

2017 Tax Risk and  
Controversy Survey Series

# Dimming the glare

This report is the third in a series discussing the EY global 2017 Tax Risk and Controversy Survey. It explores emerging trends in tax controversy management. To receive other reports in the series, please visit [ey.com/taxriskseries](http://ey.com/taxriskseries) or connect with your local EY Tax contact.

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“Tax risk has become a primary concern for the C-suite and for boards. There is more interest than ever in preventing disputes, containing the ones that do arise and resolving issues quickly.”

– Rob Hanson  
EY Global Tax Controversy Leader

# Dimming the glare

The heightened scrutiny by policymakers, the media and public interest groups around the tax affairs of multinational corporations (MNCs) after the 2008 financial crisis arguably led to the biggest disruption to the international tax landscape in the last century. The intense focus sparked a debate over whether MNCs pay a “fair share” of taxes in the countries in which they do business and eventually coalesced into the base erosion and profit shifting (BEPS) initiative led by the G20 and the Organisation for Economic Co-operation and Development (OECD).

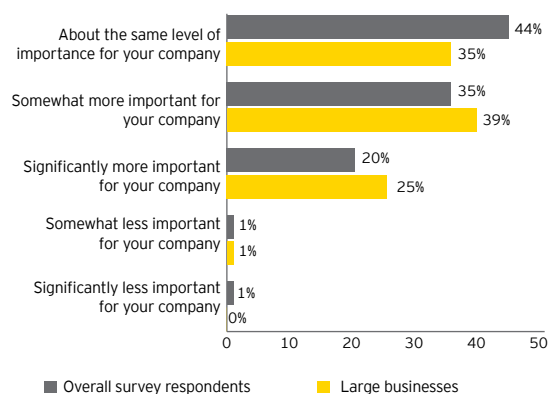
The 15-point BEPS Action Plan recommended changes to long-standing definitions, rules and practices, new reporting and compliance requirements and greater cooperation among tax authorities. Simultaneously, tax administration and enforcement became more assertive, in part due to revenue pressures related to the global financial crisis. Both developments have fundamentally changed the tax authority-taxpayer dynamic and prompted many businesses to rethink how tax decisions will affect their reputation, brand and communications with internal and external stakeholders.

In this new world order, it is critical that businesses have a cohesive approach to tax risk and controversy management. The BEPS initiative has given tax authorities new tools to combat perceived abusive tax structures and emboldened them to be more aggressive in challenging tax positions. As governments continue to implement the BEPS Action items at varying speeds (and in sometimes inconsistent ways), and with tax authorities developing more sophisticated ways to obtain taxpayer data and enforce tax compliance, the international tax climate is likely to remain volatile for at least the next several years. This, in turn, means that businesses should expect to see more audits, more tax controversies and a higher possibility of double taxation.

Given this more-encompassing tax environment, it is evident that businesses are, in general, taking a more proactive approach to managing tax risk and controversy and are implementing more robust tax compliance

processes, according to the 901 tax and finance executives in 69 jurisdictions who participated in the EY 2017 Tax Risk and Controversy Survey. More than half (55%) of all survey respondents said that tax controversy management has become somewhat or significantly more important for their business in the past two years. Among large businesses (i.e., global businesses with more than US\$3 billion in annual revenues), that number jumps to 64%.

## In the past two years, has tax controversy management become:



“Tax risk has become a primary concern for the C-suite and for boards,” says Rob Hanson, EY Global Leader for Tax Controversy at Ernst & Young LLP. “There is more interest than ever in preventing disputes, containing the ones that do arise and resolving issues quickly.”

In the first two reports of the 2017 EY Tax Risk and Controversy Survey Series, we used light as an analogy to describe the current environment. The first report, which provided an overview of survey highlights, asserted that businesses were “stepping into the light.” Our second report, which focused on how businesses were responding to the BEPS initiative, said that businesses were coming “out of the dark.” To continue the light analogy for this third report, which explores emerging trends in tax controversy management, one could say that businesses are taking steps to dim the glare of intense scrutiny.



# Navigating a changing landscape



“The Mexican tax authority has adopted very aggressive interpretations of the law, which allows it to threaten taxpayers with huge tax assessments.”

– Enrique Ramírez

*Tax Litigation Leader at Mancera, S.C., the EY member firm in Mexico*

In a post-BEPS world, businesses must confront a constantly evolving – and sometimes hostile – tax climate. As governments continue to implement the BEPS recommendations, changes to local laws and regulations are being proposed or enacted around the world almost daily. The steady stream of legislative and administrative changes is putting pressure on businesses to not only have effective protocols in place to monitor ongoing developments in their countries of operation, but to also have the right people, processes and systems to implement new government requirements and account for any differences in local laws and regulations.

The explosion of reporting and disclosure measures enacted in the last several years is also exposing businesses to new operational and reputation risks, as they must consider both the practical challenges of gathering and reporting the necessary data as well as the possibility that their tax information could be disclosed to the wider public – whether through illegal leaks, voluntary public disclosure initiatives adopted by some countries (e.g., Australia’s Tax Transparency Code) or mandatory public country-by-country reporting mechanisms that are being considered by some policymakers (such as in the European Union).

Tax authorities’ increasing use of digital methods to collect and analyze taxpayer data is creating further challenges. Businesses are increasingly being asked to electronically submit a variety of data, such as client invoices, statements of accounts, customs declarations, vendor invoices and bank records, in formats specified by the government and on an accelerated schedule (often in real or near-real time). In some cases, the formats in which these data are submitted may differ from how businesses track and collect the data themselves. Tax authorities are then using real-time or near real-time data analytics engines to find any discrepancies and compare data across jurisdictions and taxpayers, and making tax and audit assessments based on these analyses. The volume of requests and short response time for compliance means that businesses need sophisticated data management and analytic capabilities that at least meet those used by tax authorities.

Perhaps the biggest source of risk and uncertainty facing businesses is the increasingly aggressive enforcement approach being taken by tax administrations. Some tax authorities are making greater use of formal powers to gather evidence at the audit stage, or are more aggressively pursuing litigation. Many are scrutinizing the details of corporate structures more heavily to build a permanent establishment (PE) case. Dawn tax raids are on the rise in some countries, such as Belgium, France, Germany, Italy and Spain.

The business tax climate has been particularly fraught in Mexico, which introduced anti-BEPS measures in its domestic law even before the OECD’s recommendations were finalized. “The BEPS initiative came at a time when public finances in Mexico were very weak, and the Mexican oil and gas price crisis was beginning,” says Enrique Ramírez, Tax Litigation Leader at Mancera, S.C., the EY member firm in Mexico. “This created a perfect storm around BEPS and marked the start of an aggressive campaign by Mexico against multinational companies. As a consequence, the Mexican tax authority has adopted very aggressive interpretations of the law, which allows it to threaten taxpayers with huge tax assessments.”

Businesses in Mexico face further challenges when trying to resolve tax disputes, Ramírez added. Taxpayers that want to litigate must post a bond as warranty for the tax assessment during the court proceedings, a requirement that can make going to court prohibitively expensive for some taxpayers. “In some cases, it’s more cost-effective to settle with the tax authority,” Ramírez said.

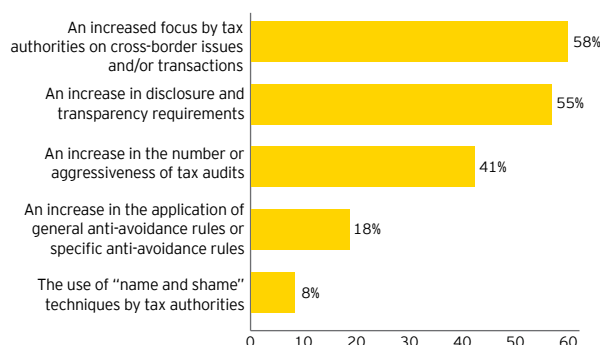
In addition to the uncertainty over what constitutes “acceptable” tax planning in a post-BEPS world, businesses are concerned that past tax structures will come under new scrutiny. “We are seeing consistent global trends in tax administration, and especially so in Europe,” says Mat Mealey, EY EMEA International Tax Services Leader at Ernst & Young LLP. “These include much greater demands for information, much less trust in information provided by taxpayers without further audit and validation, and much greater sense of entitlement from tax administrations for non-territorial information and broader business background to assess business purpose.”

“These administrative changes are being applied to transactions implemented five or more years ago and under audit now,” Mealey continued. “As such, the effective impact of more aggressive tax administration is retrospective. A very visible example of that are the EU state aid investigations, with 10-year retrospective liabilities arising on tax rulings that might have been considered routine and secure at the time they were granted.”

Along with ramped-up enforcement efforts, the emerging trend of imposing corporate criminal liability, such as the United Kingdom’s new strict liability criminal offense of failing to prevent the facilitation of tax evasion by employees and other associated persons, makes it more critical than ever that businesses have robust risk management controls in place and that all internal stakeholders – from the board on down – fully understand that tax is a financial and reputational issue.

Needless to say, businesses are feeling the heat in this tough enforcement climate. Fifty-eight percent of EY’s survey respondents said they have experienced an increased focus by tax authorities on cross-border issues and/or transactions in the last two years. Fifty-five percent said they have experienced an increase in disclosure and transparency requirements, and 41% said they have seen an increase in the number or aggressiveness of tax audits. Eighteen percent said they have experienced an increase in the application of general anti-avoidance rules or specific anti-avoidance rules.

**Have you experienced any of the following events in the last two years?**



Multiple responses allowed

# Ripple effects on the broader business



“For many companies, tax risk has a direct correlation to brand and reputation and would be up there with data protection as one of the things that keeps people awake at night.”

– Howard Adams  
EY Global Tax Controversy Desk Leader

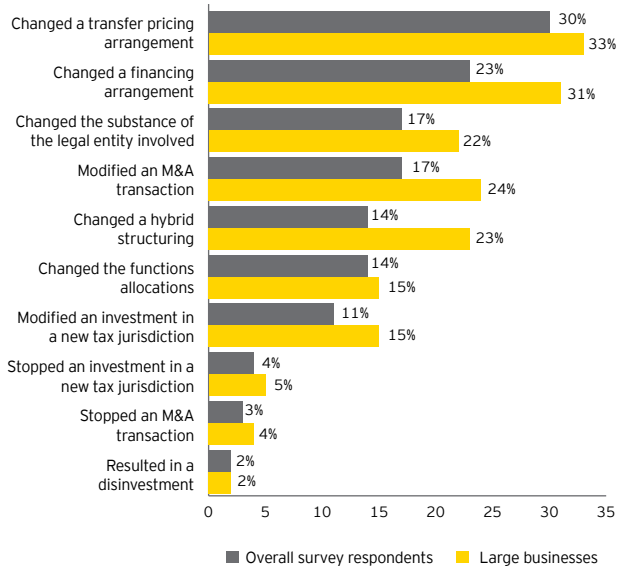
With so much on the line – from media scrutiny and “naming and shaming” (by official and unofficial means) to penalties, litigation and criminal liability – businesses can no longer afford to focus only on how tax decisions affect their bottom line. Indeed, tax strategy and corporate reputation are now considered by many to be inextricably linked. Businesses must consider not only whether their tax decisions will meet globally-agreed coherence and substance standards, but also be deemed “fair” and “acceptable” by multiple stakeholders, such as tax advocacy groups, the media and the general public.

“Tax risk is now considered to be one of the single biggest risks to be dealt with by boards,” says Howard Adams, EY Global Tax Controversy Desk Leader at Ernst & Young LLP. “For many companies, tax risk has a direct correlation to brand and reputation and would be up there with data protection as one of the things that keeps people awake at night.”

Our survey indicated that the heightened tax risk environment is having an impact on companies’ tax activities and broader business undertakings. Thirty percent of all respondents said they changed a transfer pricing arrangement because of tax risk. Another 23% said they changed a financing arrangement, 17% said they changed the substance of the legal entity involved, and another 17% said they modified an M&A transaction.

Among large businesses, 33% said they changed a transfer pricing arrangement; 31% changed a financing arrangement; 24% modified an M&A transaction; and 23% changed a hybrid structuring.

**Has tax risk impacted the nature or structure of a transaction you were contemplating in any of the following ways?**



Multiple responses allowed

“Now, when a company is contemplating setting up an entity in a new jurisdiction, they are considering the entire legal landscape – not just the tax rules,” says Charles Ménard, EY Tax Policy and Controversy Leader for France at Ernst & Young Société d’Avocats. “They’re reviewing the case law and administrative guidelines so that they can determine, for example, whether the entity will be considered a resident in that jurisdiction. Understanding all of the taxes and other rules and regulations to which an entity will be subject in a particular jurisdiction is a real concern for companies now.”

Businesses are reconfiguring their operating models to align with the new global tax mindset, says Mealey. “They’re now focusing more on locating profits with substance and taking advantage of tax rates,” he explained. “Whereas in the pre-BEPS world, it was much more about tax base mismatches and the legal attribution of profits, assets and risks. So it’s a complete redesign of operating models to have profits tracking the functional profile of the global business, rather than the assets and risks that are legally shared globally.”



“Now, when a company is contemplating setting up an entity in a new jurisdiction, they are considering the entire legal landscape – not just the tax rules.”

– Charles Ménard

EY Tax Policy and Controversy Leader for France

# Some businesses are becoming more cautious in their tax planning

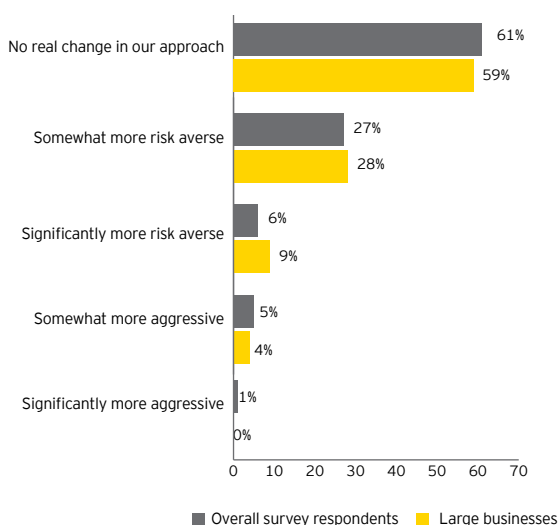
While proactive management of effective tax rates remains a key objective for many global businesses, minimizing tax risk and protecting business reputation has become an urgent priority in today's tax environment. "Businesses are now looking at a range of factors when evaluating approaches to tax planning," says Mealey.

He said that more taxpayers are asking all three of the following questions, rather than focusing only on the first:

1. Is an approach legally effective, and do the benefits outweigh the costs of execution and defense?
2. Is the proposal aligned with the intent and purpose of the legislation?
3. Could I justify the outcome in a public forum?

However, whether the heightened tax risk climate is prompting businesses to be more cautious in their tax planning seems to vary dramatically by country. A majority of survey respondents (61% of the overall survey population, and 59% of large businesses) said there has been no real change in their approach in the last two years. Just 33% of all respondents, and 37% of large businesses, said they've become somewhat or significantly more risk averse.

## In the past two years, has your company become more risk averse or more aggressive regarding tax planning?



When viewing the survey results by country, however, it appears that businesses are becoming more cautious in countries where the tax authorities may be viewed as aggressive in their enforcement approach. Higher than average results were reported by businesses based in the following countries:

- ▶ **China** – 60% said they've become somewhat more risk averse
- ▶ **Colombia** – 20% said they've become significantly more risk averse, and 50% said they've become somewhat more risk averse
- ▶ **Germany** – 22% said they've become significantly more risk averse, and 44% said they've become somewhat more risk averse
- ▶ **Italy** – 43% said they've become somewhat more risk averse
- ▶ **Malaysia** – 71% said they've become somewhat more risk averse
- ▶ **Mexico** – 23% said they've become significantly more risk averse, and 41% said they've become somewhat more risk averse
- ▶ **New Zealand** – 56% said they've become somewhat more risk averse
- ▶ **Singapore** – 17% said they've become significantly more risk averse, and 50% said they've become somewhat more risk averse
- ▶ **South Africa** – 33% said they've become significantly more risk averse, and 50% said they've become somewhat more risk averse
- ▶ **Spain** – 25% said they've become significantly more risk averse, and 42% said they've become somewhat more risk averse
- ▶ **United Kingdom** – 36% said they've become somewhat more risk averse



“There’s no doubt that companies are becoming more aware of tax controversy risk and that at least some of them are becoming more conservative, largely for reasons of reputation and brand,” says Adams. “Tax planning is still an important part of any tax function, but understanding pre-controversy risk management is critical to its success. So is staying ahead of tax policy so that one can anticipate legislative change, such as the diverted profits tax introduced in the UK and Australia.”

Whether businesses in a particular jurisdiction are becoming more cautious can be heavily influenced by the nature of the tax avoidance debate in that country, says Mealey, who cited the United States as a prime example. Sixty-four percent of US-based businesses said there’s been no real change in their approach to tax planning in the past two years, which is slightly higher than the 61% of the overall survey population who said so. Fewer US-based businesses said they’ve become more risk averse (21% said they’ve become somewhat more risk averse, and 3% said they’ve become significantly more risk averse, compared to the 27% and 6%, respectively, of the overall survey population who said so). The numbers on aggressiveness were higher for US-based businesses: 11% said they’ve become somewhat more aggressive, and 2% said they’ve become significantly more aggressive (compared to the 5% and 1%, respectively, of the overall survey population who said so).

“US multinationals have been among the most heavily impacted by the BEPS initiative, so logically they should become more risk averse, but I don’t think they are on average,” says Mealey. “I think it’s partly because the US is ahead of other countries on the political and reputational aspects of the avoidance debate. There have been various Congressional hearings on corporate tax planning and transparency initiatives like FIN 48, the Dodd-Frank Act and FATCA. So for US multinationals, BEPS is like a 10-year old story, rather than something new, and I think the response has already been absorbed into US corporate behavior.”



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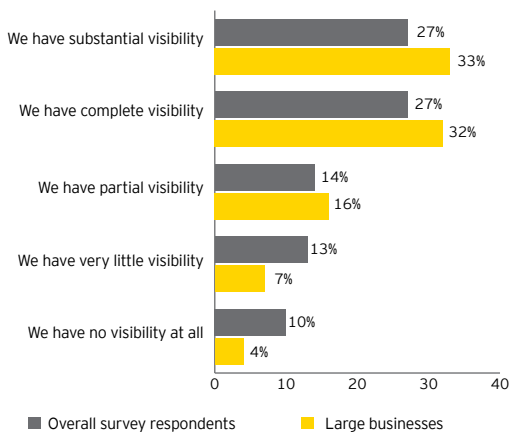
– Mat Mealey

*EY EMEIA International Tax Services Leader*

# Businesses are strategically addressing risk

EY's survey results indicate that businesses are putting in place various processes and tools to manage their tax risks. More than two-thirds of all respondents (68%) said they have complete, substantial or partial visibility over active tax disputes (including open audits) around the world. Among large businesses, that figure jumps to 81%.

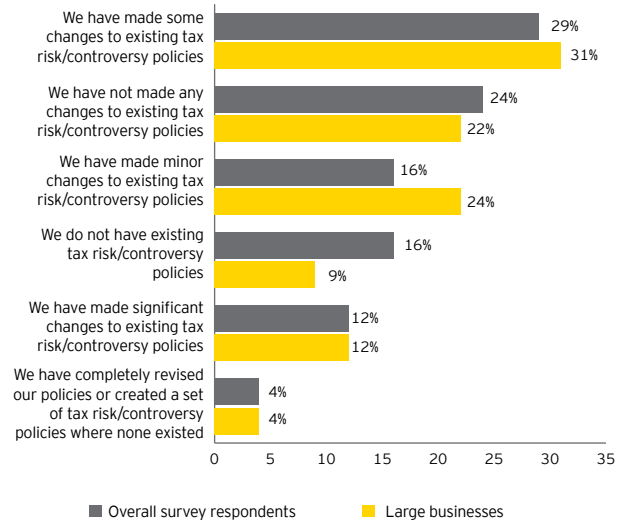
## What level of visibility does your company have over active tax disputes (including open tax audits) globally?



French-based businesses reported the highest levels of visibility, with 100% of them saying they have complete, substantial or partial visibility. South Africa-based businesses reported the second-highest levels of visibility (84% said they have complete, substantial or partial visibility), followed by businesses based in Singapore and the United Kingdom (83%), Belgium-based businesses (82%) and US-based businesses (81%). Czech Republic-based businesses reported the lowest levels of visibility – only 20% said they have substantial visibility, and 40% said they have no visibility at all.

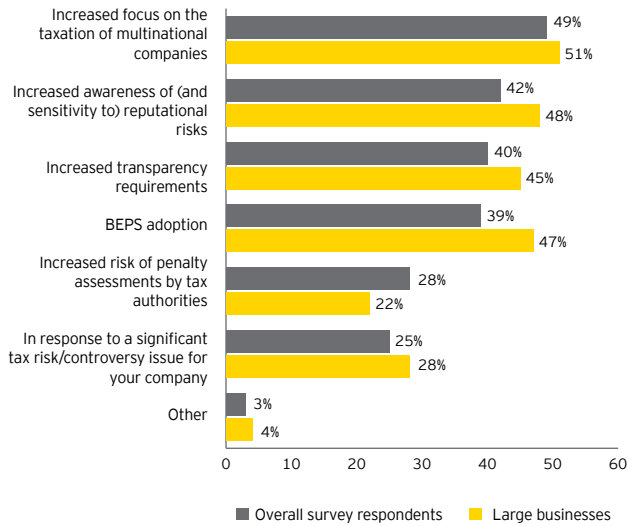
Fifty-seven percent of all respondents said they have made changes (some, minor or significant) to their tax controversy policies over the past two years, while 4% said they have completely revised their policies or created a set of policies where none previously existed.

## To what extent has your company changed your tax controversy policies over the past two years?



As for the reasons behind making those changes, the increased focus on the taxation of MNCs was the most-selected response (at 49%), followed by an increased awareness of, and sensitivity to, reputational risks (42%) and increased transparency requirements (40%).

**What were the causes of the changes made to your tax controversy policies?**



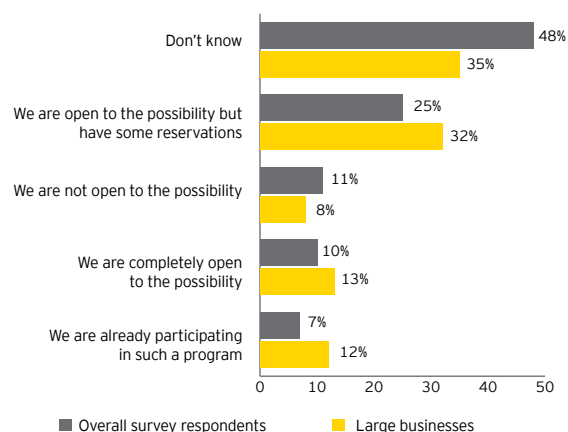
Asked if their tax profile has changed in the last two years, 21% of survey respondents said they have changed the way in which they communicate with either their company management or their company staff as a result of the current debate on tax. Fourteen percent said they have developed a more structured approach to managing their public tax profile, while 13% said the current global focus on the taxation of MNCs has motivated them to review their relationships with key relevant tax authorities. Another 10% said they have changed the way in which they communicate tax information to external stakeholders such as the investment community.

# Businesses have reservations about cooperative compliance

The rapidly evolving legislative and regulatory landscape, increasing demands for data and aggressive enforcement efforts have no doubt increased (and will increase, for the foreseeable future) the number of tax disputes, which in turn has put more pressure on both taxpayers and tax authorities to find better ways of preventing controversy and, if it cannot be avoided, developing more effective and efficient dispute resolution mechanisms.

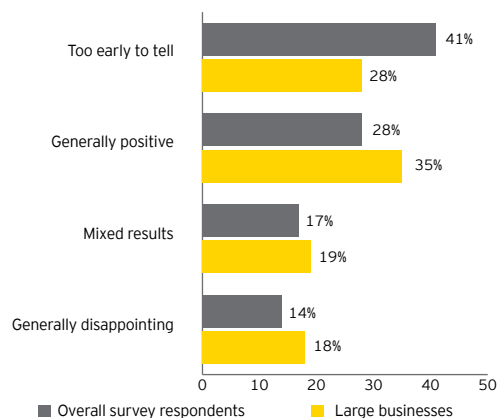
In recent years, the OECD has touted cooperative compliance programs as an effective way to build trust and transparency between tax administrations and businesses. However, our survey results suggest that businesses, in general, have some reservations about forging more “open” relationships with tax authorities, although attitudes can vary by country. There was a relatively lukewarm response to the question of how businesses regard the possibility of entering into a cooperative compliance agreement (such as the Dutch Horizontal Monitoring program) with one or more tax administrations. Among large businesses (to whom such programs generally are targeted), 32 percent said they are open to the possibility but have some reservations, while only 13 percent said they are completely open to the possibility.

## What is your company's perception regarding the possibility of entering into a cooperative compliance agreement (such as the Dutch “Horizontal Monitoring” program) with one or more tax administrations?



Of the large businesses that have pursued such relationships, 35 percent said they have had a generally positive experience. Twenty-eight percent said it's too early to tell, 19 percent said they have had mixed results and 18 percent said their experience has generally been disappointing.

## If your business has pursued a cooperative compliance relationship, what has your experience been to date?



Not surprisingly, businesses based in the Netherlands, one of the pioneers in the area of cooperative compliance, expressed the highest level of enthusiasm for such programs. Eighty-three percent of Netherlands-based businesses said they are already participating in a cooperative compliance program; 8 percent said they are open to the possibility but have some reservations; and 8 percent said they are not open to the possibility. Of the Netherlands-based businesses that are participating in a program, 82 percent said they have had a generally positive experience, with 18 percent saying they've had mixed results.



In some countries that have introduced cooperative compliance programs, uptake has been low because of a lack of trust between the tax administration and business taxpayers. France, for example, introduced a *relation de confiance* (enhanced relationship) pilot program in 2013, but to date only 30 companies have participated, says Ménard. “The Minister of Economy expressed a real will to improve the relationship between the tax authority and companies, but in reality the tax authorities have been taking very aggressive positions during audits. So, companies in France don’t have a lot of trust in the tax authorities and are reluctant to participate in a cooperative compliance program.”

Likewise, Italy introduced a cooperative compliance regime in 2016, but so far it hasn’t attracted much enthusiasm among Italian businesses, says Maria Antonietta Biscozzi, EY Tax Controversy Leader for Italy at Studio Legale Tributario, the EY member firm in Italy. “On the one side, the program requires a lot of cost and resources,” said Biscozzi. “And on the other side, the companies need more time to increase their trust in the tax authorities, given the very aggressive approach taken by them over the years.”

She noted that the central tax authority has shown more openness in improving the tax authority-taxpayer relationship and has called for a “change in direction,” while the local tax departments, which are under pressure to reach monetary targets, are less flexible. “The success of the program requires good-faith efforts from all parties,” Biscozzi said. “However, I do expect an improvement in the near future.”

China’s central tax authority, the State Administration of Taxation (SAT), has signed compliance agreements with four group enterprises since 2012, according to SAT news releases (a limited number of compliance agreements have also been signed by taxpayers and the tax bureau at the provincial or municipal levels). “However, taxpayers in China are still trying to understand the practical issues relating to this,” says Lawrence Cheung, EY Tax Controversy Leader for China at Ernst & Young (China) Advisory Limited Shenzhen Branch Office.



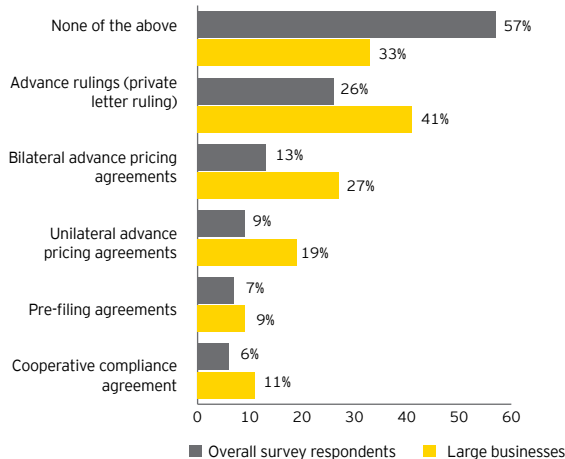
“The success of [Italy’s cooperative compliance] program requires good-faith efforts from all parties. I do expect an improvement in the near future.”

– Maria Antonietta Biscozzi  
EY Tax Controversy Leader for Italy

# Use of APAs and MAP remained steady

Despite the surge in tax audits and cross-border disputes, the use of advance pricing agreements (APAs) and mutual agreement procedures (MAP) did not change dramatically in the last two years. Given the time and costs involved in obtaining an APA, it's not surprising that only a relatively small percentage of survey respondents used bilateral or unilateral APAs, and that advance rulings (which are less costly and quicker to obtain) were more frequently used.

## Over the past two years, which of the following pre-filing tools has your company used?



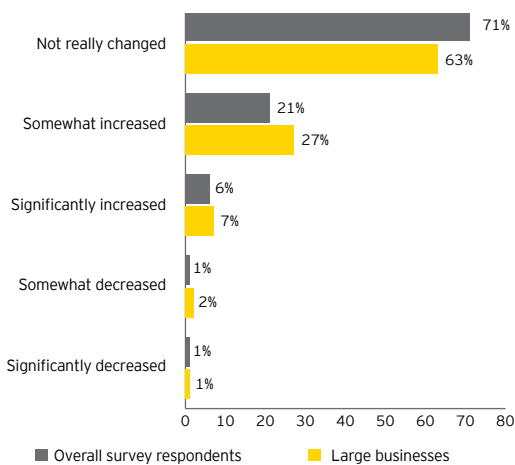
Multiple responses allowed

However, as tax authorities have increased enforcement of transfer pricing issues, and with transfer pricing disputes expected to rise as a result of BEPS-related changes to transfer pricing rules, there will likely be a steady increase in demand for APAs in the coming years, says Mealey. "Because they are costly and time-consuming to obtain, in the past it was generally only very risk-averse taxpayers or those with a lot of complexity in their transfer pricing model who opted for an APA," he explained.

With transfer pricing and related issues such as PEs coming under increasingly intense scrutiny, however, APAs will likely become a more desirable option for mitigating tax controversy. "I think APAs will still be a minority sport, but the size of the minority is bound to go up. The economic choice between going for an APA or not will likely become a bit more powerful in favor of an APA, so I think we'll see an uptick in APAs," said Mealey.

As with APAs, the survey results showed no dramatic changes in the use of MAP. Among large businesses (who are more likely to use MAP), 63% said their use of MAP has not really changed in the past two years; 27% said it has somewhat increased; 7% said it significantly increased; 2% said it somewhat decreased; and 1% said it significantly decreased.

**In the past two years, how has your use of mutual agreement procedures (MAP) changed?\***



\*Results were recalculated after excluding "Not applicable to my business" responses

Any changes in the use of MAP likely won't happen for another couple of years. Many of the Action 14 recommendations for improving MAP are embedded within the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI); the first modifications to bilateral tax treaties as a result of the MLI aren't expected to take effect until 2018 at the earliest.

"The economic choice between going for an APA or not will likely become a bit more powerful in favor of an APA, so I think we'll see an uptick in APAs."

– Mat Mealey

EY EMEA International Tax Services Leader



# Action steps

In today's uncertain and unsettled tax environment, businesses need to take steps to prevent controversy while at the same time be prepared to manage and resolve disputes that do inevitably arise.

## 1 | Prevent tax controversy

Stop controversy before it occurs with top-down governance, systems and processes that enhance monitoring and compliance. An effective tax risk operating model should enable businesses to identify the tax risks in all of the jurisdictions in which they operate. To maintain global consistency, businesses should have in place a documented tax strategy setting out the business's approach to compliance, planning and interactions with tax administrations.

In light of the BEPS reforms and tax authorities' increased enforcement efforts, businesses should revisit their transfer pricing documentation and defense files, as well as reevaluate tax provisions to reflect retroactive risks that might arise from aggressive inquiries and the dynamic approach taken by most countries to interpreting the BEPS amendments to the OECD Transfer Pricing Guidelines. Businesses with complex and/or high-risk transfer pricing models may want to consider making greater use of bilateral or multilateral APAs to reduce future risks and controversies. Businesses with inherent PE risk should consider an operating model redesign.





## 2 | Manage tax controversy

Businesses should have tools and processes in place that allow them to manage ongoing and potential tax controversies at a global, strategic level. Implementing a global compliance and reporting framework can help businesses track and manage controversy by providing a multi-jurisdictional overview of controversy in a centralized repository. To increase oversight, businesses should consider adopting a tax corporate governance framework, which formally documents a business's policies and procedures and provides for an overview of tax risks by senior management and/or the board.

Information is at the heart of tax controversy management. The head of tax can't be expected to know the unknown, and the best way to get ahead of nasty surprises is to have an understanding of the issues as they emerge, and then have a plan as to how they are dealt with and whose responsibility it is to handle them. Good governance at the planning stage will lead to fewer controversies, and mapping all controversies will minimize balance sheet impact.

## 3 | Resolve tax controversy

Businesses should develop a plan that sets out the circumstances under which disputes will be resolved, litigated or otherwise handled, which will help allow for faster resolution so businesses can resume focus on their core mission. Businesses should evaluate the pros and cons of various dispute resolution mechanisms (appeals, mediation, arbitration, litigation and MAP) and strive to build better relationships with tax authorities.

# Conclusion

Corporate taxation has been under an intense and sustained public relations spotlight for the last several years, and our survey shows businesses are responding accordingly to dim the glare. Rapid advances in technology and unprecedented leaps in multilateral cooperation among tax authorities have fundamentally and permanently altered the rules of engagement. Where controversy once arose months, if not years, after the filing of a tax return, we are rocketing toward a future where tax returns themselves will cease to exist and controversy will erupt in real-time.

This presents a massive challenge to businesses. The best approach is to prevent controversy in the first place by tracking and ensuring compliance with the myriad (and ever-changing) tax laws in all countries of operation. However, it is inevitable that some disputes will arise, so having processes in place to contain and efficiently resolve them will be critical. In this new tax risk environment, being proactive is the best defense for businesses that seek to limit uncertainty and minimize the potential for significant controversy.

## Survey methodology

The survey was conducted between January 2017 and February 2017. The survey was distributed via email and conducted using an online tool in English, Spanish, Chinese and Japanese; 90% of respondents chose to complete the survey in English. Routine reminders were sent out to respondents who had not completed the survey. Once an adequate number of responses had been recorded, the survey was closed. Any survey with two-thirds or more of the questions answered was considered complete for analysis purposes. The respondents included 901 tax and finance executives representing more than 17 industry sectors in 69 countries. Figures contained in the report may not add to 100% due to rounding, non-reporting of "don't know" responses and no responses. Questions with fewer than five respondents are not reported in the interest of data confidentiality.

## Tax Risk and Controversy Survey Series



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EYG no. 05271-173GBL  
1704-2272764  
ED None

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