



2015 GLOBAL BEPS READINESS SURVEY REPORT

In association with International Tax Review™, Thomson Reuters conducted a survey of 180 tax professionals at multinational companies (MNCs) about their preparations for the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan. Here is a selection of the survey results, with analysis behind the numbers.

To get the latest BEPS insights, visit tax.thomsonreuters.com/BEPS.

In general, what best describes your approach for responding to BEPS?

53.7%

Proactively taking steps based on the BEPS drafts

33.3%

Waiting for the project to be finalised before acting

5.1%

Not doing anything at all

7.9%

Waiting for peers to make a move

THE STORY BEHIND THE NUMBERS

"The wait-and-see approach at some companies may reflect skepticism that BEPS regulations will be finalised — or that they will be affected. However, the legislative action in countries such as Australia and South Korea, and the important release of draft BEPS guidance in China last month, reflects the fact that countries are moving on BEPS. The timelines may seem off, but that can be an illusion. A start date of January 1, 2016, for country-by-country reporting means the collection and preparation of data required for compliance will be in earnest," said Terry Hayes, senior tax writer for Thomson Reuters Checkpoint™ in Australia.

On which of the action items will your team focus in the next several months?

Transfer pricing
(documentation & country-by-country reporting)

78.5%

of respondents expect their companies to devote time to BEPS Action Item 13 rules about documentation and country-by-country (CbC) reporting

Transfer pricing
(risk, re-characterisation & special measures)

Transfer pricing
(intangibles)

Permanent establishment (PE) status

Interest deductions & other financial payments

Hybrid mismatch arrangements

Treaty abuse

Digital economy

Controlled foreign company (CFC) rules

THE STORY BEHIND THE NUMBERS

The most immediate BEPS-related concern for multinational corporations is transfer pricing. Under Item 13 of the BEPS Action Plan, companies with global revenues of more than €750 million (or the equivalent in local currency) would need to begin compiling a country-by-country reporting template for fiscal years beginning on or after January 1, 2016, with submissions to tax authorities beginning January 1, 2017. This means that tax authorities could begin exchanging the first country-by-country reports as early as 2018 —creating unprecedented visibility into companies' tax footprints.

What are the anti-avoidance jurisdictional hotspots for BEPS?



39%

United Kingdom



24.3%

Australia



22%

China



20.9%

USA

THE STORY BEHIND THE NUMBERS

When asked if there were any jurisdictions that have implemented anti-avoidance measures that caused their company concern, the UK topped the list followed by Australia, China, and the US. Of the jurisdictions that have implemented anti-avoidance measures, the specific issues that are causing concern in BEPS compliance include country-specific issues (particularly the UK's diverted profits tax), business activities in specific countries, and historically difficult jurisdictions.

In Australia, legislation before Parliament would impose penalties of up to 100% of the tax owed when corporations use artificial or contrived arrangements to avoid attributing business profits to Australia. In addition, the legislation seeks to double the penalties imposed on significant global entities (i.e., those with global revenues above AUD\$1 billion) that enter into tax avoidance or profit-shifting schemes.

Is the BEPS Action Plan a board issue?

45.2%

of respondents have NOT spoken to their company's board about BEPS measures

54.8%

HAVE

THE STORY BEHIND THE NUMBERS

With the increased transparency that forthcoming BEPS-related legislation will likely require, it's no surprise that multinational corporations are discussing the topic at the board of directors table. Fifty-five percent of survey respondents globally have done so — although the number drops to 39% in the US and rises to 63% in Europe. The lower rate for US-based companies may be explained by the delay in BEPS-related legislative activity in the US relative to other countries and the continuing tax policy debate between the president and Congress in a general election cycle.

What steps will you be taking prior to BEPS implementation?

68.4%

of respondents plan to review their corporate value chain and key profit drivers prior to BEPS implementation

THE STORY BEHIND THE NUMBERS

More than two-thirds of respondents (68%) are planning to review their business' value chain and its key profit drivers prior to BEPS implementation. This is important in a post-BEPS environment. Price setting (including transfer prices) is a key component of complying with BEPS laws. This could affect profit drivers in the business and may lead to some reorganization. Additionally, inter-company pricing agreements will likely come under close scrutiny by tax authorities and will therefore need to be reviewed in light of BEPS legislation.

