

2018 International Tax Survey

Priorities and challenges facing multinationals



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Executive Summary

This international tax survey from Baker Tilly International was designed to assess:

- The impact of BEPS to date upon our multinational clients
- How multinational businesses are reacting to a fast changing international tax arena
- Key tax uncertainties in an increasing globalised economy when political winds point toward de-globalisation and
- Topics that directly impact their daily business.

This approach has been orchestrated to ensure the initiatives, efforts and focus in relation to products and services to our multinational clients accurately match our client's needs, expectations, concerns and aspirations.

This survey has involved multinational clients in over 65 territories, assessing everything from BEPS preparations to reactions to US Tax Reform.

The main issues and global tax trends stemming from this international tax survey highlight that transfer pricing and permanent establishments remain the major concerns for multinational businesses. Plus that much more can be done to pro actively deal with a very fast paced tax environment.

In conclusion, managing key tax risks to ensure there are no surprises for multinational businesses has never been as complex and never been as important.

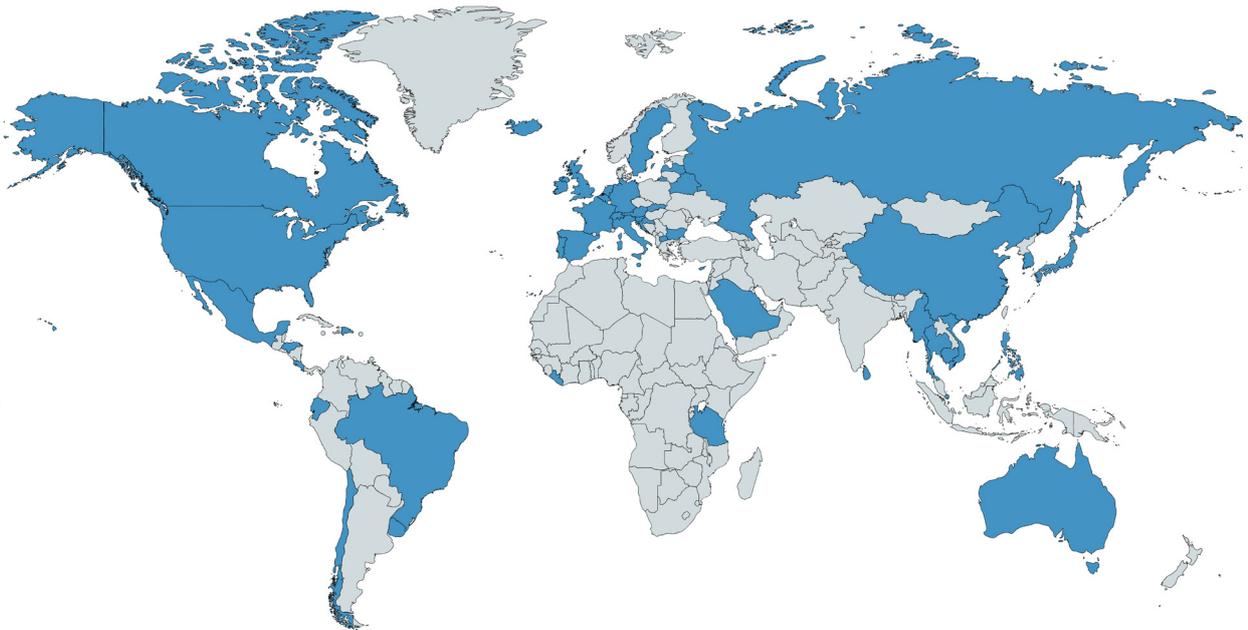
Ines Paucksch
Global Leader, Corporate Tax

Chris Danes
Tax Director, Baker Tilly International



Coverage

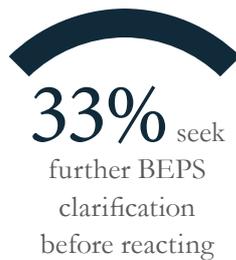
Countries shaded below contributed to this survey.



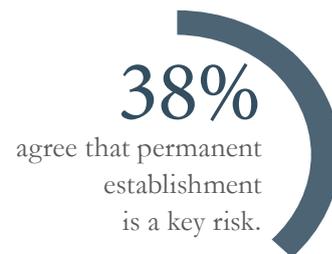
Highlights



74% list transfer pricing as a key uncertainty



33% seek further BEPS clarification before reacting



38% agree that permanent establishment is a key risk.

The survey clearly shows that beside all the BEPS discussions including Transfer Pricing, the Anti Tax Avoidance Directive (ATAD) and the Multilateral Instruments (MLI), one topic remains an ongoing issue for multinational groups.

The question of PE or not PE ..

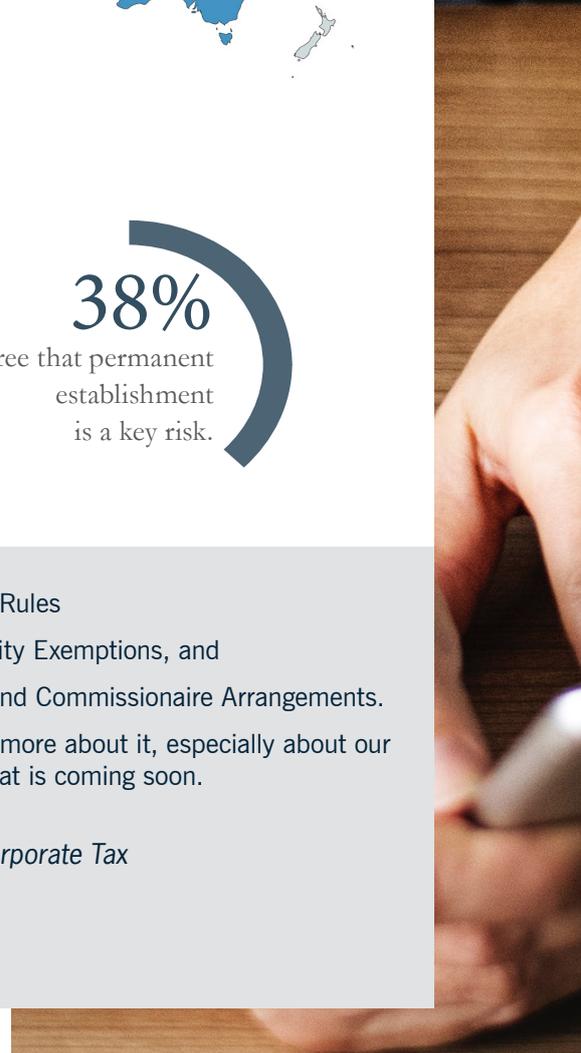
International businesses do not only have to think about the Authorised OECD Approach (AOA), they have to consider:

- Anti Fragmentation Rules

- Anti Splitting Rules
- Specific Activity Exemptions, and
- Any Agency and Commissionaire Arrangements.

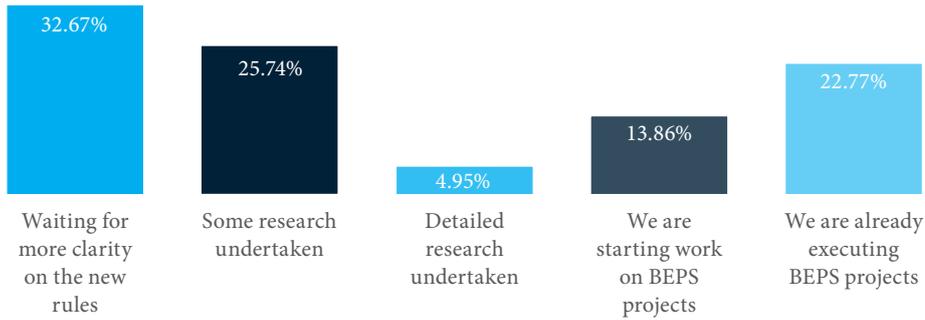
Follow us to hear more about it, especially about our new PE tracker that is coming soon.

Ines Paucksch
Global Leader, Corporate Tax

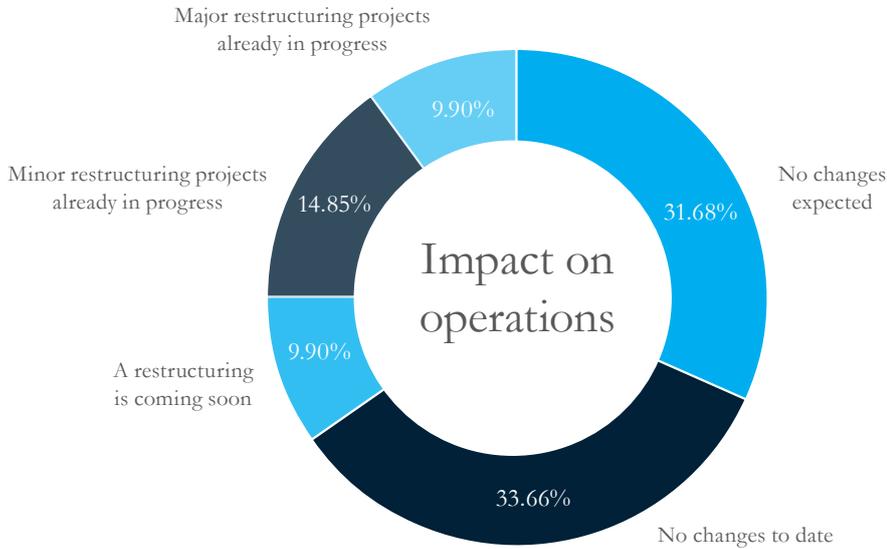


BEPS and ATAD: The Long Game

Q: BEPS Preparation: Select the answer that best describes your situation.



Q: BEPS and the EU ATAD's Impact on Operations: Select the answer that best describes your situation.



The OECD's Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan) was expected to fundamentally change the international tax landscape. And it will, but gradually rather than with the big bang that some were expecting.

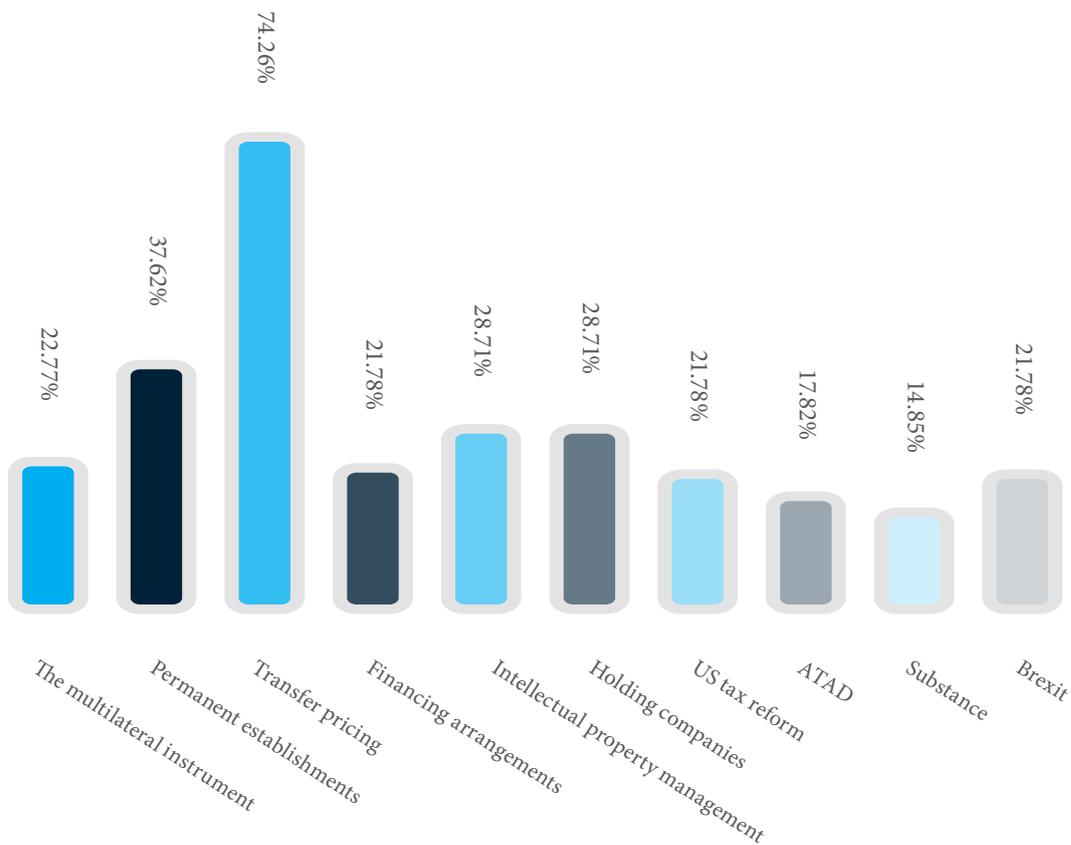
For the majority of multinational entities, their international tax structure reflects the economic reality of their business model. As a result, few will have to undertake large-scale restructuring projects.

Both BEPS and ATAD are about changing the mindset of corporate decision makers. Fair taxation, transparency and recognition of value creation are the driving forces behind the policy changes taking place. The timing and application of these recommendations is crucial but perfect: they come at a time when perceived tax avoidance by multinationals is at an all-time high.

Tanja De Decker
EMEA Leader, Tax

Key Tax Topics for Multinationals: Permanent Establishments and Multilateral Instruments

Q: Key Tax Uncertainties: Select all that apply.



Almost a quarter of survey respondents named the multilateral instrument (MLI) as a key tax uncertainty post BEPS.

A significant number of important BEPS proposals will be implemented by the MLI, which will modify the application of thousands of bilateral tax treaties concluded to eliminate double taxation.

Since all countries involved will follow their own domestic ratification procedure and parties to the

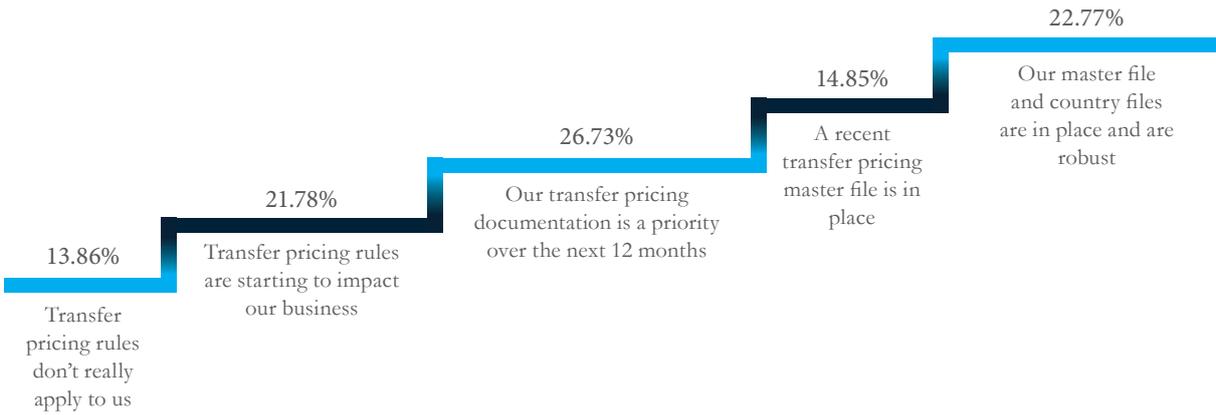
MLI have freedom to opt out of certain parts of the instrument, the MLI is a clear example of increased complexity in the post-BEPS international tax environment.

One thing is certain: the impact of the MLI, and its application, cannot be underestimated by multinational entities.

Marijn Verhagen
African Tax Desk Leader

Transfer Pricing Documentation Remains on the ‘To-do List’

Q: Transfer Pricing Documentation: Select the answer that best describes your situation.



The awareness and impact of transfer pricing is vast: almost 90% of respondents to our survey stated that transfer pricing is relevant to their business model(s). However, roughly two out of three groups of respondents have not drafted transfer pricing documentation yet or are only now in the process of adjusting their documentation to meet the new standards following the roll-out of new documentation

rules as part of the BEPS Action Plan.

We expect that documentation will undergo extensive fine-tuning over the coming years as a wave of tax audits hit the years for which the new transfer pricing documentation rules apply.

Carsten Hüning and Iris Burgstaller
Global Leaders, Transfer Pricing

“Best in class”: only 23% of respondents have completed the task of fully updating their transfer pricing documentation.

US Tax Reform

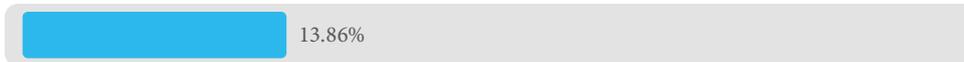
Q: US Tax Reform: Select the answer that best describes your situation.

46.53% of respondents indicated this was not applicable to their business.

We are reviewing the changes and they are expected to be positive for our business



We are reviewing the changes and they are expected to be negative for our business



Minor restructuring project(s) in progress



Major restructuring project(s) in progress

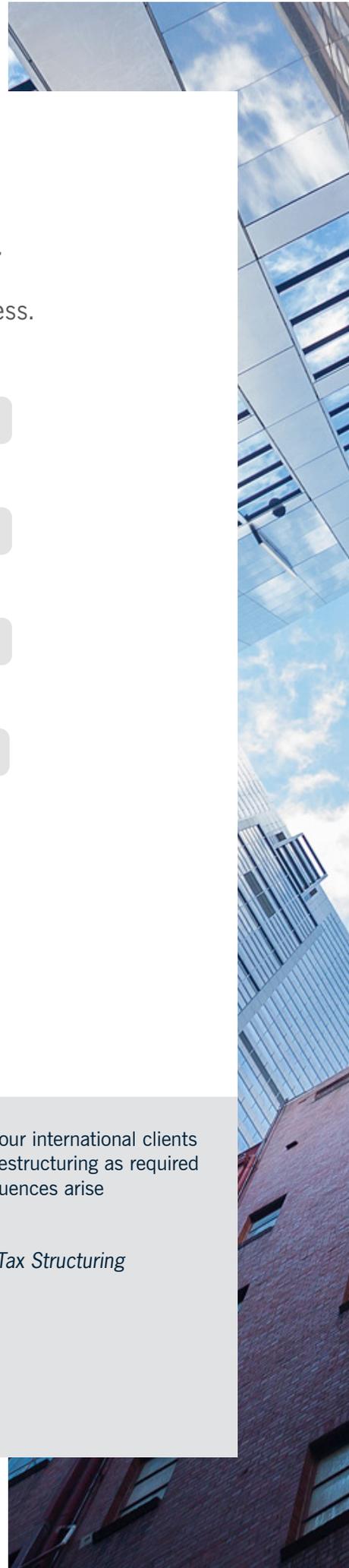


US Tax Reform is paramount for all businesses operating in the US. Tailored advice is vital to ensure there are no surprises for our multinational clients.

The positivity to the Reform largely stems from the reduction in the Federal Tax Rate. However, the results from the survey justify that the complexity arising from anti-avoidance measures can easily lead to negative consequences.

It is great to see so many of our international clients are reviewing the rules and restructuring as required to ensure no adverse consequences arise

Jim Alajbegu
Global Leader, International Tax Structuring



Baker Tilly International

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Every day, 33,600 people in 147 locations share experiences and expertise to help privately held businesses and public interest entities meet challenges and proactively respond to opportunities. International capability and global consistency of service are central to the way we work.

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They make it their business to know and understand their clients' long-term ambitions, anticipating and responding to challenges as their clients pursue opportunities.

125 independent firms come together across four geographic areas. Sharing knowledge and resources, our business approach brings together the power of the global network to deliver exceptional results to clients globally.

\$3.4bn

Worldwide revenue 2017 (USD)

147

Territories

33,600+

Partners and staff globally



Get in touch

We would like to thank the companies that took part in our survey. These are challenging and evolving areas for organisations and even more so as different aspects of the BEPS Action Plan unravel and significant uncertainty remains for multinational businesses. If you are concerned with any of the issues raised in this survey, we would be happy to help you assess the risks and opportunities for your business.

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