



Global Conference, Paris

>Partnering for client success

❖ QUALITY TAX ADVICE, GLOBALLY

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Plenary V: Taxand Global Survey – Taxand The CFO

Frederic Donnedieu
Mukesh Butani
Nicolas Jacquot
Ernie Perez

❖ www.taxand.com

Introduction

- ❖ This is our first Taxand global survey!
- ❖ Thank you to our multinational clients for your participation
- ❖ We can now **exclusively** reveal
 - ❖ Pressing tax challenges affecting your business
 - ❖ Key tax issues and trends to watch out for
 - ❖ Taxand's Take on wider implications for you
 - ❖ Calls to action to help drive performance

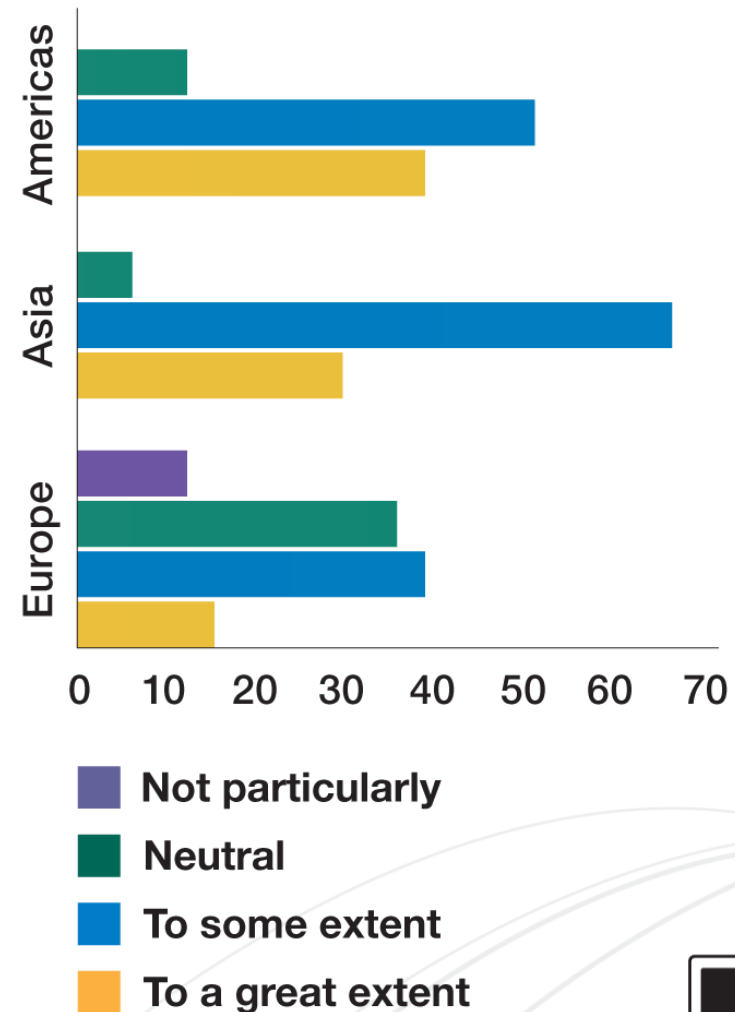


Introduction: Key Tax Themes

- ❖ Tax Audits: On the rise, globally
- ❖ Tax Transparency Increases Cost of Compliance
- ❖ Relationships Improving with Authorities
- ❖ The Transfer Pricing Challenge
- ❖ Exposure & Reputation
- ❖ International Tax Planning & Investment
- ❖ Global Tax Harmonisation

Introduction: Food for Thought

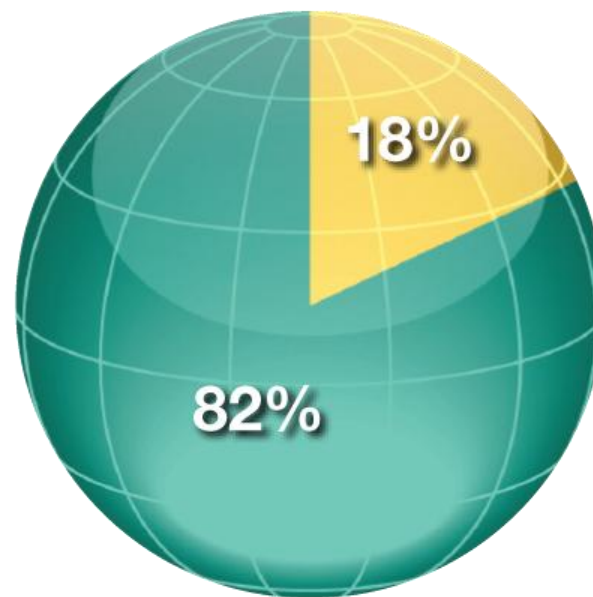
- ❖ Are tax issues on your Board's agenda?
- ❖ Only 24% said to a great extent



Tax Audits: On The Rise, Globally

- ❖ 82% of multinationals have experienced a rise
- ❖ Tax authorities undertaking more audits to enhance tax revenue
- ❖ Drive to recruit staff to conduct assessments eg IRS
- ❖ Toughened regulatory environment, globally

Global Average



● Yes ● No

Tax Audits: On The Rise, Globally

Multinationals have two choices:

1. Embrace tax authorities and try to establish a relationship of trust and transparency
2. Continue as you were, with the expectation of more frequent and intensive audits as a result

“Multinationals will need to invest significant resources to manage increasing audit requirements”



Taxand's Take: Get The Basics Right

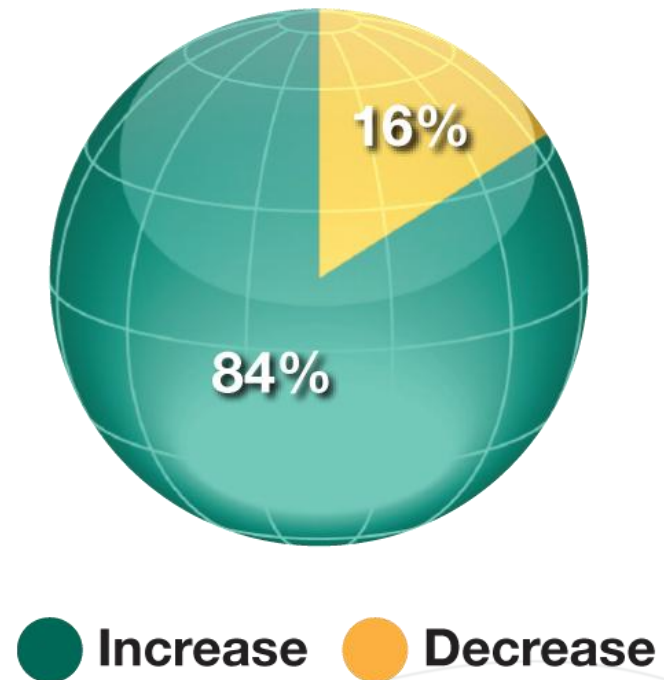
1. Companies should devote resource to ensure documentation and backup information is up to date and immediately available if requested
2. Keep a rolling document of all risk factors with clear background information on your company's actions and rationale
3. Due diligence: check your calculations regularly, tally and reconcile



Tax Transparency Increases Cost Of Compliance

- ❖ 84% said increased transparency increases compliance cost
- ❖ Businesses are exposed to additional non-controllable costs
- ❖ Tax reporting isn't as efficient as it could be

Global Average



Shift to Computerised Reporting

- ❖ Technology now plays a large part in tax departments; reporting is effective and efficient
- ❖ Tax authorities demanding data electronically and developing tools to effectively interrogate companies' tax systems
- ❖ Businesses can use the information to benefit and support multiple business functions

“Multinationals need to embark on a programme of modernisation”

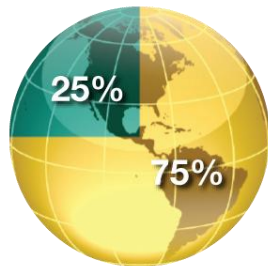
Taxand's Take: Technological Change

1. Consider involving tax authorities in your system implementation to ensure the programme and its reporting capability is fit for purpose across the world
2. Ensure programmes are properly configured for differing jurisdictions
3. Dedicate time and finances to training your staff to use systems effectively

Relationships Improving With Authorities

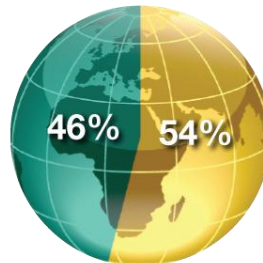
- ❖ 61% cited improvement in the past year
- ❖ Heightened OECD efforts
- ❖ Tax authorities are also
 - ❖ Streamlining processes
 - ❖ Discussing tax laws with companies before parliament votes

Americas



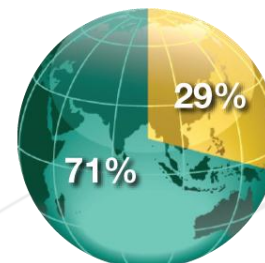
● Yes ● No

Europe



● Yes ● No

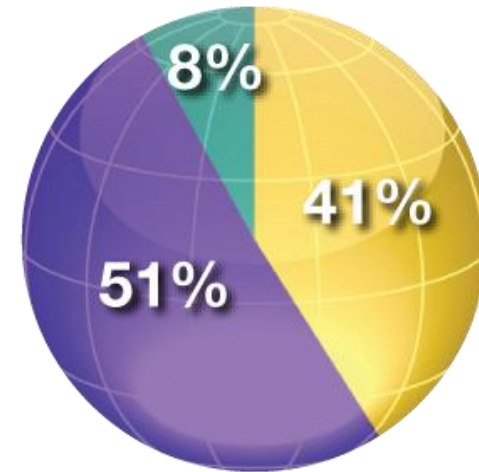
Asia



● Yes ● No

However, Mixed Views Re Cooperation

- ❖ Due to degrees of aggressiveness by tax authorities
- ❖ There is room for
 - ❖ Less forceful approach to policy
 - ❖ More collaborative spirit of engagement



- Improved
- Worsened
- Neutral

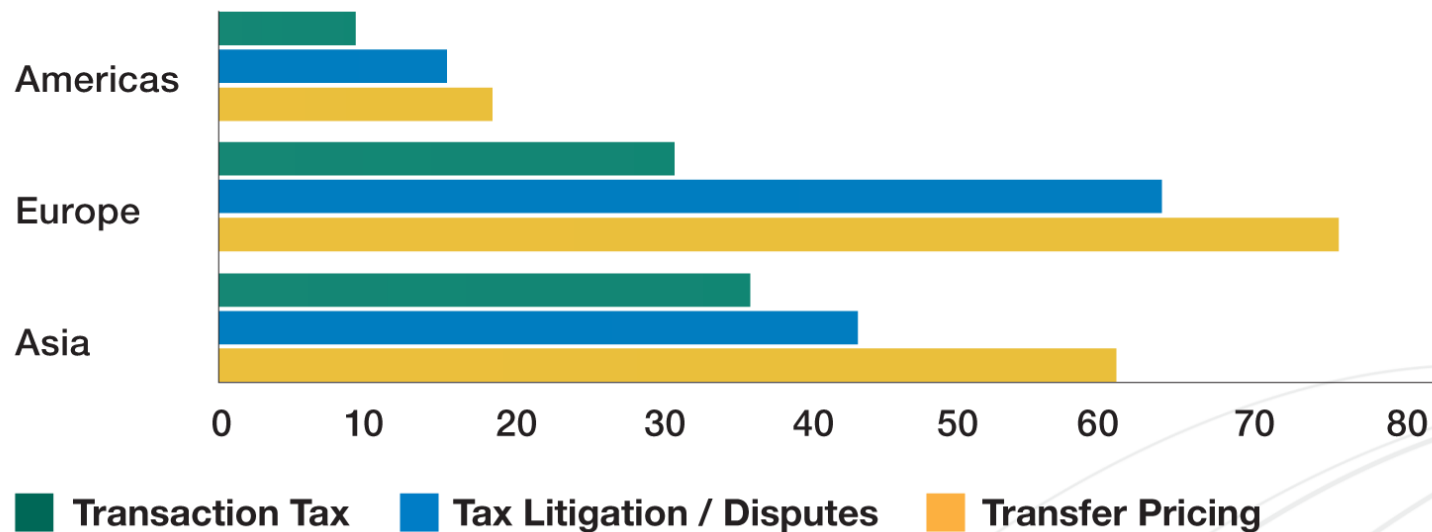
Taxand's Take: Engage Authorities

“Continue to engage with all tax authorities to establish more certainty”



Transfer Pricing = Biggest Challenge

- ❖ Tax departments forced to make assumptions derived from economic theory
- ❖ Legislation is ever-changing
- ❖ Proving economic substance is difficult



Transfer Pricing: Increasing Scrutiny

- ❖ 2010 G20 communique identified TP as in need of further reform
- ❖ Tax administrations stepped up audits in this area, not least in Asia
- ❖ Dispute resolution around IP and intangible assets eg GlaxoSmithKline, Canada
- ❖ Authorities and OECD recognise need for clarity, certainty and flexibility

Taxand's Take: TP As Commercial Driver

1. Advisors and tax departments need to identify where operations are expanding and contracting and use this change to get the pricing correct
2. APAs and Certainty Rulings provide opportunities to increase scope of your tax planning

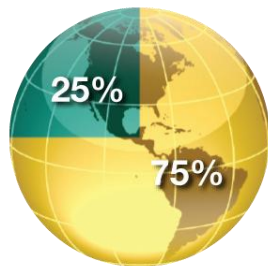
“ You should not be concerned provided your planning is commercially based and supported with real economic substance ”



Exposure And Reputation

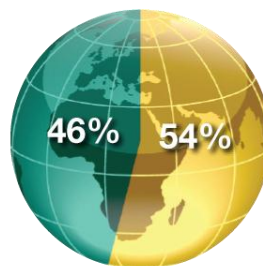
- ❖ 51% believe exposure of tax planning activity has detrimental impact on company reputation
- ❖ Asia – more concerned; Vodafone in the firing line
- ❖ Europe and Americas – less concerned

Americas



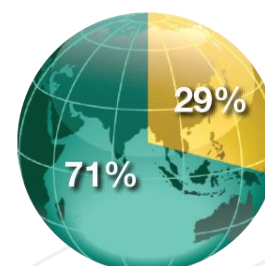
● Yes ● No

Europe



● Yes ● No

Asia



● Yes ● No

Misinformed Public With An Agenda

- ❖ Public reacts to published articles that do not provide the long-term tax position
- ❖ Media focus on CIT rates, instead of VAT and customs duties
- ❖ Compensation, tax breaks and loopholes for high earners have also dominated the media agenda

“Multinationals must rapidly and effectively communicate your strategy to external audiences, setting out your rationale”

Taxand's Take: Communicate

1. Review and accurately record tax positions in all financial statements and public records
2. Demonstrate your contribution to the economy through tax collections
3. Consider proactively communicating tax contributions
4. Align tax planning strategy with business objectives and make sure economic substance evidenced
5. Reconsider investments in or through tax havens which will raise red flags



International Tax Planning And Investment

- ❖ Little consensus on investment attractiveness
- ❖ Commercial drivers remain critical to investment decisions
- ❖ OECD's 'grey list' and G20 focus on tax havens
- ❖ Multinationals are reconsidering tax planning strategies to maintain efficiencies

A Cloudy Global View

- ❖ Tax “friendly” and “unfriendly” jurisdictions will continue to be different depending on the business
- ❖ Increased harmonisation and scrutiny will add further complexity

“ Commercial drivers remain critical to investment decisions. More attention should be paid to tax implications at the outset of any operational change ”

Taxand's Take: Tax At The Outset

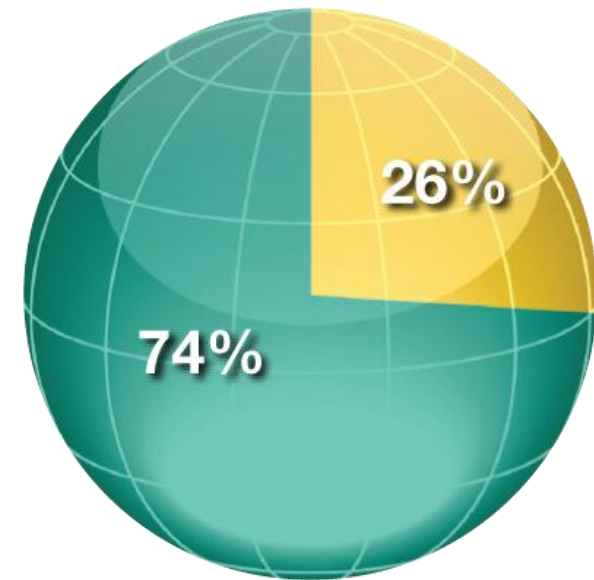
1. Establish commercial objectives first – then organise tax structures
2. Commercially driven tax planning can help effectively optimise your company's global tax footprint and supply chain tax structures
3. Consider the stability of the country before putting substance there
4. Consider tax implications at the outset to inform your strategic decision-making



Global Tax Harmonisation

- ❖ 74% stated global tax harmonisation desirable
- ❖ Global leaders want the opportunity to raise tax revenue
- ❖ For EU it is disguised method to prevent tax evasion
- ❖ For multinationals it means a reduction in bureaucracy

Global Average



● Yes ● No

But Is It Achievable?

- ❖ Europe most ready for harmonisation with EU structures in place
- ❖ Asia and Americas split on the benefits
- ❖ Implementation likely to be costly
- ❖ Jurisdictions struggling with budget deficits
- ❖ Tax codes undergoing alterations to attract business to their shores

“ *Harmonisation still looks a long way off, perhaps even beyond the horizon altogether* ”

Taxand's Take: Challenge Of Harmonisation

1. Any form of blanket tax code would take many years of consultation, debate and reconciliation
2. It will increase short term compliance costs and your ability to cost-effectively restructure the business as it grows
3. Harmonisation will inevitably create an increase in disclosure and scrutiny

Global Survey: Taxand's Take

1. Embark on a programme of technological modernisation to effectively manage the increase in transparency and scrutiny
2. Consider rapid and effective communication of your tax strategy to clearly justify your tax position and manage exposure and reputation
3. Continue to engage with tax authorities to establish more certainty in your tax arrangements



Global Survey: Taxand's Take

4. TP helps legitimately optimise tax structures and restructure in line with commercial objectives – make use of APAs and Certainty Rulings
5. Undertake commercially driven international tax planning and focus on tax structures that will enhance your shareholder return
6. Moves need to be made to fix tax issues on Board agendas to further drive the performance of business





Speaker Details



Frederic Donnedieu
FRANCE

E. frederic.donnedieu@arsene-taxand.com
T. +33 170388801

Frederic Donnedieu de Vabres is the Chairman of Taxand. He is also one of the two founding partners of the Taxand France practice, Arsene Taxand. Between 1999 and 2003, he was the managing partner of Archibald Andersen. Most of his clients are international groups, whom he assists by addressing the tax aspects of their national and international development: acquisitions, reorganisations, optimisation of the effective tax rate and tax strategy assistance. Frederic is a member of the IFA and the Orientation Committee for HEC students in the tax and legal specialisation program at HEC (the leading French business school).



Mukesh Butani
INDIA

E. mukesh.butani@bmrlegal.in
T. +91 124 339 5010

Mukesh is a member of the Taxand Board which comprises 9 Taxand country Managing Partners from around the world. He is also the key Indian member of Taxand's global transfer pricing team. Mukesh is based in Taxand India where he is a partner and tax practice leader of BMR Advisors—India's leading independent firm of tax advisors. He is an acknowledged expert in international tax and transfer pricing, with more than 23 years' experience advising several Fortune 500 multinationals on various cross-border tax structuring, transfer pricing, mergers and acquisitions, and investment structuring matters. Mukesh is the former tax practice leader and international tax partner at a Big 4 firm. For the past four years, Mukesh has been consistently rated amongst leading individual tax advisors in India by ITR.



Speaker Details



Nicolas Jacquot
FRANCE

E. nicolas.jacquot@arsene-taxand.com
T. + 33 1 70 38 88 08

Nicolas is based in Taxand France and has recently joined Arsene Taxand from Landwell & Associés, a correspondent law firm of Paris where he was a tax Partner. He specialises in Taxation litigation, International Taxation and relations with Tax Administration. Nicolas Jacquot was chief tax counsellor at the French Ministry of Finance and Budget from 2004 to 2007. He advised on tax matters to Ministers Nicolas Sarkozy, Dominique Bussereau, Hervé Gaymard, Jean-François Cope and Thierry Breton. He started his career in 1998 with the French government "Direction of Tax Legislation" department where he was a chief officer of International and European affairs. While in this position, Nicolas represented France for EU and OECD matters. Subsequently he was made chief officer of Corporate Tax.



Ernesto Perez
US

E. eperez@alvarezandmarsal.com
T. +1 305 704 6720


Ernesto ("Ernie") is based in Taxand USA where he is a Managing Director with Alvarez & Marsal Taxand, LLC. He serves as National Practice Leader of the firm's Transaction Tax Practice. With more than 14 years of experience, Ernie has specialized in advising financial and strategic buyers and sellers on tax aspects of mergers and acquisitions, including reorganizations, spin-offs, financings, repatriations and bankruptcies. Ernie has advised clients on domestic and cross-border transactions across a wide range of industries such as consumer markets, telecommunications, financial services, real estate, industrial products, leisure and distribution. Ernie has counselled clients on domestic and cross-border transactions focusing on tax structuring, due diligence and financial modelling.




Key Contacts




Frederic Donnedieu de Vabres
Chairman of Taxand
T. +33 1 70 38 88 01



Abigail Tarren
Taxand Global Operations Director
T. +44 20 7715 5243



Antoine Glaize
Taxand Global Transfer Pricing
Service Line Leader
T. +33 623 088 006



Ian Fleming
Taxand Global Transaction Tax
Service Line Leader
T. +44 207 663 0425



Keith O'Donnell
Taxand Global Real Estate Tax
Service Line Leader
T. +352 26 940 257



Richard Baxter
Taxand Global Indirect Tax
Service Line Leader
T. +44 20 7663 0750




Jaime Sol
Taxand Global Compensation Tax
Service Line Leader
T. +34 91 514 5988



Nicolas Jacquot
Taxand Europe
T. +33 1 70 38 88 21



Mukesh Butani
Taxand Asia
T. +91 124 339 5010



Ernesto Perez
Taxand Americas
T. +1 305 704 6720

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- **Sent to all delegates post event**

Find out the survey key pointers at

http://www.taxand.com/Taxand_Global_Survey_2011