



OECD's Base Erosion and Profit Shifting (BEPS) initiative and the "Global Tax Reset"

2019 Survey summary results

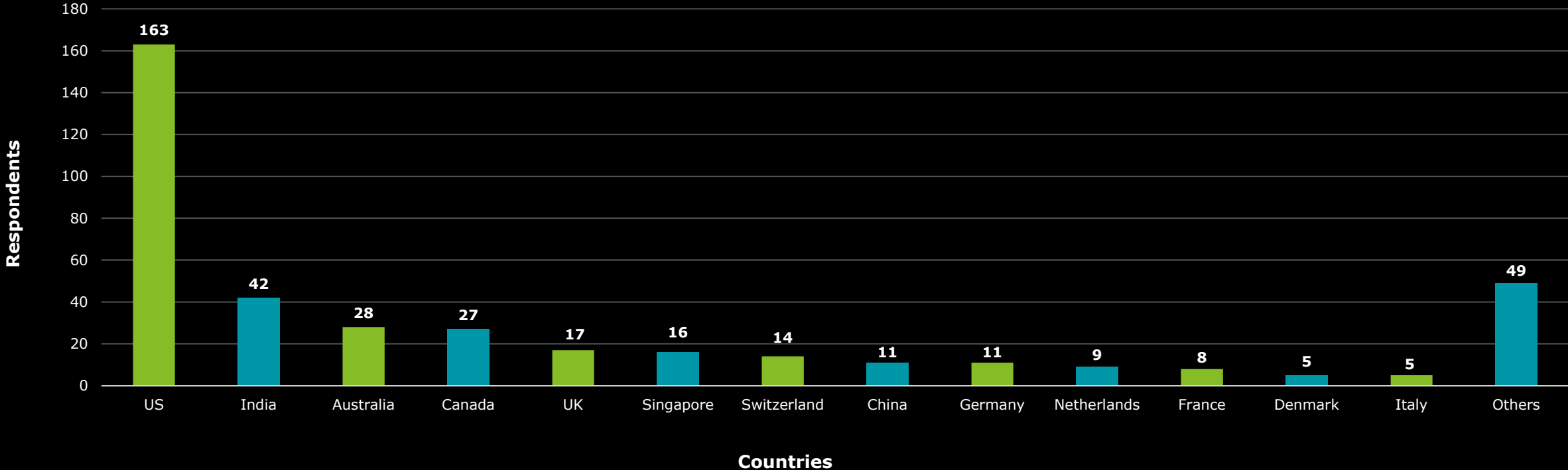
May 2019

OECD's BEPS initiative—Deloitte's sixth annual survey

Overview of the 2019 survey

The purpose of Deloitte's 2019 survey was to gauge multinationals' views on the progress of the implementation of the BEPS project recommendations and their views on consequential developments within their organizations given the changing tax landscape.

The survey was conducted from 14 January to 6 February 2019, with a target audience of tax and finance managers and executives from multinational companies. 405 people from 35 countries responded to the 2019 survey.



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Key findings

Substantial change is happening

- 76% of Boards are actively engaged in tax governance.
- But only 23% of respondents have secured (plan to secure) additional resources as a result of BEPS and the changing landscape.
- 52% of respondents expect a positive impact from the US Tax Reform.

External forces are impacting tax strategy

- 74% are concerned about the media, political and activist group interest in corporate taxation (down 2% from 2018).
- 62% have implemented (or intend to) structural and/or operational changes as a result of US Tax Reform.

The compliance burden is increasing

- Numerous respondents referenced an increasingly heavy compliance burden.
- 78% expect public country-by-country reporting in the next few years.

Tax examinations are becoming more rigorous and sophisticated

- 64% have implemented additional corporate policies and procedures in response to the increased scrutiny related to corporate taxation.
- More than half (54%) of the respondents find that the tax authority in their country are becoming more rigorous in tax examinations.
- 66% respondents comment that in their country, the tax authority is increasing their use of data gathering and data analytics tools.

Cross-border coordination is lacking

- 61% expect unilateral changes in their country without coordination with other countries.
- Only 21% expect consistent interpretation of the changes to the transfer pricing guidelines.
- 72% are concerned about the lack of guidance from the tax authorities worldwide about the Principal Purpose Test in the Multilateral Instrument.
- When the survey was conducted only 43% expected a global consensus on taxation of the digital economy.

OECD's BEPS initiative—sixth annual survey

Representative responses on significant areas of change for businesses

Organizations have varying views on which are the biggest changes for their business resulting from the BEPS project



"Complexity of reporting and documentation has been significant from a cost and resource perspective."

(Tax Director/
Tax VP –
Americas)



"We need technology to meet the new requirements."

(Tax Director/
Tax VP –APAC)



"Sensitivity to tax issues, causing a potential reputational risk."

(Controller/CFO–
EMEA)



"Intercompany transactions - significant increase of administrative workload."

(International Tax
Manager– EMEA)



"Considerations of structures based on reporting optics and increased compliance requirements."

(Tax Director/
Tax VP – EMEA)

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Representative responses on implementation of global legislative changes

When asked what surprised them the most about the implementation of global legislative changes stemming from the BEPS project, not surprisingly organizations had different reactions:



"There hasn't been enough attention to implement strict and mandatory measures to eliminate double taxation whenever tax authorities do not reach an agreement." (International Tax Manager - EMEA)



"Unilateral legislative changes (i.e. UK- DPT). Tax authorities don't seem to have a unified position and have left interpretations up to individual examiners." (Tax Director/Tax VP - Americas)



"The number of unilateral actions have created a more difficult tax compliance environment for taxpayers." (Tax Director/Tax VP - APAC)



"While the principles of the implemented legislation are in line with BEPS, there are many local adjustments that are very difficult to track." (Transfer Pricing Advisor- EMEA)

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Representative responses on the taxation of the digital economy debate

Organizations also had different reactions to their preferred outcome regarding the debate on taxation of the digital economy:



"Don't treat digital services different than other business transactions. Lines are blurring between what is digital and tangible sales. Unless a clear definition is drawn and agreed upon, there will be greater ambiguity in what should be subject to taxation."

(Tax Director/Tax VP—Americas)



"A new TP approach, and a new TP approach overall to better align the tax outcomes with the reality of the global nature of business today."

(Head of Tax—APAC)



"This requires more deliberation so that the taxation of digital economy is fair and consistent with laws and practices on international taxation."

(Controller/CFO—APAC)



"The preferred outcome would be a new digital permanent establishment definition or a new transfer pricing approach for digital transactions."

(Tax Director/Tax VP—EMEA)



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