



Deloitte Tax Controversy (“DTC”) Newsletter

February 2022

Welcome to the second edition of the Deloitte UK Tax Controversy (“DTC”) Newsletter. Please contact [Alisha Tatter](#) if you have any feedback on this Newsletter.

The shifting sands of tax controversy

Conversations with tax and business leaders and wealthy families often highlight “tax controversy” as a key external pressure and area of concern. Common themes include the strain on resources in responding to an enquiry, which could be over a prolonged period of time, the potential loss of control and the reputational risks.

These concerns can often be justified: taking transfer pricing as an example, the average age of a settled enquiry in the UK was over 31 months in 2019/2020 (the latest data available). Our experience of enquiries on other complex tax issues such as individual domicile & residency is that these can take significantly longer.

In particular, tax controversy with ‘binary’ outcomes can often undergo multiple rounds of information gathering, (including potentially seeking data from third parties). With some tax authorities unwilling to share their views until all relevant data has been gathered, the timescales involved can be considerable.

Some common themes for handling controversy cycles include:

- **The advent of a ‘Global Controversy Leader’ within businesses:** given the increasingly heavy and complex demands that controversy can place on tax departments, many enterprises are appointing formal or informal heads of controversy. These tend to be senior leadership



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level tax professionals responsible for the definition and delivery of a controversy strategy through the different stages of the dispute lifecycle and developing a consistent approach that achieves greater control over the risks inherent to controversy globally. This role often encompasses the management of external and internal stakeholders, including tax authorities, General Counsel, Head of Public Relations and tax and finance colleagues.

- **A capacity to adapt to global disputes:** Increasingly, complex enquiries have cross-border components to them. The potential for misunderstandings in a conversation with a tax authority, can increase when overlaid with the need to accommodate cultural norms, legislative frameworks and operational processes across multiple jurisdictions. Recognition that the majority of matters in dispute have been experienced by others already and that tax authorities themselves benchmark cases to adopt a consistent approach, should enable taxpayers to seek valuable insights, including from tax controversy advisers, and bridge any differences at the early stages of a dispute.
- **Embedding tax controversy in standard processes:** this would recognise the lifecycle of disputes, from pre-dispute matters (including tax governance models and clear principles of engagement with tax authorities in key jurisdictions) through to understanding the litigation process for the issue/territory concerned. Between these bookends, a taxpayer's data quality, technology and dispute resolution processes will influence how successfully they navigate their tax controversies.

Looking ahead

Looking to the future, it's unlikely that the challenges arising from tax controversy will decrease. Those who engage with the challenges involved by forming a conscious approach towards tax controversy are likely to achieve significant direct and indirect benefits including reduced direct costs, better staff morale and improved relationships with stakeholders, including tax authorities.

Please contact the DTC team if you wish to discuss further.

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