

IBFD

Tax reform needed also after BEPS

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General objectives of the Tax Reform Program

- ▶ Gaining knowledge and understanding of the principles and instruments steering the tax reforms/policy from different perspectives: political, social, economic, and organizational;
- ▶ Performing a socio-economic and legal analysis of different tax reform concepts;
- ▶ Developing ability to formulate, launch and manage tax reform process;
- ▶ Developing ability to judge and interpret foreign legal concepts in the light of candidate's national legal framework;
- ▶ Formulating rules and legal measures which are based on prior analysis;
- ▶ Expressing findings of analytical work in writing and orally.

Minimum standards of BEPS (1)

1. BEPS Action 13 standard on country-by-country reporting and the BEPS Action 5 standard for the compulsory spontaneous exchange of information on tax rulings
2. In relation to the transparency framework there are several categories of taxpayer-specific rulings which in the absence of compulsory spontaneous exchange of information could give rise to BEPS concerns. These are:
 - ▶ rulings relating to preferential regimes;
 - ▶ unilateral advance pricing agreements (APAs) or other cross-border unilateral rulings in respect of transfer pricing;
 - ▶ cross-border rulings providing for a downward adjustment of taxable profits;
 - ▶ permanent establishment (PE) rulings;
 - ▶ related party conduit rulings

Minimum standards of BEPS (2)

3. The objective of the CbC report is to provide tax administrations with a high level overview of the operations and tax risk profile of the largest multinational enterprise groups (MNE Groups). CbC reporting applies to MNE Groups with annual consolidated group revenue of €750 million or more (or near equivalent in local currency) in the immediately preceding fiscal year.
 - ▶ The terms of reference for the monitoring of the CbC reporting action focus on the following three key aspects that a jurisdiction must meet:
 - ▶ the domestic legal and administrative framework
 - ▶ the exchange of information framework; and
 - ▶ the confidentiality and appropriate use of CbC reports.

Minimum standards of BEPS (3)

4. A key aim of the BEPS (Base Erosion and Profit Shifting) Action Plan is to ensure that the inevitable increase in disputes will be handled in a more effective way to provide greater certainty and predictability for business and make the processes more efficient and effective for government (MAP)

5. Model treaty changes

The final minimum standard requires provisions in double tax treaties to prevent treaty abuse (including treaty shopping) by impeding the use of conduit companies to channel investments through countries and jurisdictions with favourable tax treaties in order to obtain reduced rates of taxation.



Tax Policy
Legislation
Treasury

Tax administration

Dedicated tax policy process

Broaden tax base

Reducing tax exemptions

Understanding International taxation

Organised tax reform process

Implementation test

Reducing compliance costs

Exchange of information system

Independent dispute resolution

Communication strategy

Professional HRM

Tax training curriculum

Integrity program

Knowledge management

Steering aid and strategic agenda

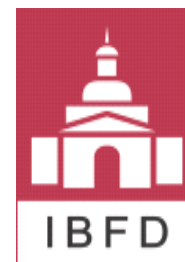
Managing absorption capacity

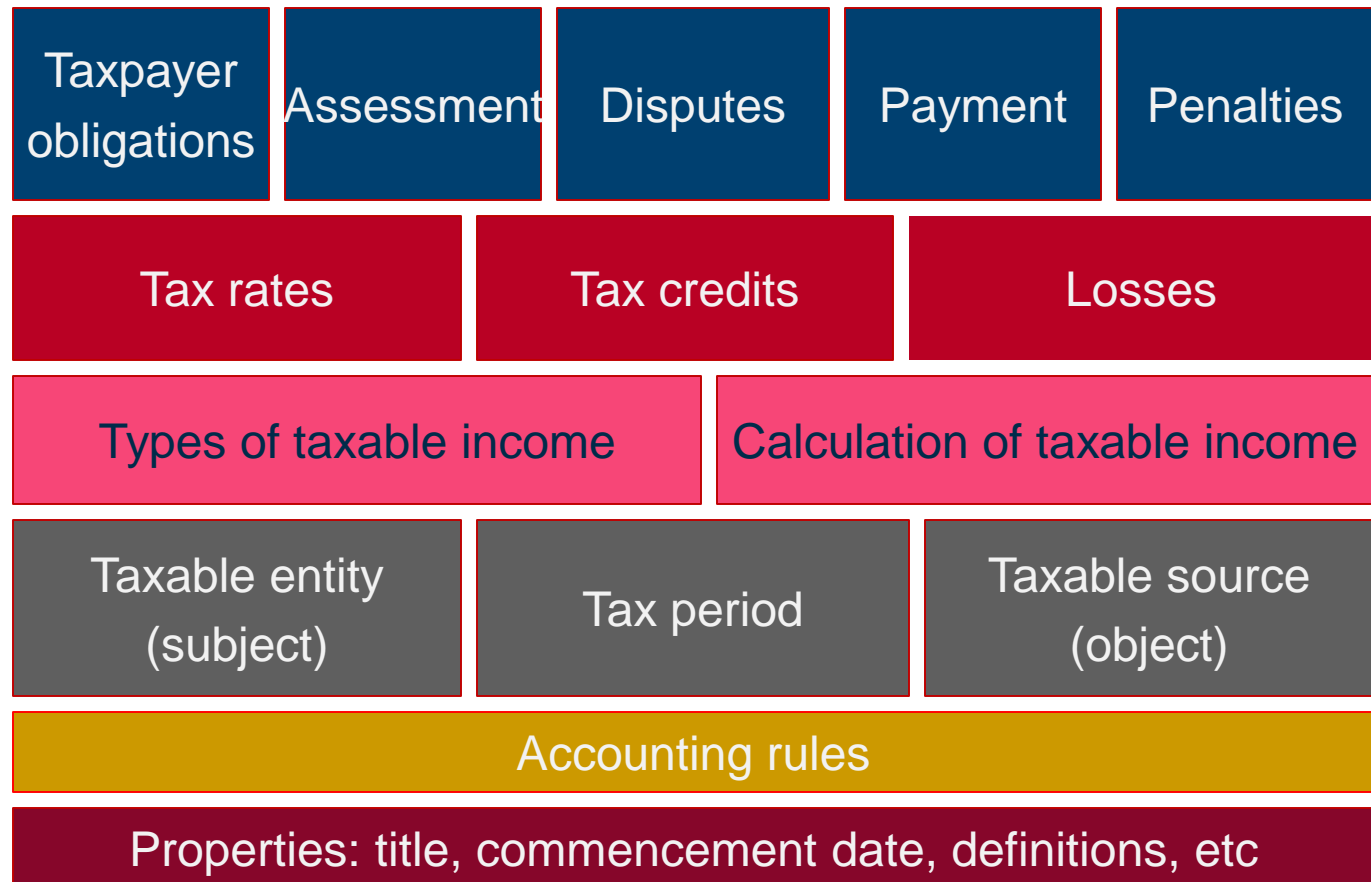
Reliable data for tax management

One counter for taxpayer

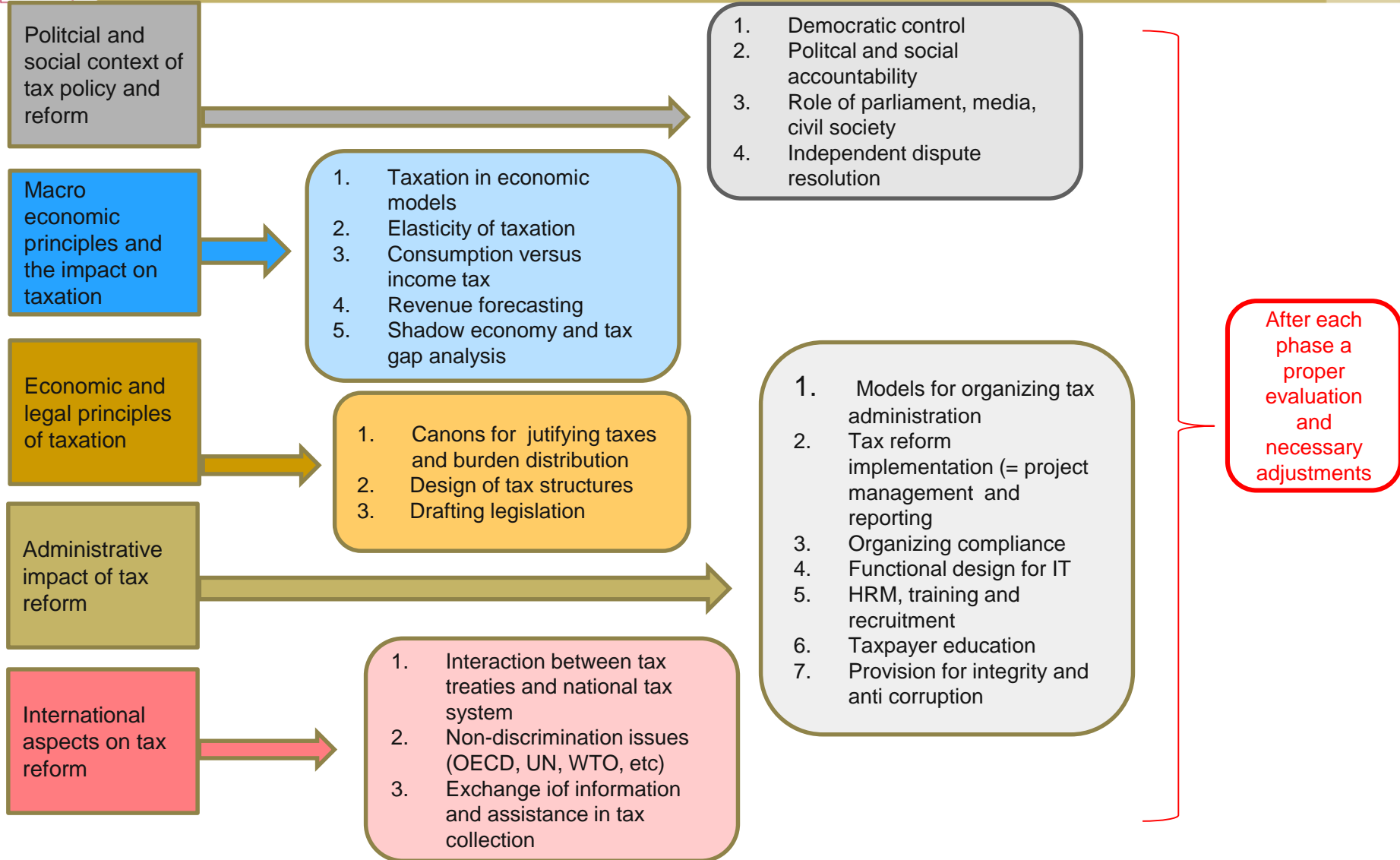
Autonomous tax administration

Ownership IT architecture





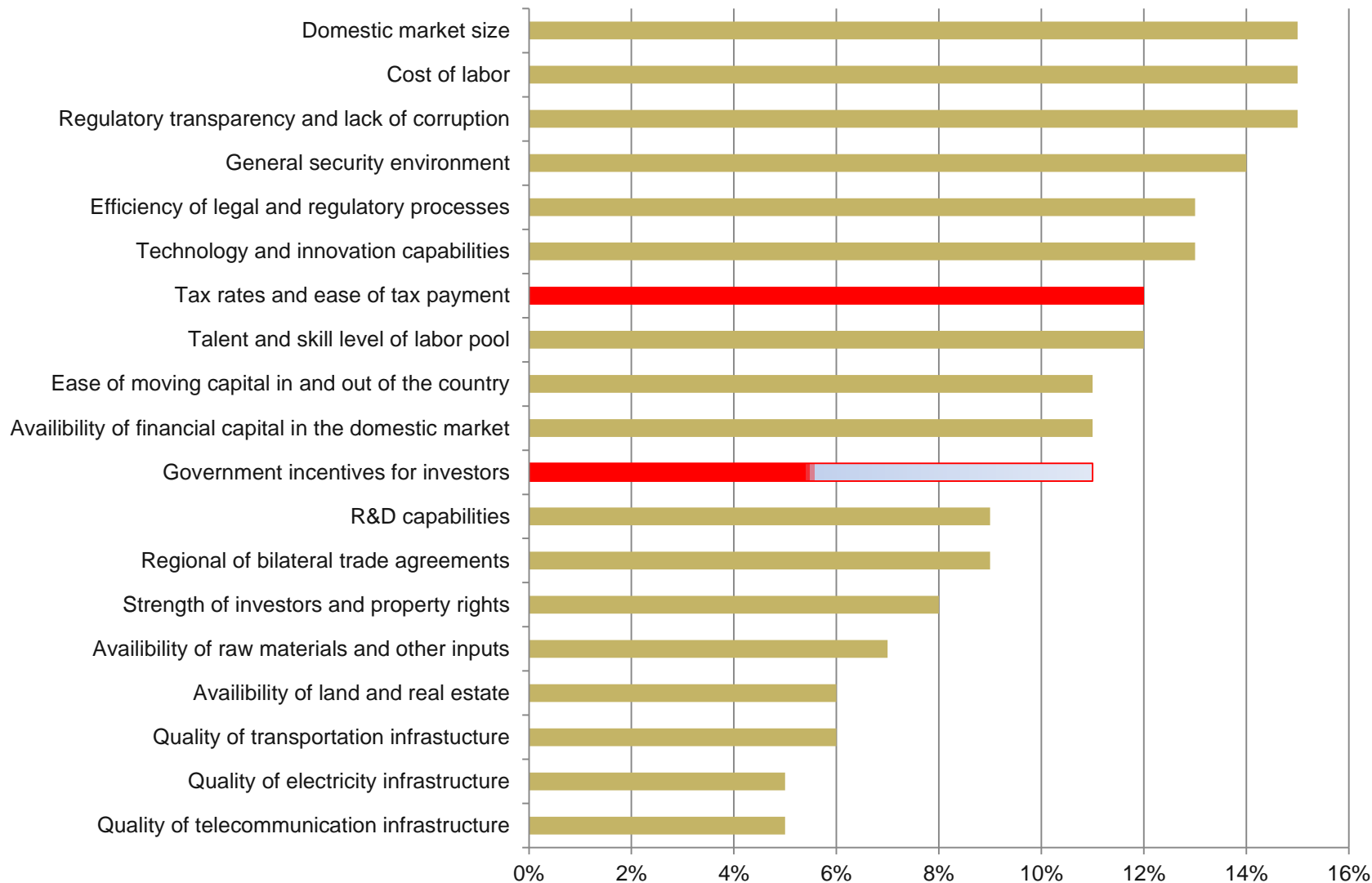
Tax reform phases



Silent revolution beneath BEPS

- ▶ Tax risks have an impact on total management of a company.
- ▶ Companies want a process oriented approach regarding taxation instead of adhoc solutions.
- ▶ A sound risk management system (tax control framework) gives insight in the tax risks and the related control mechanism.
- ▶ The tax control framework is part of all control systems in the organisation and makes an end to tax specialists in isolation.
- ▶ MNE's (the majority of them) want to be transparent and compliant in tax matters.
- ▶ Taxation is an integrated part of CSR policy. Also the society is acting as watch dog, regarding that MNE's have to pay their fair share (to obey to the spirit of the law).

Reasons for FDI



BEPS in line with SMART methodology?

The methodology consists on the following rules:

Related to
BEPS

Specific	Precise and concrete and not open to varying interpretation	questionable
Measurable	Referring to a desired future state, enabling to measure later achievements	In principle yes
Accepted	To influence behaviour it is necessary that objectives are accepted, understood and interpreted similarly by all of those who are expected to take responsibility for achieving them	questionable
Realistic	Ambitious but also realistically achievable	questionable
Time-bounded	Related to a fixed stretch of time	In principle yes



BEPS actions matching criteria profound tax system?

criterium	result	criterium	result
<i>Neutrality/efficiency</i>	Difficult to say	<i>Macroeconomic stability</i>	BEPS impact too small?
<i>Low administration and compliance costs</i>	Probably not	<i>Benefit principle</i>	Not relevant
<i>Flexibility</i>	Difficult	<i>Stability of revenues</i>	Has to increase
<i>Political responsibility (transparency)</i>	Yes	<i>International compatibility</i>	The whole purrpose
<i>Simplicity</i>	No	<i>Non-discrimination principle</i>	The whole purrpose
<i>Fairness (or equity)</i>	Difficult to say	<i>Ability to pay</i>	Not relevant
<i>Final incidence</i>	To early to say	<i>Convenient timing</i>	Right momentum
<i>Feasibility</i>	Probably not		

