



# BEPS AND TAX AVOIDANCE

MARLIES DE RUITER

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# Outline

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- Background
- What is BEPS
- Why is BEPS a problem
- Towards a BEPS action plan



## Background

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- Increased attention of mainstream media to corporate tax affairs
- Spreading perception that MNEs dodge taxes all around the world
- Political impetus to address the issue in a comprehensive manner



# What is BEPS

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- Planning structures, technically legal, which take advantage of **asymmetries and loopholes** in domestic and international tax rules
- Increased **segregation** between where actual business activities take place and where profits are reported for tax purposes
- **Key pressure areas**
  - hybrid mismatch arrangements and arbitrage
  - related party debt-financing
  - transfer pricing
  - anti-avoidance measures
  - the availability of preferential regimes
  - digital economy



## Why is BEPS a problem?

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- It distorts competition
- It distorts investment decisions
- It is an issue of fairness



# Towards a BEPS action plan



- *Addressing Base Erosion and Profit Shifting* (Feb 2013)
- G20 welcomed report and requested the development of an action plan for the G20 meeting in July 2013.
- The action plan will provide a sense of direction for actions to be undertaken - *Key concepts: Coherence / Substance / Transparency*
- Need for an inclusive process
- Need for mechanism to swiftly implement changes
  - A multilateral instrument?