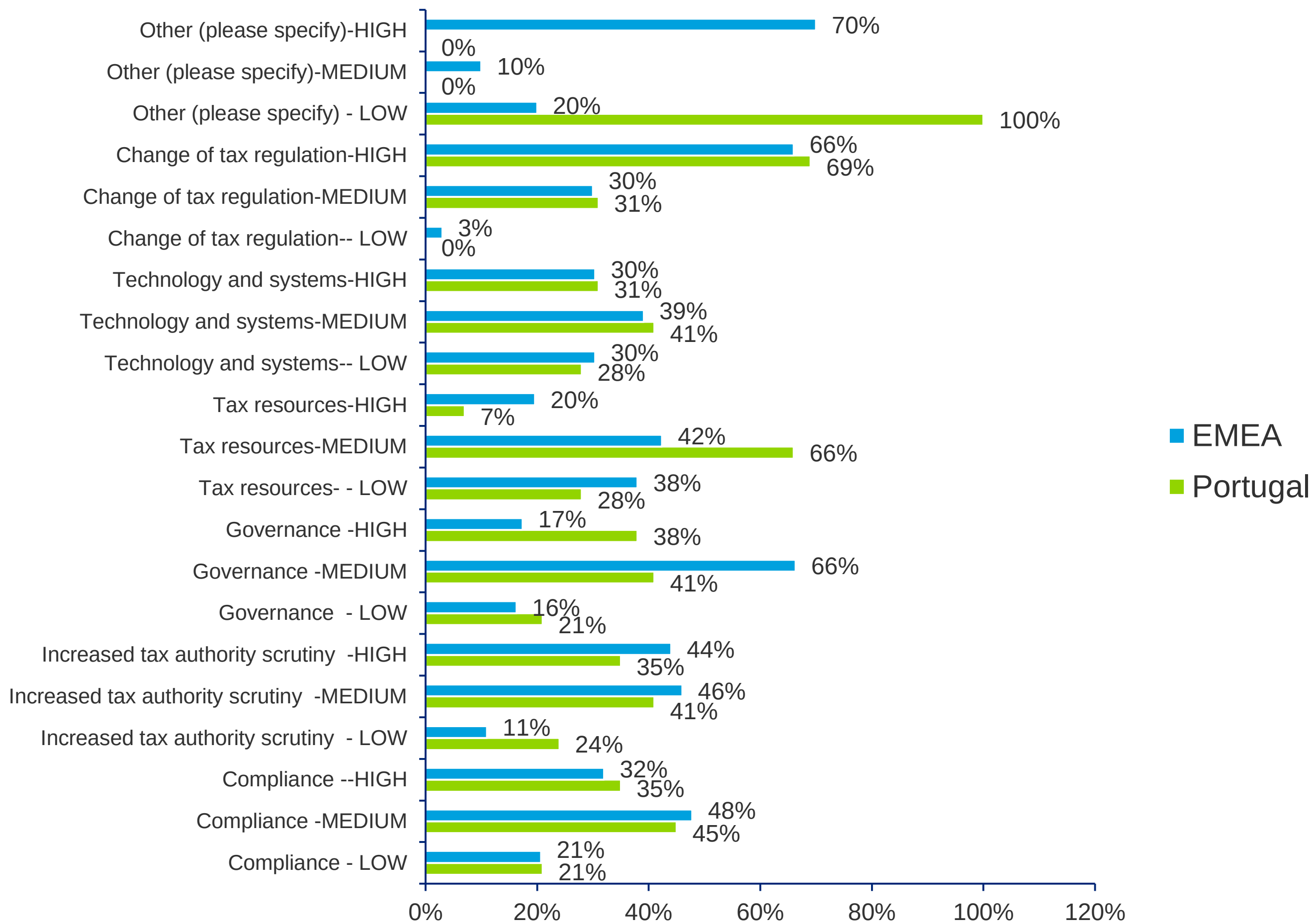
Key takeaway	Currently, 69% of respondents have a shared service center for Finance in Portugal, which is clearly higher than the EMEA average.

9. When thinking of what success looks like for you, which of the following are most important?



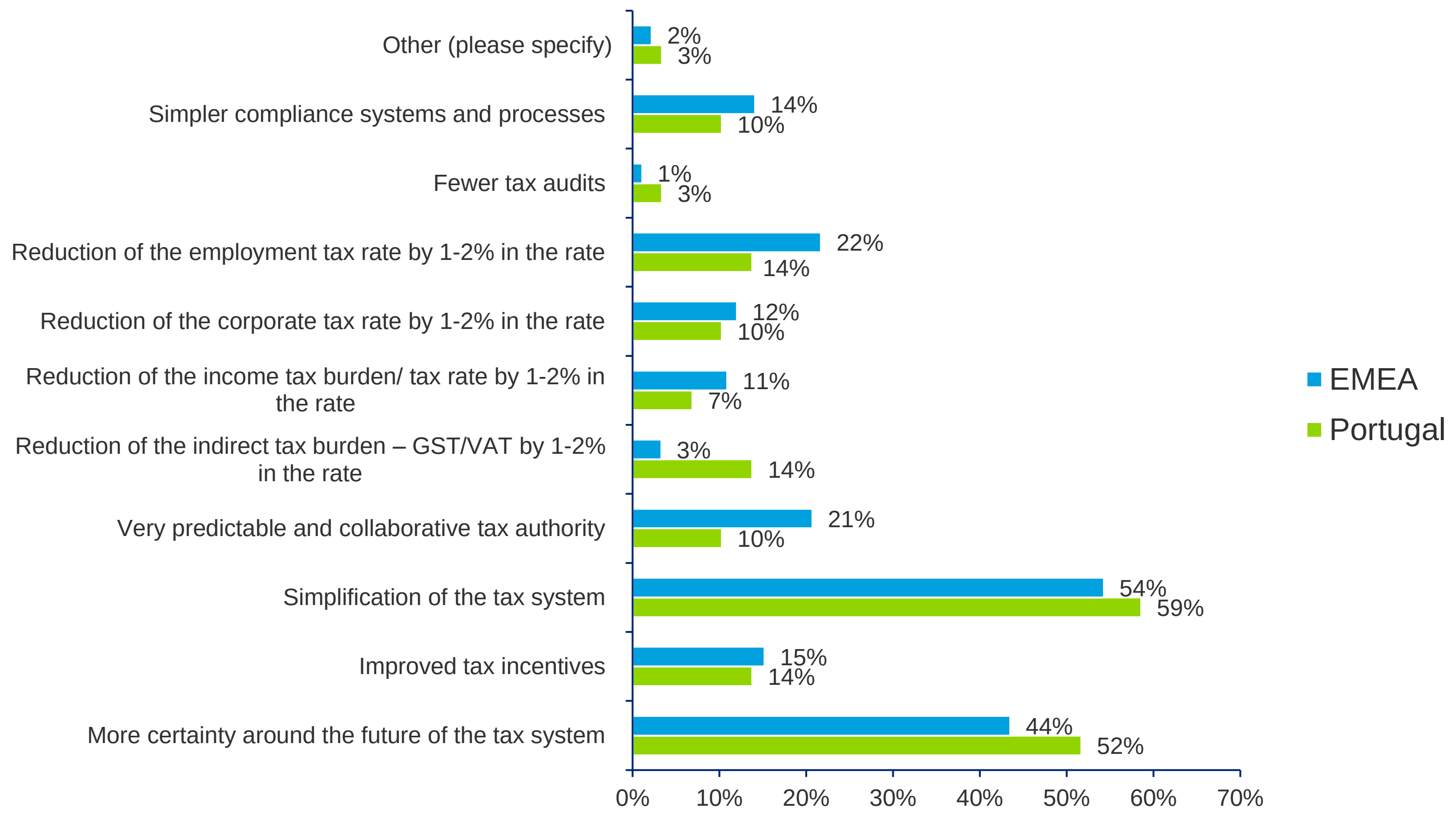
Key takeaway	For 72% of Portuguese respondents and for 74% of EMEA respondents, certainty around tax liabilities are highly important when thinking about success.

10. Which tax risks and uncertainties concern you most, weigh on your mind or keep you awake at night?



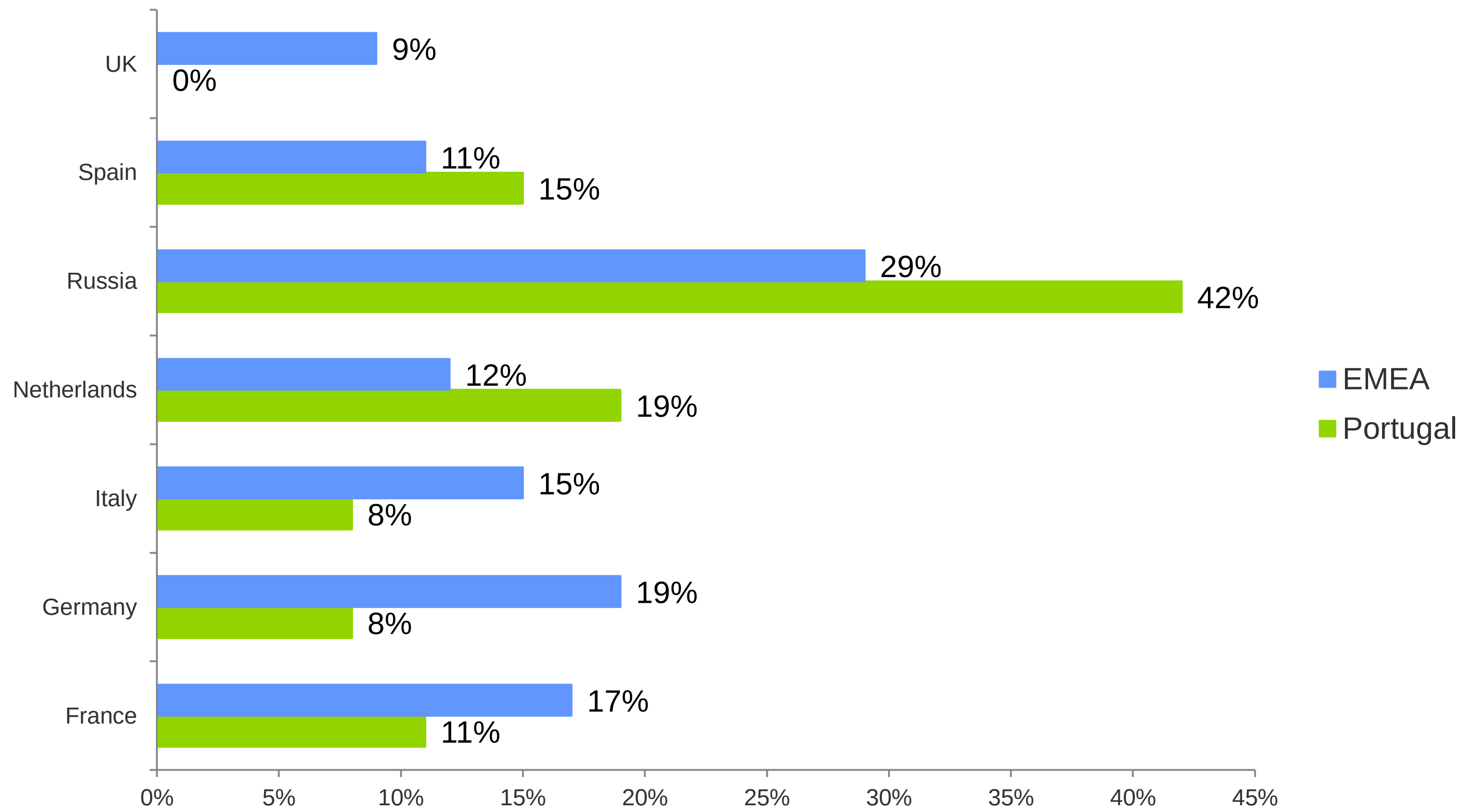
Key takeaway	The main concern for Portuguese respondents (69%) are changes of tax regulation.

11. What change(s) to your country's tax legislation do you think would have the greatest positive impact on your country's commercial competitiveness?



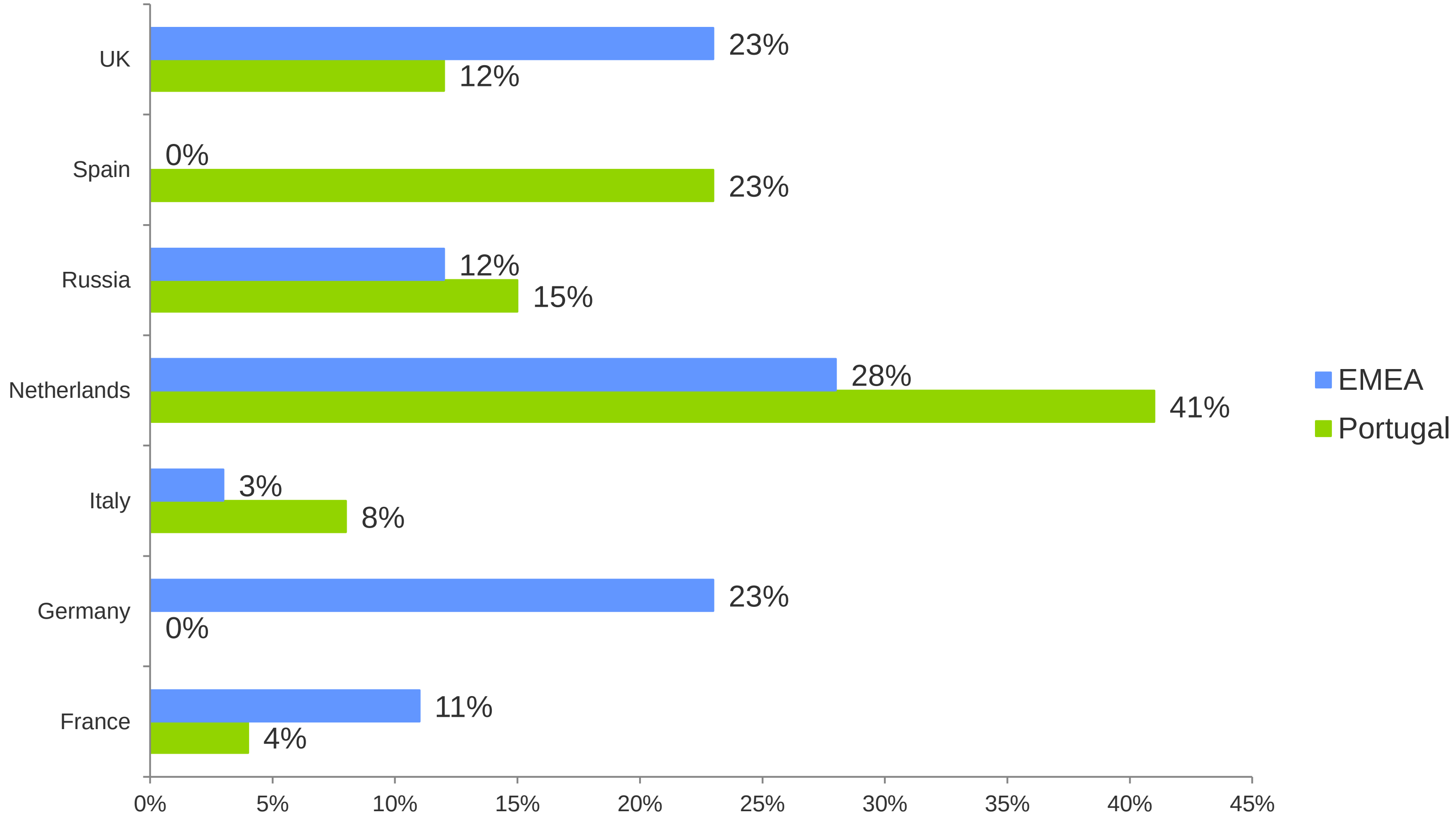
Key takeaway	The Portuguese tax community is seeking simplifications of the tax system (59%) and more certainty around the future of the tax system (52%). These results are in line with the EMEA average.

12. Please rank the following major European economies in order of most challenging/difficult for your organization to operate in, in terms of tax?



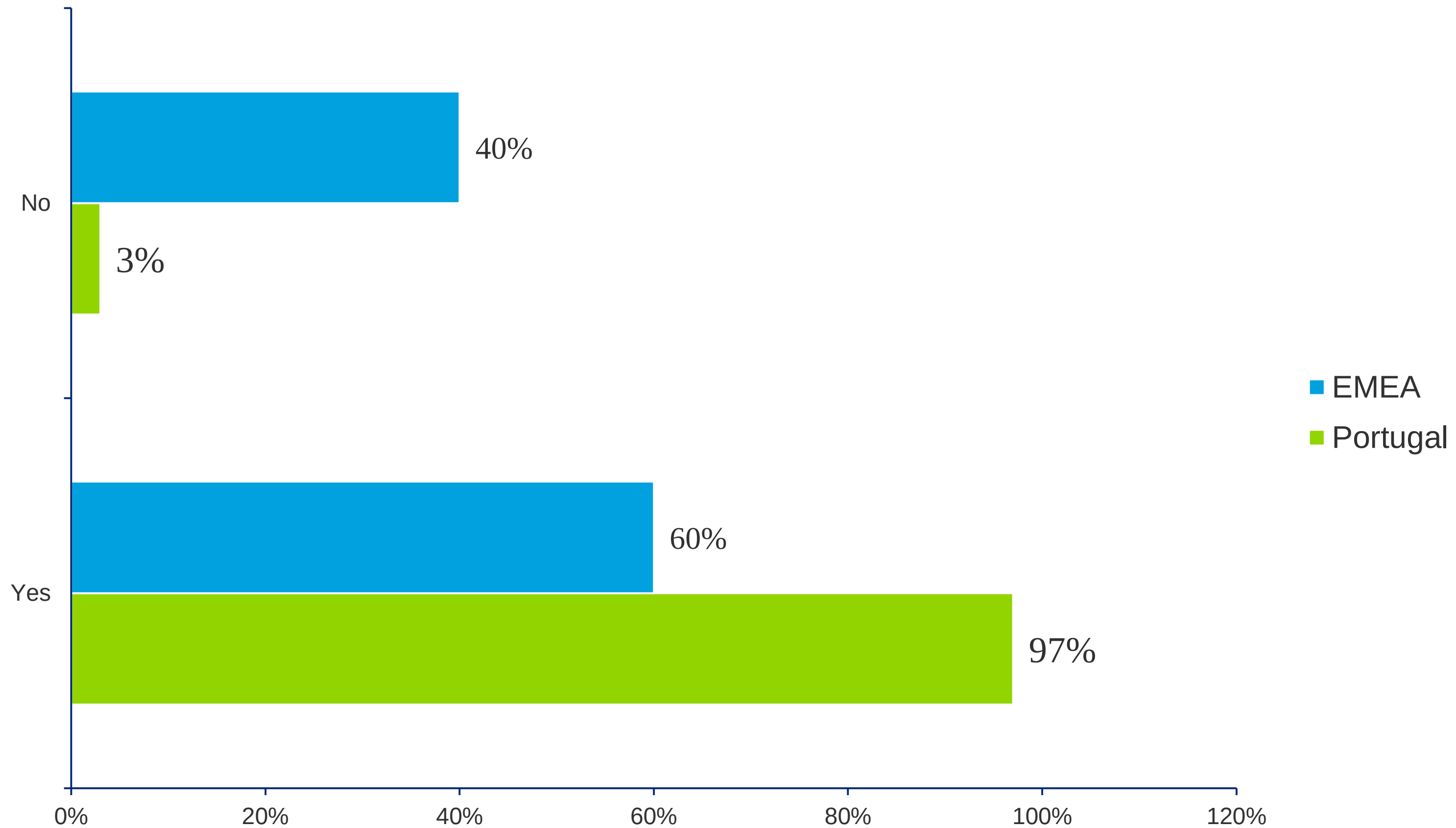
Key takeaway	42% of Portuguese respondents say that the most difficult European economy for their organization to operate in is Russia. For EMEA respondents Russia is the hardest economy to operate in as well, but the percentage is much lower than in Portugal, at only 29%.

13. Please rank the following major European economies in order of most favorable or easiest for your organization to operate in, in terms of tax.



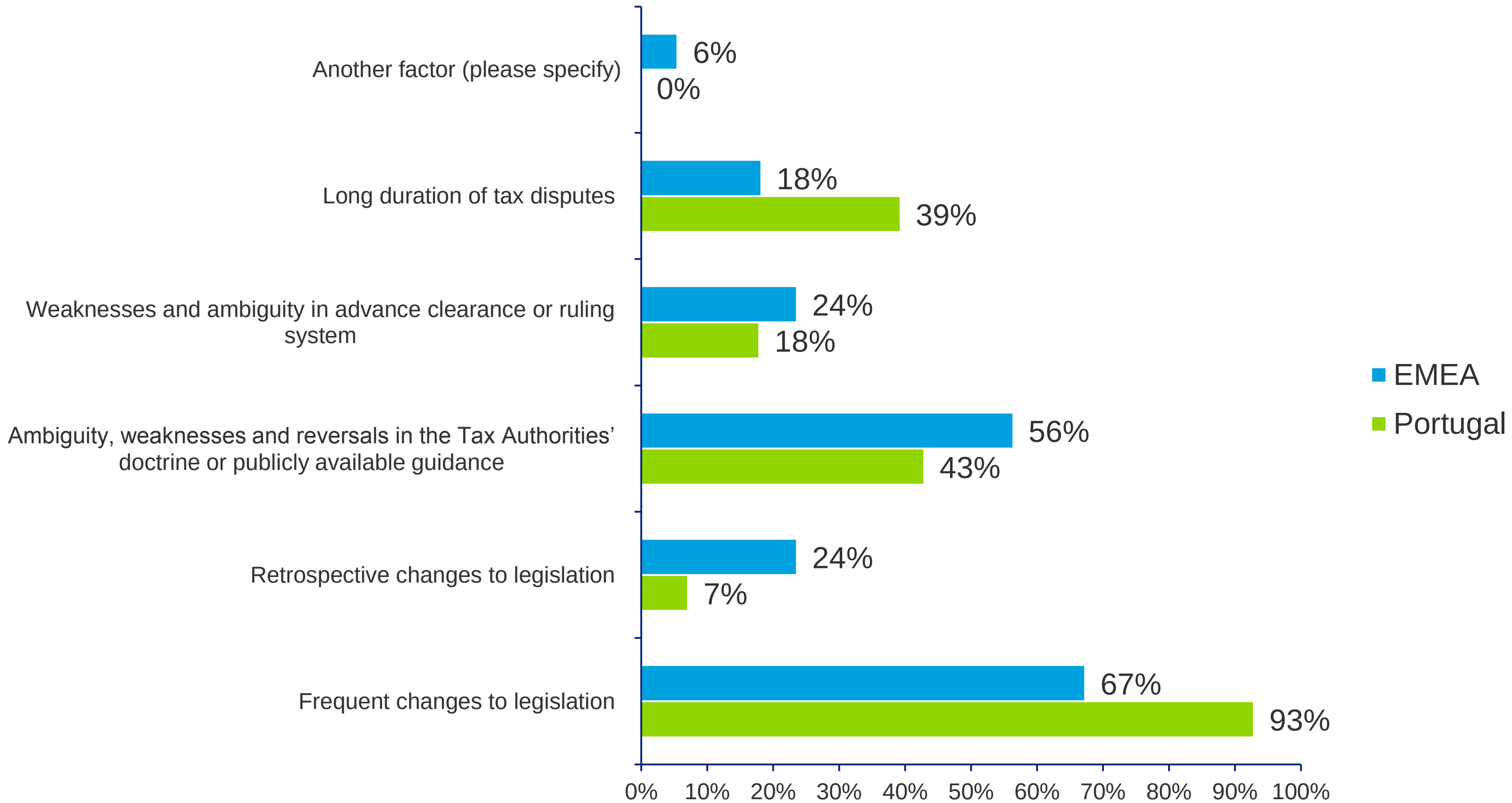
Key takeaway	Concerning favorable European economies for their organization, most of the respondents in Portugal (41%) find the Netherlands as the most favorable one. 28% of EMEA respondents share the same opinion.

14. Do you think there is a high degree of tax uncertainty in your country (in which you are based)?



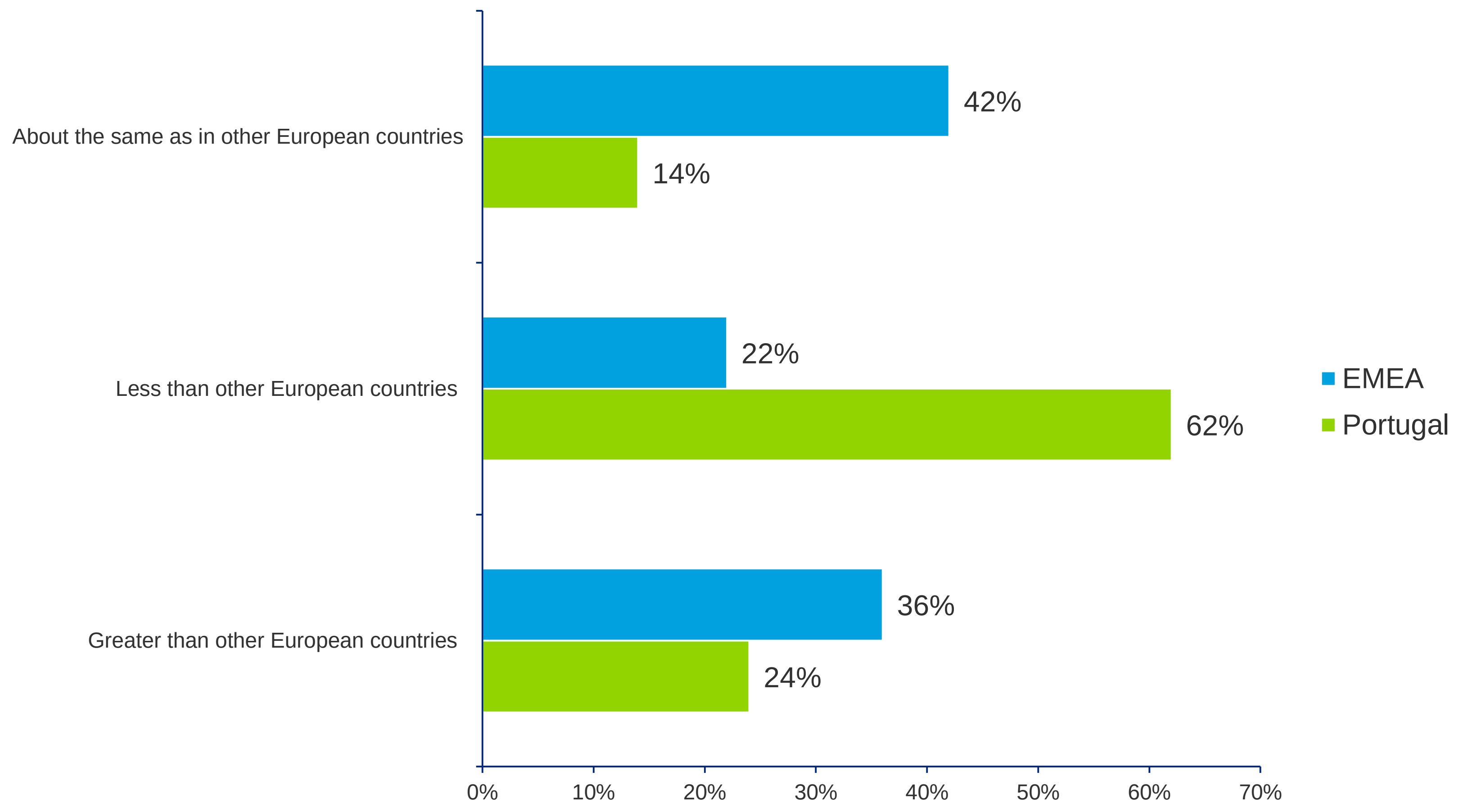
Key takeaway	For the majority of Portuguese respondents (97%) there is a high degree of tax uncertainty in their country. This almost unanimous response contrasts with a 60% average from EMEA respondents.

14a. If Yes, what are the two most significant causes of tax uncertainty in your country?



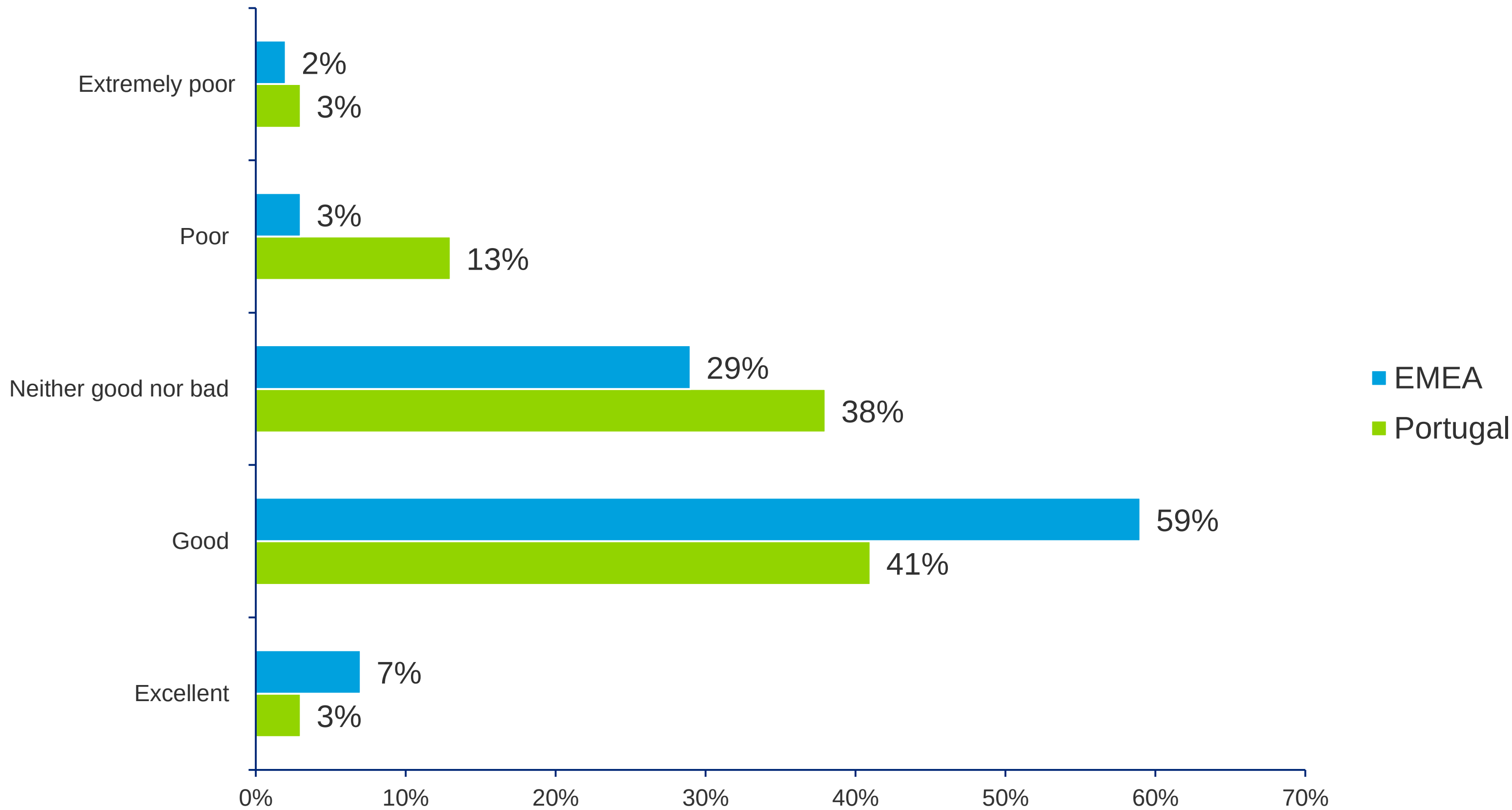
Key takeaway	The main cause for tax uncertainty are frequent changes to legislation for both Portugal and EMEA, 93% and 67%, respectively. Another cause is ambiguity, weaknesses and reversals in the Tax Authorities' doctrine or publicly available guidance with 43% of responses in Portugal and 56% in EMEA.

15. Overall, do you believe tax certainty in your country is:



Key takeaway	Portugal does not score well when compared with the other countries surveyed: 62% (versus 59% in 2013) consider that tax certainty in Portugal is not as good as in other countries, much higher than the 22% score for EMEA.

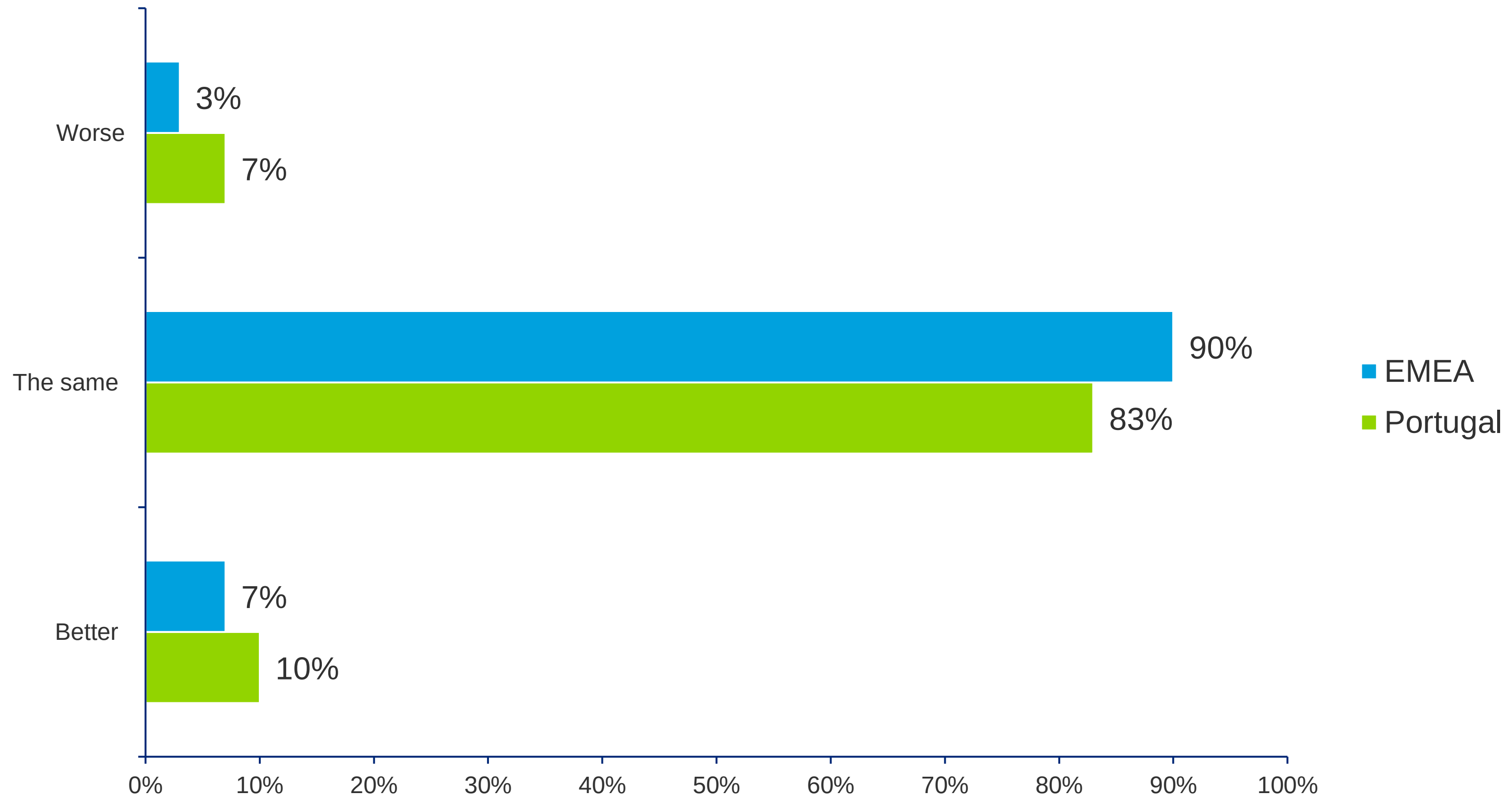
16. With reference to the country in which you are based, how would you describe the relationship with your local Tax Authority in general?



Key takeaway

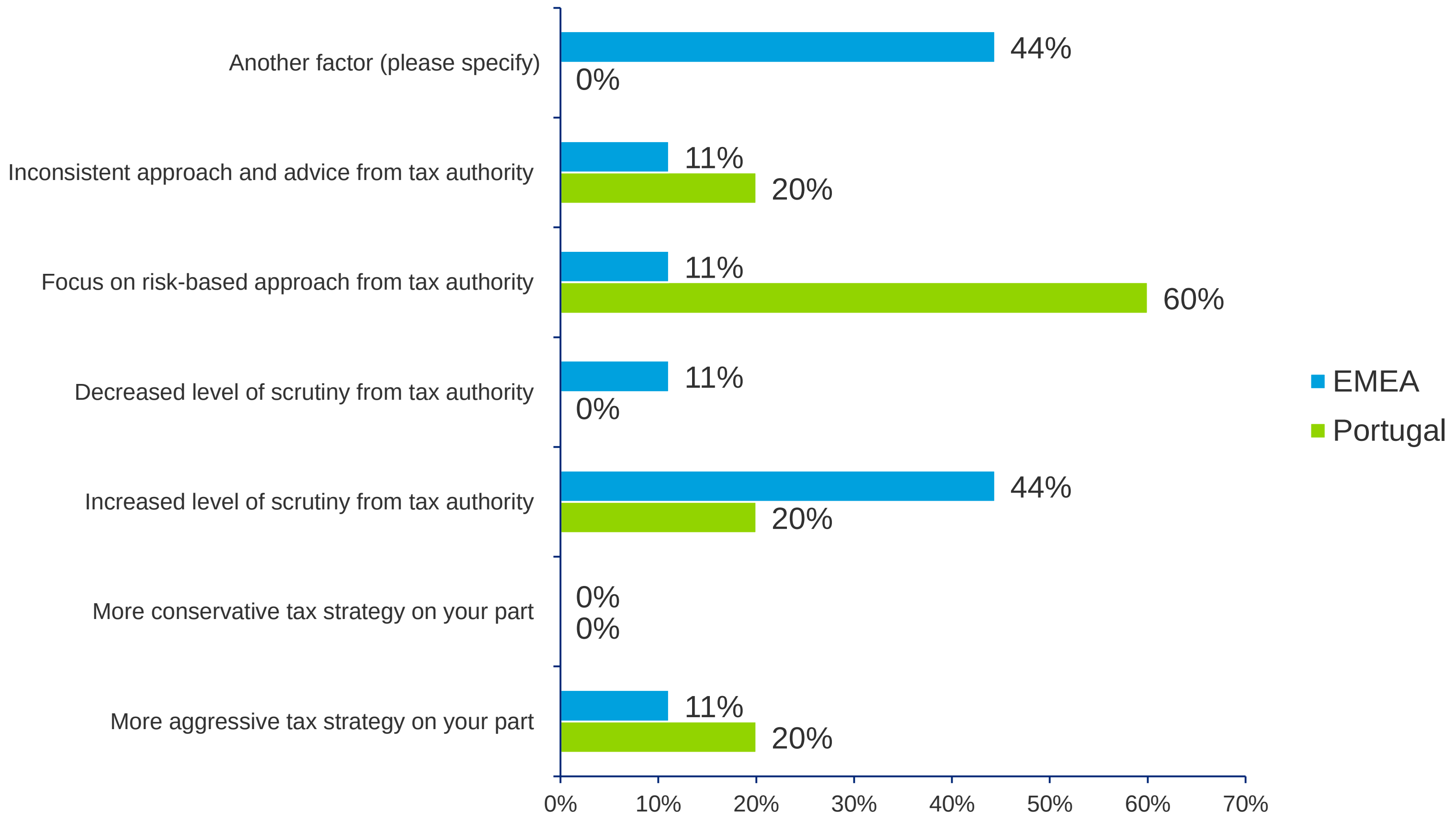
41% of Portuguese respondents consider that they have a good relationship with their local Tax Authority in general. Only 3% of the Portuguese respondents consider they have an extremely poor and, identically, an excellent relationship with their local Tax Authority.

17. How is your relationship with your Tax Authority compared to a year ago?



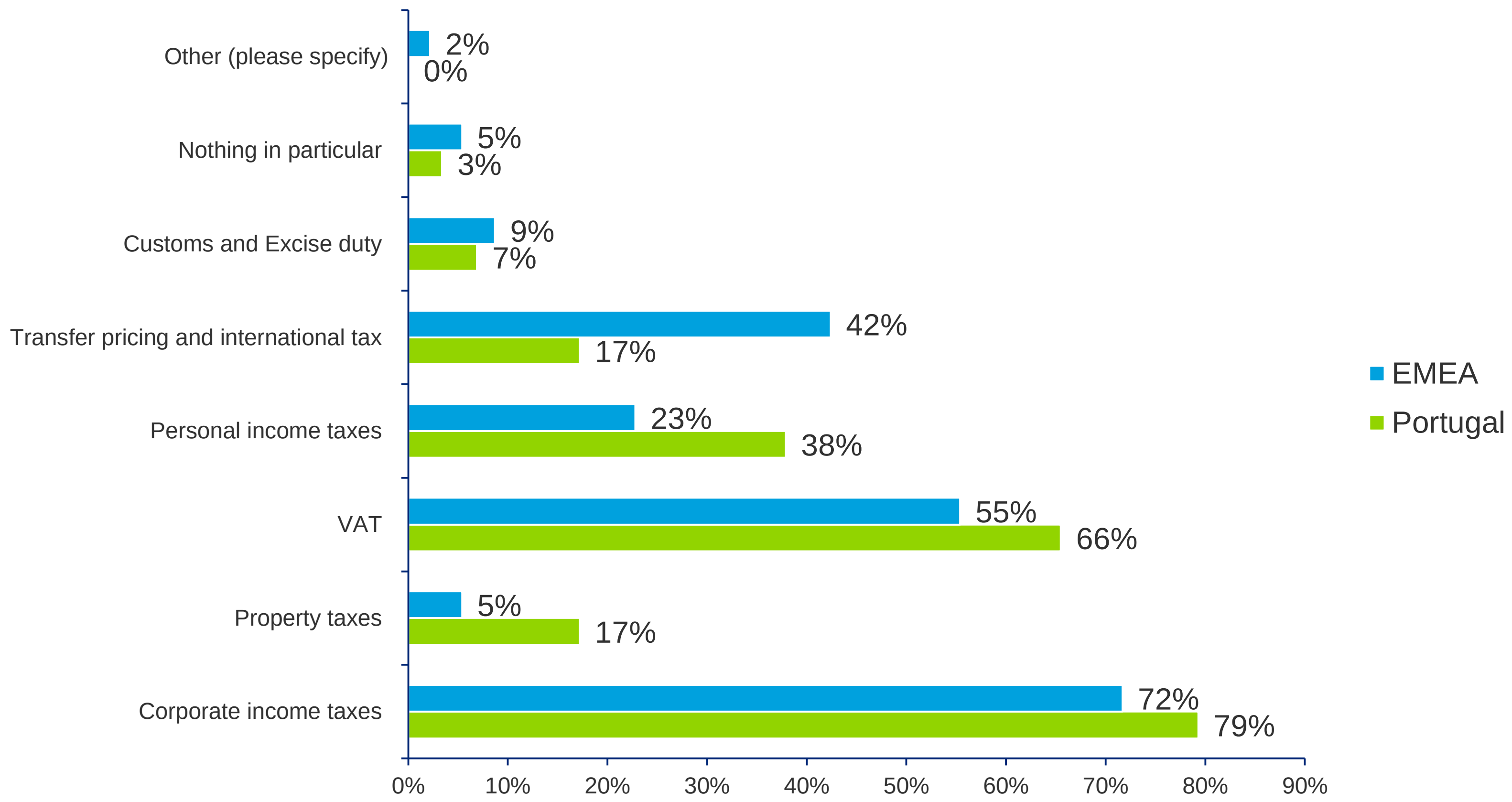
Key takeaway	83% of the Portuguese respondents consider that their relationship with the Tax Authority is the same compared to a year ago. 10% consider that the relationship is better and 7% consider it worse.

17a. If you answered 'Better' or 'Worse', do you believe your relationship with the Tax Authority has changed due to:



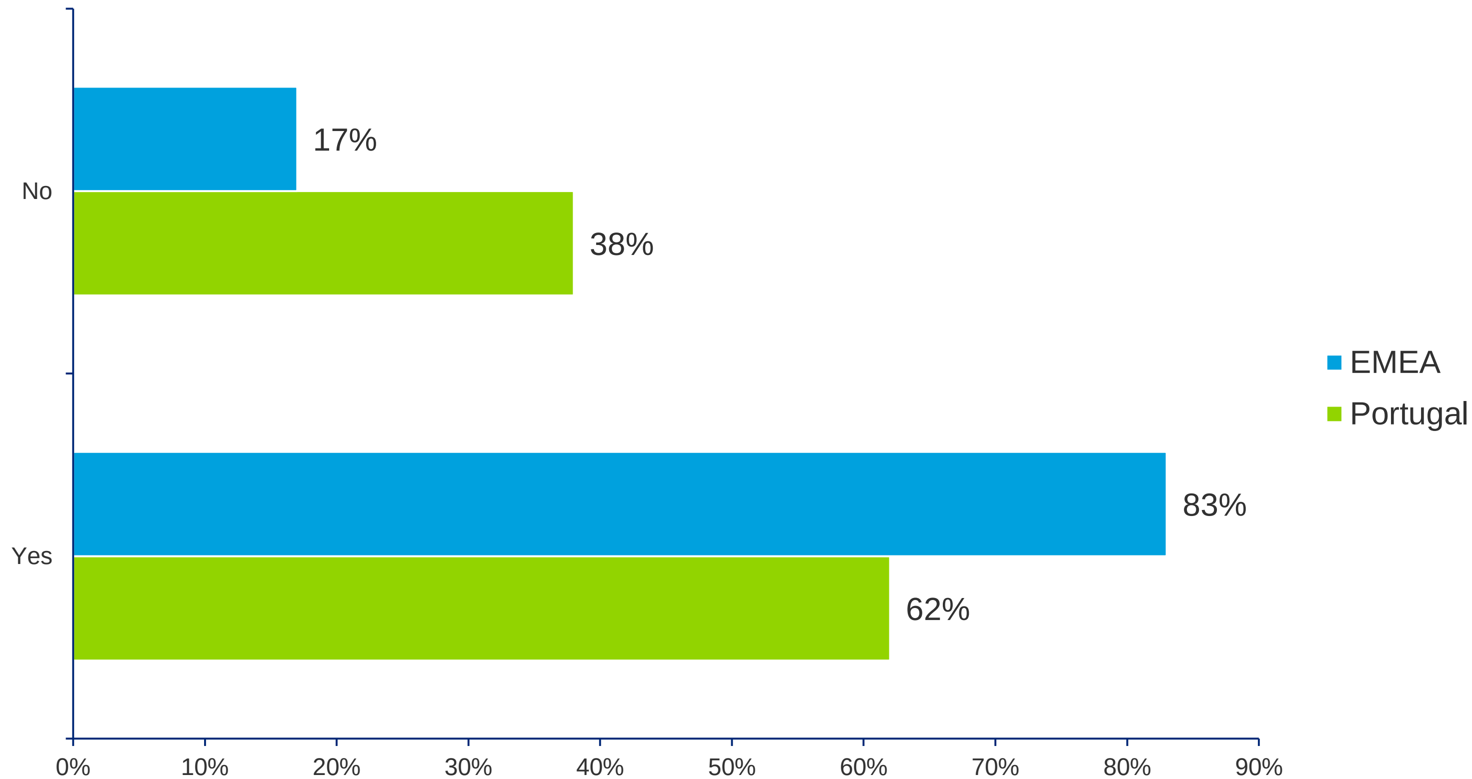
Key takeaway	Respondents who said their relationship was better or worse with the Tax Authority justified this answer with the focus on risk-based approach from the Tax Authority.

18. With reference to the country in which you are based, in which area is the local Tax Authority focusing most?



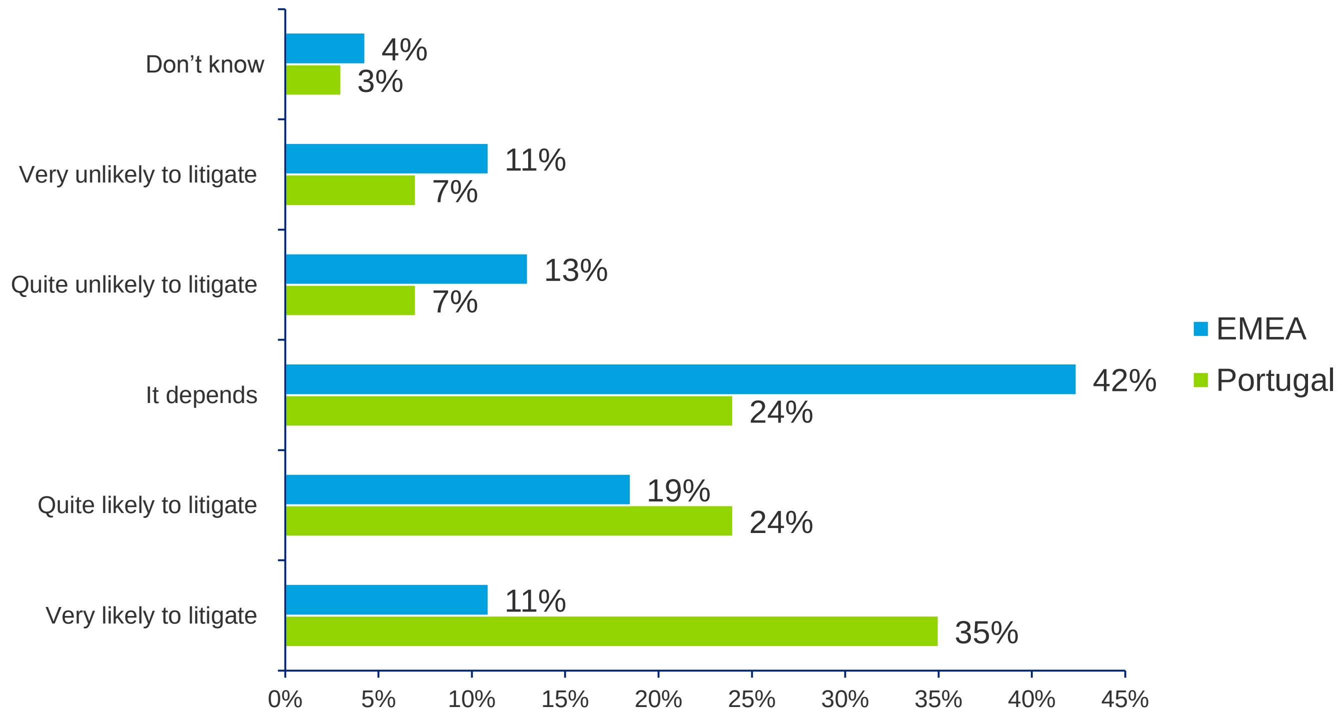
Key takeaway	According to 79% of the respondents, the local Tax Authority is focusing mostly on Corporate Income Taxes, followed by VAT (66%).This tendency follows the EMEA average, except for Transfer pricing and international tax, with 42% of responses from EMEA and only 17% in Portugal.

19. With reference to the country in which you are based, has your organisation been audited by a department of a tax administration in the last three years?



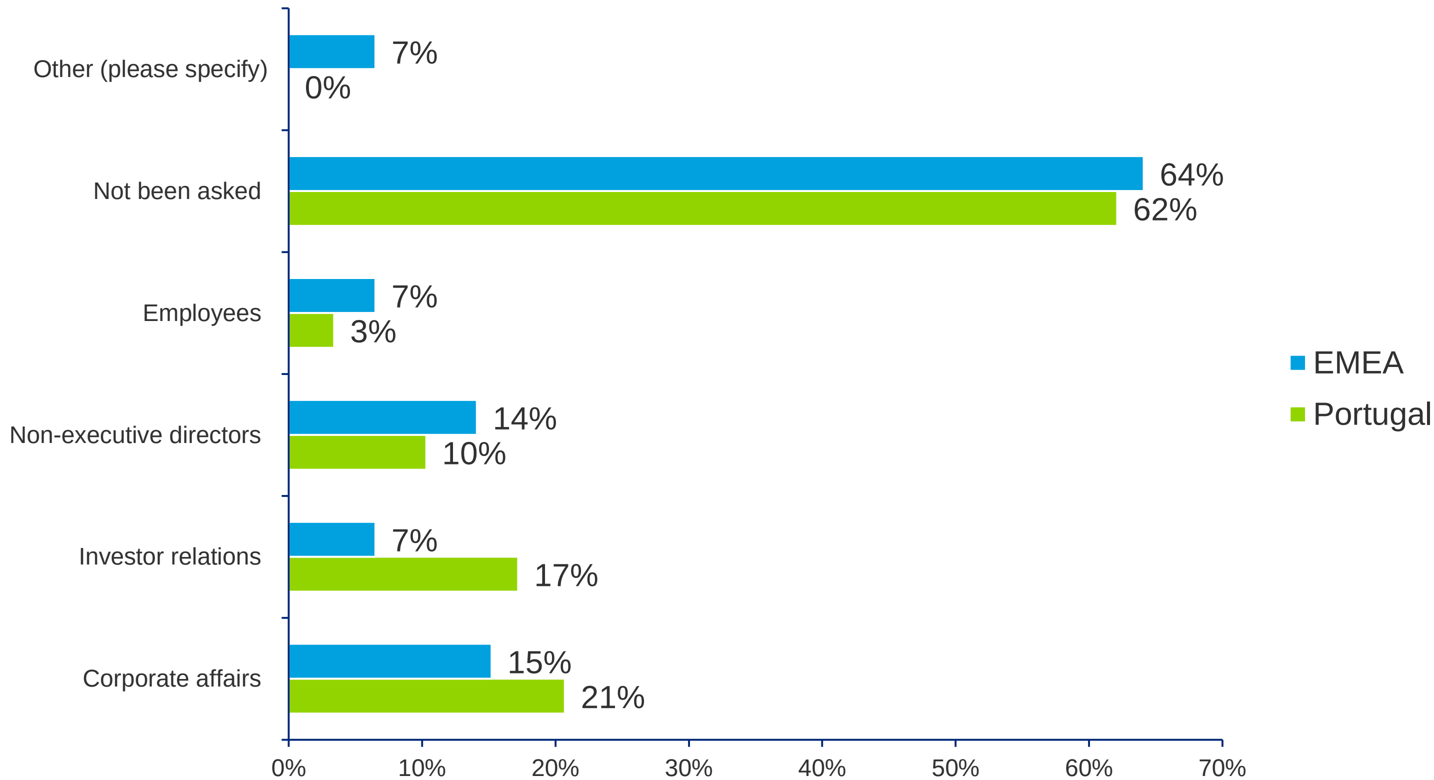
Key takeaway	62% of Portuguese respondents said that their organization has been audited in the last three years, While as for EMEA 83% of the respondents said that their company been audited in the past three years.

20. If your organisation was subject to a tax audit and the outcome was not satisfactory in your opinion, how likely do you think your organisation would be to litigate in Court to seek a more satisfactory resolution?



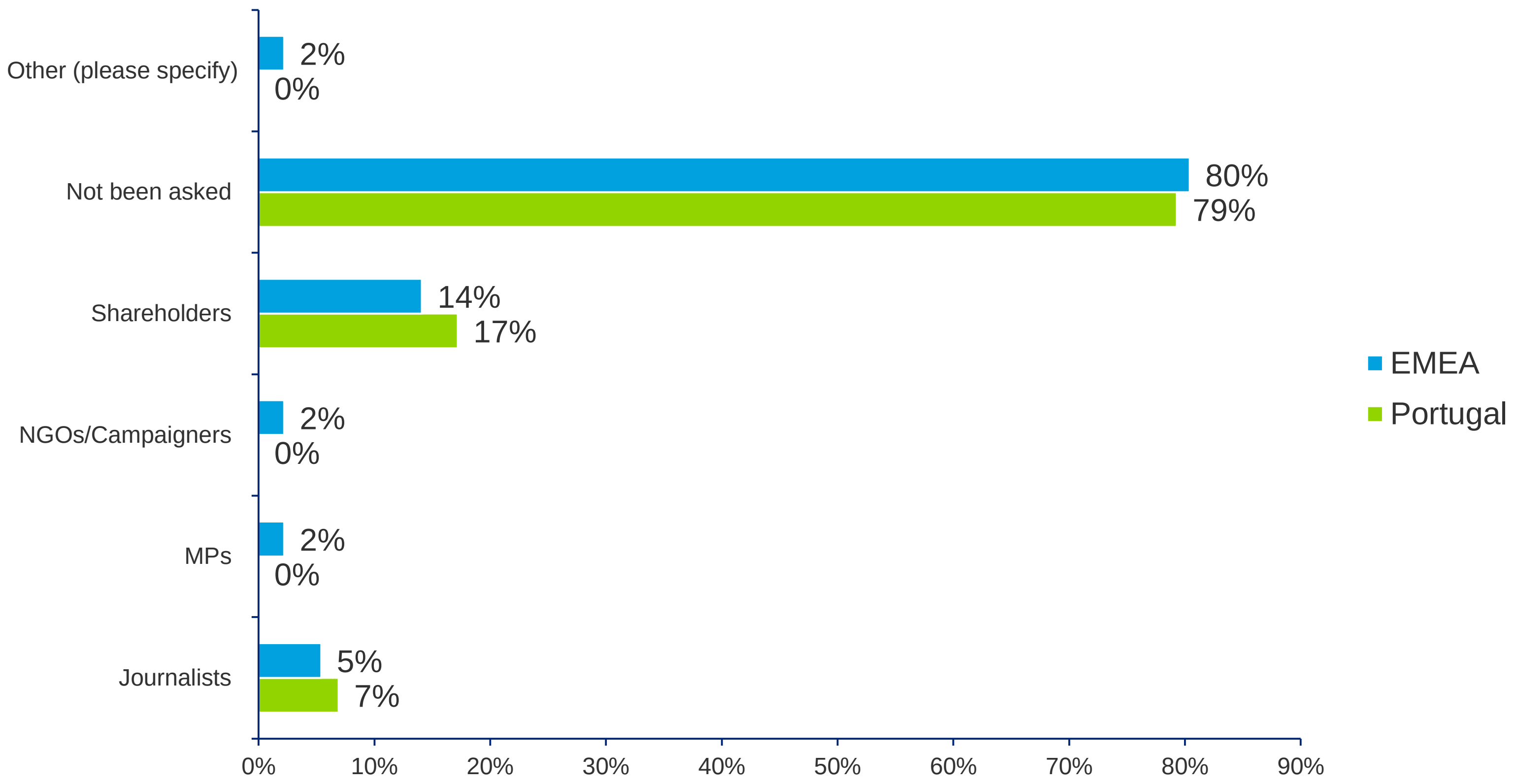
Key takeaway	According to 35% of Portuguese respondents their company will be very likely to litigate if the outcome of a tax audit was not satisfactory. Only 11% of EMEA respondents find it very likely to litigate.

21. Over the past twelve months, have you been asked to justify your tax strategy by any of the following internal stakeholders?



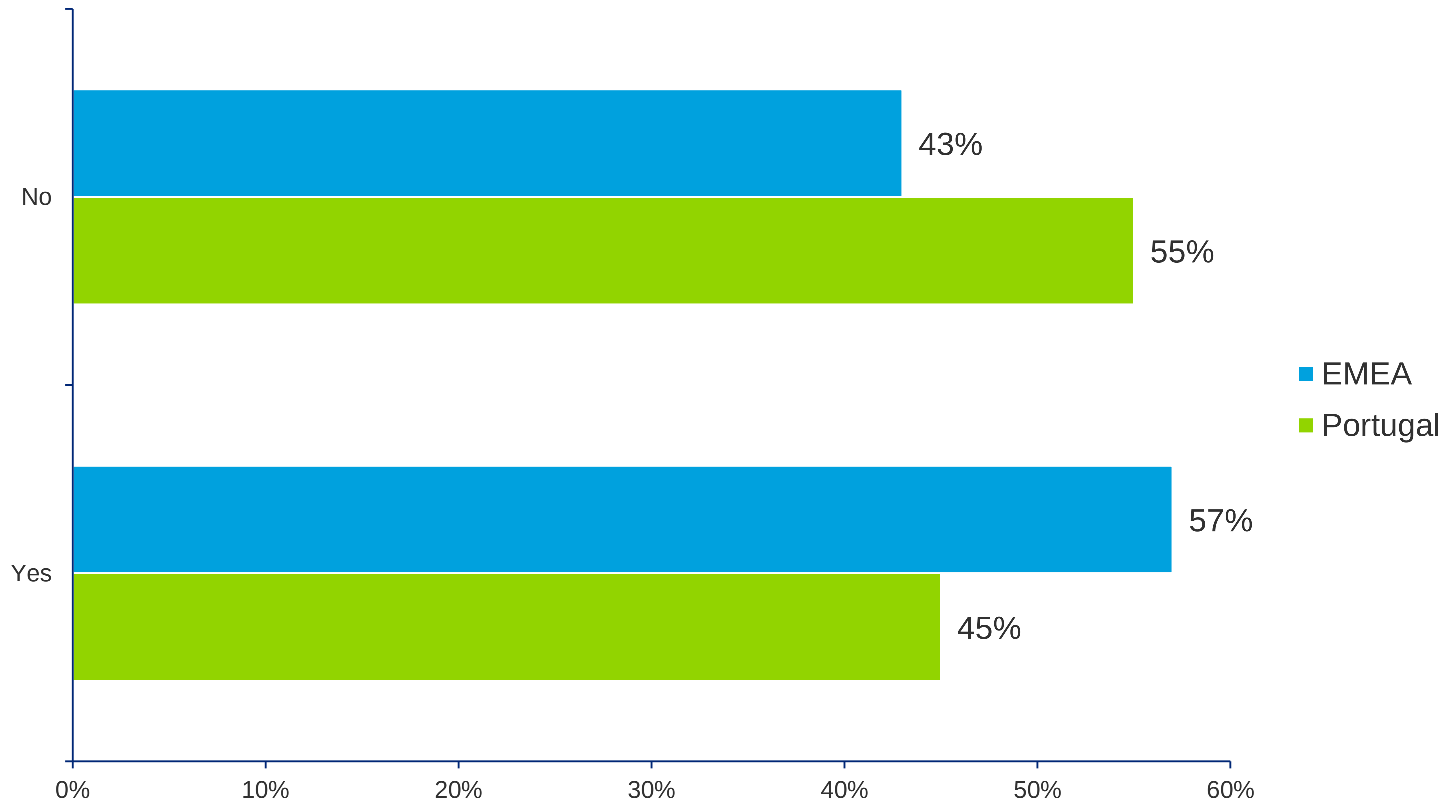
Key takeaway	In Portugal (62%) and in EMEA (64%) most of the respondents have not been asked to justify their tax strategy by their internal stakeholders.

22. Over the past twelve months, have you been asked to justify your organisation's tax strategy by any of the following external stakeholders?



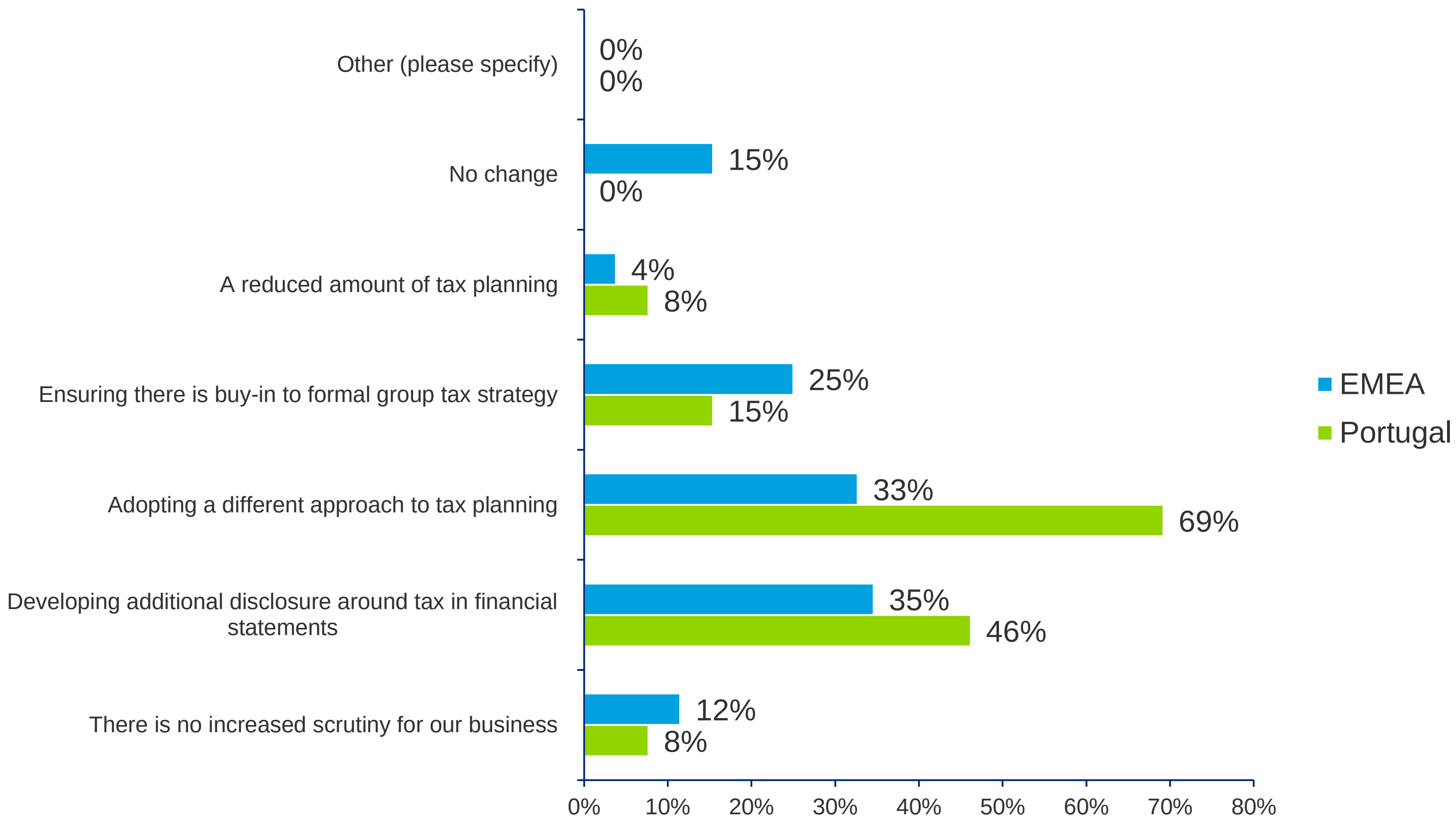
Key takeaway	In Portugal (79%) and in EMEA (80%) most of the respondents have not been asked to justify their tax strategy by their external stakeholders.

23. Do you think there is generally an increased level of discussion and scrutiny around corporate tax strategy at the moment compared with a year ago?



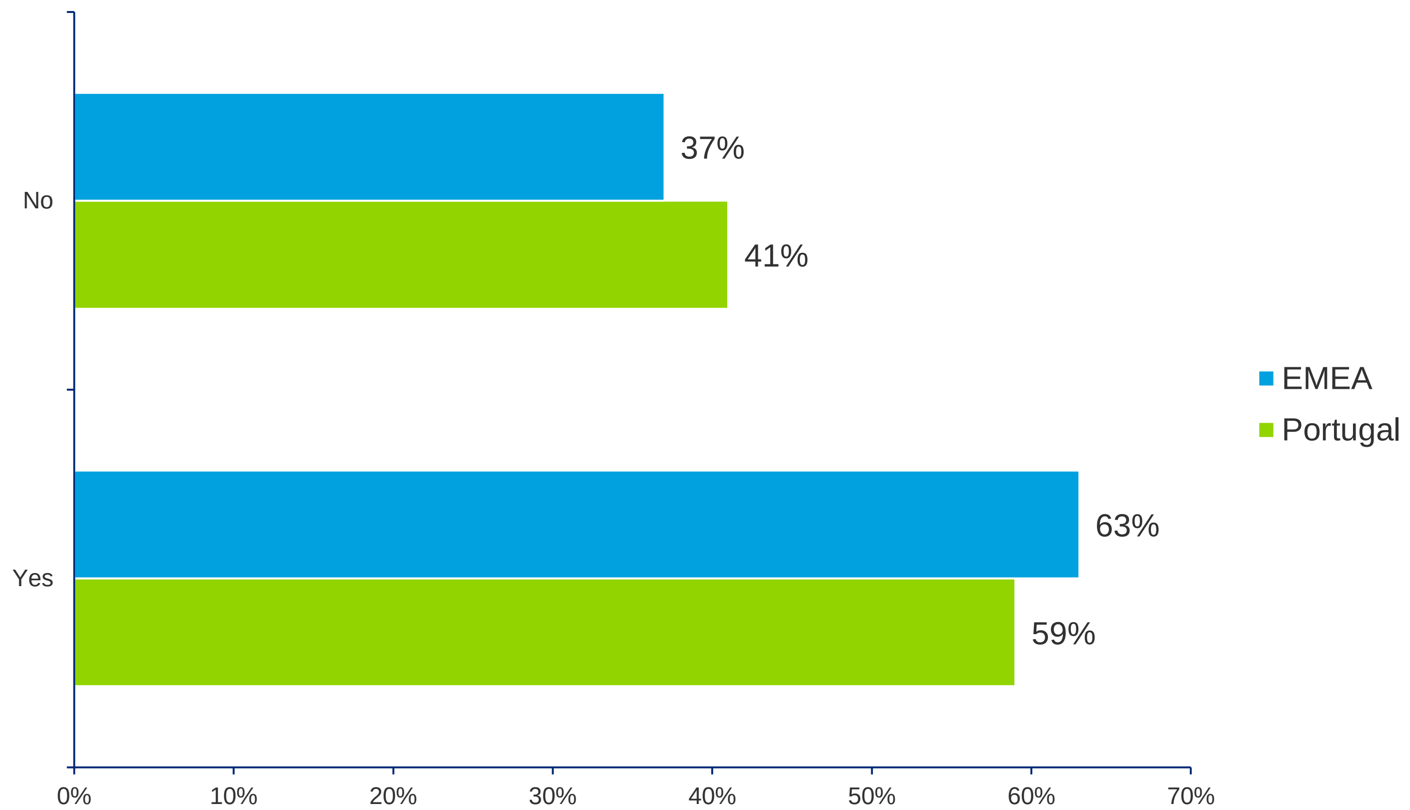
Key takeaway	55% of the respondents in Portugal consider that there is not an increased level of discussion and scrutiny around corporate tax strategy. For EMEA respondents, 57% consider that there has been more discussion and scrutiny around corporate tax strategy.

23a. If yes, how are you responding to the increased scrutiny around the tax strategy of organizations?



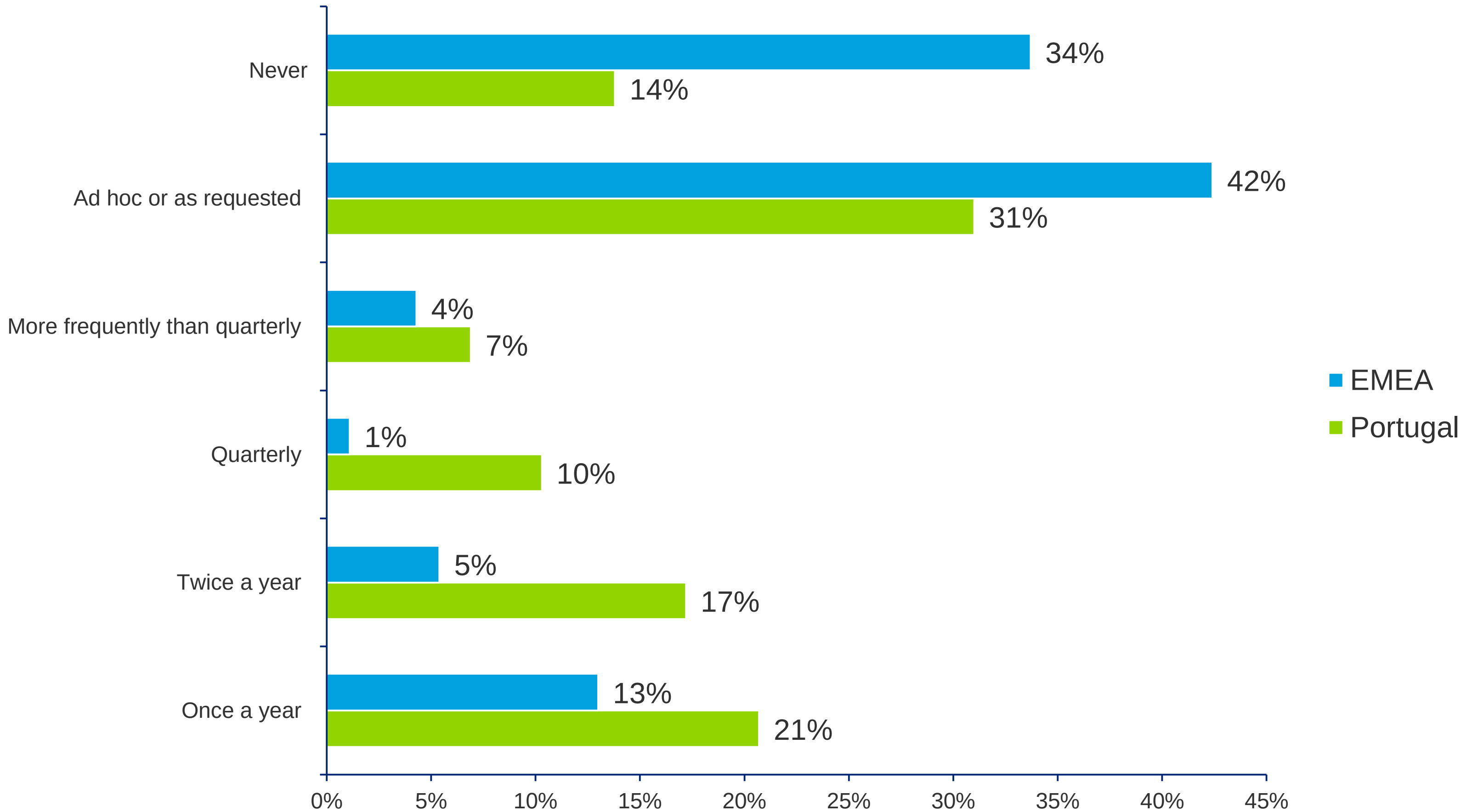
Key takeaway	Portuguese strategies are different from other countries in EMEA, in the sense that they adopt a different approach to tax planning (69% against 33% in EMEA), or develop additional disclosure around tax in financial statements (46% in Portugal against 35% in EMEA) to respond to the increased scrutiny.

24. Has your tax strategy been signed off by the board?



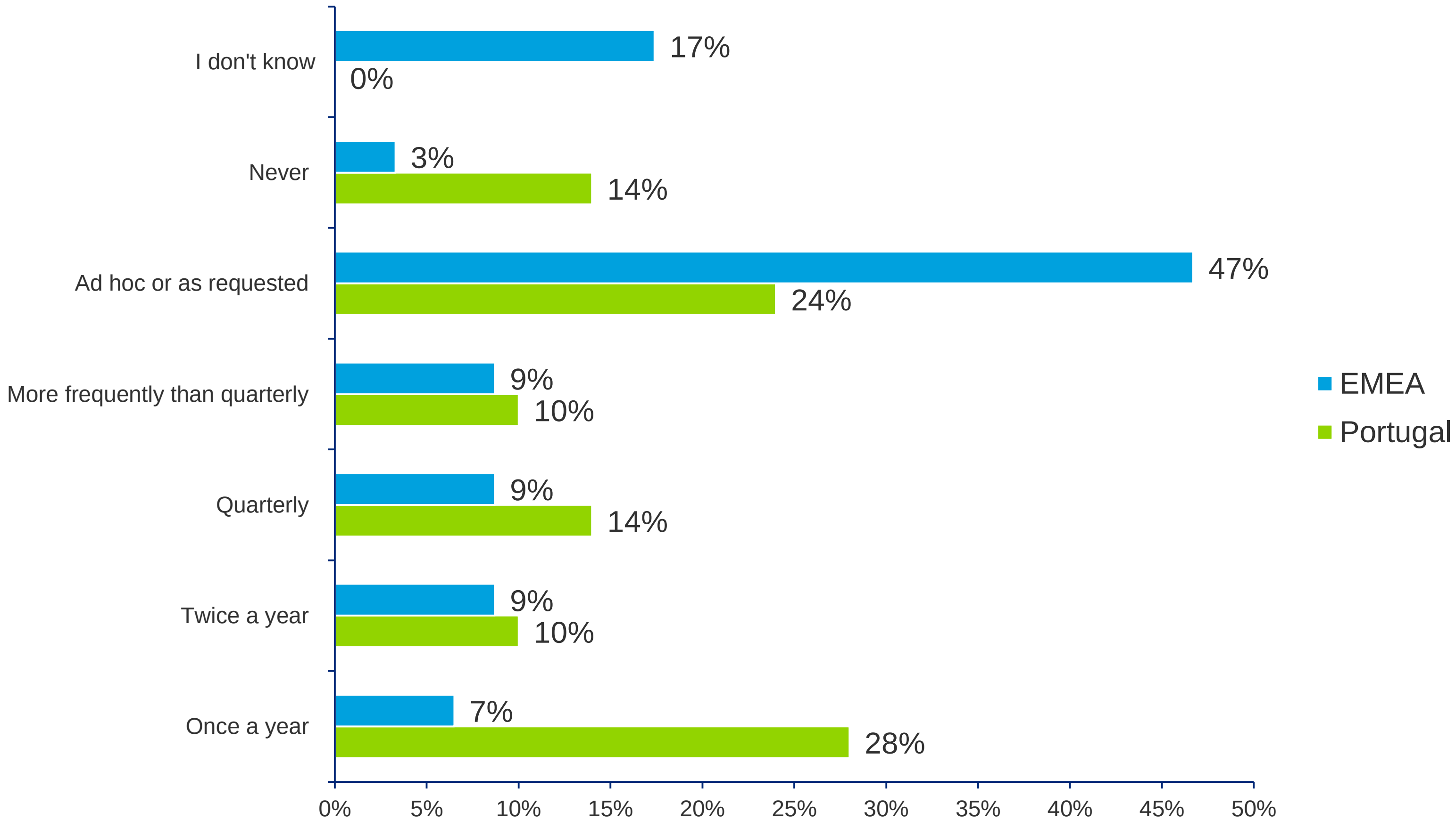
Key takeaway	59% of the Portuguese respondents have had their tax strategy signed off by the board, which is slightly lower than in EMEA (63%).

25. How often do you personally appear before the board to discuss tax strategy?



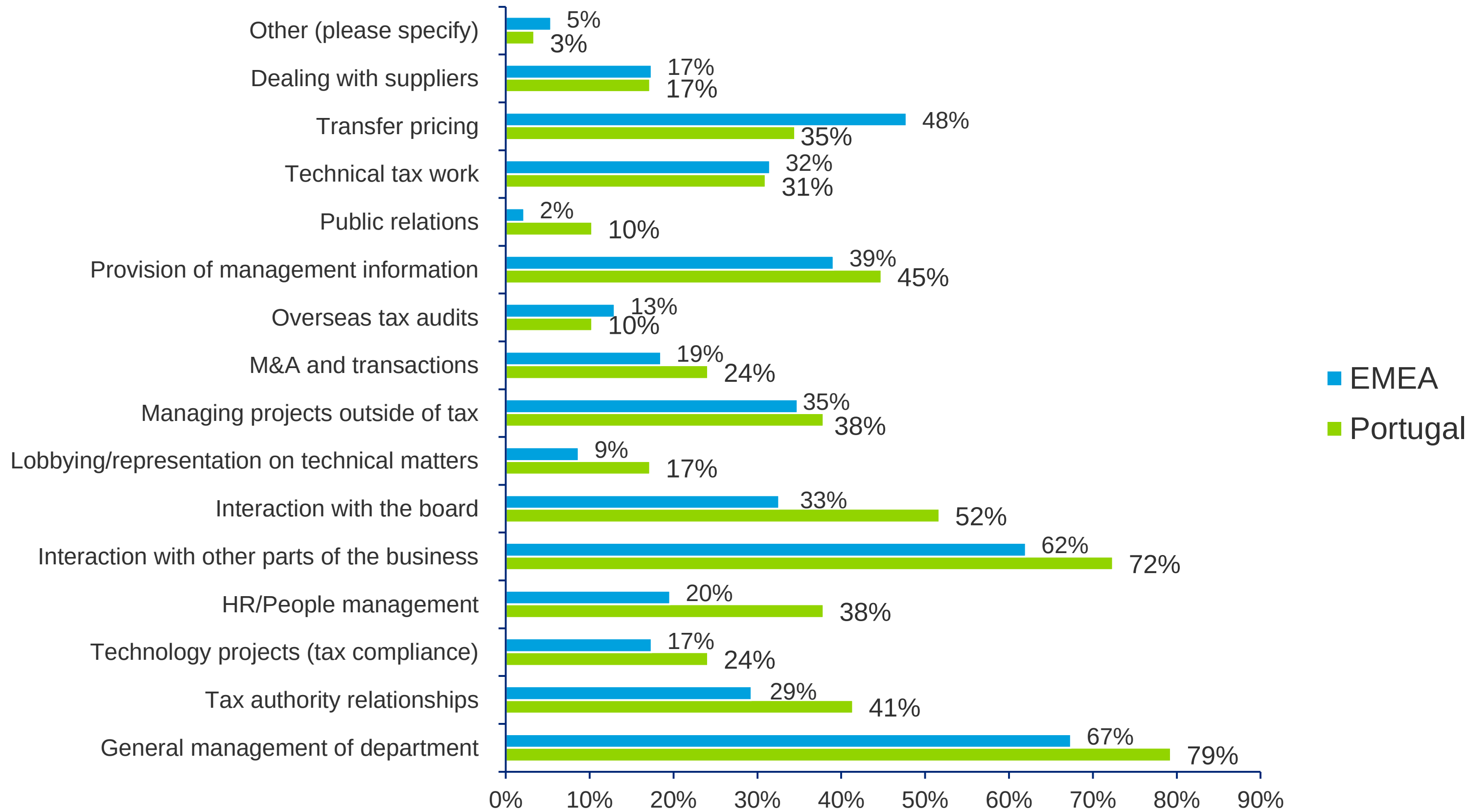
Key takeaway	In Portugal, discussions with the board occur essentially *ad hoc* or as requested (31%). Portuguese tend to appear more often in front of the board, only 14% of the respondents have never appeared in front of the board against 34% in EMEA.

26. How often is tax discussed at the board?



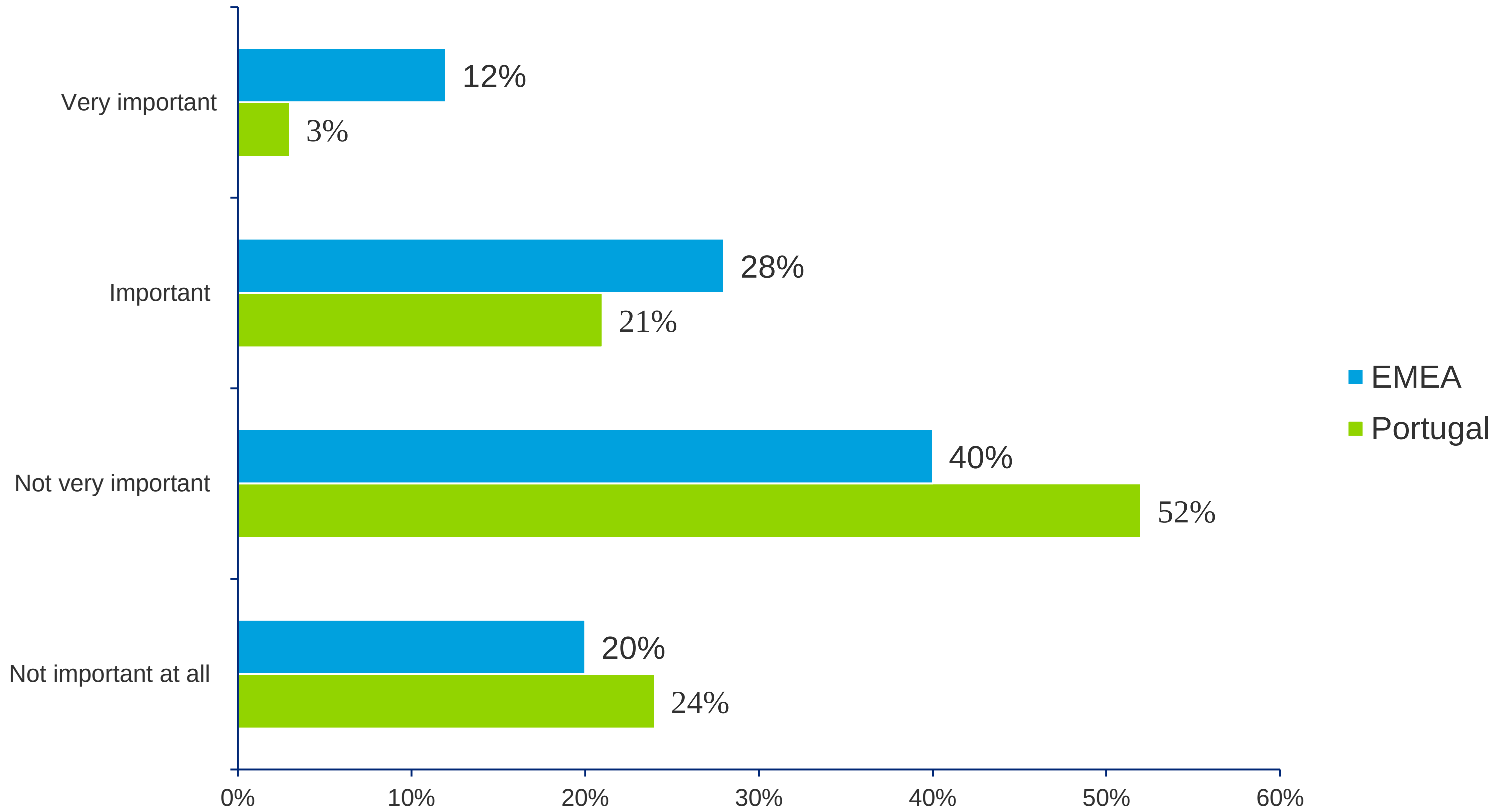
Key takeaway	According to 28% of Portuguese respondents, they discuss tax at the board once a year. Most EMEA respondents (47%) discuss tax at the board *ad hoc* or as requested.

27. What are the main activities that occupy your time?



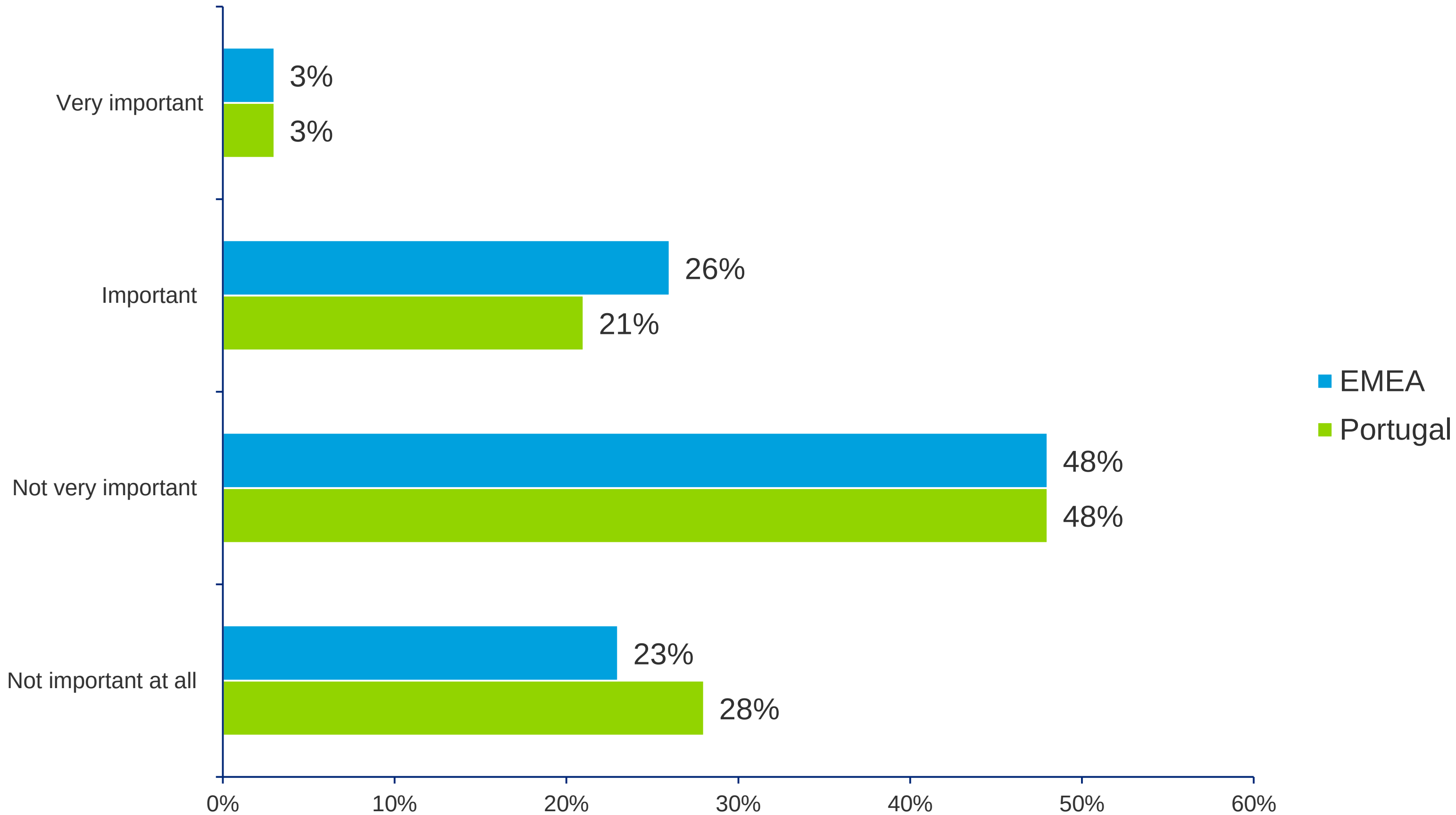
Key takeaway	Portuguese respondents are especially focused on general management of the department and interaction with other parts of the business (79% and 72%, respectively), as well as interacting with the Board (52%). EMEA respondents interact less with the business (62%) and do not spend so much time managing the department (67%)

28. How important is the BEPS Action Plan currently to your tax department?



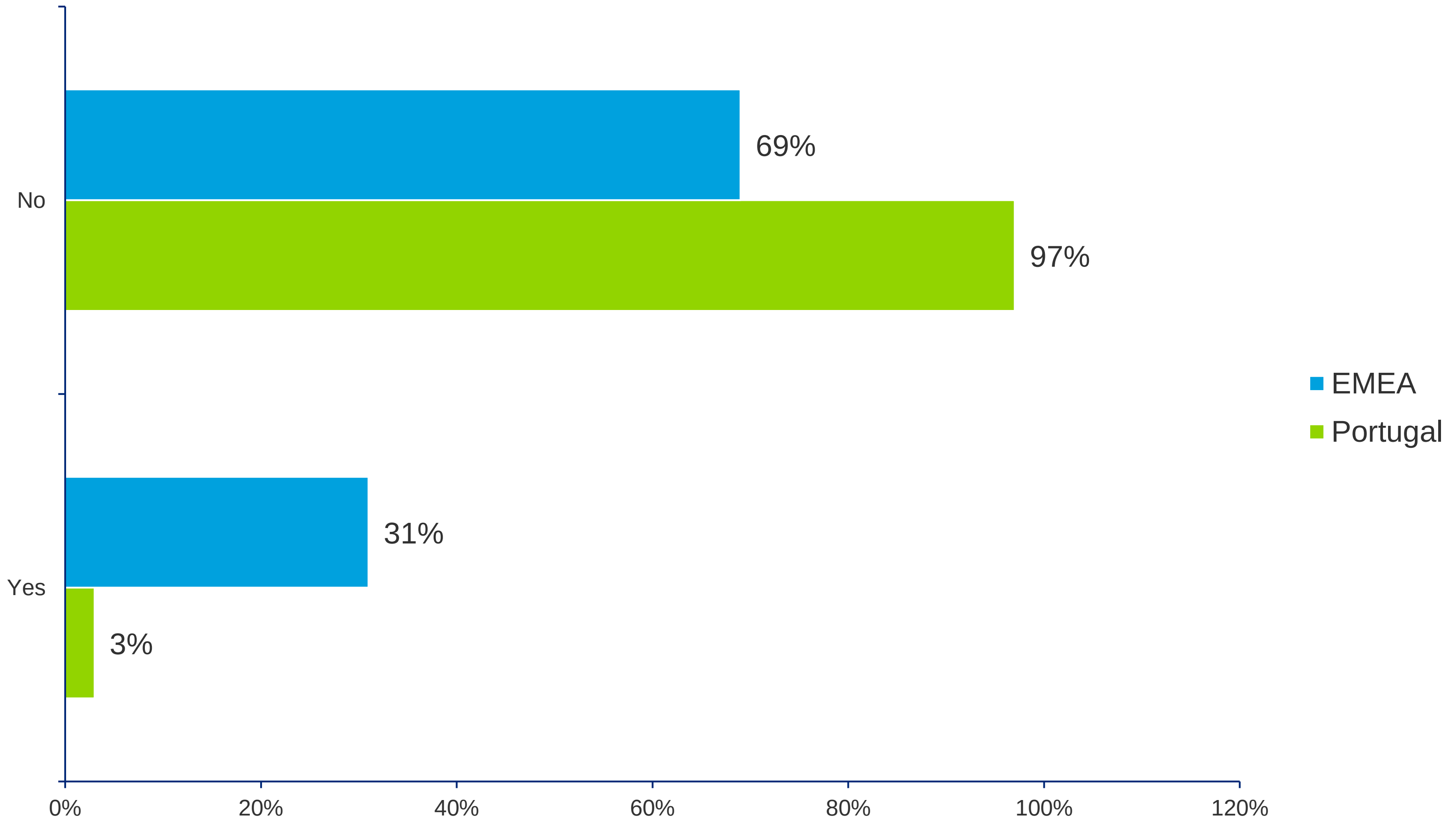
Key takeaway	More than a half of Portuguese respondents believe that the BEPS Action Plan is not very important to their tax department. Only 21% consider it important.

29. How important is the BEPS Action Plan currently to your organisation's board/leadership?



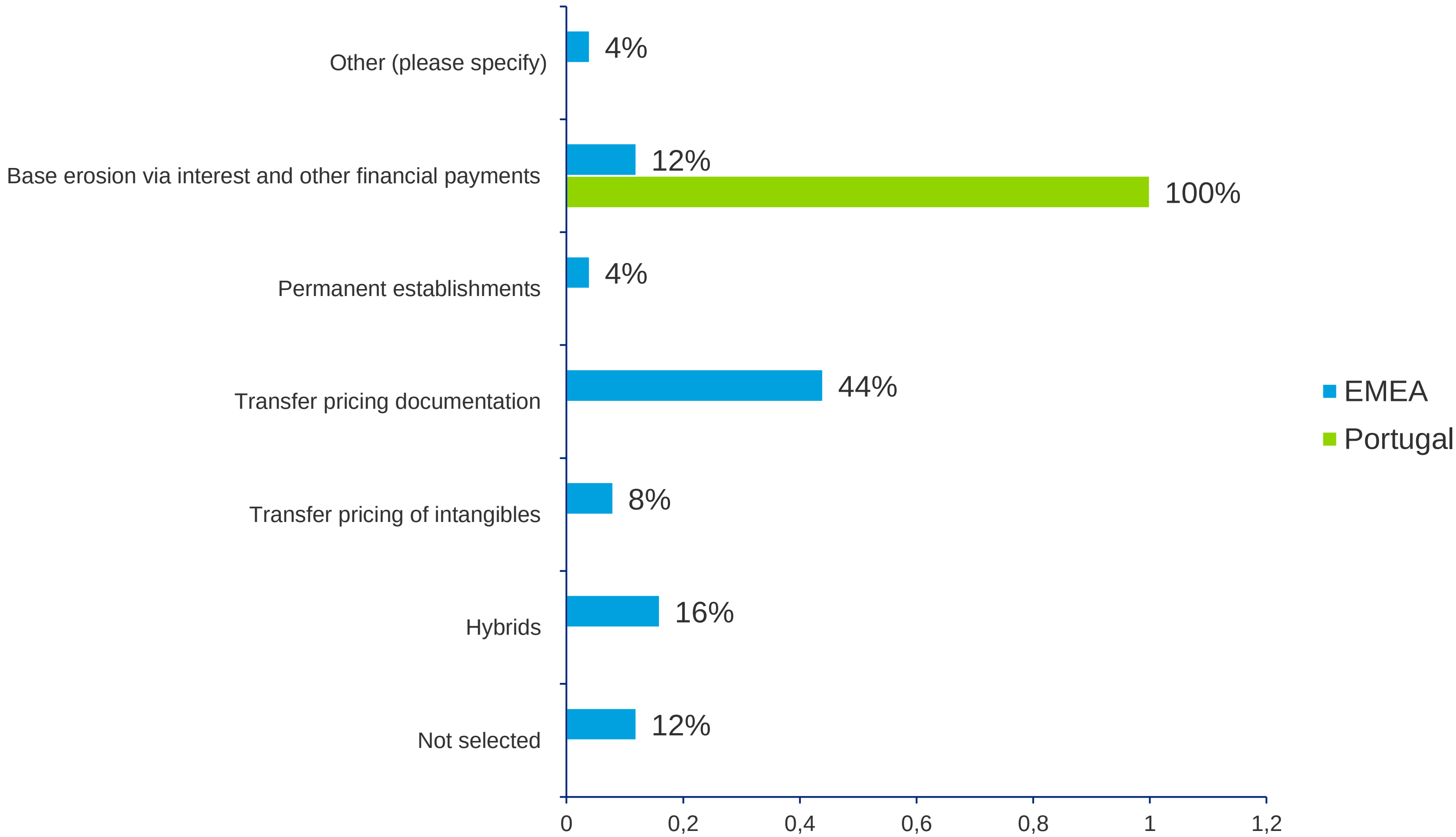
Key takeaway	The same number of respondents in Portugal and in EMEA (48%) believe that the BEPS Action Plan is not very important for their organization's board/leadership.

30. Has your company started planning for the impact of likely changes resulting from the BEPS Action Plan?



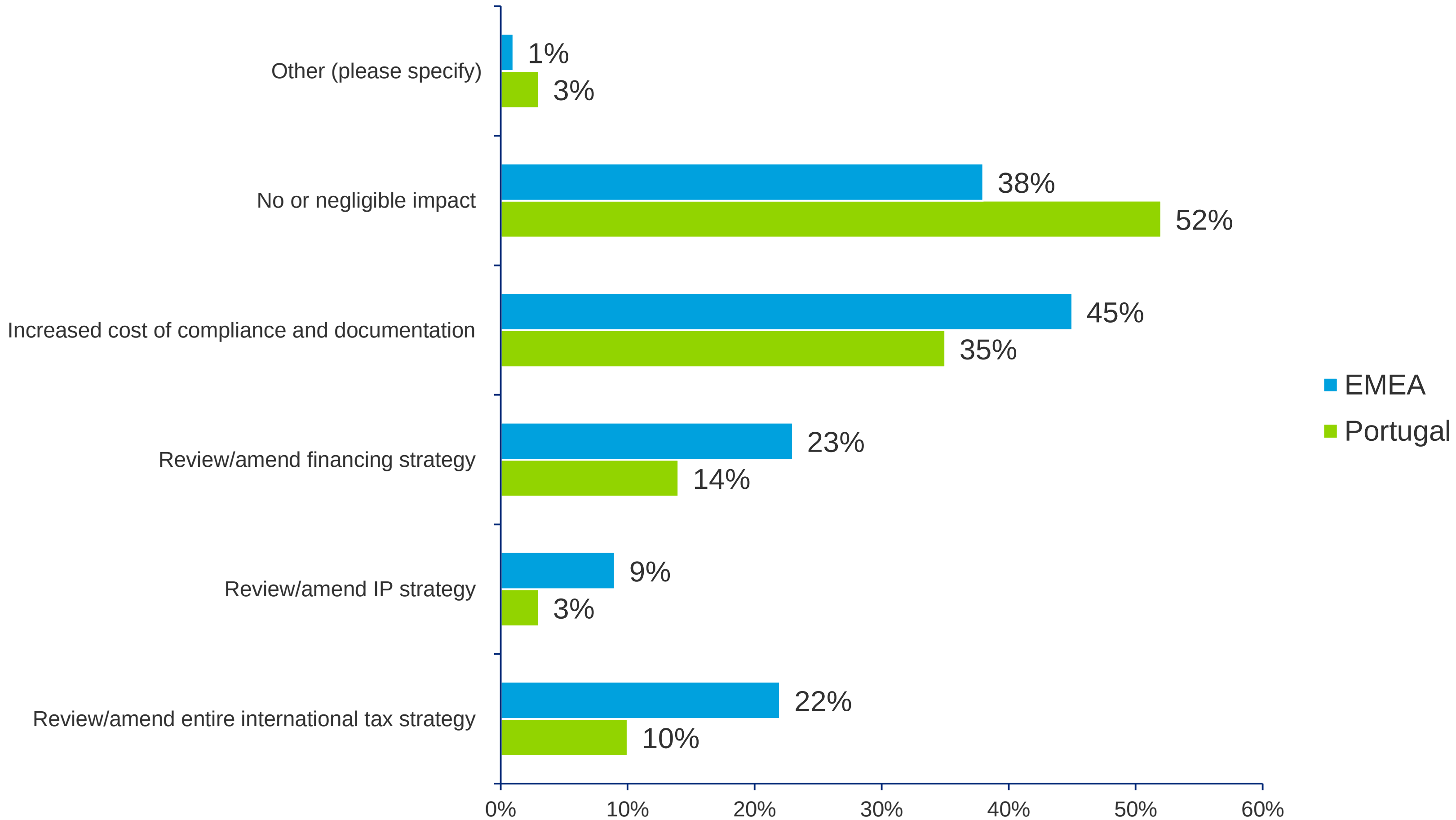
Key takeaway	Almost all Portuguese respondents (97%) replied that they have not started planning for the impact of likely changes resulting from the BEPS Action Plan.

30a. If yes, for which Actions of the BEPS plan have you made provision for?



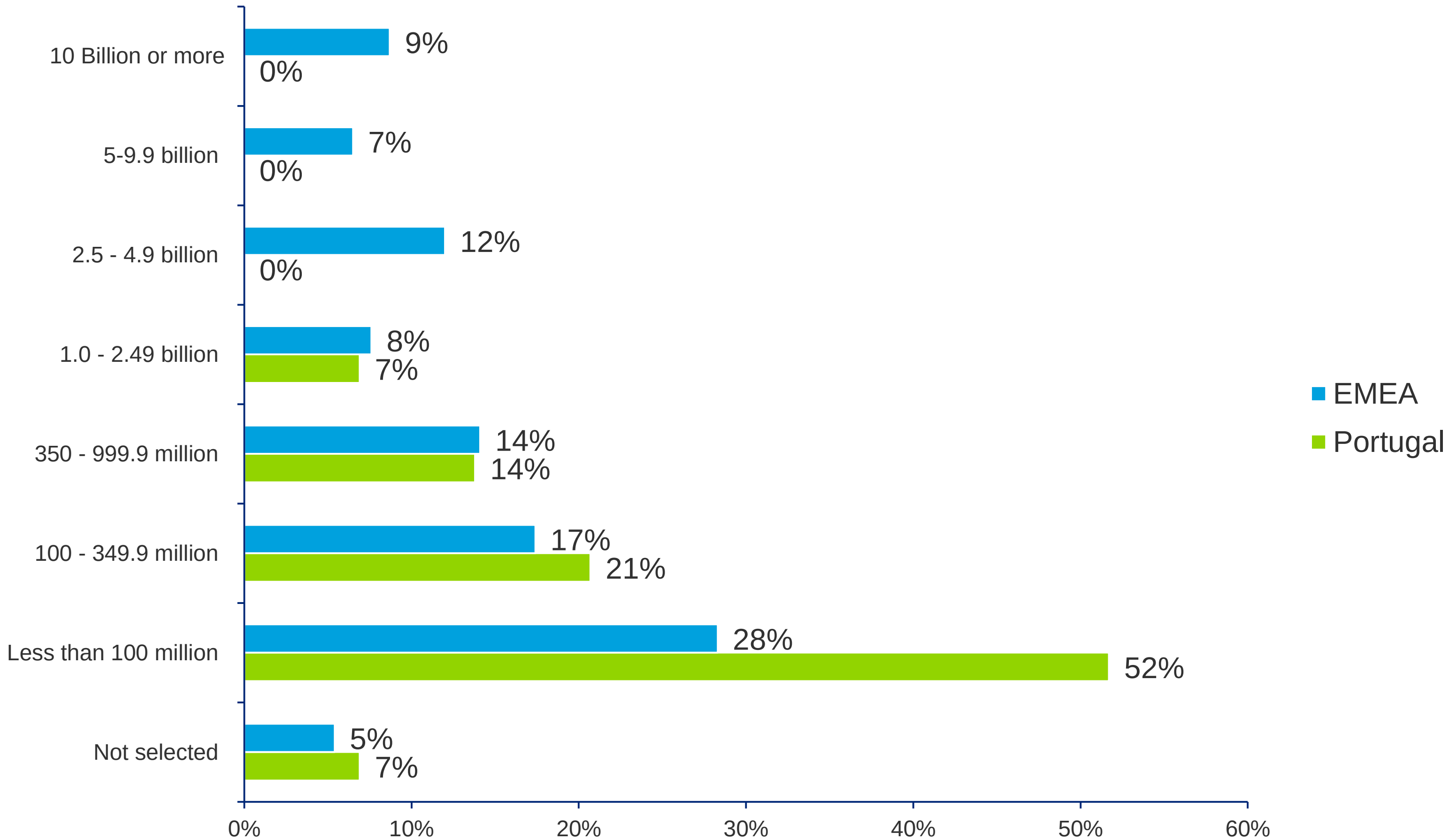
Key takeaway	All of the Portuguese respondents have made provision for base erosion via interest and other financial payments

31. How do you think your organization's tax strategy will be affected by BEPS?



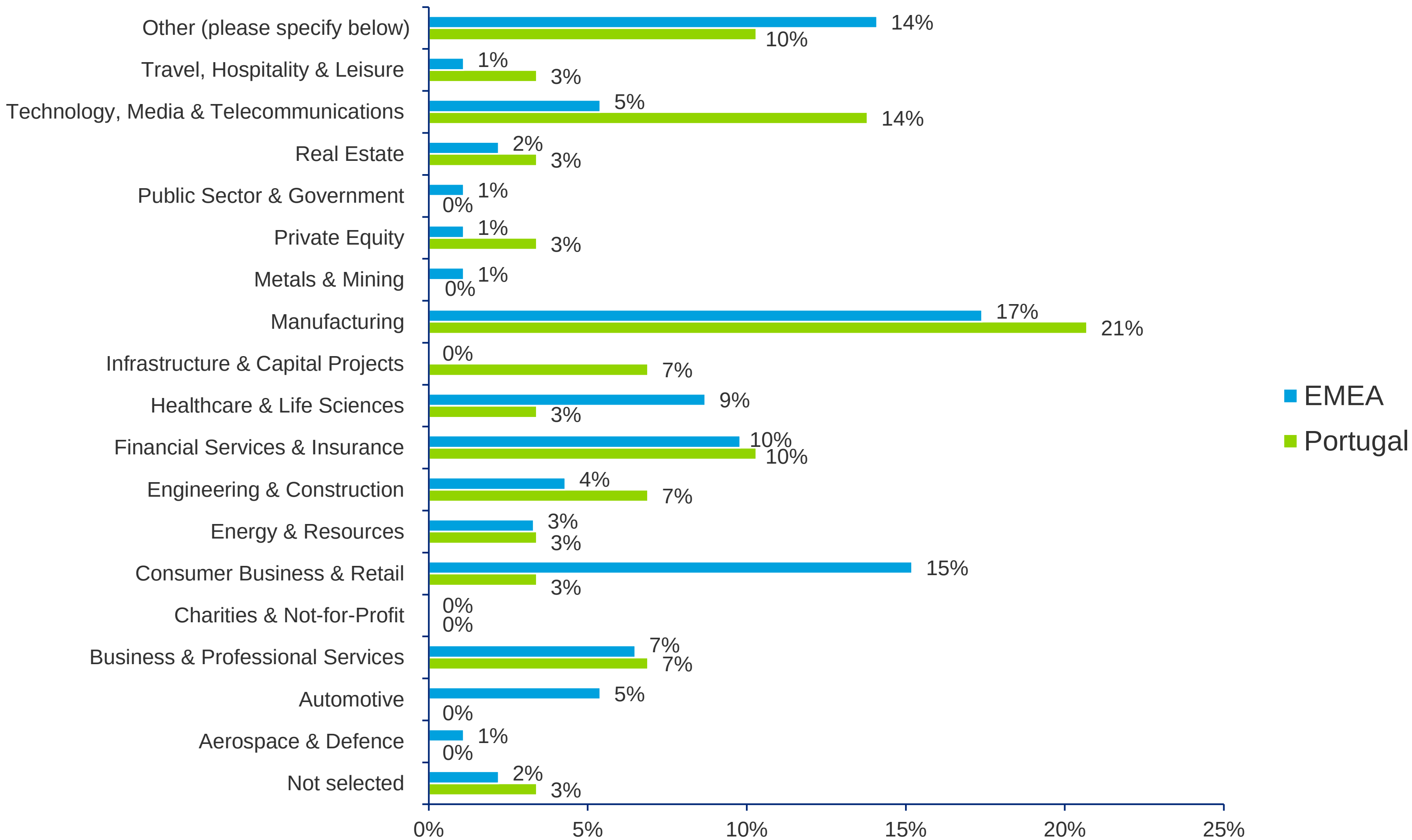
Key takeaway	More than a half of Portuguese respondents consider that BEPS will create no or negligible impact in their organization's tax strategy.

32. What size is your company revenue, in Euros?



Key takeaway	52% of Portuguese companies have a size of less than 100 million euros of revenue and 21% are between 100 and 349.9 million euros. As for EMEA, 28% have less than 100 million and 17% are between 100 and 349.9 million euros.

33. What industry sector do you operate in?



Key takeaway	21% of the respondents in Portugal operate in the Manufacturing sector, which is the one with the higher expression in Portugal and in EMEA (17%).

Study design and methodology

Study design and methodology

There have been great changes in the world of tax over the past decades. As companies become increasingly global in their reach and operations, the international workings of tax and its disparity between countries has become of paramount importance and interest.

The rate and scope of change in businesses themselves have also driven an evolution of tax departments. Rapid business change in process, structure and acquisitions mean that tax teams need to keep on top of these things as they happen.

But how much has this really affected Heads of Tax? What keeps them awake at night? Which jurisdictions are the really tricky ones and where in Europe is becoming easier to work?

Drafting of the questionnaire

In order to portray this fast changing landscape, Deloitte has set out an annual survey, to track these trends and give tax a voice.

The responses were often surprisingly unanimous for such disparate organisations operating in such different economies, both in size and structure. Feelings about some issues ran hot and some trends are strengthening when compared with data from previous years.

Study design and methodology

The collection process

940 organisations completed the questionnaire in full. Partial responses were not utilised. Surveys were sent electronically and could be completed anonymously. The survey period was June – July 2014. In Portugal 28 companies responded to the questionnaire.

Results, analysis, and validation

The DeloitteDEX team is responsible for analyzing the data from the study. DeloitteDEX is a family of proprietary products and processes for diagnostic benchmarking applications. The DeloitteDEX team uses a variety of research tools and information databases to provide benchmarking analyses measuring financial and/or operational performance.

Deloitte member firm clients' performance can be measured against that of their peer group(s). The process identifies competitive performance gaps and can help management to understand how to improve the performance of business processes by identifying and adopting leading practices on a company, industry, national, or global basis, as appropriate.