2018 Global MNC

TAX COMPLEXITY SURVEY

Executive Summary

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ACCOUNTING FOR TRANSPARENCY

This report presents the first descriptive results of the 2018 Global MNC Tax Complexity Survey.

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FOREWORD

This summary focuses on the results of the second Global MNC Tax Complexity Survey. It seeks to provide an overview of tax complexity as faced by multinational corporations (MNCs) in 2018 and the changes in tax complexity from 2016 to 2018 in OECD countries, taking into account the results of the 2016 Global MNC Tax Complexity Survey.

The 2016 Global MNC Tax Complexity Survey enabled us to shed light on the various drivers of tax complexity in different countries and to construct the Tax Complexity Index (TCI).

To make our results publicly available, we created an interactive website (www.taxcomplexity.org), allowing all interested parties to gain insights into tax complexity and even to customize the TCI. The 2016 Global MNC Tax Complexity Survey has received considerable attention from the media, policymakers and companies. In response, we conducted the survey again in 2018. Through the second survey, in this summary, we are now able to examine tax complexity over time.

Over the past two years, many developments have affected tax systems around the world. These included not only large tax reforms, such as in the United States, but also the progressing implementation of the action points of the project on base erosion and profit shifting (BEPS). Furthermore, digitalization appeared to be an important topic regarding both tax regulation and the administration of taxes. Overall, we expect that tax complexity has been affected by these changes. To examine this expectation in detail, we look at OECD countries in this summary. With its 36 member countries, the OECD is one of the main players in the international tax environment. By investigating the changes in OECD countries, we aim to detect some initial trends towards the further development of tax systems worldwide.

We hope that you find the results of this summary interesting and useful. We highly appreciate your feedback and comments. Again, we would like to thank all respondents of the Global MNC Tax Complexity Survey, without whom this project would not be possible.

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KEY FINDINGS

WORLDWIDE 2018

INCREASE OF TAX COMPLEXITY

In 59 of 109 countries, **tax complexity has increased** in the last two years for MNCs.

TRANSFER PRICING AS MOST COMPLEX TAX REGULATION

Among all tax regulations examined, regulations on **transfer pricing** are perceived as the **most complex regulations** of the tax code for MNCs in 70 of 109 countries.

INCONSISTENT DECISIONS AS LARGEST PROBLEM IN TAX AUDIT PROCESSES

Inconsistent decisions by tax officers are considered to be the **largest problem in tax audit processes** as part of the tax framework for MNCs in 73 of 109 countries.

REFUNDING TAXES AS LARGEST PROBLEM IN THE PROCESS OF PAYING TAXES

Regarding the payment of taxes as part of the tax framework, the **refunding of overpaid corporate taxes** through tax authorities is perceived as the **most problematic aspect** for MNCs in 60 of 109 countries.

OECD COUNTRIES IN 2016 & 2018

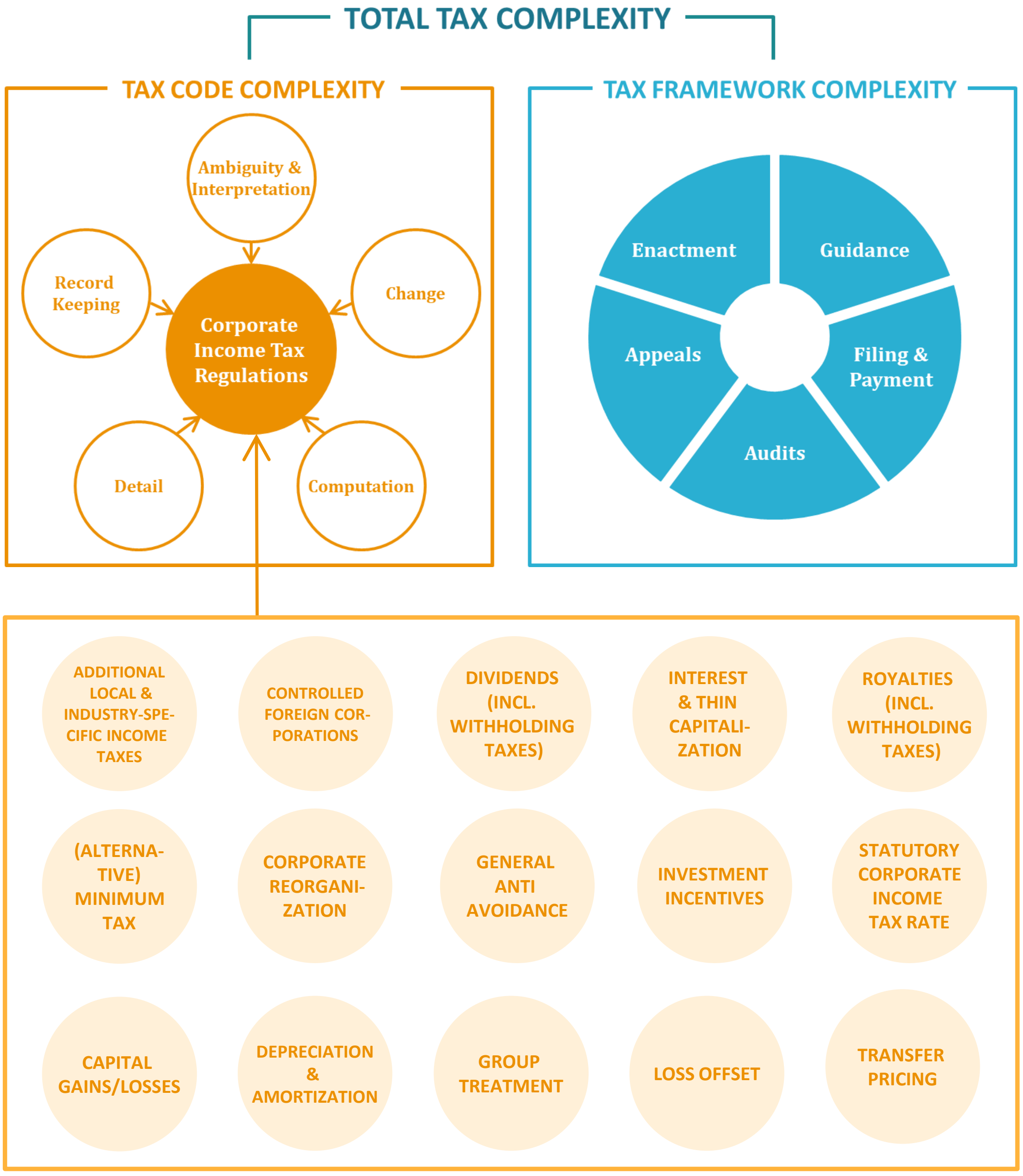
INCREASING COMPLEXITY OF CFC RULES

Compared to the 2016 Global MNC Tax Complexity Survey, **CFC rules** are perceived as **substantially more complex for MNCs in 2018** in OECD countries, making CFC rules the second most complex regulation in the OECD.

ABOUT THE SURVEY
BACKGROUND I

We understand **tax complexity as a feature of the tax system** that is characterized by **two sub-constructs**: On the one hand, **tax code complexity** describes the difficulty of reading, understanding and complying with tax regulations that are affected by five complexity drivers. Therefore, we identified **15 internationally comparable tax regulations** serving as dimensions for the tax code complexity.

On the other hand, **tax framework complexity** describes the complexity that arises from the legislative and administrative processes and features within a tax system and is measured in five dimensions.



ABOUT THE SURVEY

BACKGROUND II

In recent years, MNCs face increasing levels of tax complexity, making it an important aspect to consider. We suppose this development is shaped by, among other things, multiple trends in global tax systems, each of them with potentially ambivalent effects on tax complexity.

Closing loopholes

In past years, governments have introduced numerous new regulations to close loopholes, e.g. through the implementation of the OECD's BEPS project. Criticism arises that this trend results in an overregulation of corporate tax law and increases complexity. Further, closing loopholes shifts the tax planning of MNCS, which leads to more complex audits and appeals.

Global tax competition

In a world of increasingly fierce tax competition, more and more governments use tax incentives to attract investments. This creates a tension between new, potentially complex regulations and countries' overall economic competitiveness as locational factor for MNCs.

Digitalization

Digital technologies show a great potential to simplify tax systems and are increasingly used by tax authorities worldwide, e.g. through electronic tax filings. In contrast, digitalized business models, for example through the lack of a "brick and mortar" permanent establishment, also present significant challenges to policymakers, potentially resulting in complex new regulations.

Our mission:

The Global MNC Tax Complexity Survey aims to…

… assess the levels of tax complexity across various countries and regions.

… investigate the drivers of tax complexity.

… analyze the change of tax complexity over time.

ABOUT THE SURVEY

OVERVIEW

AIM

To collect information about the drivers of tax complexity across countries and over time

ASSESSMENT

MNCs that are considered tax resident in the respective countries

Corporate income tax system applicable in 2018

METHODOLOGY

Online survey of local tax consultants around the world who work with MNCs

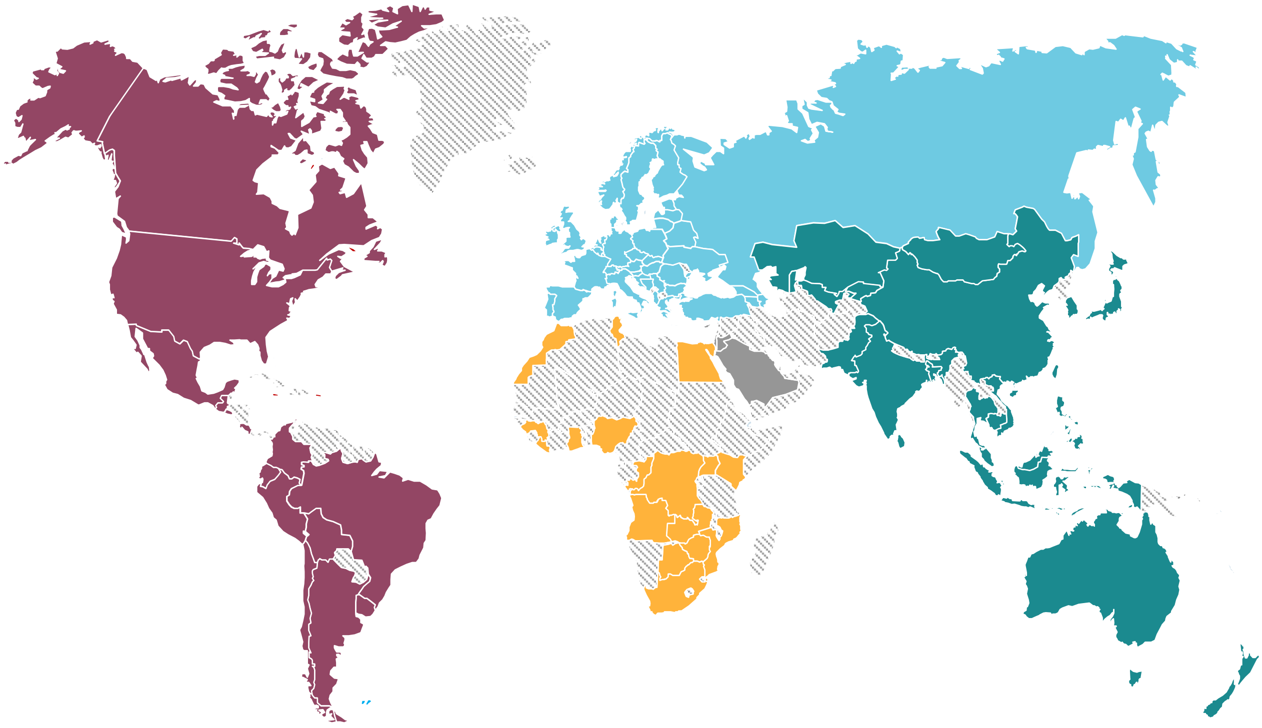
Link to survey shared in 18 international tax services networks and firms

Individual responses aggregated at country level

RESPONDENTS

565 tax consultants from 109 countries

ABOUT THE SURVEY
COUNTRIES COVERED I



AFRICA | AMERICAS | ASIA PACIFIC | EUROPE | MIDDLE EAST | NO DATA AVAILABLE

ABOUT THE SURVEY
COUNTRIES COVERED II

Africa | 18 Countries | 41 Respondents					
Angola	1	Guinea	1	Nigeria	2
Botswana	2	Kenya	4	South Africa	9
Congo (Kinshasa)	1	Liberia	3	Tunisia	2
Congo (Brazzaville)	1	Mauritius	3	Uganda	1
Egypt	2	Morocco	2	Zambia	2
Ghana	1	Mozambique	2	Zimbabwe	2

Americas | 22 Countries | 102 Respondents					
Antigua & Barbuda	1	Costa Rica	3	Puerto Rico	1
Argentina	6	Curacao	1	St. Lucia	2
Aruba	1	Ecuador	2	St. Vincent & Grenadines	1
Bolivia	1	El Salvador	1	Trinidad & Tobago	1
Brazil	7	Guatemala	2	United States of America	25
Canada	12	Jamaica	2	Uruguay	4
Chile	4	Mexico	11		
Colombia	10	Peru	4		

Asia Pacific | 23 Countries | 123 Respondents					
Australia	7	Japan	4	Philippines	12
Bangladesh	1	Kazakhstan	8	Singapore	7
Cambodia	1	Korea (South)	3	Sri Lanka	2
China	13	Kyrgyzstan	2	Taiwan	3
Fiji	1	Malaysia	4	Thailand	6
Hong Kong	4	Mongolia	2	Uzbekistan	2
India	22	New Zealand	8	Vietnam	6
Indonesia	3	Pakistan	2		

ABOUT THE SURVEY
COUNTRIES COVERED III

Europe | 43 Countries | 296 Respondents					
Albania	1	Georgia	2	Poland	13
Armenia	3	Germany	30	Portugal	9
Austria	11	Greece	8	Romania	8
Azerbaijan	2	Guernsey	1	Russian Federation	7
Belarus	1	Hungary	7	Serbia	1
Belgium	11	Ireland	3	Slovakia	9
Bosnia & Herzegovina	1	Italy	23	Slovenia	2
Bulgaria	3	Jersey	2	Spain	13
Croatia	2	Kosovo	1	Sweden	4
Cyprus	4	Latvia	4	Switzerland	15
Czech Republic	8	Lithuania	5	Turkey	8
Denmark	4	Luxembourg	8	Ukraine	4
Estonia	1	Malta	4	United Kingdom	20
Finland	2	Netherlands	19		
France	9	Norway	3		

Middle East | 3 Countries | 3 Respondents					
Israel	1	Lebanon	1	Saudi Arabia	1

ABOUT THE SURVEY
RESPONDENT PROFILE

Our 2018 Global MNC Tax Complexity Survey relies on the expertise of 565 highly skilled tax consultants around the globe. The vast majority of them occupy leading positions in tax services firms, have worked in the field of taxation for at least a decade and have a master's degree or higher. Further, our respondents, on average, spend about 60 percent of their total working time on MNC tax issues.

Position		
Partner/Director/Principal	360	63.72%
Manager	128	22.65%
Senior assistant	44	7.79%
Junior assistant	19	3.36%
Other	13	2.30%
Not specified	1	0.18%

Tax Experience		
More than 15 years	312	55.22%
Between 10 years and 15 years	120	21.24%
Between 5 years and 10 years	85	15.04%
Less than 5 years	47	8.32%
Not specified	1	0.18%

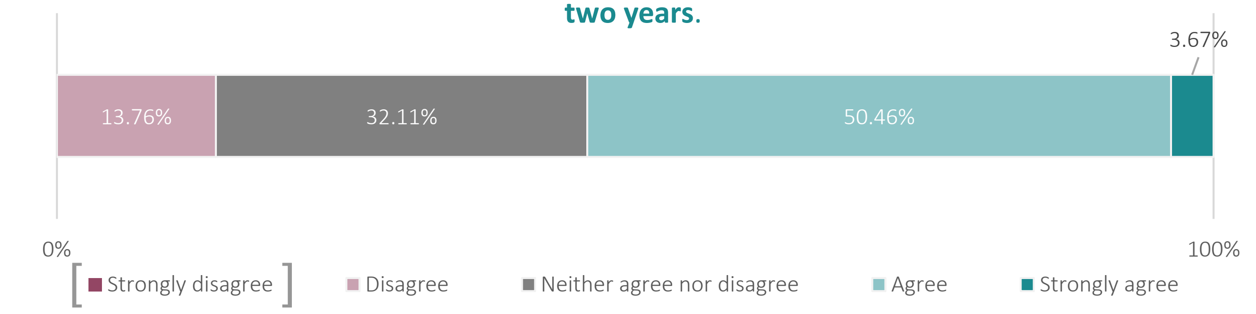
Level of education		
Doctoral level	85	15.04%
Master level	356	63.01%
Bachelor level	110	19.47%
Secondary level	2	0.35%
Other	11	1.95%
Not specified	1	0.18%

Gender		
Female	174	30.80%
Male	387	68.50%
Not specified	4	0.70%

ROLE OF TAX COMPLEXITY

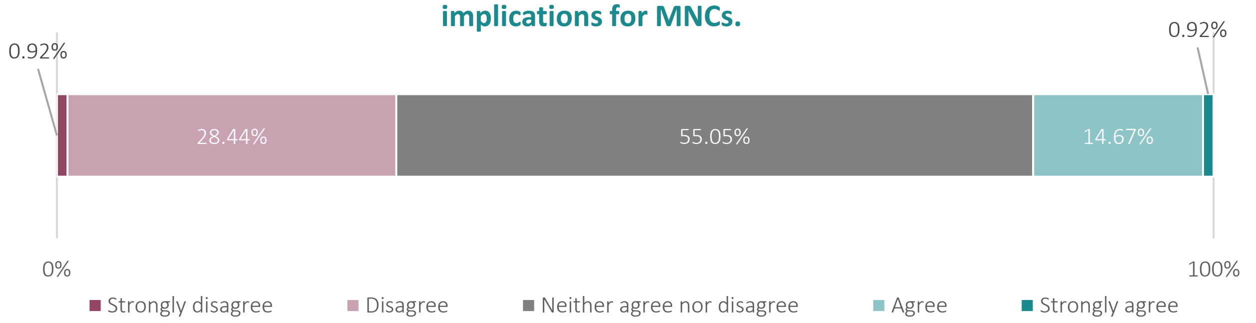
In a first step, participants had to evaluate the relevance of tax complexity in their country in the past, present and future:

PAST: In my country, tax complexity has substantially increased in the last two years.



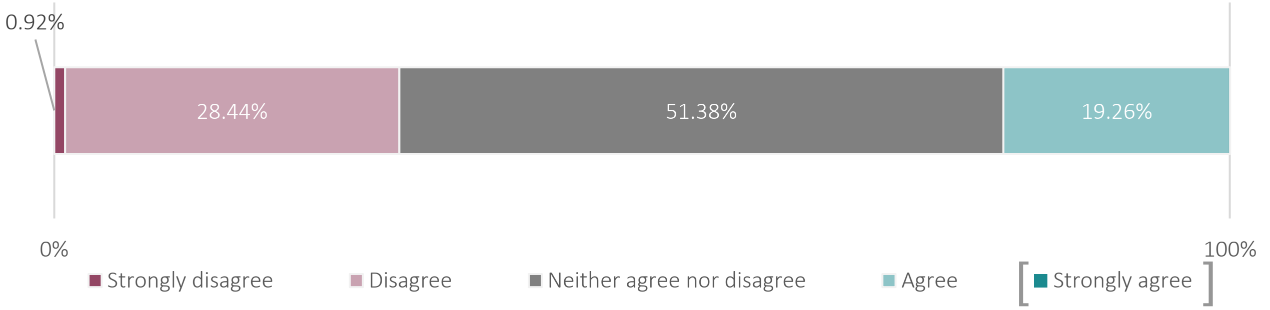
More than half of the countries indicate that tax complexity has substantially increased in the last two years. This provides evidence that tax complexity is still increasing – even in such a short period as two years.

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



With the majority of countries being unable to determine **distinctly negative implications of tax complexity for MNCs**, these results point at the ambivalence of the effects of tax complexity.

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



The vast majority of countries do not agree with the statement that tax complexity will force MNCs to shift their business activities to other countries, implying that **tax complexity is not necessarily a push-out factor for future MNC activities.**

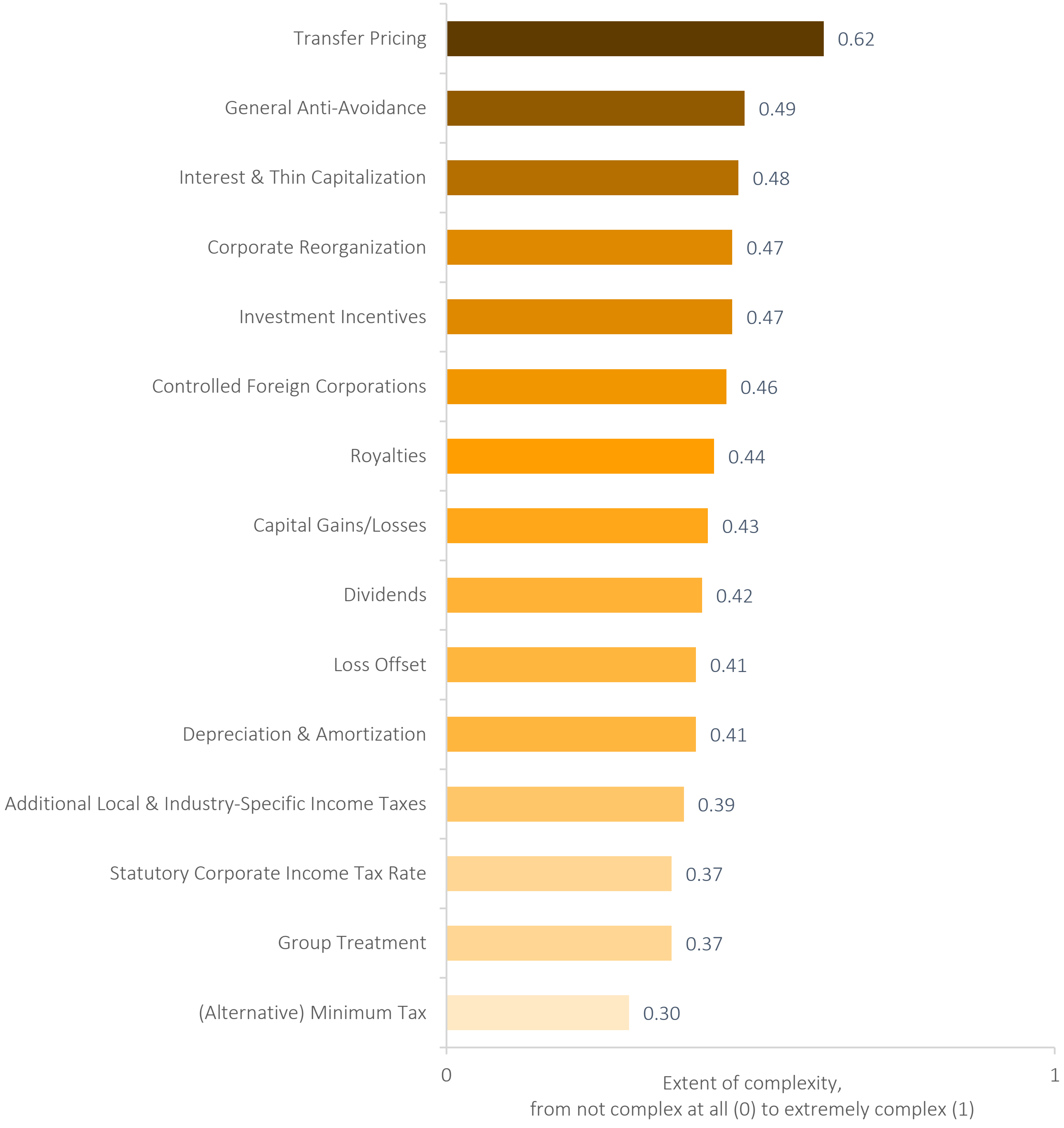
Individual responses are aggregated at country level. If the country response lies between two response categories, it is attributed to the nearest category.

INSIGHTS INTO TAX CODE COMPLEXITY

COMPLEXITY OF TAX REGULATIONS

Among the 15 tax regulations examined, 70 of 109 countries perceive regulations on **transfer pricing** as the **most complex**. In recent years, regulators have focused heavily on transfer pricing in their effort to prevent MNCs tax avoidance, leading to new, potentially complex regulations. This also applies to some extent to regulations on general anti-avoidance as well as on interest and thin capitalization rules, which, together with transfer pricing, constitute the three most complex regulations.

Complexity of regulations

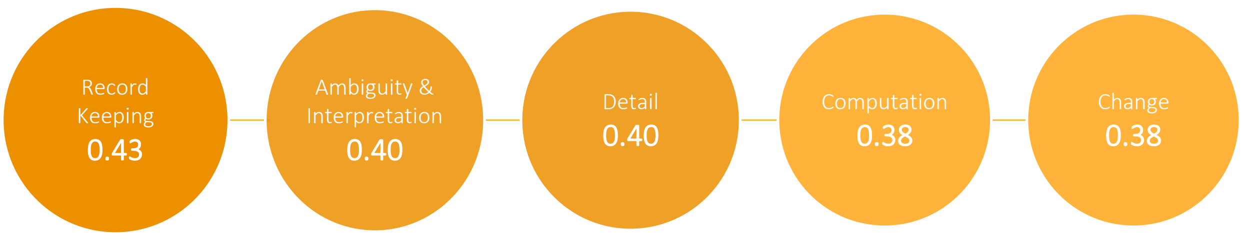


Individual responses are aggregated at country level. The analysis only includes countries in which the respective regulation is considered existent.

INSIGHTS INTO TAX CODE COMPLEXITY

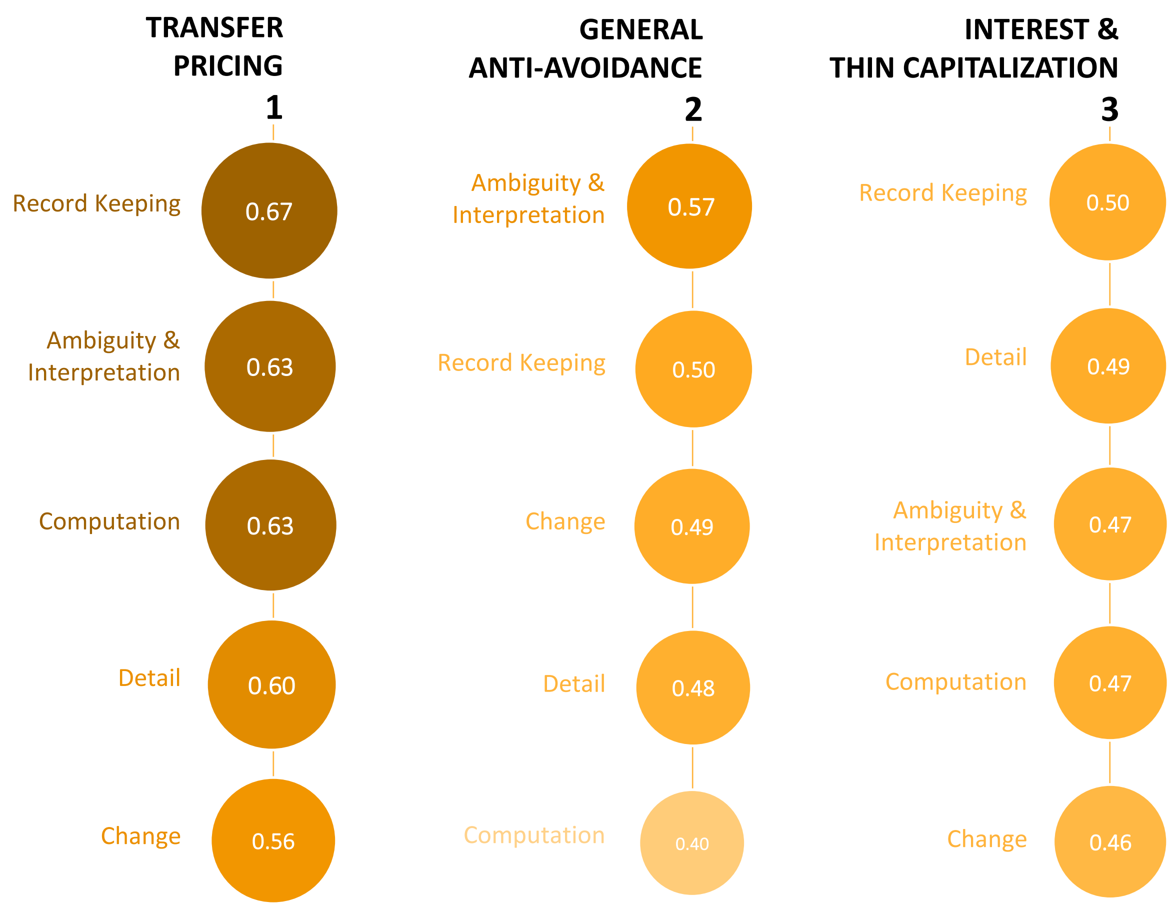
DRIVERS OF TAX CODE COMPLEXITY

On average, the driver **record keeping** is perceived as **contributing the most to the complexity of tax regulations**. Hence, keeping many records and documents to substantiate tax claims or to complete tax returns seems to be the greatest challenge in the application of tax regulations.



Average contribution to complexity,
from no contribution at all (0) to extremely high contribution (1)

However, individual regulations may be affected differently by the drivers of tax complexity, which is outlined by a closer look at the **three most complex regulations**: The main driver of the complexity of regulations on **transfer pricing** is **record keeping**. The complexity of **general anti-avoidance** regulations is mostly driven by **ambiguity & interpretation**, whereas the complexity of **interest and thin capitalization** regulations is predominantly driven by **record keeping**.



Average contribution to complexity,
from no contribution at all (0) to extremely high contribution (1)

Individual responses are aggregated at country level. The analysis only includes countries in which the respective regulation is considered existent.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX LAW ENACTMENT

Tax law enactment covers the process of how a tax regulation is enacted. It starts with the discussion of a change in the tax law and ends with the respective regulation becoming effective.

In the **vast majority** of countries, the **process of tax legislation enactment is defined by constitution or a similar law**, putting the legislative process on solid grounds and increasing its predictability in the first place.

TAX LEGISLATIVE PROCESS

Which aspects regularly cause problems in your country?

0.62 Quality of tax legislation drafting

0.46 Time between announcement of tax changes and enactment

0.40 Time at which legislation becomes effective

0.27 Influence of third parties

0.12 Access to enacted tax legislation

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In 68 of 109 countries**, the (lack of) quality of tax legislation drafting** is perceived as the **largest problem** in the tax legislative process. This problem may stem from poorly conceived drafts, overcomplicated texts or inaccurate translations, making the tax code difficult to use for MNCs.

The **second most problematic issue** of the legislative process is the **time between announcement of tax changes and their enactment**, which can be bothersome for MNCs in two ways: On the one hand, the time period may be too long, resulting in uncertainty for MNCs about the future implementation of a tax issue. On the other hand, the time period may also be too short, leading to inaccurate solutions without a consultation of relevant stakeholders.

Individual responses are aggregated at country level.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

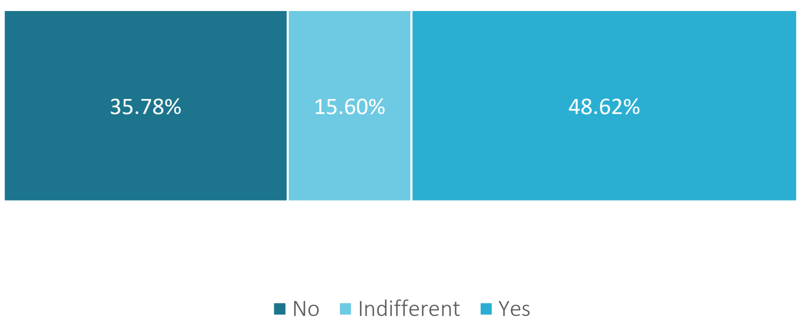
TAX GUIDANCE

Tax guidance as a dimension of the tax framework describes all types of advice provided by the tax authority or by any other rules or guidelines to clarify uncertain tax treatments or procedures. A common way to obtain guidance is through public and private binding rulings, which are issued by the great majority of countries.

To what extent does the existence of international soft law offer support by providing additional information in dealing with your country's tax law?

Another way to obtain guidance for MNCs tax affairs is international soft law, for example through OECD guidelines. In 86 of 109 countries, the existence of **international soft law helps to provide additional information in dealing with a country's tax law** at least to some extent. This result shows the importance of international soft law in providing an orientation for tax professionals, which reduces complexity.

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



In nearly half of the countries, **various substantial business issues are not codified in the country's tax law**, causing uncertainty and complexity for MNCs in dealing with these issues. Non-tabulated results of a follow-up question in our survey show that this lack of orientation is countered by many tax authorities by issuing guidance for unregulated business issues. In addition, in some countries a common practice to resolve these issues has established. Therefore, only a marginal number of countries leave MNCs without any orientation in dealing with complex unregulated business issues.

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 (exactly 50% of answers in the respective country are "yes" and "no") is explicitly illustrated.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX FILING & PAYMENTS

The dimension tax filing & payments comprises all aspects of the procedures to prepare and file tax returns as well as to pay and refund taxes.

FILING OF CORPORATE INCOME TAX RETURNS

Which aspects regularly cause problems in your country?

0.32	0.22	0.16	0.03	0.03
Preparing returns	(Electronic) transmission of returns	Managing the number of returns	Determining due dates	Identifying recipient(s) of returns

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In the vast majority of countries, tax authorities offer instructions on how to file tax returns. 85 of 109 countries, on average, consider these instructions to be helpful. Despite this fact, the **preparation of tax returns** is considered to be the **most problematic aspect of tax filings** by about a third of the countries. Potential reasons can be a multitude of unnecessary formalia that need to be considered as well as confusing, unclearly arranged tax forms provided by tax authorities for filing purposes.

PAYMENT OF CORPORATE INCOME TAXES

Which aspects regularly cause problems in your country?

0.55	0.25	0.15	0.15	0.04	0.02
Refunding overpaid taxes	Computing payments	Managing the number of payments	(Electronic) remittance of payments	Identifying recipient(s) of payments	Determining due dates

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In 60 of 109 countries, the **refunding of overpaid corporate taxes** is perceived as the **most problematic aspect** in the process of paying taxes. Getting a refund for overpaid taxes is often a troublesome topic for MNCs: Overpaid taxes are not interest-bearing in many countries and therefore essentially represent an interest-free loan to the tax authority. Overpaid taxes therefore have a negative effect on the cash flow of MNCs. Tight application deadlines, complex requirements and a long processing time can further complicate the refunding process.

Individual responses are aggregated at country level.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX AUDITS

Tax audits describe the examination of the tax returns by the tax authority as well as the extent to which they can be anticipated and prepared.

ANTICIPATION OF TAX AUDIT

Which are serious problems in your country?

0.57
Bad disclosure of selection criteria

0.39
Absence of a regular audit cycle

0.34
Bad communication of audit topics

0.24
Late/No notification of audit

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In almost 60 percent of the countries, **lacking or only little disclosure of selection criteria** for tax audit targets is, on average, perceived as the **most serious problem in the anticipation of tax audits**. This lack of transparency in selection criteria complicates MNCs' planning of capabilities if it is not predictable whether or when an audit will take place.

TAX AUDIT PROCESS

Which are serious problems in your country?

0.67
Inconsistent decisions by tax officers

0.61
Lack of experience or technical skills by tax officers

0.24
Offensive or unethical behavior by tax officers

0.14
Ineffectiveness of sanctions

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

Rules or written guidelines that clearly outline the tax audit process exist in about three quarters of countries. Even though this suggests uniformity in the performance of tax officers, 73 of 109 countries perceive **the inconsistency of tax officers' decisions** as **the most serious problem in the tax audit process.** This contrast may exist due to the fact that tax audit guidelines often leave discretion to tax officers, which leads to varying judgements.

Individual responses are aggregated at country level.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX APPEALS

As a further dimension of the tax framework, tax appeals cover the process from filing an objection to a tax assessment with the responsible institution to its resolution at the administrative or judicial appeal level.

ADMINISTRATIVE LEVEL

Which are serious problems in your country?

0.44	0.44	0.42	0.14
Inconsistent decisions	Unpredictable time period until resolution	Lack of specialized agents/staff	Influence of third parties

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

At the administrative level, **inconsistent decisions as well as the unpredictable time period between filing an objection and its resolution** are considered as the **most serious problems**. Similar to tax audits, the resolution of tax appeals leaves discretion to tax agents, which may result in inconsistencies. Further, unpredictable and sometimes extensive time periods until the resolution of an appeal increase uncertainty for MNCs.

JUDICIAL LEVEL

Which are serious problems in your country?

0.58	0.42	0.27	0.12
Unpredictable time period until resolution	Lack of specialized judges	Inconsistent decisions	Influence of third parties

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

Compared to the administrative level, the **unpredictable time period between filing an appeal and its resolution** is considered an even more **serious problem** across countries at the judicial level. Appeals to courts often take 1 to 3 years to be resolved. Besides increasing uncertainty for MNCs, these long waiting times can also entail substantial costs through high rates of interest in case an appeal is lost.

Individual responses are aggregated at country level. The analysis only includes countries in which the respective appeal level (administrative/judicial) is considered existent.

OECD COUNTRIES IN 2016 & 2018

OECD BACKGROUND

The OECD is one of the main players in the international tax environment. Its 36 member countries are among the most developed countries worldwide and almost exclusively represent high-income economies.

Most of the OECD member countries were among the first adopters of policies that emerged from the BEPS project. Apart from this, some member countries' tax systems, e.g. that of the United States, have undergone substantial reform. The following results show the major changes in tax complexity as compared to our 2016 Global MNC Tax Complexity Survey and therefore serve as a first indicator for the impact of these changes on tax complexity in OECD countries.

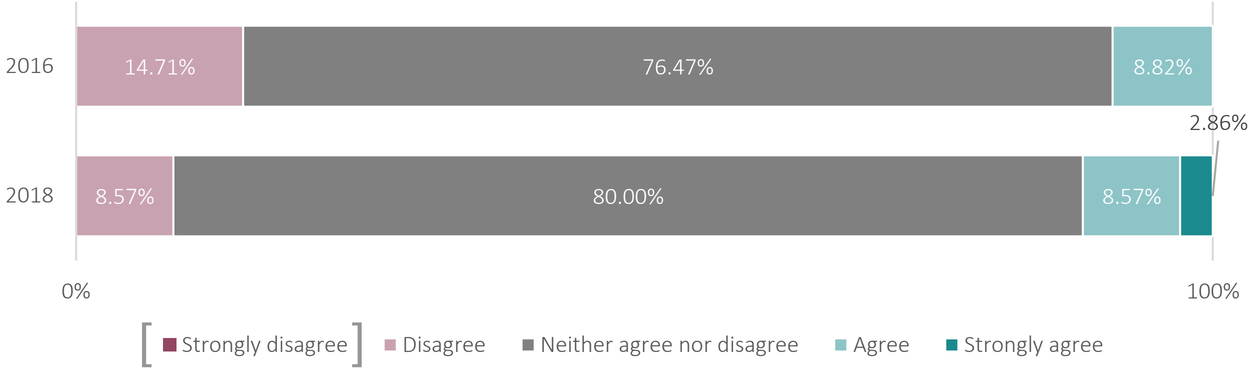
OECD member countries		
Australia	Hungary	New Zealand
Austria	Iceland*	Norway
Belgium	Ireland	Poland
Canada	Israel	Portugal
Chile	Italy	Slovakia
Czech Republic	Japan	Slovenia
Denmark	Korea (South)	Spain
Estonia	Latvia	Sweden
Finland	Lithuania*	Switzerland
France	Luxembourg	Turkey
Germany	Mexico	United Kingdom
Greece	Netherlands	United States

*Please note that in the subsequent analysis, Iceland is not included in the sample for lack of data. Further, Lithuania is dropped from the 2016 sample as it became an OECD member state in 2018. This leaves us with a sample of 34 OECD countries in 2016 and 35 OECD countries in 2018.

OECD COUNTRIES IN 2016 & 2018

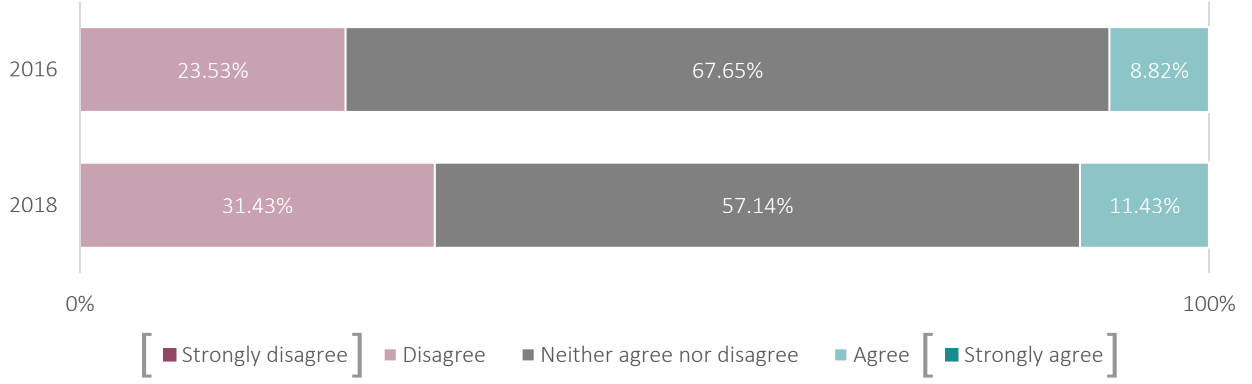
CHANGES IN THE ROLE OF TAX COMPLEXITY

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



Compared to 2016, **slightly fewer OECD countries** (6.14%) **disagree** with the statement that **tax complexity has only negative implications for MNCs.** With the great and even somewhat increased majority of 80% of countries being indifferent, these results imply that tax complexity in 2018 is even more ambiguous than two years ago.

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



OECD countries in 2018 **disagree more** with the statement that **tax complexity is driving MNCs to relocate their business activities to other countries.** This trend is opposed by a slight increase in agreement and a majority of countries that are still indifferent. Even though we therefore can hardly identify a clear development, our results indicate a slightly decreasing impact of tax complexity for business location decisions of MNCs, potentially in favor of "hard facts" like tax rate cuts and investment incentives that play a major role in global tax competition.

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

OECD COUNTRIES IN 2016 & 2018

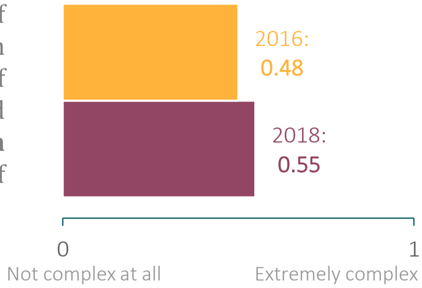
CHANGES IN TAX CODE COMPLEXITY

THE THREE MOST COMPLEX REGULATIONS IN 2016 & 2018

Besides a change in the **top 3** of the most complex regulations, namely controlled foreign corporation rules taking second place, we could find considerable changes in the countries' average assessment of tax complexity in individual tax regulations:

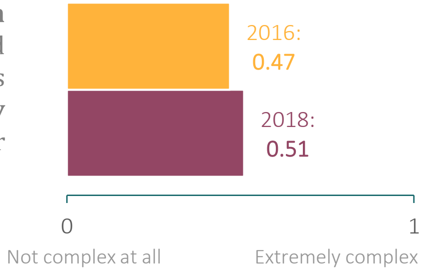
CONTROLLED FOREIGN CORPORATION RULES

Closely related to the strengthening of controlled foreign corporation rules in many OECD countries as an outcome of BEPS Action 3, **CFC rules** are perceived as **substantially more complex in 2018** and are now among the top 3 of the most complex regulations.



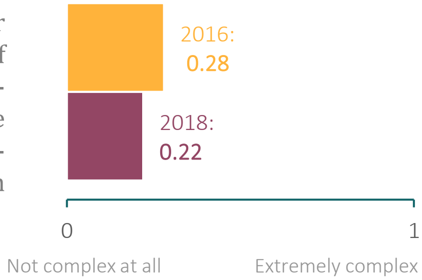
INTEREST AND THIN CAPITALIZATION RULES

As an outcome of BEPS Action 4, **thin capitalization rules** were introduced in many OECD countries. This development is reflected in **a slightly increased level of tax complexity** for this regulation by OECD countries.



(ALTERNATIVE) MINIMUM TAX

Since 2016, OECD countries like the USA and Slovakia have abolished or strongly limited the application of (alternative) minimum taxation regulations. The OECD countries therefore perceive (alternative) minimum taxation regulations as **less complex** than they did two years ago.



Individual responses are aggregated at country level.

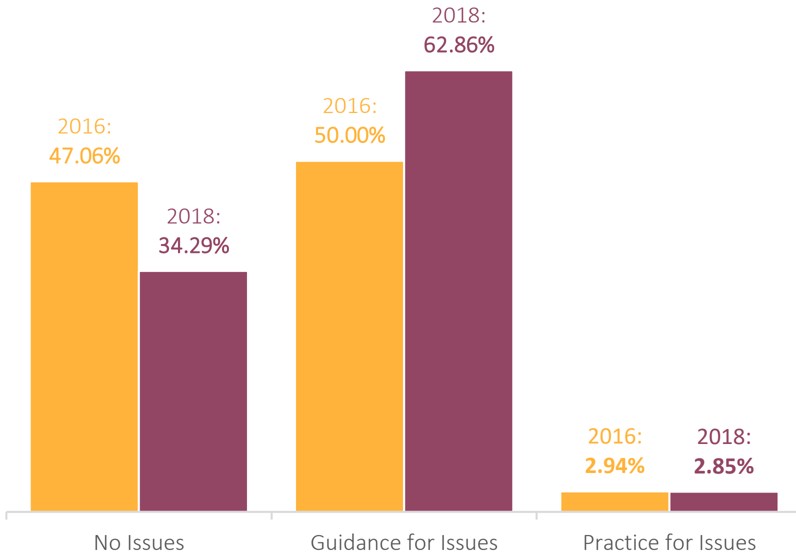
OECD COUNTRIES IN 2016 & 2018

CHANGES IN TAX FRAMEWORK COMPLEXITY I

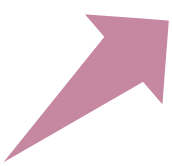
GUIDANCE: MORE UNCODIFIED BUSINESS ISSUES

As indicated by the decrease in countries with no issues, OECD countries in 2018 identify **a higher share of various substantial business issues without a properly codified tax treatment** in their country's tax law than two years ago. This alarming trend is being countered by an increasing number of countries stating that the tax treatment of business issues is clarified by written guidance (see “Guidance for Issues”). In a marginal number of other countries, a common practice to deal with uncodified issues has evolved (see “Practice for Issues”). These results shed light on the growing lag with which tax law reacts to an increasingly dynamic business world, which is tackled by issuing more agile, but sometimes also less sophisticated written guidance.

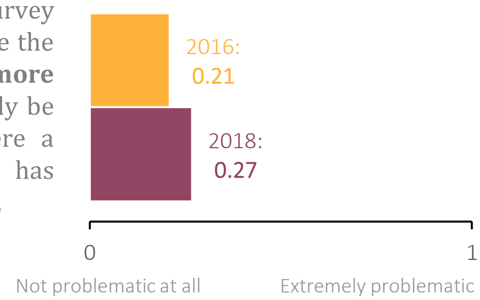
Are there various substantial business issues whose tax treatment is not codified in your country's tax law? If so, is there any written guidance or at least a clear and established practice to solve them?



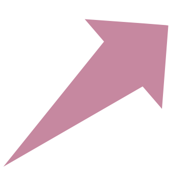
TAX PAYMENTS: COMPUTING PAYMENTS MORE PROBLEMATIC



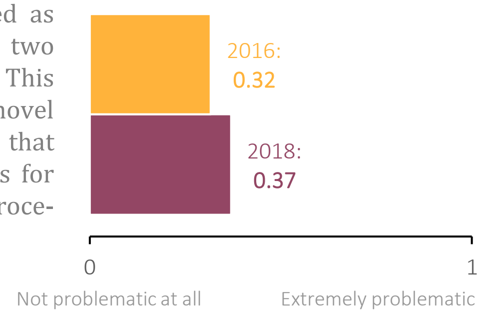
Compared to 2016, our 2018 survey reveals that OECD countries perceive the **computation of tax payments** as **more problematic**, which could potentially be explained by novel tax laws, where a standardized processing procedure has not yet evolved in tax advisory firms.



TAX FILING: PREPARING TAX RETURNS MORE PROBLEMATIC



Preparing tax returns is perceived as **more problematic** in 2018 than two years ago by OECD countries. This finding could also be explained by novel tax laws in many OECD countries that lead to new reporting requirements for which a standardized reporting procedure has not yet evolved.



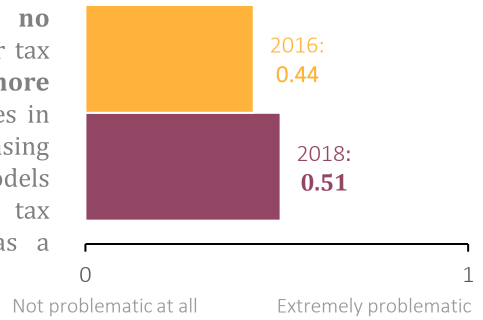
Individual responses are aggregated at country level. If the country response lies between two response categories, it is attributed to the nearest category.

OECD COUNTRIES IN 2016 & 2018

CHANGES IN TAX FRAMEWORK COMPLEXITY II

ANTICIPATION OF AUDITS: LACKING DISCLOSURE OF SELECTION CRITERIA FOR TAX AUDIT TARGETS MORE PROBLEMATIC

Compared to 2016, **little or no disclosure of selection criteria** for tax audit targets is considered a **more serious problem** by OECD countries in 2018. This might indicate an increasing use of complex, automated data models for audit target selection by tax authorities, which often appear as a black box to outsiders.

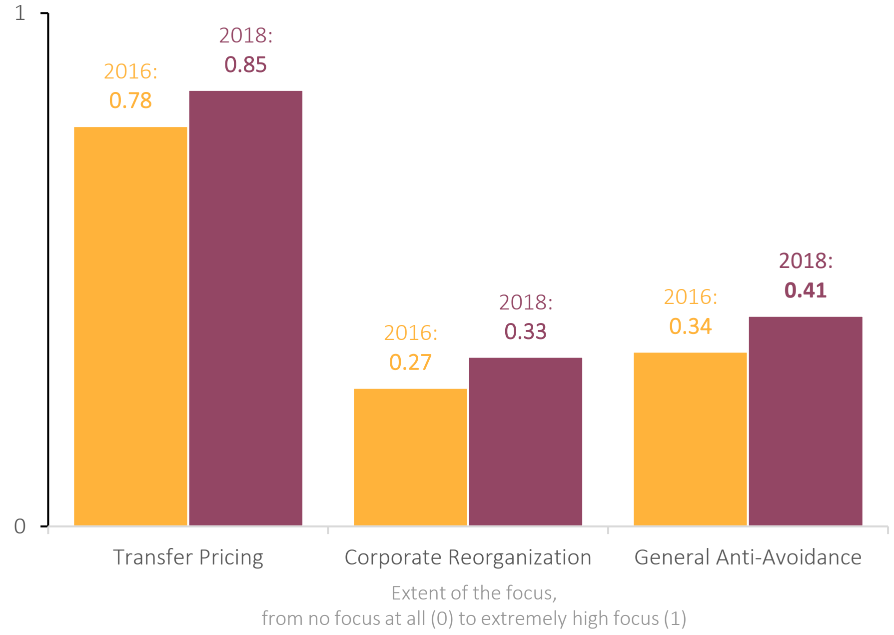


AUDIT PROCESS: INCREASED FOCUS ON MOST COMPLEX REGULATIONS OF 2016

TRANSFER PRICING

CORPORATE REORGANIZATION

GENERAL ANTI-AVOIDANCE



The three regulation which were considered the most complex by OECD countries in 2016 (see page 22) are **increasingly being focused on in tax audits** in the same jurisdictions two years later. As audits often lag behind the reviewed tax filing, this result suggests a certain connection between tax complexity and audit focus.

Individual responses are aggregated at country level.

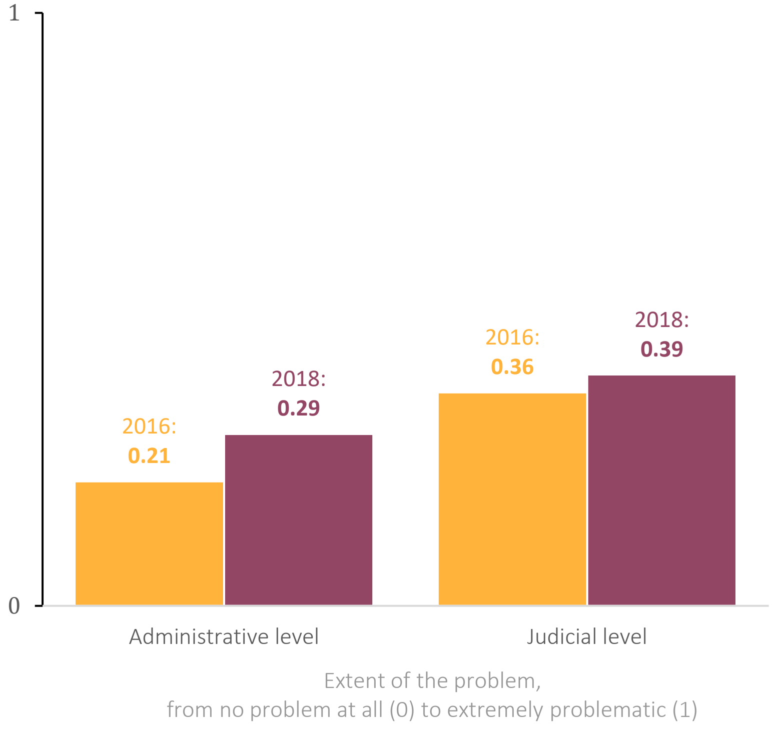
OECD COUNTRIES IN 2016 & 2018

CHANGES IN TAX FRAMEWORK COMPLEXITY III

APPEALS: LACK OF (SPECIALIZED) TAX AGENTS AND JUDGES MORE PROBLEMATTIC

ADMINISTRATIVE LEVEL

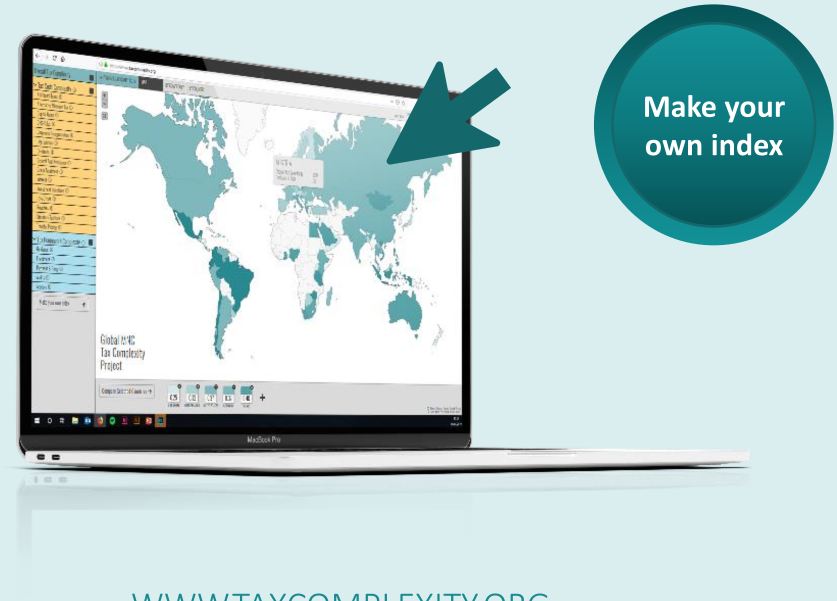
JUDICIAL LEVEL



Both on the administrative and judicial level, OECD countries perceive **the lack of (specialized) tax agents and judges for the processing of tax appeals as more problematic in 2018 than two years ago**. This increase could be connected with staffing shortages, which are a reported problem of tax administrations in many OECD countries. To a lesser extent, this could be the case with fiscal courts as well.

Individual responses are aggregated at country level. The analysis only includes countries in which the respective appeal level (administrative/judicial) is considered existent.

WEBSITE



WWW.TAXCOMPLEXITY.ORG

The results of the 2016 Global MNC Tax Complexity Survey are available through an interactive website that allows you to learn more about tax complexity and to compare countries. Moreover, it enables you to create your own index based on your priorities in different dimensions of the tax code and the tax framework.

All results of the 2018 Global MNC Tax Complexity Survey will be published on the website soon.

PUBLICATIONS

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available at: https://www.taxcomplexity.org/

2017

The TRR 266 Accounting for Transparency is a trans-regional Collaborative Research Center funded by the German Research Foundation (Deutsche Forschungsgemeinschaft – DFG). Our team of more than 80 dedicated researchers – from Paderborn University, HU Berlin, University of Mannheim, LMU Munich, ESMT Berlin, Frankfurt School of Finance and Management, Goethe University Frankfurt, and WHU - Otto Beisheim School of Management – examines how accounting and taxation affect firm and regulatory transparency and how regulation and transparency impact our economy and society. We intend to help develop effective regulation for firm transparency and a transparent tax system. Naturally, we also ensure transparency of our own research and we thus actively facilitate dialogue with regulators, firms, their stakeholders and the scientific community. Furthermore, we are committed to the principles of the open science movement.

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