

Are you ready for the changing global tax environment?

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Close scrutiny of companies' tax practices globally

There has been unprecedented attention on the tax practices of Multinational Enterprises (MNEs). The US and various European governments (including the European Commission) have launched specific enquires into the tax practices of large MNEs on their tax paying positions in the US, UK, Luxembourg, Ireland, the Netherlands and elsewhere. Individually, countries around the world are aggressively scrutinizing perceived cross-border tax practice of MNEs and enacting unilateral tax measures to bolster their attack on transactions and structures. Non-Governmental Organisations (NGOs) have also been extremely vocal in alleging such "tax avoidance" practices of MNEs. Singapore-based MNEs with a global footprint will not be spared such scrutiny in the current environment as the attitude towards paying taxes evolves.

This is riding on a recent two year global tax reform project led by the Organisation for Economic Co-operation and Development (OECD). Initiated in February 2013, the OECD Base Erosion & Profit Shifting (BEPS) project has made rapid progress in recommending solutions targeted at resolving perceived tax loopholes in the international tax framework. Reporting standards and disclosure requirements have also increased steadily.

Increased tax and reputational risks

Accordingly, paying taxes has evolved from being a pure legal obligation to a discussion on what is considered a "fair" amount of tax to be paid. As the global tax reform continues to evolve, tax disputes will continue to rise, as with the materiality of issues at stake.

To build a sustainable tax model for the future, MNEs should consider strengthening its current tax risk management framework with:

- Strong tax **governance** framework with alignment of tax and business strategies
- Clear understanding of **risk** areas and mitigation avenues
- Clear roadmap for stakeholder engagement/ **communication** strategy
- Effective tax **controls** framework and process for ongoing **monitoring**

Strategic food for thought

With this evolution, tax risks will need to be considered in tandem with an organisation's other strategic considerations. As you consider your organisation's governance framework, please find some initial food for thought. Do you know:

- How much tax does your organisation pay currently?
- Where does your organisation pay tax?
- What is the organisation's effective tax rate?
- Does the organisation operate in any tax havens?
- How many enquiries has the organisation received regarding its tax affairs?
- Has the organisation been named in any public justice or tax fairness reports?

PwC service offerings

PwC has an established framework and diagnostic tools to assist you with:

- Risk assessment – Identifying your tax weak spots
- Remodelling your structure – Getting your organisation's tax structure future ready
- Tax risk management framework – Putting the right framework and controls in place
- Documentation and compliance – Ensuring the right amount of information is disclosed

Your PwC contacts

If you would like to discuss the impact of these developments on your group's affairs, please feel free to reach out to any of the facilitators or your local PwC Contact.

Chris Woo
Head of Tax & Partner,
Global Structuring
Email: chris.woo@sg.pwc.com

Alan Ross
Partner, Value Chain Transformation and
International Tax Services
Email: alan.ross@sg.pwc.com

Abhijit Ghosh
Partner, Corporate Tax Advisory
Email: abhijit.ghosh@sg.pwc.com

Andy Baik
Partner, International Tax Services
Email: andy.baik@sg.pwc.com

Brad Slattery
Partner, Value Chain
Transformation
Email: brad.slattery@sg.pwc.com

Paul Cornelius
Partner, International Tax Services
Email: paul.cornelius@sg.pwc.com

Chai Sui Fun
Partner, Transfer Pricing
Email: sui.fun.chai@sg.pwc.com

Nicole Fung
Partner, Transfer Pricing
Email: nicole.fung@sg.pwc.com

Liam Collins
Partner, Financial Services
Email: liam.collins@sg.pwc.com

Paul Lau
Partner, Financial Services
Email: paul.st.lau@sg.pwc.com

Florence Loh
Partner, Corporate Tax Advisory
Email: florence.ch.loh@sg.pwc.com

Vivienne Junzhao Ong
Senior Manager, Global Structuring
Email: vivienne.junzhao.ong@sg.pwc.com

