

The OECD's Base Erosion and Profit Shifting (BEPS) Project

Action Plan Document
19 July 2013

Agenda

Background: Overview of the OECD's work on BEPS

The Action Plan

- General actions directed at BEPS
- PE and TP actions
- Treaty-related actions
- Transparency and disclosure actions

What next?

Actions

Why BEPS?

Why focus on BEPS?

- **Deficits**
- **Climate of austerity and renewed focus on the contribution from business**
- **Politicians and the media**

What is the goal of BEPS?

- **Focus on double non-taxation (or less than single taxation) through “cracks” in the interaction of domestic tax systems**
- **Primary aim is to address situations where profits are perceived as geographically divorced from activities**

The OECD's work on BEPS

Timeline

- 2012** - project announced / started
- 2013** - Release of document, “Addressing Base Erosion and Profit Shifting” (February)
 - Release of Action Plan (July) with 15 separate actions / work streams
- 2014** - Projected completion of approximately $\frac{1}{3}$ of Action Plan (September)
- 2015** - Completion of remainder of Action Plan (September / December)
- 2016 and forward** - Monitoring, additional / on-going actions

Action Plan: 1

General actions directed at BEPS

Address the challenges of digital business (1)	(1 year)
Neutralise the effects of hybrid mismatches with changes to Model Treaty and recommendations for domestic law (2)	(1 year)
Recommendations to strengthen CFC rules (3)	(2 years)
Limit base erosion via interest deductions and other financial payments (4)	
• Recommendations for domestic law	(2 years)
• Changes to the TP guidelines	(2 years, 3 months)
Revamp the work on harmful tax practices (5)	
• Review of member country regimes	(1 year)
• Strategy to expand participation to non-OECD members	(2 years)
• Revision of existing criteria	(2 years, 3 months)

Action Plan: 2

PE and TP actions

Prevent the artificial avoidance of PE status (7) (2 years)

TP work to assure that outcomes are in line with value creation

Intangibles (8) (1/2 years)

Risks and capital (9) (2 years)

Other high-risk transactions (10) (2 years)

Work on TP documentation to enhance transparency (13) (1 year)

Action Plan: 3

Treaty-related actions

Prevent treaty abuse – at level of Model Treaty and recommendations for domestic law (6) (1 year)

Improve operation of Mutual Agreement Procedures, making dispute resolution mechanisms more effective (14) (2 years)

Develop a multilateral instrument to amend bilateral treaties (15)

- Report (1 year)
- Develop instrument (2 years)

Action Plan 4

Transparency and disclosure actions

Establish methodologies to collect and analyse data on BEPS and the actions to address it (11) (2 years)

Recommendations on disclosure of aggressive tax planning arrangements (12) (2 years)

What next?

- Concentrated work on the action points by the OECD and Member States
- Business Consultation
- OECD reporting in the short term
- Timescale issues – rapid turnaround given the scale of the issues taken on

Actions

- Awareness of OECD work in progress/areas of focus
- Input into business consultation
- Identification of key risk areas with remediation as required
 - Based on current actions of tax authorities
 - And on future impact of OECD work
- Monitoring domestic impact of BEPS work – especially on behavioural changes

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