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2020 Global MNC

Tax Complexity Survey

Executive Summary

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This report presents the first descriptive results of the 2020 Global MNC Tax Complexity Survey.

CONTENTS

FOREWORD

In this summary, we wish to provide an overview of the results of the third Global MNC Tax Complexity Survey, which deals with tax complexity as faced by multinational corporations (MNCs) in 2020.

Since our last survey in 2018, the dynamic tax landscape has remained in flux. On the OECD level, the blue–prints for both Pillar 1 and 2 have given an impression of the major tax changes yet to come. Simultaneously, some countries are still in the process of transforming the recommend–dations of the BEPS final reports from 2015 into national law.

Since we expect these dynamics to affect tax complexity, we decided to examine the OECD countries in more detail (pp. 19–23). For these countries, we present the major changes in tax complexity with a focus on tax audits from 2018 to 2020. We find a decrease in tax complexity with respect to several aspects of the audit process.

Further, to address the continuously growing impact of digitalization on tax systems worldwide, we have included a new analysis in this summary, evaluating the impact of digital technologies on legislative and administrative processes (p. 18).

Since the beginning of our Global MNC Tax Complexity Survey, we have been dedicated to the goals of open science, making our results publicly available via an interactive website (www.taxcomplexity.org). With the publication of this summary, we have relaunched the website with a new, comprehensive design. Besides en-abling users to compare countries and creating a customized Tax Com-plexity Index, the new website also allows for a comparison of countries' complexity over time.

We hope that you find the results of this summary interesting and useful. We highly appreciate your feedback and comments. Again, we would like to thank all respondents of the Global MNC Tax Complexity Survey, without whom this project would not be possible.

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KEY FINDINGS

WORLDWIDE 2020

INCREASE OF TAX COMPLEXITY

In 58 of 110 countries, tax complexity for MNCs has increased in the last two years.

TRANSFER PRICING: MOST COMPLEX TAX REGULATION

Among all tax regulations examined, regulations on transfer pricing are perceived as the most complex regulations of the tax code for MNCs in 69 of 110 countries.

LACK OF QUALITY: LARGEST PROBLEM IN TAX LAW ENACTMENT PROCESS

A lack of quality of tax legislation drafting is perceived as the largest problem in the tax law enactment process in 85 of 110 countries.

UNPREDICTABLE TIME PERIODS: LARGEST PROBLEM IN TAX APPEALS

Regarding both administrative and judicial tax appeals, the unpredictable time period until the resolution of an appeal is perceived as the most problematic aspect for MNCs in the majority of countries.

OECD COUNTRIES IN 2018 & 2020

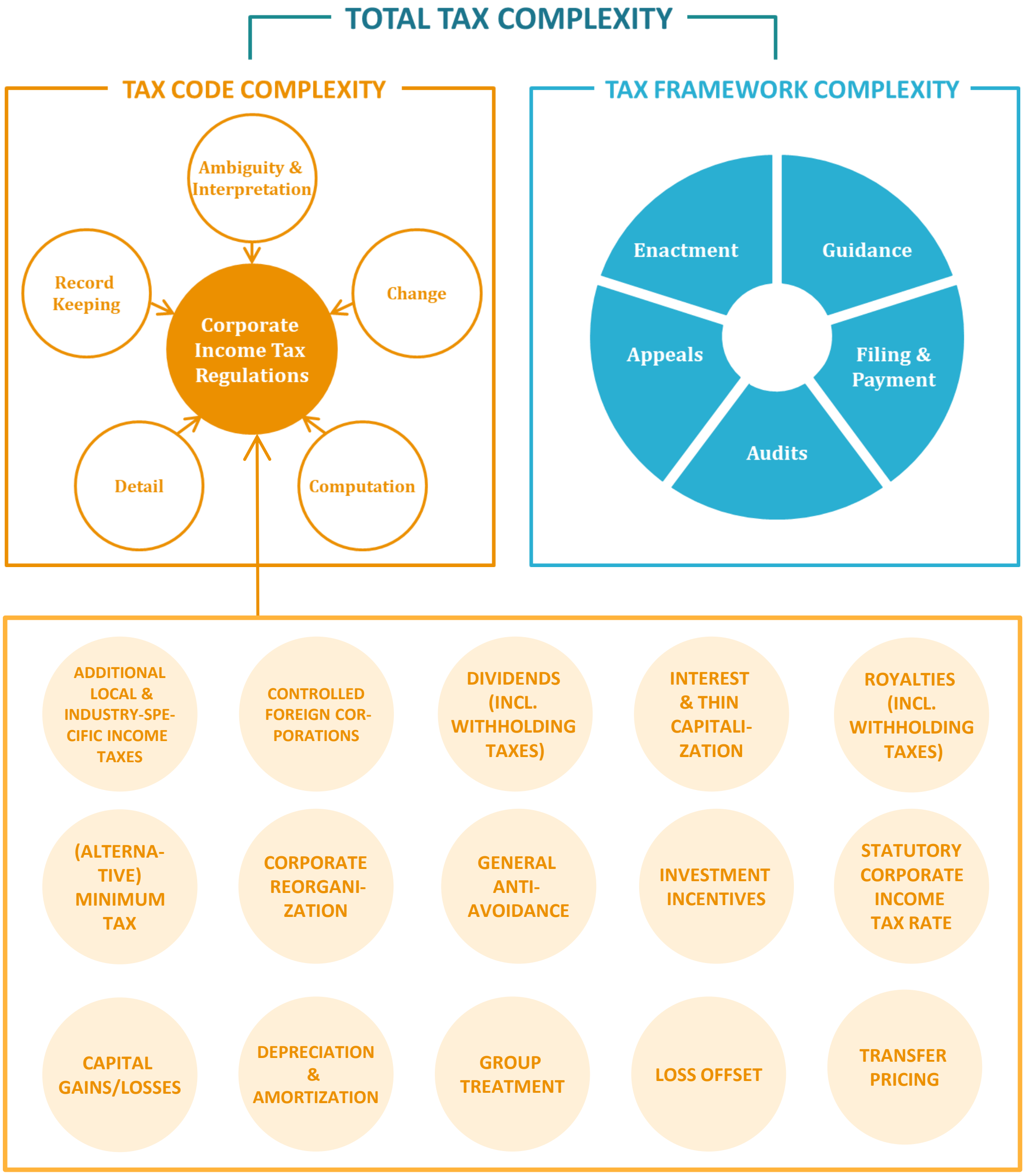
SEVERAL ASPECTS OF TAX AUDITS LESS COMPLEX

Compared to the last Global MNC Tax Complexity Survey, our results indicate that **several aspects of tax audits** in OECD countries became **less complex in 2020**. For instance, the lack of experience of tax officers or the communication of topics to be covered in an audit is perceived to be less problematic in OECD countries.

ABOUT THE SURVEY
BACKGROUND

We understand tax complexity to be a feature of the tax system that is characterized by two sub-constructs: On the one hand, tax code complexity describes the difficulty of reading, understanding and complying with tax regulations that are affected by five complexity drivers. Therefore, we identified 15 internationally comparable tax regulations serving as dimensions for tax code complexity.

On the other hand, tax framework complexity describes the complexity that arises from the legislative and administrative processes and features within a tax system and is measured in five dimensions.



ABOUT THE SURVEY
MOTIVATION & MISSION

Our motivation:

In recent years, MNCs have faced increasing levels of tax complexity, making it an important aspect to consider. We suppose this development is shaped by, among other things, multiple trends in global tax systems, each of them with potentially ambivalent effects on tax complexity.

CLOSING LOOPHOLES

In past years, governments have introduced numerous new regulations to close loopholes, e.g., through the implementation of the OECD's BEPS project. Criticism arises that this trend results in an overregulation of corporate tax law and increases complexity. Further, closing loopholes shifts the tax planning of MNCS, which leads to more complex audits and appeals.

GLOBAL TAX COMPETITION

In a world of increasingly fierce tax competition, more and more governments use tax incentives to attract investments. At the same time, countries improve their tax framework with easy-to-comply procedures and early certainty measures. This creates a tension between new, potentially complex regulations, efficient tax administrations and countries' overall economic competitiveness as locational factors for MNCs.

DIGITALIZATION

Digital technologies show a great potential to simplify tax systems and are increasingly used by tax authorities worldwide, e.g., through electronic tax filings. In contrast, digitalized business models, for example, through the lack of a "brick and mortar" permanent establishment, also present significant challenges to policymakers, potentially resulting in complex new regulations.

Our mission:

The Global MNC Tax Complexity Survey aims to...

... assess the levels of tax complexity across countries and regions.

... investigate the drivers of tax complexity.

... analyze the change of tax complexity over time.

ABOUT THE SURVEY

OVERVIEW

AIM

To collect information about the drivers of tax complexity across countries and over time

ASSESSMENT

Perceived tax complexity for MNCs considered tax resident in the respective countries

Corporate income tax system applicable in 2020

METHODOLOGY

Online survey of local tax consultants around the world who work with MNCs

Link to survey shared in 16 international tax services networks and firms

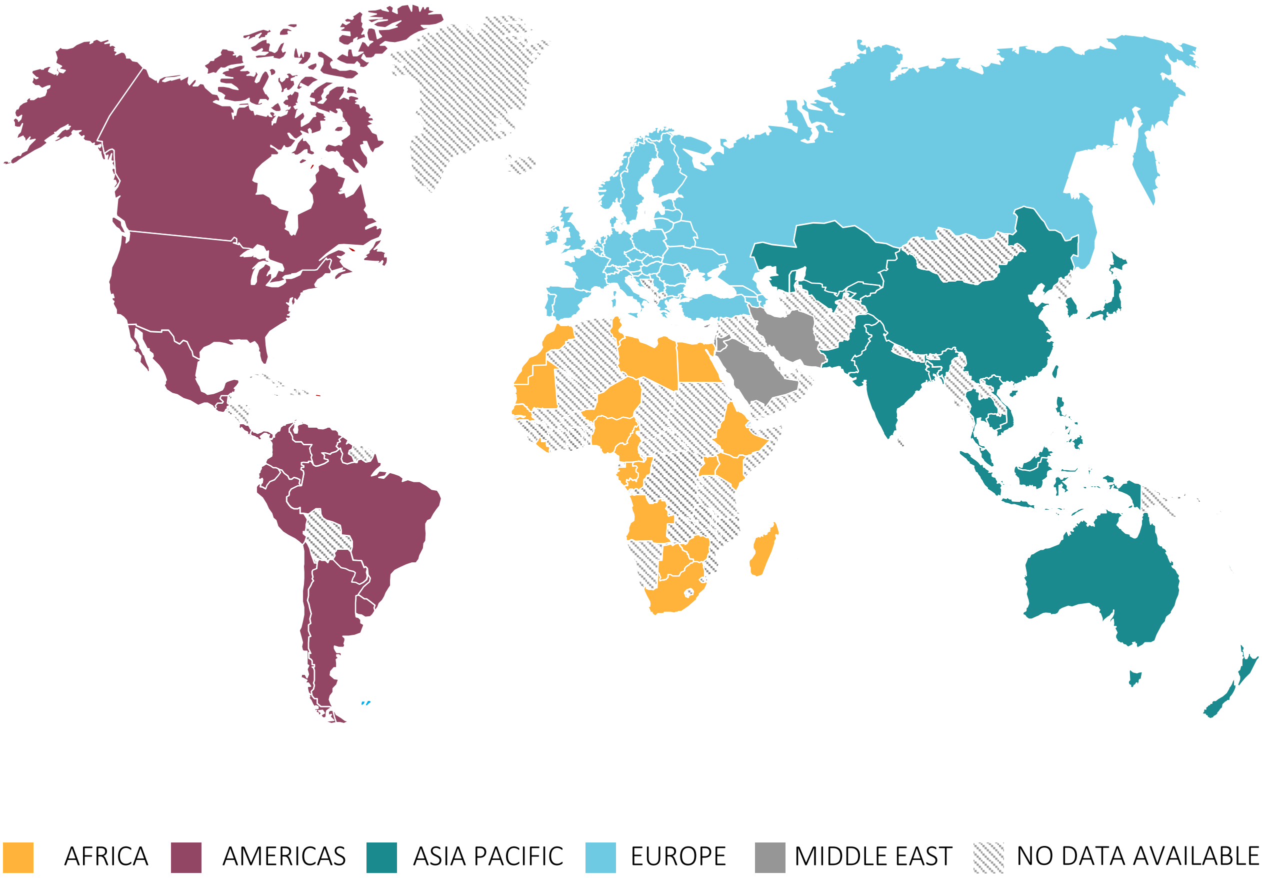
Individual responses aggregated at country level

RESPONDENTS

635 tax consultants from 110 countries

ABOUT THE SURVEY

COUNTRIES COVERED



The map presents all 110 countries for which we have received responses in our 2020 Global MNC Tax Complexity Survey. All subsequent analyses in this Executive Summary are based on these 110 countries. However, to construct our Tax Complexity Index, we only include countries with a minimum of three responses. The number of countries on our website (www.taxcomplexity.org) may therefore deviate from the ones shown above.

ABOUT THE SURVEY
COUNTRIES COVERED

Africa | 24 Countries | 39 Respondents					
Algeria	2	Ethiopia	1	Morocco	1
Angola	1	Gabon	1	Niger	1
Benin	1	Ivory Coast	1	Nigeria	1
Botswana	1	Kenya	3	Senegal	2
Burkina Faso	1	Liberia	1	South Africa	6
Cameroon	1	Madagascar	1	Tunisia	1
Rep. of the Congo	1	Mauritania	1	Uganda	3
Egypt	2	Mauritius	3	Zimbabwe	2

Americas | 22 Countries | 111 Respondents					
Antigua & Barbuda	2	Costa Rica	6	Paraguay	2
Argentina	4	Curacao	2	Peru	5
Aruba	1	Ecuador	4	Puerto Rico	6
Barbados	1	Guatemala	3	USA	25
Brazil	8	Guyana	1	Uruguay	5
Canada	8	Honduras	1	Venezuela	2
Chile	5	Mexico	14		
Colombia	5	Panama	1		

Asia Pacific | 20 Countries | 144 Respondents					
Australia	18	Japan	6	Philippines	5
Bangladesh	2	Kazakhstan	3	Singapore	9
Cambodia	3	Korea (South)	8	Taiwan	6
China	14	Kyrgyzstan	1	Thailand	3
Hong Kong	6	Malaysia	12	Uzbekistan	1
India	23	New Zealand	10	Vietnam	6
Indonesia	5	Pakistan	3		

Europe | 40 Countries | 334 Respondents					
Armenia	4	Germany	35	Portugal	9
Austria	11	Greece	6	Romania	12
Azerbaijan	1	Hungary	6	Russian Fed.	12
Belarus	4	Ireland	7	Serbia	2
Belgium	12	Italy	15	Slovakia	9
Bulgaria	4	Jersey	2	Slovenia	4
Croatia	4	Latvia	7	Spain	16
Cyprus	11	Lithuania	5	Sweden	5
Czech Republic	10	Luxembourg	13	Switzerland	15
Denmark	6	Malta	4	Turkey	5
Estonia	2	Netherlands	21	Ukraine	5
Finland	3	North Macedonia	1	UK	15
France	16	Norway	3		
Georgia	2	Poland	10		

Middle East | 4 Countries | 7 Respondents			
Iran	1	Qatar	1
Israel	3	Saudi Arabia	2

ABOUT THE SURVEY
RESPONDENT PROFILE

Our 2020 Global MNC Tax Complexity Survey relies on the expertise of 635 highly skilled tax con–sultants around the globe. The majority occupy leading positions in tax services firms, have worked in the field of taxation for at least a decade, and have a master's degree or higher. On average, the respondents spend more than 60% of their total working time on MNC tax issues.

Position		
Partner/Director/Principal	447	70.39%
Manager	128	20.16%
Senior assistant	42	6.61%
Junior assistant	9	1.42%
Other	8	1.26%
Not specified	1	0.16%

Tax Experience		
More than 15 years	408	64.25%
Between 10 years and 15 years	109	17.17%
Between 5 years and 10 years	80	12.60%
Less than 5 years	36	5.67%
Not specified	2	0.31%

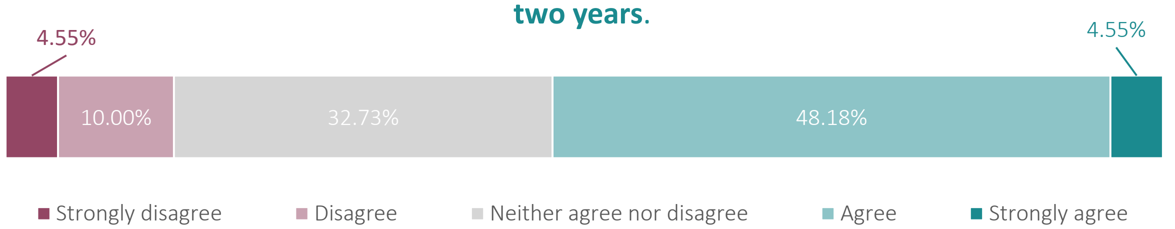
Level of education		
Doctoral level	94	14.80%
Master level	402	63.31%
Bachelor level	127	20.00%
Secondary level	3	0.47%
Other	8	1.26%
Not specified	1	0.16%

Gender		
Female	177	27.87%
Male	450	70.87%
Non-binary	1	0.16%
Not specified	7	1.10%

ROLE OF TAX COMPLEXITY

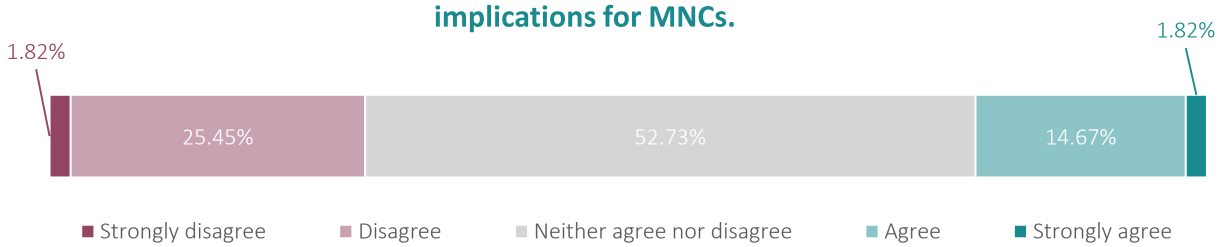
As a first step, participants had to evaluate the relevance of tax complexity in their country in the past, present, and future:

PAST: In my country, tax complexity has substantially increased in the last two years.



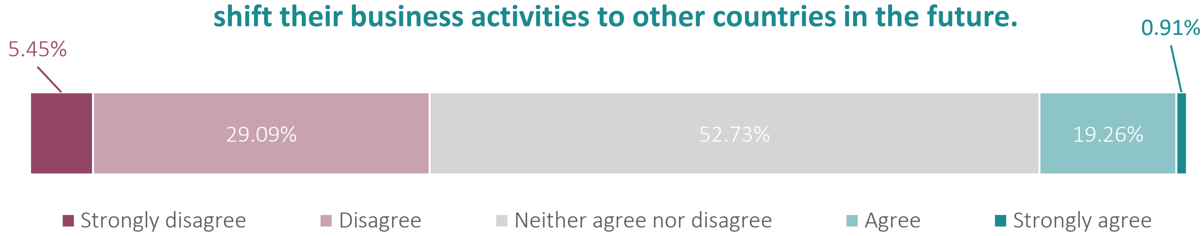
In more than half of the countries (52.73%), respondents, on average, indicate that tax complexity has substantially increased in the last two years. These results highlight the increasing prevalence of tax complexity in many countries.

PRESENT: In my country, tax complexity currently has only negative implications for MNCs.



On average, respondents in most countries are unable to determine distinctly negative implications of tax complexity for MNCs. This shows that tax complexity is not negative per se.

FUTURE: In my country, tax complexity will be one factor forcing MNCs to shift their business activities to other countries in the future.



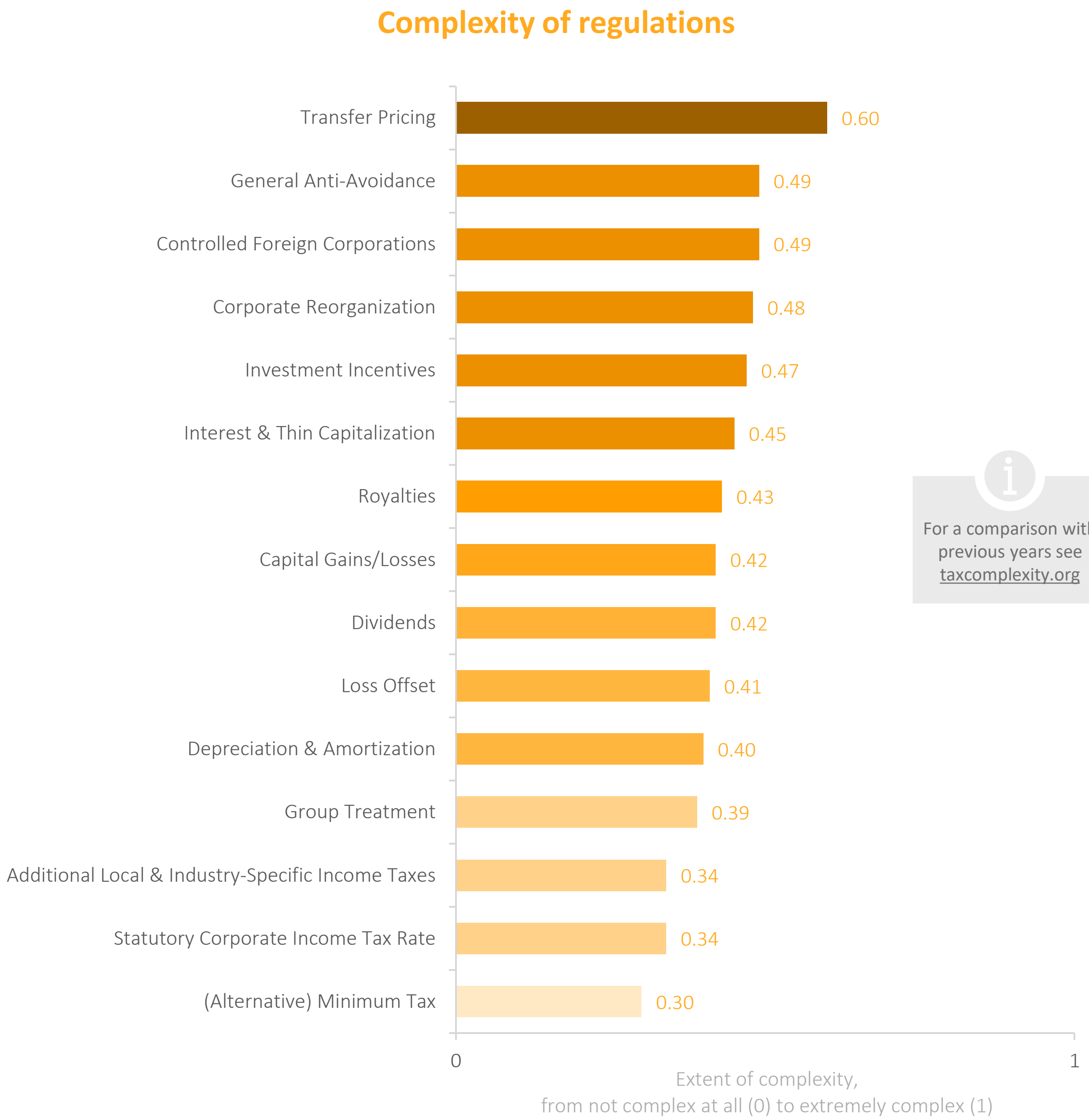
Despite the fact that respondents in the majority of countries, on average, do not agree with the statement that tax complexity will force MNCs to shift their business activities to other countries, respondents in over 20% of countries do, on average, agree with this statement. Although this finding seems to be somewhat ambiguous, it still implies a call for action for policy makers to reduce tax complexity.

Individual responses are aggregated at country level. If the resulting country-level aggregate of responses lies between two response categories, it is attributed to the nearest category.

INSIGHTS INTO TAX CODE COMPLEXITY

COMPLEXITY OF TAX REGULATIONS

Of the 15 tax regulations examined, transfer pricing is perceived as the most complex: for 69 of 110 countries, it was ranked as most complex. Transfer pricing has been one of the main concerns of the OECD's BEPS project and is currently one of the core features of the OECD's Pillar 1, which has the potential to add even more complexity. The aim of tackling tax avoidance also applies to general anti-avoidance regulations as well as to controlled foreign corporation rules, which, together with transfer pricing, constitute the three most complex regulations.



For a comparison with previous years see taxcomplexity.org

Individual responses are aggregated at country level. The analysis only includes countries in which the respective regulation is considered existent.

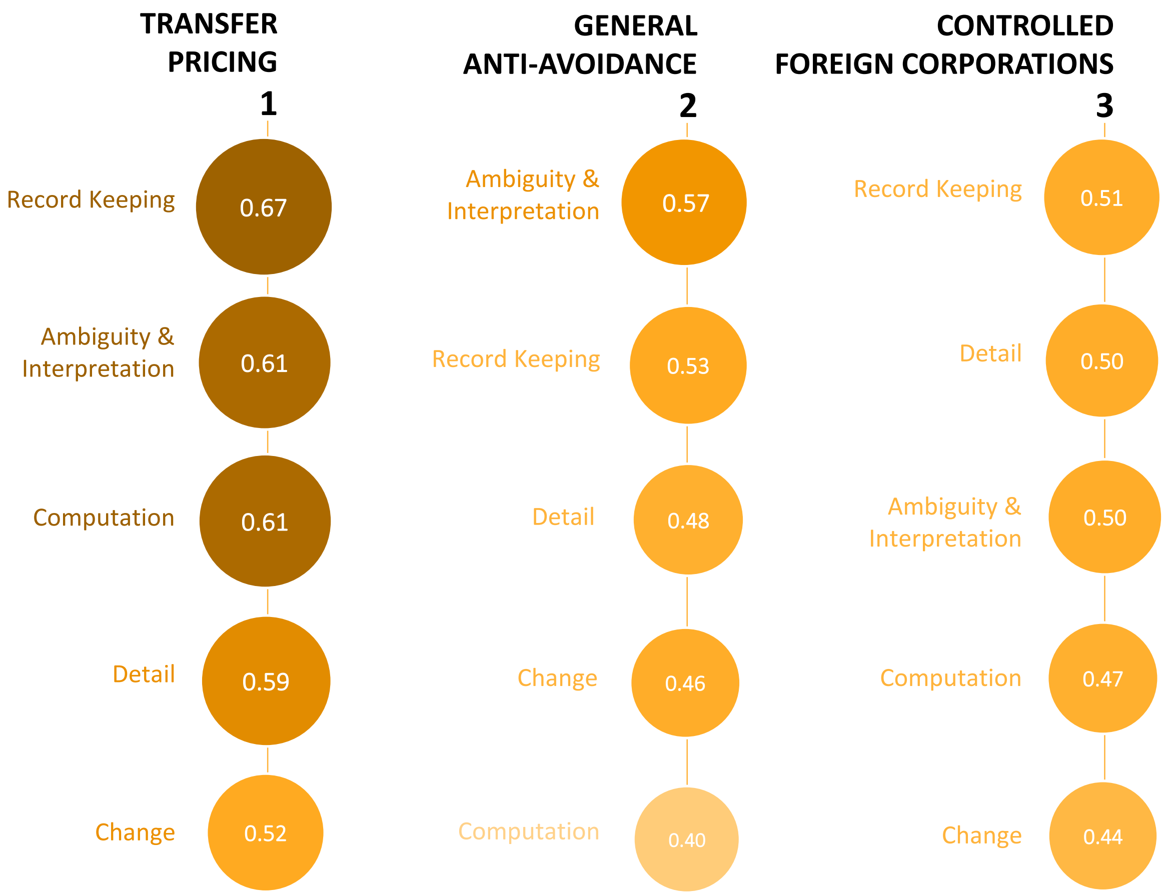
INSIGHTS INTO TAX CODE COMPLEXITY

DRIVERS OF TAX CODE COMPLEXITY

On average, record keeping is perceived as the driver which contributes most to the complexity of tax regulations. Hence, keeping many records and documents to substantiate tax claims or to complete tax returns seems to be the greatest challenge in the application of tax regulations.

Average contribution to complexity,
from extremely high contribution (1) to no contribution at all (0)

However, individual regulations may be affected differently by the drivers of tax complexity, which is outlined by a closer look at the three most complex regulations: The main driver of the complexity of regulations on transfer pricing is record keeping. The complexity of general anti- avoidance regulations is mostly driven by ambiguity & interpretation, whereas the complexity of controlled foreign corporation rules is predominantly driven by record keeping.



Average contribution to complexity,
from extremely high contribution (1) to no contribution at all (0)

Individual responses are aggregated at country level. The analysis only includes countries in which the respective regulation is considered existent.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX LAW ENACTMENT

Tax law enactment covers the process of how a tax regulation is enacted. It starts with the discussion of a change in the tax law and ends with the respective regulation becoming effective.

In almost all countries, the process of tax legislation enactment is defined by constitution or a similar law, increasing its predictability in the first place.

TAX LEGISLATIVE PROCESS

Which aspects regularly cause problems in your country?

0.61 Quality of tax legislation drafting

0.44 Time between announcement of tax changes and enactment

0.35 Time at which legislation becomes effective

0.22 Influence of third parties

0.13 Access to enacted tax legislation

Extent of the problem,
from extremely high contribution (1) to no contribution at all (0)

In 85 of 110 countries, the (lack of) quality of tax legislation drafting is perceived as the largest problem in the tax legislative process. This problem may stem from poorly conceived drafts, the use of excessively complicated language or inaccurate translations, making the tax code difficult to use for both MNCs and tax administrations.

Individual responses are aggregated at country level.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

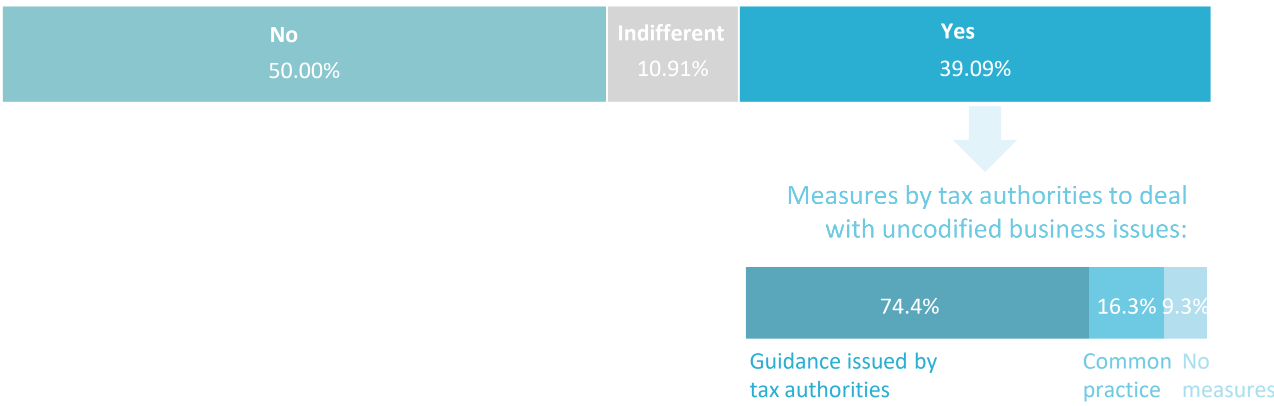
TAX GUIDANCE

Tax guidance as a dimension of the tax framework describes all types of advice provided by the tax authority or by any other rules or guidelines to clarify uncertain tax treatments or procedures. A common way to obtain guidance is through binding public and private rulings, which are issued by the great majority of countries.

To what extent does the existence of international soft law offer support by providing additional information in dealing with your country's tax law?

Another way to obtain guidance for MNCs' tax affairs is international soft law, for example, through OECD guidelines. In 85 of 110 countries, the existence of international soft law helps to provide additional information in dealing with a country's tax law, at least to some extent. Although soft law is not binding per definition, this result shows the importance of international soft law in providing an orientation for MNCs and tax professionals, which reduces complexity.

Are there various substantial business issues and/or transactions whose tax treatment is not codified in your country's tax law?



In more than a third of the countries, various substantial business issues are not codified in the country's tax law, causing uncertainty and complexity for MNCs in dealing with these issues. Non-tabulated results of a follow-up question in our survey show that this lack of orientation is countered by many tax authorities by issuing guidance for unregulated business issues. In addition, in some countries a common practice to resolve these issues has developed. Therefore, only a marginal number of countries leave MNCs without any orientation in dealing with complex unregulated business issues.

Individual responses are aggregated at country level. If the resulting country-level aggregate of responses lies between two response categories, it is attributed to the nearest category. An exception applies to the last figure in which the share of countries with an indifferent response at country level (exactly 50% of answers in the respective country are "yes" and "no") is explicitly illustrated.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX FILING & PAYMENTS

The dimension tax filing & payments comprises all aspects of the procedures to prepare and file tax returns as well as to pay and refund taxes.

FILING OF CORPORATE INCOME TAX RETURNS

Which aspects regularly cause problems in your country?

- **0.33** Preparing returns
- **0.24** (Electronic) transmission of returns
- **0.15** Managing the number of returns
- **0.06** Determining due dates
- **0.02** Identifying recipient(s) of returns

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In the vast majority of countries, tax authorities offer instructions on how to file tax returns. Respondents in 94 of 110 countries, on average, consider these instructions to be helpful. Despite this fact, the preparation of tax returns is considered the most problematic aspect of tax filings in about a third of the countries. Potential reasons include red tape as well as confusing, unclearly arranged tax forms provided by tax authorities for filing purposes.

PAYMENT OF CORPORATE INCOME TAXES

Which aspects regularly cause problems in your country?

- **0.54** Refunding overpaid taxes
- **0.25** Computing payments
- **0.16** (Electronic) remittance of payments
- **0.12** Managing the number of payments
- **0.03** Identifying recipient(s) of payments
- **0.03** Determining due dates

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In 83 of 110 countries, the refunding of overpaid corporate taxes is perceived as the most problematic aspect in the process of paying taxes. Getting a refund for overpaid taxes is often a troublesome topic for MNCs. In many countries, overpaid taxes are not interest-bearing and therefore essentially represent an interest-free loan to the tax authority. Overpaid taxes therefore have a negative effect on the cash flow of MNCs. Tight application deadlines, complex requirements, and a long processing time can further complicate the refunding process.

Individual responses are aggregated at country level.

INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

TAX AUDITS

Tax audits describe the examination of the tax returns by the tax authority as well as the extent to which they can be anticipated and prepared.

ANTICIPATION OF TAX AUDIT

Which of the following are serious problems in your country?

0.56 Bad disclosure of selection criteria

0.40 Absence of a regular audit cycle

0.30 Bad communication of audit topics

0.25 Late/no notification of audit

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

In almost 60% of the countries, lacking or only limited disclosure of selection criteria for tax audit targets is, on average, perceived as the most serious problem in the anticipation of tax audits. This lack of transparency in selection criteria complicates MNCs' planning of capabilities if it is not predictable whether or when an audit will take place.

TAX AUDIT PROCESS

Which of the following are serious problems in your country?

0.63 Inconsistent decisions by tax officers

0.54 Lack of experience or technical skills by tax officers

0.24 Offensive or unethical behavior by tax officers

0.08 Ineffectiveness of sanctions

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

Rules or written guidelines that clearly outline the tax audit process exist in about three quarters of countries. Even though this suggests uniformity in the performance of tax officers, in 85 of 110 countries the inconsistency of tax officers' decisions is perceived as the most serious problem in the tax audit process. This contrast may exist because tax audit guidelines often leave discretion to tax officers, which leads to varying decisions on similar cases from officer to officer or even inconsistency with the same officer.

Individual responses are aggregated at country level.

TAX APPEALS

As a further dimension of the tax framework, tax appeals cover the process from filing an objection to a tax assessment with the responsible institution to its resolution at the administrative or judicial appeal level.

ADMINISTRATIVE LEVEL

Which of the following are serious problems in your country?

0.52 Unpredictable time period until resolution

0.42 Inconsistent decisions

0.35 Lack of specialized agents/staff

0.09 Influence of third parties

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

At the administrative level, the unpredictable time period between filing an objection and its resolution is considered the most serious problem. This result shows that unpredictable and sometimes extensive time periods until the resolution of an appeal increase uncertainty for MNCs. This also applies to Mutual Agreement Procedures (MAPs), which the OECD has focused on in recent years. In comments, respondents indicate that MAPs also suffer from extremely long time periods until resolution, making it a less attractive tool for dispute resolution.

JUDICIAL LEVEL

Which of the following are serious problems in your country?

0.60 Unpredictable time period until resolution

0.37 Lack of specialized judges

0.30 Inconsistent decisions

0.13 Influence of third parties

Extent of the problem,
from no problem at all (0) to extremely problematic (1)

Compared to the administrative level, the unpredictable time period between filing an appeal and its resolution is considered an even more serious problem across countries at the judicial level. Appeals to courts often take several years to be resolved. Besides increasing uncertainty for MNCs, these long waiting times can also entail substantial costs through high rates of interest in case an appeal is lost.

Individual responses are aggregated at country level. The analysis only includes countries in which the respondents indicate that the respective appeal level exists.

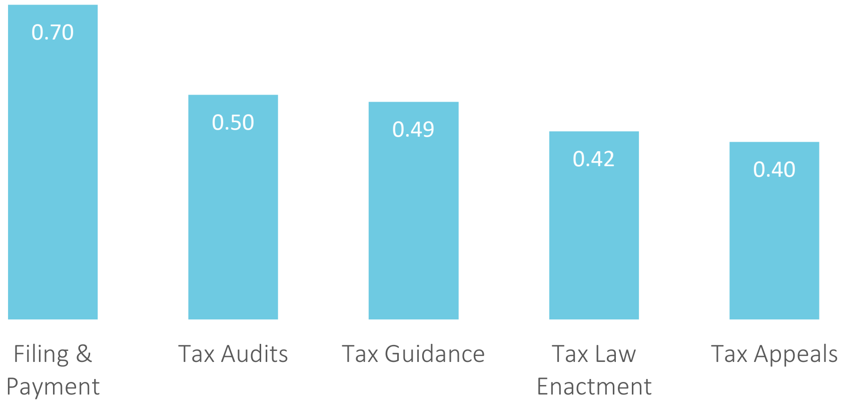
INSIGHTS INTO TAX FRAMEWORK COMPLEXITY

DIGITAL TECHNOLOGIES

Digitalization is fundamentally reshaping many legislative and administrative processes worldwide. Nevertheless, not all processes are affected in the same way. Therefore, we included a new question in our 2020 survey about the extent to which digital technologies have changed the different features and procedures of the tax framework.

DIGITAL TECHNOLOGIES

To what extent have the features and procedures listed below changed due to the use of digital technologies in your country in the last two years?



Extent of change,
from no change at all (0) to extreme changes (1)

In 95 of 110 countries, filing and payment has changed the most due to the use of digital technologies in the last two years. For example, both the remittance of tax payments and the transmission of tax returns are rather standardized procedures in which digital technologies can be introduced comparably easily.

On the contrary, the feature least affected by digital technologies are appeals. Despite efforts by the OECD to make appeals, and more specifically MAPs, more efficient, there still seems to be room for improvement in the digital access to appeal procedures.

Individual responses are aggregated at country level.

OECD COUNTRIES IN 2018 & 2020

OECD BACKGROUND

The OECD is one of the main players in the international tax environment. In the following section, we therefore present the major changes in tax complexity in 2020 as compared to our 2018 Global MNC Tax Complexity Survey for the OECD member countries. The 37 member countries are among the most developed countries worldwide and almost exclusively represent high-income economies.

In 2020 some OECD member countries were still involved in adjusting their tax legislation to the recommendations issued by the BEPS project. In addition, the OECD published the blueprints on Pillar 1 and Pillar 2 in 2020, which have shown a glimpse of the fundamental changes to the international tax legislation yet to come. Our results regarding the changes in OECD member countries' tax code may serve as a first indication of the impact of these changes.

Apart from these changes in the tax code, we document a decrease in tax complexity for one of the most important dimensions of the tax framework in 2020 for OECD member countries, namely tax audits. On page 22–23, we look at the changes in the tax audit complexity in more detail.

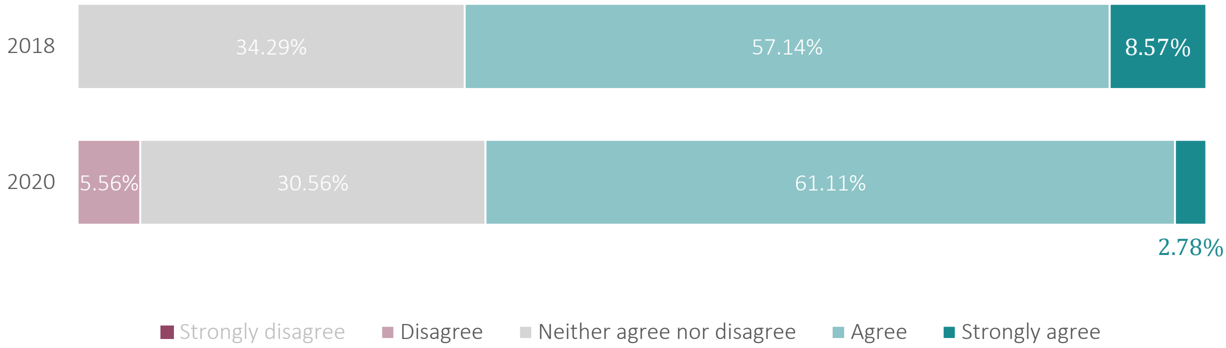
OECD member countries		
Australia	Hungary	Norway
Austria	Iceland*	Poland
Belgium	Ireland	Portugal
Canada	Israel	Slovakia
Chile	Italy	Slovenia
Colombia*	Japan	Spain
Czech Republic	Korea (South)	Sweden
Denmark	Latvia	Switzerland
Estonia	Lithuania	Turkey
Finland	Luxembourg	United Kingdom
France	Mexico	United States
Germany	Netherlands	
Greece	New Zealand	

*Please note that in the subsequent analysis, Iceland is not included in the sample for lack of data. Further, Colombia is dropped from the 2018 sample as it became an OECD member state in 2020. This leaves us with a sample of 35 OECD countries in 2018 and 36 OECD countries in 2020.

OECD COUNTRIES IN 2018 & 2020

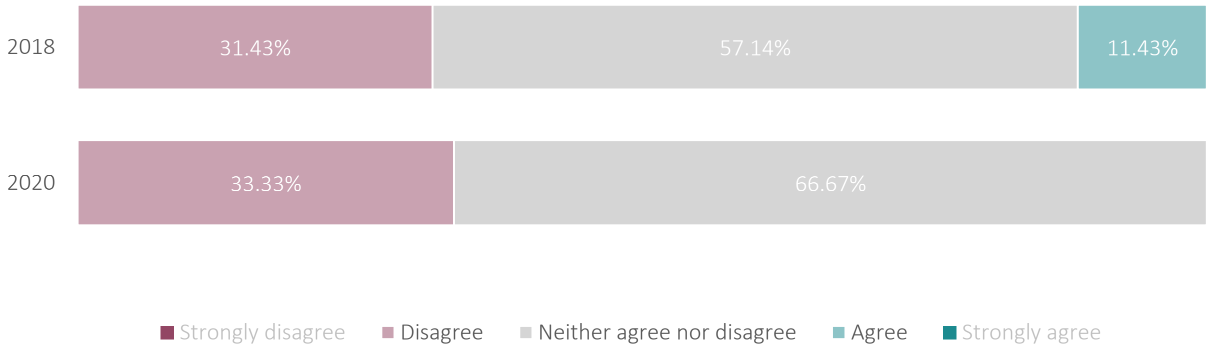
CHANGES IN THE ROLE OF TAX COMPLEXITY

PAST: In my country, tax complexity has substantially increased for MNCs in the last two years.



In 2020, respondents in the vast majority of OECD countries, on average, agree or strongly agree with the statement that tax complexity has substantially increased within the last two years. This majority of 63.89% of respondents who agree or strongly agree to the statement above in 2020 is almost identical to the 2018's share of respondents (65.71%). However, compared to 2018, in more OECD countries (5.56%) respondents disagree with the statement that tax complexity has substantially increased for MNCs in the last two years.

FUTURE: In my country, tax complexity will be one factor forcing MNCs to shift their business activities to other countries in the future.



Our results indicate that respondents in fewer OECD countries, on average, agree that tax complexity has substantially increased in the last two years (see above). Also, we observe that tax complexity has a decreasing impact on MNCs' business location decisions. Respondents in OECD countries in 2020, on average, disagree slightly more (1.90 percentage points) with the statement that tax complexity will be one factor forcing MNCs to relocate their business activities to other countries. In addition, no respondents from an OECD country agree with the statement that tax complexity is a factor driving MNCs to relocate their business activities (vs. 11.43% in 2018).

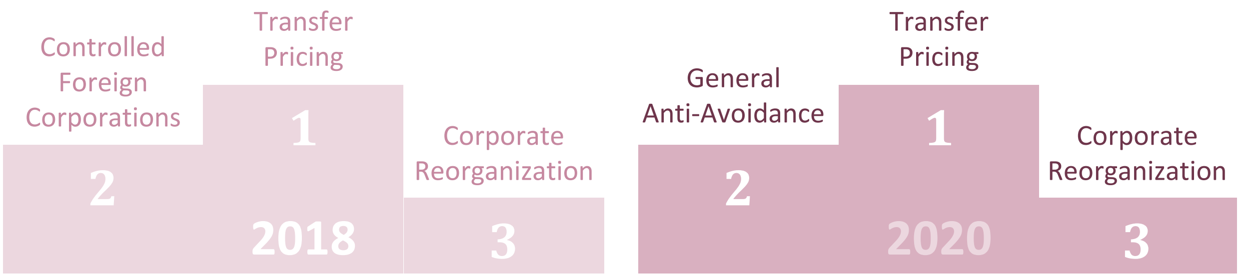
Individual responses are aggregated at country level. If the country response lies between two response categories, it is attributed to the nearest category.

OECD COUNTRIES IN 2018 & 2020

CHANGES IN TAX CODE COMPLEXITY

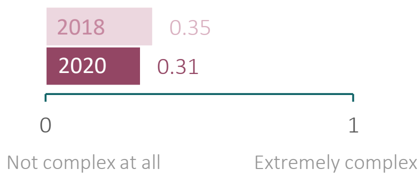
Besides a change in the top 3 of the most complex regulations, namely general anti-avoidance rules taking second place, we could find considerable changes in the countries' average assessment of tax complexity in individual tax regulations.

The three most complex regulations in 2018 & 2020



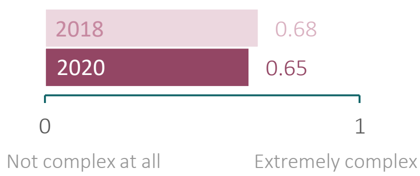
ADDITIONAL LOCAL- & INDUSTRY-SPECIFIC INCOME TAXES

Compared to 2018, our study reveals that additional local- and industry-specific income taxes are perceived, on average, as less problematic (-12.69%) in OECD countries.



TRANSFER PRICES

Transfer prices are still the most complex regulation. However, transfer pricing rules are perceived, on average, as slightly less complex (-5.01%) in OECD countries than they were two years ago. In 2017, the OECD published transfer pricing guidelines for MNEs and tax administrations to serve as a framework and provide guidance. The decreasing complexity of transfer pricing rules could indicate a certain accommodation effect. In addition, the decrease in complexity may also be influenced by improved MAP processes and an increasing role of joint audits.



Individual responses are aggregated at country level.

OECD COUNTRIES IN 2018 & 2020

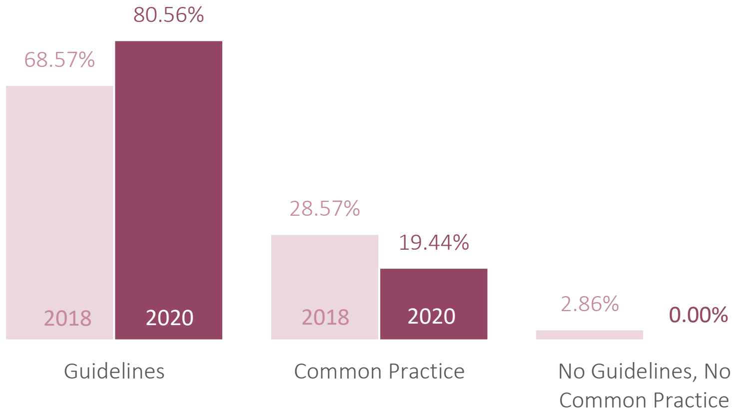
CHANGES IN TAX FRAMEWORK COMPLEXITY

TAX AUDITS: MORE WRITTEN GUIDELINES

Our results indicate an increase of written guidelines that clearly outline the tax audit process. Whereas in 2018, 68.57% of the OECD countries reported such guidelines, in 2020 the number rose to as many as 80.56% of countries. The share of OECD countries with neither guidelines nor common practices fell from 2.86% in 2018 to 0% in 2020. These results might be linked to OECD countries' tax administrations having recognized the need for written guidelines and issuing them in greater numbers than in previous periods.

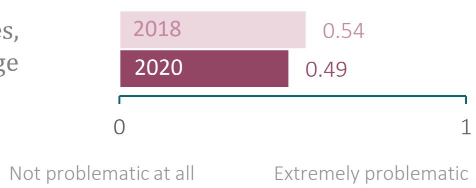
Do rules or other written guidelines that clearly outline the tax audit process exist in your country ?

If no, is there at least a clear and established process of how tax audits are carried out?



TAX AUDITS: LACK OF TAX OFFICERS' EXPERIENCE LESS PROBLEMATIC

Compared to 2018, our 2020 survey reveals that in OECD countries, lack of experience or technical skill of tax officers is on average perceived as less problematic.



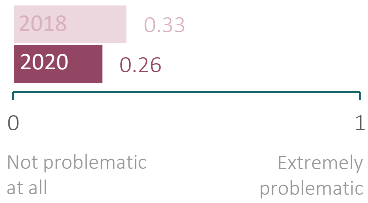
Individual responses are aggregated at country level. If the resulting country-level aggregate of responses lies between two response categories, it is attributed to the nearest category.

OECD COUNTRIES IN 2018 & 2020

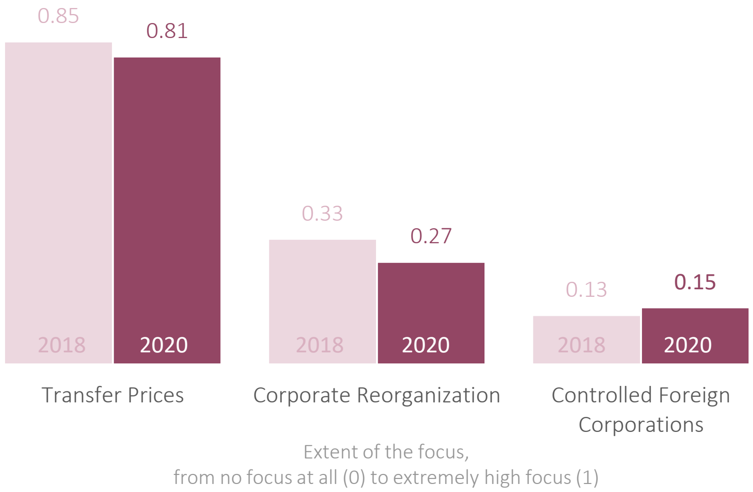
CHANGES IN TAX FRAMEWORK COMPLEXITY

ANTICIPATION OF AUDITS: POOR OR NO COMMUNICATION OF TOPICS TO BE COVERED LESS PROBLEMATIC

Compared to 2018, poor or no communication of topics to be covered in the tax audit is considered, on average, less of a serious problem in OECD countries in 2020. These results may underline the increasing efforts on part of tax administrations to provide more transparency and open communication with regard to audit focuses, as indicated by a growing number of countries with cooperative compliance programs.



AUDIT PROCESS: LESS FOCUSED ON TWO OF THE MOST COMPLEX REGULATIONS OF 2018



Two of the three regulations which were considered the most complex in OECD countries in 2018—rules regarding transfer prices and corporate reorganizations (see page 21)—are, on average, less focused on in tax audits in the same jurisdictions two years later. On the contrary, controlled foreign corporation rules (the second most complex regulation in 2018) are, on average, increasingly being targeted in tax audits. Although the focus of tax administration in tax audits has changed in 2020, the above-mentioned regulations remain a focus, suggesting a relation between tax complexity and audit focus.

Individual responses are aggregated at country level.

WEBSITE

WWW.TAXCOMPLEXITY.ORG

Based on our survey's results, we construct a Tax Complexity Index that measures a country's tax complexity in several dimensions. Data for the 2016 and 2018 Tax Complexity Index is available through our interactive website that allows you to learn more about tax complexity and to compare countries over time. Our website also enables you to create your own index based on your priorities in different dimensions of the tax code and the tax framework.

The data for the 2020 Tax Complexity Index will be published on the website soon.

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