



Tax Certainty

EBF TAX CONFERENCE 2017

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OECD's Centre for Tax Policy and Administration

Tax certainty

Tax certainty report ¹ delivered to G20 Finance Ministers with IMF, March 2017

- *“We welcome the ... work on tax certainty conducted by the OECD and the IMF. We acknowledge the report on Tax Certainty submitted to us and **encourage jurisdictions to consider voluntarily the practical tools for enhanced tax certainty as proposed in that report**, including with respect to **dispute prevention** and **dispute resolution** to be implemented within domestic legal frameworks and international tax treaties.”*
- *“We ask the OECD and the IMF to assess progress in enhancing tax certainty in 2018”*



Chair of the Inclusive Framework has written to all subsidiary bodies

1. www.oecd.org/tax/g20-report-on-tax-certainty.htm



The business survey

The OECD Business Tax Certainty Survey

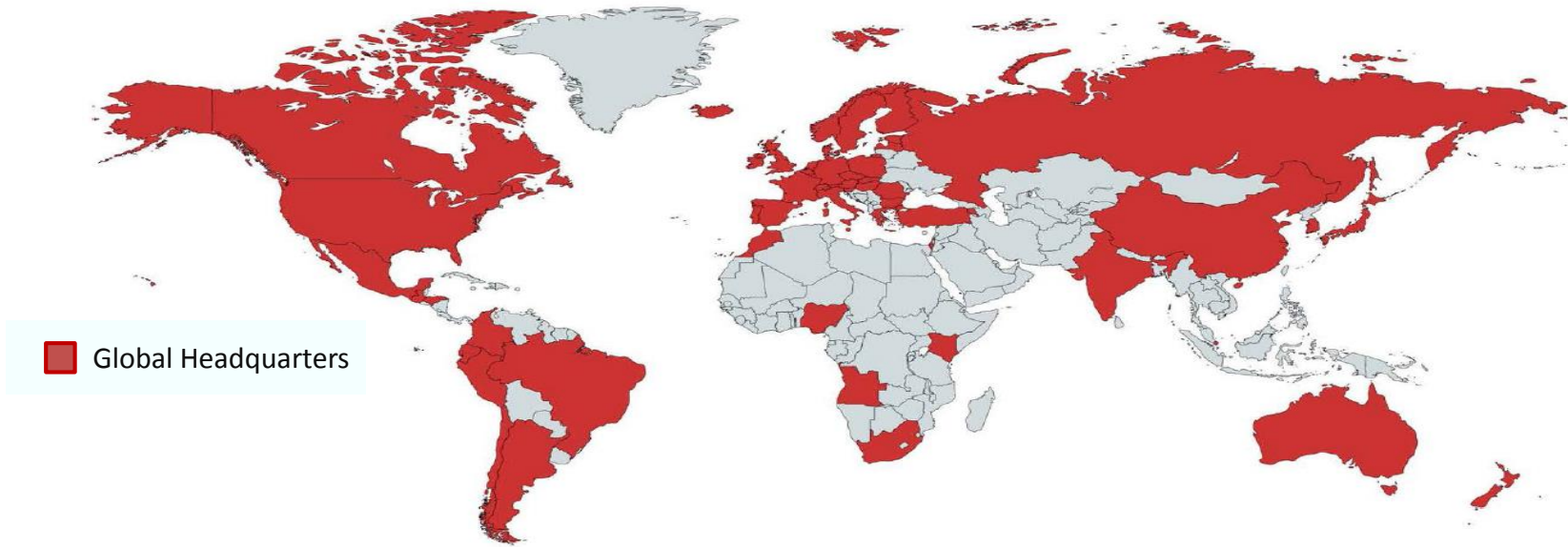
- Between 18 October and 16 December 2016
- 724 completed responses
- From firms with global HQ in 62 different jurisdictions
- And regional HQs in 105 different jurisdictions

Wide consultation

- Survey was developed on basis of Tax Survey developed by OUCBT and ETPF
- Consultation with business, governments/tax administrations, civil society, academia

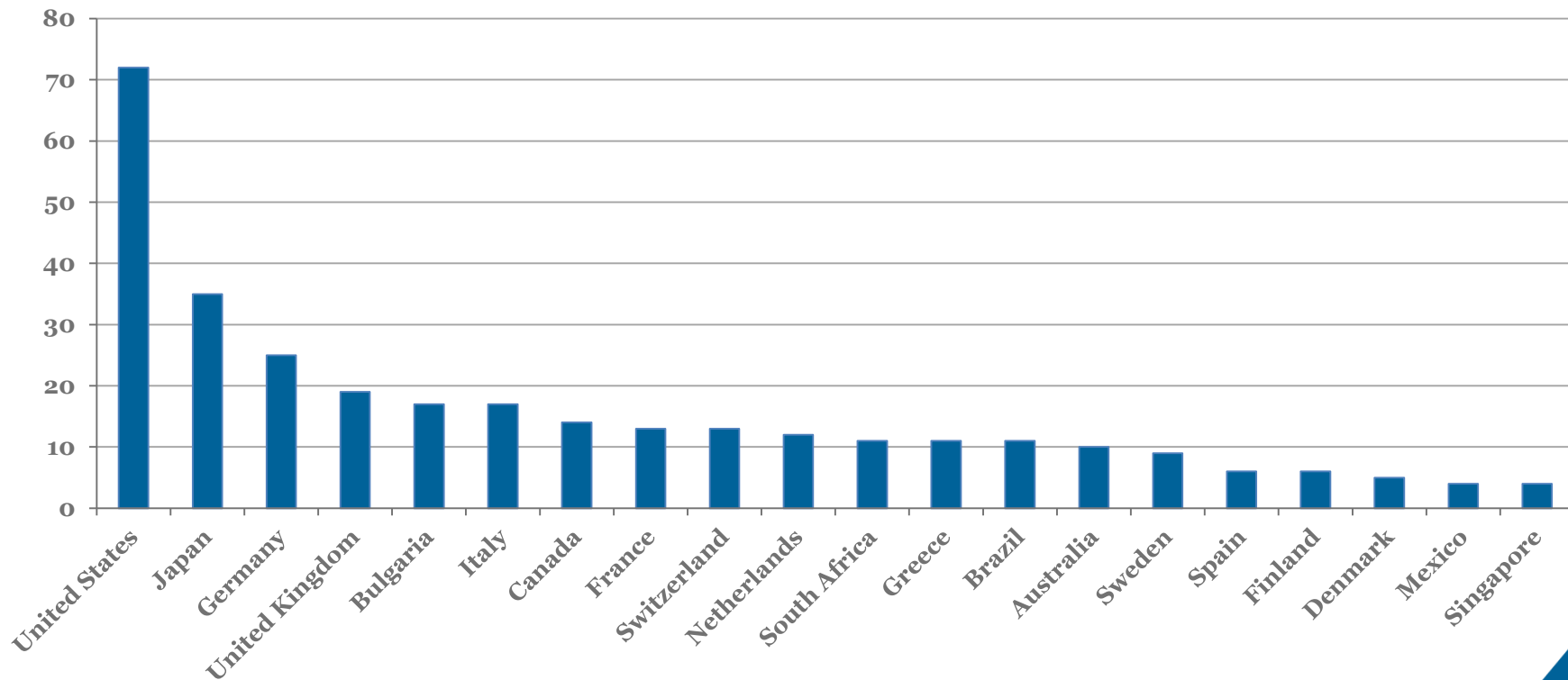


Business survey – global HQs





Top 20 countries, by HQ of respondents MNEs only





Business survey - regional HQs





Turnover (in USD)	(1) FT Global 500		(2) Survey (Overall)	
	No. of firms	%	No. of firms	%
Over USD 25 b	181	36.2%	61	8.4%
Between USD 10b and USD 25b	126	25.2%	37	5.1%
Between USD 500m and USD 10b	55	11%	123	17%
Between USD 50m and USD 500m	0	0	123	17%
Less than USD 50m	0	0	262	36.2%
NR/No answer	138	27.6%	118	16.3%
Total	500	100%	724	100%
Turnover (in USD)	FT Global 500		Survey (Overall)	
	in USD million		in USD million	
Mean	47,510		28,295	
Median	25,229		99.7	
Standard Deviation	62,069		443,044	
Total	17,198,580		17,146,558	
% Vs. FT Global 500	100%		99.7%	

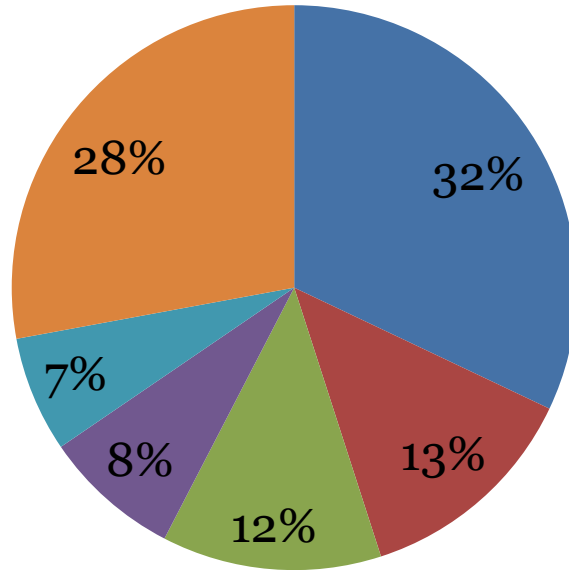


Respondents by position

Current position/responsibilities	No. of firms	Percentage
Director (or equivalent) of the tax department	332	46%
Senior manager (or equivalent) of international tax issues	115	16%
Senior manager (or equivalent) of specific tax issues	31	4%
Government relations	24	3%
Others	167	23%
Missing	55	7.6%
Total number of respondents	724	100%



Respondents by sector



■ C MANUFACTURING

■ K FINANCIAL AND INSURANCE
ACTIVITIES

■ G WHOLESALE AND RETAIL TRADE;
REPAIR OF MOTOR VEHICLES AND
MOTORCYCLES

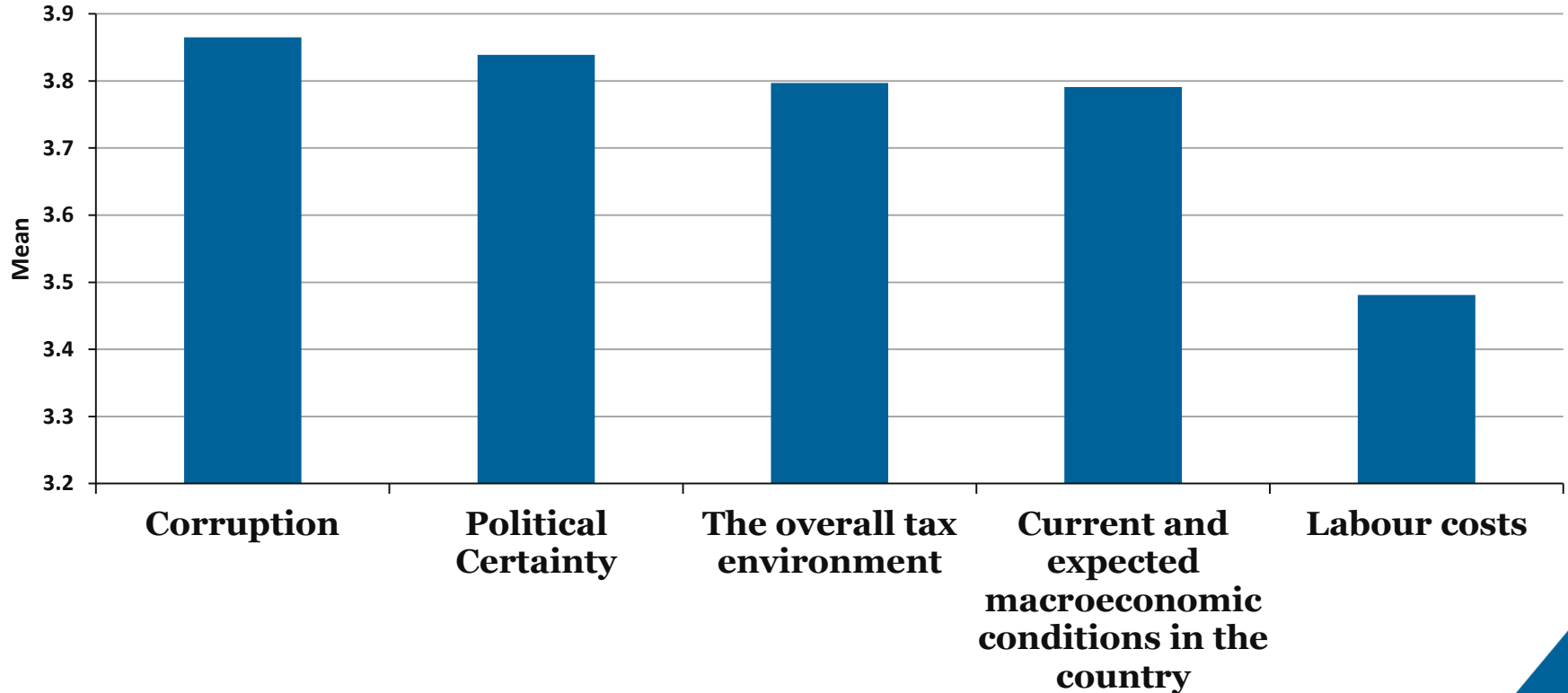
■ M PROFESSIONAL, SCIENTIFIC AND
TECHNICAL ACTIVITIES

■ Missing

■ Other

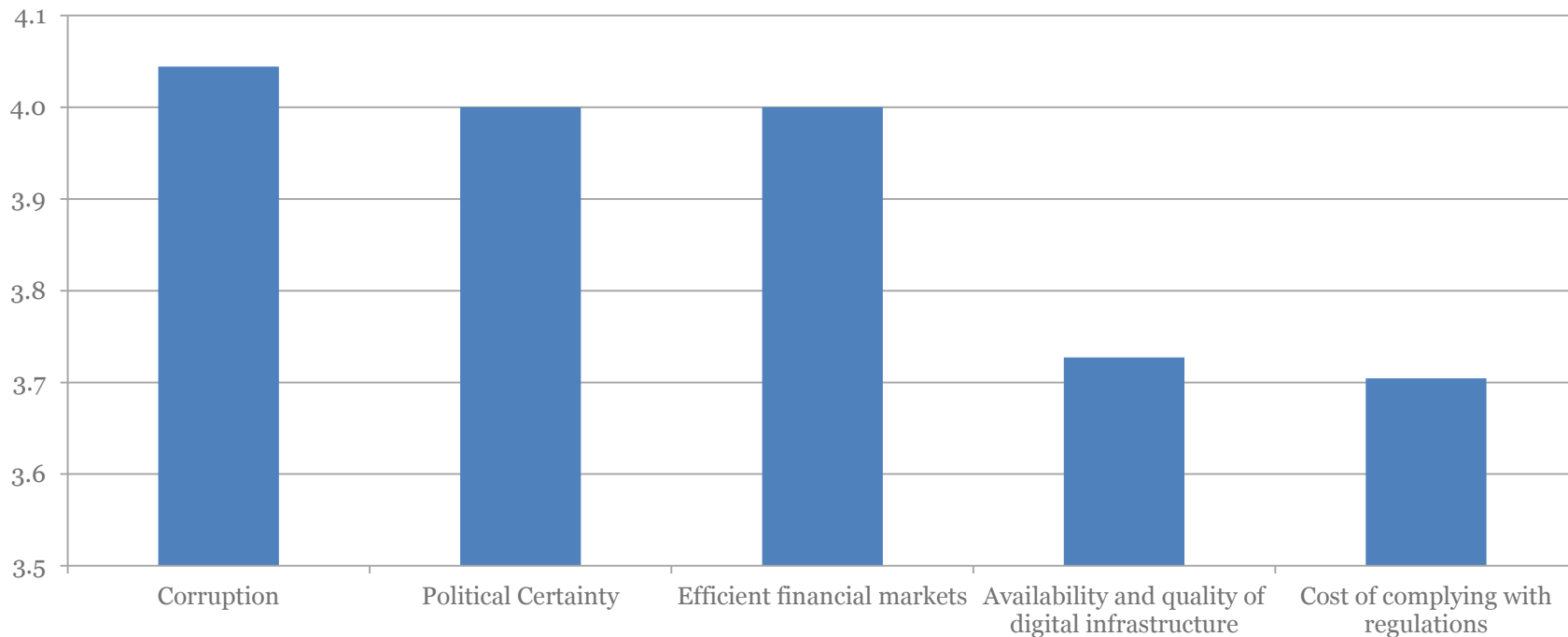


Top 5 business factors, by importance for investment

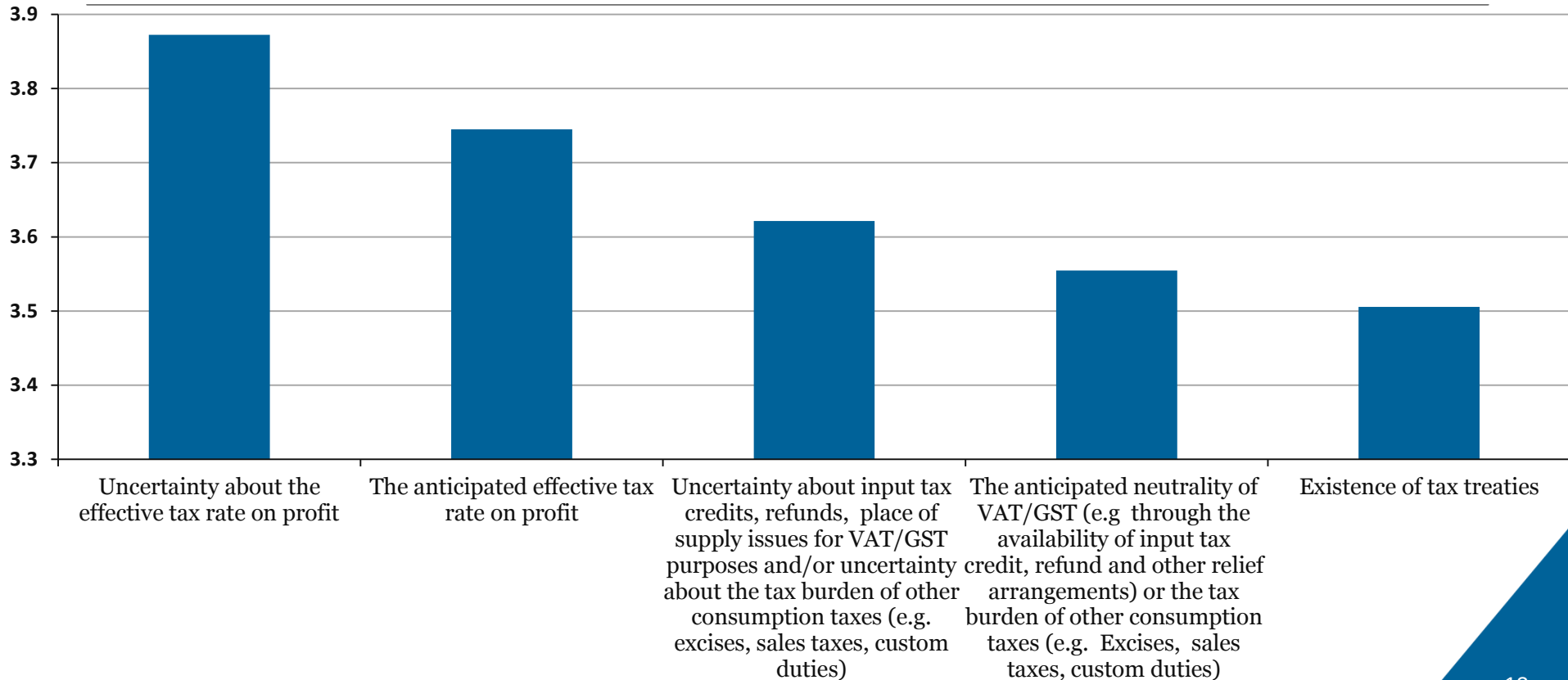




Top 5 business factors by importance for investment (financial sector only)

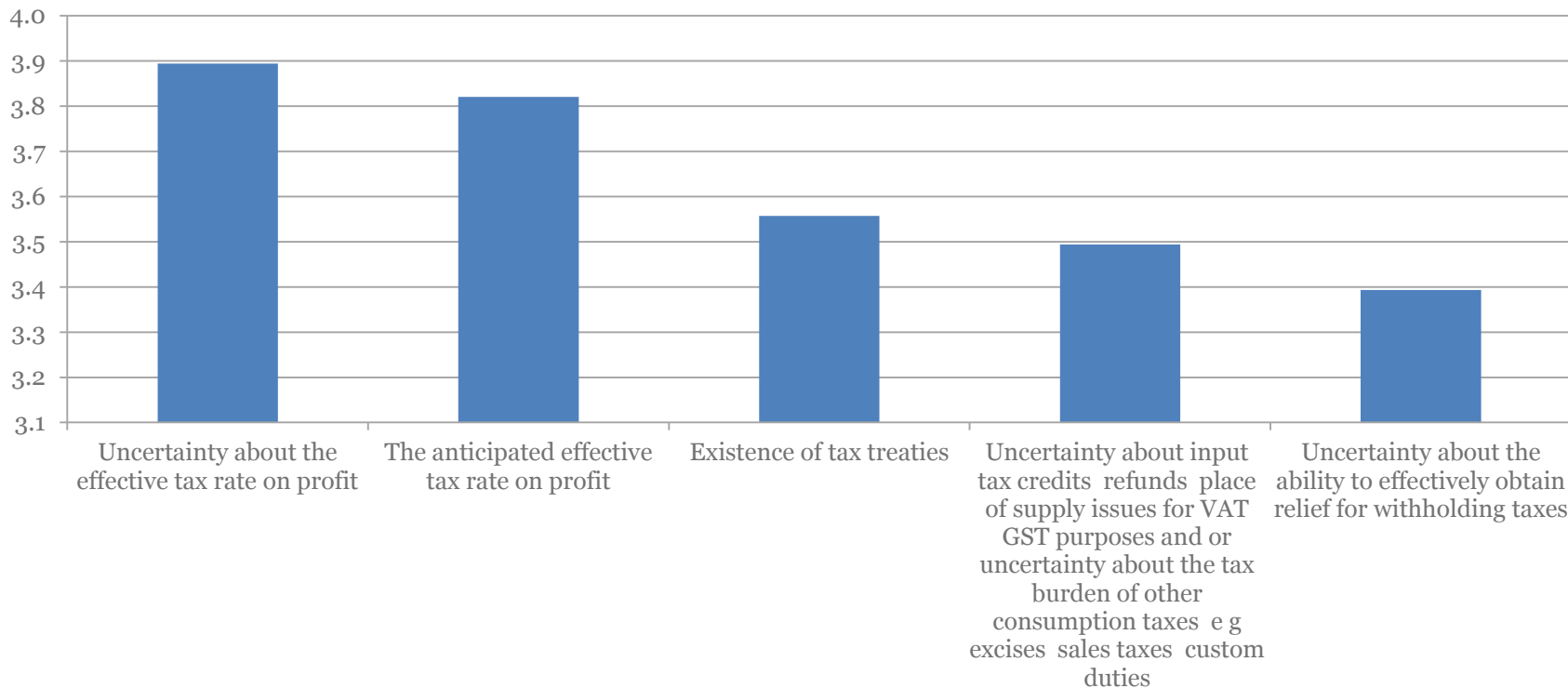


Top 5 tax factors, by importance for investment



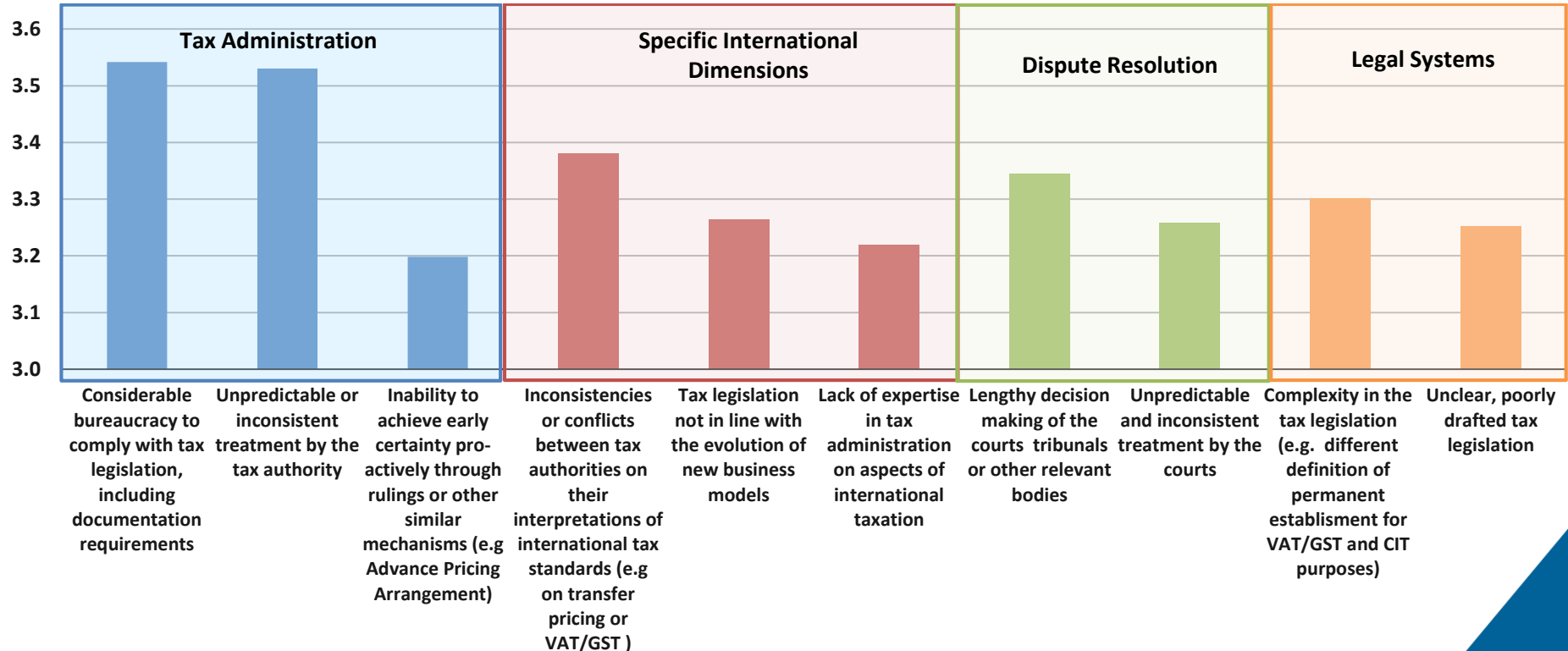


Top 5 tax factors by importance for investment (financial sector only)



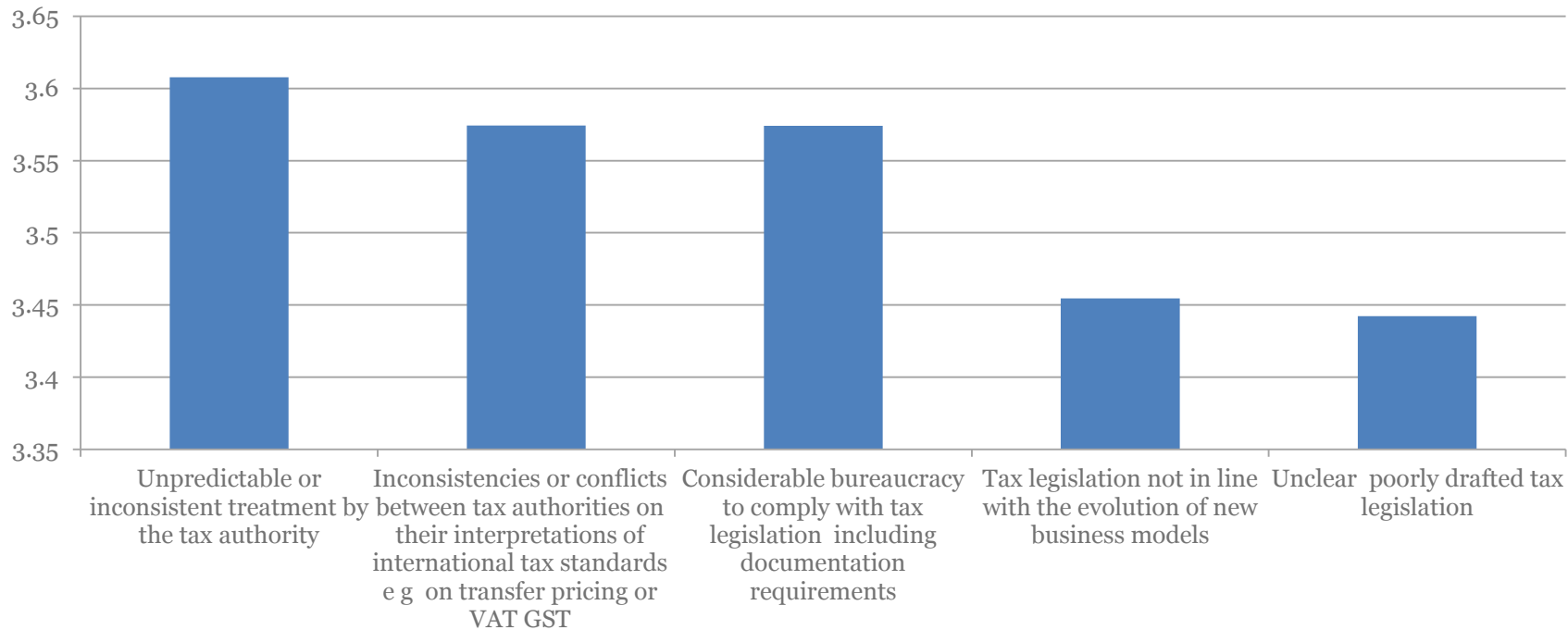


Top 10 sources of tax uncertainty



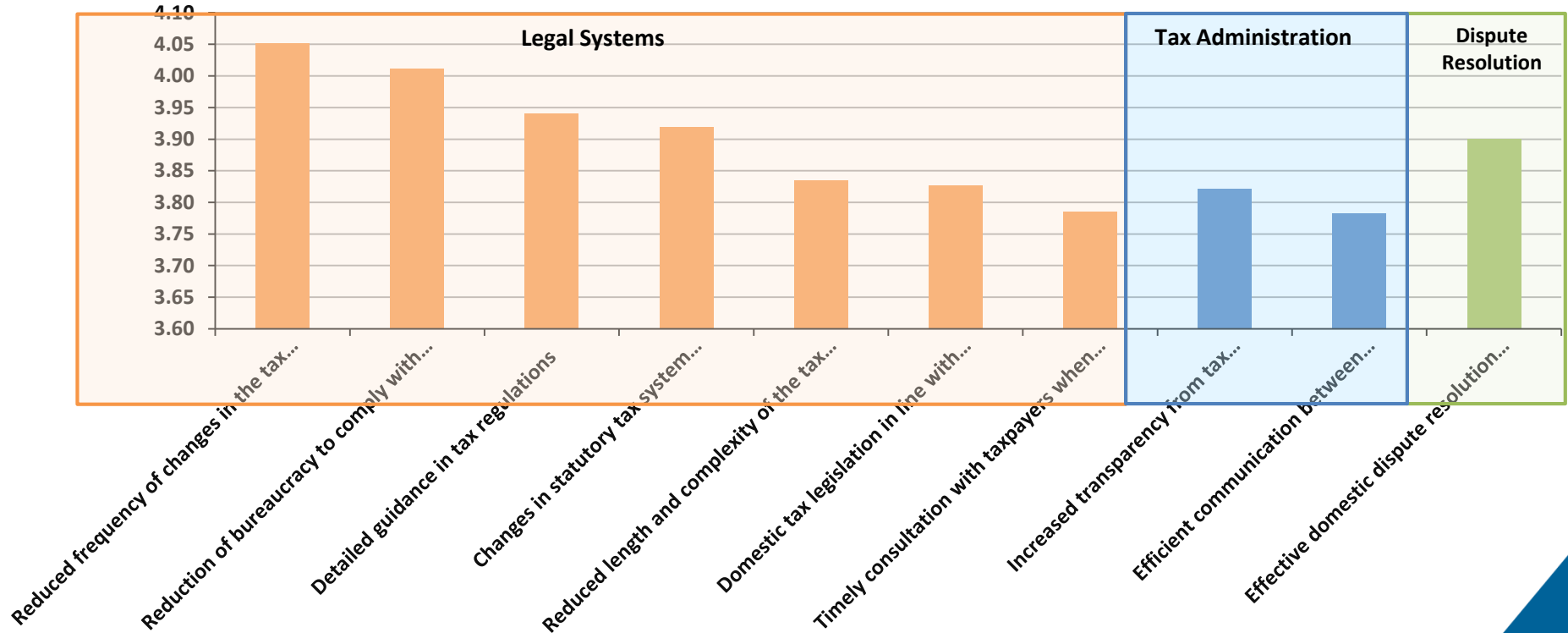


Top 5 sources of tax uncertainty (financial sector only)



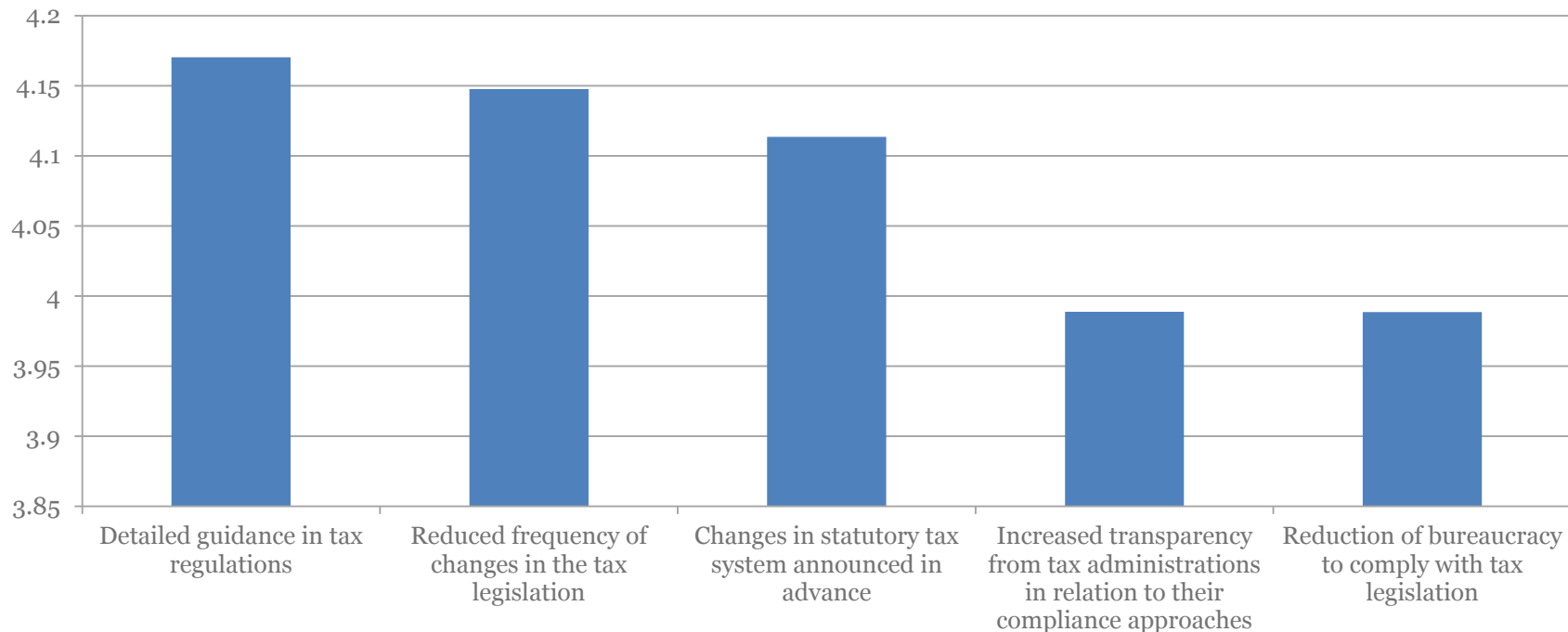


Top 10 tools to enhance tax certainty





Top 5 tools to enhance tax certainty (financial sector only)





Tools to support certainty in international tax

Some innovative options received strong support

- Multilateral Advance Pricing Agreements (APAs)
 - 36% of respondents say very important and extremely important
 - This figure is 44% when we only consider MNEs
- Multilateral audits
 - 25% of respondents say very important and extremely important
- Multilateral cooperative compliance programmes
 - 31% of respondents say very important and extremely important
 - This figure is 36% when we only consider MNEs



The tax administration survey (1)

The OECD/FTA Tax Certainty Survey of Tax Administrations

- Conducted with members of the Forum on Tax Administration (FTA)
- Allow tax administrations to respond to results of business survey
 - Is tax certainty a priority for tax administrations?
 - What creates uncertainty for tax administrations?
 - Which measures effective in increasing certainty?
- 25 OECD and G20 countries



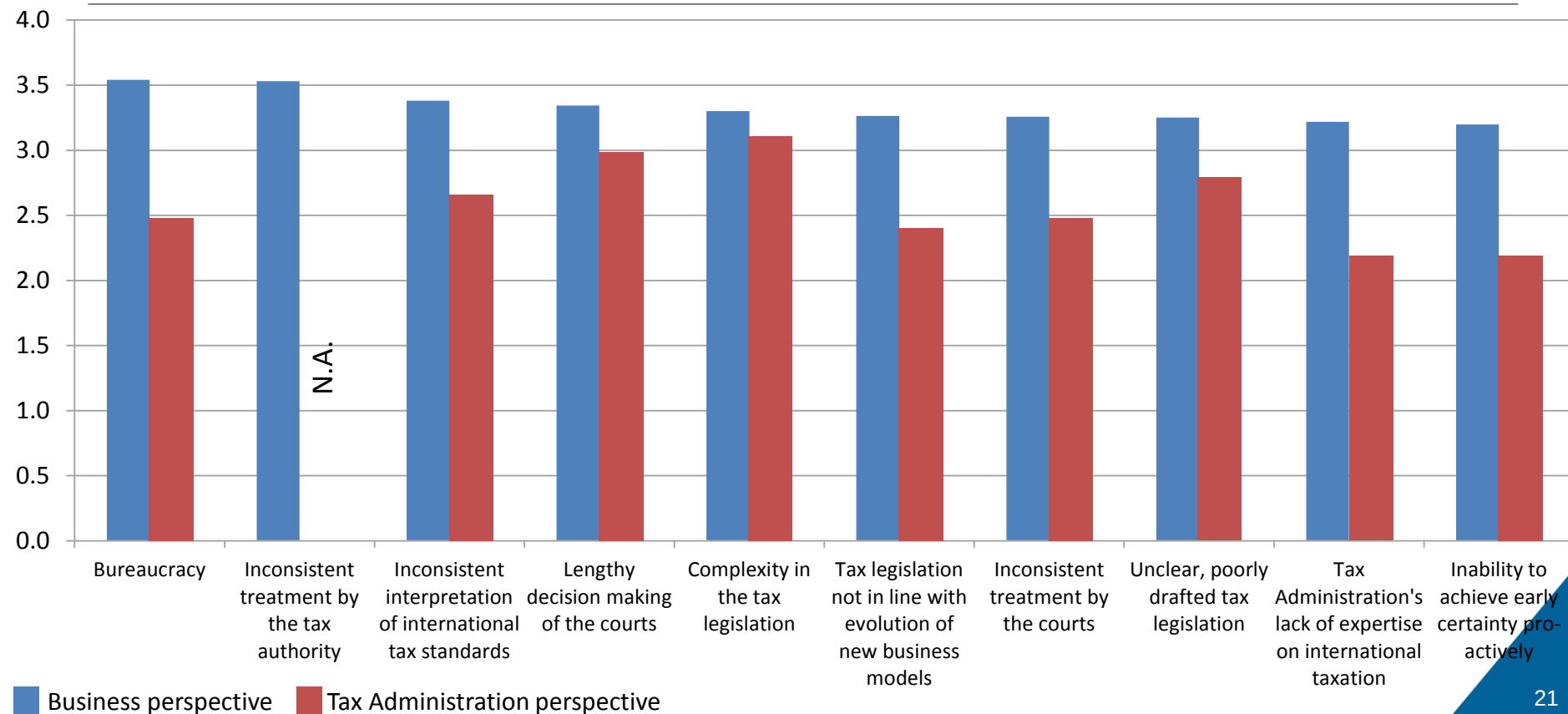
The tax administration survey (2)

The OECD/FTA Tax Certainty Survey of Tax Administrations

- **Tax certainty is a high priority for tax administrations too**
 - Over 80% of respondents: very high/extremely high priority for tax administration
- Tax administrations recognise tax uncertainty important concern for business
- For tax administration, an important source of tax uncertainty is taxpayers' behaviour, especially when involving aggressive tax planning

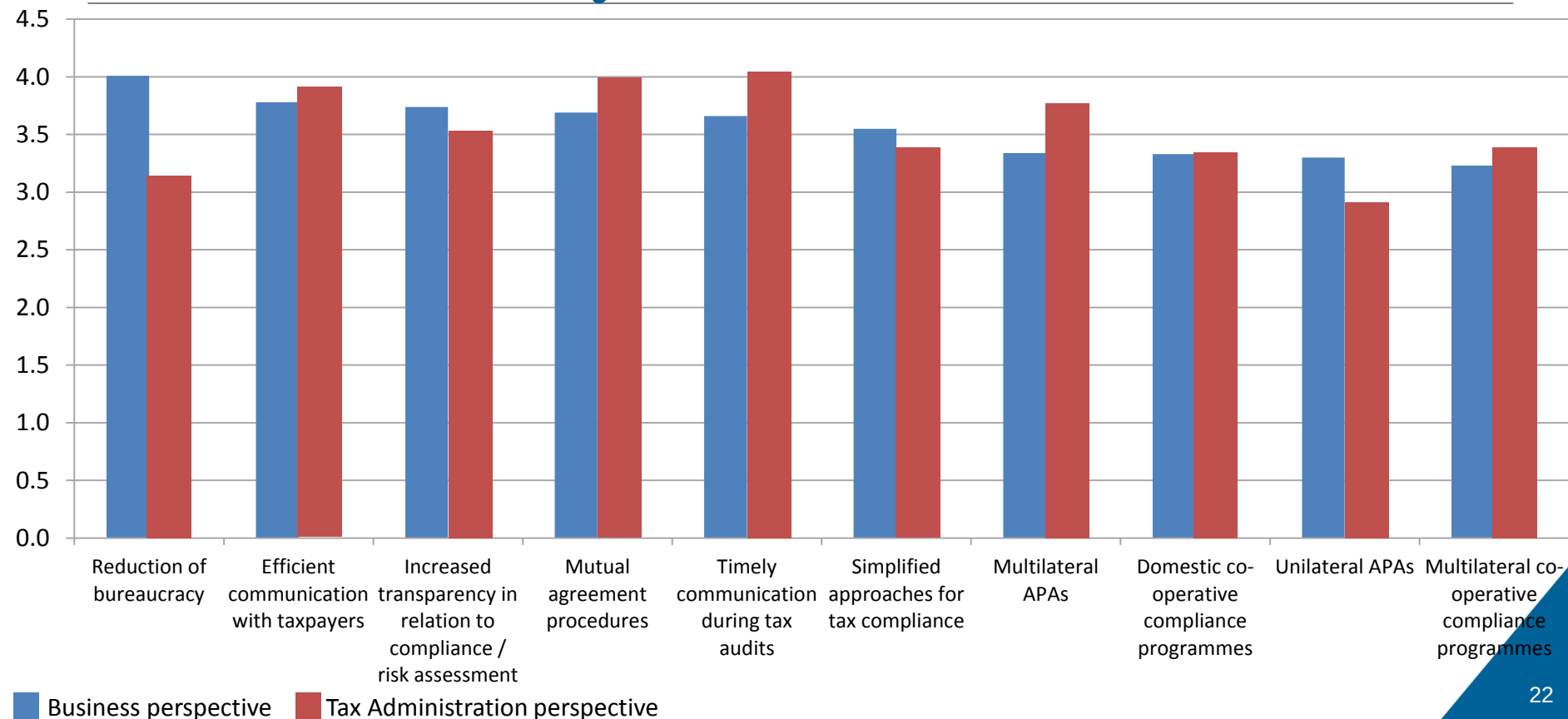


Top 10 sources of tax uncertainty



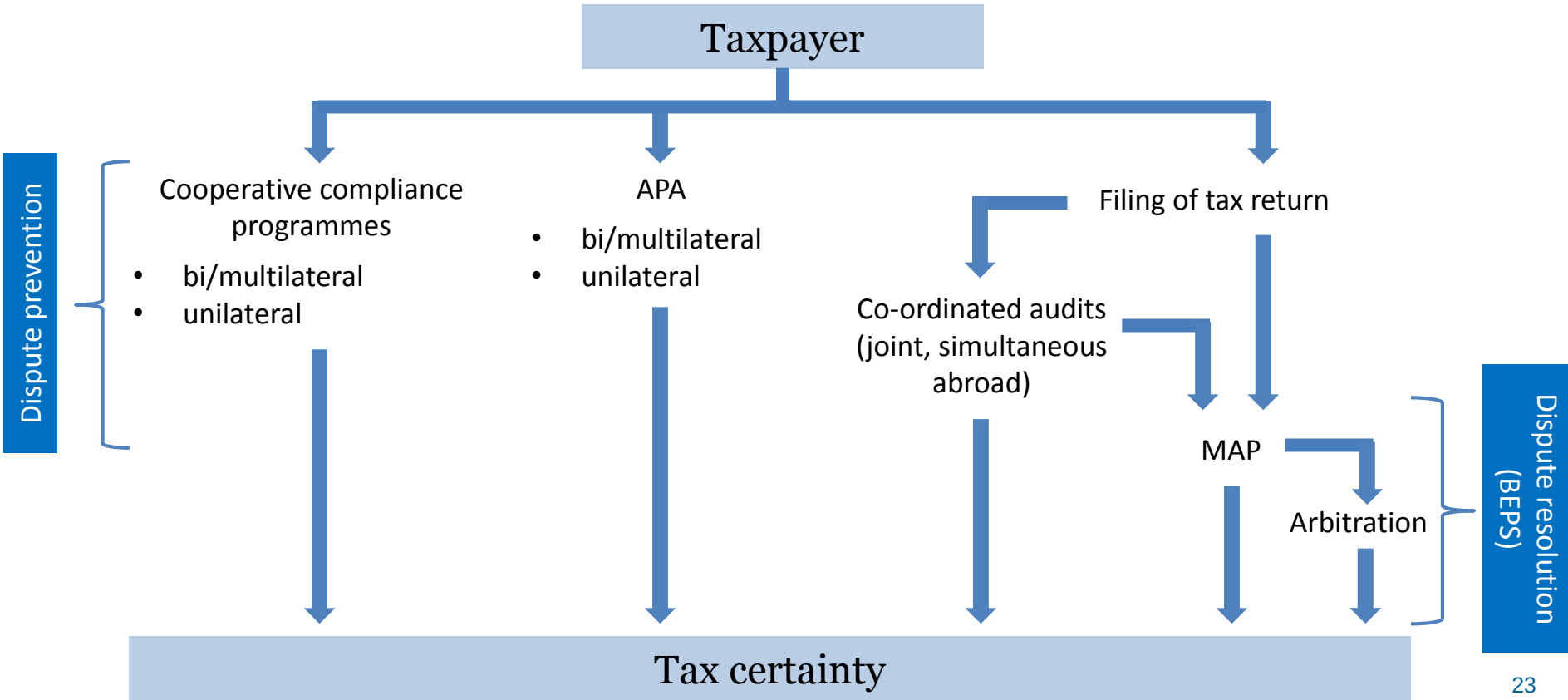


Top 10 tools to enhance tax certainty controlled by the tax administration





Practical solutions





TRACE: common standard for source country taxation

- Standardised system for claiming withholding tax relief at source **on portfolio investments**
- Developed jointly with business and adopted in January 2013 and subsequently aligned to Common Reporting Standard (CRS) in 2015
- Based on CRS infrastructure and technical solutions



TRACE: is it important for investors?

- OECD 2016 business survey
- For multinationals' investment and location decisions, **existence of treaties** between countries
 - **2nd most important** feature of the tax system, after certain corporate tax environment and before level of corporate taxation
 - **3rd most important** factor for the financial sector
- “***Streamlined and effective withholding tax relief reclaim systems***”: **59% of the respondents** in financial sector rated such factor as very or extremely important to resolve uncertainty



Context and key drivers – Why now?

1. Improves tax certainty

Improves tax certainty and addresses such uncertainty created by BEPS action 6

2. Reinforces CRS

Adopting TRACE assists in the implementation of the CRS and makes it stronger

3. Lower implementation cost

With the introduction of the CRS, TRACE can be done more easily and at lower cost

4. Policy coherence

One standard for residence country reporting (CRS) combined with one for source country reporting (TRACE); based on same infrastructure for overall efficiency at lowest possible cost to all

5. Request from business

Addresses clear and consistent request from business, worried about compliance costs



TRACE: where are we?

- OECD working on its technical implementation
- Until recently, actual country implementation on hold: both governments and business busy implementing CRS and FATCA



Contact details on TRACE



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