



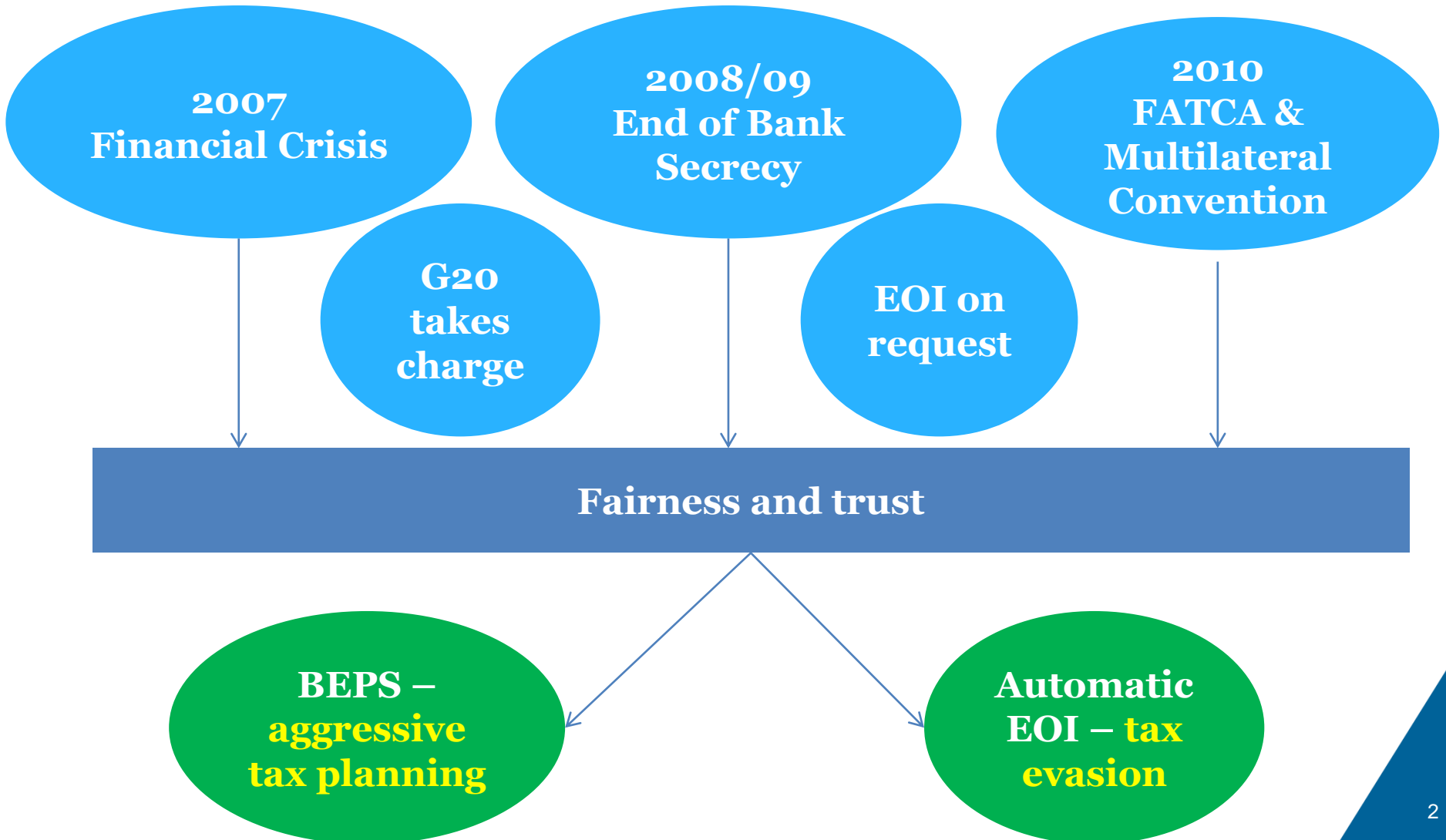
# A NEW ERA IN INTERNATIONAL TAXATION

SENADO - BRASILIA

27 OCTOBER 2015



# Context





# BASE EROSION AND PROFIT SHIFTING

*Raffaele Russo*

*Head BEPS Project*

*[Raffaele.russo@oecd.org](mailto:Raffaele.russo@oecd.org)*



# Why the BEPS Project?

---

- ✓ **Need to update the rules for the taxation of multinationals to**
  - Reflect changes in the underlying, digitalised, economy
  - Ensure that system 'is' and 'is perceived to be' fair
  - Maintain long-standing consensus-based framework
- ✓ **It is a matter of trust / integrity / economic efficiency / equality**



# The BEPS Project has been ...

---

## 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 final BEPS package?

---

- **Explanatory statement**
- **Reinforced international standards on:**
  - *Tax treaties*: treaty abuse, Permanent Establishment definition, Resolution of Disputes among governments
  - *Transfer pricing*: delineation of the actual transaction, return on risk, economic ownership of intangibles, pricing commodities, intra-group services, use of profit splits, TP documentation and country-by-country reporting
  - *Harmful tax practices*: nexus approach for preferential regimes plus mandatory exchange of rulings



# What's in the final BEPS package?

---

- **Common approaches** on hybrids and interest deductibility and **best practices** on CFC rules and on Mandatory Disclosure Rules
- **Analytical reports** with recommendations on the digital economy and on the feasibility of a multilateral instrument to implement BEPS treaty measures
- **Data and Economic analysis** on BEPS (100-240 USD of CIT lost globally every year)



# What's next on BEPS?

In addition to some technical **follow-up work**, focus turns to supporting and **Monitoring Implementation**

## Changes to TP Guidelines

Maybe immediately applicable depending on the legal and tax system

Interpretation tool for TP rules in domestic law and bilateral tax treaties

## Changes to MTC

Amend bilateral treaties  
Multilateral instrument to be open for signature in 2016

More than 90 countries at the table with first meeting on 4-5 November

## Other recommendations

Changes to domestic laws or practices depending on the system

Many countries already implementing, eg amending IP boxes and CBC





# AUTOMATIC EXCHANGE OF INFORMATION

*Paul Hondius*

Advisor Exchange of Information

*Paul.hondius@oecd.org*



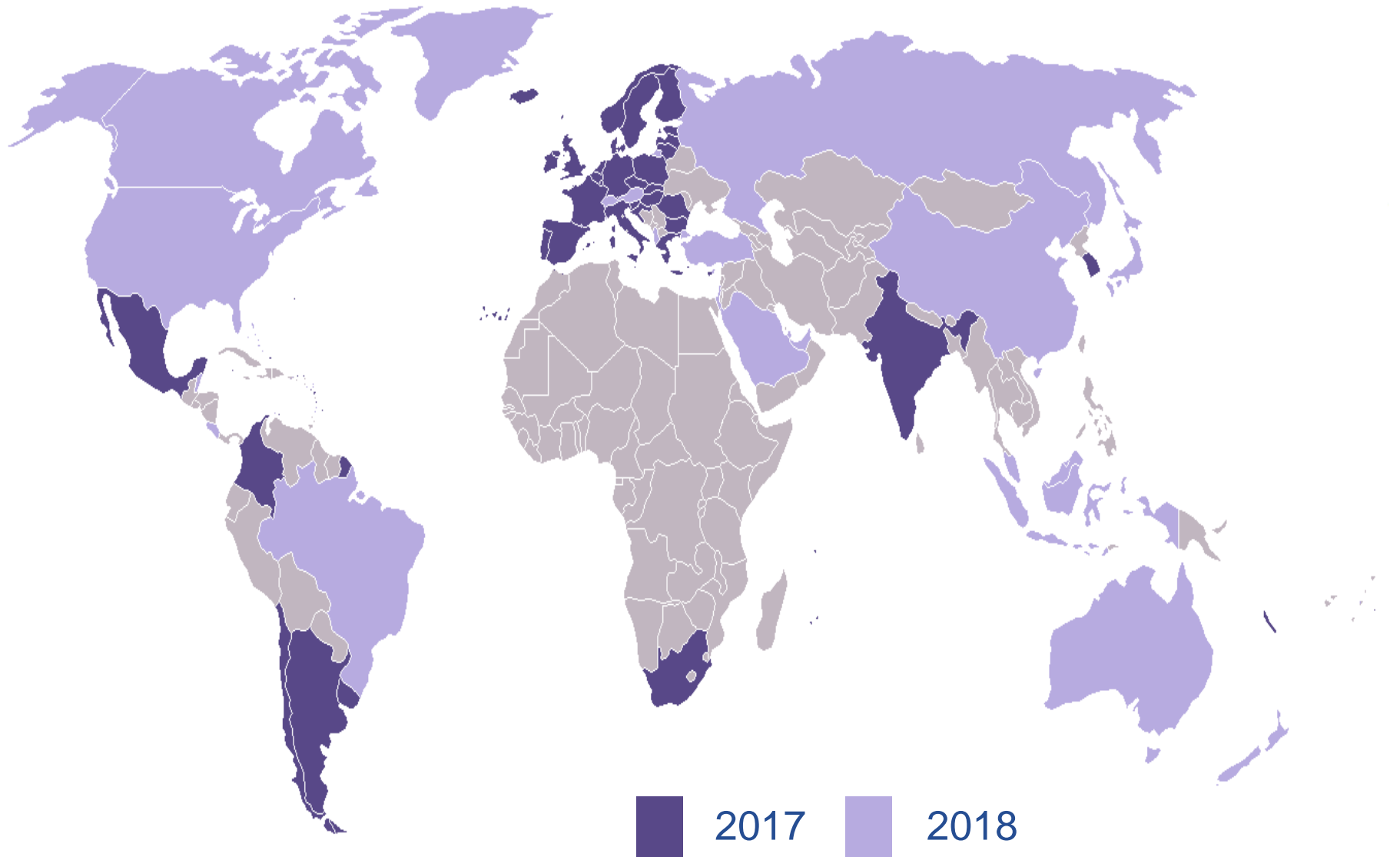
## AEOL standard in a nutshell

---

- Countries to exchange information on an automatic basis about bank accounts held by residents of other countries
- One click and tax administration knows which residents have
- Important role played by financial intermediaries
- Important to ensure a common reporting standard
  - *To reduce costs for intermediaries*
  - *To allow governments to match data*
- Political agreement is there and focus recently has been on technical and IT details

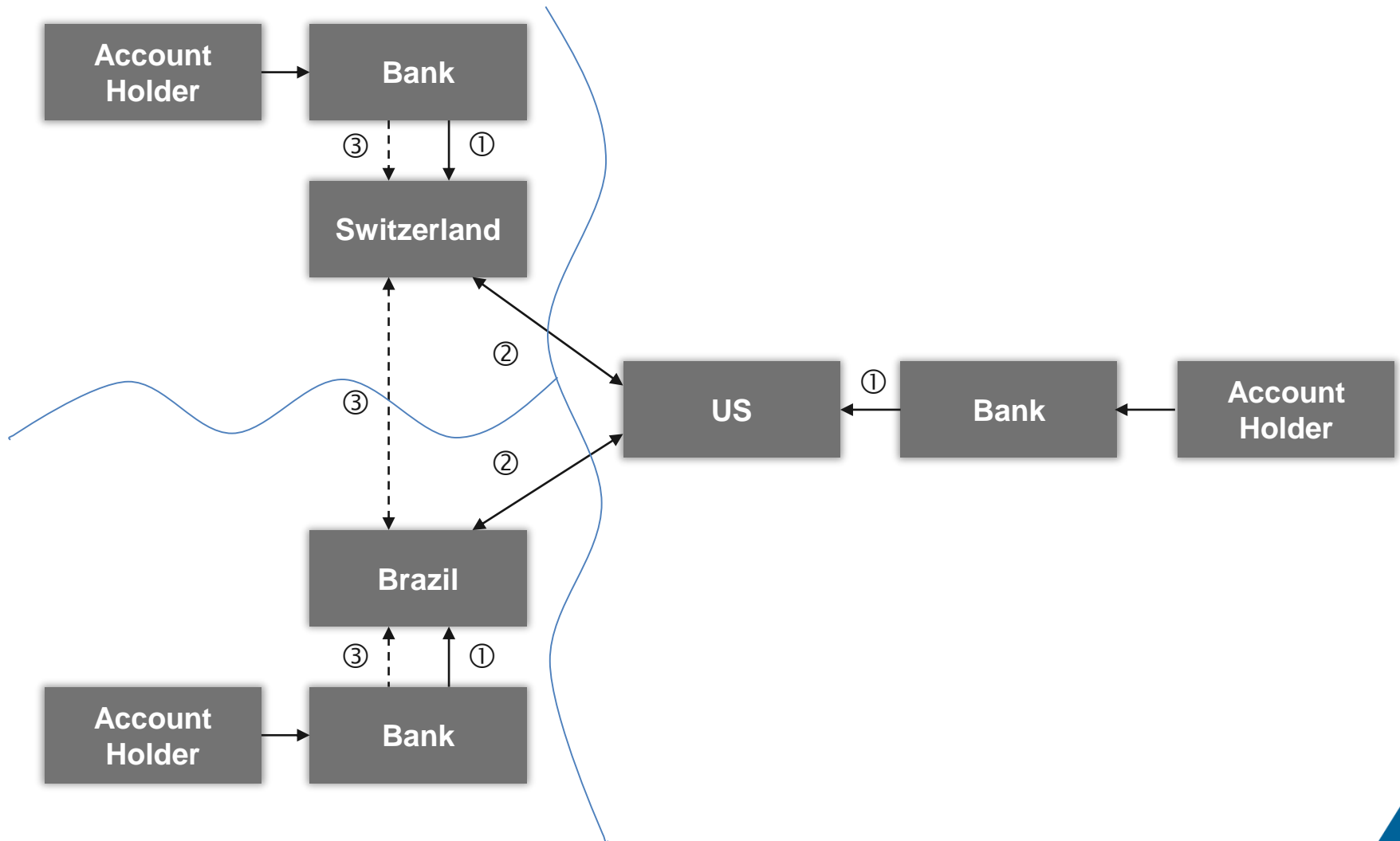


## 95 Jurisdictions already committed to AEOI





# Automatic exchange standard: Example





# Legal basis for exchange: Multilateral Convention and related framework implementation agreement

## A framework agreement

- It is signed by Competent Authorities under Article 6 of the **Multilateral Convention**
- Allows for automatic exchange with any other signatory
- Provides for the automatic exchange of tax information in accordance with the new standard
- At present 61 signatories (in some countries the framework agreement needs ratification, in others it does not)
- Brazil still needs to ratify the Convention itself





# Path towards compliance: **Voluntary disclosure programmes**



- AEOI will start from 2017
- As it is the last window of opportunity to voluntarily disclose offshore assets, several countries have introduced temporary measures
- Tax usually paid in full plus interest, with limited waiving penalties and waiving of prosecution of tax offenses
- Over 40 billion USD already collected under VDPs over the last 5 years



# CONCLUDING REMARKS



# New era in international taxation

---

- **New environment will be one of increased transparency**
  - Those who continue to take aggressive or illegal positions will have a hard life ...
  - Those who do not, they deserve certainty and predictability, and lower taxes
- **G20 leadership has been key to ensure that the system is fairer and more trustworthy**
  - Close loopholes to ensure sustainability
- **Next: Focus on how tax can support investment and growth**