

Thinking big can help keep your tax controversy small.

Today's global connectivity means it is easier for companies to be faced with multi-dimensional, multi-country tax controversy. How can you manage the risk?



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Expected heightened global tax controversy from COVID-19 disruptions

Supply chain disruptions arising from the COVID-19 pandemic have led to challenges in business operations globally. Businesses are experiencing significant financial impacts from a myriad of issues, ranging from increased costs related to supply disruptions and manufacturing idle capacity, to unintended carrying cost of inventory stuck in transit, and loss of revenues due to disruption of sales channels.

Loss reporting and increased expenses resulting from managing these issues are expected to result in increased tax controversy as tax administrations scrutinize who should bear these costs and assume these business risks. Disputes are also expected around the characterization and deductibility of payments, how extraordinary arrangements (and their related costs and expenses) should be treated, and whether existing advanced pricing agreements or other agreements with tax authorities are impacted.

As the effects of COVID-19 pandemic expand into the second half of 2020, forward-looking multinational companies are evaluating how their tax and transfer pricing models will be affected and identifying mechanisms to flex these models to respond to such exceptional circumstances.

Read more about how to manage these challenges in the recent EY article, [How COVID-19 is impacting transfer pricing models](#), published with Bloomberg INDG on 25 June 2020.

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