



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

Full results of fourth annual multinational survey

August 2017

OECD's BEPS initiative—full results of fourth 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.

In early 2015, a follow-up survey was conducted to understand how participants' views on the tax landscape have evolved. In October 2015, the OECD 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 published and approved by policymakers.

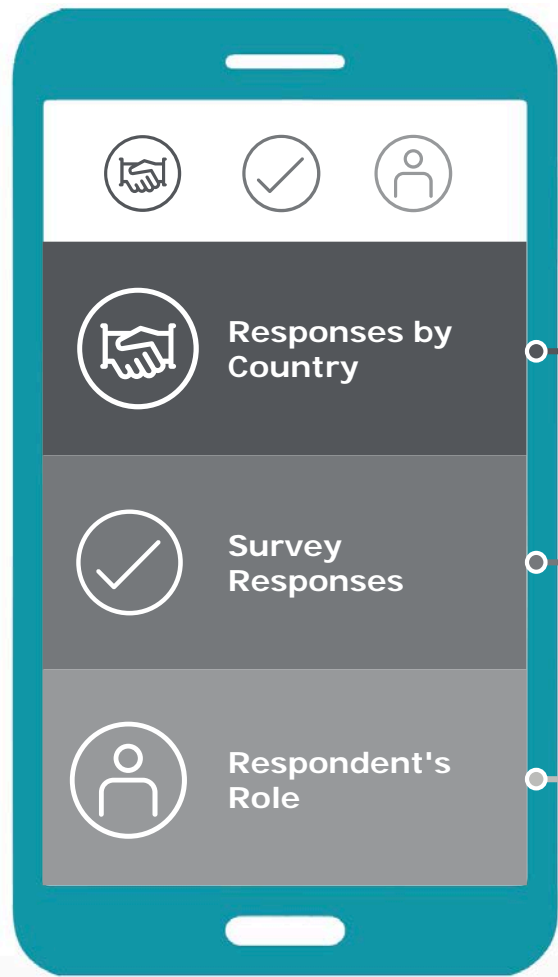
Now in its fourth year, we conducted the survey again to gauge how participants' views may have evolved as the BEPS recommendations have begun to take effect in most jurisdictions. 460 people from 38 countries responded to the 2017 survey. This year's responses reflect how participants' views may have stabilized as BEPS and the Global Tax Reset is integrated within the larger tax landscape.

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2017 survey respondents

2017 survey respondents



- United States—166
- Germany—46
- United Kingdom—38
- Canada—28
- Belgium—23
- Australia—22
- Switzerland—20
- Netherlands—15
- Singapore—13
- Denmark—12
- France—7
- China—6
- Norway—5
- Other— 59

The survey was conducted from 27 January–16 February 2017, with a target audience of tax and finance managers and executives from multinational companies. 460 people from 38 countries responded to the 2017 survey.

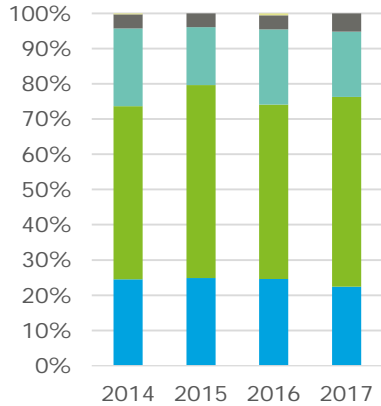
1. Tax Director/Tax VP—253
2. International Tax Director—68
3. International Tax Manager—48
4. Controller/CFO—32
5. Other—59

Survey results—overall and by country

Question 1

76% agree or strongly agree that their organization is concerned about the increased media, political and activist group interest in corporate taxation.

Overall results



Key

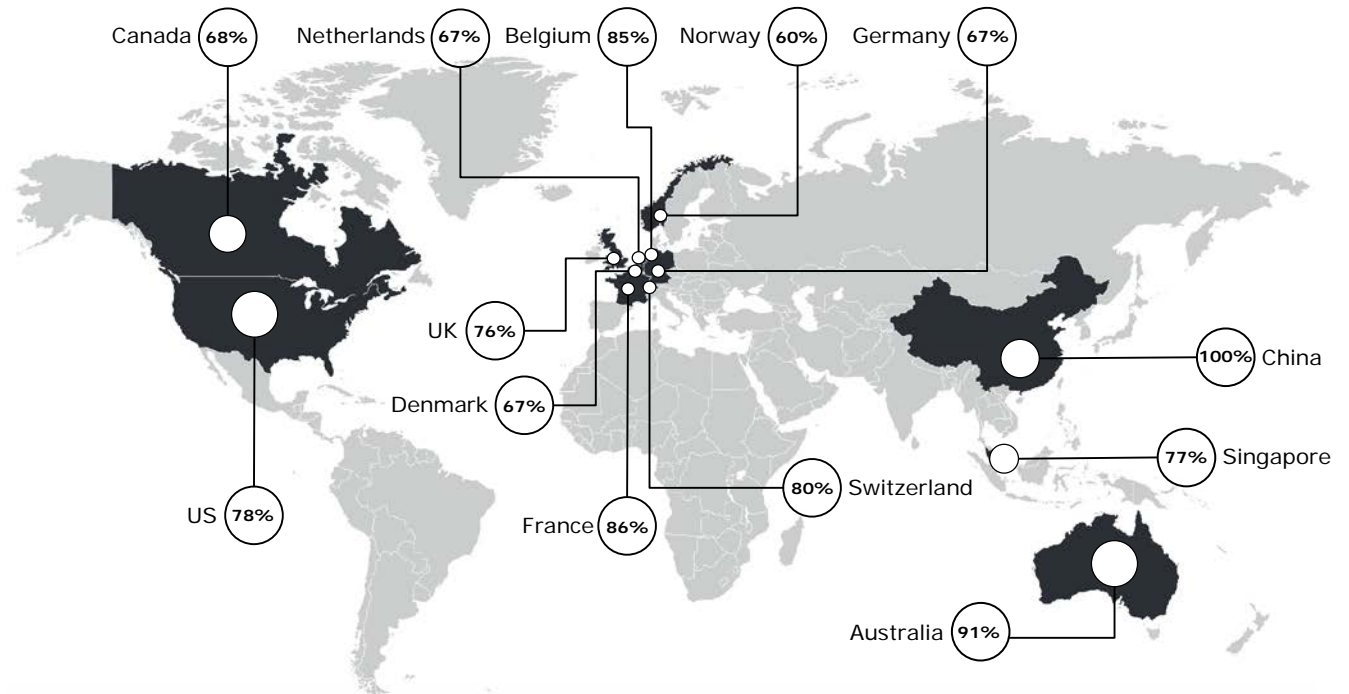
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high and increased by 2 percentage points from 2016.

Country-specific agree/strongly agree results

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



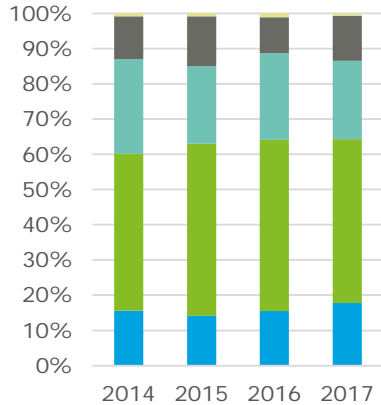
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries. Slides 33 - 34 indicate responses from perspective of respondent's role, industry, type of company and sector.

The level of concern is high as in prior years but does vary by country.

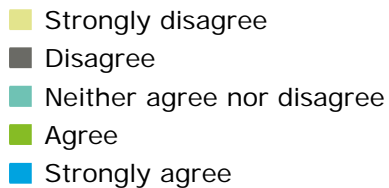
Question 2

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



Key

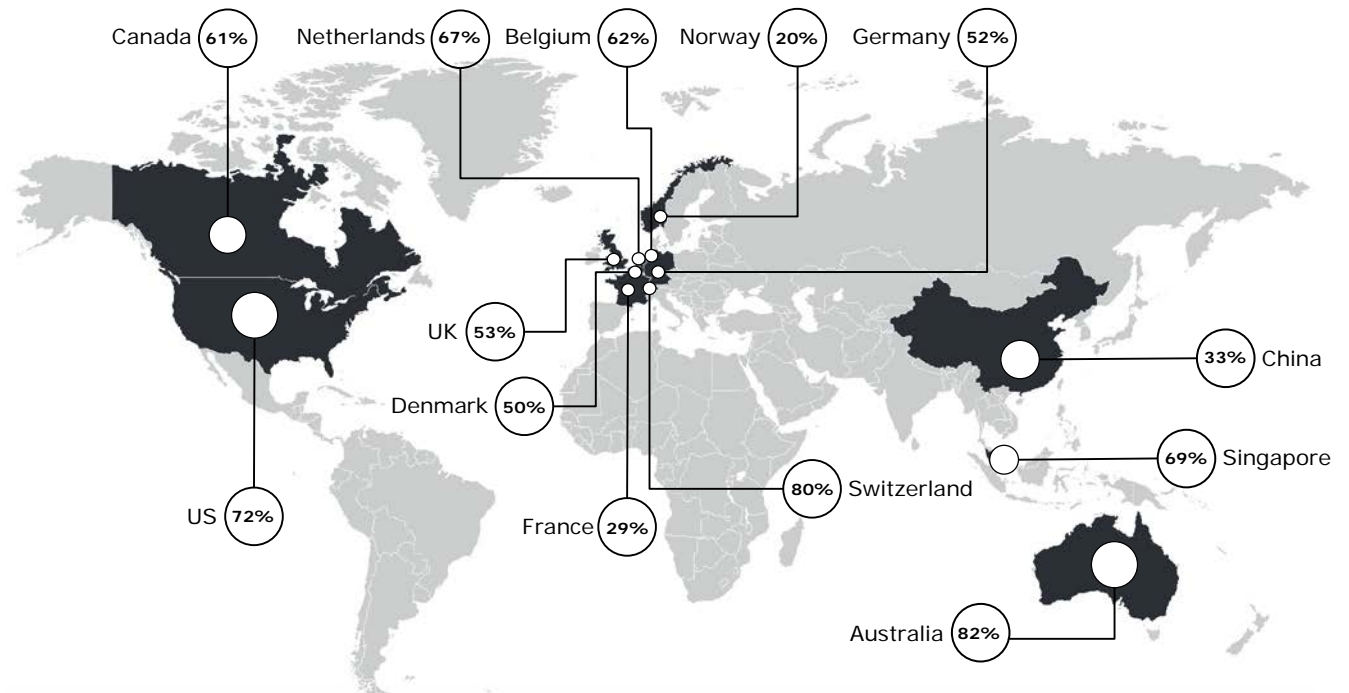


Response Trend

Agree/strongly agree responses remained relatively high although there was no change in percentage points from 2016.

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.



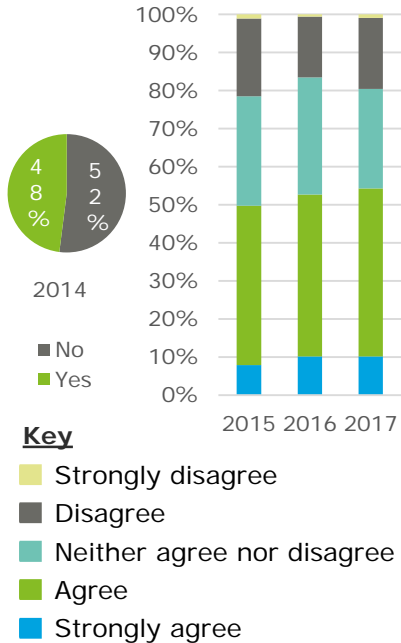
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

These statistics highlight that media and political activist interest in tax is still high on companies' agendas.

Question 3

54% agree or strongly agree that their organization has developed additional corporate policies and procedures in response to the increased scrutiny related to corporate taxation.

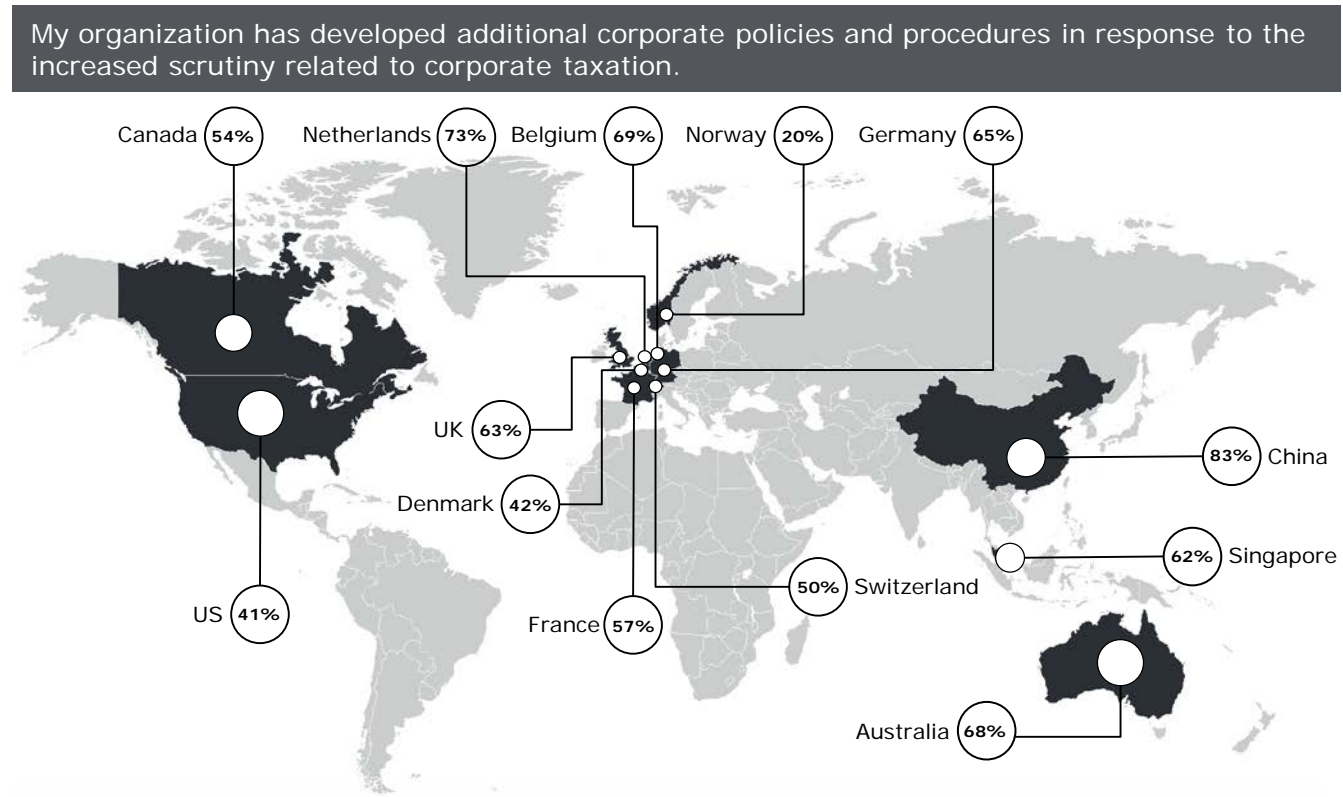
Overall results



Response Trend

Agree/strongly agree increased slightly (by 1 percentage point) from 2016.

Country-specific agree/strongly agree results



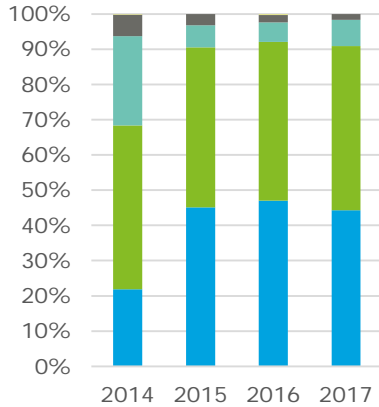
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

There has been no significant increase since the prior year in corporate policies and procedures in response to increased scrutiny.

Question 4

91% 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



Key

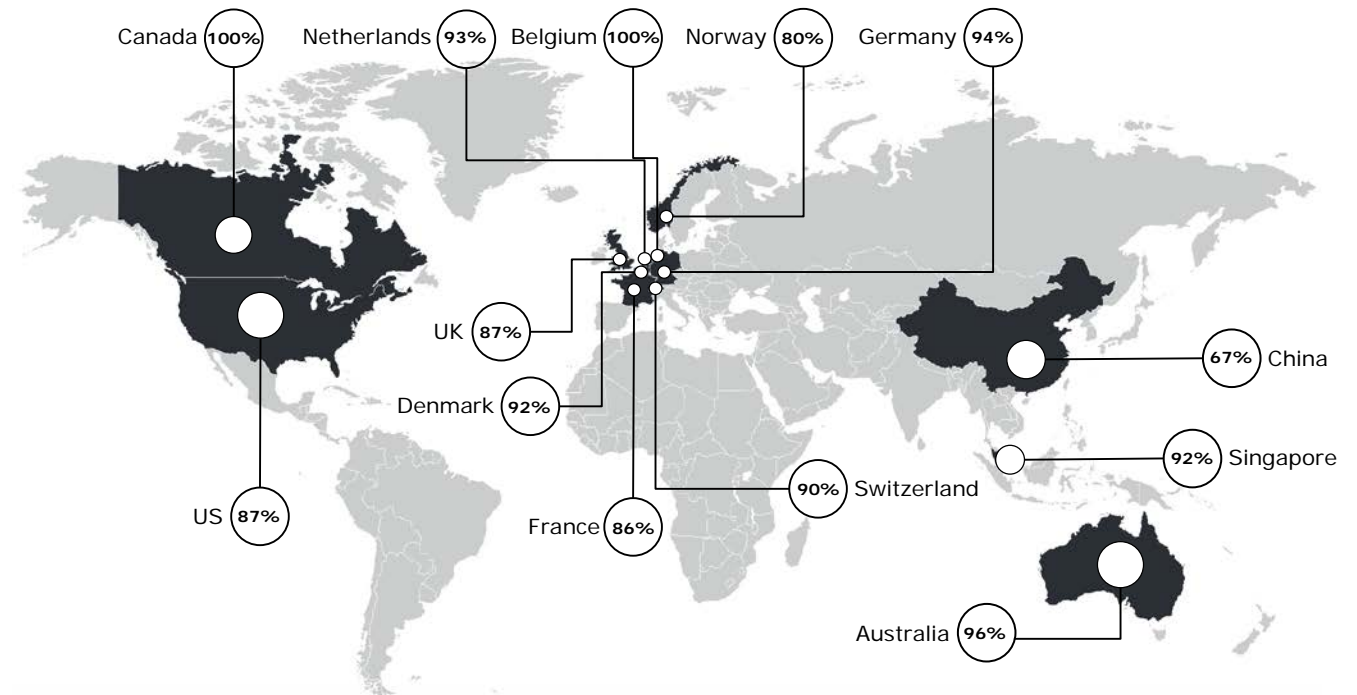
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high, but decreased by 1 percentage point from 2016.

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.



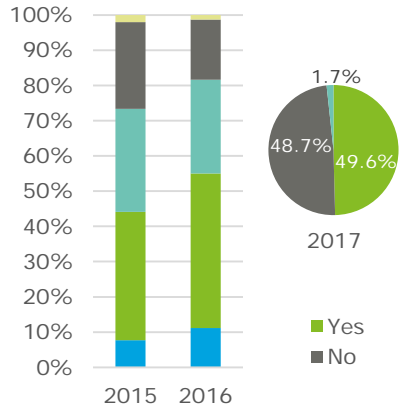
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

This is an expected result – tax authorities around the world continue to cooperate more closely and increase their diligence regarding the audit of taxpayers.

Question 5

Nearly 50% said their business has changed the way they conduct tax planning for cross-border transactions as a result of legislative changes or proposals arising from the BEPS project.

Overall results



Key

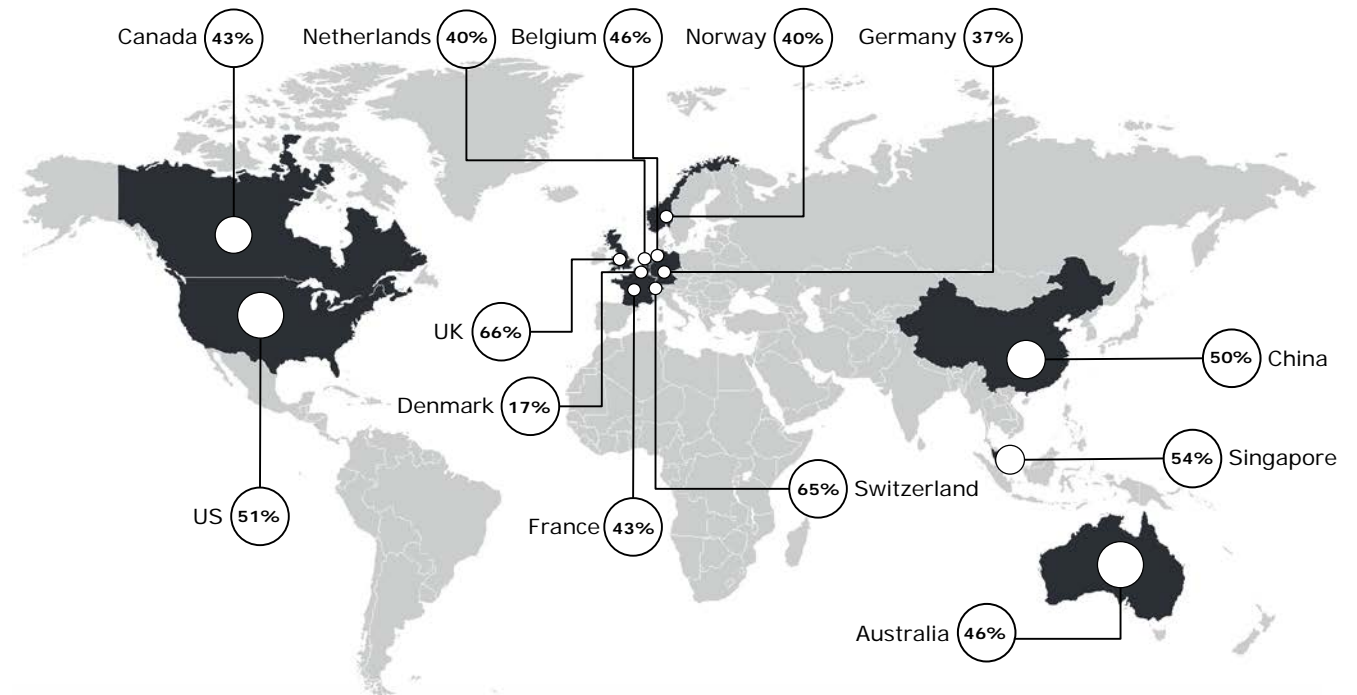
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Responses were split evenly.

Country-specific agree/strongly agree results

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



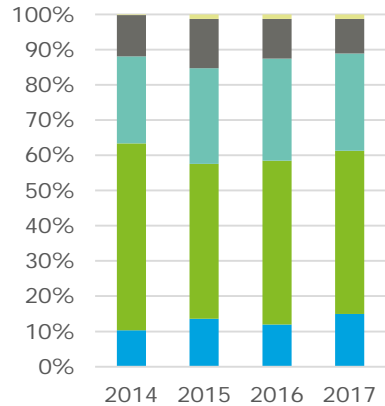
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

It is surprising that fewer companies this year say they have changed the way they conduct tax planning as a result of BEPS.

Question 6

61% agree or strongly agree that tax planning in their organization has become a corporate responsibility issue, not just a legal issue.

Overall results



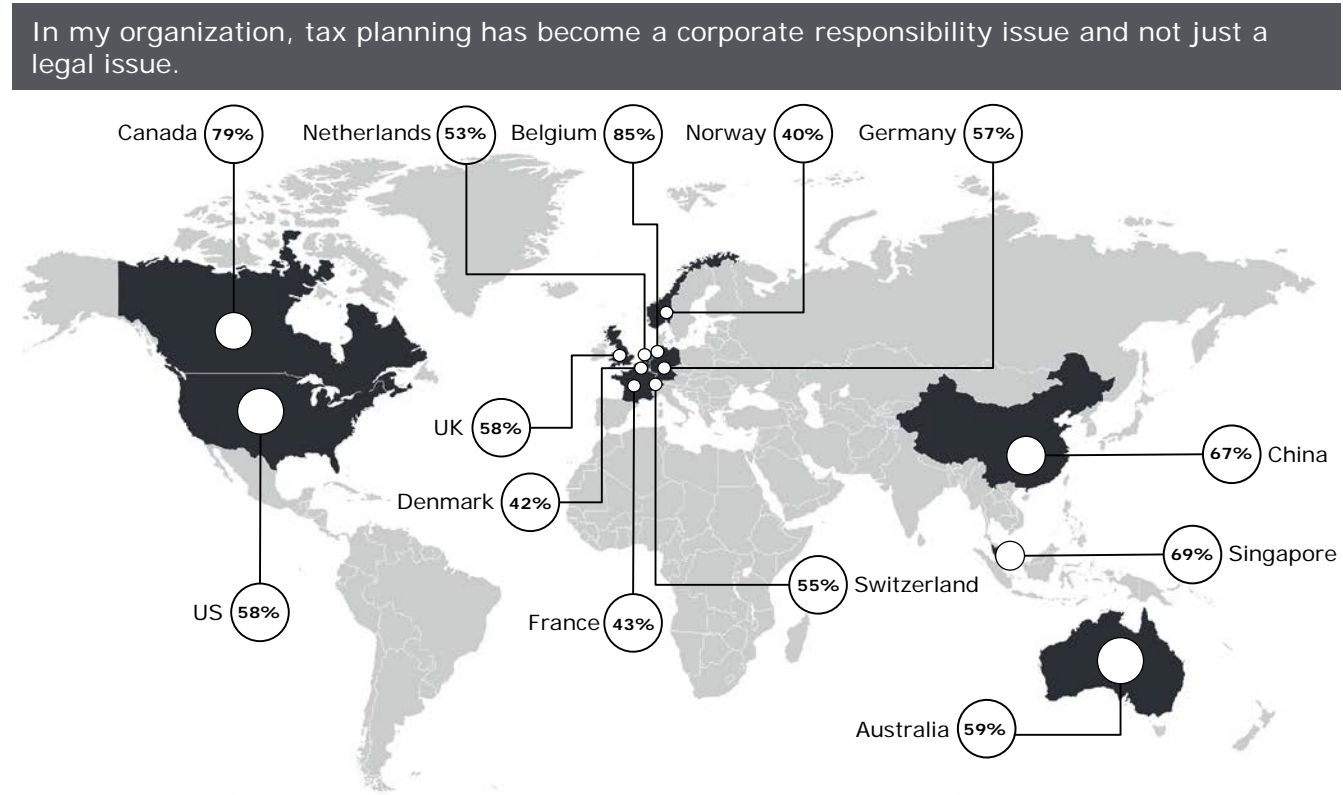
Key

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

Response Trend

Agree/strongly agree responses remained high, and increased slightly (by 2 percentage points) from 2016.

Country-specific agree/strongly agree results



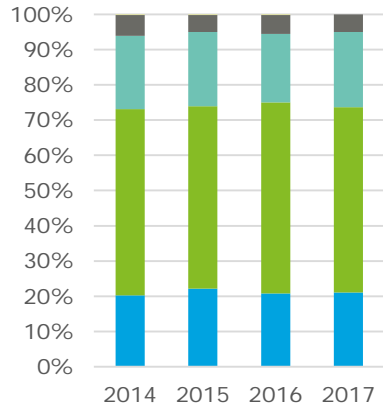
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

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

Question 7

74% agree or strongly agree that reputational risks are of much greater concern when executing cross-border tax planning.

Overall results



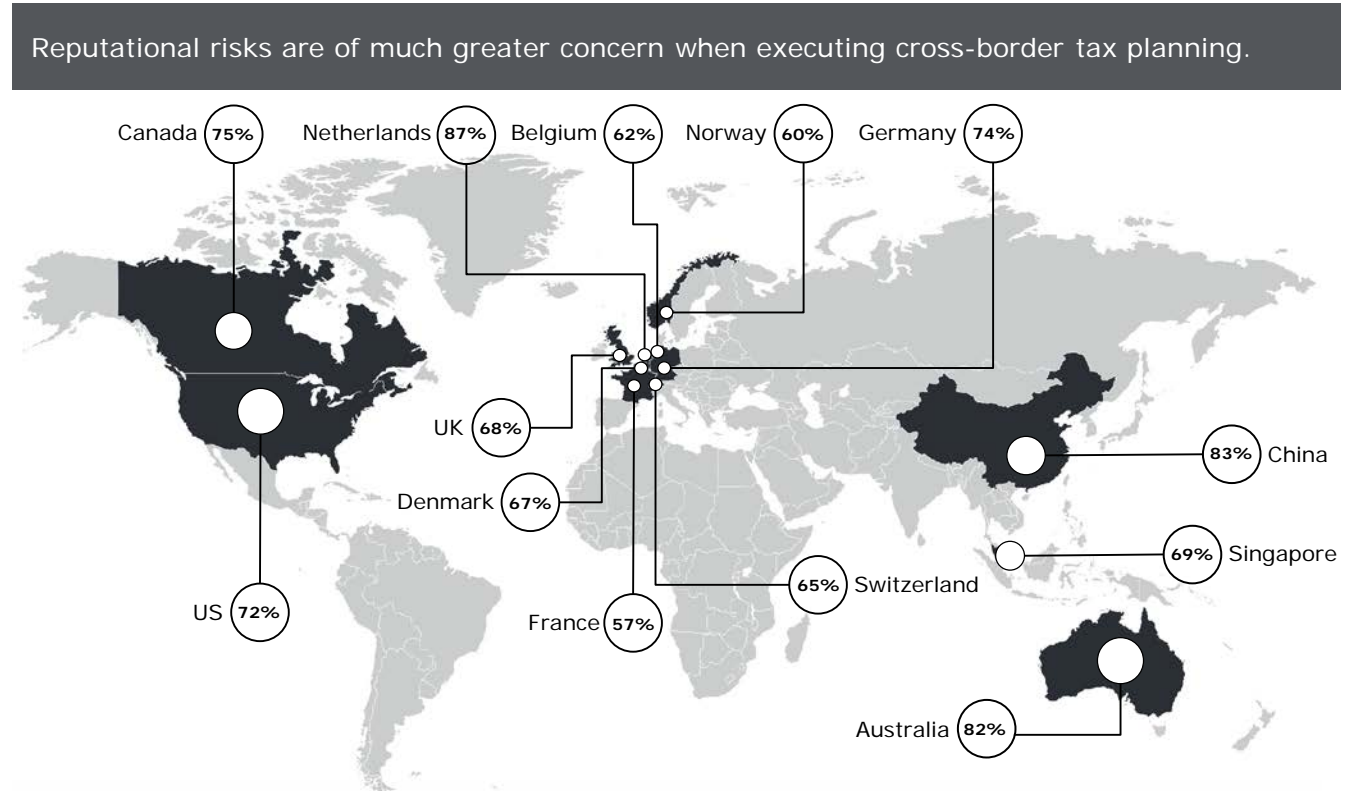
Key

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

Response Trend

Agree/strongly agree responses remained high, but decreased slightly (by 1 percentage point) from 2016.

Country-specific agree/strongly agree results



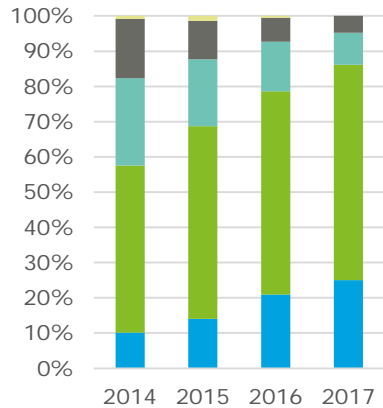
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

This result remained largely static which is not surprising given previous years' high level of concern regarding reputational risk when executing cross-border tax planning. However, note the significantly lower percentage of respondents in Question 5 indicating that they have actually changed the way they conduct tax planning.

Question 8

86% agree or strongly agree their organization has assessed the potential impact of changes related to BEPS.

Overall results



Key

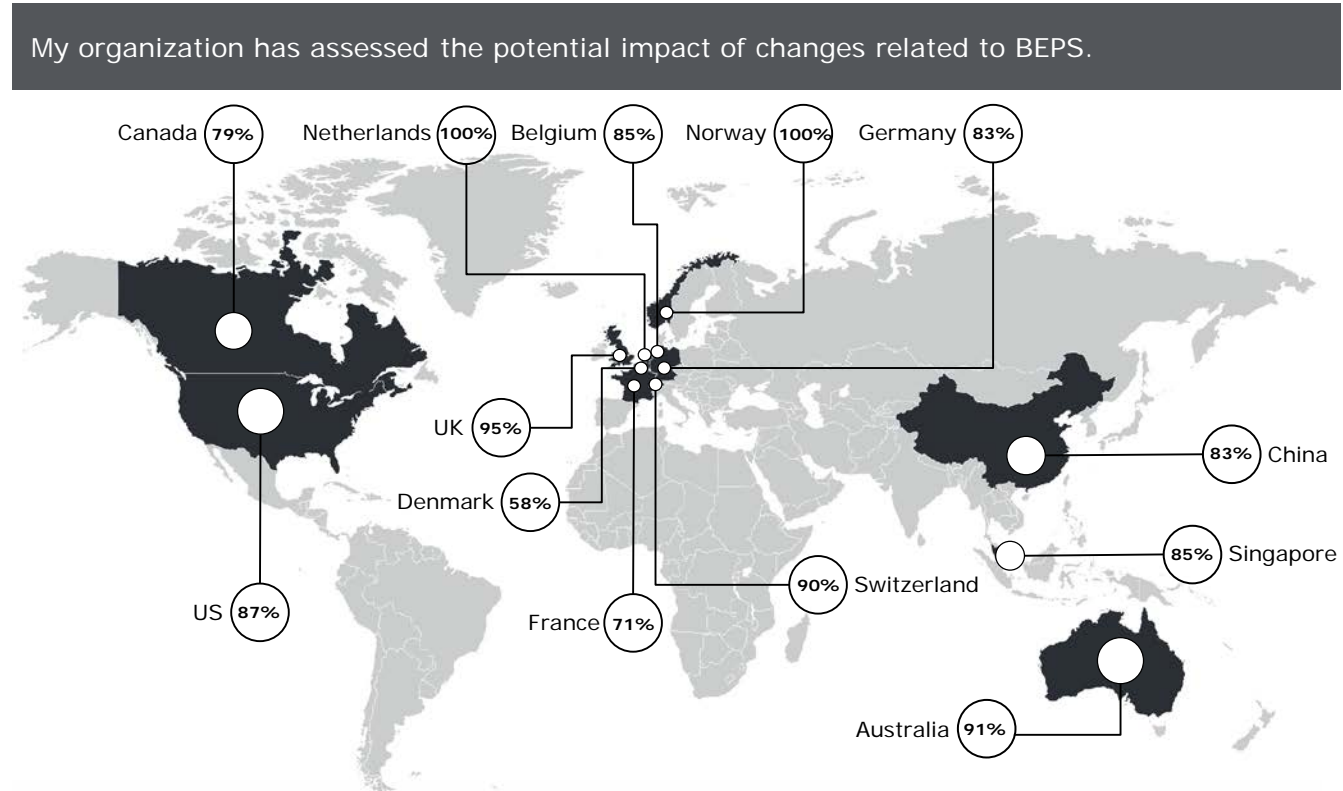
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high and increased significantly (by 7 percentage points) from 2016, following the same trend seen in the last three years.

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

Country-specific agree/strongly agree results

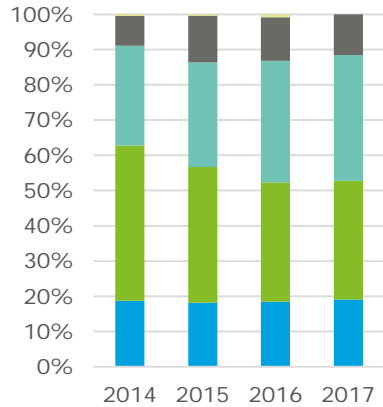


Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

Question 9

53% agree or strongly agree that country tax authorities are becoming increasingly aggressive in tax examinations.

Overall results



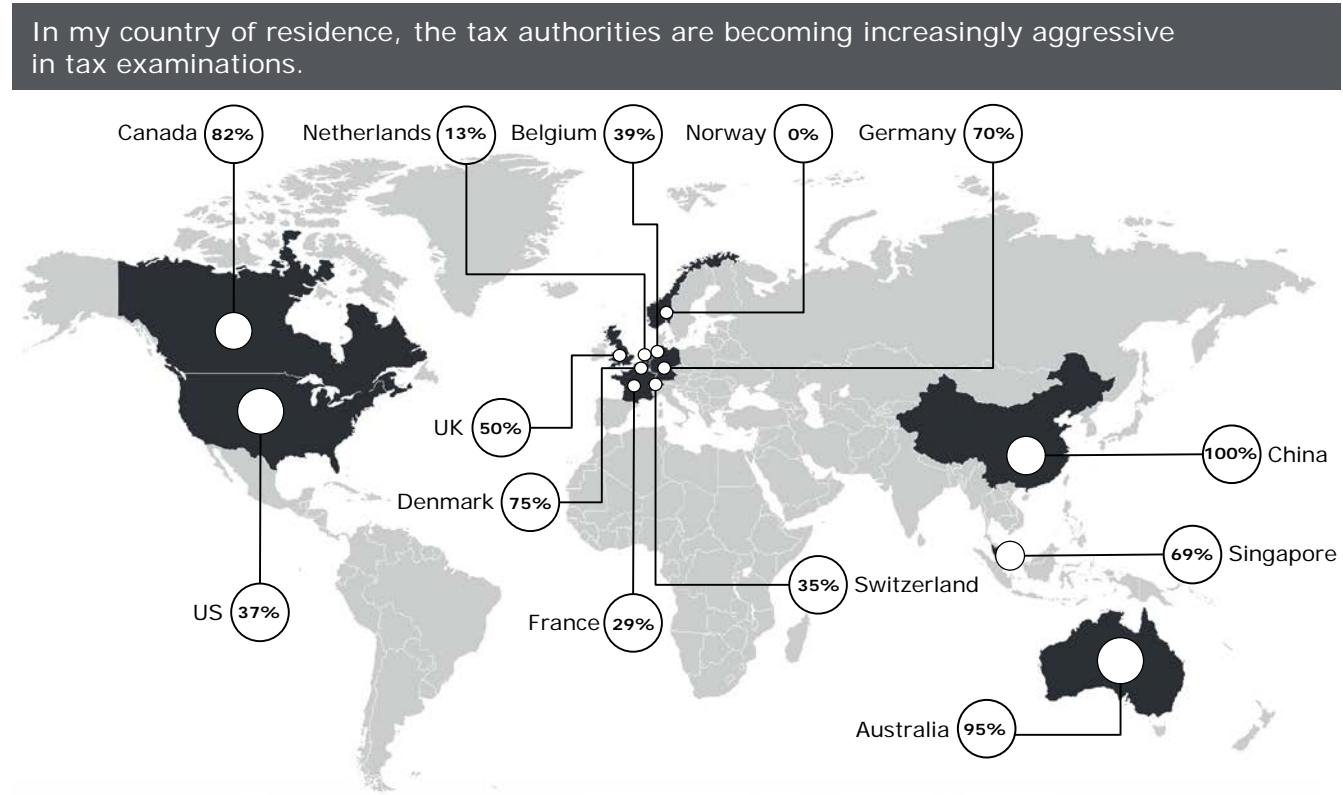
Key

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

Response Trend

Agree/strongly agree responses increased slightly (by 1 percentage point) from 2016.

Country-specific agree/strongly agree results



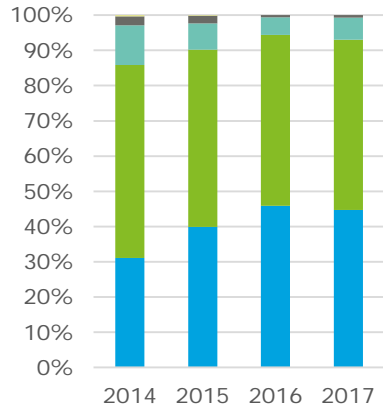
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

These are consistent results from last year and likely reflects the fact that the tax authorities have already set the bar high in this area.

Question 10

93% 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



Key

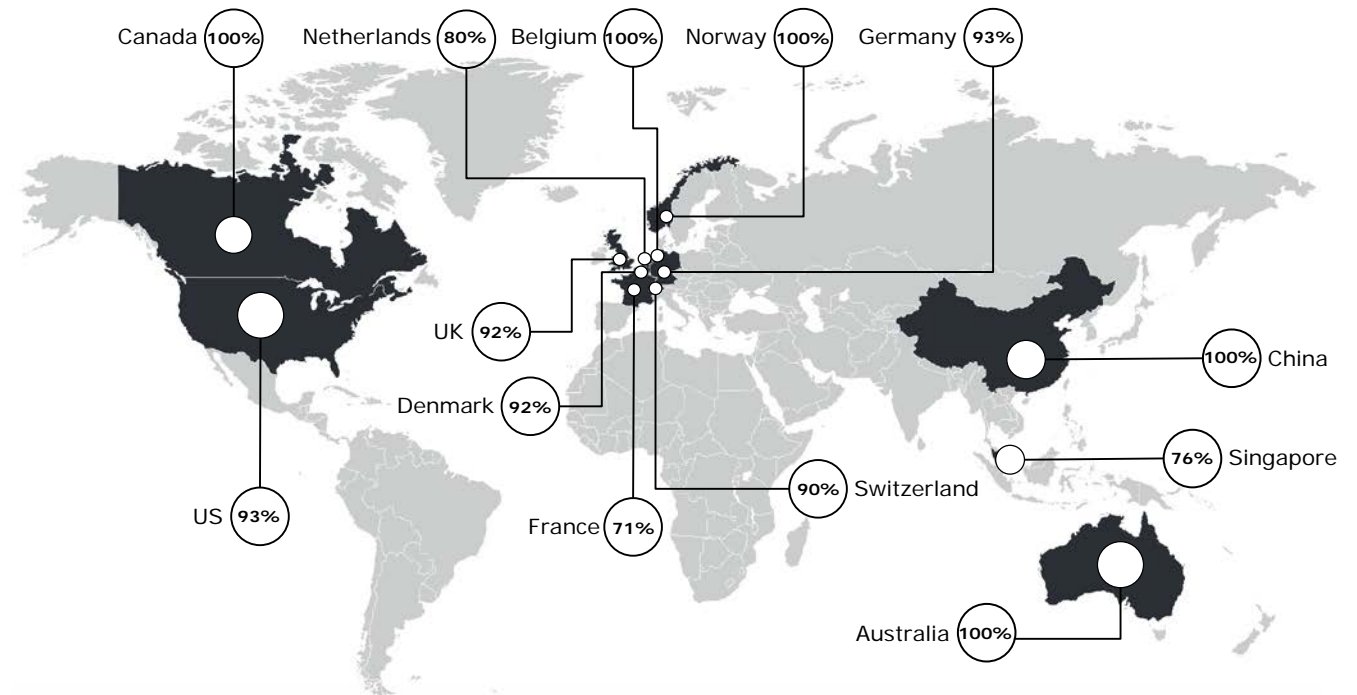
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high, but decreased slightly (by 1 percentage point) from 2016.

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.



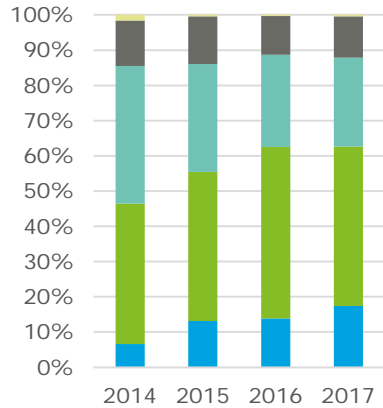
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

The high level of agreement to this question is in line with prior results and with expectations going into this year's survey.

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



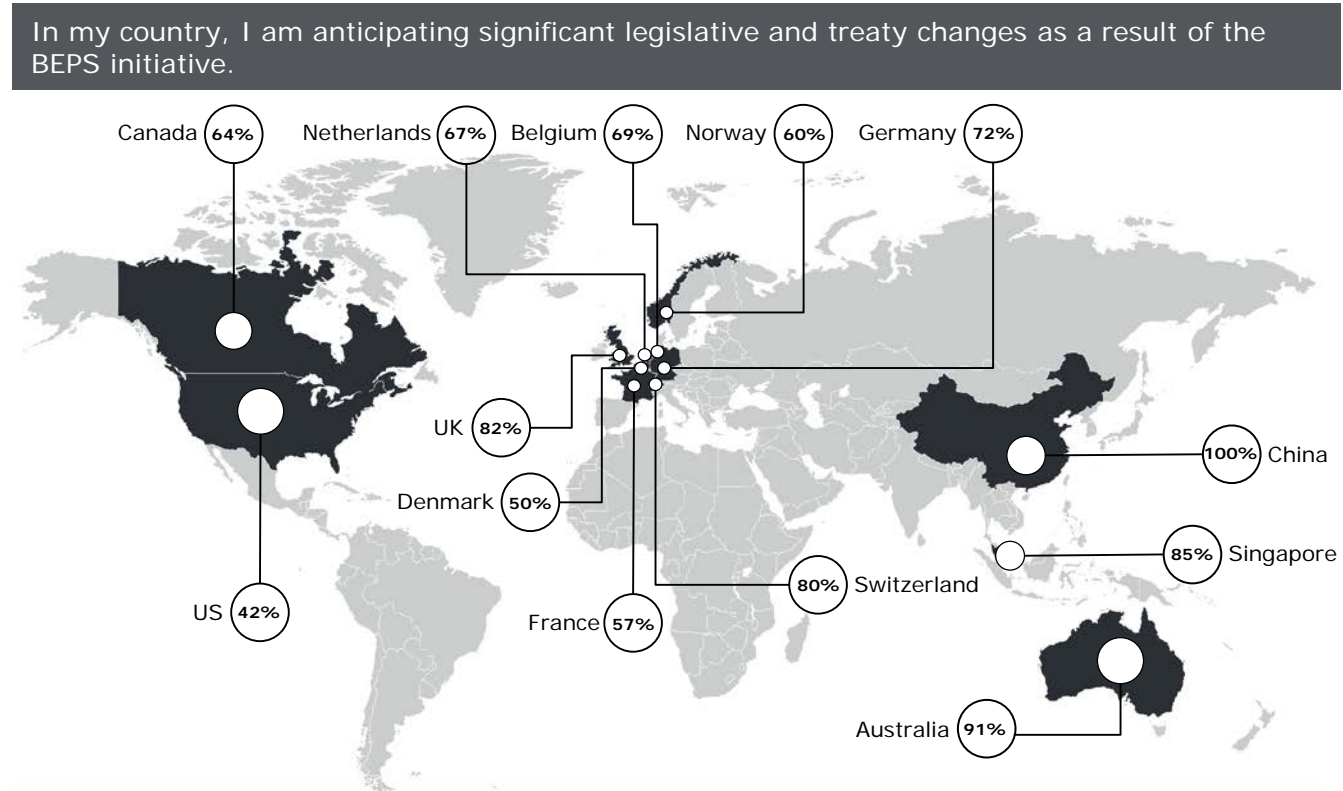
Key

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

Response Trend

Agree/strongly agree responses showed no significant changes from 2016.

Country-specific agree/strongly agree results



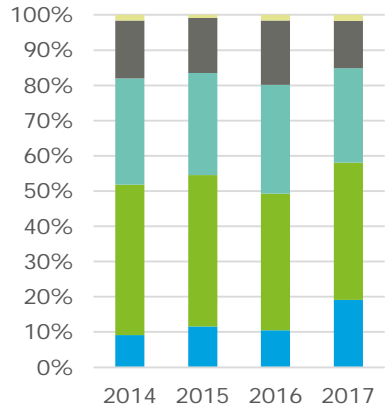
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

A higher percentage of agreement might be expected, but the high proportion of US respondents may explain why this percentage is not higher.

Question 12

58% 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



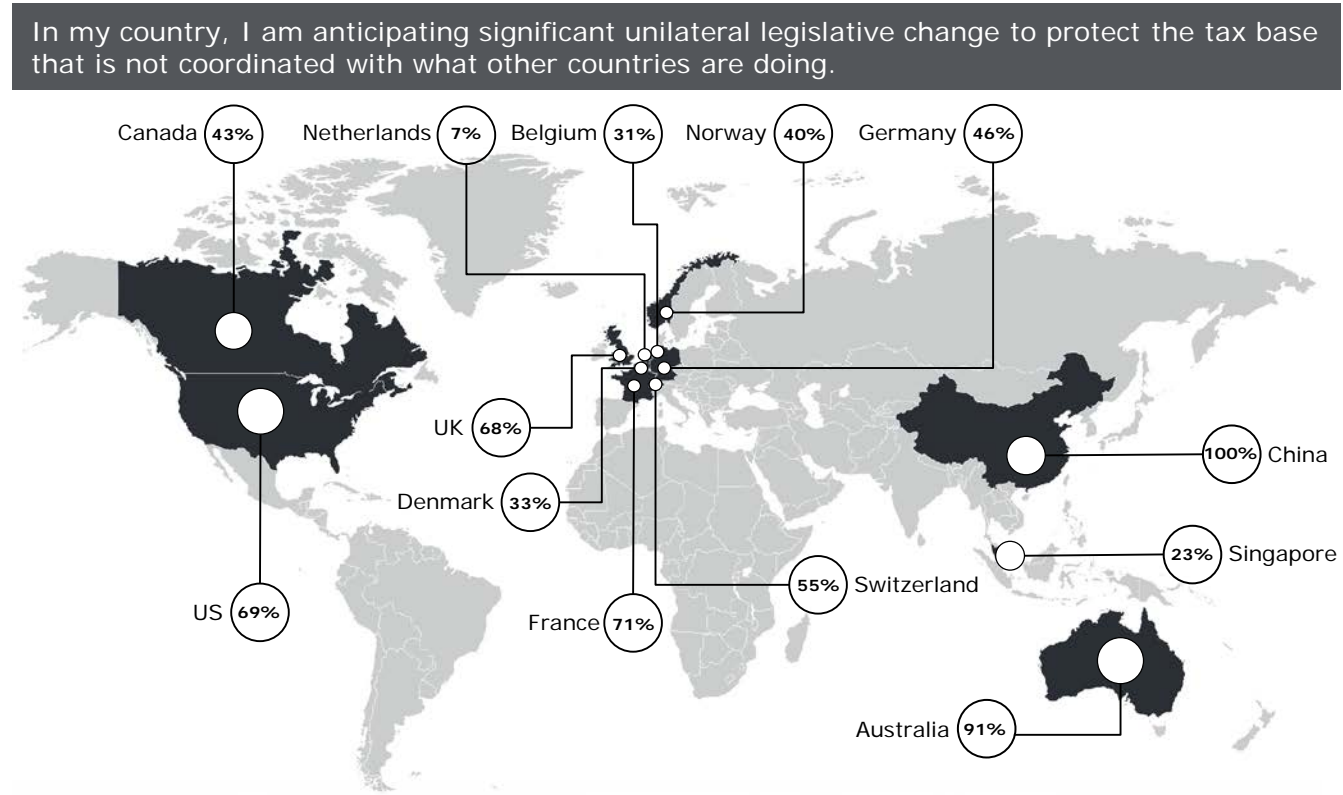
Key

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

Response Trend

Agree/strongly agree responses increased significantly (by 9 percentage points) from 2016.

Country-specific agree/strongly agree results



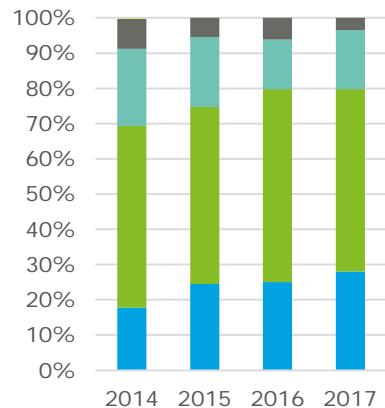
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

The significant increase in agreement to this from last year is concerning as unilateral legislative changes will undermine the effectiveness of the global BEPS 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



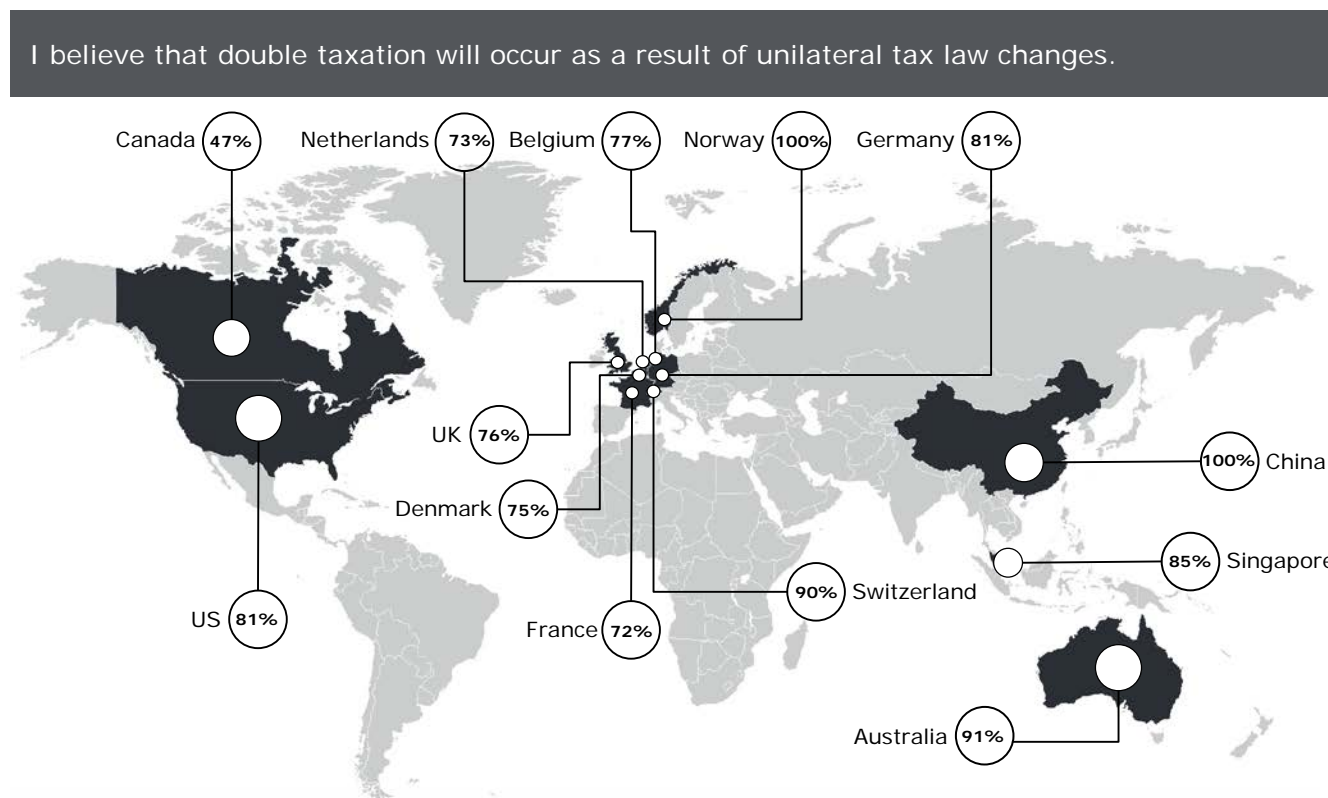
Key

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

Response Trend

Agree/strongly agree responses remained high but remained fairly comparable to 2016.

Country-specific agree/strongly agree results



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

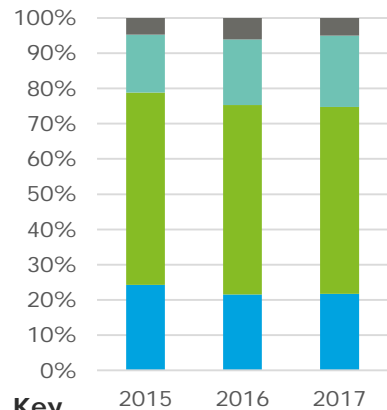
This is unsurprising as unilateral tax changes that are not coordinated with what other countries are doing can create the possibility of double taxation.

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)



Key

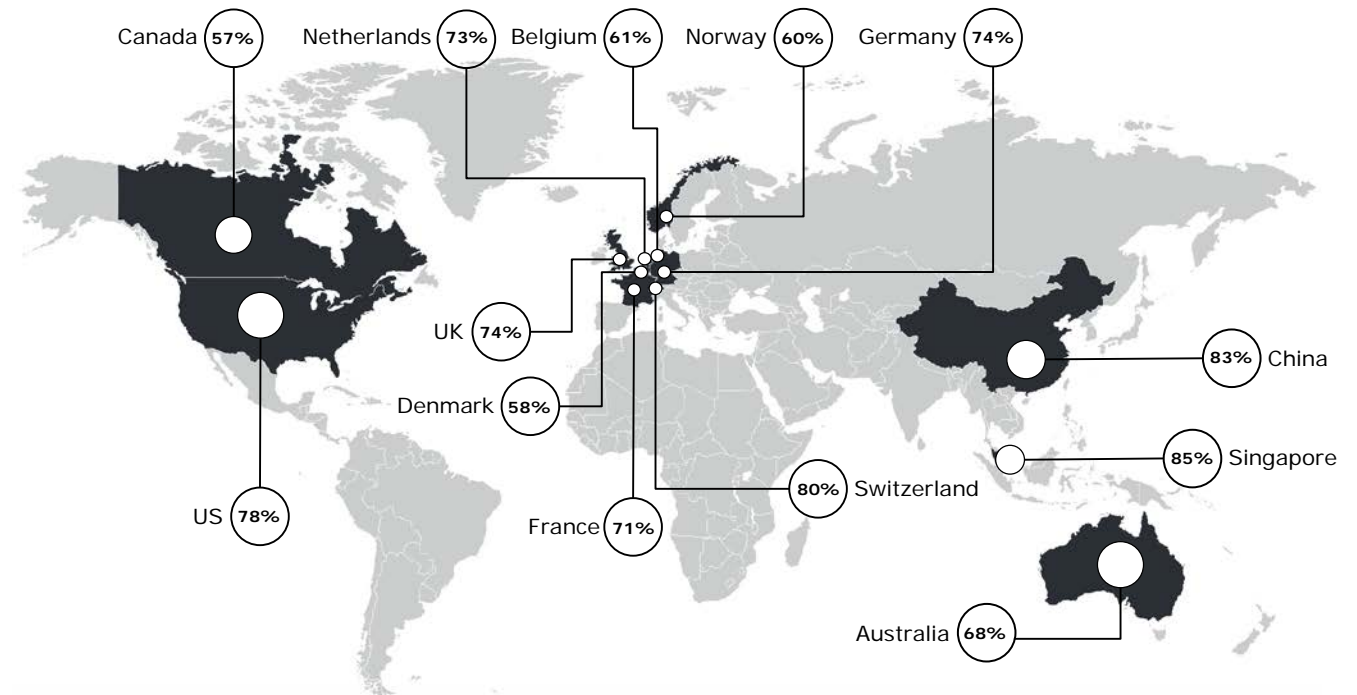
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high but did not show any significant changes from 2016.

Country-specific agree/strongly agree results

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



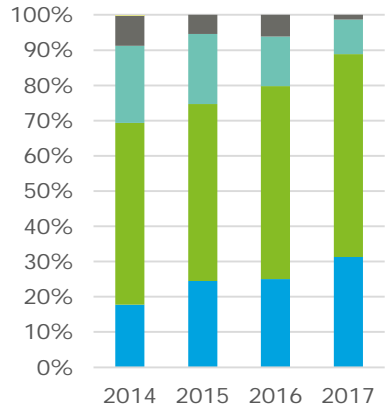
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

Consistent with last year, there is still significant concern that double taxation will arise even without unilateral legislative changes.

Question 15

89% agree or strongly agree the BEPS initiative will result in significant legislative and treaty changes in many countries.

Overall results



Key

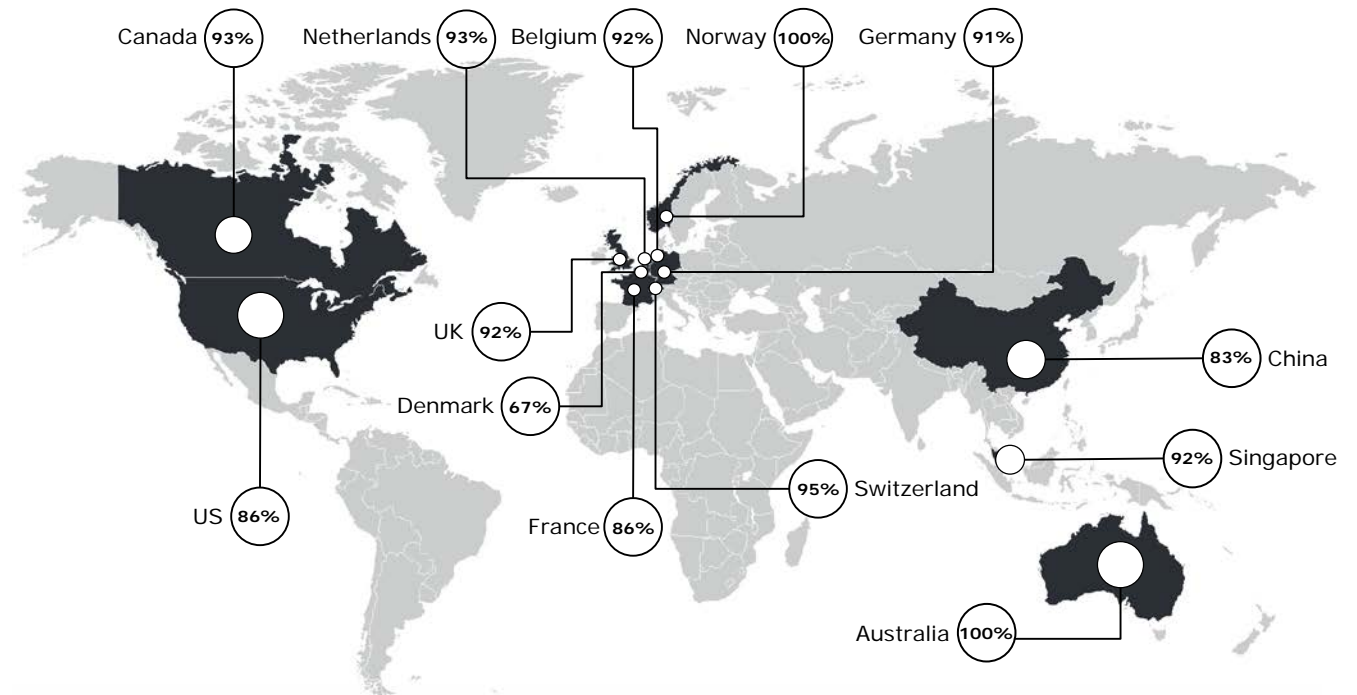
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high and increased (by 9 percentage points) from 2016.

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: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

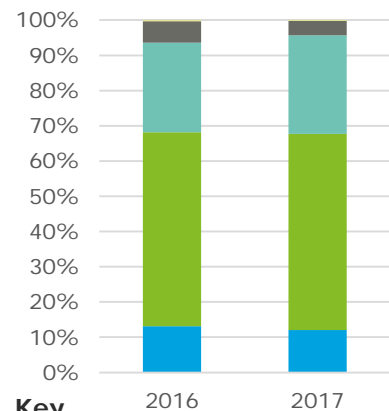
This high percentage accurately reflects the current landscape.

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)



Key

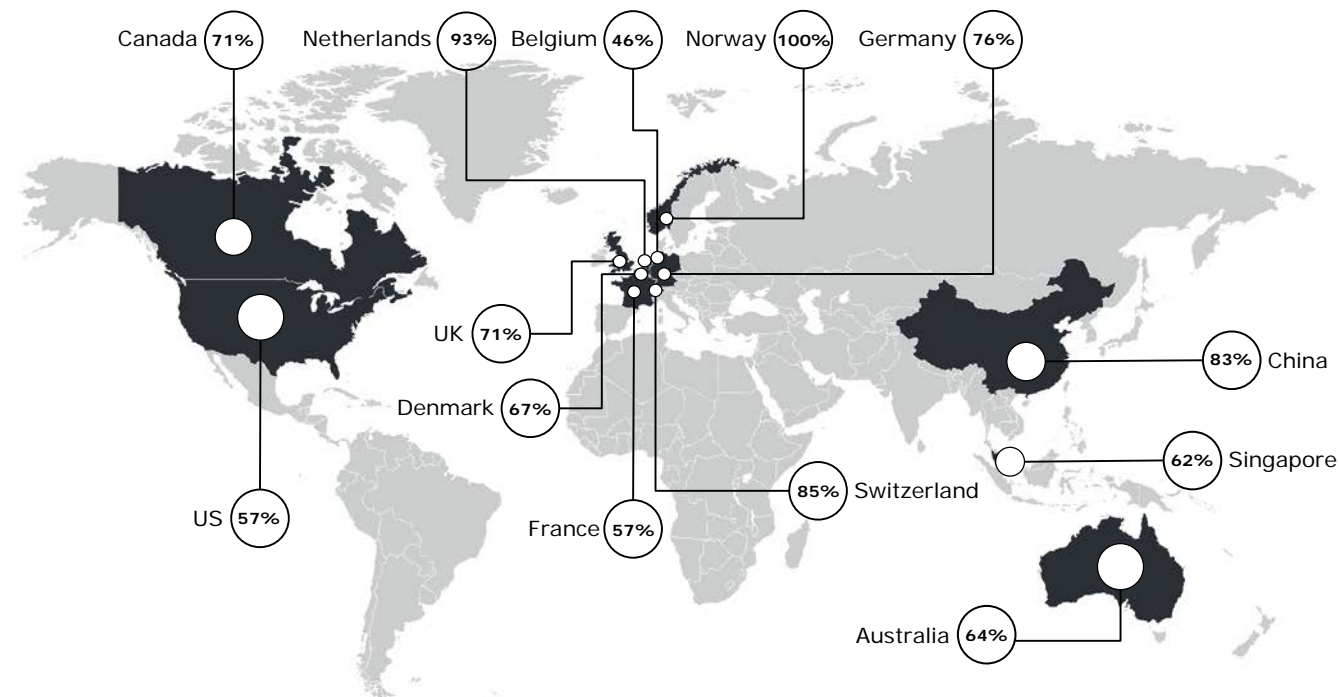
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained moderately high and were fairly stable from 2016.

Country-specific agree/strongly agree results

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



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

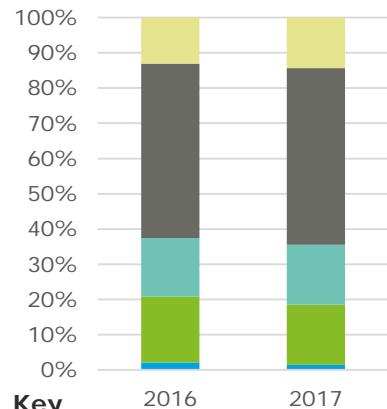
By mid-2017 there should be a much clearer picture of tax treaty changes.

Question 17

19% 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)



Key

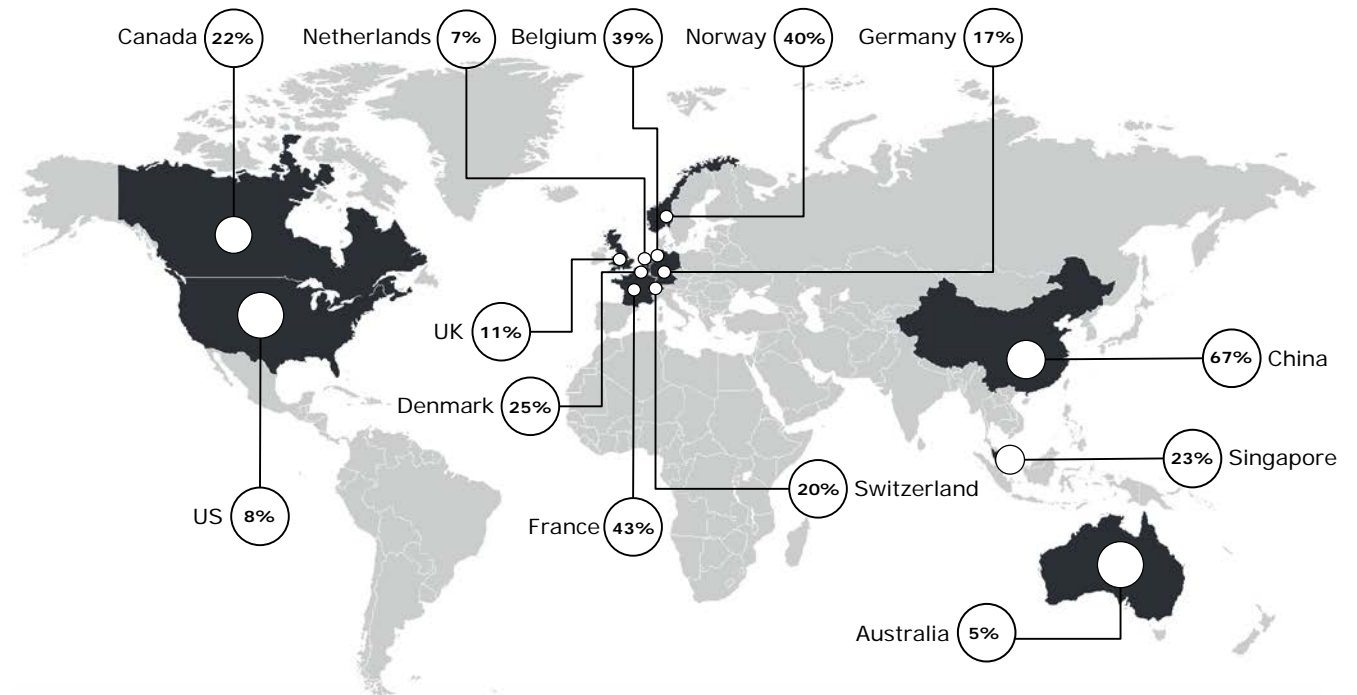
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained relatively low and decreased slightly (by 3 percentage points) from 2016.

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: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

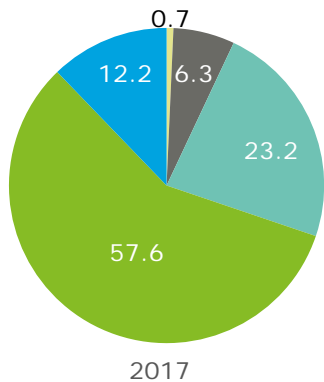
Consistent with prior years, companies seem to have little confidence that the interpretation of the BEPS transfer pricing proposals will be consistently applied.

Question 18

Nearly 70% agree or strongly agree that their organization will need to re-focus M&A tax due diligence processes to place more emphasis on risks highlighted under the BEPS program such as transfer pricing, substance, and permanent establishment (PE).

Overall results

(question not asked in 2016)

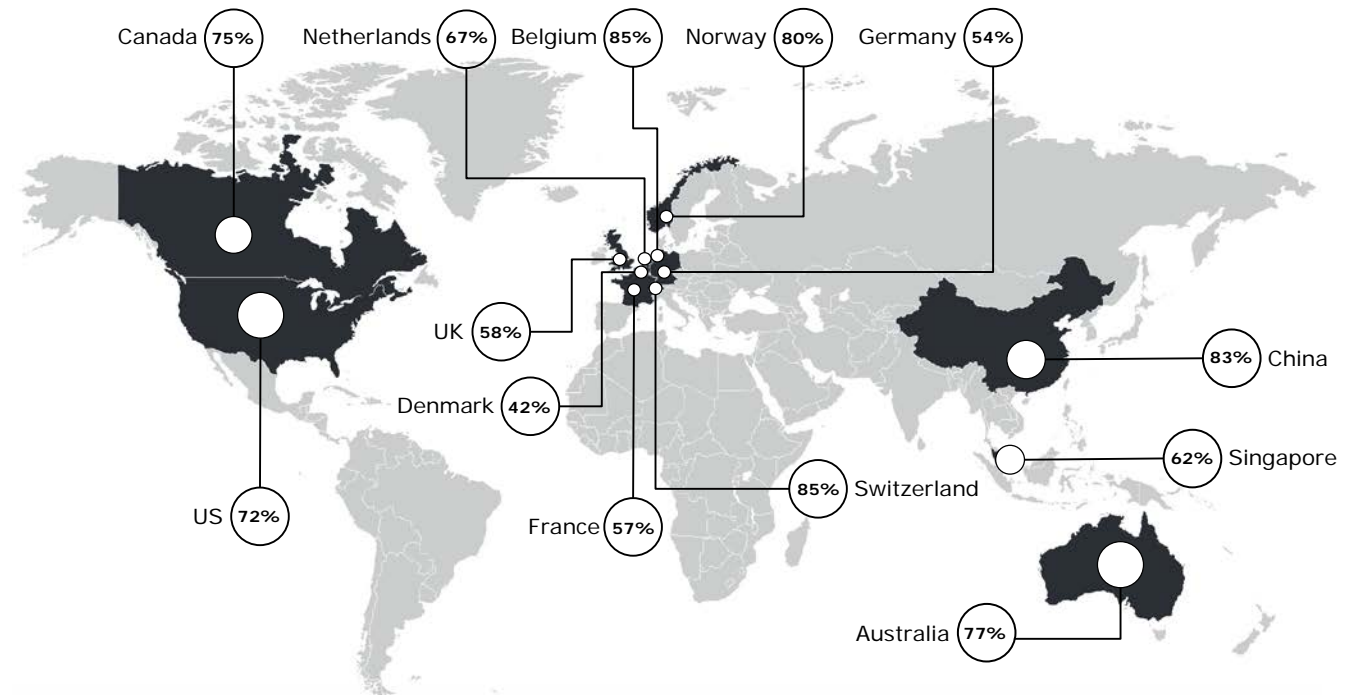


Key

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

Country-specific agree/strongly agree results

I believe my organization will need to re-focus M&A tax due diligence processes to place more emphasis on risks highlighted under the BEPS program.



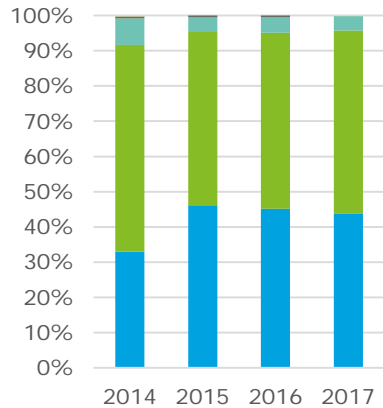
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

This high level of agreement is as expected given the significant number of changes being implemented.

Question 19

96% 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



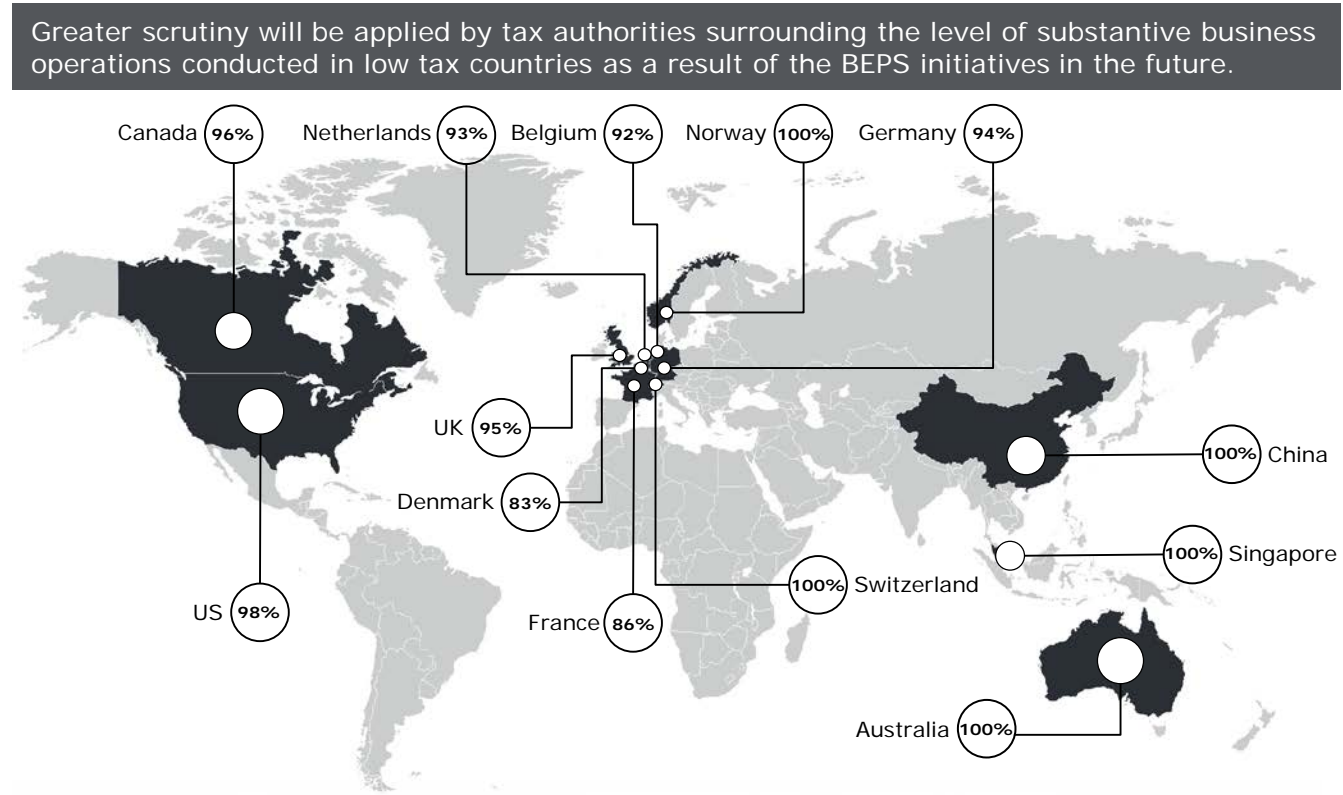
Key

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

Response Trend

Agree/strongly agree responses remained extremely high, increasing by 1 percentage point from 2016.

Country-specific agree/strongly agree results



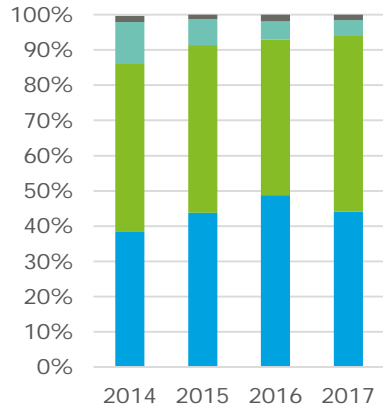
Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

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

Question 20

94% 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



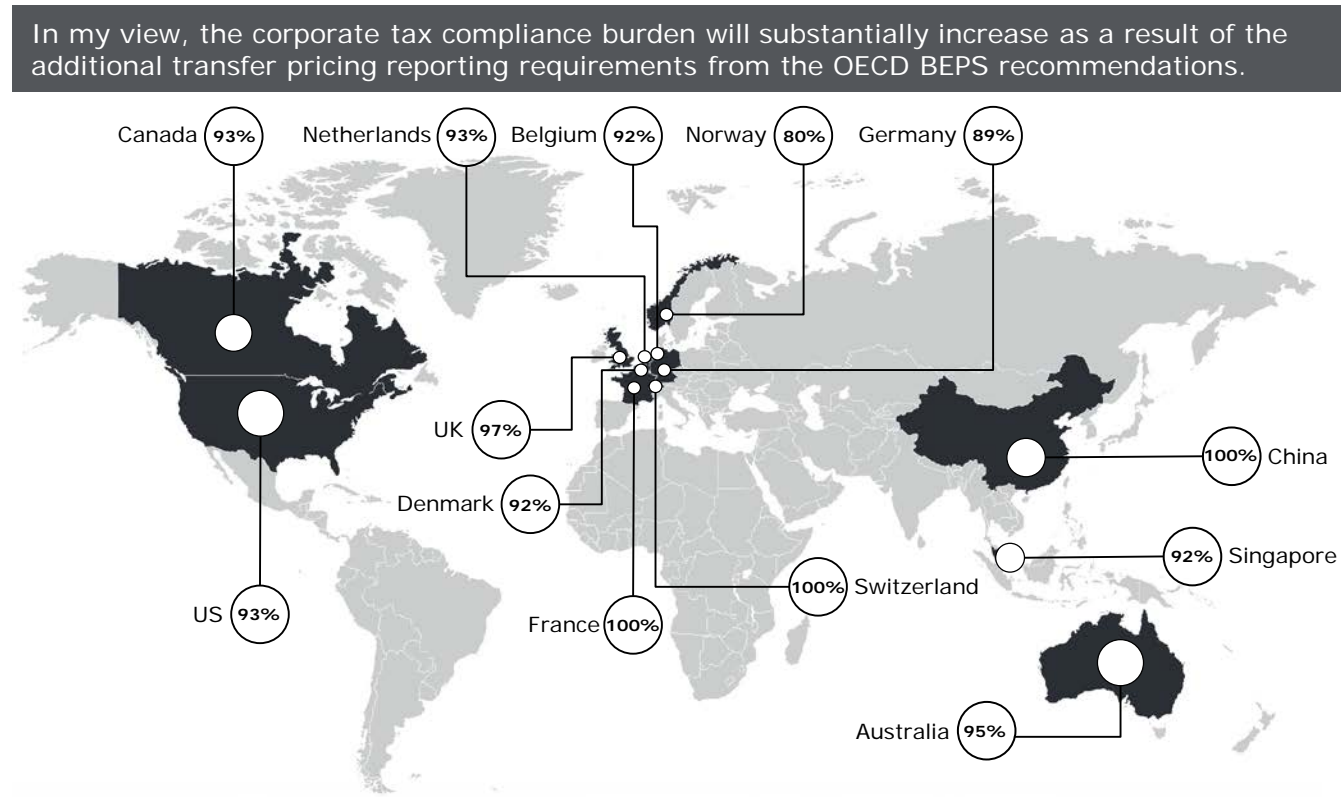
Key

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

Response Trend

Agree/strongly agree responses remained very high, increasing by 1 percentage point from 2016.

Country-specific agree/strongly agree results



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

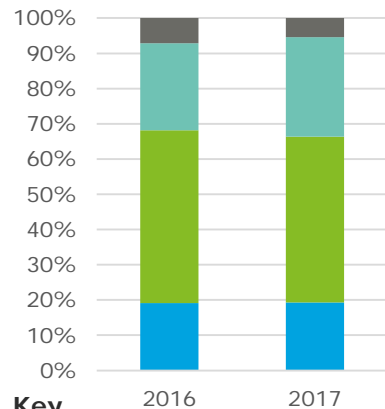
As in prior years, this is not a surprising result due to the increased disclosure requirements arising from BEPS.

Question 21

66% 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)



Key

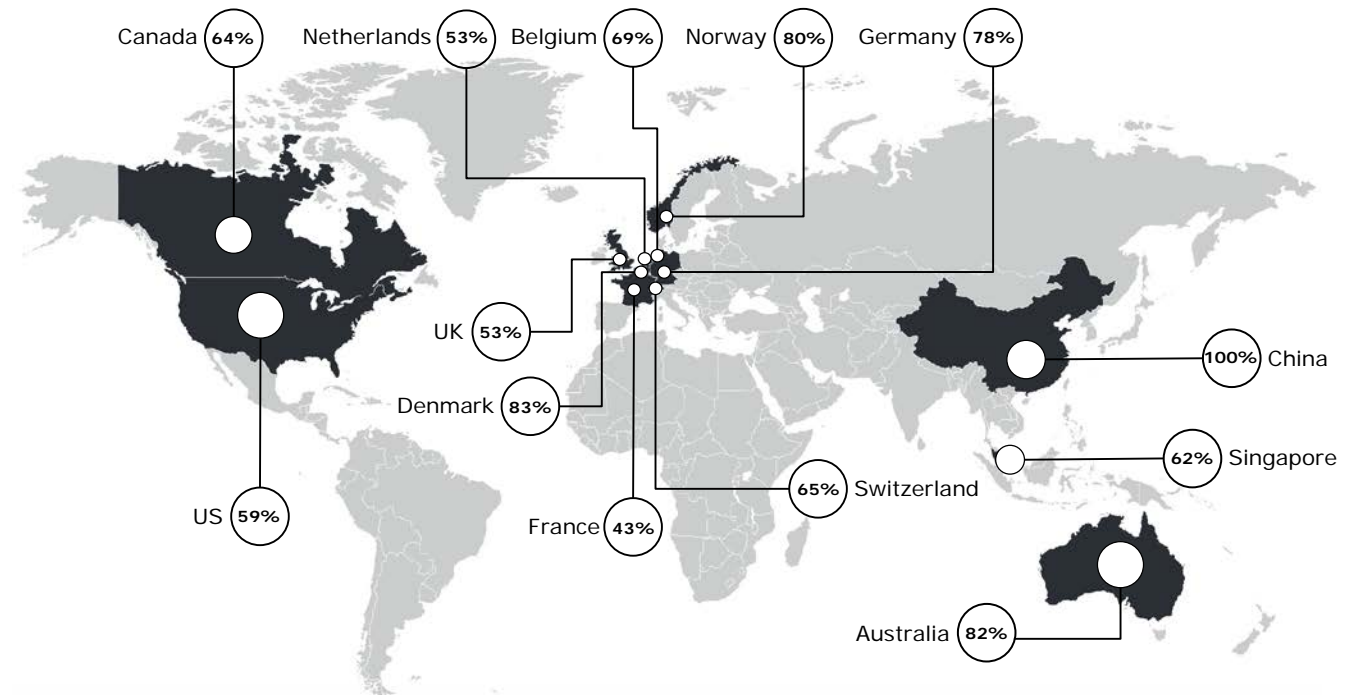
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses remained high, but decreased by 2 percentage points from 2016.

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: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

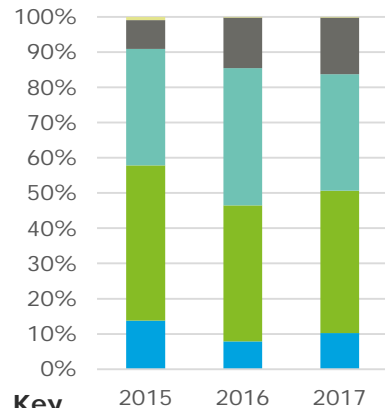
It will be interesting to see how many countries adopt the OECD permanent establishment recommendations in the multilateral instrument.

Question 22

51% agree or strongly agree that the BEPS project will have a greater impact on their organization than they originally thought.

Overall results

(question not asked in 2014)



Key

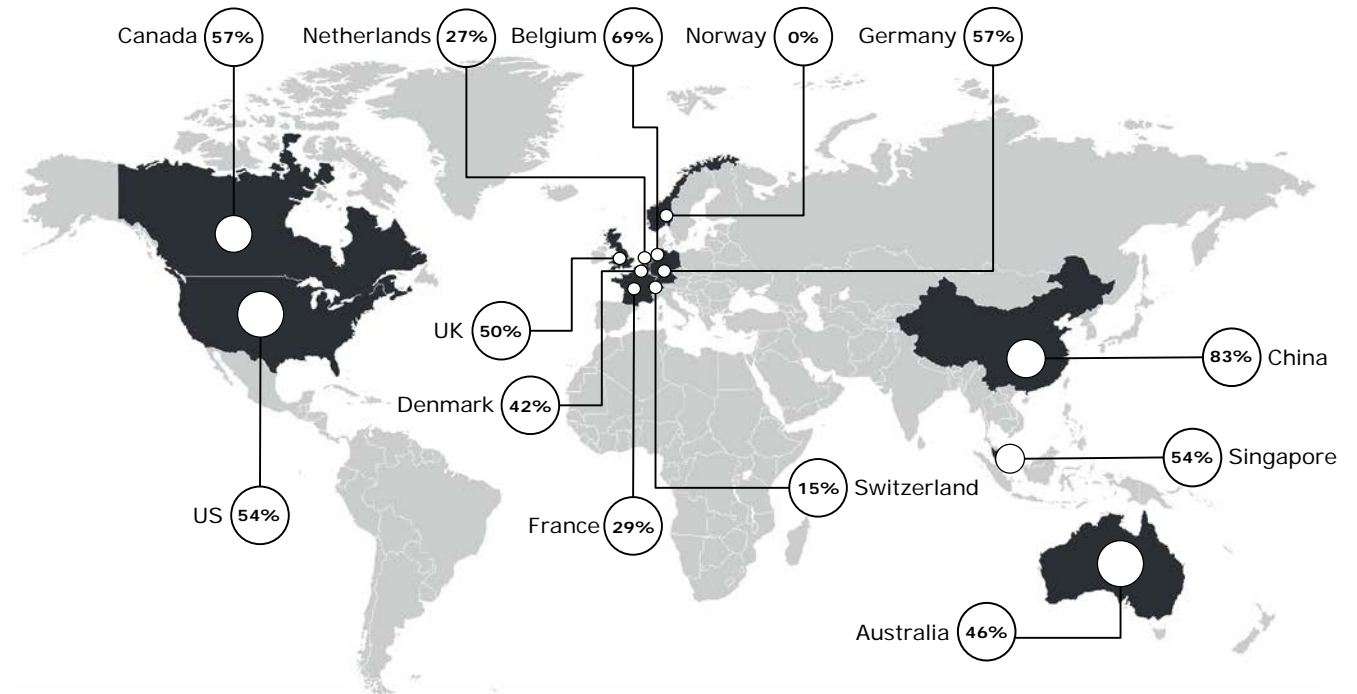
- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Response Trend

Agree/strongly agree responses increased (by 4 percentage points) from 2016.

Country-specific agree/strongly agree results

I think the BEPS project will have a greater impact on my organization than I originally thought.



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

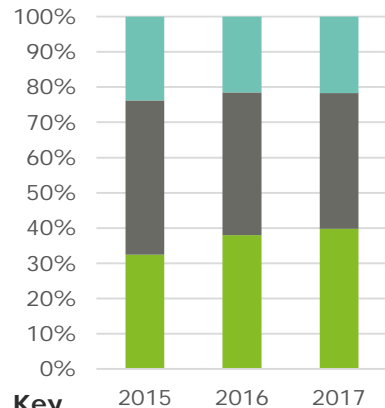
The overall decrease from 2015 may reflect greater awareness of the BEPS project changes in comparison to earlier years while the increase from 2016 may reflect greater knowledge of the practical impact of BEPS.

Question 23

40% 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)



Key

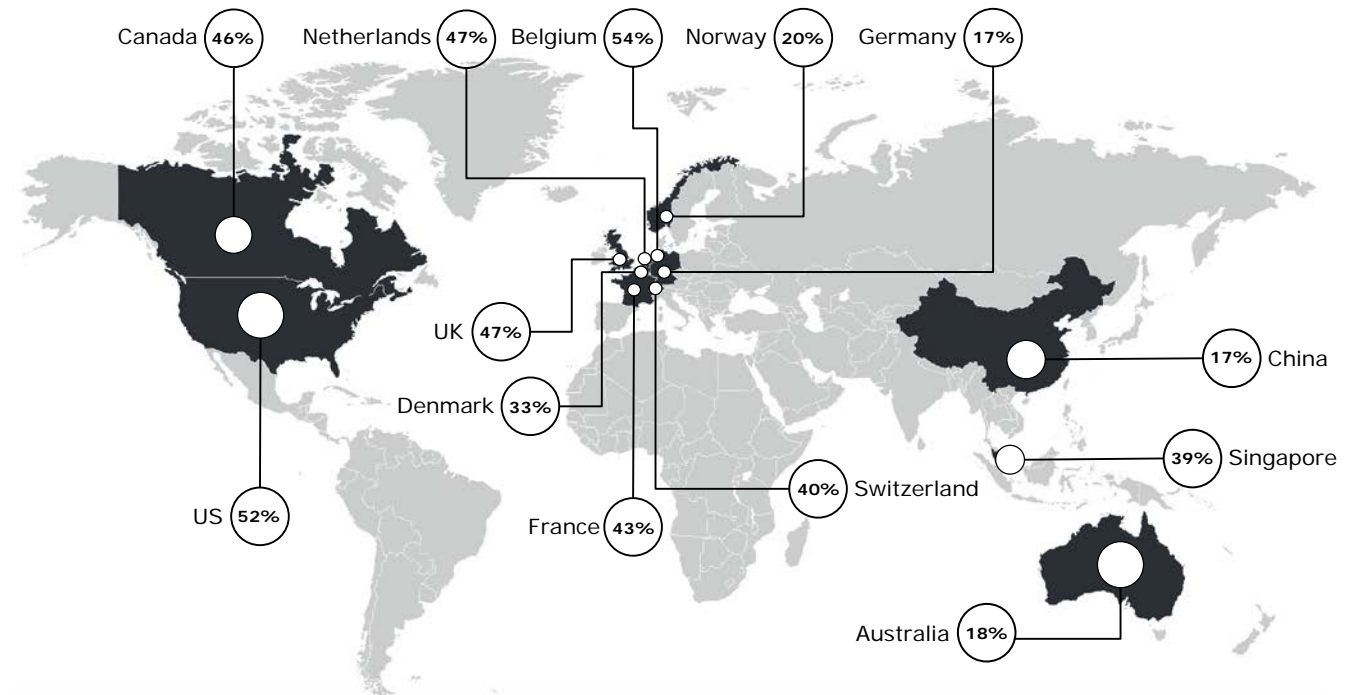
- Not Applicable
- No
- Yes

Response Trend

Responses increased (by 2 percentage points) from 2016.

Country-specific agree/strongly agree results

My organization considered the recent State Aid cases initiated by the European Commission in implementing tax structures.



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

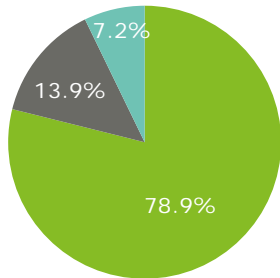
While not part of the BEPS project, this is an area that has also attracted a lot of attention.

Question 24

Almost 79% said they think US Tax Reform will be adopted within the next two years.

Overall results

(question not asked in 2016)



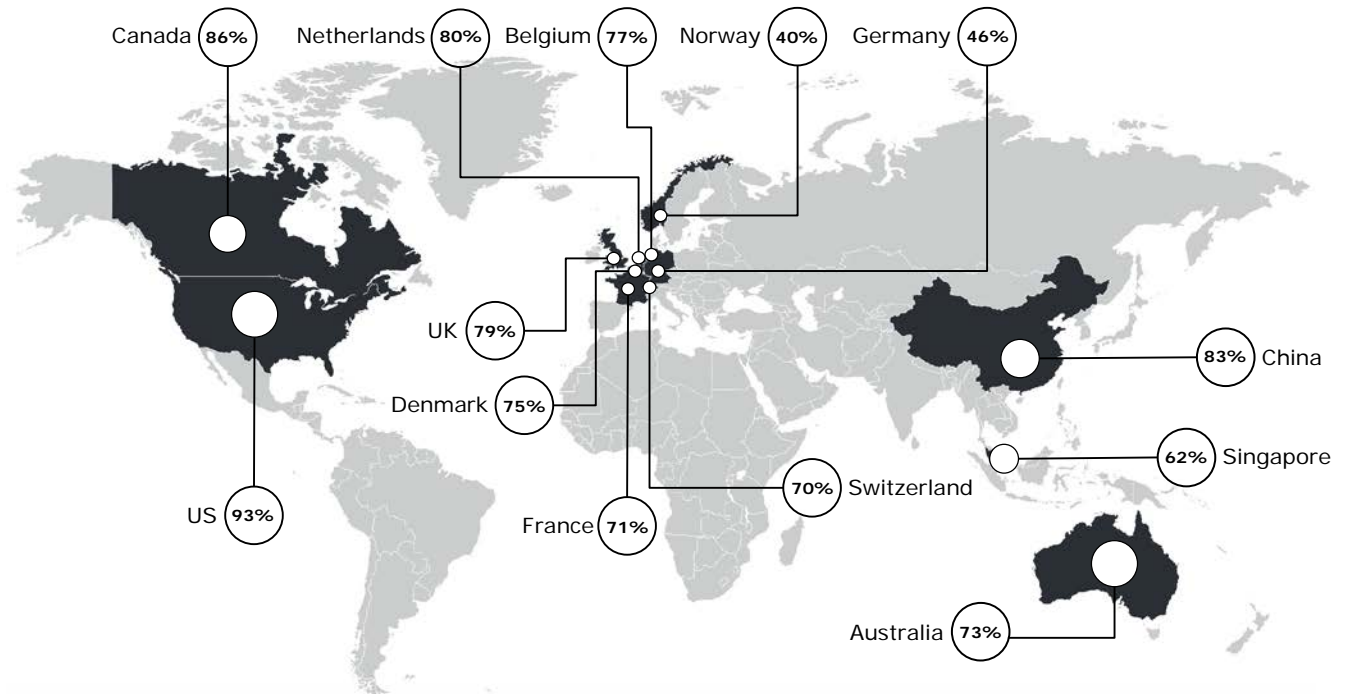
2017

Key

- Not Applicable
- No
- Yes

Country-specific agree/strongly agree results

I believe that US Tax Reform will be adopted within the next two years.



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

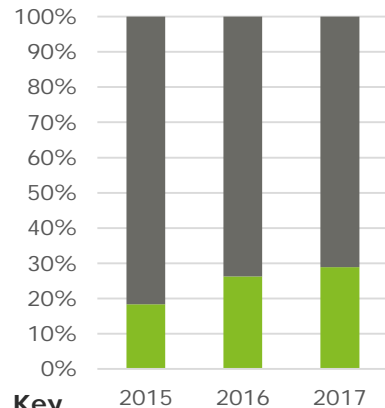
This may reflect the timing of the survey and has the potential to impact trade globally.

Question 25

29% 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)



Key

- Yes
- No
- Not Applicable

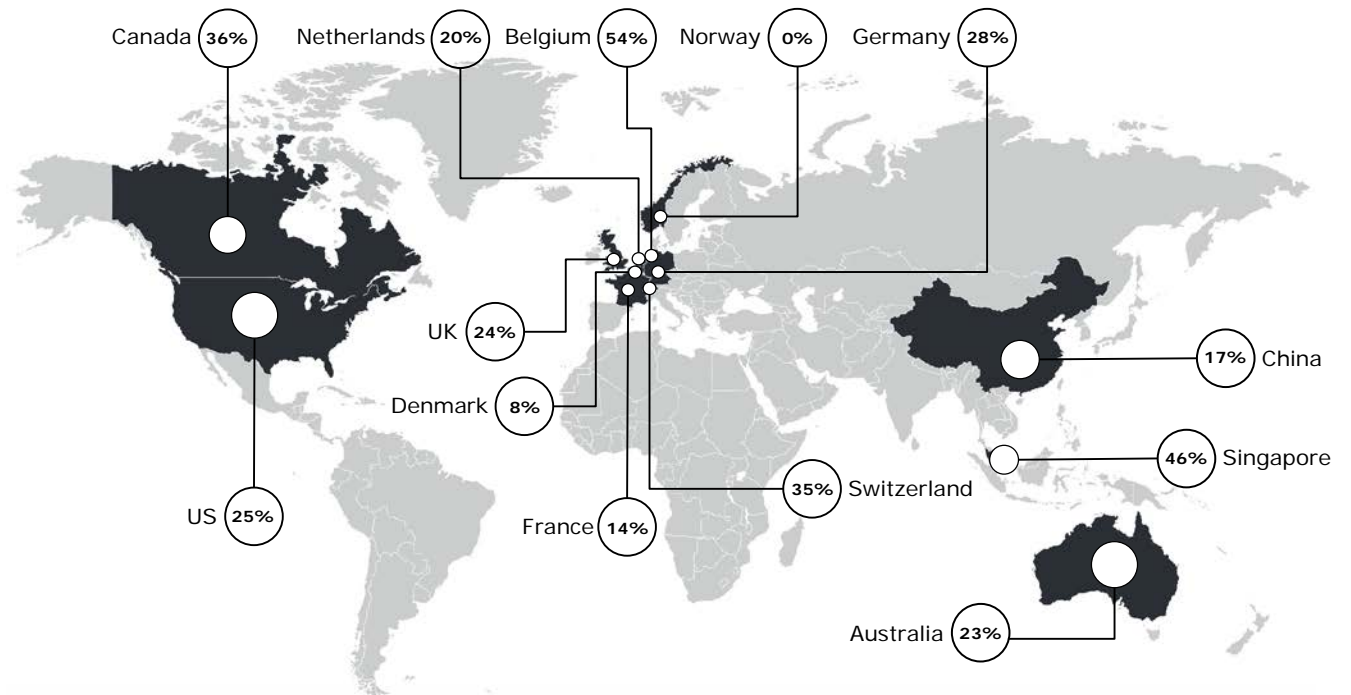
Response Trend

Responses increased (by 3 percentage points) from 2016.

While still low, the increase from last year is expected due to enactment of the OECD proposals and greater awareness of the practical impact of BEPS.

Country-specific agree/strongly agree results

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



Note: Percentages refer to participants who selected "agree" or "strongly agree" for key countries.

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

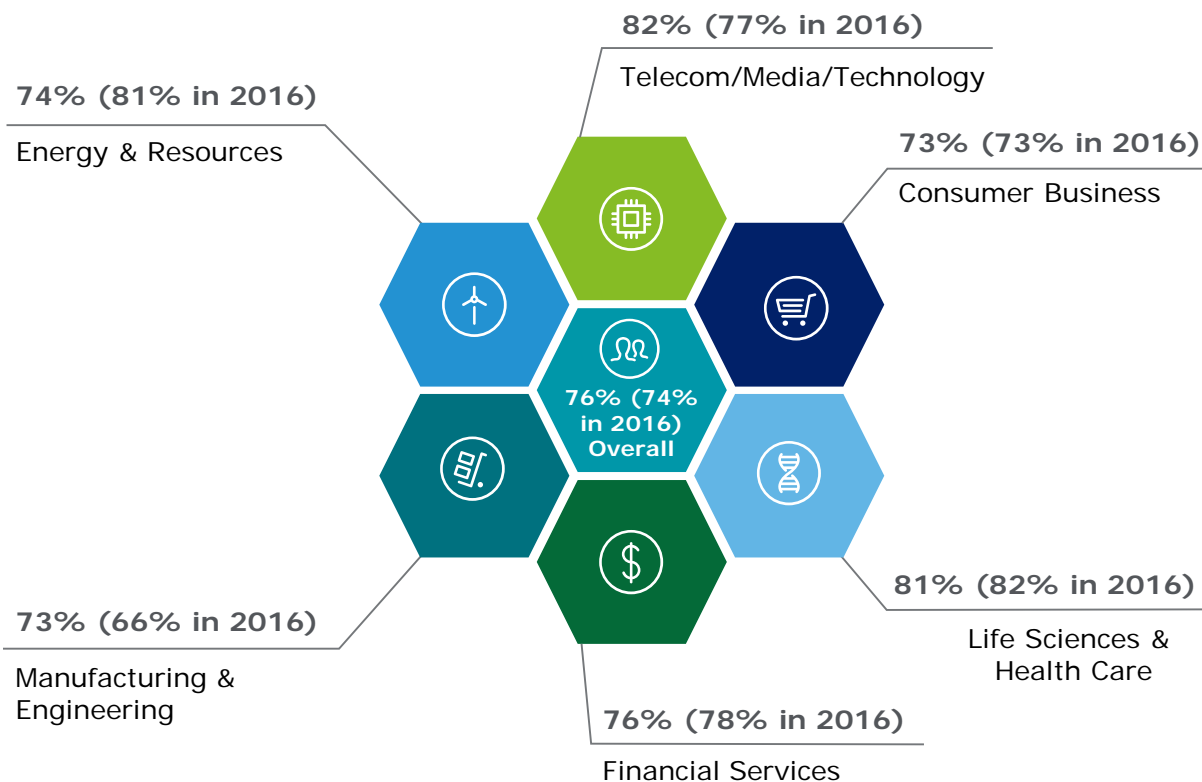
By role in the organization



- 59% (58% in 2016)
Controller/CFO
- 78% (75% in 2016)
Tax Director/Tax VP
- 76% (74% in 2016)
Overall

Generally, those in tax roles are more concerned with media, political, and activist group interest in tax.

By type of industry



Interestingly, some industry sectors are showing an increase while others are showing a decrease in concern about the increased interest in tax.

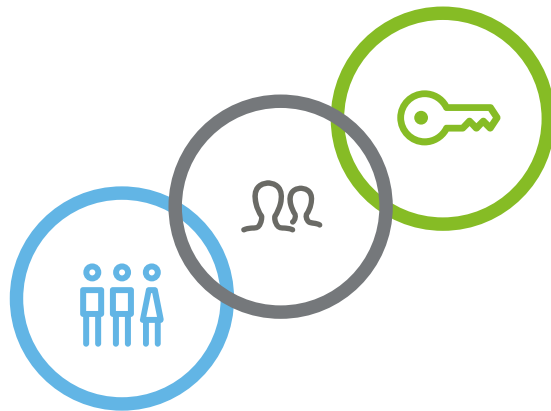
Note: See slide 7 for responses analyzed by country

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

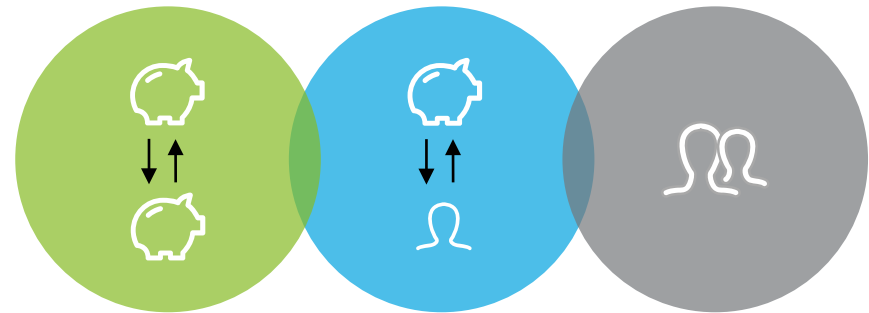
Strongly agree or agree

Public vs. private

By transaction focus



- 79% (77% in 2016)
Public
- 68% (65% in 2016)
Private
- 76% (74% in 2016)
Overall



- 74% (73% in 2016)
Business-to-business (B2B)
- 79% (79% in 2016)
Business-to-consumer (B2C)
- 76% (74% in 2016)
Overall

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

The B2C sector continues to be more concerned with reputational risk than the B2B sector, but the margin between B2C and B2B has decreased again this year.

Note: See slide 7 for responses analyzed by country

Open questions—selected participant responses

Question 26: What are your main concerns, if any, about “Responsible Tax” and the BEPS initiative?



Note: 212 respondents answered Q26. The comments listed are representative of the most commonly stated responses.

Question 27: What do you think will be the main hurdles, if any, to achieving cooperation between countries in implementing the OECD's BEPS recommendations?

"Tax competition for foreign investment will not go away. So while asking for level playing fields, I expect every country will still push the envelope to attract investment, capital and jobs."



"The challenge, plainly, is economics. Each country is balancing its own revenue base and the desire to attract and retain business, making global cooperation and agreement challenging, particularly when grouped with political differences."



"There are not many incentives for countries to cooperate therefore double taxation is the likely result. While BEPS created an extra layer of transparency the end result will be double taxation as this is easier for Tax authorities to administer."



Note: 220 respondents answered Q27. The comments listed are representative of the most commonly stated responses.

Question 28: What are you expecting to be the most significant areas of change for your business resulting from BEPS?

1

"Increased compliance effort and amount of tax audits."

"Additional compliance burden. Addressing tax authority concerns about hybrid structures. Possible 'blunt instrument' approach from tax authorities."

2

3

"Compliance reporting and responding to audits."

"Globally reporting the master file and country by country report will impact global financial reporting."

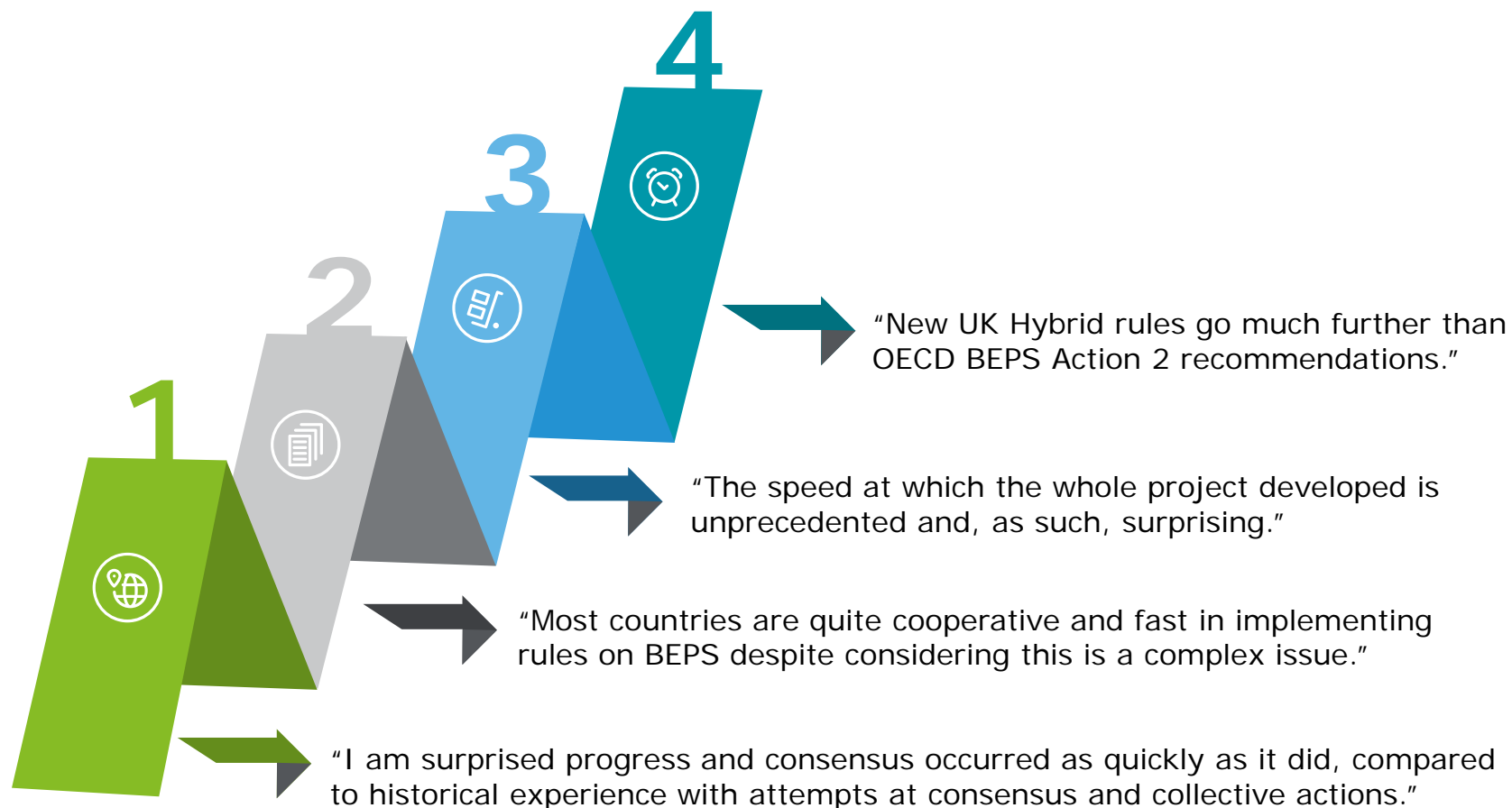
4

5

"More permanent establishments, more compliance burden."

Note: 227 respondents answered Q28. The comments listed are representative of the most commonly stated responses.

Question 29: Has anything surprised you about the implementation of OECD BEPS recommendations thus far?



Note: 201 respondents answered Q29. The comments listed are representative of the most commonly stated responses.

Question 30: How is your organisation 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?)

1 >

"All of the above. Increase in TP/structure focus, implementing structural and organizational changes, doing work in-house but also greater level of engagement of external counsel."

2 >

"We have made an internal risk assessment based on the BEPS final recommendations, and will do most of the work in-house but get external advisors to review our structures and setup."

3 >

"Review our risk profile, implementing some structural changes, adding resources to cope with the new tax world. The work is a mix but most is done in-house."

4 >

"Monitoring, quantification, structure changes, additional work both in-house and with advisors, briefing senior execs."

5 >

"Assessing and quantifying the impact, both in-house and with external advisors."

Note: 228 respondents answered Q30. The comments listed are representative of the most commonly stated responses.

Question 31: Do you feel suitably prepared for implementation of BEPS?



Note: 236 respondents answered Q31. The comments listed are representative of the most commonly stated responses.



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