



LIVE WEBCAST

THE BEPS PACKAGE

5 October 2015
4:00pm – 5:30pm (CEST)



INTRODUCTION



Speakers

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Join the discussion

Ask questions and comment throughout the webcast



Directly: Enter your question in the space provided



Via email: CTP.BEPS@oecd.org



Via Twitter: Follow us on [@OECDtax](https://twitter.com/OECDtax) using [#BEPS](https://twitter.com/OECDtax)



BEPS OVERVIEW



Features of the BEPS Project

Fast-pace

- 2-year time-bound

Inclusive

- OECD and G20 countries working together on an **equal footing**
- **14 Developing Countries, ATAF, CREDAF and CIAT** participating directly
- Other **60** Developing Countries participating *via* **Regional Networks** in Asia, Africa, Latin America and Eurasia

Transparent

- **23 Discussion Draft published**
- **12,000** pages of comments received
- **11 public consultations** with stakeholders and regular **webcasts**



What's in the BEPS package?

- **Minimum standards**
- **Reinforced international standards** on tax treaties and transfer pricing
- **Common approaches** and **best practices** for domestic law measures
- **Analytical reports** with recommendations (digital economy and multilateral instrument)
- Detailed **report on measuring BEPS**



15 Actions around 3 Main Pillars

Coherence

Hybrid Mismatch Arrangements (2)

CFC Rules (3)

Interest Deductions (4)

Harmful Tax Practices (5)

Substance

Preventing Tax Treaty Abuse (6)

Avoidance of PE Status (7)

TP Aspects of Intangibles (8)

TP/Risk and Capital (9)

TP/High Risk Transactions (10)

Transparency and Certainty

Measuring BEPS (11)

Disclosure Rules (12)

TP Documentation (13)

Dispute Resolution (14)

Digital Economy (1)

Multilateral Instrument (15)



COHERENCE

ACTIONS 2, 3, 4 AND 5



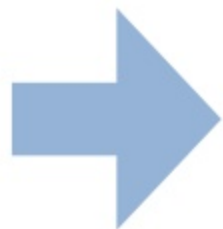
HYBRID MISMATCH ARRANGEMENTS



Action 2 – Hybrid Mismatch Arrangements

What is the problem?

Core aspect of
BEPS as hybrid
mismatch
arrangements
create non-
taxed/ stateless
income



Erode tax base of affected countries

Undermine fairness

Distort competition

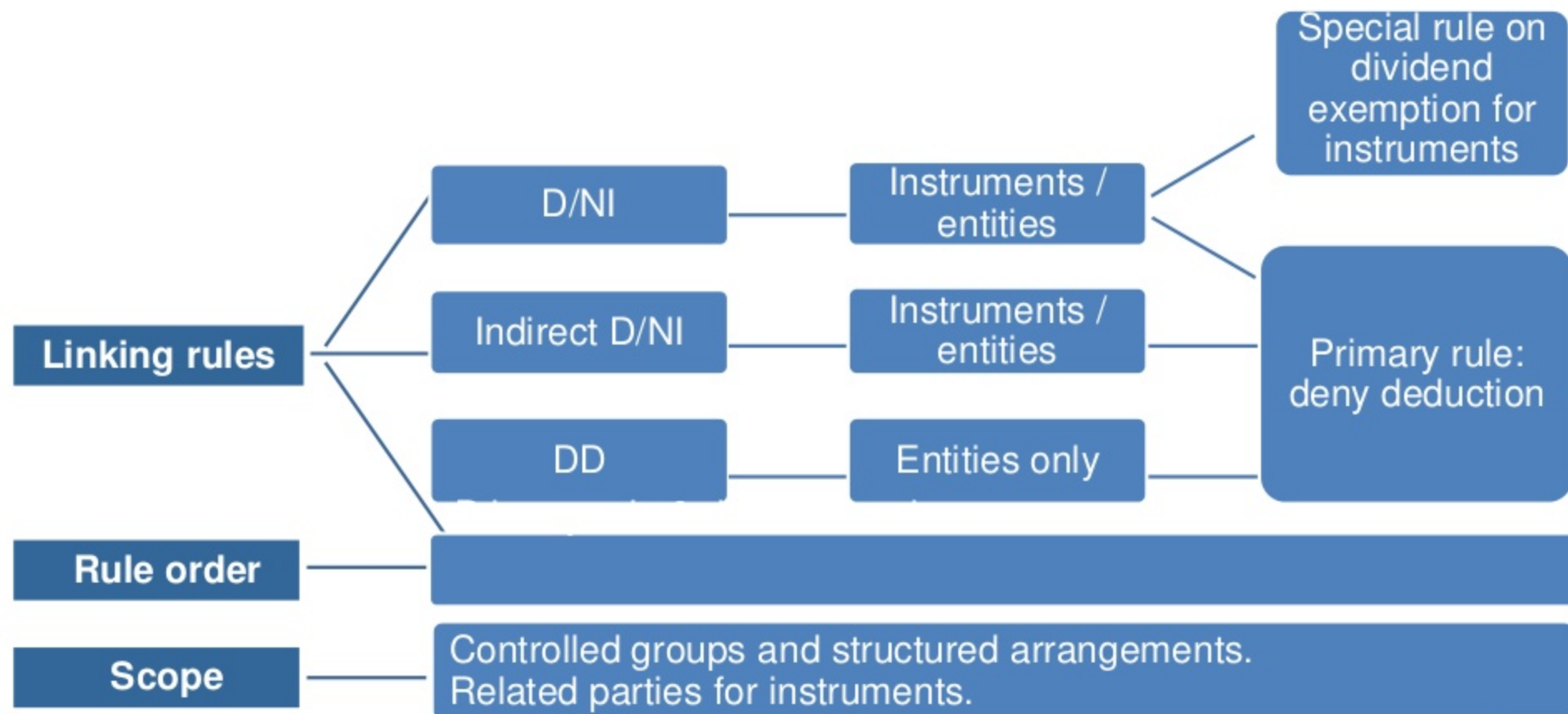
Inefficient

Non-transparent



Action 2 – Hybrid Mismatch Arrangements

What have we done to address it?





Final Hybrids Report (2015) What is new?

Guidance on implementation and operation of the rules including transitional rules



2015 Report- Updates and replaces 2014 Report & includes detailed Commentary and Examples

Outstanding issues

Treatment of stock lending and repos



Guidance on how to treat a payment that is included under a CFC regime



Guidance on operation of the imported mismatch rule



Treatment of hybrid regulatory capital under the hybrid financial instrument rule



Re-affirms the agreed outcome in 2014 Report



Final Hybrids Report (2015)

Where does this leave us?

Rules apply to all types of arrangements (incl. instruments and entities) and whether all countries participate or not

Comprehensive

Eliminates the mismatch benefit without affecting any other tax or regulatory outcomes

Stop hybrids

Related parties and structured transactions

Targeted and workable

Agreed rule order with detailed commentary explaining effect and interaction of the rules

Avoid double taxation



CFC RULES



Action 3 – Designing Effective CFC rules

- Recommendations for the design of effective CFC rules to combat BEPS and long-term deferral
- **Not a minimum standard** but sets out building blocks for effective CFC rules:
 - Definition of a CFC
 - CFC exemptions and threshold requirements
 - Definition of CFC income
 - Rules for computing income
 - Rules for attributing income
 - Rules to prevent or eliminate double tax
- Co-ordination with other relevant actions including; digital economy, hybrids, interest and transfer pricing



Action 3 – Designing Effective CFC rules

Final report recognises that different policy considerations underpin CFC rules and this determines their scope

Shared policy considerations

- Deterrent
- Backstop to transfer pricing
- Balance effectiveness with compliance burden
- Balance effectiveness with avoidance of double taxation

Specific policy objectives may be prioritised differently (i.e. worldwide versus territorial tax system)

- Balance between taxing foreign income and maintaining competitiveness
- Extent to which prevent base stripping (i.e. parent or foreign base stripping).



Action 3 – Designing Effective CFC rules

Some key points in final report

- Definition of a CFC
 - Includes transparent entities and PE's where they raise BEPS concerns
 - Report also includes a form of anti-hybrid rule to prevent avoidance of CFC rules
- CFC Exemptions and threshold requirements
 - Final report clearer on tax rate exemptions and use of lists such as a white list
- Definition of CFC income
 - Recognising different policy objectives there is more flexibility and options
- Elimination of double taxation
 - Stronger emphasis on ensuring that rules do not lead to double taxation



INTEREST DEDUCTIONS



Action 4 – Interest deductibility

What is the problem?

**“no or low taxation associated
with practices that artificially
segregate taxable income from
the activities that generate it”**

BEPS Action Plan, chapter 3

location of third
party interest in
high tax countries

quantity of related
party interest, in
excess of group's
actual interest cost

use of interest
expense to fund tax
exempt income