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OECD's Base Erosion and Profit Shifting (BEPS) initiative
and the "Global Tax Reset"
Full results of third annual
multinational survey

May 2016



OECD's BEPS initiative—full results of third 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 resulting impact on their organizations. More than 600 Deloitte member firm clients and 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 has published 13 final reports and an explanatory statement outlining consensus actions under the BEPS project.

In 2016 we conducted the survey again, this time after the final OECD BEPS recommendations were announced in 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 and resulting “Global Tax Reset”.



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2016 survey respondents



2016 survey respondents



RESPONSES BY COUNTRY

United States—217	Belgium—20
United Kingdom—64	Singapore—19
Germany—45	Denmark—18
Canada—38	France—11
Australia—30	Norway—8
Netherlands—26	China—8
Switzerland—22	Other – 93



SURVEY RESPONSES

The survey was conducted from 27 January–12 February 2016, with a target audience of tax and finance managers and executives from multinational companies. Over 600 people from over 13 countries responded to the 2016 survey.



MOST COMMON ROLES

1. Tax Director/Tax VP—326
2. International Tax Manager—99
3. International Tax Director—83
4. Controller/CFO—52
5. Other—59

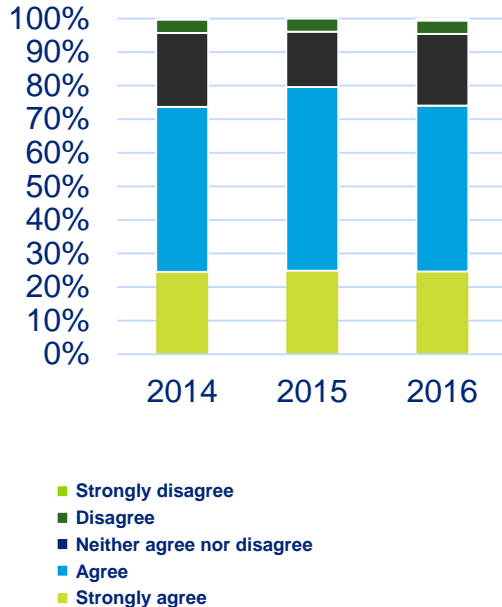
Survey results—overall and by country



Question 1

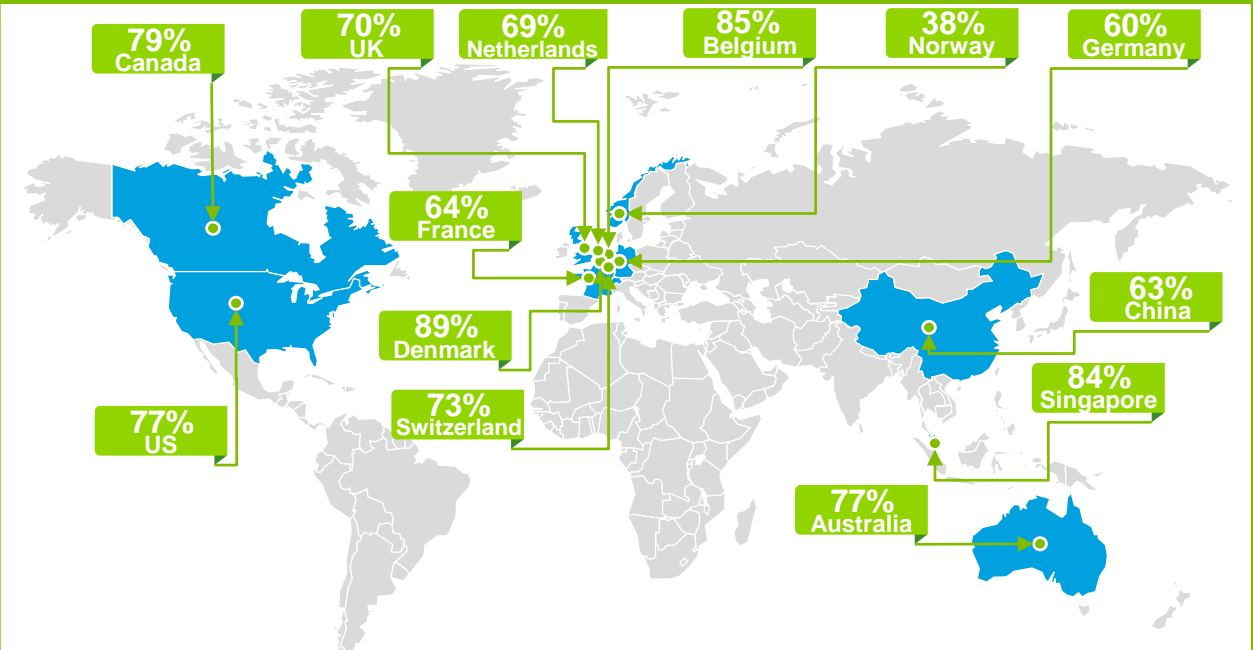
74% agree or strongly agree that their organization is concerned about the increased media, political and activist group interest in corporate taxation.

Overall results



2016 Country-specific agree/strongly agree results

My organization is concerned about the increased media, political and activist group interest in corporate taxation.



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries. Slides 31-32 indicate responses from perspective of respondent's role, industry, type of company and sector.

Response Trend

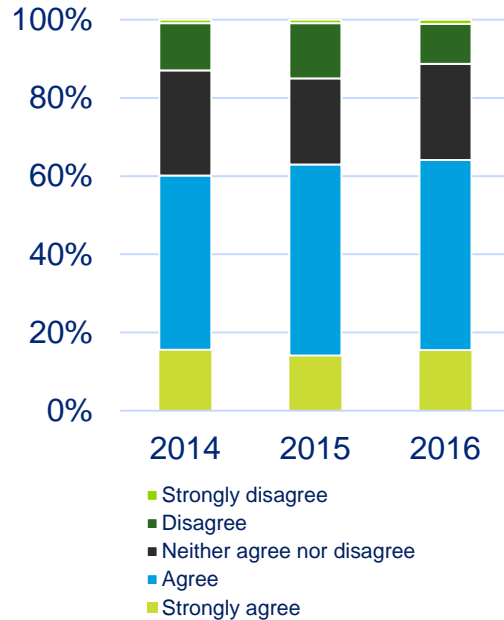
Agree/strongly agree responses remained high, but down 6 percentage points from 2015.

The level of concern remains high but does vary by country.

Question 2

64% agree or strongly agree that the C-Suite and/or Board of Directors has inquired about the increased media and political activist group interest in tax.

Overall results

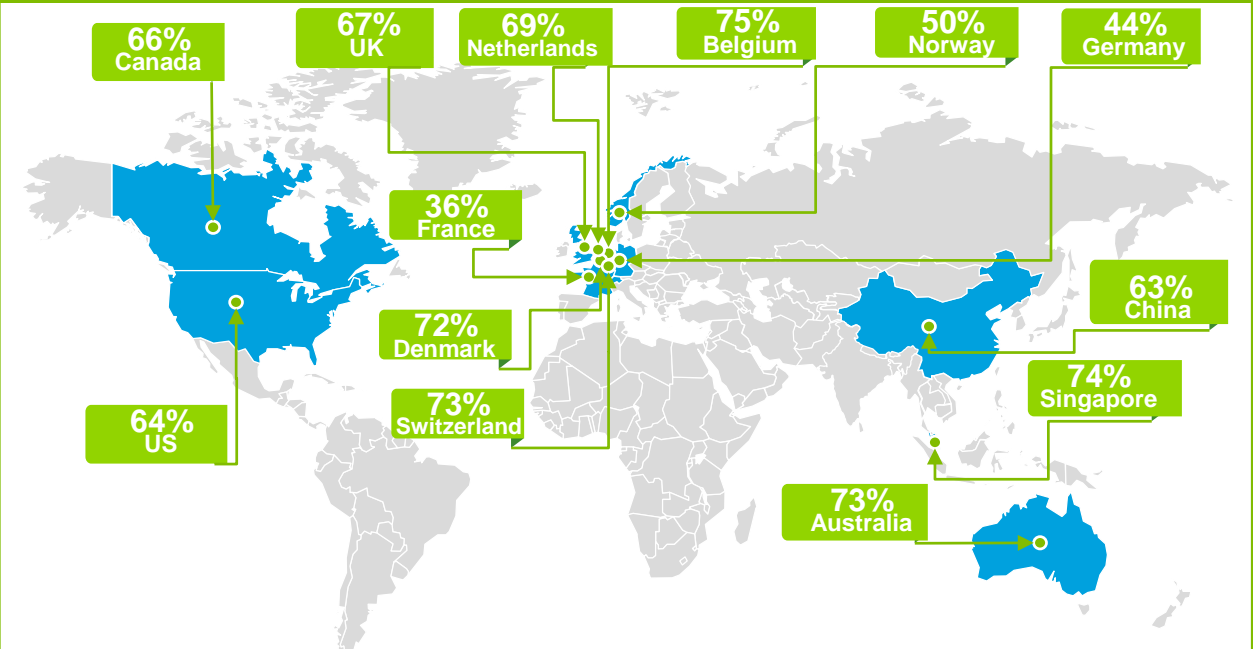


Response Trend

Agree/strongly agree responses remained relatively high and increased by 1 percentage point from 2015.

Country-specific agree/strongly agree results

The C-Suite and/or Board of Directors of my organization have inquired about the increased media and political activist group interest in tax.



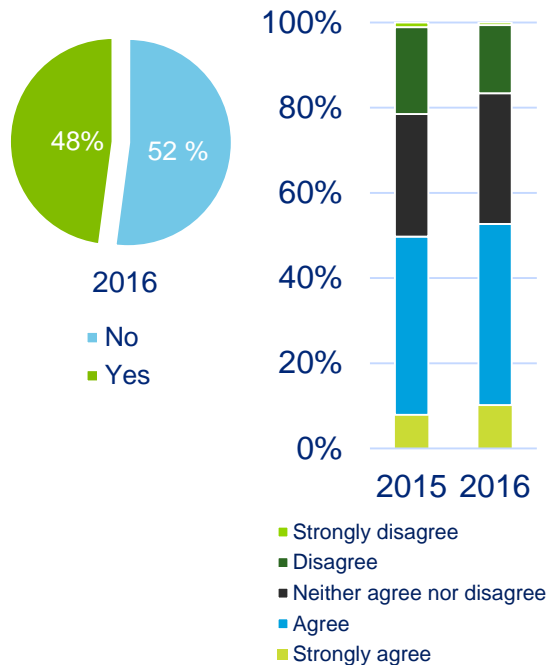
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

These statistics highlight that tax is still high on companies' agendas.

Question 3

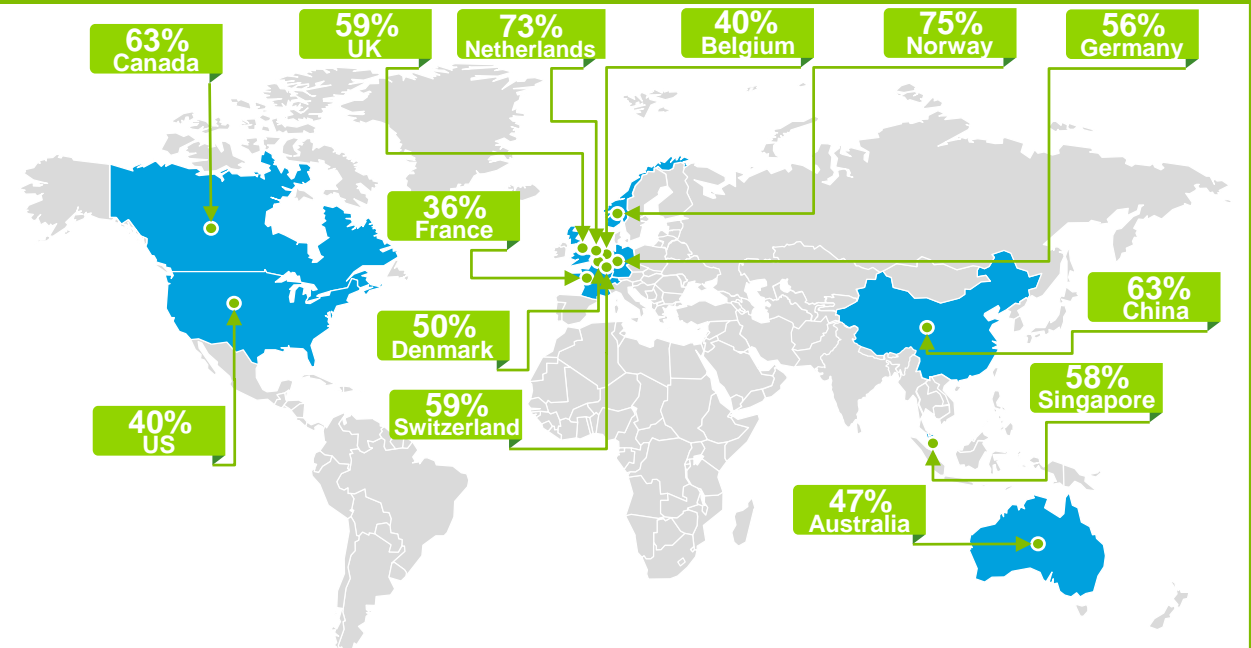
53% agree or strongly agree that their organization has developed additional corporate policies and procedures in response to the increased scrutiny related to corporate taxation.

Overall results



Country-specific agree/strongly agree results

My organization has developed additional corporate policies and procedures in response to the increased scrutiny related to corporate taxation.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

Response Trend

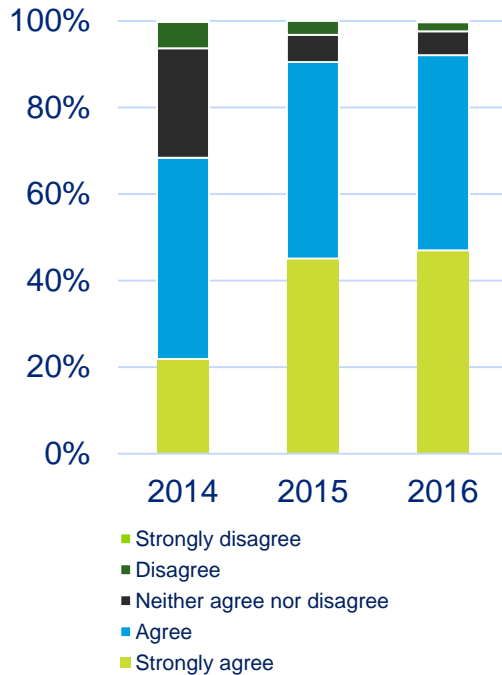
Agree/strongly agree increased slightly (by 3 percentage points) from 2015.

The increase is likely due to increasing thoughtfulness around what the OECD's anti-BEPS measures mean for stakeholders.

Question 4

92% 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.

Overall results

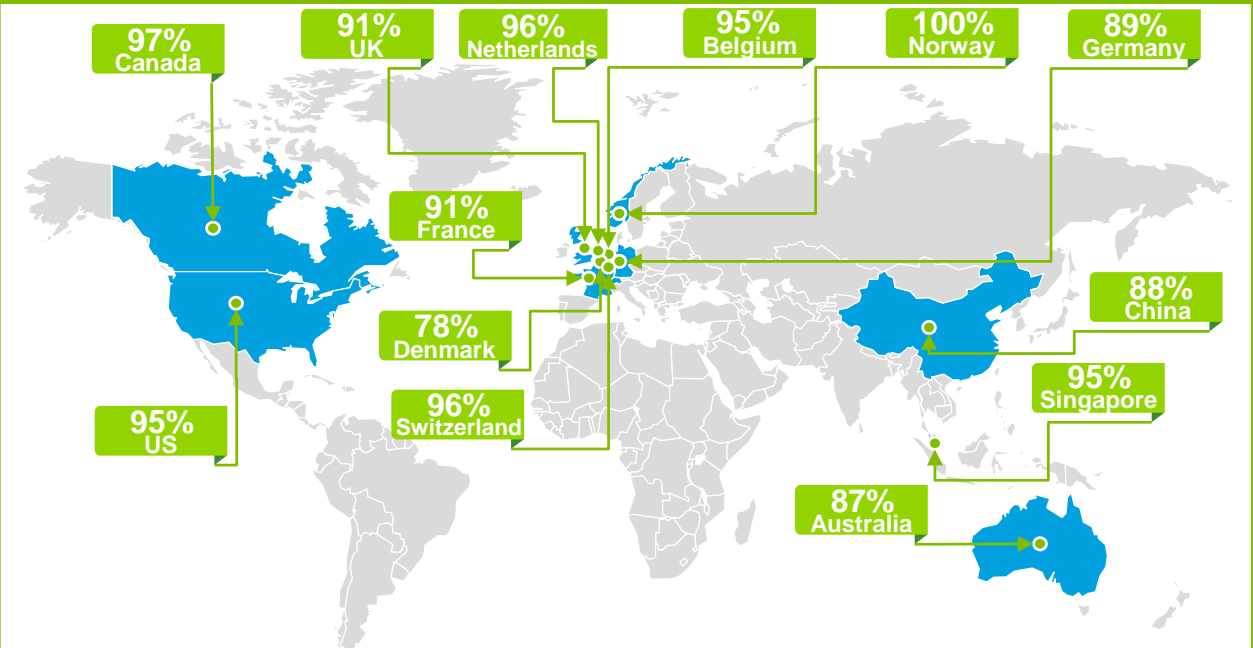


Response Trend

Agree/strongly agree responses remained high, and increased by 1 percentage point from 2015.

Country-specific agree/strongly agree results

I believe that tax structures implemented today are under greater scrutiny by tax administrations now than they would have been a year ago.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

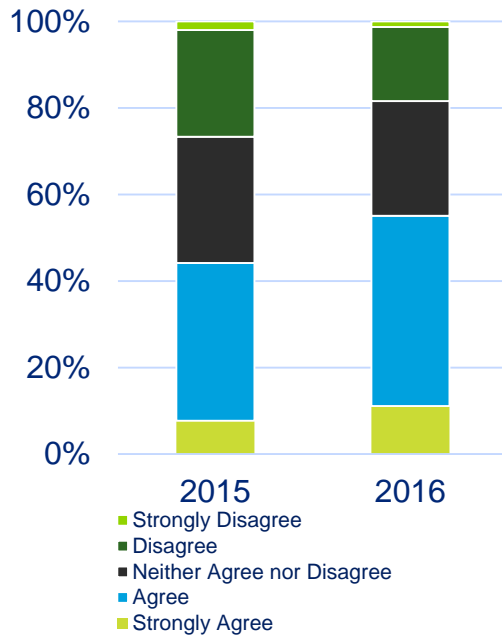
This is an expected result – tax authorities around the world are cooperating more closely and increasing their diligence regarding the audit of taxpayers.

Question 5

55% agree or strongly agree their business has changed the way they conduct tax planning for cross-border transactions as a result of proposed changes arising from the BEPS project.

Overall results

(question not asked in 2014)

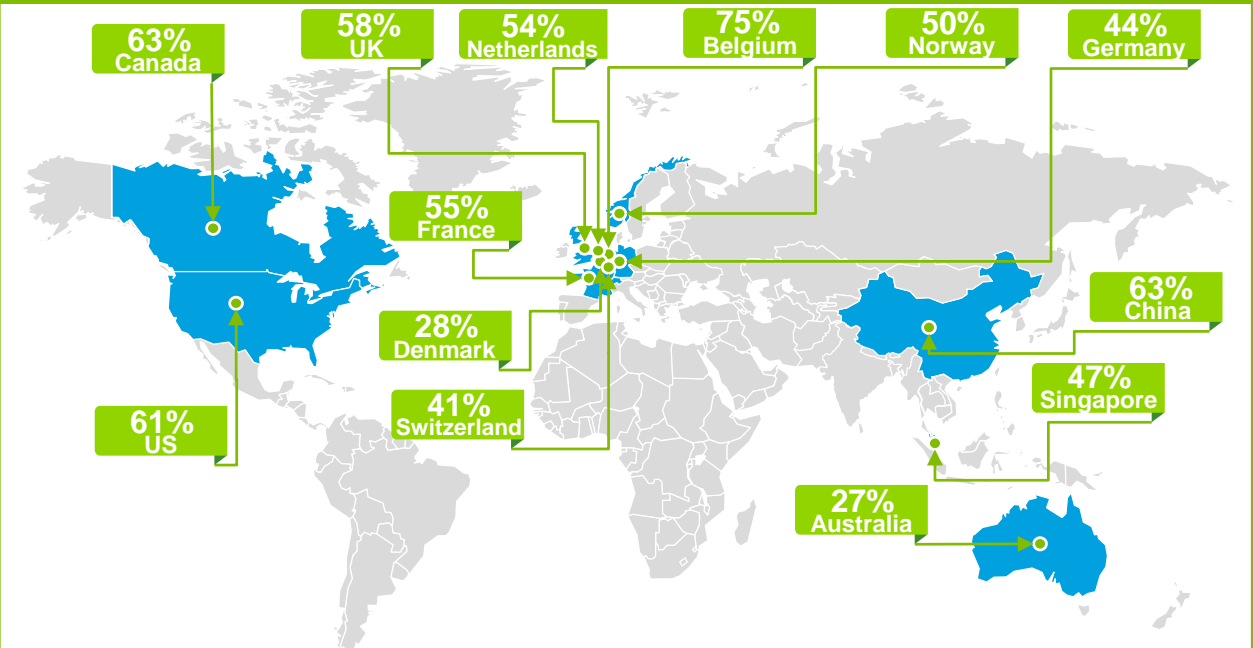


Response Trend

Agree/strongly agree responses increased 11 percentage points from 2015.

Country-specific agree/strongly agree results

My business has changed the way we conduct tax planning for cross-border transactions as a result of proposed changes from the BEPS project.



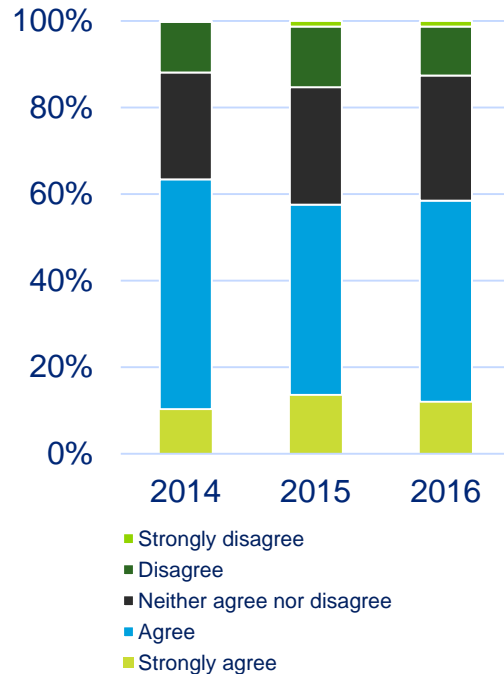
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

This is an unsurprising increase on last year as more of the BEPS changes have come into force and more companies are implementing in house tax strategies.

Question 6

59% agree or strongly agree that tax planning in their organization has become a corporate responsibility issue, not just a legal issue.

Overall results

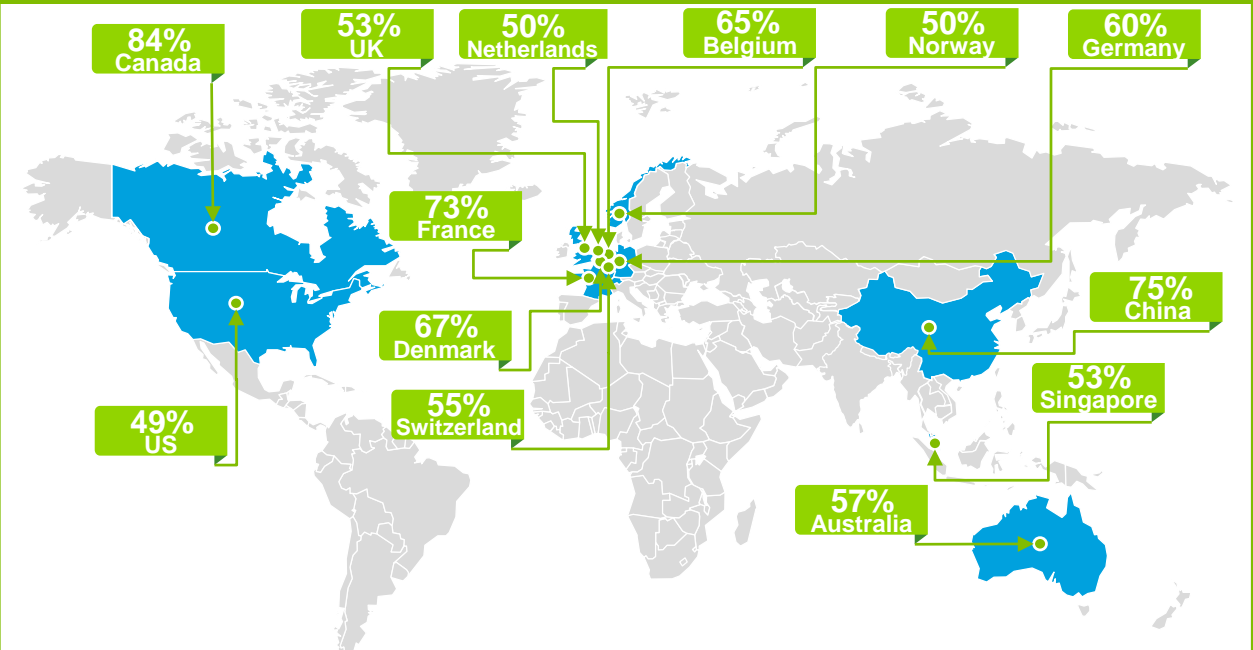


Response Trend

Agree/strongly agree responses remained high, and increased slightly (by 1 percentage point) from 2015.

Country-specific agree/strongly agree results

In my organization, tax planning has become a corporate responsibility issue and not just a legal issue.



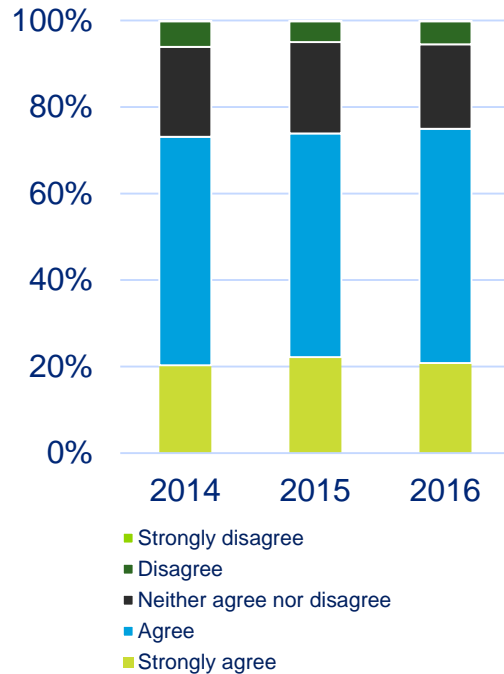
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

As last year, the percentage of respondents who regard tax as a corporate responsibility issue varies significantly by country.

Question 7

75% agree or strongly agree that reputational risks are of much greater concern when executing cross-border tax planning.

Overall results

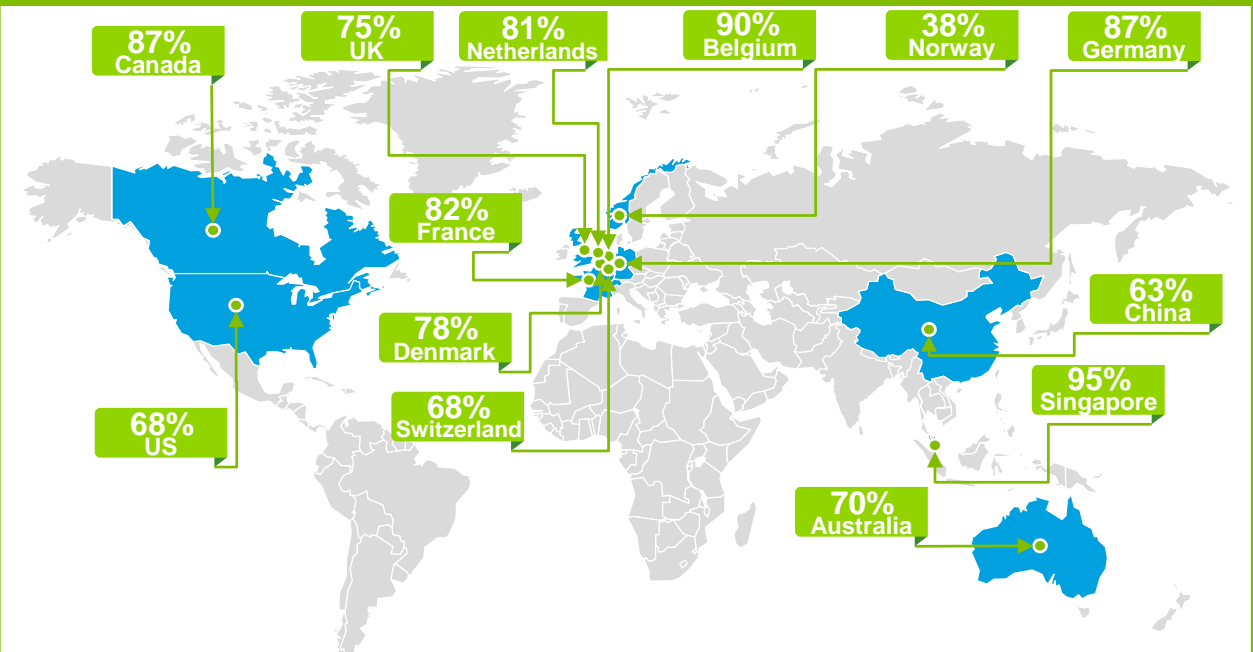


Response Trend

Agree/strongly agree responses remained high, and increased slightly (by 1 percentage point) from 2015.

Country-specific agree/strongly agree results

Reputational risks are of much greater concern when executing cross-border tax planning.



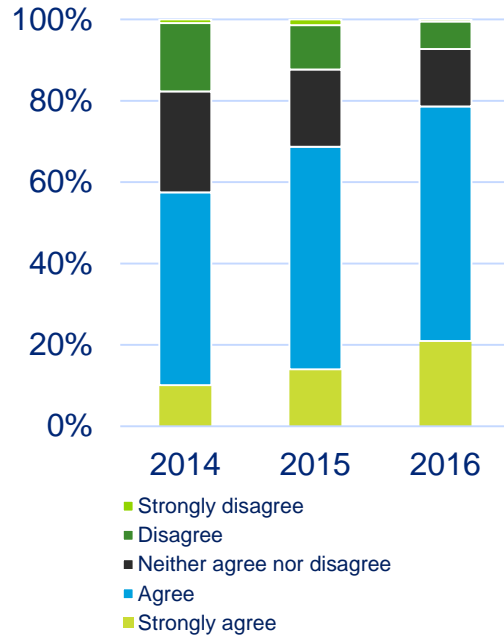
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

This result remained largely static which is not surprising given last year's high level of concern regarding reputational risk in the context of cross-border tax planning.

Question 8

79% agree or strongly agree their organization has assessed the potential impact of changes related to BEPS.

Overall results

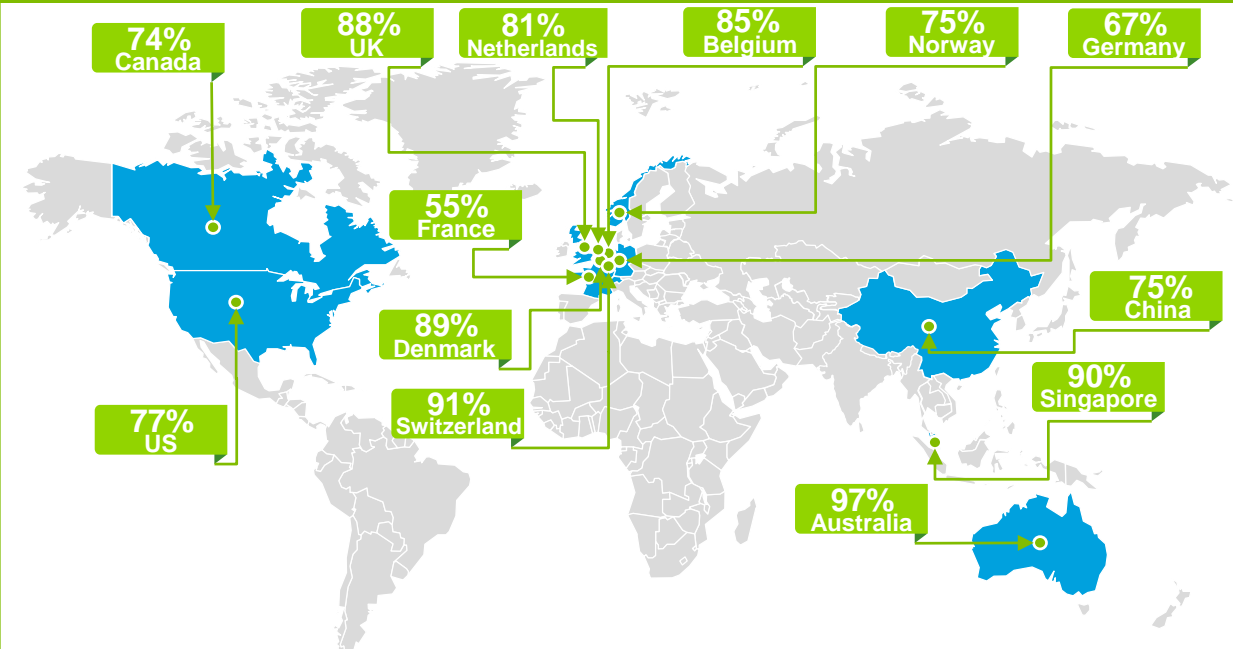


Response Trend

Agree/strongly agree responses remained high and increased significantly (by 10 percentage points) from 2015.

Country-specific agree/strongly agree results

My organization has assessed the potential impact of changes related to BEPS.



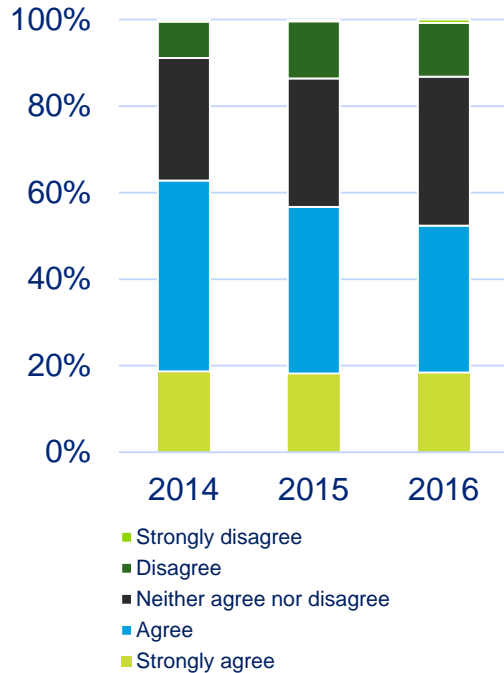
Note: Information above includes only selected countries. Percentages above refer to participants who selected “agree” or “strongly agree”.

The number of respondents who have now assessed the potential impact of the BEPS changes on their business has increased since last year.

Question 9

52% agree or strongly agree that country tax authorities are becoming increasingly aggressive in tax examinations.

Overall results

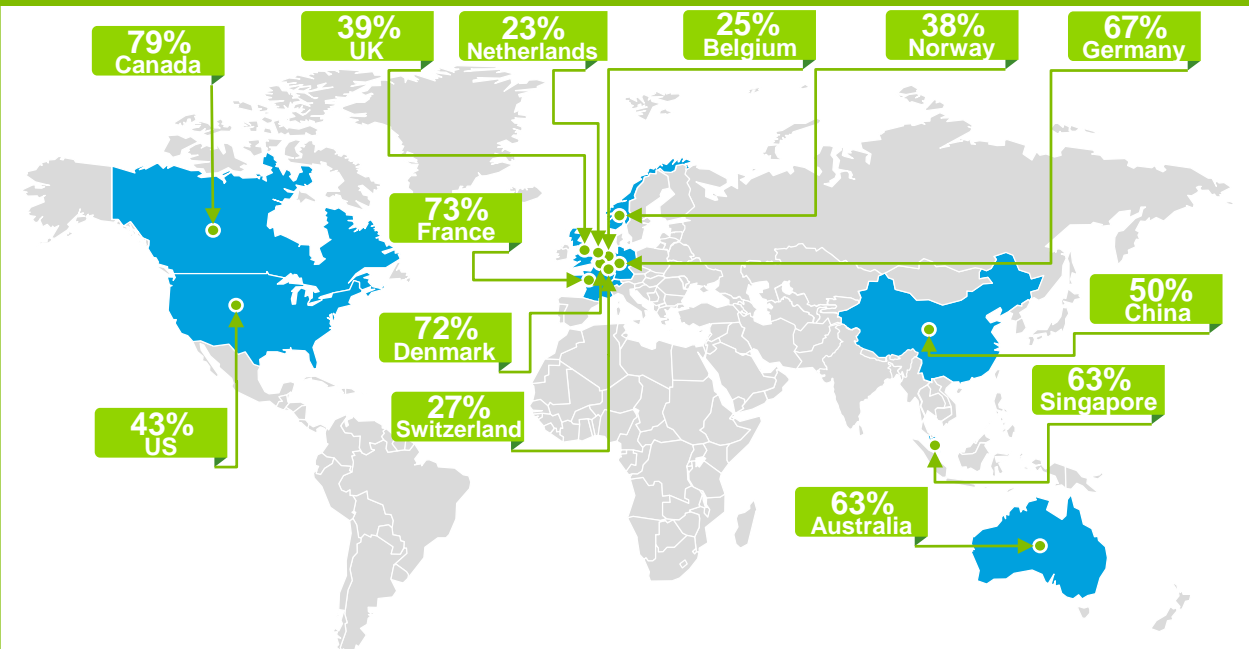


Response Trend

Agree/strongly agree responses decreased notably (by 5 percentage points) from 2015.

Country-specific agree/strongly agree results

In my country of residence, the tax authorities are becoming increasingly aggressive in tax examinations.



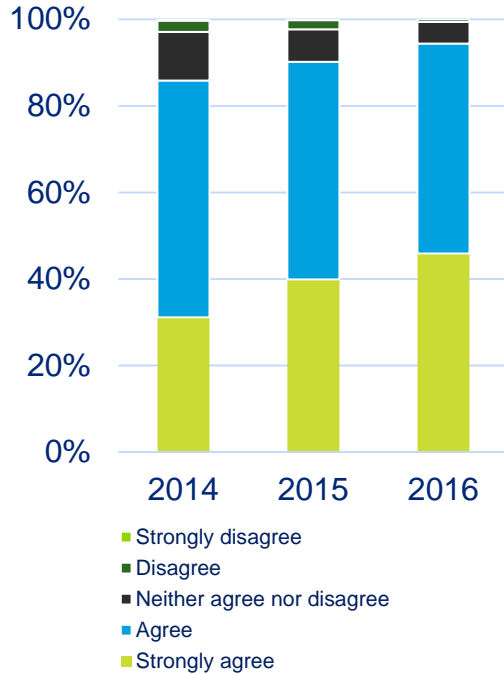
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

The slight decrease in agreement to this statement may reflect the fact that the tax authorities have already set the bar very high in this area.

Question 10

94% agree or strongly agree that tax authorities will, irrespective of any actual legislative changes, increase tax audit assessments globally as a result of the current BEPS debate.

Overall results

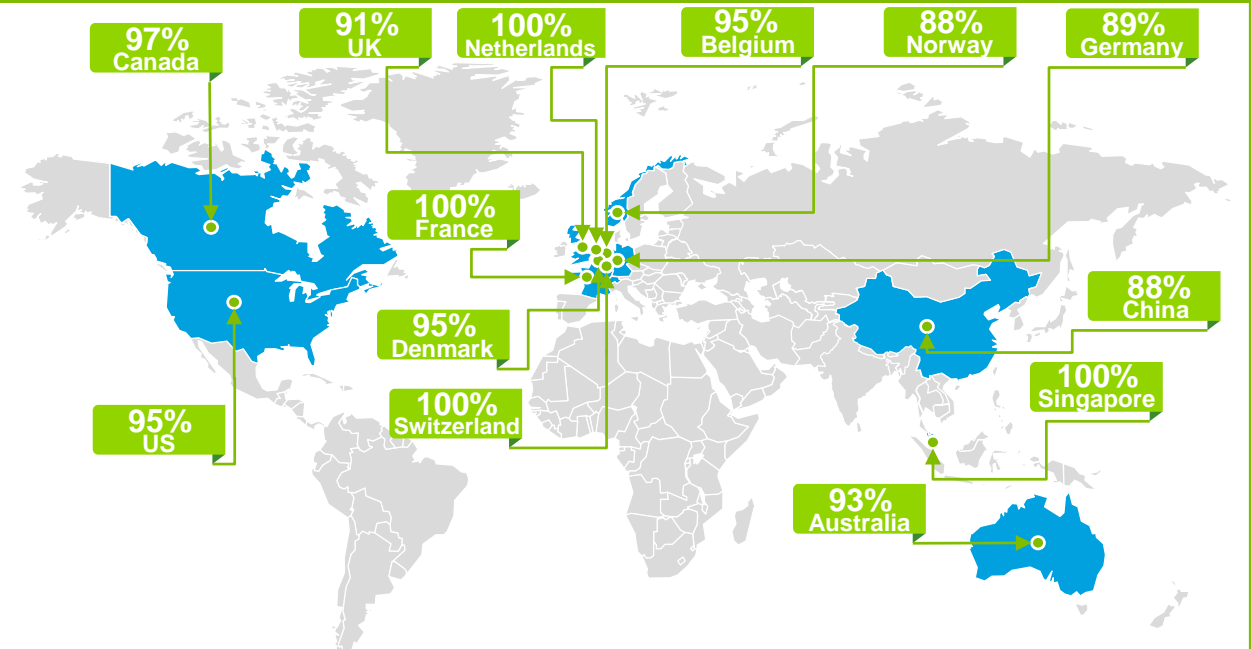


Response Trend

Agree/strongly agree responses remained high, and increased (by 4 percentage points) from 2015.

Country-specific agree/strongly agree results

Irrespective of legislative changes I believe that tax authorities will increase tax audit assessments globally as a result of the current BEPS debate.



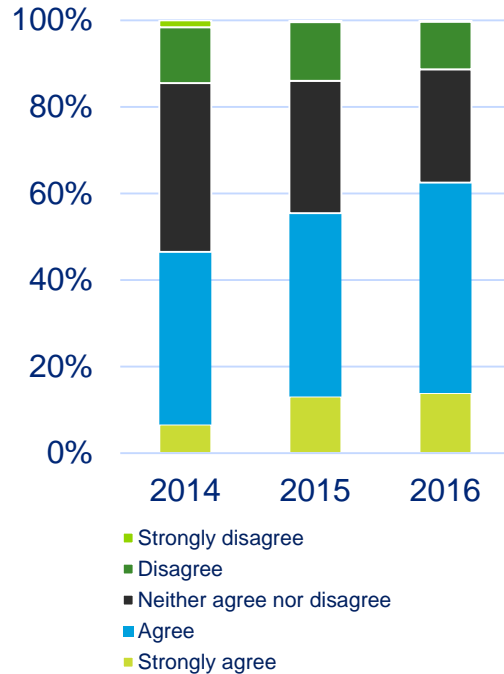
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

The slight increase of countries who agree is expected as the general BEPS debate continues.

Question 11

63% agree or strongly agree they are anticipating significant legislative and treaty changes in their country as a result of the BEPS initiative.

Overall results

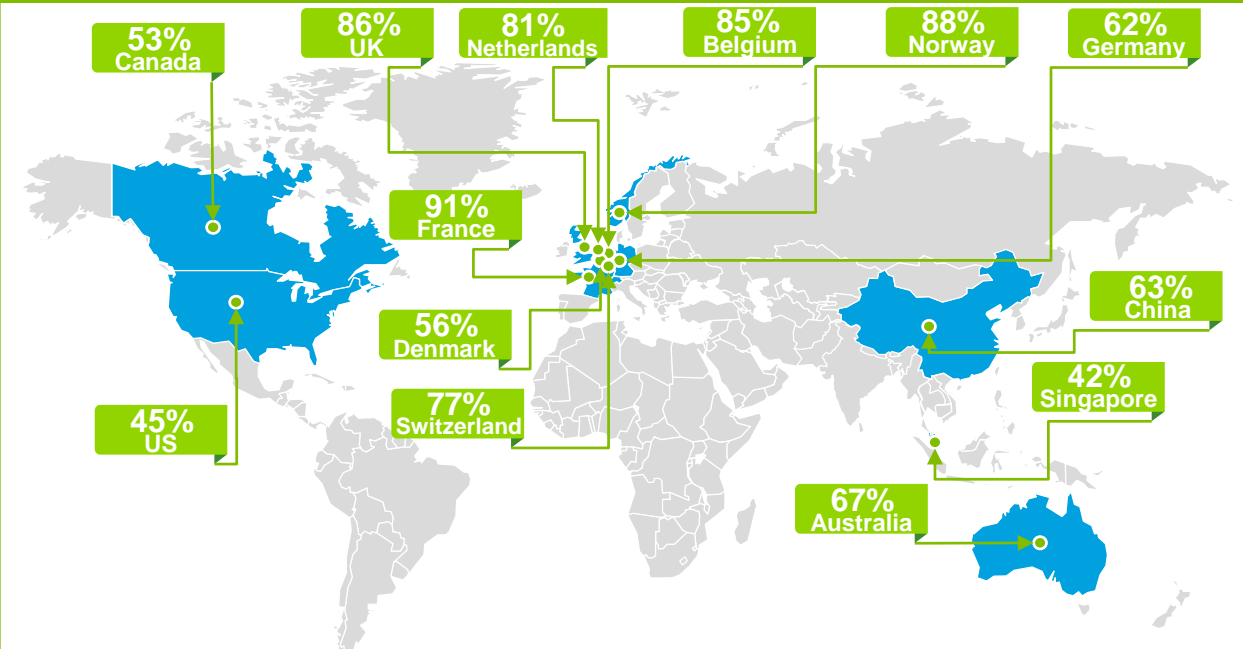


Response Trend

Agree/strongly agree responses increased significantly (by 7 percentage points) from 2015.

Country-specific agree/strongly agree results

In my country, I am anticipating significant legislative and treaty changes as a result of the BEPS initiative.



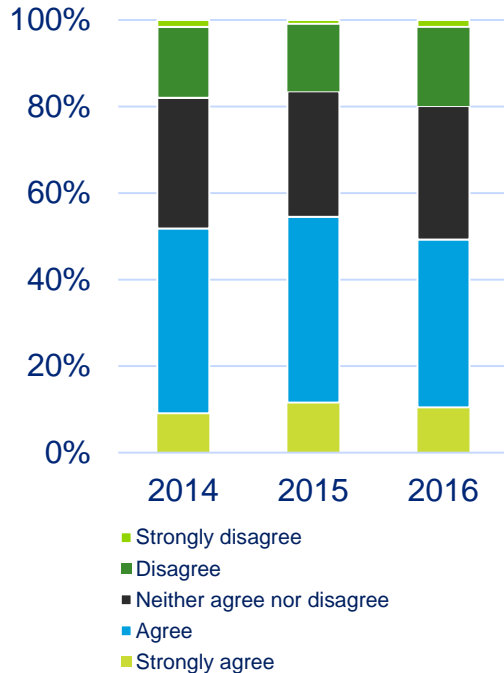
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

This increase in the percentage of people who agree is expected as the BEPS changes start to come into effect.

Question 12

49% agree or strongly agree there will be significant unilateral legislative change in their country to protect the tax base that is not coordinated with what other countries are doing.

Overall results

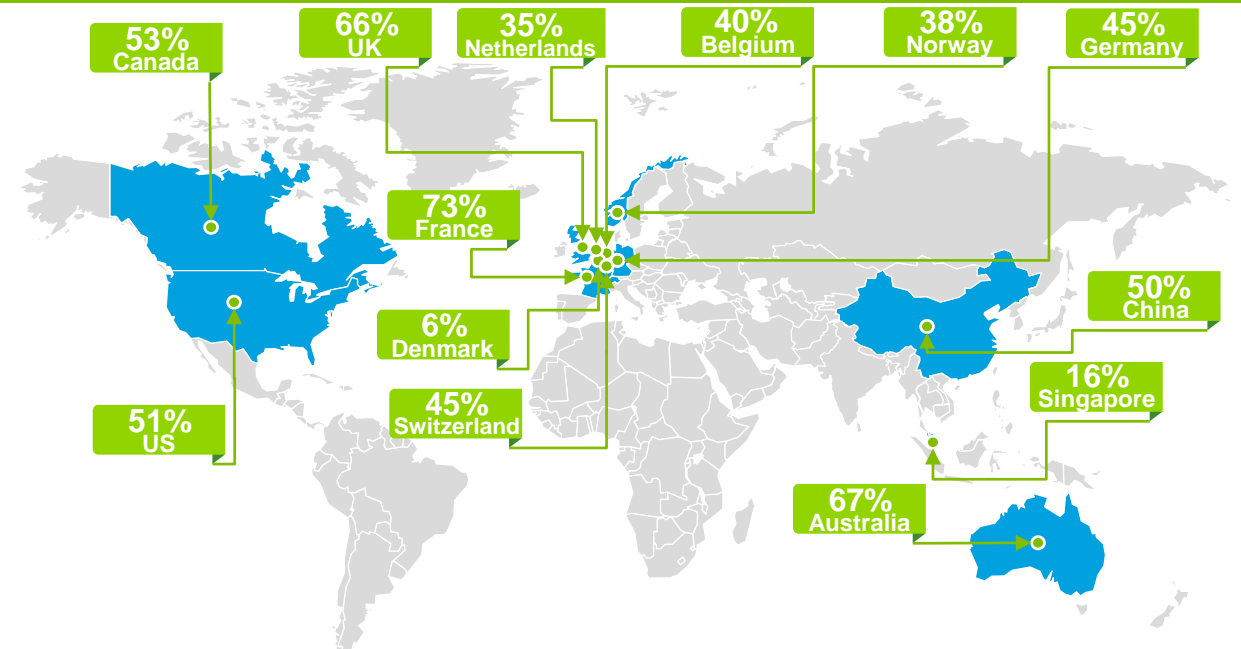


Response Trend

Agree/strongly agree responses decreased meaningfully (by 6 percentage points) from 2015.

Country-specific agree/strongly agree results

In my country, I am anticipating significant unilateral legislative change to protect the tax base that is not coordinated with what other countries are doing.



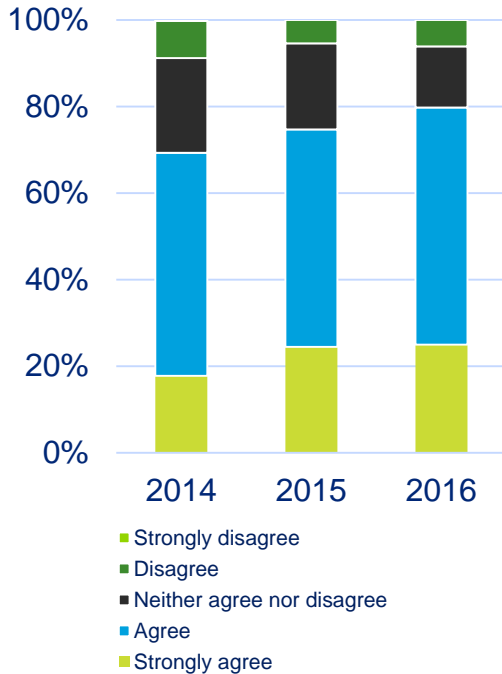
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

Unilateral legislative changes will undermine the effectiveness of this global initiative unless the changes are ultimately aligned with the final BEPS recommendations.

Question 13

80% agree or strongly agree that double taxation will occur as a result of unilateral tax law changes.

Overall results

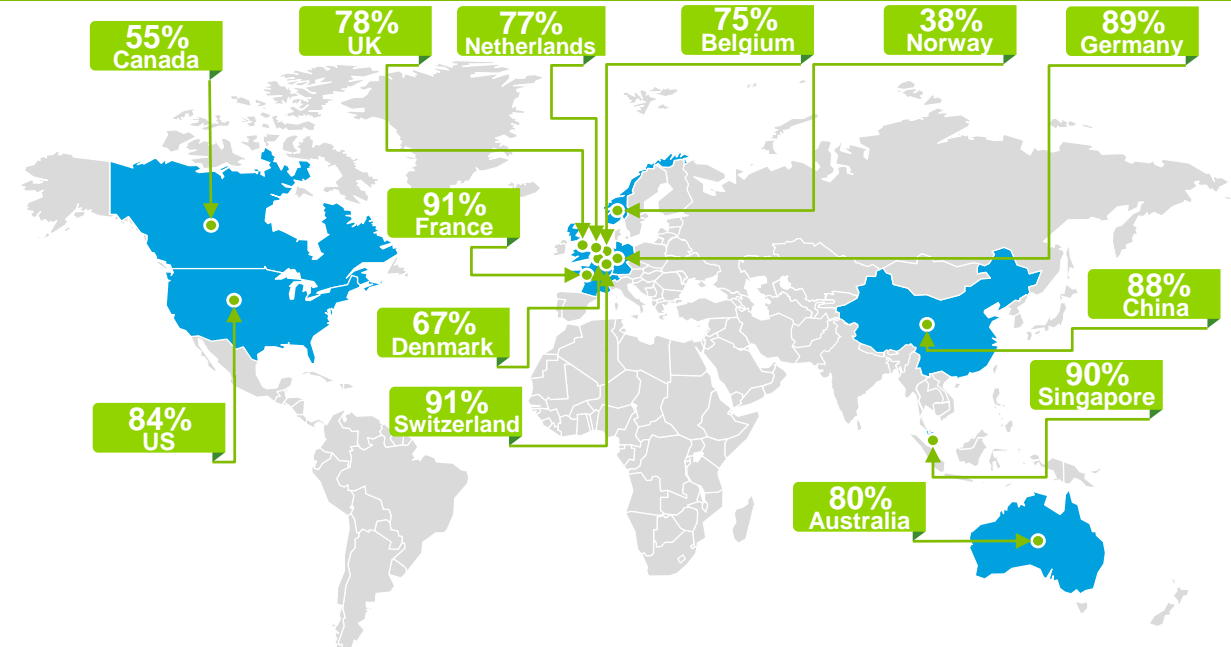


Response Trend

Agree/strongly agree responses remained high and strongly increased (by 5 percentage points) from 2015.

Country-specific agree/strongly agree results

I believe that double taxation will occur as a result of unilateral tax law changes.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

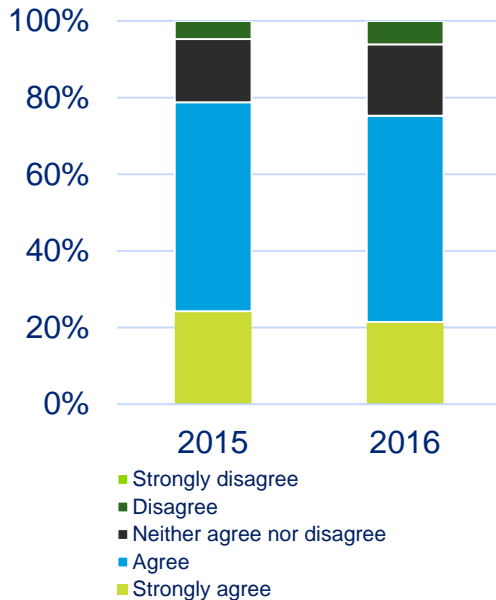
This is unsurprising as unilateral tax changes that are not coordinated with what other countries are doing can create the possibility of double taxation.

Question 14

75% agree or strongly agree that double taxation will arise from some of the BEPS changes even without unilateral legislative changes.

Overall results

(question not asked in 2014)

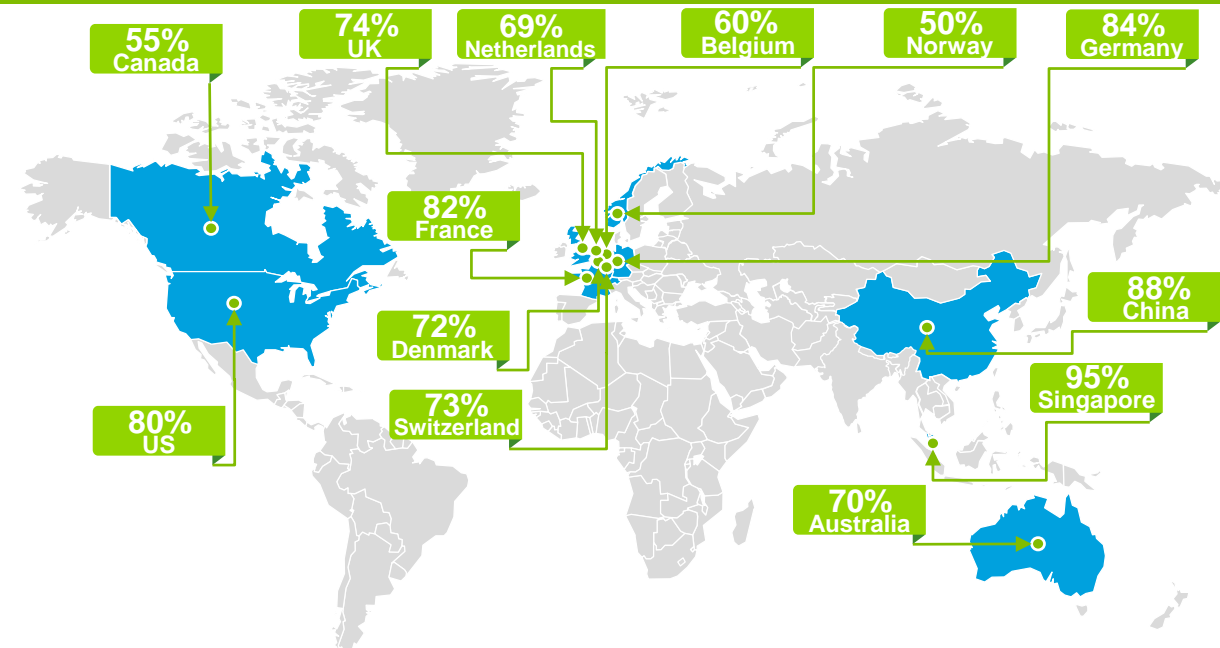


Response Trend

Agree/strongly agree responses remained high but decreased by 4 percentage points from 2015.

Country-specific agree/strongly agree results

I believe that double taxation will arise from some of the BEPS changes even without unilateral legislative changes.



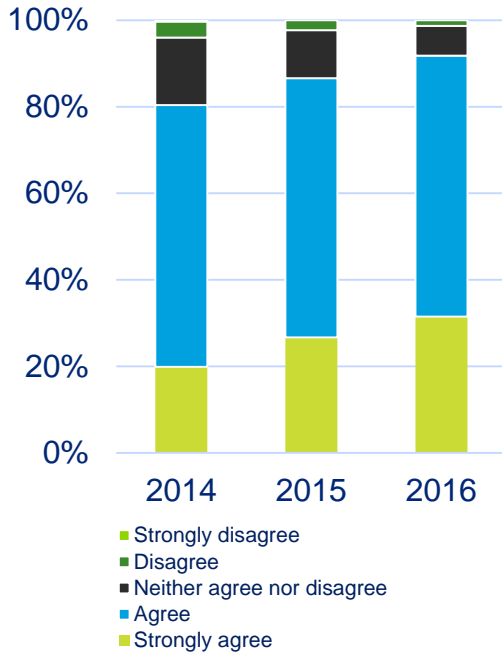
Note: Information above includes only selected countries. Percentages above refer to participants who selected “agree” or “strongly agree”.

The decrease in agreement by 5% may show a slight increase in confidence that the anti BEPS proposals will not create inadvertent double taxation.

Question 15

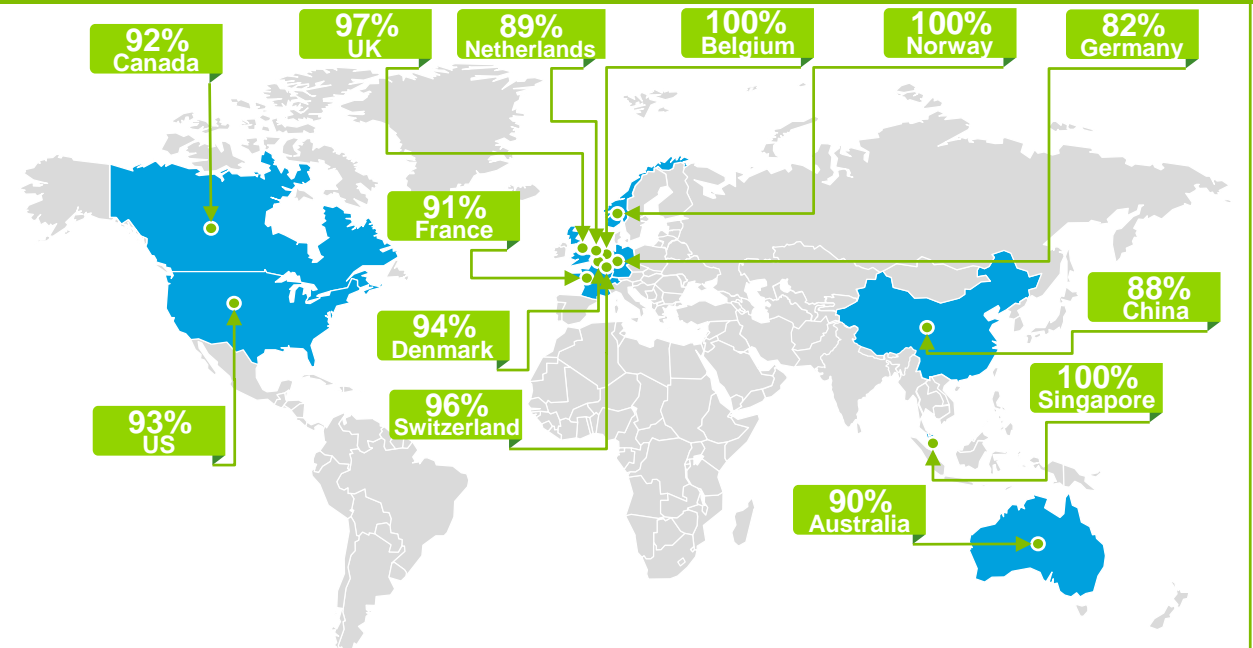
92% agree or strongly agree the BEPS initiative will result in significant legislative and treaty changes in many countries.

Overall results



Country-specific agree/strongly agree results

In my view, globally, the BEPS initiative will result in significant legislative and treaty changes in many countries.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

Response Trend
 Agree/strongly agree responses remained very high and increased (by 5 percentage points) from 2015.

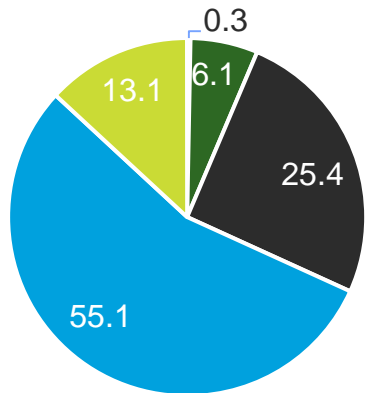
This high percentage accurately reflects the current landscape.

Question 16

68% agree or strongly agree that many countries will change their tax treaties through the multilateral instrument.

Overall results

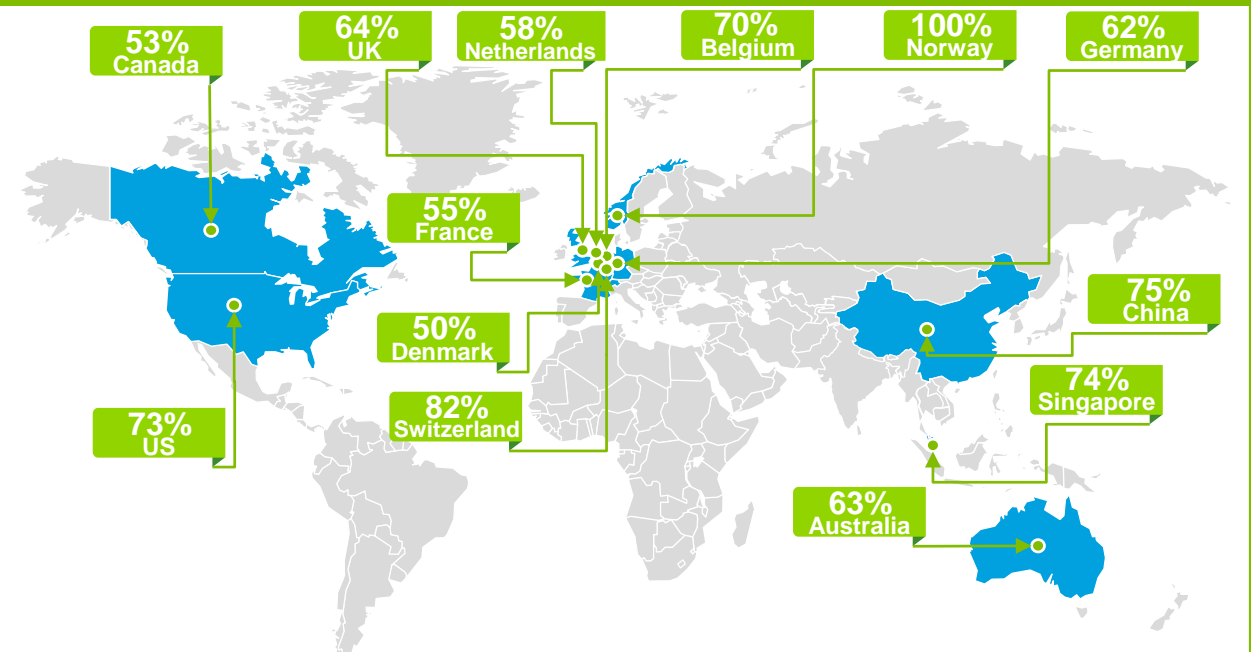
(question not asked in 2014 or 2015)



- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Country-specific agree/strongly agree results

I believe that many countries will change their tax treaties through the multilateral instrument.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

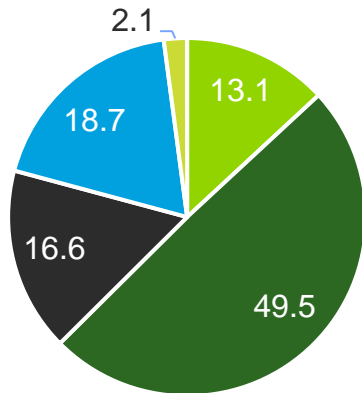
It will be interesting to see how much agreement can be reached between countries.

Question 17

21% agree or strongly agree that most tax administrations will interpret the proposed changes to the Transfer Pricing Guidelines in a consistent manner.

Overall results

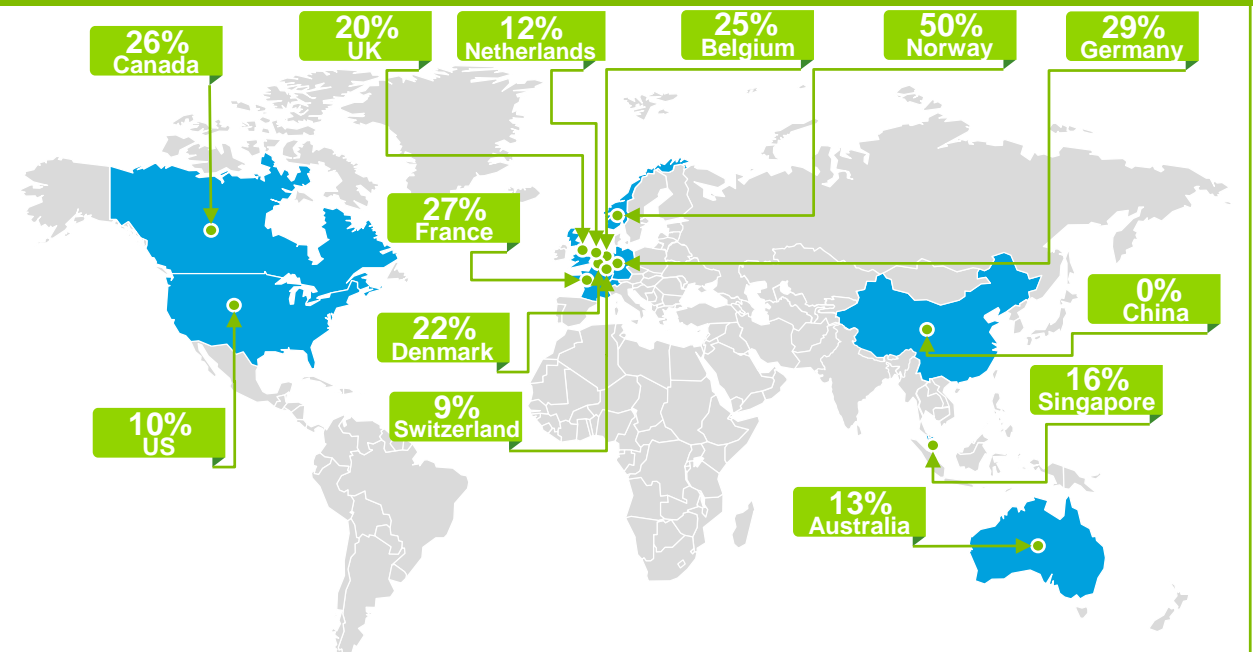
(question not asked in 2014 or 2015)



- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Country-specific agree/strongly agree results

I believe that most tax administrations will interpret the proposed changes to the Transfer Pricing Guidelines in a consistent manner.



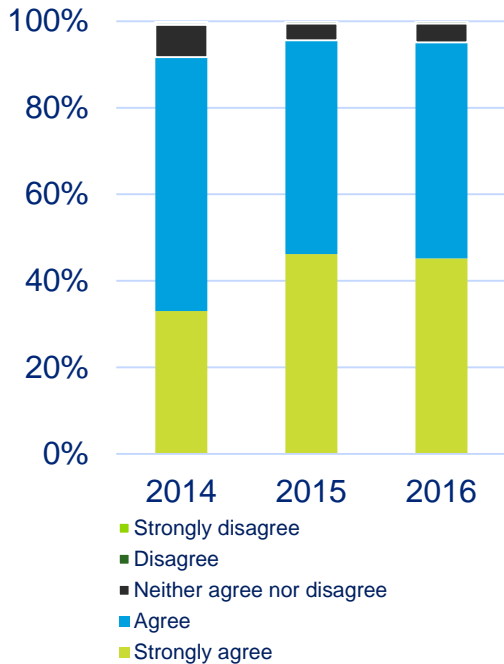
Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

Interestingly companies seem to have little confidence that the interpretation of the BEPS transfer pricing proposals will be consistently applied.

Question 18

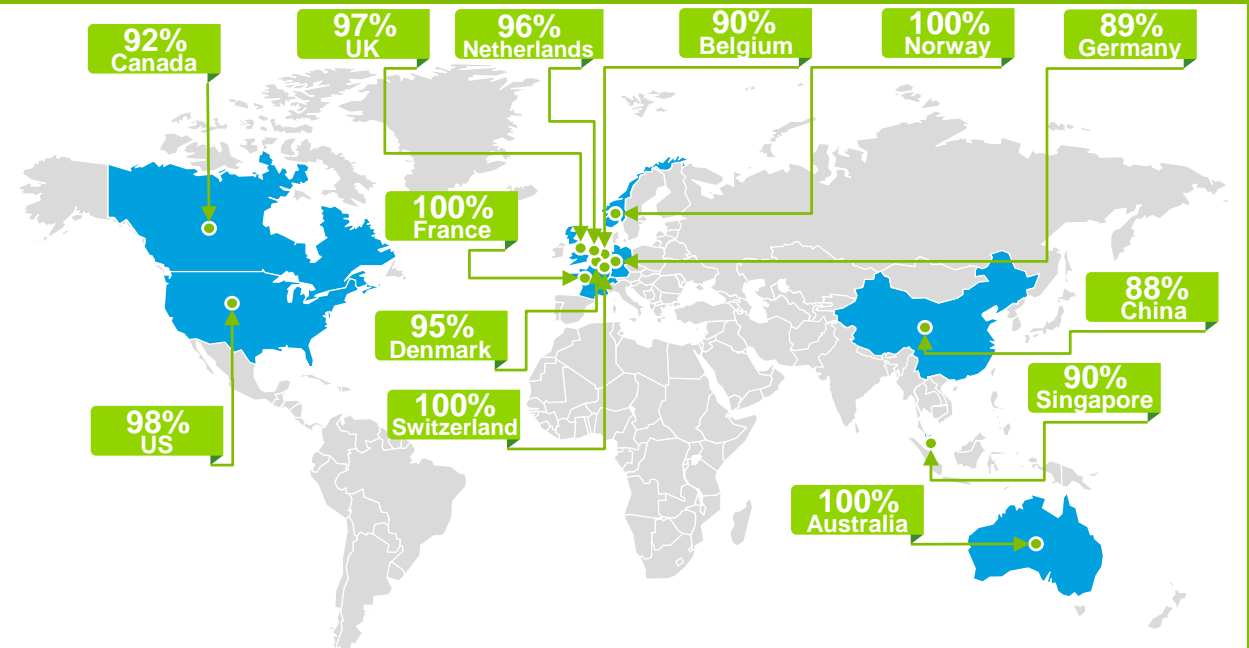
95% agree or strongly agree that greater scrutiny will be applied by tax authorities surrounding the level of substantive business operations conducted in low tax countries as a result of the BEPS initiatives in the future.

Overall results



Country-specific agree/strongly agree results

Greater scrutiny will be applied by tax authorities surrounding the level of substantive business operations conducted in low tax countries as a result of the BEPS initiatives in the future.



Note: Information above includes only selected countries. Percentages above refer to participants who selected “agree” or “strongly agree”.

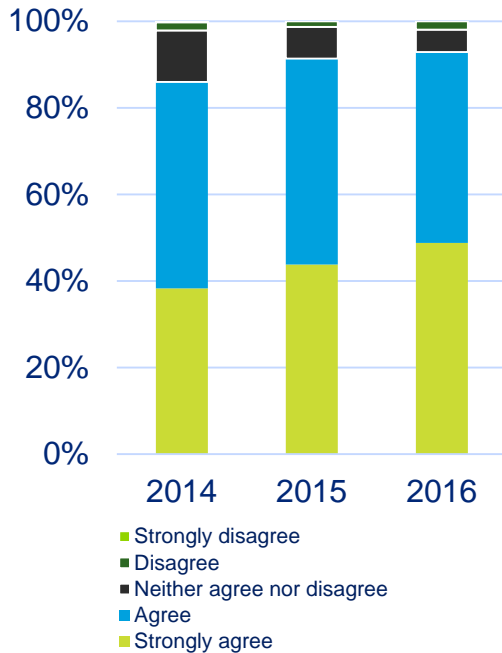
Response Trend
 Agree/strongly agree responses remained extremely high, increasing by 1 percentage point from 2015.

It is unsurprising that companies believe that their tax affairs will be scrutinized more carefully in the coming months/years.

Question 19

93% agree or strongly agree the corporate tax compliance burden will substantially increase as a result of the additional transfer pricing reporting requirements from the OECD BEPS recommendations.

Overall results

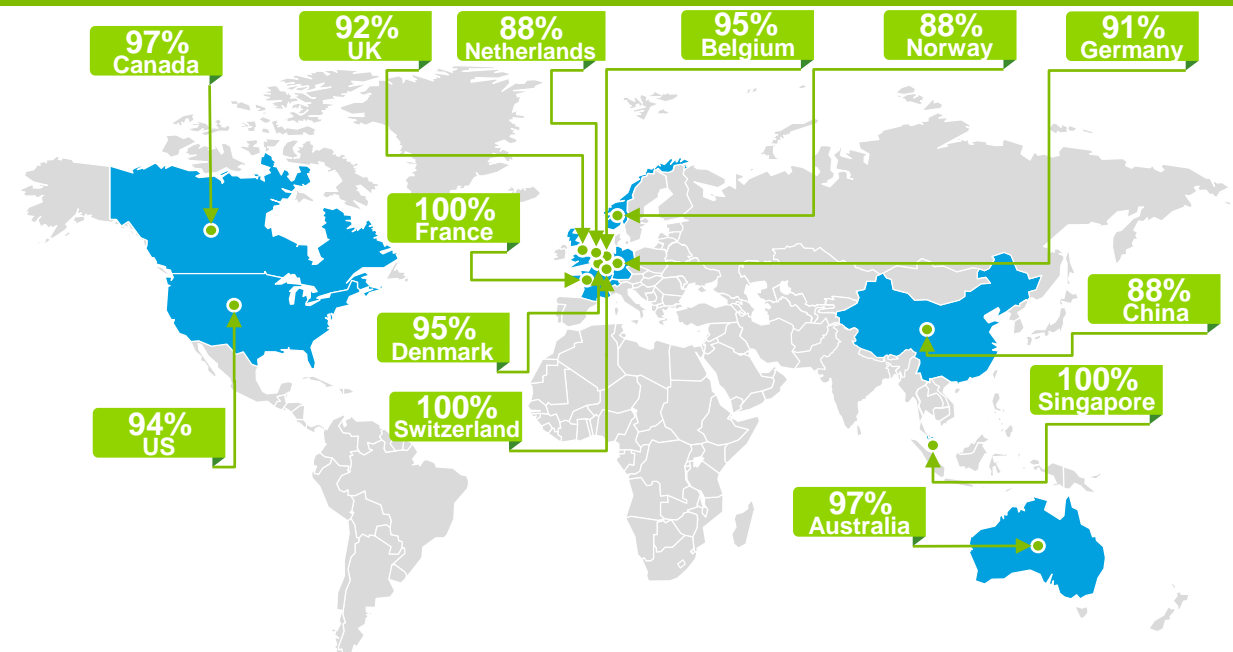


Response Trend

Agree/strongly agree responses remained very high, increasing by 2 percentage points from 2015.

Country-specific agree/strongly agree results

In my view, the corporate tax compliance burden will substantially increase as a result of the additional transfer pricing reporting requirements from the OECD BEPS recommendations.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

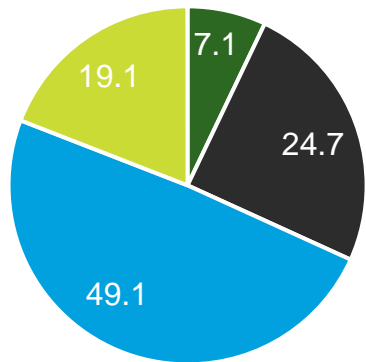
This is not a surprising result due to the increased disclosure requirements arising from BEPS.

Question 20

68% agree or strongly agree that the corporate tax compliance burden will substantially increase as a result of an increase in the number of foreign permanent establishments resulting from the OECD BEPS recommendations.

Overall results

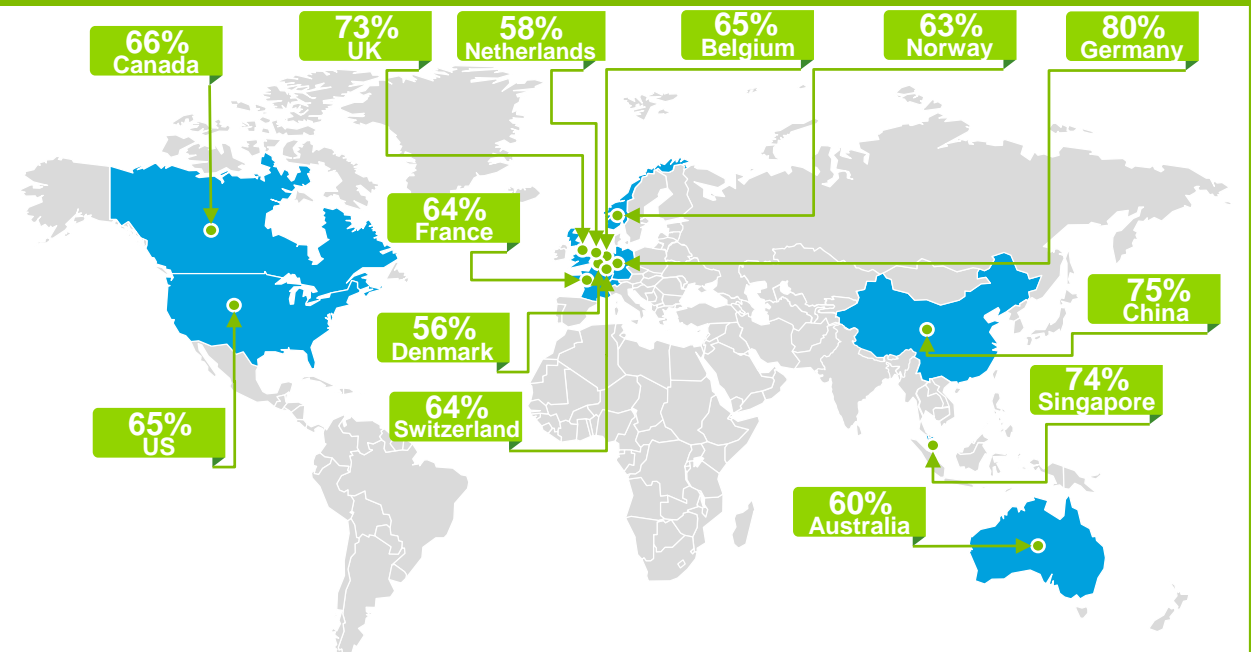
(question not asked in 2014 or 2015)



- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Country-specific agree/strongly agree results

In my view, the corporate tax compliance burden will substantially increase as a result of an increase in the number of foreign permanent establishments resulting from the OECD BEPS recommendations.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

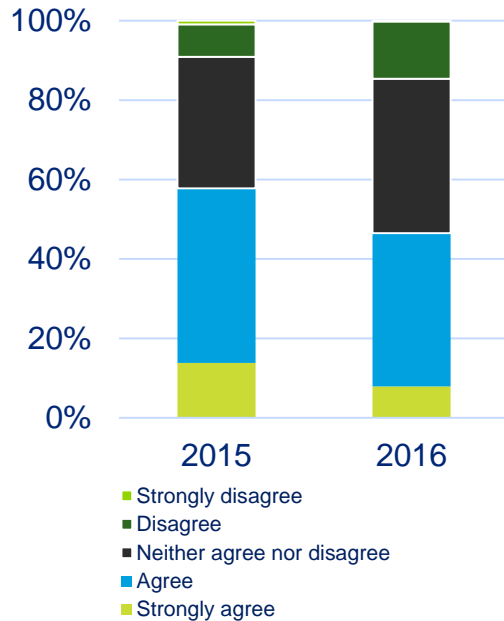
This suggests that a significant proportion of survey participants do not have untaxed PEs within their structures.

Question 21

47% agree or strongly agree that the BEPS project will have a greater impact on their organization than they originally thought, based on the OECD's final BEPS reports issued in October 2015.

Overall results

(question not asked in 2014)

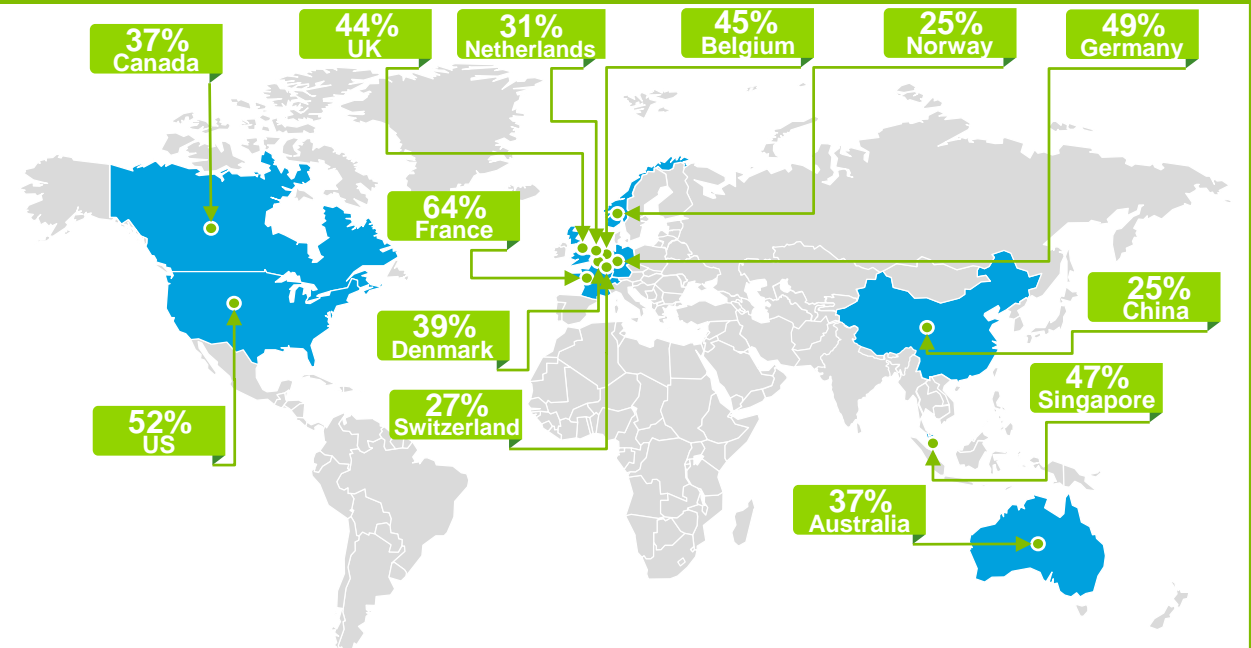


Response Trend

Agree/strongly agree responses decreased significantly (by 11 percentage points) from 2015.

Country-specific agree/strongly agree results

Based on the OECD's final BEPS reports issued in October 2015 I think the BEPS project will have a greater impact on my organization than I originally thought.



Note: Information above includes only selected countries. Percentages above refer to participants who selected "agree" or "strongly agree".

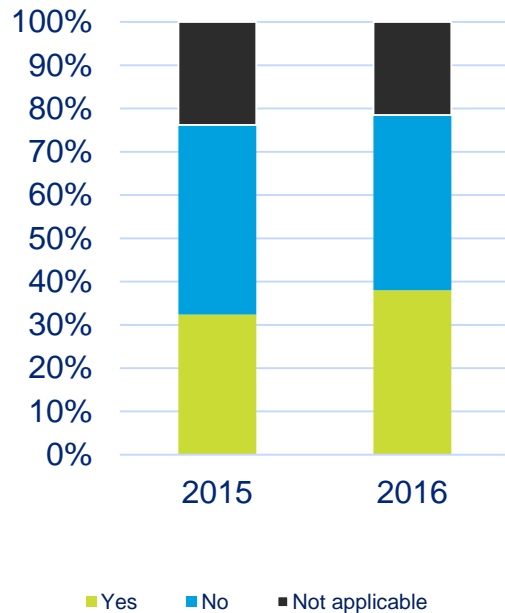
The decrease may reflect greater awareness of the BEPS project changes in comparison to last year.

Question 22

38% said their organization considered the recent State Aid cases initiated by the European Commission in implementing tax structures.

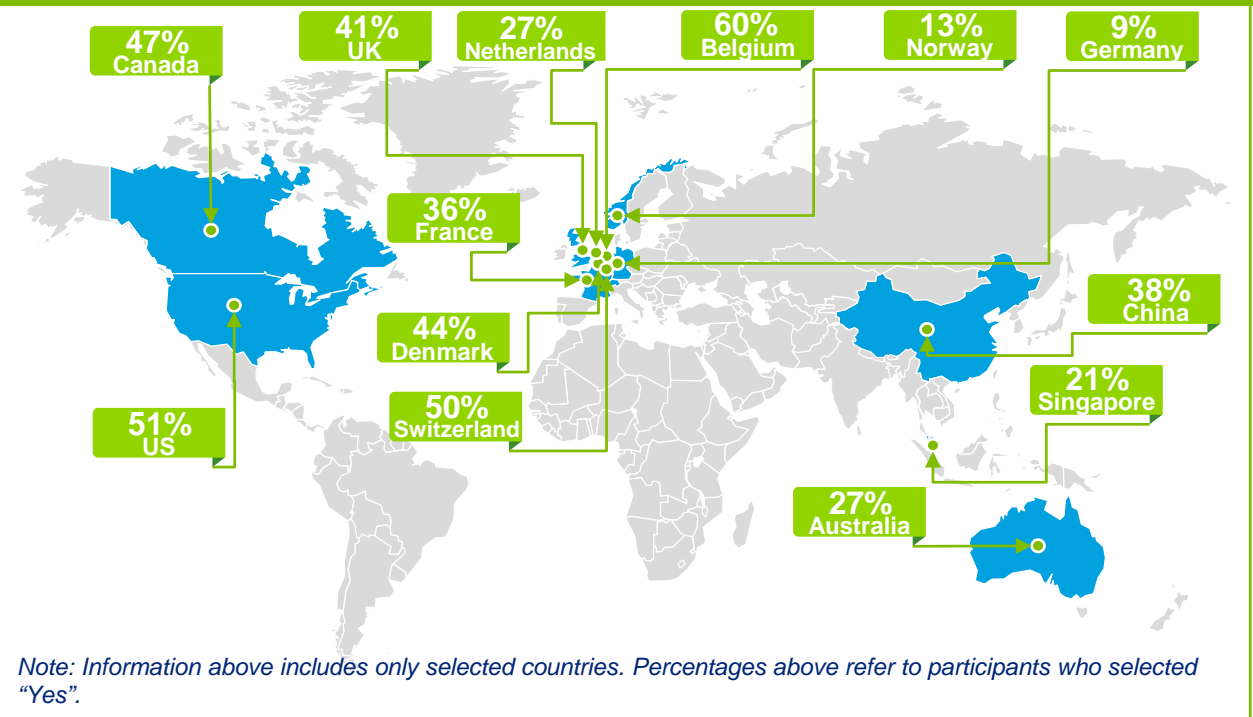
Overall results

(question not asked in 2014)



Country-specific 'yes' responses

Has your organization considered any of the recent State Aid cases initiated by the European Commission in implementing tax structures?



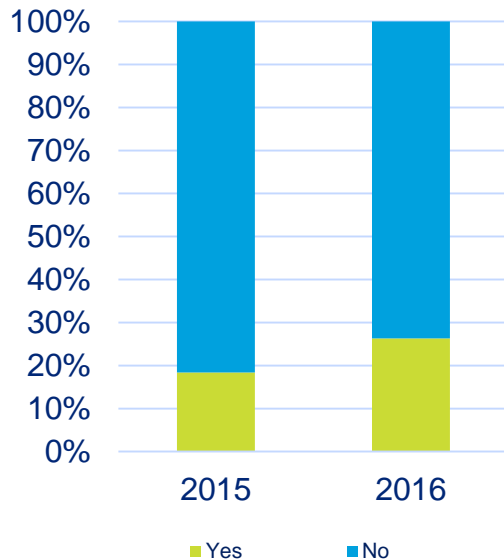
While not part of the BEPS project, this is an area that has also attracted a lot of attention.

Question 23

26% said their organization is planning on securing additional resources/headcount for their Tax Group wholly or partly as a result of the anticipated changes arising due to the BEPS initiative.

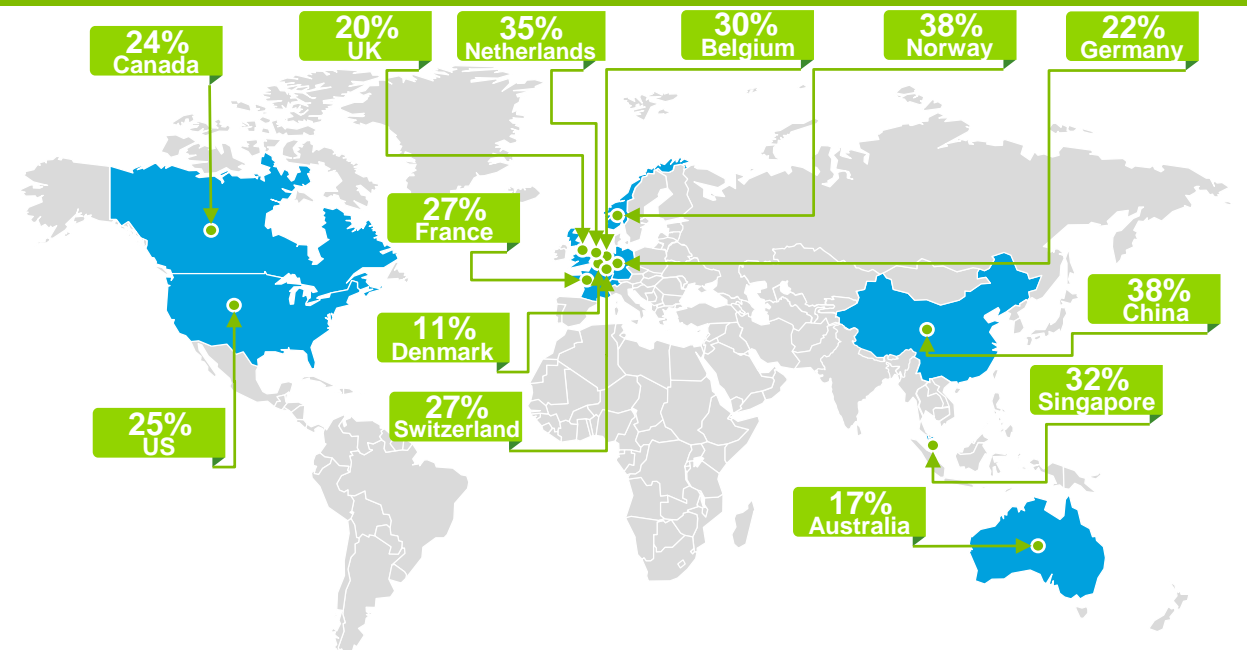
Overall results

(question not asked in 2014)



Country-specific 'yes' responses

Is your organization planning on securing additional resources/headcount for your Tax Group wholly or partly as a result of the anticipated changes arising due to the BEPS initiative?



Note: Information above includes only selected countries. Percentages above refer to participants who selected "Yes".

This increase in this percentage from last year is expected – perhaps due to enactment of the OECD proposals.

Views on media and political interest



Question 1: My organization is concerned about the increased media, political and activist group interest in tax.

Strongly agree or agree

By role in the organization



58% (70% in 2015)
Controller/CFO



75% (81% in 2015)
Tax Director/Tax VP



74% (80% in 2015)
Overall

The survey shows a good mix of respondents from different roles within their organization.

By type of industry



77% (84% in 2015)
**Telecom/Media/
Technology**



73% (86% in 2015)
**Consumer
Business**



82% (87% in 2015)
**Health Care &
Life Sciences**



78% (85% in 2015)
**Financial
Services**



66% (73% in 2015)
**Manufacturing
& Engineering**



81% (90% in 2015)
**Energy &
Resources**



74% (80% in 2015)
Overall

Interestingly these industry sectors are showing a decline in their concern about the increased interest in tax.

Note: See slide 7 for responses analyzed by country

Question 1: My organization is concerned about the increased media, political and activist group interest in tax.

Strongly Agree or Agree

Public vs. private



77% (82% in 2015)
Public



65% (71% in 2015)
Private



74% (80% in 2015)
Overall

Reputational risk still appears to be of greater concern for public companies.

By transaction focus



73% (78% in 2015)
Business-to-business (B2B)



79% (87% in 2015)
Business-to-consumer (B2C)



74% (80% in 2015)
Overall

The B2B sector is now closer aligned with the B2C sector in terms of concern regarding their reputational risk, although both sectors have seen a decline in this concern compared with last year.

Note: See slide 7 for responses analyzed by country

Open questions - selected participant responses



Question 24: What are your main concerns, if any, about “Responsible Tax” and the BEPS initiative?

“Inconsistent treatment by taxing authorities resulting in double taxation.”

“Media and activist misrepresentation and uninformed views amongst the general public.”

“Increased time, cost and resources required to meet additional compliance requirements in different countries as well as dealing with increased queries, etc. from tax authorities.”

“The different interpretation by different countries of what ‘Responsible Tax’ is.”

“Data sharing and related confidentiality which may end up in misuse of the data shared with tax authorities.”

Note: 278 respondents answered Q24. The comments listed are representative of the most commonly stated responses.

Question 25: What do you think will be the main hurdles, if any, to achieving cooperation between countries in implementing the OECD's BEPS recommendations?

“Each major country will apply a self-interest approach, and often adopts a different type of tax regime. Bilateral measures will be difficult to negotiate, and therefore likely that there will be significant unilateral action that will undermine the BEPS initiatives.”

“Even assuming that the rules are similar (big assumption), the attitude of [tax authority] auditors executing the rules will be a big determination on how much pain taxpayers face. BEPS recommendations and media coverage start from the assumption that most taxpayers are not abiding by the rules, which will only embolden the auditors to be more aggressive.”

“How the governments will interpret the recommendations and be applied in a consistent manner where it will not result in any form of double taxation to the taxpayer.”

Note: 299 respondents answered Q25. The comments listed are representative of the most commonly stated responses.

Question 26: Based on the OECD's final BEPS reports issued in October 2015, what will be the most significant areas of change for your business?

“Transfer pricing documentation compliance burden.”

“Transfer pricing related issues and managing challenges around permanent establishment.”

“Provision of cross border services, with increases in personnel and activities in different locations to support the taxable profit allocations.”

“Business will not substantially change, but corporate tax compliance burden will increase as a result of OECD's BEPS recommendations.”

“Hybrids, Interest Deductibility, TP documentation and CbyC Reporting.”

Note: 301 respondents answered Q26. The comments listed are representative of the most commonly stated responses.

Question 27: What has surprised you about the OECD's final BEPS reports issued in October 2015?

“The fact that they actually completed the work according to their timeline.”

“That they were actually published when they said they would be! There clearly is a lot more to come but the OECD have delivered something.”

“Blatant disregard for double taxation prevention.”

“The very few areas of clear agreement between the countries—only 4 minimum standards.”

Note: 219 respondents answered Q27. The comments listed are representative of the most commonly stated responses.

Question 28: How is your organization responding to BEPS (e.g.; Monitoring the situation? Assessing and quantifying the impact? Implementing structural/financing changes? Doing the work in-house? Engaging external advisors?)

“We are monitoring the situation and beginning to assess and quantify the impacts. We've made no decisions to implement structural/financing changes. However, it is highly likely that changes will be made. We will do most of the work in-house but will engage external advisors to make sure we are "in line" with others with similar business profile, etc.”

“Implementing changes. Training colleagues to prepare them for expected changes in the business. Most of the work is done in-house. For complex situations, we engage specialized external advisors. Risk assessment tools may help to understand grey areas.”

“We have already implemented financing structure changes; we have assessed impact of CbyCR in-house and are building project team with assistance of outside advisors; considering purchase and implementation of specific software to use for CbyC reporting.”

“We are doing a gap analysis to determine our needs and reaching out to external advisors to understand the practical solutions to the issues facing MNCs.”

“Assessing and quantifying impact. Prompting review of global structure and TP framework. Mix of in-house and external advisor support.”

Note: 314 respondents answered Q28. The comments listed are representative of the most commonly stated responses.



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