

Major Benefits of BEPS Initiatives for Collaboration



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**Large Business
& International**

Introduction

- Base Erosion and Profit Shifting (BEPS) project began in 2012 to align taxation with location of economic activity
- Recognition that BEPS actions may increase the need for collaboration among tax administrations as well as the benefits of such collaboration
- Collaboration may increase certainty and decrease resource burdens for taxpayers and tax administrations
- Recognition that work needed to help all Inclusive Framework countries fully participate in BEPS

BEPS Minimum Standards

- Action 5: Identification of Preferential Regimes and Exchange of Taxpayer Rulings
 - Reflects changes in information sharing
 - First annual report now available
- Action 6: Preventing Inappropriate Treaty Benefits
 - Still under development
- Action 13: Country by Country Reports
 - Helps improve risk assessment for transfer pricing and permanent establishment issues
 - Development of International Compliance Assurance Programme (ICAP)
- Action 14: Improving Dispute Resolution Mechanisms
 - First three batches finalized
 - Improved standardization of definitions and timelines for annual statistical reporting

Action 13: Country by Country Reporting

- Provides standardized system of reporting allocation of income, taxes, and business activities on tax jurisdiction-by-jurisdiction basis
- Should improve transparency and opportunity to analyze transfer pricing risks
- May also use for other BEPS-related risks and economic and statistical analysis
- Not a substitute for detailed transfer pricing analysis
- First reports being received in 2018 for fiscal years beginning on or after January 1, 2016

Action 13: Risk Assessment Through ICAP

- **Goals of Risk Assessment Through ICAP**
 - Promote tax certainty
 - Prevent disputes
 - Effective use of CbC reports
 - Improve capability in risk assessment
 - De-select low- or no-risk issues and concentrate on high-risk issues
- Uses CbC report data and other information to facilitate open and co-operative multilateral engagements
- Pilot began with January 2018 meeting
 - Could expand to other countries
 - Could cover other relevant or material risks

Action 14: Dispute Resolution

- **Goals of Dispute Resolution**
 - Strengthen effectiveness and efficiency of Mutual Agreement Procedure (MAP) process
 - Minimize uncertainty and unintended double taxation
- **Collaboration to improve process**
 - Standardize understanding of definitions
 - Improve coordination and matching already seen
- **Peer review results**
 - First three batches published
 - Next two batches in process
 - 2016 MAP Statistics available

Action 14: Outcomes

- Greater consistency in expectations of MAP
- More frequent and focused interaction
- Facilitates identification of areas for improvement
- Increased focus on training to prevent disputes arising, such as Global Awareness Training Module (GATM)
- Improved knowledge sharing and capacity building efforts, especially to support developing countries to meet minimum standard

Knowledge Sharing and Collaboration

- Inclusive Framework opens BEPS participation to all interested countries
- Recognition that not all countries are ready for BEPS peer reviews
- Collaboration to share knowledge
 - Platform for Collaboration on Tax
 - Toolkits
 - Knowledge Sharing Platform (KSP)
 - OECD Global Relations Programme

Conclusions: Benefits from BEPS

- Countries acknowledge the need to work collaboratively to avoid double taxation or double non-taxation
- Action 13 for CbC reporting provides high-level information to improve transfer pricing assessments
- ICAP is collaborative tool to help deselect low- or no-risk transfer pricing issues
- Action 14 provides for collaborative efforts to prevent disputes and to provide consistent treatment of dispute resolution
- Capacity-building and knowledge sharing vital to help all Inclusive Framework jurisdictions satisfy BEPS minimum standards

Questions

