

2016 Global MNC Tax Complexity Survey



Executive Summary

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***This report presents preliminary,
descriptive results of the
2016 Global MNC
Tax Complexity Survey***

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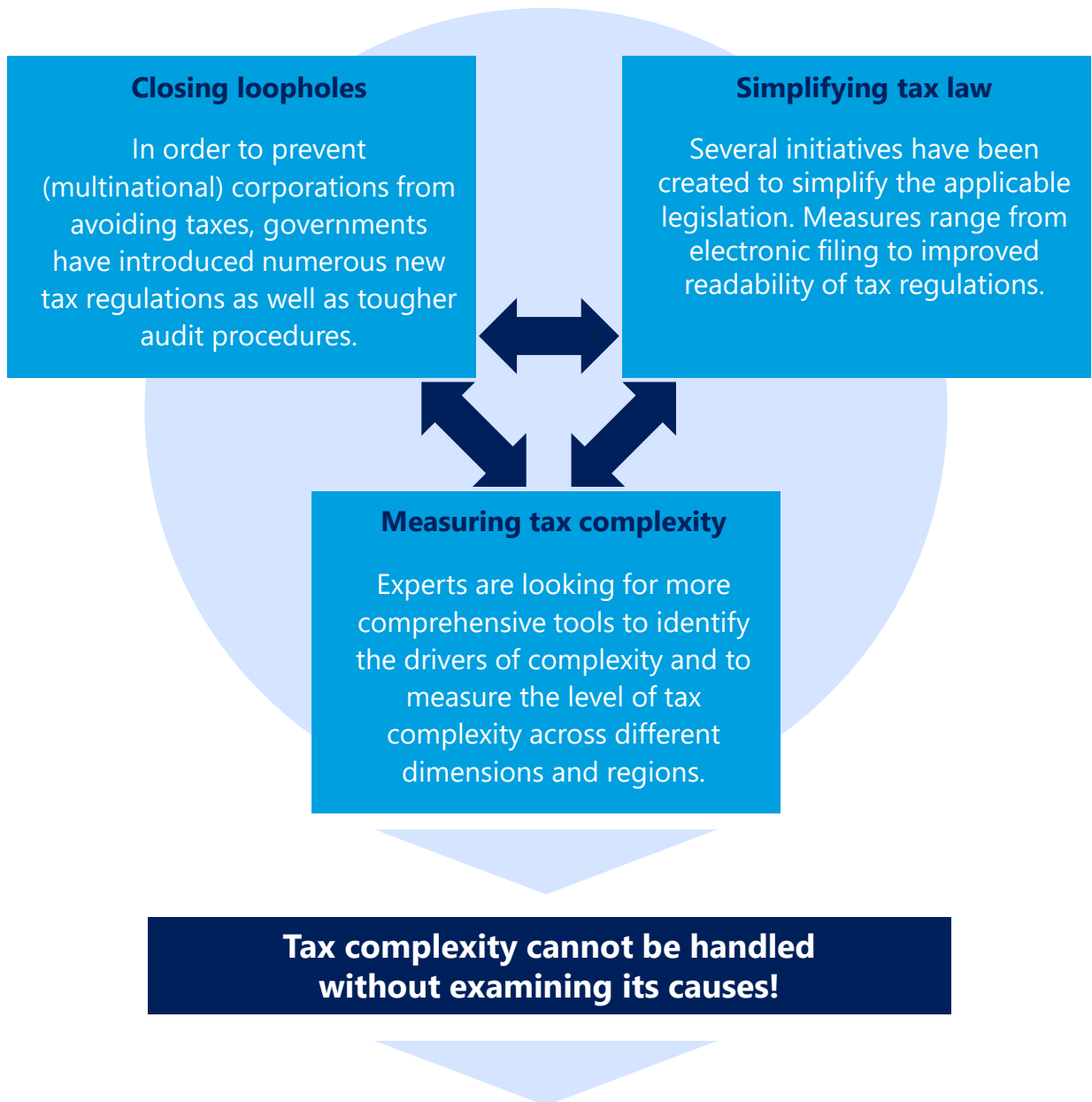
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Background

Tax complexity is gaining in importance



For MNCs, tax complexity has become an important issue in recent decades – in terms of both managing tax compliance and dealing with tax risks.



The Global MNC Tax Complexity Survey...

... assesses the level of tax complexity across different dimensions and regions.

... identifies which regulations are perceived as complex for MNCs.

... investigates the causes of different degrees of tax complexity.

About the Survey

How the survey was conducted and who responded



Survey Method

April 2016

Preliminary Survey



Aims:

- To gain a deeper understanding of tax complexity
- To provide the basis for developing a framework to measure tax complexity (based on respondents' input)

Methodology:

- Online survey of local tax practitioners around the world who work with MNCs
- Link to survey shared in two international tax advisory networks

Respondents:

- **221 tax practitioners** from **108 countries**
- Mostly highly experienced partners, directors, or principals

Dimensions of Tax Complexity

Tax Legislation

Sources of Complexity

Corporate
Income Tax
Regulations

Tax Framework

Enactment

Guidance

Filing &
Payments

Audits

Appeals

October 2016 –
December 2016

Main Survey (Global MNC Tax Complexity Survey)



Aim:

To collect information about the main sources and drivers of tax complexity in each country

Definition of Tax Complexity:

Tax complexity is defined as a feature of the tax system that arises from the difficulty in reading, understanding and complying with the tax code as well as from inefficiencies in the tax framework.

Assessment:

- Subject: MNCs that are considered tax resident in the respective countries
- Object: corporate income tax system applicable in 2016

Methodology:

- Online survey of local tax practitioners around the world who work with MNCs
- Link to survey shared in 19 international tax advisory networks
- Average survey completion time: approx. 38 minutes
- Individual responses aggregated on country level

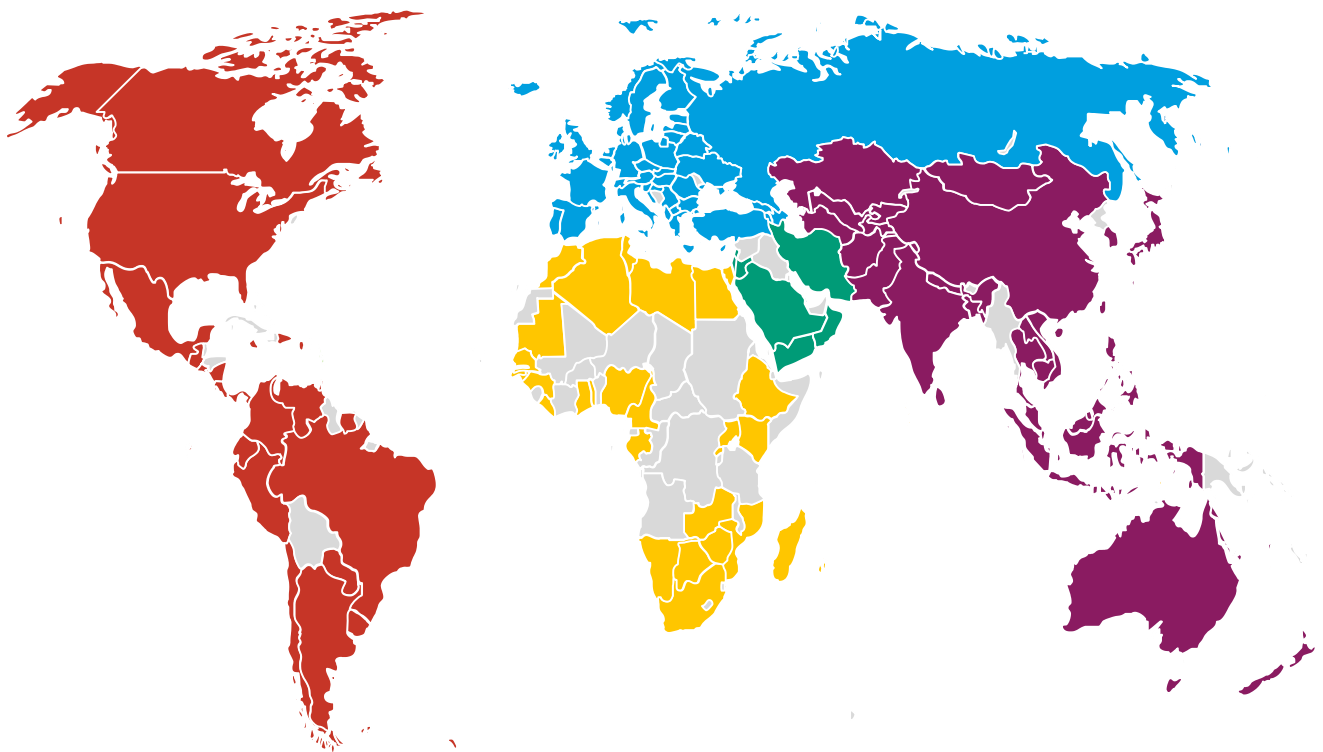
Respondents:

1,000 tax practitioners from **143 countries**, plus 16 tax practitioners from four countries which do not levy corporate taxes on income (not included in the analysis)

Respondent Profile

Countries and Regions

The Global MNC Tax Complexity Survey covers 143 countries and thus about **two thirds of all jurisdictions**.



 AFRICA  AMERICAS  ASIA PACIFIC  EUROPE  MIDDLE EAST

AFRICA | 29 COUNTRIES | 101 RESPONDENTS

Algeria	1	Liberia	1	Senegal	1
Botswana	6	Libya	1	Seychelles	1
Cameroon	2	Madagascar	6	South Africa	15
Egypt	4	Mauritania	1	Tanzania	12
Ethiopia	3	Mauritius	5	Togo	2
Gabon	1	Morocco	2	Tunisia	3
Gambia	1	Mozambique	2	Uganda	4
Ghana	4	Namibia	1	Zambia	2
Guinea	1	Nigeria	4	Zimbabwe	4
Kenya	9	Rwanda	2		

AMERICAS | 29 COUNTRIES | 181 RESPONDENTS

Antigua & Barbuda	1	Dominican Republic	5	Peru	6
Argentina	9	Ecuador	6	Puerto Rico	4
Barbados	3	El Salvador	5	St. Lucia	1
Brazil	14	Grenada	1	St. Vincent & Grenadines	1
Canada	17	Guatemala	9	Suriname	1
Chile	7	Jamaica	3	Trinidad & Tobago	2
Columbia	6	Mexico	21	United States of America	31
Costa Rica	3	Nicaragua	5	Uruguay	7
Curaçao	2	Panama	2	Venezuela	6
Dominica	1	Paraguay	2		

ASIA PACIFIC | 31 COUNTRIES | 209 RESPONDENTS

Afghanistan	3	Korea	8	Philippines	7
Australia	24	Kyrgyzstan	1	Singapore	12
Bangladesh	5	Laos	3	Sri Lanka	5
Cambodia	2	Macau	1	Taiwan	7
China	19	Malaysia	8	Tajikistan	1
Fiji	2	Maldives	1	Thailand	9
Hong Kong	12	Mongolia	9	Turkmenistan	1
India	18	Nepal	2	Uzbekistan	1
Indonesia	7	New Zealand	9	Vietnam	7
Japan	13	Northern Mariana Islands	1		
Kazakhstan	4	Pakistan	7		

EUROPE | 46 COUNTRIES | 475 RESPONDENTS

Albania	4	Greece	11	Norway	5
Armenia	4	Guernsey	2	Poland	18
Austria	22	Hungary	14	Portugal	9
Azerbaijan	4	Iceland	2	Romania	16
Belarus	5	Ireland	12	Russian Federation	9
Belgium	24	Isle of Man	1	Serbia	10
Bulgaria	3	Italy	23	Slovakia	7
Croatia	12	Jersey	3	Slovenia	5
Cyprus	13	Kosovo	3	Spain	22
Czech Republic	9	Latvia	2	Sweden	10
Denmark	9	Liechtenstein	3	Switzerland	14
Estonia	4	Lithuania	6	Turkey	7
Finland	10	Luxembourg	11	Ukraine	23
France	18	Macedonia	5	United Kingdom	27
Georgia	2	Malta	5		
Germany	25	Netherlands	22		

MIDDLE EAST | 8 COUNTRIES | 34 RESPONDENTS

Iran	2	Lebanon	3	Saudi Arabia	6
Israel	4	Oman	4	Yemen	3
Jordan	6	Qatar	6		

Respondent Profile

Selected Demographics

*On average, respondents spend **53.3 percent** of their total working time on MNC tax issues.*



POSITION		
Partner/Director/Principal	642	64.2%
Manager	231	23.1%
Senior Assistant	80	8.0%
Junior Assistant	29	2.9%
Other	18	1.8%



TAX EXPERIENCE		
More than 15 years	540	54.0%
Between 10 years and 15 years (inclusive)	183	18.3%
Between 5 years and 10 years (inclusive)	161	16.1%
5 years or less	116	11.6%



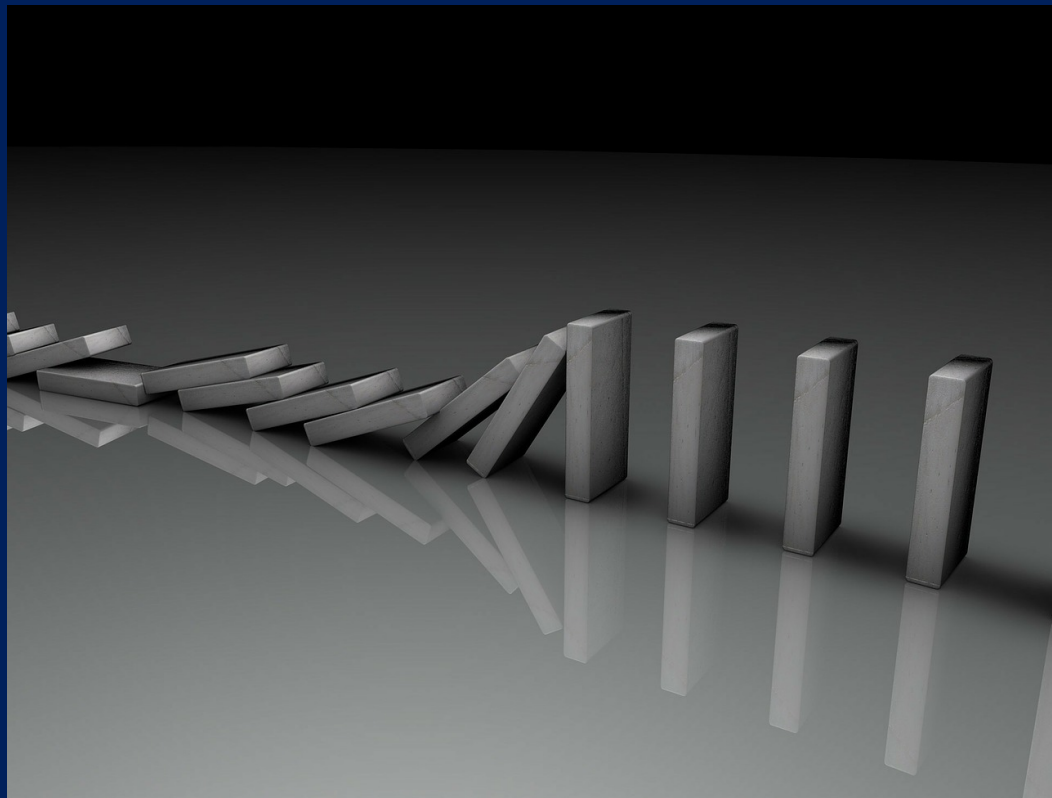
EDUCATION		
Doctoral level	86	8.6%
Master level	611	61.1%
Bachelor level	275	27.5%
Secondary education	6	0.6%
Other	22	2.2%



GENDER		
Female	289	28.9%
Male	711	71.1%

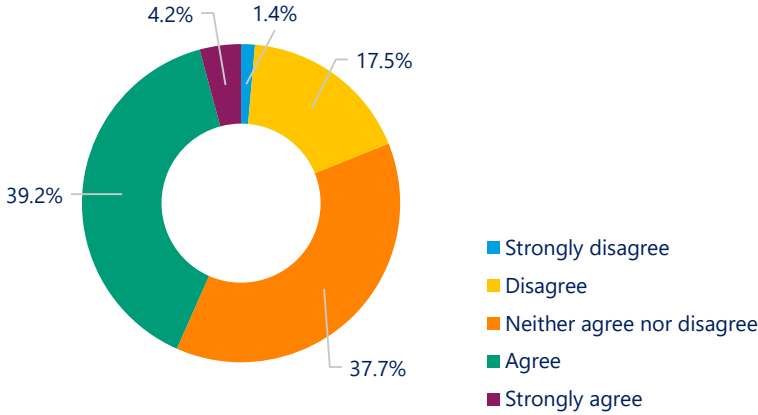
Relevance of Tax Complexity

Tax complexity in the past, present, and future



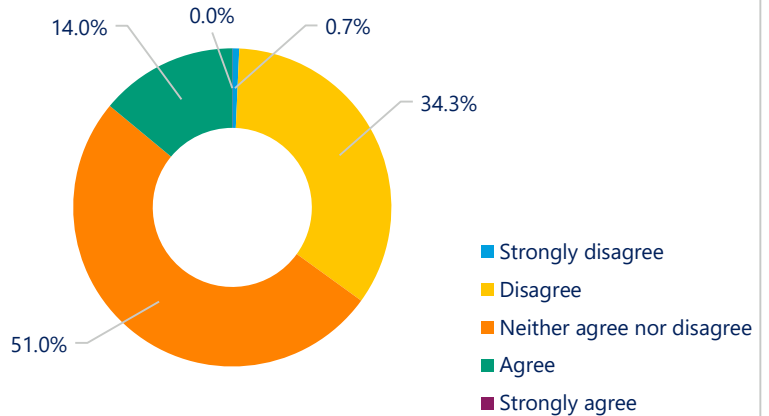
To fully exploit the relevance of tax complexity, participants were asked to evaluate the relevance of tax complexity in their country in the past, present, and future.

In my country, tax complexity has substantially increased in the last five years.



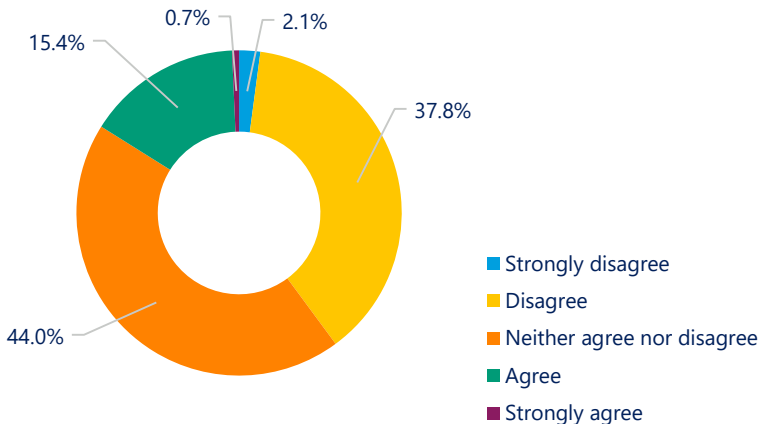
In 62 countries (43.4%), respondents, on average, (strongly) agree that tax complexity has substantially increased in the last five years. In only 27 countries (18.9%), do they disagree. These results highlight the **increasing prevalence of tax complexity in many countries.**

In my country, tax complexity currently has only negative implications for MNCs.



In 20 countries (14.0%), respondents, on average, agree that tax complexity currently has only negative implications for MNCs. In more than twice as many countries (35.0%), do they disagree, indicating that **tax complexity is not negative per se.**

In my country, tax complexity will be one factor forcing MNCs to shift their business activities to other countries in the future.



In 23 countries (16.1%), respondents, on average, (strongly) agree that tax complexity will be one factor forcing MNCs to shift their business activities to other countries in the future. In more than twice as many countries (39.9%), do they disagree, which implies that in many countries **tax complexity is not expected to push out MNCs' investments.**

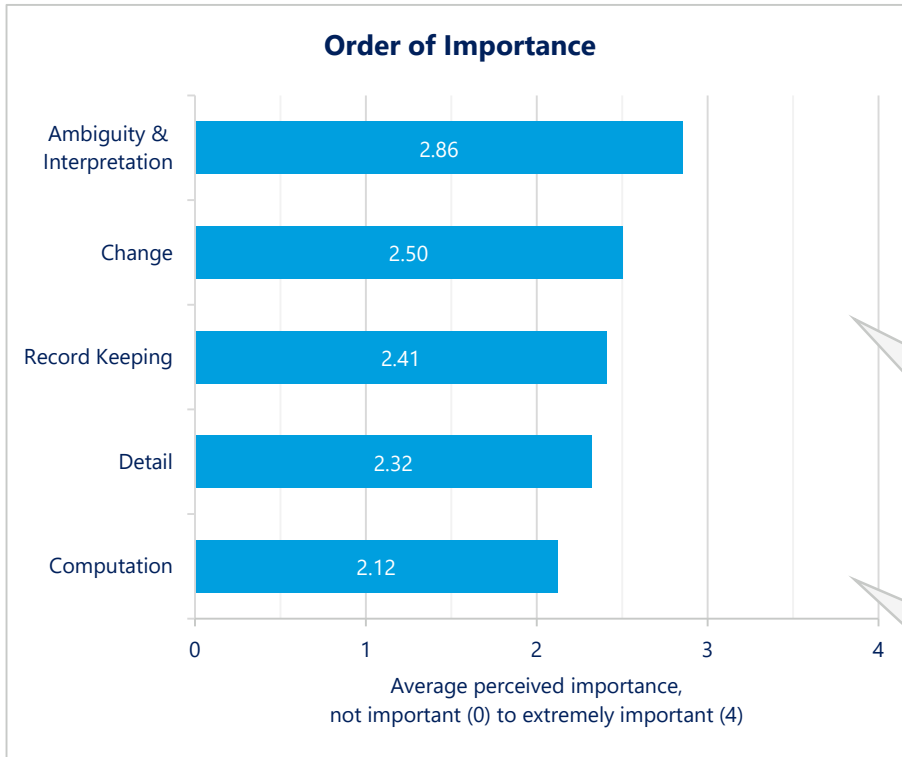
Individual responses are aggregated at country level. If the country response lies between two response categories, it is attributed to the nearest category.

Insights into Tax Legislation

Spotlight on the tax code



Sources of Tax Complexity I



Ambiguity & Interpretation are perceived as the **most important sources of tax complexity** across countries (2.86).

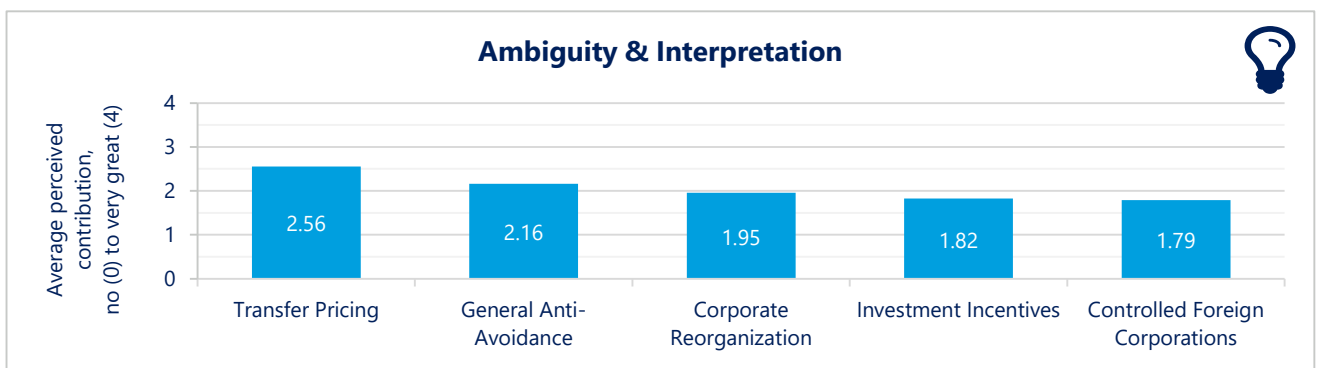
“
In [my country], complexity is very much due to legal uncertainty due to ambiguous rules [...].
Survey Respondent”

“
In [my country], we have too many tax laws with uncertain interpretation [...].
Survey Respondent”

Ambiguity & Interpretation | Change | Record Keeping | Detail | Computation

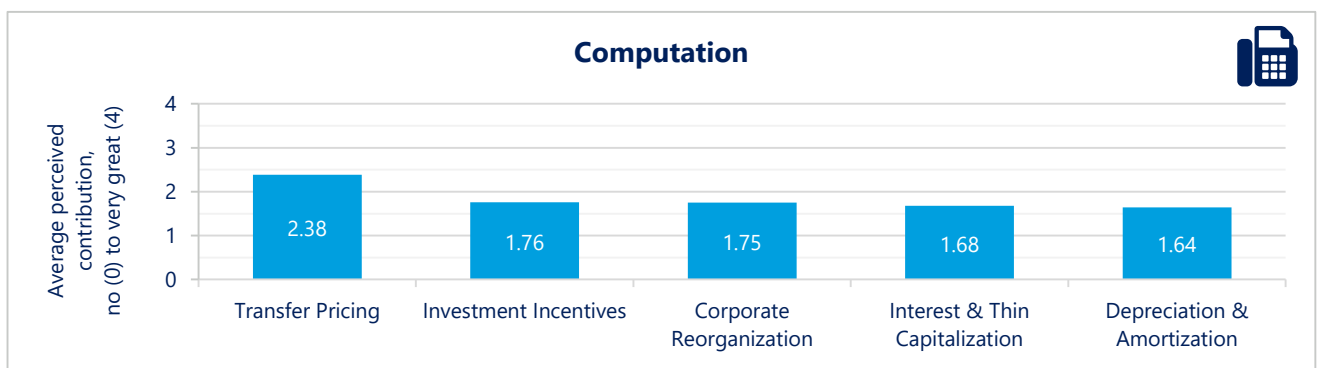
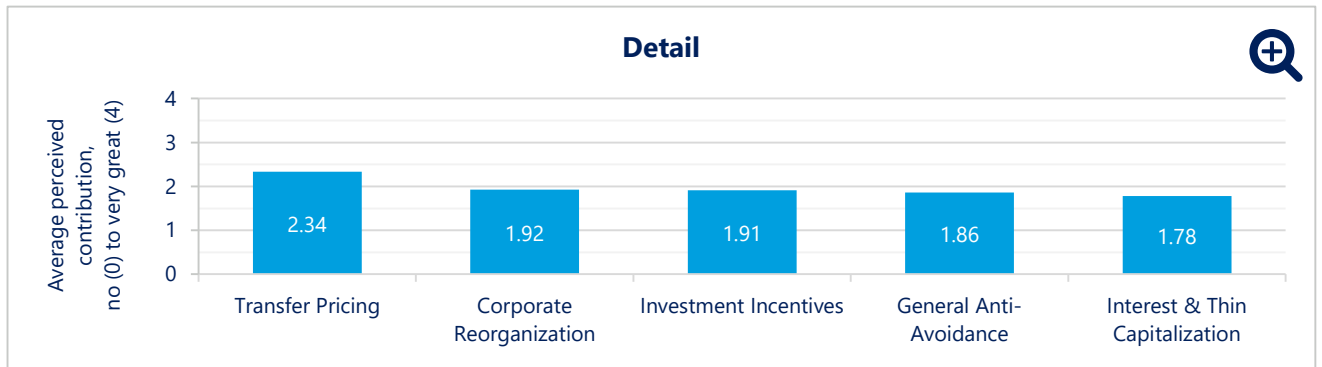
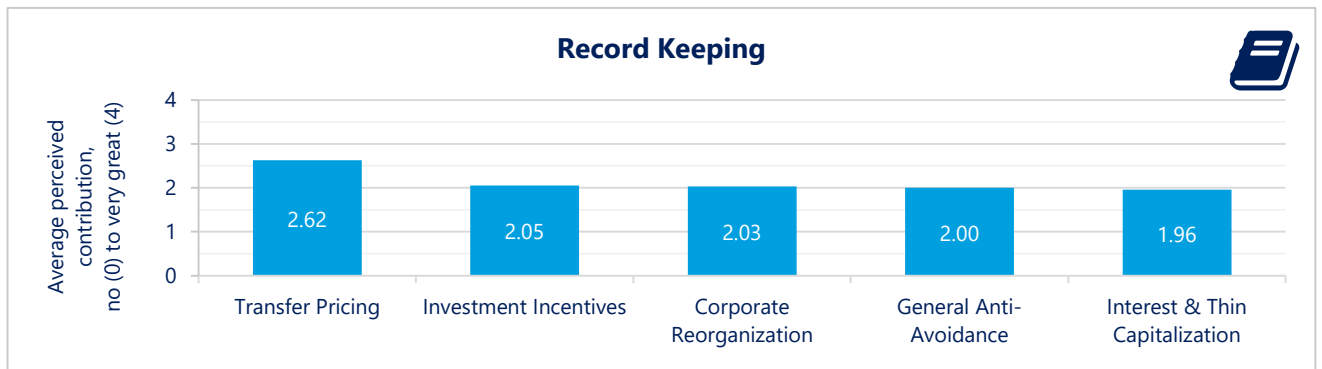
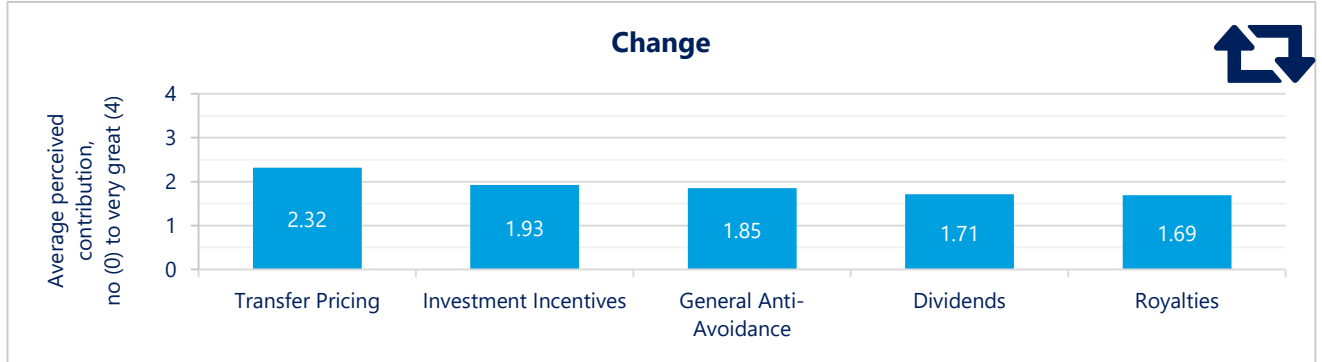
To what extent does each complexity source contribute to the complexity of a regulation?

Top 5 of Regulations Affected



(continued on next page)

Sources of Tax Complexity II



The values illustrate the average of the responses at country level. The analysis only includes countries in which the respective regulation is considered existent.

Complexity of Tax Regulations



“
Transfer pricing regulations in [my country] are becoming very stringent [...].
 Survey Respondent

“
In [my country], regulations are of a rather good quality.
 Survey Respondent

The regulations perceived as **most complex** across countries are **transfer pricing** regulations (2.43). Transfer pricing is one of the main concerns of the OECD’s BEPS initiative and has the potential to add even more complexity. By contrast, alternative minimum tax regulations are the least complex.

The values illustrate the average of the responses at country level. The analysis only includes countries in which the respective regulation is considered existent.

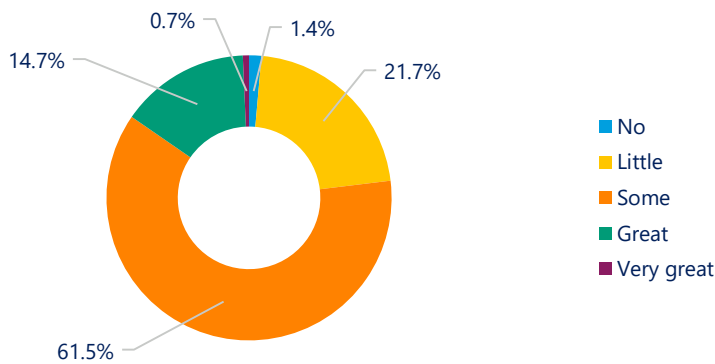
Insights into Tax Framework

Spotlight on the entire corporate income tax system



Guidance

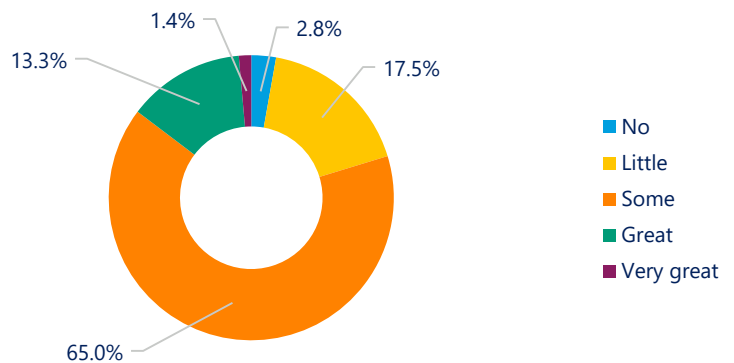
To what extent do national accounting principles differ from tax regulations?



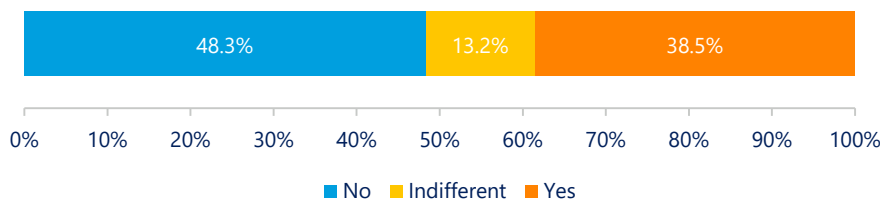
In 22 countries (15.4%), respondents, on average, perceive the **differences between national accounting principles and tax regulations** as (very) great. These differences add complexity, in particular, when tax regulations are unclear and require guidance that cannot be derived from the accounting treatment in national GAAP.

In 114 countries (79.7%), respondents, on average, perceive international **soft law**, such as the OECD guidelines, to be **helpful at least to some extent** when dealing with national tax law. Although soft law is not binding per definition, it can provide helpful guidance in particular when no or insufficient regulations on a specific topic in a country exist.

To what extent does international soft law offer support in dealing with your tax law?



Are there various substantial business issues whose tax treatment is not codified in your country's tax law?

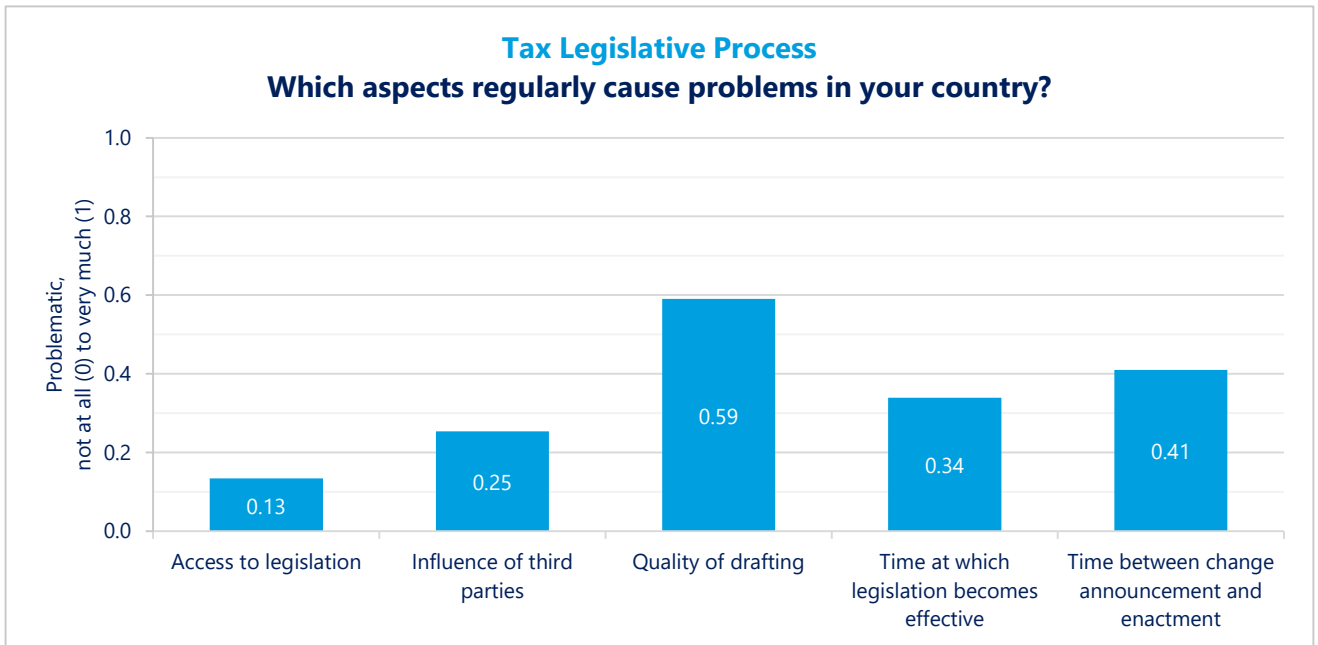


Complexity due to non-regulation appears to be a problem in nearly 40% of all countries. This is particularly problematic when there is no or little guidance on these issues or in fact too much guidance, making it difficult to keep track.

Individual responses are aggregated at country level. If the response at country level lies between two response categories, it is attributed to the nearest category. An exception applies to the last figure in which the share of countries with an indifferent response at country level is explicitly illustrated.

Enactment

In **140 countries** (97.9%), respondents, on average, highlight that the **enactment process is defined in the constitution or a similar law**. In all remaining countries, the lack of a clear enactment process is compensated by common practice.



According to respondents, **the quality of drafting is most often perceived to cause problems** across countries (0.59). This lack of quality can result from inaccurate translations, the use of excessively complicated language (making it incomprehensible for both tax officers and taxpayers) as well as the neglect of the remainder of the tax code.

“
After the government changed in [...], policies and budget proposals given were not gazetted or acts passed. Professionals' confidence over tax legislators has gone down.

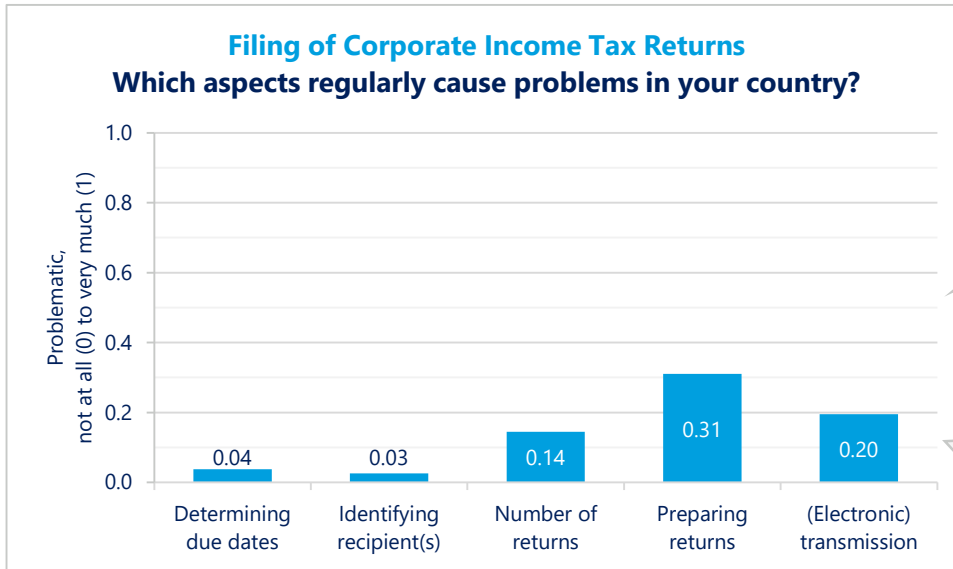
Survey Respondent

The respondents' comments highlight the **role of the government in the enactment process**. Changes in government often appear to change the way tax legislation is enacted.

“
Uncertainty over how [this country's] response will be to the Multilateral Convention in particular and the whole BEPS project in general [...] is a BIG cause of complexity for MNCs and governments around the world!

Survey Respondent

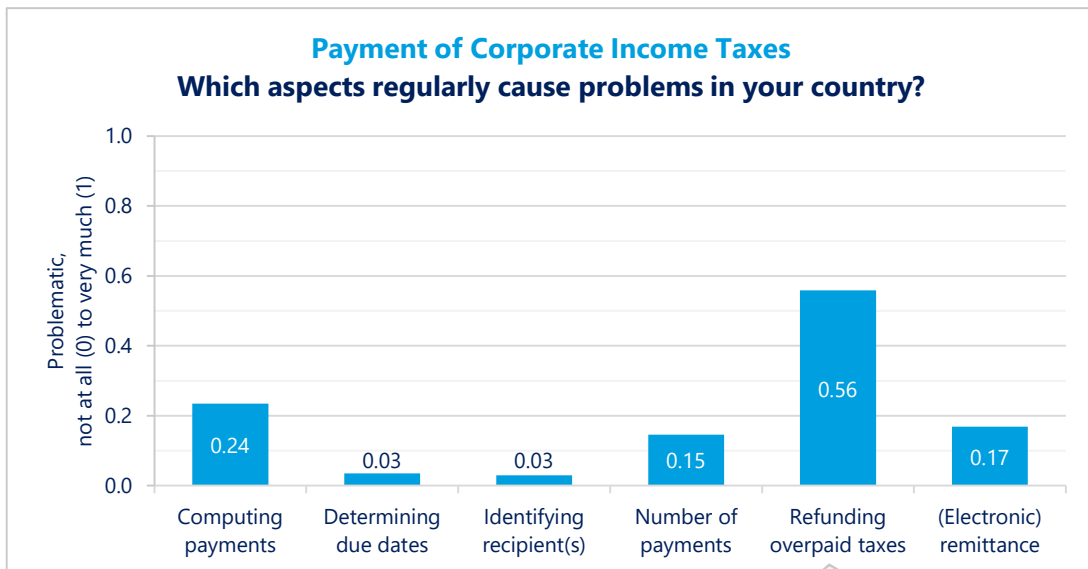
Filing & Payments



“
[My country] continues to improve on its electronic filing system.
”
Survey Respondent

“
[My country's] Revenue Authority is trying to introduce an online mode for filing tax returns [...]
”
Survey Respondent

At least 131 countries (91.6%) seem to offer written instructions on how to file tax returns. Nonetheless, the **preparation of tax returns is most often considered to cause problems** across countries (0.31). Another aspect that is perceived as problematic is **the (electronic) transmission of tax returns** (0.20). However, as respondents indicate, some countries appear to be working to improve this.



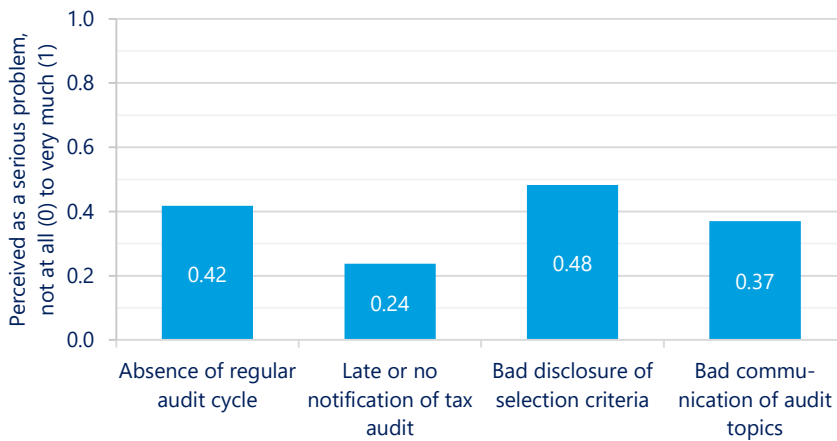
The **refunding of overpaid taxes is most often regarded as problematic** (0.56). Reasons can include complicated application requirements or tight deadlines.

“
It seems the government is only concentrating on 'collection no matter how'.
”
Survey Respondent

Audits

Anticipation of Tax Audit

Which problems are serious in your country?

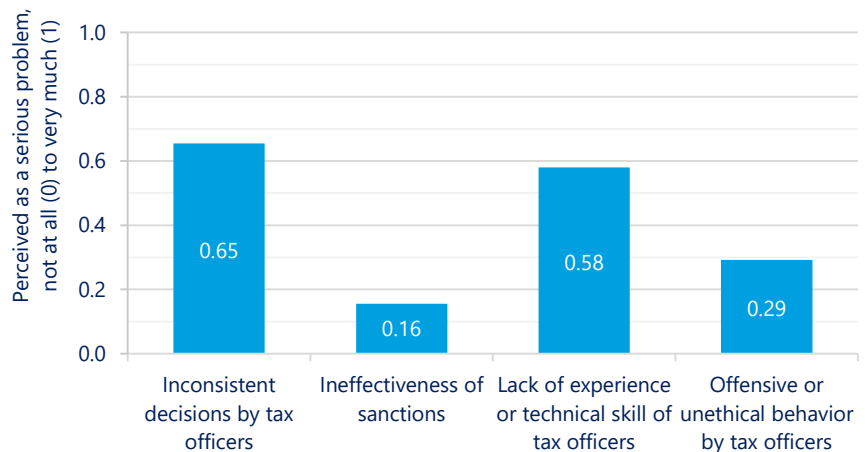


The **disclosure of selection criteria for tax audit targets is most often perceived as a serious problem** across countries (0.48). It is closely followed by the absence of a regular audit cycle. Often, tax audits take place randomly or according to selected criteria. However, these are often not disclosed or are not sufficiently informative to determine whether or when an audit will take place.

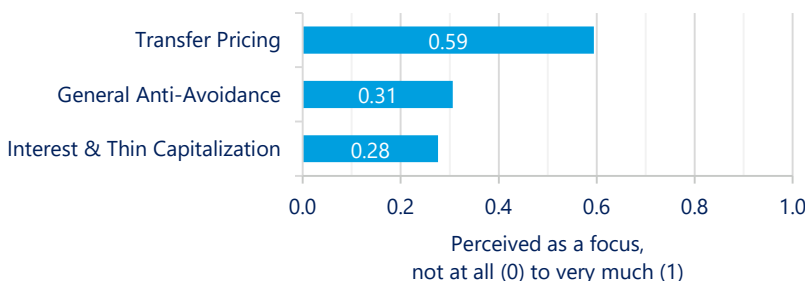
Tax officers' inconsistent decision-making is most often perceived as a serious problem across countries (0.65). Decisions on similar cases can vary from officer to officer or are even inconsistent with the same officer. Respondents attribute this problem to the broad discretion afforded to tax officers.

Tax Audit Process

Which problems are serious in your country?



Focus of Tax Audit: Top 3 Regulations

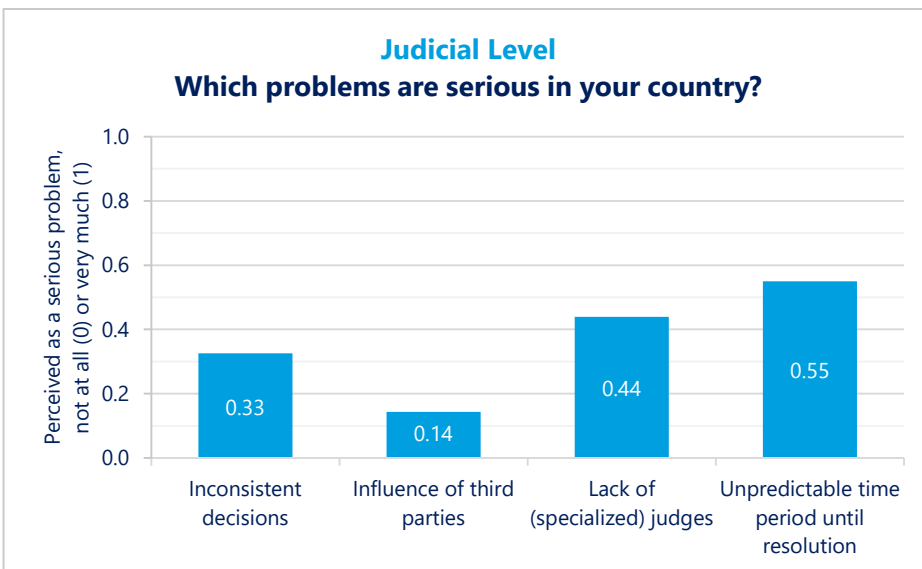
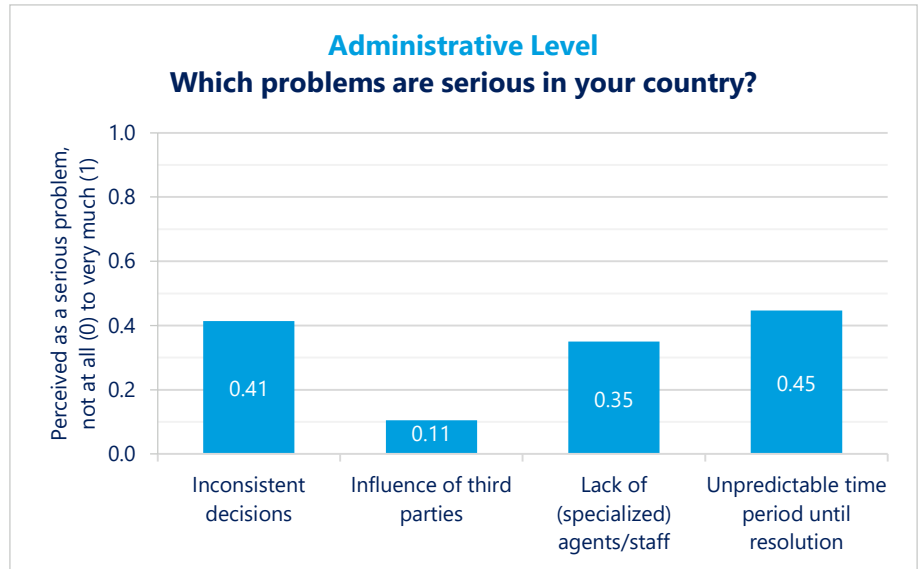


Tax audits strongly **focus on complex and regularly applied regulations**, such as transfer pricing, which are intended to prevent profit shifting and tax avoidance.

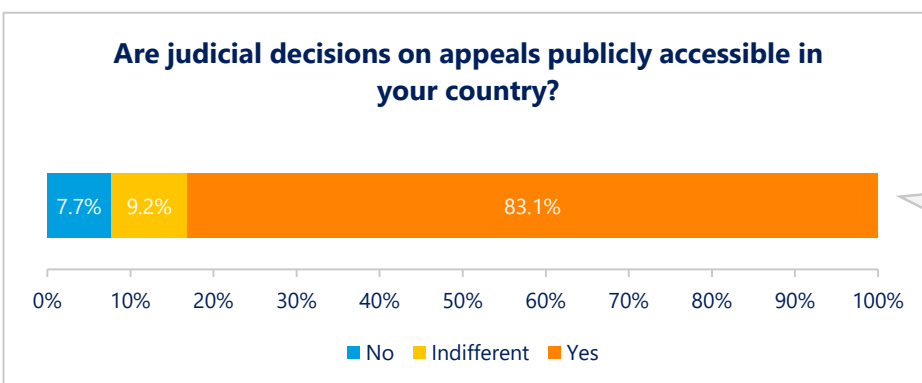
The values illustrate the average of the responses at country level. In the last figure, only countries in which the respective regulation is considered existent are included.

Appeals

At the administrative level, the **unpredictable time between filing an appeal and its resolution is most often perceived a serious problem** across countries (0.45). It is closely followed by the inconsistency of tax agents' /staff's decisions.



Corresponding to the main concern at the administrative level, the **unpredictable time between filing an appeal and its resolution is also most often considered a serious problem** across countries (0.55) **at the judicial level**. This problem can result from the lack of a codified time limit for responding to an appeal or practical ineffectiveness of such a limit.



However, ...

“ There is no systematic publication of judicial decisions. ”
Survey Respondent

The values illustrate the average of the responses at country level. The analysis only includes countries in which the respective level (administrative/judicial) is considered existent. The last analysis explicitly illustrates the share of countries with an indifferent response at country level with regard to the question above.

Acknowledgments

Participating networks



Thank you for supporting us by sharing the Global MNC Tax Complexity Survey!



We gratefully acknowledge financial support by the foundation "Stiftung Prof. Dr. oec. Westerfelhaus", Bielefeld (Germany).

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Information in this publication is intended to provide only some preliminary descriptive results of the topics covered in the 2016 Global MNC Tax Complexity Survey. The views herein do not necessarily represent the views of the organizations and networks that have supported us.