



# Tax policy and administration: Some recent developments under BEPS

## International Taxation Conference FIT-IBFD

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# What is on the BEPS agenda?

- ▶ **Base erosion and profit shifting priorities for developing countries and economies in transition?**
  - ▶ 2014 OECD & 2015 UN reports
  - ▶ Selected Actions are considered as priority for developing countries
    - ▶ Action 4 (limiting base erosion involving interest deductions)
    - ▶ Action 6 (preventing treaty abuse)
    - ▶ Action 7 (preventing artificial avoidance of permanent establishment)
    - ▶ **Actions 8-10 (aligning transfer pricing outcomes with value creation)**
    - ▶ Action 11 (measuring and monitoring BEPS)
    - ▶ *Action 12 (disclosure of aggressive tax planning)*
    - ▶ *Action 13 (guidance on transfer pricing documentation – CbCR)*

- ▶ **Base erosion and profit shifting priorities for developing countries?**
  - ▶ 2014 OECD report and UN acknowledged:
  - ▶ ***other base erosion and profit shifting issues not covered***  
under the OECD-G20 BEPS:
    - ▶ tax incentives
    - ▶ lack of comparability data for transfer pricing
    - ▶ tax avoidance through offshore indirect transfer of assets located in developing countries
    - ▶ the taxation of fees for (technical) services by source countries
    - ▶ the taxation of rents and royalties by source countries

## Main findings from IBFD survey

- ▶ Countries are generally **aware of the relevance of BEPS** but seem **not to have yet identified which of those measures are most suitable for them** in their own situation, and the specific **content and implications** of those measures
  
- ▶ **Current challenges** expressed by tax administration for implementing selected BEPS Actions:
  - ▶ **lack of fulfillment of basic conditions** to implement selected BEPS Actions, for example, lack of:
    - ▶ fundamental knowledge on international tax issues
    - ▶ sufficient staff capacity and specialization
    - ▶ technological tools
    - ▶ IT infrastructure and skilled staff to operate the later

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## Main findings from the survey

- ▶ Countries' tax strategic plans: **no or hardly references to BEPS**
- ▶ **Disconnection** between the commitments of the country at the **policy level** and
  - ▶ **implementation** through a country's tax strategy plan or
  - ▶ **communication** to tax administrators
- ▶ **Lack of awareness** among countries that have joined the Inclusive Framework about the **need to implement the minimum standards**
- ▶ **Essential problems** in the tax system and tax administration of some of those countries make it **difficult to consider BEPS implementation**

## Minimum standards need also proper tax reform process

- ▶ 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.



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 phase	Elementary steps	
Political and social context of tax policy and reform	<ol style="list-style-type: none"> <li>1. Democratic control</li> <li>2. Political and social accountability</li> <li>3. Role of parliament, media, civil society</li> <li>4. Independent dispute resolution</li> </ol>	
Macro economic principles and the impact on taxation	<ol style="list-style-type: none"> <li>1. Taxation in economic models</li> <li>2. Elasticity of taxation</li> <li>3. Consumption versus income tax</li> <li>4. Revenue forecasting</li> <li>5. Shadow economy and tax gap analysis</li> </ol>	
Economic and legal principles of taxation	<ol style="list-style-type: none"> <li>1. Canons for justifying taxes and burden distribution</li> <li>2. Design of tax structures</li> <li>3. Drafting legislation</li> </ol>	
Administrative impact of tax reform	<ol style="list-style-type: none"> <li>1. Models for organizing tax administration</li> <li>2. Tax reform implementation (= project management and reporting)</li> <li>3. Organizing compliance</li> <li>4. Functional design for IT</li> <li>5. HRM, training and recruitment</li> <li>6. Taxpayer education</li> <li>7. Provision for integrity and anti corruption</li> </ol>	
International aspects on tax reform	<ol style="list-style-type: none"> <li>1. Interaction between tax treaties and national tax system</li> <li>2. Non-discrimination issues (OECD, UN, WTO, etc)</li> <li>3. Exchange of information and assistance in tax collection</li> </ol>	



## BEPS actions matching criteria profound tax system?

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<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>Feasibility</i>	Probably not	<i>Convenient timing</i>	Right momentum



Thank you for your attention

