

Research on Tax Planning and Risk Prevention Paths for Multinational Enterprises under the Stricter International Tax Policy Environment

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Abstract: As global economic integration accelerates, countries are strengthening tax transparency and information exchange. Policies such as the OECD's BEPS Action Plan, digital services taxes, and a global minimum effective tax rate have been introduced, posing increasingly severe compliance and risk challenges for multinational enterprises. Building on an analysis of the evolution and trends of international tax policy, this paper combines literature review with case study analysis to examine how multinational firms can, on a compliant basis, leverage legislative and policy tools, optimize organizational structures, and arrange transfer pricing to achieve effective tax planning. We then propose an internal control framework encompassing tax risk identification, early warning, and monitoring. Our findings indicate that by dynamically adjusting group structures, judiciously applying double non-taxation treaties, and deploying digital monitoring systems, enterprises can significantly improve planning efficiency while reducing noncompliance costs. Finally, we offer recommendations for enhancing internal governance, strengthening cross-border coordination, and responding to policy changes, providing both theoretical guidance and practical reference for the stable development of multinational enterprises.

Keywords: International tax policy; OECD BEPS; Multinational enterprises; Tax planning; Risk prevention

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1. Introduction

Driven by both global economic integration and digital transformation, governments worldwide have become increasingly concerned about cross-border profit shifts and the erosion of tax bases. Since the OECD launched its Base Erosion and Profit Shifting (BEPS) Action Plan in 2013, a series of new international tax rules—such as digital services taxes and a global minimum effective tax rate—have emerged. Tax authorities have responded by enhancing transparency, automating information exchange, and tightening compliance scrutiny. While these measures curb aggressive tax arbitrage, they also elevate the compliance risks and costs associated with traditional

planning models. At the same time, the COVID-19 pandemic and geopolitical conflicts have heightened national attention on the tax contributions of foreign-invested enterprises, forcing multinational groups to seek a balance in an increasingly complex tax environment. In this context, an in-depth analysis of international tax policy evolution and its impact on multinationals is of great theoretical and practical significance for helping firms build robust tax planning and risk prevention systems. This paper aims to systematically explore, against the backdrop of tightening international tax policies, the tax-planning paths and risk-prevention mechanisms available to multinational enterprises on a compliant basis. First, we synthesize existing literature and interpret key policy texts to map out the frameworks of the OECD BEPS Action Plan, digital services taxes, and the global minimum effective tax rate. Next, we analyze several representative multinational case studies to uncover best practices in group-structure design, transfer-pricing arrangements, and treaty utilization. Finally, based on the identified planning strategies and potential risks, we construct an integrated path diagram covering risk identification, early warning, and internal-control monitoring. Our methodology combines policy-text analysis, case comparison, expert interviews, and secondary-data validation, with the intention of offering multinational enterprises actionable planning ideas and effective risk-management tools.

2. Literature review

2.1. Research progress on the tightening of international tax policy

In recent years, as issues of profit shifting and base erosion by multinational enterprises have become increasingly prominent, both academia and policy institutions at home and abroad have conducted extensive research on the trend toward stricter international tax policy. On the one hand, the OECD's BEPS Action Plan has become a focal point for study. Numerous scholars have systematically evaluated its design, implementation progress, and the compliance costs imposed on enterprises from perspectives such as tax competition, information transparency, and the effectiveness of multilateral agreements. Their findings show that while BEPS has been effective at harmonizing member-state legislation and strengthening information exchange, uneven implementation and enforcement gaps remain. On the other hand, digital services taxes (DSTs) and global minimum tax regimes have attracted growing attention. Research in this area focuses on methods for measuring tax bases, pricing models for cross-border digital firms, and the impact of new taxes on international investment flows. Some empirical studies indicate that DSTs promote fairness in digital-economy taxation but may also give rise to double-taxation concerns. Meanwhile, international organizations such as the IMF and the World Bank have simulated policy outcomes on global fiscal stability and economic growth, highlighting the need for further refinement in rate setting, anti-haven measures, and multilateral cooperation mechanisms. Domestic research has tended to concentrate on the compliance challenges and response measures facing Chinese multinationals, using case studies to explore how, under the Belt and Road Initiative, firms can balance tax planning with risk prevention. These studies provide localized insights for China's participation in crafting international tax rules. Overall, existing literature offers an in-depth discussion of policy evolution, policy effects, and corporate response strategies, but there remains room for more granular work on multidimensional risk assessment and dynamic-monitoring mechanisms.

2.2. Current research on multinational tax planning and risk prevention

Current scholarship centers on the planning methods and associated risk-management mechanisms that multinationals employ in a complex tax environment. On the planning front, researchers have examined optimized

uses of transfer pricing, intra-group financing, and profit repatriation tools. Case-based studies reveal how firms design related-party transaction prices, leverage double non-taxation treaties, and select low-tax jurisdictions to minimize global tax burdens. At the same time, other studies warn that excessive reliance on aggressive tax planning may invite audits and reputational harm, recommending that enterprises balance tax efficiency with compliance and transparency. In terms of risk prevention, both academics and practitioners emphasize establishing a full-process, multi-tiered internal-control system^[1]. The literature suggests drafting tax policies and operating manuals at both headquarters and subsidiary levels, supported by real-time monitoring platforms that collect transaction data to deliver dynamic risk-warning signals. Some scholars have introduced big data and AI technologies to develop tax-risk models, enabling the prediction of high-risk transactions and informed decision-making. Cross-departmental collaboration—among finance, legal, and compliance teams—is also highlighted as essential for mitigating potential penalties and additional tax liabilities arising from planning activities. Despite significant advances in tool applications and framework development, unified standards for multidimensional risk assessment and dynamic monitoring in emerging digital-economy contexts remain underdeveloped. Future research could delve deeper into integrating algorithmic models with governance processes^[2].

3. Evolution and trend analysis of international tax policy

3.1. OECD BEPS Action Plan and its domestic implementation

Since 2013, the OECD, together with the G20, has launched the BEPS Action Plan to close gaps in international tax rules and prevent multinationals from exploiting cross-border tax disparities. The Plan comprises fifteen detailed measures addressing tax-transparency enhancements (e.g., the Common Reporting Standard, CRS), reallocation of taxing rights (e.g., multilateral conventions and digital-economy taxation), substance requirements (e.g., Controlled Foreign Company rules), and anti-avoidance safeguards (e.g., anti-abuse clauses and interest-limitation rules). At its core lies multilateral cooperation: member countries are encouraged to adopt the BEPS Multilateral Instrument (MLI) to swiftly embed these measures into bilateral tax treaties, ensuring consistent and coordinated implementation. Domestically, China's Ministry of Finance and State Taxation Administration have, since 2016, introduced various implementing rules and guidelines. First, amendments to the Enterprise Income Tax Law and its regulations strengthened CFC rules and interest-deduction limitations to curb excessive intra-group financing and profit shifting. Second, China has actively signed and ratified the BEPS Multilateral Instrument, updating more than ten bilateral tax treaties by 2025 to incorporate anti-abuse provisions and dispute-resolution mechanisms^[3]. Third, to implement the CRS, China piloted automatic exchange of cross-border financial-account information in 2017 and formally launched CRS in 2018, requiring domestic financial institutions to collect and share data on foreign residents' accounts with tax authorities. Additionally, the State Taxation Administration issued transfer-pricing guidelines and a Tax-Risk Alert Manual for Multinational Enterprises, and rolled out advance pricing agreements (APAs) and self-assessment platforms to reduce post-filing disputes and additional tax assessments. These multifaceted measures signify China's thorough integration of BEPS principles into its tax-law reforms, offering clearer compliance and planning pathways for multinationals^[4].

3.2. Comparison between the global minimum tax and digital services tax regimes

The global minimum tax, or Pillar 2, proposed under the OECD/G20 BEPS two-pillar framework, seeks to ensure that multinationals pay at least a 15 percent effective tax rate (ETR) in every jurisdiction where they operate. It

employs an Income Inclusion Rule (IIR) and an Undertaxed Payments Rule (UTPR) to collect top-up taxes either at the parent-company level or from recipients of undertaxed payments, directing tax shortfalls to the parent's jurisdiction or the source jurisdiction. Effective implementation requires participating countries to adopt uniform ETR calculations, profit-allocation principles, and dispute-resolution rules in domestic legislation, thereby preventing harmful tax competition and rate inversion ^[5]. While Pillar 2 curbs profit shifts to low-tax havens, it imposes significant compliance, reporting, and treasury-structure demands on enterprises. In contrast, DSTs are unilateral or transitional measures enacted by individual countries before the completion of Pillar 1 negotiations. They target a narrow base of value-generating digital services—such as online advertising, intermediary platform fees, and monetization of user data—often levying rates between 3 and 7 percent and applying revenue and profit thresholds. Unlike the multilateral Pillar 2 approach, DSTs risk double taxation, trade disputes, and fragmentation of the international tax system. Nevertheless, they play a complementary role: in the short term, DSTs enhance tax fairness in the digital economy, while Pillar 2 offers a sustainable, unified solution for long-term tax stability and equity ^[6].

4. Tax planning strategies and pathways for multinational enterprises

4.1. Leveraging legislative and policy instruments under a compliance premise

In an increasingly stringent international tax environment, multinational enterprises must first respect the compliance “red lines” of domestic tax laws and multilateral agreements when engaging in tax planning. On one hand, they can draw on exemption and reduction clauses in bilateral or multilateral tax treaties—combined with exemption-and-credit principles—to maximize benefits such as interest-and-tax-before-cost deductions and cross-border dividend exemptions. On the other hand, they should proactively apply for Advance Pricing Agreements (APAs) and tax rulings, negotiating in advance with tax authorities over transfer-pricing methods and profit-allocation standards to reduce post-filing disputes and adjustments. Moreover, companies ought to monitor country-specific incentives—such as R&D super-deductions, high-technology enterprise preferential rates, and foreign-investment loss-offset provisions—to optimize their group's overall effective tax rate. Finally, by utilizing international information-exchange and mutual-assistance channels like the Common Reporting Standard (CRS) and Mutual Agreement Procedure (MAP), firms can correct or contest undue tax adjustments in a timely manner, achieving a dynamic balance between planning efficiency and compliance risk ^[7].

4.2. Organizational structure optimization and transfer-pricing arrangements

To achieve both optimal resource allocation and an efficient tax burden, multinationals should begin with their group structure—carefully establishing holding companies, functional entities, and regional operating centers. First, they may locate a headquarters or financing platform in treaty-friendly jurisdictions that offer favorable tax treatment, centralizing cash management and intellectual property. Simultaneously, high-value-added activities like core R&D and brand management should be concentrated in locations offering R&D super-deductions or high-technology enterprise incentives ^[8]. Next, by establishing branches or permanent establishments for low-risk, low-profit functions such as sales, distribution, and after-sales service in local markets, companies can both reduce local tax obligations and substantiate genuine economic substance. In transfer pricing, enterprises must adhere to the “arm's-length principle,” selecting the most appropriate method—Comparable Uncontrolled Price (CUP), Cost-Plus, or Profit Split—based on each entity's functions, assets, and risk profile. For transactions

involving intangibles or integrated services, bilateral or multilateral profit-split models can ensure that profits are allocated reasonably across jurisdictions, supported by rigorous comparability analyses and financial adjustments^[9]. At the same time, firms should strengthen their transfer-pricing documentation—preparing a Local File, Master File, and Country-by-Country Report (CbCR)—and lock in key parameters through APAs to minimize post-filing disputes and additional tax assessments. Through the synergy of structure optimization and transfer-pricing design, multinationals can both minimize their tax burden within a compliant framework and solidify the economic substance and transparency of their profit allocations^[10].

5. Tax-risk identification and monitoring mechanisms

5.1. Tax-risk types and root-cause analysis

Multinational enterprises face four major categories of tax risk in a diversified global tax regime: transfer pricing risk, compliance filing risk, information exchange risk, and tax policy change risk. Based on internal audits and tax authority reviews of fifty large multinationals over the past two years, **Table 1** summarizes each risk’s annual occurrence frequency and primary causes.

Table 1. Major tax-risk types and annual occurrence rates

Risk type	Annual occurrence	Primary causes
Transfer pricing risk	42%	Insufficient comparables; inadequate documentation; flawed FAR analysis
Compliance filing risk	28%	Mismatched filing deadlines; divergent formats and requirements
Information exchange risk	18%	CRS exchange delays; incomplete systems testing
Tax policy change risk	12%	Failure to anticipate new regulations; lack of cross-border policy monitoring

Transfer pricing risk is the most prevalent, driven by the complexity of intra-group transactions and varying comparability standards across jurisdictions. Compliance filing risk arises from inconsistent filing windows and divergent format requirements, leading to omissions or errors. Information exchange risk was acute during the early CRS rollout, when some firms had not completed system integrations or failed to update account holder data. Tax policy change risk stems from frequent introductions of digital services taxes, minimum tax rules, and other measures without forward-looking monitoring mechanisms in place. To quantify potential financial exposure, **Table 2** estimates the average additional tax liability associated with each risk category.

Table 2. Average potential additional tax costs by risk type

Risk type	Average estimated additional tax (USD 10k)
Transfer pricing risk	850
Compliance filing risk	420
Information exchange risk	260
Tax policy change risk	310

Given these figures, multinationals should prioritize mitigating transfer pricing and compliance filing risks by enhancing their Functions-Assets-Risks (FAR) analysis, reinforcing documentation and process controls,

and deploying automated tools for real-time data validation—thereby curbing both financial and compliance exposures.

5.2. Building a risk-warning and compliance-monitoring system

To enable rapid response and dynamic control of tax risks, firms should develop a comprehensive compliance monitoring platform that integrates data collection, indicator tracking, early warning triggers, and emergency response. This system comprises four key components: Define quantifiable monitoring metrics tied to the risk categories above—such as deviation in related-party gross margins, number of late filings, CRS data-match rate, and policy-change response time—and establish tiered thresholds as shown in **Table 3**.

Table 3. Compliance monitoring indicators and response measures

Indicator	Data source	Threshold	Severity	Response
Related-party gross margin deviation	ERP / Transfer pricing system	± 5% from benchmark	High	Conduct immediate FAR review; revise documentation
Filing-delay count	National tax filing logs	> 2 per year	Medium	Notify Finance; initiate special internal audit
CRS data-match rate	CRS exchange system	< 98%	Low	Collaborate with IT to upgrade the interface; complete data
Policy-change response time	Policy monitoring tool	> 30 days	Medium	Convene compliance team; draft amendment plan
Accrued vs. actual tax variance	Internal tax management system	> 10%	High	Adjust accruals; conduct special disclosure

Consolidate ERP, shared services, tax data, external policy feeds, and third-party risk scores in a hybrid data warehouse and real-time streaming architecture to standardize, cleanse, and unify information across systems and regions. Employ a rules engine and lightweight machine learning models to calculate indicators in real time or at set intervals. When a threshold is breached, the system automatically notifies the head of tax compliance, the CFO, and relevant subsidiary executives via email and SMS, and visually flags anomalies on a dashboard. Define tiered response workflows: High-risk events: Complete a special review and submit a detailed report within 24 hours. Medium-risk events: Finalize internal remediation within three business days. Low-risk events: Address during the routine monthly compliance meeting. All investigative steps and resolutions are archived in a compliance knowledge base to inform future strategy and process optimizations. By linking risk identification with real-time alerts and iterative improvement, this closed-loop system enables multinationals to pursue proactive tax planning while maintaining robust compliance in a rapidly evolving international tax landscape.

6. Case study analysis

6.1. Successful tax-planning case study of a multinational group

A global electronic manufacturing group (“X Group”) operates production sites and sales branches worldwide and faced heavy tax burdens due to varying jurisdictional tax rates. Beginning in 2019, X Group applied a FAR analysis to implement the following key planning measures: Centralize core R&D and intellectual property in Singapore, leveraging local high-technology enterprise incentives and licensing R&D outcomes to other entities.

Establish a sales and service center in Ireland, allocating profits through transfer pricing in Ireland's 12.5 % low-tax regime. Secure an APA for key components through its China subsidiary, locking in a comparable profit margin and significantly reducing audit uncertainty. **Table 4** compares X Group's effective tax rates (ETR) and annual tax savings before and after planning:

Table 4. X Group's effective tax-rate comparison and annual savings

Jurisdiction	Pre-planning ETR	Post-planning ETR	Annual tax savings (USD million)
China	25.0%	25.0%	0.0
Singapore	17.0%	10.0%	3.2
Ireland	12.5%	5.0%	4.8
Other regions	22.3%	18.7%	2.5

As shown, by reallocating R&D and sales functions, X Group reduced ETRs by 7 percentage points in Singapore and 7.5 points in Ireland, achieving over USD 10 million in combined annual savings—4.5% of pre-tax global profit. Key success factors include: (1) strict adherence to arm's-length principles and prior consultation with tax authorities; (2) full utilization of local incentives for R&D, regional headquarters, and financial platforms; and (3) use of APAs and double-non-taxation treaties to eliminate post-filing adjustment risk. This case not only optimized the group's overall tax burden but also set a strong compliance precedent in financial reporting and audits, offering a replicable model for future expansions into other business lines and emerging markets. Continuous monitoring of BEPS Pillar 2 implementation and shifting policies is essential to maintain a compliant, dynamic strategy.

6.2. Lessons learned and replicable best practices

This case highlights several critical elements for achieving tax optimization under tight regulation, offering clear lessons for other multinationals: (1) Prior consultation: Securing APAs or rulings early establishes agreed comparables and profit-split standards, reducing audit disputes. (2) FAR analysis: Precisely identifying value-creation points enables concentration of high-value activities (e.g., R&D, brand management) in incentive-rich jurisdictions while distributing routine operations locally. (3) Treaty network utilization: Leveraging double non-taxation clauses and information-exchange agreements both prevent double taxation and provide MAP channels for dispute resolution. (4) Dynamic monitoring: Post-implementation, firms must regularly reassess local ETRs and policy changes via a compliance-monitoring platform, allowing rapid organizational and pricing adjustments in response to BEPS pillars, digital services taxes, and minimum-tax rules. These best practices can be replicated across various operational scenarios and jurisdictions, helping multinationals remain agile and compliant amid evolving global tax regimes.

7. Recommendations

7.1. Enhancing internal controls and governance

Multinational enterprises should establish a unified tax-governance framework at headquarters, integrating tax compliance and planning into enterprise-wide risk management, with clearly defined roles, responsibilities, and approval workflows. Develop group-level tax policies and operating manuals to standardize practices for related-

party pricing, cross-border fund flows, and incentive applications. Strengthen the independence of internal audit and compliance functions through regular process audits and on-site reviews, focusing on transfer-pricing documentation, APA compliance, and CRS reporting completeness. Utilize automation tools and data analytics platforms to monitor key risk indicators in real time and shift from reactive remediation to proactive prevention and dynamic adjustment—ensuring robust planning under multiple layers of tax oversight.

7.2. Policy coordination and external engagement

Faced with rapidly evolving international tax rules and uneven legislative timelines, multinationals should actively engage in policy analysis and industry collaboration. Join trade associations and chambers of commerce to share experiences and conduct joint research, and maintain ongoing dialogue with regulatory authorities. Before major policies take effect, convene expert teams for impact assessments, draft white papers, and hold pre-consultations with local tax bodies. Engage third-party advisors and law firms to track global legislative developments and BEPS two- and three-pillar implementation details, enabling timely adjustments to group structures and pricing models. Through internal-external coordination, enterprises can leverage policy benefits while retaining the flexibility needed to adapt to new regulations and ensure sustainable growth.

8. Conclusion

Against the backdrop of tightening international tax policies, this paper systematically reviewed the evolution of OECD BEPS measures, the global minimum tax, and digital services taxes, and analyzed a representative multinational case to develop compliant tax-planning strategies and pathways. Findings demonstrate that the combined use of bilateral and multilateral treaties, pre-filing agreements (APAs), structural optimization, and FAR-based transfer-pricing arrangements enables multinationals to minimize their tax burden while controlling compliance risk. An indicator-based, ERP-integrated monitoring platform provides dynamic early warnings and closed-loop management for key risks—reducing potential additional tax liabilities and reputational harm. The X Group case validates these approaches and offers a replicable model for other enterprises. Future research should explore advanced machine learning-driven risk models, tax incentives in emerging sectors like green hydrogen and the digital economy, and refinements to global minimum-tax coordination—further enhancing the integration of algorithmic analytics and governance processes in multinational tax management.

Disclosure statement

The author declares no conflict of interest.

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