

Treasury Tax Benchmarking



Why now?

- Volatility in the markets, which could lead to greater taxable movements if tax risks are not appropriately mitigated or hedged.
- Economic uncertainty as a result of the COVID-19 crisis has made currency markets more volatile.
- Volatile commodity prices such as oil and metals, affecting fuel and raw material hedges.
- Numerous in-country unilateral tax changes and proposed changes to tax regimes internationally.
- Increased focus on risk and controls from an accounting perspective.
- Tax teams increasingly find it hard to understand treasury transactions.
- Lack of liquidity in markets has resulted in treasurers and finance teams entering into increasingly complex debt and derivative instruments.

- Control over cash remains key for treasurers and so there is increased focus on cash management.
- The introduction of Pillar II is likely to have a significant impact on treasury operations – the rules are complex and hard to understand and apply.

What are the benefits?

- Identify areas of risks and make recommendations for improvements.
- Unidentified risks can lead to unexpected cash tax implications and reputational damage for group's tax teams.
- Provide comfort over areas of risk that groups are not "missing something" i.e. ensure no risk of non compliance with laws / regulations or unexpected tax charges.
- Identify opportunities for greater tax efficiencies.
- Understandable product offering, with example illustrative reports. Easily tailored product-offering to focus on specific issues.
- Scope can range from a high level review to an in-depth analysis.

Our approach

Understand

- Meeting with treasury, accounting & tax teams.
- Identify and understand treasury transactions undertaken.
- Identify treasury areas not considered for tax purposes, or opportunities for greater tax efficiencies.

Benchmarking

- Questionnaire for guidance to conduct meeting.
- Identify areas of risk.
- Identify areas of good practice and leading edge to provide comfort.
- Identify opportunities to enhance treasury tax operations.
- Benchmark based on PwC experience

Deliverables

- Traffic light report. Optional additional detailed recommendations report.

Action plan

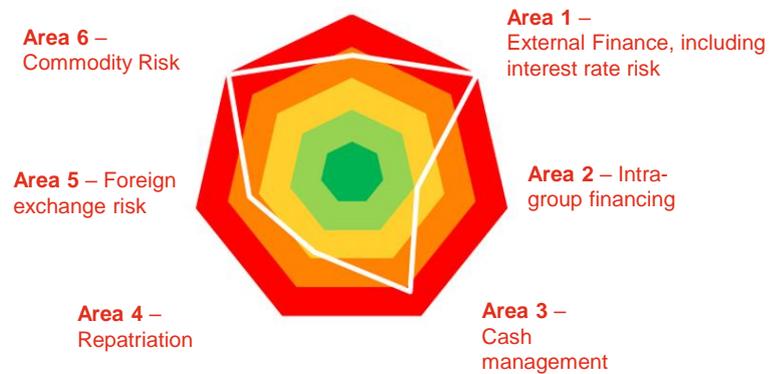
- Follow up meeting. Identify areas of risk and/or opportunities and consider prioritisation & follow up action plan.

Follow up

- Design and implement solutions to mitigate risks and ensure greater tax efficiencies.

Example of areas covered

- Traffic Light Report assessing a variety of areas.
- Easily tailored product-offering to focus on specific issues or covering all areas of Treasury tax.



Examples

Review of processes in a major FTSE 100 Plc. Identified major mismatches between the actual exposures and those which the tax team thought they were hedging, identifying an exposure to tax on €200m. This led to a wider restructuring of their treasury and hedging arrangements

Review of a Swiss-based tax and treasury function at a major global company, benchmarked their practices by reference to similar organisations, and made recommendations to improve the efficiency of their hedging arrangements

We reviewed the European cash pooling needs of a major US corporation to understand the tax implications of the cash pooling products offered by three different banks. This enabled them to identify Withholding Tax and Transfer Pricing risks which the treasury function had not understood.

Advising a group considering a European central procurement function and the impact on current hedges and hedging arrangements going forwards

Advising on amending and extending out of the money interest rate swaps (e.g. on M&A deals). Advising on early termination of swaps.

Numerous examples of general advice on the tax treatment of hedging derivatives. Many examples of working with clients to obtain necessary figures for the tax returns

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