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Client Panel

How New Political Pressure is Affecting
Multinationals' Tax Strategies

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CLIENT PANEL

- Dr. Michael Kröner, Head of Tax, Deutsche Bank
- Hartmut Wolter, Head of Tax, Deutsche Lufthansa
- Angel Martin, Global Tax Director, Telefonica
- Moderated by Taxand Board members

CLIENT PANEL – TAXAND’S SYNOPSIS

The client panel and Taxanders from around the world debated the future role of the Tax Director and the political pressure they are coming under to change their tax practices.

The debate quickly turned to the re-building of tax strategies decimated by the rapid onset of the global economic crisis and the need to act differently towards tax authorities around the world.

The panel quickly recognised that the key to the future of the tax function in multinational companies is to create and engage in an ongoing tax partnership with authorities, all the while accepting that the key operational and financial functions are fully concentrated on trying to generate cash in the business and the tax implications of that cash.

The Tax Directors on the panel also universally stressed the huge shift in importance of tax at the Board level of large companies. Board Directors including the Chief Executive and Finance Director have become aware of the political pressure on them to be seen to be good corporate citizens in each jurisdiction within which the company operates.

This prominence has meant that Boards no longer want to hear of the tax planning practices of old, with the use of low tax jurisdictions that were part of the OECD black and grey lists fully off the agenda as they look to protect the reputation of the company globally.

Board members are also clearly concerned about their accountability in the light of recent examples

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CLIENT PANEL – TAXAND’S SYNOPSIS

...of directors being sued or even arrested on the back of tax practices that were once largely ignored or unofficially accepted by authorities.

Tax Directors are now walking a fine line to ensure that transparency is upheld alongside the best interests of the business and the panel recognised that there is a clear conflict of interest being battled as the Tax Director looks to ensure a favourable tax rate, to partner tax planning, tax avoidance and tax evasion with authorities and keep the shareholders happy.

Authorities world-wide are increasingly making fewer distinctions between tax planning, avoidance and evasion and thus tax work is now very clearly about risk control within this new environment. All of this activity takes place in a new world of conflicting messages from authorities. On the one hand they want to claw-back revenue and tighten rules and on the other they are trying to lure multinationals to their shores with attractive tax policies. This leaves a wake of complex and confusing rules for Tax Directors to navigate their company through.

The panel also discussed that the political focus on tax means that the effective tax rate must now be agreed at Board level with the balance between good corporate citizenship and levels of tax effectiveness, more important than ever.

It was also stressed that the Heads of Tax should also be clearly engaged in the legislative process and look to influence the political process around tax codes in this new era of cooperation.

CLIENT PANEL – TAXAND’S TAKE

Frederic Donnedieu de Vabres, Chairman, Taxand and Moderator of this Client Panel provided Taxand’s view – Taxand’s Take – post event:

“Put simply, the global rise in complexity has inevitably led to a rise in the required levels of documentation and preparation, using further resources and rapidly changing the role of the Tax Director. They must now work to simplify tax for the Board, work hard to partner with authorities around the world and look for ways to ensure that an attractive and fair effective tax rate is achieved. All the time working on the assumption that operations in each jurisdiction will be investigated at some point by the relevant tax authority...”

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ABOUT TAXAND

Taxand provides high quality tax advice across nearly 50 countries. Our tax professionals—nearly 400 tax partners and 2,000 tax advisors—grasp both the fine points of tax and the broader strategic implications, helping you mitigate risk, manage your tax burden and drive the performance of your business.

We're passionate about tax. We collaborate and share knowledge, capitalising on our collective expertise to provide you with high quality, tailored advice that helps relieve the pressures associated with making complex tax decisions.

We're also independent—ensuring that you adhere both to best practice and to tax law and that we remain free from time-consuming audit-based conflict checks. This, coupled with the compact structure of our member firms, enables us to deliver practical advice, responsively.

Taxand is a global network of tax advisory member firms. Each member firm is a separate and independent legal entity responsible for delivering client services.

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