



PRESS RELEASE

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TAXAND GLOBAL SURVEY 2011

RISING SCRUTINY, TRANSFER PRICING AND THE COST OF COMPLIANCE ARE MOST PRESSING ISSUES FOR MULTINATIONAL CFOs

In its inaugural annual survey into the key tax issues facing multinational companies published today, Taxand found that CFOs and Tax Directors across the globe are battling a raft of tax issues in the light of rapid legislative change and increased scrutiny from governments, tax authorities, the media and general public. The survey, entitled "Taxand the CFO" was conducted by Taxand, the world's largest global organisation of tax advisors to multinational businesses, in countries across Europe, Asia and the Americas. The full results were released at Taxand's Global Conference in Paris on 29 April 2011.

HIGHLIGHTS

Increased pressure on tax departments:

- ❖ 82% of multinationals have experienced a rise in audits
- ❖ 84% of multinationals surveyed said that increased transparency means they have experienced a rise in the cost of compliance

A critical public:

- ❖ 51% of multinationals believe exposure of tax planning activity has a detrimental impact on company reputation

Tax not high on the Board agenda:

- ❖ Surprisingly, only 24% of multinationals surveyed said that tax issues were covered by their Boards "to a great extent" given the concerns over reputation

Cross border issues:

- ❖ Transfer Pricing seen as the most challenging area of tax globally
- ❖ Transfer Pricing has seen the sharpest rise in scrutiny from tax authorities

Desire for improvement:

- ❖ 61% of multinationals believe relationships with tax authorities have improved in the past year
- ❖ 74% of multinationals stated global tax harmonisation is desirable

Frédéric Donnedieu de Vabres, Chairman of Taxand said: *"With tax collections high up most governments' agendas following the global economic crisis and with ever tighter tax controls imposed by tax authorities, it is not surprising that multinationals are feeling the strain.*

"The push for transparency and the rapid succession of tax changes across the world has also cost multinationals' time, effort and money, whilst their tax planning strategies have featured negatively in the public and international media spotlight."



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KEY FINDINGS

➤ **The transfer pricing challenge**

Transfer pricing was singled out by the vast majority of survey respondents as being the most challenging area of tax from a global perspective in the last year, followed by tax litigation/disputes and transaction tax.

Multinationals also felt transfer pricing had received the most significant increase in scrutiny from tax authorities, more than financing, cross border transactions and anti-abuse measures.

Antoine Glaize, Taxand Global Transfer Pricing Service Line Leader, said: *“Tax authorities are increasingly finding transfer pricing a contentious area. At the heart of this is the perception that multinationals may manipulate their transfer pricing structures to create a significant tax advantage. Consequently tax authorities will often strongly challenge multinationals’ transfer pricing strategies.”*

➤ **Improved relationships but lack of cooperation**

Despite the rise in tax audits and scrutiny worldwide, Taxand’s Global Survey 2011 found that 61% of multinationals believe their relationships with tax authorities have improved in the last year. However, there was a blurred picture on the level of cooperation achieved with the authorities on tax matters.

Mukesh Butani, Head of Taxand Asia explained: *“At first glance this is surprising given audit practices have sharpened, tax planning strategies are in focus and increasingly joint tax inspections are conducted between authorities. However multinationals and tax authorities have made huge efforts to work efficiently together in recent years and we hope to see an even greater level of cooperation in the future.”*

Ernesto Perez, Taxand US, commented: *“As the regulatory environment toughens, multinationals ultimately have stark choices, they either embrace the tax authorities and try to establish a relationship of trust and transparency or they continue as they were, but can only expect more frequent and intensive audits as a result.”*

➤ **The future: harmonisation?**

Nearly three quarters (74%) of respondents globally felt tax harmonisation was desirable with those in Europe more confident of achieving this goal than other regions (73%).

Nicolas Jacquot, Taxand France, said: *“The high percentage of respondents who felt that tax harmonisation is desirable is surprising when considering many multinationals seek ways in which to minimise their tax exposure by investing in countries with favourable treaties and rates as a route to the wider region.”*

➤ **Tax not high enough on Board Agenda**

Despite the acknowledged increase in scrutiny from tax authorities, the media and the public, only 24% of multinationals surveyed said that tax issues were covered by their Boards “to a



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great extent". Half of multinationals (50%) said that tax issues were only covered "to some extent".

Frédéric Donnedieu de Vabres, Chairman of Taxand said: *"It's clear tax issues are debated to some degree at Board level, but perhaps not given the importance they deserve. By establishing tax at the heart of a multinational's strategic and operational agenda, Boards will better be able to achieve profitability in difficult economic circumstances alongside increasing demands being made on them by governments to be tax compliant."*

"We encourage Tax Directors to work in conjunction with their CFOs and position themselves as business advisors as well as in-house tax advisors to help manage the balance between tax and shareholders' best interests."

- Ends -

NOTES TO EDITORS

About Taxand's Global Survey

Taxand has conducted its first Global Annual Survey amongst an exclusive selection of large multinational clients that operate across industry sectors. Survey responses comprise mainly interviews with CFOs supported by Tax Directors' views. The questions asked in the survey covered a range of topics including the current stresses facing tax departments, relationships with tax authorities, the cost of compliance and tax transparency.

Companies selected for interview in the Taxand Global Survey have over 30,000 employees globally and are headquartered in over 30 countries with operations in the Americas, Europe, Asia and beyond. More than half the multinationals that participated generate over \$US1 billion in revenues each year.

The survey provides a current picture of the global tax landscape and how multinational companies interact with the legislation and tax authorities that operate within it. The survey results are supported by Taxand's Take; Taxand's opinion on the findings and calls to action for multinationals.

ABOUT TAXAND

Taxand provides high quality, integrated tax advice worldwide. Our tax professionals, nearly 400 tax partners and over 2,000 tax advisors in nearly 50 countries, 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 enables us to deliver practical advice, responsively.



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Taxand has achieved worldwide market recognition. In the International Tax Review's (ITR) World Tax 2011, over 95% of Taxand countries are ranked top. Taxand has just been nominated for 29 ITR 2011 European awards. In 2010 Taxand won Asia Transfer Pricing Firm of the Year and Asia Tax Policy Firm of the Year and 3 national awards at the ITR Asia Awards; Latin America Tax Disputes Firm of the Year and 2 national awards at the ITR Americas Tax Awards; and European Indirect Tax Firm of the Year and 5 national awards at the ITR European Tax Awards.

Moreover, 34 Taxand countries were acknowledged in the ITR tax transaction survey 2011 and 29 countries have been nominated for the European ITR Awards 2011.

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