

The Future of Taxation in North America

Siva Sellathurai, a speaker at the marcus evans Tax Officers Summit IX 2010, shares his thoughts on the critical issues facing tax officers in North America today.

Interview with: Siva Sellathurai, Vice President Tax, Office Depot, Inc.

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Tax officers today are faced with a high probability of tax increases in the near future and demands for more transparency. Shifting to more favorable tax structures and locations has become even more important for many companies. Siva Sellathurai, Vice President Tax at Office Depot, Inc. believes there will be additional tax saving opportunities for companies, when governments and jurisdictions start competing against each other to maintain their tax bases and sources of revenue. A speaker at the marcus evans Tax Officers Summit IX 2010 taking place in Florida, April 25-27, 2010, Sellathurai discusses the tax minimization and reduction strategies at Office Depot, Inc.

What upcoming tax related developments and trends should tax officers prepare for?

Siva Sellathurai: Given the significant budget deficits in the US, I expect to see an increase in income taxation at the federal followed by the state level. I believe we are headed towards a consumption-based tax system in the US, which will have a significant effect on how the state taxation system is monitored and enforced. However, some new taxes will need to replace existing ones; otherwise the increased tax burden could hinder economic growth.

Companies will also be expected to become more transparent. Different jurisdictions are going to start sharing information on what businesses are doing; the traditional tax base and boundaries are being challenged and re-defined. The intangibles being used and exploited by companies will be the new tax base of the future. Tax officers will need to explore, locate and exploit the intangibles that can minimize taxes for their business.

In our case, the retail industry creates intangibles like customer behavior, their taste and style, how frequently they buy, what they buy, their buying pattern and so on. Unlike traditional intangibles like trade names and trade marks, these new intangibles are going to be embedded throughout the business structures. Therefore tax directors should start focusing on these value drivers to ensure the company is protected and located in tax favorable structures to take advantage of such opportunities.

What cost reduction and cash maximization best practices would you advise?

Siva Sellathurai: The retail industry was badly affected by the economic recession in the US. We generated quite a bit of tax losses in the 2008 to 2009 period, but we carried those losses back to some of our more profitable years, and claimed and monetized them as cash tax refunds.

Though a significant part of the stimulus money is targeted towards small and medium size businesses we are looking to see if we qualify for some of the job retention and creation incentives.

How can tax executives minimize their organizations exposure to tax risks?

Siva Sellathurai: Tax risks are an extension of enterprise risks and how the business is organized. Tax executives should stay connected with business operations and be aware of how the business is planning to grow. Tax directors should stay ahead of the curve and advise the business on how to structure and how to avoid creating tax presence in countries or taxing jurisdictions that they do not want to be exposed to.

Consistent with my intangibles comments earlier, transfer pricing is very important to us, and is one of the key drivers in managing our effective tax rate for the company. On the one hand, governments are looking for increased transparency and increased tax enforcement but as they do not want to lose their tax revenues, we will start to see them competing against each other to retain their tax bases. For tax officers this means increasingly competitive and perhaps favorable taxing environments.

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About the Tax Officers Summit IX 2010

This unique forum will take place at the PGA National Resort & Spa, Palm Beach Gardens, Florida, April 25-27, 2010. Offering much more than any conference, exhibition or trade show, this exclusive meeting will bring together esteemed industry thought leaders and solution providers to a highly focused and interactive networking event. The summit includes presentations on tax planning, staying on top of S.A.L.T. and successful transfer pricing.

For more information please send an email to info@marcusevanscy.com or visit the event website at <http://www.taxofficerssummit.com/SivaSellathuraiInterview>

Please note that the summit is a closed business event and the number of participants strictly limited.

About marcus evans Summits

Marcus evans Summits are high level business forums for the world's leading decision-makers to meet, learn and discuss strategies and solutions. Held at exclusive locations around the world, these events provide attendees with a unique opportunity to individually tailor their schedules of keynote presentations, think tanks, seminars and one-on-one business meetings. For more information, please visit <http://www.marcusevans.com>

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