

Tax Challenges of Globalization Foundation for International Taxation

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AUDIT • TAX • ADVISORY

The changing Tax environment

In the new world of tax:

- regulatory pressures and complexity will increase as will the accountability of corporates and directors
- accuracy on compliance will be increasingly important
- tax authorities will collaborate and move to global standards
- countries will compete more for international investment and tax income
- assets will be moved more around the world (by acquisition or tax efficient re-location)
- greater media and investor interest



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Tax competition between countries

“We also have to plan ahead to make sure that we have enough revenues, including from taxes. Direct taxes cannot go up.”

“Therefore we need to consider raising indirect taxes

“It will give us precious extra resources to implement social programmes

Source: Speech by Prime Minister Lee Hsien Loong, 13 November 2006

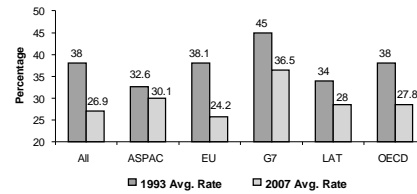
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Global corporate tax rates comparison by region

Corporate Tax Rates Comparison by Global Region



Notes for chart

- ASPAC: 2 countries in 1993, 19 in 2007
- EU: 15 countries in 1993, 27 in 2007
- LAT: First year was 2005, with 1 country; 19 in 2007
- OECD: 24 countries in 1993, 29 countries in 2007

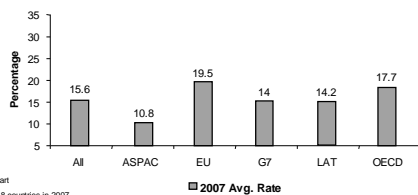
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Global Indirect tax rates comparison by region

VAT / GST Rates Comparison by Global Region



Notes for chart

- ASPAC: 18 countries in 2007
- EU: 27 countries in 2007
- G7: The US was left out of this calculation as no Federal Indirect Tax regime exists, sales taxes are imposed at the state level at various rates
- LAT: 16 countries in 2007
- OECD: 29 countries in 2007

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4 factors are combining to force companies to be more transparent around tax

Economic policy

- Strategic industries and taxpayers
- Tax as a competitive advantage
- Indirect vs. corporate profits tax

Focus of tax authorities

- Technology
- Collaboration cross-border:
 - JIT SIC
 - Forum for Tax Administration
 - Transfer pricing

Pressure for Transparency

Investor/media interest

- Investor interest in sustainability and competitiveness
- Citigroup reports 2005/2006
- Credit Suisse report on FIN 48

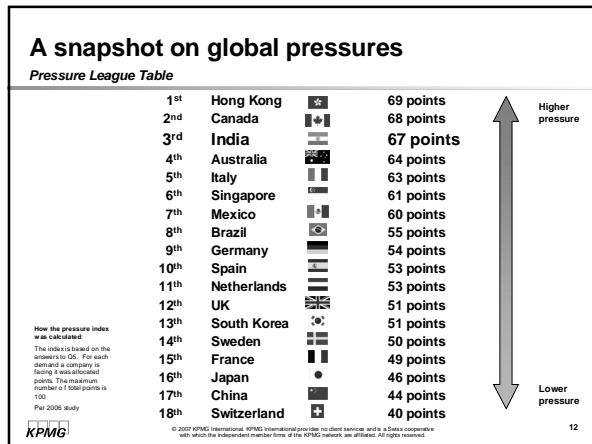
Regulatory pressures

- Sox-404
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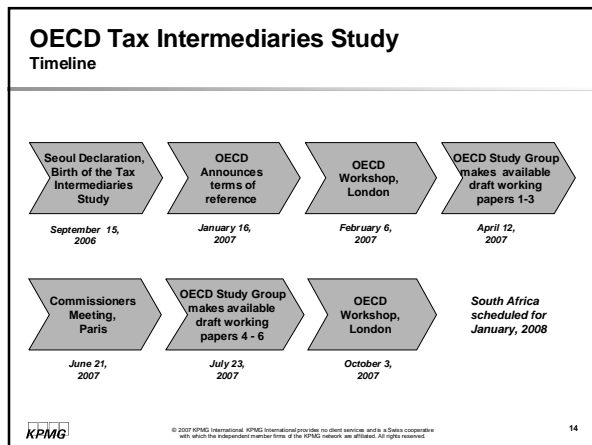
Pressures experienced by tax function

	EMA Switzerland	AMERICAS Mexico	ASPAC India
Increased documentation requirements	63%	65%	60%
Demand for higher level of accuracy	43%	55%	45%
Increased work as a result of regulatory compliance requirements	33%	70%	75%
Increased level of internal review	53%	65%	75%
Time compression in the financial reporting calendar	47%	55%	60%
Increased requirements for auditor independence	50%	60%	70%
Increased level of work for the quarterly corporate income tax provision calculations	23%	70%	70%

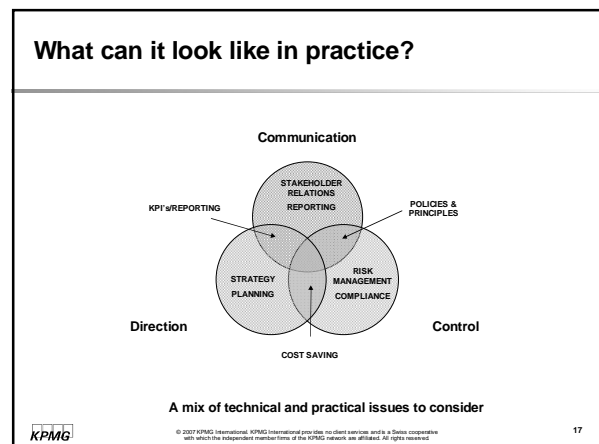
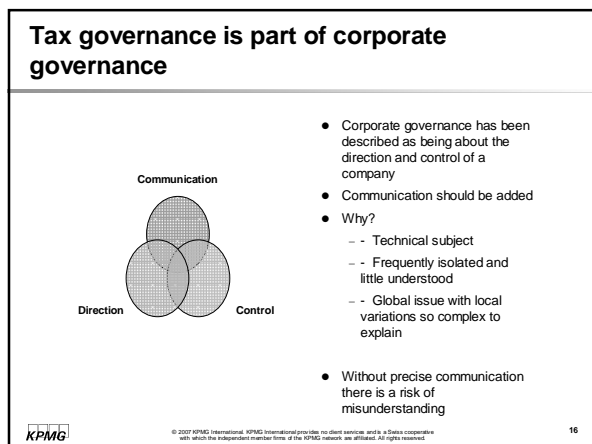
Q5. Which of the following have you experienced in the last 12 months (study conducted 2006 year end)? (MULTIPLE RESPONSE)

70%+ = red
50-69% = orange
Less than 50% = green

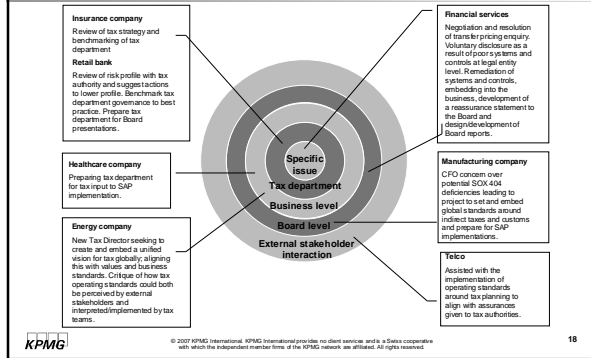
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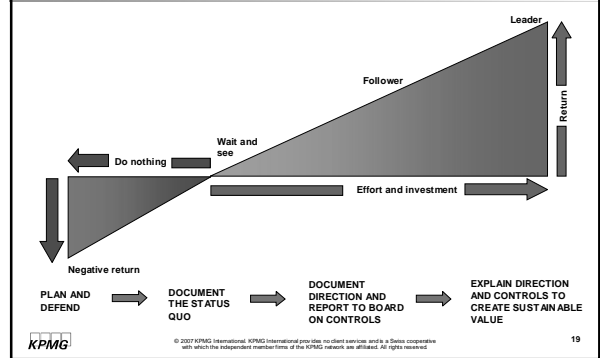
- ### OECD's Seoul Declaration Recommendations & Emerging Themes
- Initial Recommendations:
- Employing effective risk management techniques at the organisational and operational levels, sharing our assessments of risk with taxpayers.
 - Developing a whole government approach to dealing with the problems posed to law enforcement agencies in today's more open and global environment.
 - Encouraging top management and audit committees of large enterprises (e.g. CEOs and boards of directors) to take greater interest in, and responsibility for, their tax strategies.
- Emerging Themes:
- Focus on risk management
 - Strive towards enhanced relationships
 - Continued focus on boardroom accountability
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Some experiences with global companies- consistent theme of remediation



How are businesses reacting?



Questions...

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