

Deloitte study: multinationals expect higher tax burden as a result of the OECD reform, the European directives on taxation and the high government deficits recorded during the pandemic



Almost half of comp<mark>an</mark>ies worldwide (47%) expect a significant increase in their group's global effective tax rate, as a result of the implementation of the two-pillar global tax reform coordinated by the Organization for Economic Co-operation and Development (OECD), while a similar proportion (50%) anticipate higher taxes in their ultimate parent company's jurisdiction, due to increased government debt accumulated during the COVID-19 pandemic, according to the *Deloitte 2022 Global tax Survey: Beyond BEPS* (Base Erosion and Profit Shifting). In addition, 90% of companies estimate that more tax disputes may arise out of increased government deficits recorded in recent years.

Regarding the regulations proposed by the OECD, 59% of companies estimate that a significant number of countries will implement them by 2024. In these circumstances, 55% are confident that they have readily available tax and accounting data necessary to comply with the provisions of Pillar II (global minimum corporate tax). But in the case of Pillar I, consisting of fairer distribution of taxing rights and profits among the countries where they are obtained, only 25% expect the United States Senate to approve the required legislation by 2023.

On the other hand, 80% of companies do not think that the European Union tax directives (DAC6, ATAD3, Country by Country Reporting etc.) will succeed to simplify tax compliance obligations across the EU, mainly due to the increasing number of rules, requirements and reporting deadlines (60%).

"The implementation of the OECD tax rules is still uncertain, due to the United States' indecision on Pillar I, which aims mainly to tax the big tech giants. A possible deadlock related to this pillar could compromise the entire agreement, signed in 2021, and could reopen the discussion on the unilateral application of the digital tax by the signatory states. On the other hand, at European level, tax legislation is becoming more complex, and reporting requirements involve bigger data sets, so large companies need to invest significantly in technology-based tax compliance solutions. All these changes are aimed at increasing tax transparency inside each jurisdiction, but also in cross-border transactions. The multinationals operating in Romania are subject to European legislation's provisions, but they must also consider the OECD recommendations, which could be transposed in the national legislation, given that our country is in the process of joining this organization and is also a signatory state of the international tax reform agreement," said Dan Badin, Tax Partner, Deloitte Romania.

According to the study, almost 40% of the companies claim that, during the last year, the tax authorities in their ultimate parent's jurisdiction have become more rigorous in tax examinations, and half (48%) said that their group had experienced instances of double taxation, as a result of uncoordinated unilateral tax law changes in contrast to



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coordinated international approaches.

Since 2014, Deloitte has been conducting the <u>Global BEPS Survey</u> annually among tax managers and CFOs, in order to analyze the impact of the international tax reform implementation on companies worldwide. Now at its ninth edition, the study involved more than 160 global tax leaders in 21 countries.