



PwC's CEE TCDR Survey 2019

Tax Controversy and Dispute Resolution (TCDR) Survey

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Content

A young woman with long brown hair and a man with glasses are looking at a smartphone together, smiling. The woman is holding a camera. The background is bright and out of focus.

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CEE TCDR

Survey respondents

872 respondents
shared with PwC
their experiences
with the tax
authorities

Both companies and tax authorities are adjusting their activities to the increased compliance regulations and regulatory environment, which is changing rapidly. In this context, we engaged with companies from 17 countries in CEE to find out more about their experiences with the tax authorities, from the perspective of tax assistance, tax inspections and tax disputes.

Our findings are based on feedback from the 872 respondents who completed the online survey during March - September 2019 period.

Responses were anonymous.



Industries

The four sectors best represented in our survey are: Industrial Products, Financial services, Retail & Consumer and Automotive - accounting for 50% of respondents.

Other industries (50%): Energy, utilities & mining, Professional & Personal services, Pharmaceuticals & Life Sciences, Healthcare, Technology, Info Comm, Entertainment & Media and others.

Annual turnover

Approximately 35% of the respondents have a turnover of over 50 million Euro, while 38% have up to 10 million Euro and 27% between 10 and 50 million Euro.

Top responses by country

- Russia 194
- Romania 139
- Latvia 128
- Eurasia* 72
- Hungary 70
- Czech Republic 69
- Slovenia 43
- Slovak Republic 38
- Poland 36
- Bosnia 34
- Bulgaria 27
- Lithuania 22

* Eurasia = Armenia, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Uzbekistan

CEE TCDR Survey Overview

Objective

Survey questions were divided in two categories:

1. Company info – 4 questions
2. Experience with tax authorities – 20-30 questions, divided in the following sub-categories:
 - Relationship with the tax authorities - assistance offered by the authorities to taxpayers;
 - Tax inspections - specific aspects related to tax inspections
 - Tax disputes - challenging process of the tax assessment documents.

NB: While we tried to keep as many common questions as possible to be able to compare country results, please note that some questions may differ from country to country, to reflect the local specifics, therefore, in limited cases, results were assimilated/adapted to the common structure.

3. Country specific questions

Some countries had specific questions (e.g. related to TP, lack of clarity and grey areas in tax legislation, tax refunds, etc)

Survey period

15 countries ran and processed the survey during March – Sep 2019

1 country (Romania) ran the survey in 2018, and processed it in 2019

1 country (Hungary) ran the survey in 2018, processed it in 2018

CEE main findings in relation to the taxpayers assistance

64%

of the CEE respondents requested assistance or clarifications from the tax authorities in the last 2 years

78%

from the clarifications requested from the tax authorities refer to interpretation of the law in the tax field

61%

of the CEE respondents mentioned that they received in full the necessary clarifications from the tax authorities

43%

of the CEE respondents appreciated the quality of the assistance and guidance services provided by tax authorities as being good and very good and 38% satisfactory.

CEE main findings in relation to the tax inspections

47%

of the total tax inspections in CEE lasted relatively short periods (one to three months)

61%

of the main aspects considered during tax inspections refer to Corporate Income Tax (the most common issues being the intra-group transactions and services deductibility) and VAT (the most common issue being calculation of deductible VAT, including substantial vs formal condition)

61%

from the additional liabilities assessed by tax inspection authorities in CEE were lower than 100,000 Euro

CEE main findings in relation to appeals and legal actions taken to court

62%

of the CEE respondents chose not to challenge the tax inspection results. The main reasons for not challenging were the tax inspections findings have been accepted or the small number of findings.

39%

of the CEE respondents that were issued a negative settlement to the challenged tax inspection results, chose to take legal action against the tax inspection result.

19% received a partly or fully favourable court ruling, and 20% have the claim still in court.

38%

from the tax appeals have been successful either in part or in full.

50%

of the CEE respondents have been assisted by an external tax and legal consultant, during or after the tax inspection

64%

of these 51% CEE respondents:

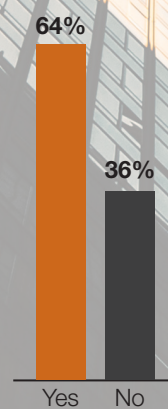
- 64% have been assisted during the tax inspections
- 34% before the tax inspection
- 39% during the tax disputes procedures

82%

of the CEE respondents used the same external tax and legal consultant at different stages

Detailed results

In the last 2 years, have you requested assistance on clarifications from tax authorities?



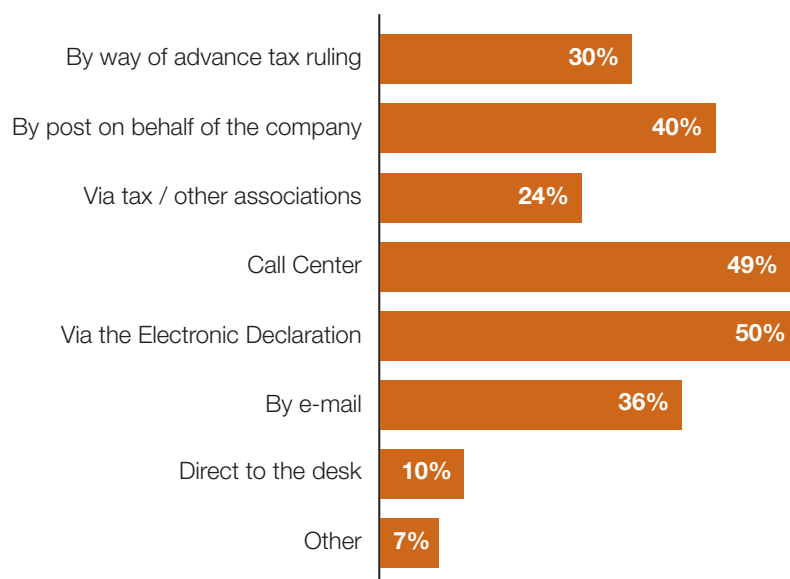
According to our survey results, almost two thirds of CEE respondents (64%) requested assistance or clarifications from the tax authorities.

Countries with a high level of assistance request: Lithuania (95%), Hungary (89%), Eurasia (88%).

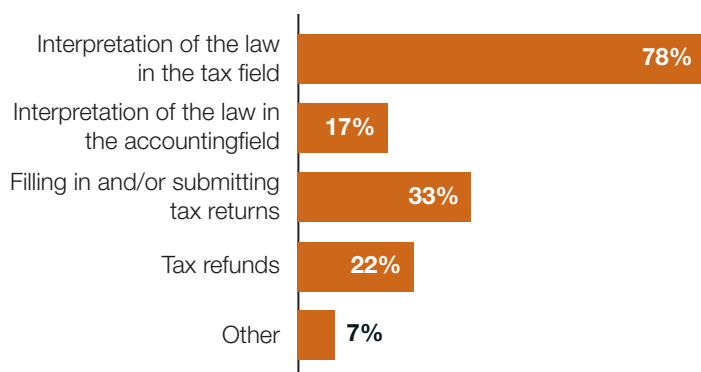
Countries with a lower level of assistance request: Slovenia (32%), Slovakia (38%), Bulgaria (48%).

As per the survey results, the CEE respondents used various ways to contact authorities for asking assistance, the most popular ones being by e-account (Electronic Declaration System), by call center, and by post.

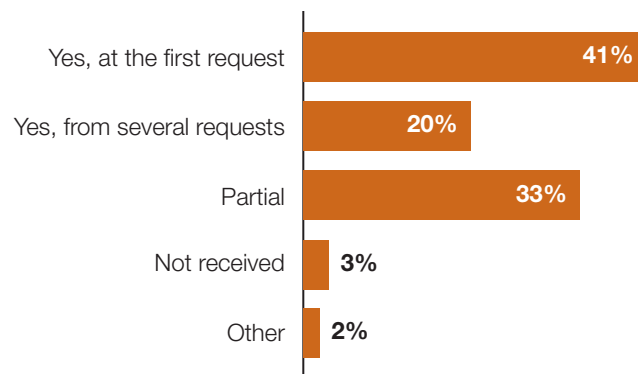
How did you contact the tax authorities to obtain assistance?



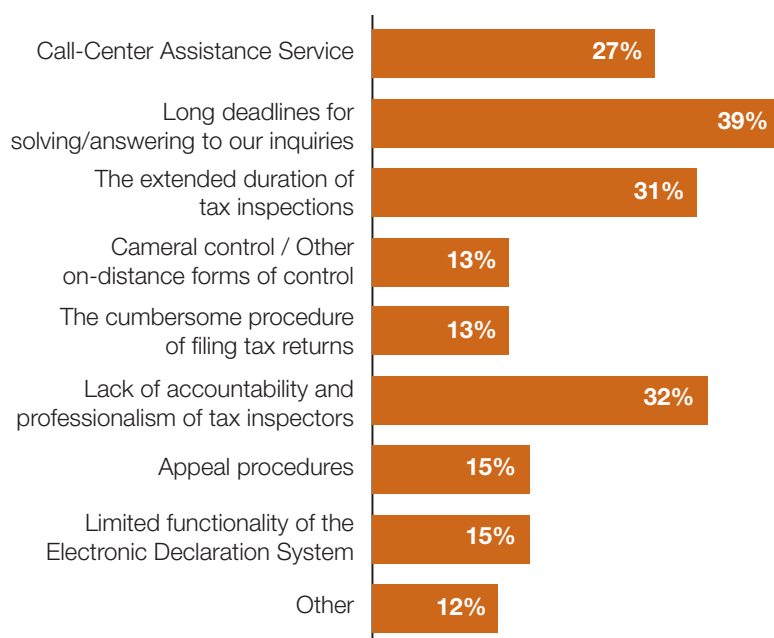
In which area did you request assistance from the tax authorities?



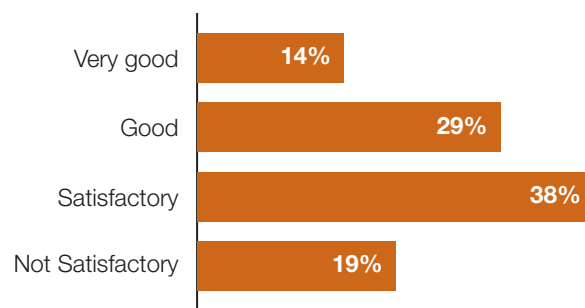
Have you received the necessary information / clarifications requested from tax authorities?



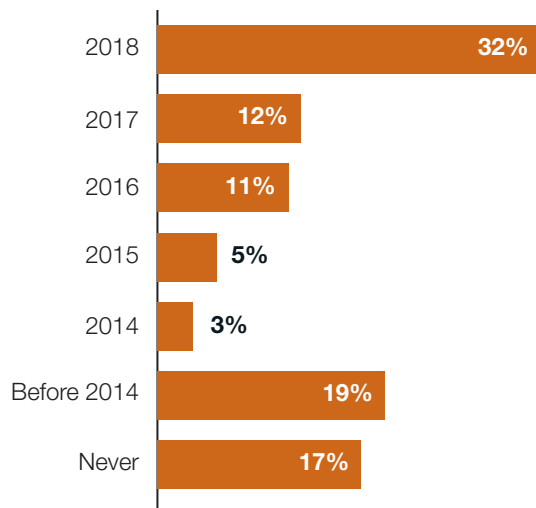
What are the areas in the activity of tax authorities that generate discontent?



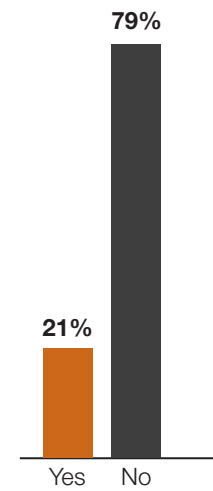
How do you appreciate the quality of the assistance and guidance services provided by tax authorities?



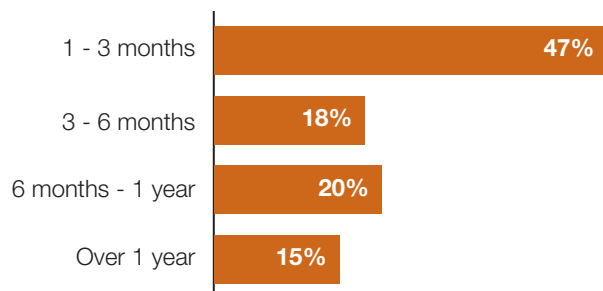
When did you last have a tax inspection?



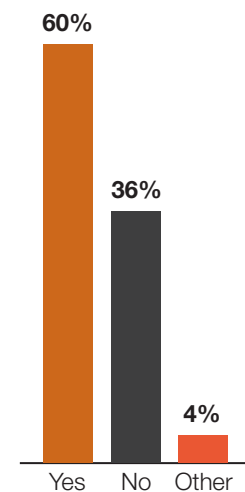
Did the tax inspection team request any irrelevant information from the company?



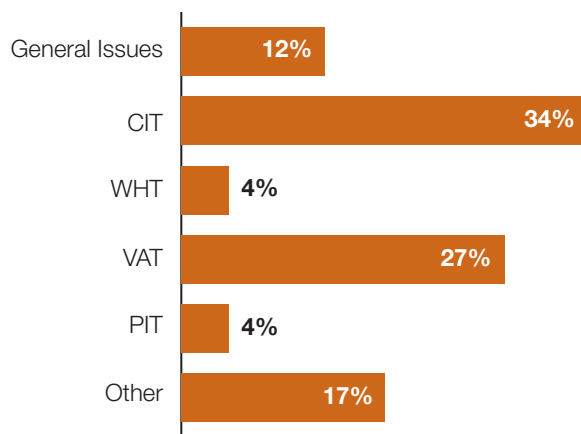
What was the duration of the last tax inspection?



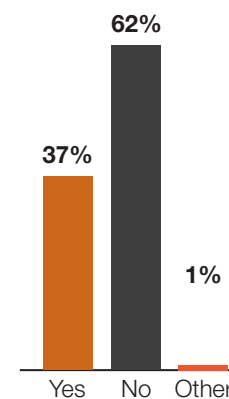
During the tax inspection, have you been informed or discussed about the issues and potential tax consequences?



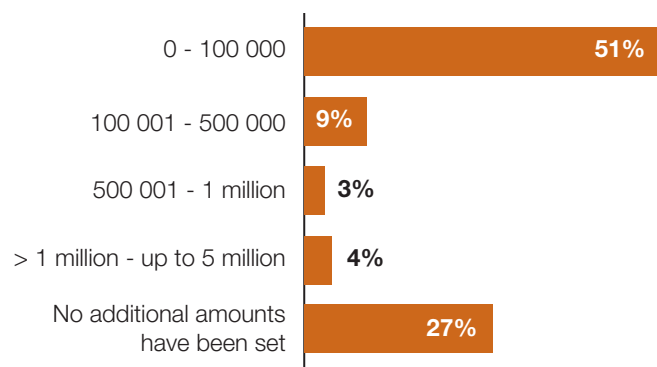
What were the main issues identified in tax inspections?



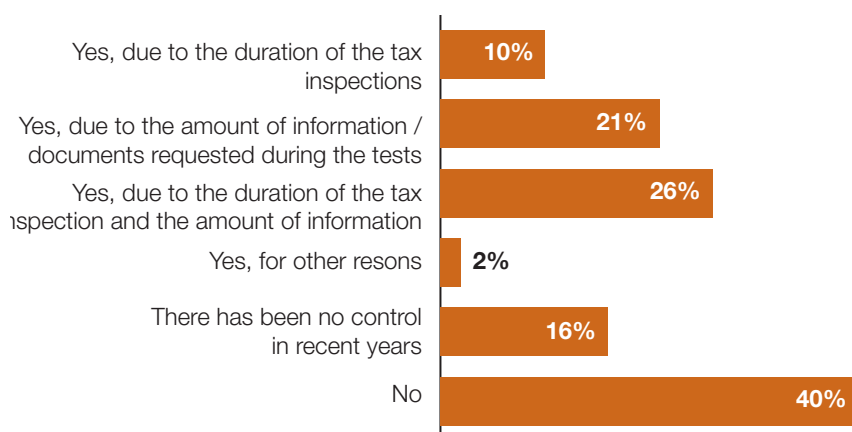
Have you objected against taxing acts (Tax Inspection Report and Taxation Decision)?



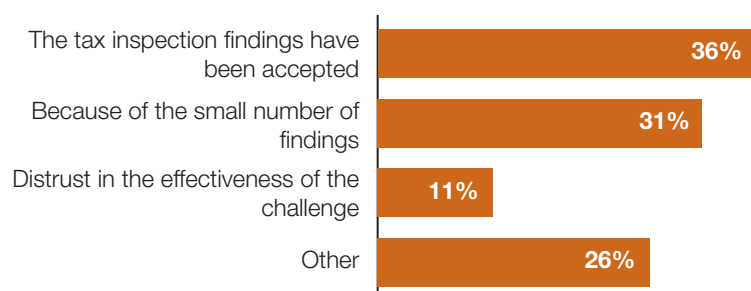
What was the level (EUR) of the additional amounts set by the tax inspection?



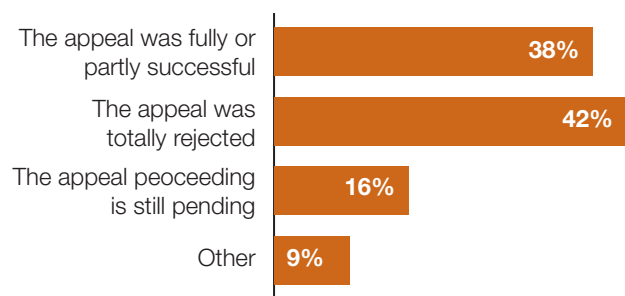
Has the company's activity been affected as a result of tax inspections?



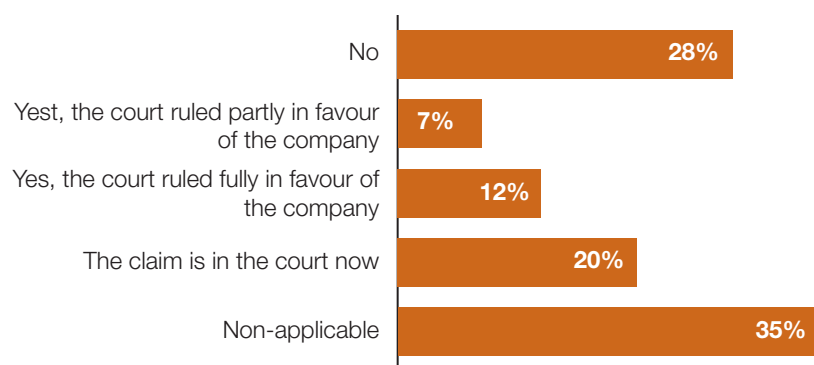
If not, what were the reasons why the company did not object against the conclusions of the tax inspections?



If you objected, how was the appeal solved by the tax inspectors?



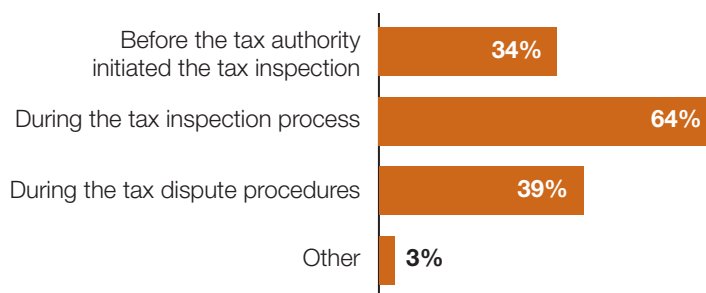
If the solution to the appeals (to tax inspectors and to dispute resolution authorities) were negative or partially favourable, did you appeal to court proceedings?



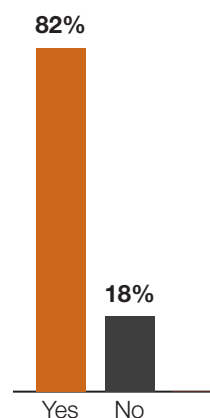
Have you been assisted by an external tax and legal consultant during or after the tax inspection?



If yes, in what phase?



Did the company use the same external advisor/lawyer at different stages?



Contact



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