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What to Expect in 2017: Global Trends Affecting Tax Leadership

TAX EXECUTIVES' OPINIONS AND KEY TAKEAWAYS

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A large, stylized blue globe is the background for the bottom right section of the slide. The globe is rendered with a grid of white lines and is tilted. The word "Taxand" is written in a white, sans-serif font across the middle of the globe. The globe is set against a background of a cityscape with buildings and windows, all in shades of blue and white.

Global Takeaways

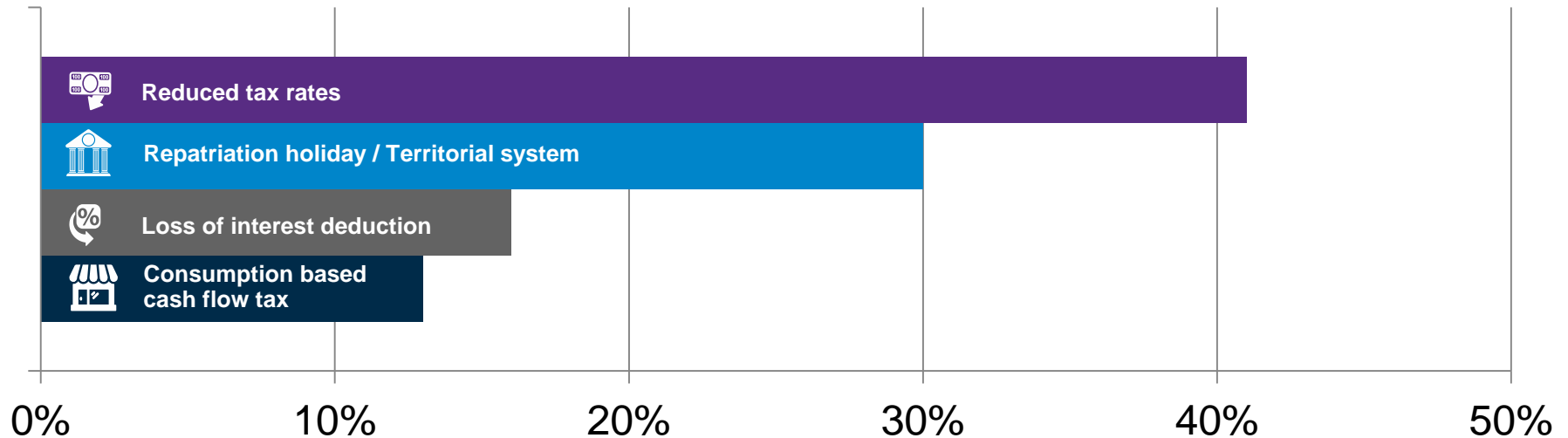
- ❖ Tectonic shifts are taking place in the global tax environment at a unprecedented pace and frequency, with some effects already clearly visible (e.g., BEPS directive in EU, interest barrier rules).
- ❖ Some clear trends:
 - ❖ Transparency: driven by CbCR, etc. ➤ prepare for increased litigation.
 - ❖ Downward pressure on corporate tax rates: balanced by expected broadening of the corporate tax base and increase in sales taxes.
 - ❖ Application of GAAR ➤ monitor substance and business motive in tax planning.
 - ❖ PR dimension of corporate tax policies ➤ be ready to communicate with multiple stakeholders (clients, press, politicians, public, etc.).
- ❖ Other less predictable shifts on the horizon: U.S. tax reform, EU State Aid cases, EU CCCTB, protectionism, etc. ➤ monitor and plan for alternative scenarios.
- ❖ Tax leaders need to:
 - ❖ Continuously model impacts for stakeholders;
 - ❖ Evaluate traditional planning structures;
 - ❖ Reinforce tax defensive capabilities; and
 - ❖ Align within industries and with influential interest groups.

U.S. Key Takeaways

- ❖ The possibility of significant tax reform is at its highest level right now in over 30 years.
- ❖ The surprising lop-sided results of the election is accelerating the pace of the legislative process.
- ❖ Now that the election dust settled, companies are urgently taking proactive steps to preserve potential benefits and model the impacts.

What Tax Executives think will impact them most...

WHICH ASPECTS OF THE POTENTIAL U.S. TAX REFORM COULD HAVE THE MOST IMPACT TO YOUR BUSINESS?



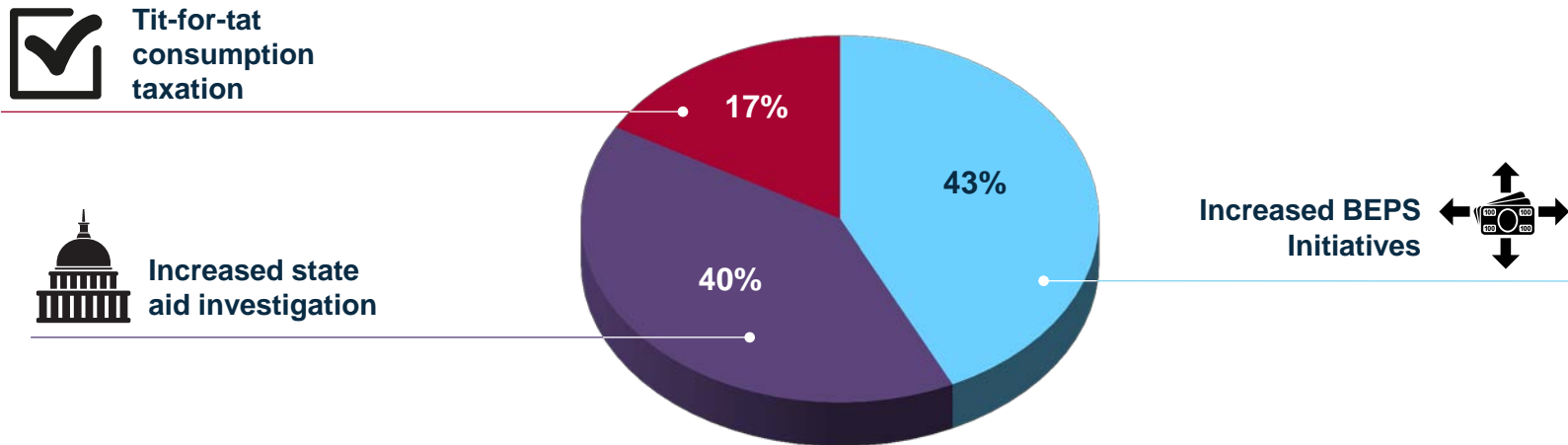
- ❖ Although the reduced rates and lost interest deductions will be impactful for sure, many companies are realizing that they are underestimating the impact of the potential consumption based tax.
- ❖ There will be many winners and losers from this potential tax. For example, we have seen some projected effective tax rates exceed 100%.
- ❖ Companies should model the impacts of the various proposals in order to inform management, and as importantly, consider which alliances they should make for the legislative process.

EU Key Takeaways

- ❖ In an increasingly “transparent” international tax environment, the European Commission is likely to intensify investigations into APAs and rulings from a state aid perspective, including orders to recover unpaid taxes. Multinationals cannot claim protection of confidence where an EU Member State granted a selective preferential treatment.
- ❖ The Commission’s proposal of a Common Consolidated Corporate Tax Base (“CCCTB”) will need unanimous consent in the EU Council to become binding law.
- ❖ As from Jan. 1, 2019, each EU Member State will have to apply a minimum anti-abuse standard with pre-defined provisions on interest deduction, exit taxation and hybrid mismatches. A GAAR and CFC rules will also have to be implemented.
- ❖ The EU/EC is pushing for tax harmonization across countries, while individual countries continue to discuss corporate rate cuts to entice foreign investment.

What form of retaliation do Tax Executives expect...

WHAT FORM OF POTENTIAL RETALIATION FOR AGGRESSIVE U.S. REFORM WOULD YOU EXPECT FROM THE OECD COUNTRIES?



- ❖ Tax Executive's opinions are in line with Taxand's views when it comes to expecting an increase in BEPS and State Aid investigations. Businesses should perform an impact analysis and prepare to litigate.
- ❖ Similar to U.S. tax executives' responses, there is less understanding of how a U.S. consumption-based tax may affect how Europe might respond.

ASIA Key Takeaways

1

Change in geopolitical environment; impact on existing trade pacts (TPP and RCEP)

2

Increased focus on home consumption: Implementation of GST to ensure improvement in indirect tax base

3

Changing times: Implementation of initiatives like CbCR, PPT and GAAR

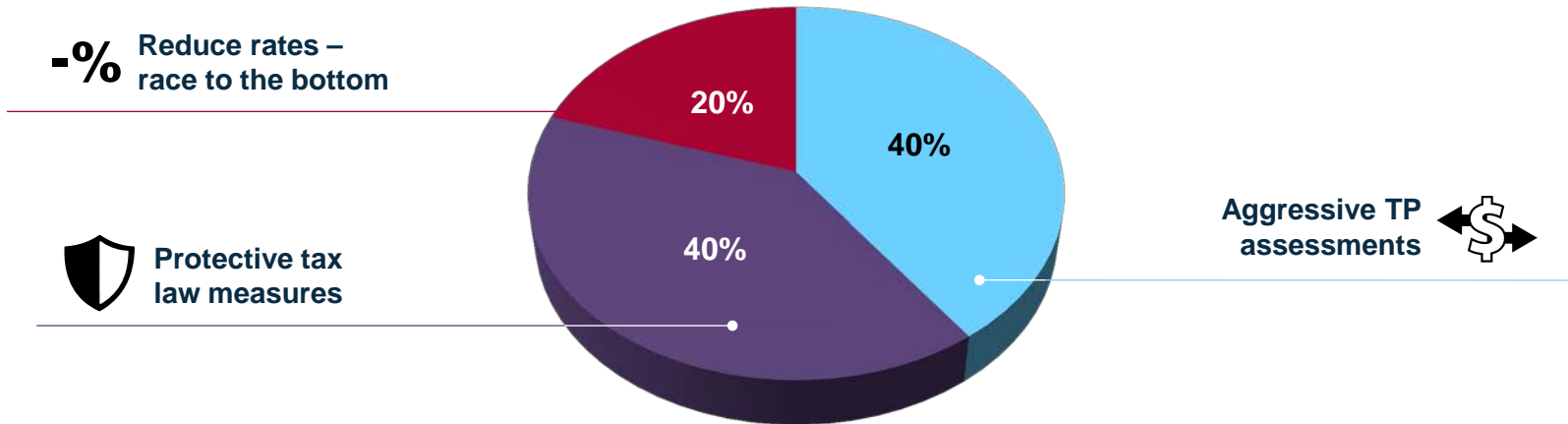
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Renegotiation of tax treaties to include LOB, EOI and other BEPS suggestions; Asian countries on board for MLI

❖ Seek the help of tax advisors. Given the rapid state at which global tax changes are occurring and the uncertainty around global tax reform measures, this is needed more than ever.

How will Asia respond, according to Tax Executives

HOW WILL ASIA AND EMERGING MARKETS REACT TO THE COMPETITION FOR JOBS AND TAX REVENUE?



- ❖ Tax Executives expect an increase in Transfer Pricing assessments and other protective tax law measures as a reaction to the increased competition for jobs and tax revenue. This reflects the already evolving global tax environment and the continuous need for close monitoring and modeling.

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