



PRESS RELEASE

Tax Complexity Increases Worldwide

Researchers publish initial data from their 2020 Tax Complexity survey

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Researchers from TRR 266 "Accounting for Transparency" at Paderborn University and LMU Munich offered a first look at the data from their third worldwide survey on tax complexity, carried out in 2020. Once again the data confirms what the previous studies (2018 and 2016) showed: the general level of tax complexity has increased worldwide in the last two years.

The tax landscape has seen dynamic development in recent years, and multinational corporations are facing more and more tax-related changes. These changes can affect a country's tax complexity and can have wide-ranging consequences for location quality. Consequently, since 2016, researchers from TRR 266 "Accounting for Transparency" at Paderborn University and LMU Munich have been investigating the topic of tax complexity with regard to multinational corporations in the "Global MNC Tax Complexity Survey." Every two years, surveys are sent to local tax experts at international tax consulting companies and tax consulting networks in more than 100 countries. This data produces the "Tax Complexity Index."

The main finding of the latest study: In 58 of 110 countries, the general level of tax complexity for multinational corporations has increased over the last two years. "The rise in tax complexity is a trend that follows our previous survey (2018), since at that time the general complexity had also risen compared to 2016. Tax complexity is an important location factor," explains Professor Deborah Schanz, Chair of the Institute on Business Taxation at LMU Munich.

In addition, the 2020 data from the Tax Complexity survey also provides clear information about the most complex area of tax regulation: transfer pricing. This is primarily due to highly complex documentation requirements and ambiguities in the regulations. "Tax-related transfer prices will probably be characterized by enormous complexity in the future as well, even if the latest G7 resolutions on international company taxation are implemented," explains Professor Caren Sureth-Sloane, Professor of Business Administration specializing in Business Taxation at Paderborn University and spokesperson for the Collaborative Research Centre TRR 266 "Accounting for Transparency." "Significant uncertainties regarding the specific content of the new Pillar One rules on international profit distribution could further increase complexity in this area," says Sureth-Sloane.

Further results from the study show problems in other areas as well. For instance, quality defects appear to be the largest problem in enacting new tax laws. In addition, there is also a significant problem with objections to tax assessments: the unpredictable length of time between submitting the objection and receiving the corresponding decision. "There is often a very long wait, which creates uncertainty. The same is true for international

mutual agreement procedures, which makes them a less attractive tool for resolving disputes,” summarizes Deborah Schanz.

Tax Complexity Index

In order to present the results clearly and make them accessible for everyone, the researchers created the interactive website www.taxcomplexity.org. The new website shows data from 2016 and 2018 and allows users to track changes in tax complexity by country and over time. Before the 2020 results appear on the website, likely in September, they will once again be carefully validated. However, an overview is already available in the Executive Summary (https://www.accounting-for-transparency.de/wp-content/uploads/2021/06/trr266_global_mnc_tax_complexity_survey_2020.pdf).

Background information

The Collaborative Research Centre (CRC) “TRR 266 Accounting for Transparency” was established in July 2019 and is initially funded by the German Research Foundation (Deutsche Forschungsgemeinschaft, DFG) for four years. It is the first CRC with a business administration focus. The CRC includes around 80 researchers from eight different colleges and universities: Paderborn University (lead university), Humboldt University of Berlin, University of Mannheim, Ludwig-Maximilians University Munich, ESMT Berlin, Frankfurt School of Finance & Management, Goethe University Frankfurt, and WHU - Otto Beisheim School of Management. The researchers study how accounting and taxation affect firm and regulatory transparency and how regulation and transparency impact our economy and society.” The funding volume for the CRC is around 12 million euros.