



The Global Tax Reset and BEPS
Summary results of Deloitte's 2019
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 tax and BEPS—and the expected impact on their organizations.

In January and February 2019, Deloitte’s sixth survey was conducted to understand how participants’ views on the tax landscape have evolved. 405 corporate tax and finance executives from 35 countries responded to the 2019 survey.

Throughout 2018, countries continued to implement the BEPS recommendations into their domestic laws. The ratification of the Multilateral Instrument (MLI) also continues and although only few bilateral treaties are impacted in 2019, a larger impact is expected from 2020 onward.

The concern about the media, political and activist group interest in corporate taxation, and consequently, the involvement of C-suite and/or Board of Directors in organizations’ tax strategies remains consistently high over the years, although there have been varying trends, by country.

In the 2019 survey the ‘hot topics’ such as taxation of the digital economy and the US Tax Reform were raised for the first time, with some of the findings reflected below.

Key finding: Less than half of the respondents expect the global consensus on taxation of digital economy

Given the ongoing challenges in agreeing on a global solution for taxing the digital economy and unilateral measures being adopted by an increasing number of countries, only 43% expect that there will be a global consensus on taxation of the digital economy. However, as the survey was conducted before the OECD consultation run in February to March 2019 this would not have been considered in the responses.

Global consensus on digital taxation is vital to curtailing the trend of unilateral domestic measures in this area and that would in all likelihood cause double taxation and adversely impact global trade, investment and growth.

Key finding: US Tax Reform has resulted in changes to businesses’ structures and operations, but many expect a positive impact

62% of respondents have implemented (or intend to implement) structural and/or operational changes because of US Tax Reform. This is not surprising given the broad scope of the reforms. Some of the changes are likely to be in response to the Base Erosion and Anti-Abuse Tax (BEAT), the new interest expense rules and the new anti-hybrids rules. While 52% expect the impact of this reform to be positive for their business, 31% are concerned about a negative impact (some of this is likely due to the BEAT).

Key finding: tax authorities are becoming more rigorous and increasing their reliance on data technology

More than half (54%) of respondents find that the tax authority in their country is becoming more rigorous in its tax examinations; on average, the response trend remains similar over the -years. The increasing digitalization of the economy is reflected in the tax authorities’ approach. 66% see their tax authority increasing its use of data gathering and data analytics tools.

Key finding: businesses are making changes but not increasing their tax functions’ headcount

64% have introduced additional corporate policies and procedures in response to the increased scrutiny related to corporate taxation and 38% have implemented changes to their cross-border structures because of BEPS. However, despite the unprecedented degree of change in the tax laws worldwide, only 23% of the respondents have secured (or plan to secure) additional resources or headcount for their tax department. This is a somewhat surprising drop from the 31% answer to the same question in the 2018 survey and may be due to the increased use of technology and/or outsourcing.

Key finding: concern about lack of guidance and inconsistent interpretation of the new transfer pricing rules

Only 21% believe that tax authorities will interpret the new transfer pricing guidelines in a consistent manner; this trend continues across 2016-2019.

With the continued MLI adoption across the globe, 72% are concerned about the lack of guidance from the tax authorities worldwide about the Principal Purpose Test.

Summary

The impact of the BEPS project continues and is expected to be higher throughout 2019-2020 as more measures begin to take effect and become embedded into local laws and businesses' approach to managing their tax affairs. The changes in corporate attitudes are becoming increasingly obvious throughout the years this survey has been conducted. To meet the demand for tax transparency businesses are facing the continuously growing compliance and reporting obligations.

Deloitte can help organizations navigate the changing landscape by taking a holistic view of a company's tax profile and helping businesses develop their strategy.

Background of the Global Tax Reset and BEPS

The BEPS initiatives grew out of a perception that many multinationals were not paying their 'fair' share of tax and were taking advantage of arbitrage opportunities permitted under international tax laws. The G20 tasked the OECD with addressing this.

The result was the OECD BEPS Action Plan focused on 15 key areas, guided by the principles of coherence, substance and transparency. This consensus-based approach has expanded to include an Inclusive Framework of over 100 countries. The recommendations from the the BEPS project are in the process of being implemented.

One of the key challenges is the need to reconcile individual countries' legitimate need to stay competitive and to raise revenue with the need for multilateral consensus and cooperation that is essential in the current global environment.

Additional information and contacts

For further information, please visit [Deloitte.com](https://www.deloitte.com) or contact [Albert Baker](#), Deloitte Global Leader – Tax Policy.

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