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Deloitte organisation

Deloitte is a global organisation of professional service firms. It operates through separate member firms in over 150 countries and jurisdictions. Each member firm is independent and is owned by its partners

Each member firm provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates.

I am a partner of Deloitte's UK member firm and I lead its Tax Policy Group. I am also vice-president of the Chartered Institute of Taxation, which is the lead UK professional body concerned with taxation.

I have represented Deloitte before the UK Parliament and also at the OECD.

Regulation, professional standards, ethical standards, Deloitte principles and our standards

The nature of professional standards and regulations varies by country – but all member firms are subject to both regulation and professional standards. As you know, anti- money laundering laws apply throughout Europe and in many other countries globally.

In the UK, Deloitte is subject to the professional and ethical standards of the Institute of Chartered Accountants in England and Wales (our main regulator), as well as those of the Institute of Chartered Accountants in Scotland and the Chartered Institute of Taxation – and other bodies. Seven UK professional bodies have for many years set specific common standards for tax work - Professional Conduct in Relation to Taxation This Code is updated regularly (the latest version was last week). There was an important update last year which gives greater guidance on tax planning and tax avoidance. There are sanctions for firms and individuals which breach those standards.

Additionally, Deloitte has its own standards and requirements of its partners and staff. These are set out in our internal practice guides, which are reviewed frequently. Again, each set of standards needs to be tailored to the laws and regulatory environment of each country. Our policies and standards are embedded in our internal training. We have a policy of internal review both within a member firm and also by asking other member firms to inspect the work and application of standards by their peers.

Deloitte UK has published Tax Advisory Principles to set out some high-level principles to inform wider stakeholders. These are drawn from the UK's practice guides. They are at: http://www2.deloitte.com/content/dam/Deloitte/uk/Documents/tax/uk-tax-tax-advisory-principles.pdf

The Tax Advisory Principles are embedded into everything we do. To put them into context, we have two main areas of tax work. First, we help our clients with their tax compliance. This is a major part of our business and includes the preparation of tax returns for thousands of individuals and companies; assisting clients with disputes with tax authorities and advising on tax reporting in financial statements.

We assist our clients in managing their tax affairs in an efficient and compliant manner. Given the complexity both of domestic legislation and cross border interaction, a large part of our business is:

1. Aimed simply at helping companies and individuals navigate that complex landscape, and,
2. Comply with its rules and reporting requirements in a timely and accurate way.

We also help clients through the complex tax consequences of transactions, restructuring and international expansion.

Tax agents such as Deloitte represent taxpayers before tax authorities. The Forum of Tax Administrators (some 40 Tax Commissioners from OECD and other countries) concluded in their Study into the Role of Tax Intermediaries that, as advisers, tax intermediaries play a vital role in all tax systems, helping taxpayers understand and comply with their tax obligations.

Tax Reform

Deloitte supports the G20/OECD Base Erosion and Profit Shifting project. We believe that it is necessary for governments to update some of the rules concerning international corporate taxation. Changes in areas such as technology, communications, the globalisation of business, the adoption by business of new commercial strategies – for example, centralisation, specialisation and outsourcing - to bring better and cheaper goods and services to their customers all mean that the framework put in place more than fifty years ago does not always lead to the intended outcome.

Deloitte UK has responded to all the consultations from the OECD. Our responses are on public record - the OECD publishes all responses to Discussion Drafts on its website. We seek to be constructive. We acknowledge clearly that there are cases of base erosion and our responses are aimed at helping the officials in the G20/OECD Working Parties get an understanding of business issues and areas they have not covered – so as to inform their final recommendations. We also participate in the Public Consultations and any other requests for information and comment. I have personally attended meetings on Hybrid Mismatches, Interest Deductions, Permanent Establishment and Controlled Foreign Companies. Colleagues who are transfer pricing specialists – from the UK, the US, Canada and France – have spoken at the meetings in those areas. Other colleagues from the US and Germany have attended.

Other Deloitte member firms have also responded to the Discussion Drafts. Deloitte US has put in a number of responses, as has our French tax firm, Taj, and Deloitte Australia. Other member firms have endorsed our responses.

We believe that it is very important to invest time on the BEPS project – as its changes will be significant and it is being undertaken at a very rapid pace. Countries naturally wish to reduce base erosion and non-taxation but they also have a common goal in seeking to avoid the economic cost of double taxation, which could limit economic growth. The Actions will lead to much more tax compliance, which itself has a cost both for business and for tax administrations – so it is important to look for efficiencies.

The changes to international taxation put forward to the G20 and OECD member countries will need their agreement and adoption into law. We expect that there will be many changes arising from the project and that they are likely to take effect from 2016. There are likely to be recommendations to:

- Limit interest deductions within multinational groups
- Change the approaches to transfer pricing – the legal requirement under which multinationals must charge for goods and services within the group – so that profits are more closely aligned with people.
- Reduce the threshold for recognising a taxable presence of a multinational in another country, which will take especial note of the new models of the digital economy

There are many other areas covered as well, including the exchange of rulings between tax authorities which for Europe will be part of the Directive proposed in March by Commissioner Moscovici. There will also be guidance on harmful tax competition between countries – but we continue to believe that countries – especially smaller economies - will wish to offer incentives to promote employment in their country. There is clear concern amongst some smaller countries that BEPS is being led by larger economies and, whilst there is support for eliminating artificial profit shifting, the promotion of people-based activities is vital.

We have held many conferences, seminars and webcasts for clients and others to inform them of the BEPS actions.

Business changes

There have been significant changes over the last few years in how European business approaches taxation. The Business & Industry Advisory Committee (BIAC) at the OECD, which represents business groups in the 34 OECD member countries, has published principles for business in relation to tax planning, tax reporting and dealing with developing countries.

Those principles note that *"international businesses contribute significantly to the global economy and pay a substantial amount of tax comprising not only corporation tax, but also labour taxes, social contributions and other taxes such as environmental levies and VAT."*

The principles also provide that *"International businesses should only engage in tax planning that is aligned with commercial and economic activity and does not lead to an abusive result."*

They recommend that business should *"Seek, where necessary, to increase public understanding in the tax system in order to build public trust in that system, and, to that end: -Where they determine such explanations would be helpful to building public trust in the tax system, they should consider how best to explain to the public their economic contribution and taxes paid in the jurisdictions in which they operate"*

We observe that many publicly-quoted multinationals in Europe follow these principles. Our last European survey of financial reporting noted an increase in detail given by companies of their tax position and it's clear that in the UK there is no appetite for any form of unacceptable tax planning. The UK operates a Tax Disclosure scheme, whereby a promoter of a tax avoidance scheme must give details immediately to the UK tax authority. Today, the hugely reduced level of tax planning means that just a handful of schemes are registered.

Finally, we also note that a number of multinationals indicate in their financial statements that the Actions from the BEPS project may well lead to increased taxation.

I should be happy to answer any questions.