

# BEPS: A Summary Update as of May 2014

May 20 2014

**DRAFT ONLY**



# Agenda

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- ▶ Overview of BEPS Action Plan
- ▶ OECD Developments
  - ▶ Treaty Abuse
  - ▶ Hybrids
  - ▶ Digital Economy
  - ▶ CBC Reporting
- ▶ Unilateral Actions ?
  - ▶ Various Country Actions
  - ▶ US Developments
  - ▶ EU Parent-Subsidiary Directive

# BEPS – the start

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- ▶ Concern by governments that gaps and opportunities exist for multinational enterprises (MNE's) to artificially shift profits out of countries where earned resulting in low taxation or double non-taxation. The focus is on MNEs.
  - ▶ Major government deficits around the world. Economic slowdown. Financial crisis fallout in Europe and elsewhere.
  - ▶ Would governments have taken action anyway?
- ▶ In July 2013, the OECD launched an Action Plan on “Base Erosion and Profit Shifting” (BEPS) setting out 15 specific actions needed to help governments with the domestic and international tools required to stop BEPS.
- ▶ The tools or instruments arising out of the 15 actions are to be finalized on a phased basis by December 31 2015.
- ▶ The OECD has issued a number of discussion documents setting out the specific mechanisms to effect the actions. This includes changes in domestic tax laws, amendment of treaties, increased reporting and documentation and a consideration of a multilateral approach.

# Summary of Actions: The Big 15

Action #	Action	Deadline
1	Address the tax challenges of the digital economy	Sept 2014
2	Neutralize the effects of hybrid mismatch arrangements	Sept 2014
3	Strengthen CFC rules	Sept 2015
4	Limit base erosion via interest deductions and other financial payments	Dec 2015
5	Counter harmful tax practices more effectively, taking into account transparency and substance	Dec 2015
6	Prevent treaty abuse	Sept 2014
7	Prevent the artificial avoidance of PE status	Sept 2015
8, 9 & 10	Assure that transfer pricing outcomes are in line with value creation: intangibles, risks and capital and other high-risk transactions	Sept 2015
11	Establish methodologies to collect and analyze data on BEPS and the actions to address it	Sept 2015
12	Require taxpayers to disclose their aggressive tax planning arrangements	Sept 2015
13	Re-examine transfer pricing documentation	Sept 2014
14	Make dispute resolution mechanisms more effective	Sept 2015
15	Develop a multilateral instrument	Dec 2015

# Overview of BEPS Action Plan

## Summary of Actions

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- ▶ **Digital Economy:** Set out the key problems the digital economy poses for existing “international” tax rules and develop detailed options to address these difficulties (Action 1)
  
- ▶ **Hybrid Arbitrage:** Develop standards (to be used in domestic law and treaties) to:
  - ▶ neutralise the effects of hybrid mismatch arrangements (Action 2),
  - ▶ strengthen CFC rules (Action 3),
  - ▶ limit base erosion via interest and other deductions (Action 4), and
  - ▶ counter “harmful” tax practices more effectively (Action 5)
  
- ▶ **Treaty Shopping/Treaty-Based Double Non-Taxation:** Develop model treaty provisions and domestic rules to preclude treaty benefits in “inappropriate” circumstances including changes to preclude the artificial avoidance of PE status (Actions 6 and 7)

# Overview of BEPS Action Plan

## Summary of Actions

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- ▶ **Transfer Pricing (and Re-characterization):** Stop BEPS by:
  - ▶ moving intangibles among group members (Action 8),
  - ▶ transferring risks among, or allocating excessive capital to, group members (Action 9),
  - ▶ engaging in transactions which would not, or would only very rarely, occur between third parties (Action 10).
  
- ▶ **Data, Transparency and Dispute Resolution:** Develop recommendations, rules and solutions regarding:
  - ▶ indicators of the scale and economic impact of BEPS and tools to monitor and evaluate the impact of the actions taken to address BEPS on an ongoing basis (Action 11),
  - ▶ mandatory disclosure rules for aggressive tax planning (Action 12),
  - ▶ TP documentation to enhance transparency for tax administration, considering compliance costs for business (Action 13),
  - ▶ obstacles preventing countries solving disputes under MAP (Action 14).

# Overview of BEPS Action Plan

## Summary of Actions

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- ▶ **Treaty Revisions:** Analyse the tax and public international law issues related to the development of a multilateral instrument to enable jurisdictions that wish to do so. This will enable jurisdictions to implement measures developed in the course of the work on BEPS and amend bilateral tax treaties (Action 15).

# OECD Developments

## Timetable



### BEPS/G20 Project: Calendar for planned stakeholders' input 2013-2014

Document / Event	Name and Link	Date of Publication	Deadline for Comments	BEPS Action Plan Item
Discussion Draft	<a href="#">Revised Discussion Draft on Transfer Pricing Aspects of Intangibles</a>	30 July 2013	1 October 2013	8- Assure that Transfer Pricing Outcomes are in Line With Value Creation / Intangibles
Discussion Draft	<a href="#">White Paper on Transfer Pricing Documentation</a>	30 July 2013	1 October 2013	13- Re-examine Transfer Pricing Documentation
BIAC Dialogue	<a href="#">Press Release</a>	1 October 2013	N/A	All
Memorandum	<a href="#">Memorandum on Transfer Pricing Documentation and Country-by-Country Reporting</a>	3 October 2013	N/A	13- Re-examine Transfer Pricing Documentation
Request for Input	<a href="#">Artificial Avoidance of PE Status</a>	22 October 2013	15 November 2013	7- Prevent the Artificial Avoidance of PE Status
Public Consultation	<a href="#">Transfer Pricing Aspects of the BEPS Action Plan</a>	12-13 November 2013	N/A	8/9/10- Assure that Transfer Pricing Outcomes are in Line With Value Creation: Intangibles / Risks and Capital / Other High-Risk Transactions
				13- Re-examine Transfer Pricing Documentation
Request for Input	<a href="#">The Tax Challenges of the Digital Economy</a>	22 November 2013	22 December 2013	1- Address the Tax Challenges of the Digital Economy
Request for Input	Data / Effective Tax Rate Methodology	January 2014 *	30 days after publication	11- Establish Methodologies to Collect and Analyse Data on BEPS and the Actions to Address It
Discussion Draft	Transfer Pricing Documentation and Template for Country-by-Country Reporting	February 2014 *	21 days after publication	13- Re-examine Transfer Pricing Documentation
Discussion Draft	The Tax Challenges of the Digital Economy	March 2014 *	30 days after publication	1- Address the Tax Challenges of the Digital Economy
Discussion Draft	Hybrid Mismatch Arrangements	March 2014 *	30 days after publication	2- Neutralise the Effects of Hybrid Mismatch Arrangements
Discussion Draft	Tax Treaty Abuse	March 2014 *	30 days after publication	6- Prevent Treaty Abuse
Public Consultation	Country by Country Reporting and Transfer Pricing Documentation	March 2014 (expected)	N/A	13- Re-examine Transfer Pricing Documentation
Public Consultation	The Tax Challenges of the Digital Economy	April 2014 (expected)	N/A	1- Address the Tax Challenges of the Digital Economy
Public Consultation	Hybrid Mismatch Arrangements	April 2014 (expected)	N/A	2- Neutralise the Effects of Hybrid Mismatch Arrangements
Public Consultation	Tax Treaty Abuse	April or May 2014 (to be confirmed)	N/A	6- Prevent Treaty Abuse

[www.oecd.org/tax/beps.htm](http://www.oecd.org/tax/beps.htm)

\* Please note that these dates may change

# OECD Developments

## Treaty Abuse

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- ▶ Discussion Draft Released (14 March – 9 April)
- ▶ Main Elements
  - ▶ Treaty provisions and/or domestic rules to prevent the granting of treaty benefits in inappropriate circumstances
    - ▶ Circumventing the limitations provided by the treaty itself
    - ▶ Abusing the provisions of domestic tax law using treaties
  - ▶ Clarification that tax treaties are not intended to be used to generate double non-taxation
  - ▶ Tax policy considerations that, in general, countries should consider before deciding to enter into a tax treaty with another country

# OECD Developments

## Treaty Abuse

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- ▶ Cases where a person tries to circumvent limitations provided by the treaty itself
  - ▶ Treaty shopping
    - ▶ Limitation-on-benefits provision (Derivative Benefits?)
    - ▶ Arrangements: one of the main purposes of which is to obtain treaty benefits
  - ▶ Other situations where a person seeks to circumvent treaty limitations
    - ▶ Splitting-up of contracts
    - ▶ Hiring-out of labour cases
    - ▶ Transactions intended to avoid dividend characterisation
    - ▶ Dividend transfer transactions
    - ▶ Transactions that circumvent the application of Art. 13(4)
    - ▶ Tie-breaker rule for determining the treaty residence of dual-resident persons
    - ▶ Anti-abuse rule for permanent establishments situated in third States

# OECD Developments

## Treaty Abuse

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- ▶ Cases of “abuse” of domestic tax law using treaties
  - ▶ Thin capitalisation and other financing transactions
  - ▶ Dual residence strategies (e.g. a company is resident for domestic tax purposes but non-resident for treaty purposes);
  - ▶ Transfer mispricing;
  - ▶ Arbitrage transactions based on mismatches in the domestic law of a State enables the recharacterisation of income (e.g. by transforming business profits into capital gain) or character (e.g. by transforming dividends into interest) or income transfers (e.g. by transferring income to tax-exempt entities or entities that have accumulated tax losses; or from non-residents to residents) or timing differences.
  - ▶ Arbitrage transactions based on mismatches between the domestic laws of two States enables the recharacterisation of income, entities or shift timing differences.
  - ▶ Transactions that “abuse” relief of double taxation mechanisms (by producing income that is not taxable in the State of source but must be exempted by the State of residence or by abusing foreign tax credit mechanisms).

# OECD Developments

## Treaty Abuse

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- ▶ Many of these transactions will be addressed via other aspects of the Action Plan; in particular Action 2 (Neutralise the effects of hybrid mismatch arrangements), Action 3 (Strengthen CFC rules), Action 4 (Limit base erosion via interest deductions and other financial payments) and Actions 8, 9 and 10 dealing with Transfer Pricing.
- ▶ The main objective of the work aimed at preventing the granting of treaty benefits with respect to these transactions is to ensure that treaties do not prevent the application of specific domestic law provisions that would prevent these transactions.
- ▶ Such cases include situations where it is argued that
  - ▶ Provisions of a tax treaty prevent the application of a domestic GAAR;
  - ▶ Art. 24(4) and Art. 24(5) prevent the application of domestic thin-capitalisation rules;
  - ▶ Art. 7 and/or Art. 10(5) prevent the application of CFC rules;
  - ▶ Art. 13(5) prevents the application of exit or departure taxes;
  - ▶ Art. 24(5) prevents the application of domestic rules that restrict tax consolidation to resident entities;
  - ▶ Art. 13(5) prevents the application of dividend stripping rules targeted at transactions designed to transform dividends into treaty-exempt capital gains;
  - ▶ Art. 13(5) prevents the application of domestic assignment of income rules (such as grantor trust rules).

# OECD Developments

## Treaty Abuse

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- ▶ Clarification that tax treaties are not intended to be used to generate double non-taxation
  - ▶ New Title: Convention between (State A) and (State B) for the elimination of double taxation with respect to taxes on income and on capital and the prevention of tax evasion and avoidance
  - ▶ New Preamble:

(State A) and (State B),

Desiring to further develop their economic relationship and to enhance their cooperation in tax matters,

Intending to conclude a Convention for the elimination of double taxation with respect to taxes on income and on capital without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at obtaining reliefs provided in this Convention for the indirect benefit of residents of third States)

Have agreed as follows:
  - ▶ Revised Commentaries

# OECD Developments

## Treaty Abuse

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- ▶ Tax policy considerations that, in general, countries should consider before deciding to enter into a tax treaty with another country
  - ▶ Risk of double-taxation
  - ▶ Excessive withholding tax rates
  - ▶ Non-discrimination
  - ▶ Mutual agreement procedure
  - ▶ Exchange of Information & Assistance in collection

“It should be noted, however, that in the absence of any actual risk of double taxation, these administrative provisions would not, by themselves, provide a sufficient tax policy basis for the existence of a tax treaty because such administrative assistance could be secured through more targeted alternative agreements, such as the conclusion of a tax information exchange agreement or the participation in the multilateral Convention on Mutual Administrative Assistance in Tax Matters.”

# OECD Developments

## Hybrids

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- ▶ Two Discussion Draft Released (19 March – 2 May)
  - ▶ Domestic Law Provisions
  - ▶ Treaty Issues
- ▶ Domestic Law – Main Elements
  - ▶ Hybrid Financial Instruments and Transfers: deductible payment made under a financial instrument is not treated as taxable income in payee's jurisdiction
  - ▶ Hybrid Entity Payments: differences in the characterisation of the hybrid payer result in a deductible payment being disregarded or triggering a second deduction in the other jurisdiction
  - ▶ Imported Mismatches and Reverse Hybrids: payments made to an intermediary payee that are not taxable on receipt
    - ▶ intermediary is party to a separate hybrid mismatch arrangement and the payment is set-off against a deduction arising under that arrangement (imported mismatches)
    - ▶ differences in the characterisation of the intermediary result in the payment being disregarded in both the intermediary jurisdiction and the investor's jurisdiction (reverse hybrids)
  - ▶ Proposed Solution: Force inclusions or deny deductions

# OECD Developments

## Hybrids

Table 1. Summary of Recommendations

Category	Hybrid element	Type of Mismatch	Recommended changes to domestic law	Recommended Linking rule		
				Primary Response	Defensive rule	Scope
<b>Hybrid Financial Instruments &amp; Transfers</b>	Differences in the tax treatment of the instrument mean that payments under the instrument have a different character	D/NI	No dividend exemption for deductible payments  Proportionate limitation of withholding tax credits	Payer jurisdiction denies deduction	Payee jurisdiction includes payment as income	Under consideration
<b>Hybrid entity payments</b>	Differences in the tax treatment of the entity or arrangement mean that payments made by the entity or under the arrangement are characterised differently under the laws of two or more jurisdictions.	D/NI	-	Payer jurisdiction denies deduction	Payee jurisdiction includes payment as income	Related parties (incl. persons acting in concert) & structured arrangements.
		DD	-	Investor jurisdiction denies deduction	Subsidiary jurisdiction denies deduction	Primary rule no limitation. Defensive rule limits to related parties (incl. persons acting in concert) & structured arrangements.
<b>Reverse hybrids</b>	Differences in the tax treatment of the entity mean that payment is not included in income by the payee	D/NI	Intermediate jurisdiction implements tax filing and information requirements	Investor required to include income	Payer jurisdiction denies deduction	Members of controlled group (incl. persons acting in concert) and anti-abuse
<b>Imported mismatches</b>	Payment is offset against expenditure incurred under a hybrid mismatch arrangement.			Intermediate jurisdiction follows tax treatment of controlling investor if no inclusion by that investor		
				Introduce anti-hybrid rules		

# OECD Developments

## Hybrids

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### ▶ Treaty Issues – Main Elements

- ▶ Ensuring that dual resident entities not used to obtain the benefits of treaties unduly
- ▶ Ensuring that transparent entities not used to obtain the benefits of treaties unduly
- ▶ Interaction between the recommendations included in the WP11 Discussion Draft (on Domestic Law Provisions) and the provisions of tax treaties
  - ▶ Rules providing for the denial of deductions
  - ▶ Imposition of tax on a non-resident with no permanent establishment in the taxing state
  - ▶ Concerns about the potential application of anti-discrimination provisions in the OECD Model Convention

# OECD Developments

## Digital Economy

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- ▶ Discussion Draft Released (24 March – 14 April)
- ▶ Main Elements
  - ▶ Overview of Digital Economy
  - ▶ Discussion of BEPS and Other Tax Challenges in Digital Economy
  - ▶ Potential Options to Address Tax Challenges in Digital Economy
    - ▶ Modifications to the Exemptions from Permanent Establishment Status
    - ▶ A New Nexus based on Significant Digital Presence
    - ▶ Virtual Permanent Establishment
    - ▶ Creation of a Withholding Tax on Digital Transactions
    - ▶ Consumption Tax Options
      - ▶ Exemptions for Imports of Low Valued Goods
      - ▶ Remote digital supplies to consumers

# OECD Developments

## CBC Reporting

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- ▶ Discussion Draft & Template Released 30 January 2014
  - ▶ Constituent Entities Organised in the Country
  - ▶ Place of Effective Management
  - ▶ Important business activity code(s)
  - ▶ Revenues
  - ▶ Earnings Before Income Tax
  - ▶ Income Tax Paid (on Cash Basis)
    - ▶ To Country of Organisation
    - ▶ To All Other Countries
  - ▶ Total Withholding Tax Paid
  - ▶ Stated capital and accumulated earnings
  - ▶ Number of Employees (and Total Employee Expense)
  - ▶ Tangible Assets other than Cash and Cash Equivalents
  - ▶ Royalties Paid to / Received from Constituent Entities
  - ▶ Interest Paid to / Received from Constituent Entities
  - ▶ Service Fees Paid to / Received from Constituent Entities

# OECD Developments

## CBC Reporting

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### ▶ Tentative Revisions Announced 2 April 2014

- ▶ Eliminate transactional reporting in C by C template – limit transactional reporting to local file
- ▶ Retain reporting of activity measures on a country basis – number of employees, tangible assets, capital and retained earnings
- ▶ Require country level financial data for all countries but not entity-by-entity reporting
- ▶ Include a list of entities and PE's included in each country with numbers / activity codes for each
- ▶ Provide flexibility regarding sources financial data provided a consistent approach followed for entire group and from year to year
- ▶ C by C template a separate document / not part of master file
- ▶ Clarify that the master file is supposed to be a high level overview
- ▶ Flexibility as to whether master file should be prepared on a group – wide basis or by line of business

### ▶ Issues still under discussion

- ▶ Filing and sharing process for C by C template and for master file
- ▶ Guidance on language
- ▶ Meeting again in May

# OECD Developments

## CBC Reporting

CONFIDENTIAL

CTPA/CFA/NOE2(2014)4/REV1/CONF

### Annex III to Chapter V: A Model Template of Country-by-Country Reporting

#### Overview of allocation of income, taxes and business activities on a country-by-country basis

Country	Constituent Entities Organised in the Country	Place of Effective Management	Important business activity code(s)	Revenues	Earnings Before Income Tax	Income Tax Paid (on Cash Basis)		Total Withholding Tax Paid	Start of capital and accumulated earnings	Number of Employees	Total Employee Expense	Tangible Assets other than Cash and Cash Equivalents	Royalties Paid to Constituent Entities	Royalties Received from Constituent Entities	Interest Paid to Constituent Entities	Interest Received from Constituent Entities	Service Fees Paid to Constituent Entities	Service Fees Received from Constituent Entities
						(a) To Country of Organisation	(b) To All Other Countries											
	1																	
	2																	
	3																	
	4																	
	Total:																	
	1																	
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# Unilateral Actions presumed Americas

## Canada

- Consultation on measures to prevent treaty shopping
- Consultation on tax planning by multinational enterprises

[Link](#)

## Mexico

- Payments to a related party (Mexico or abroad) are nondeductible, when these payments are not subject to tax or subject to tax at a rate of less than 75% of the Mexican income tax rate.
- Piercing the corporate veil

[Link](#)

## Chile

A reform package for 2014 will likely include the introduction (for the first time in Chilean legislation) of a “substance-over-form rule.”

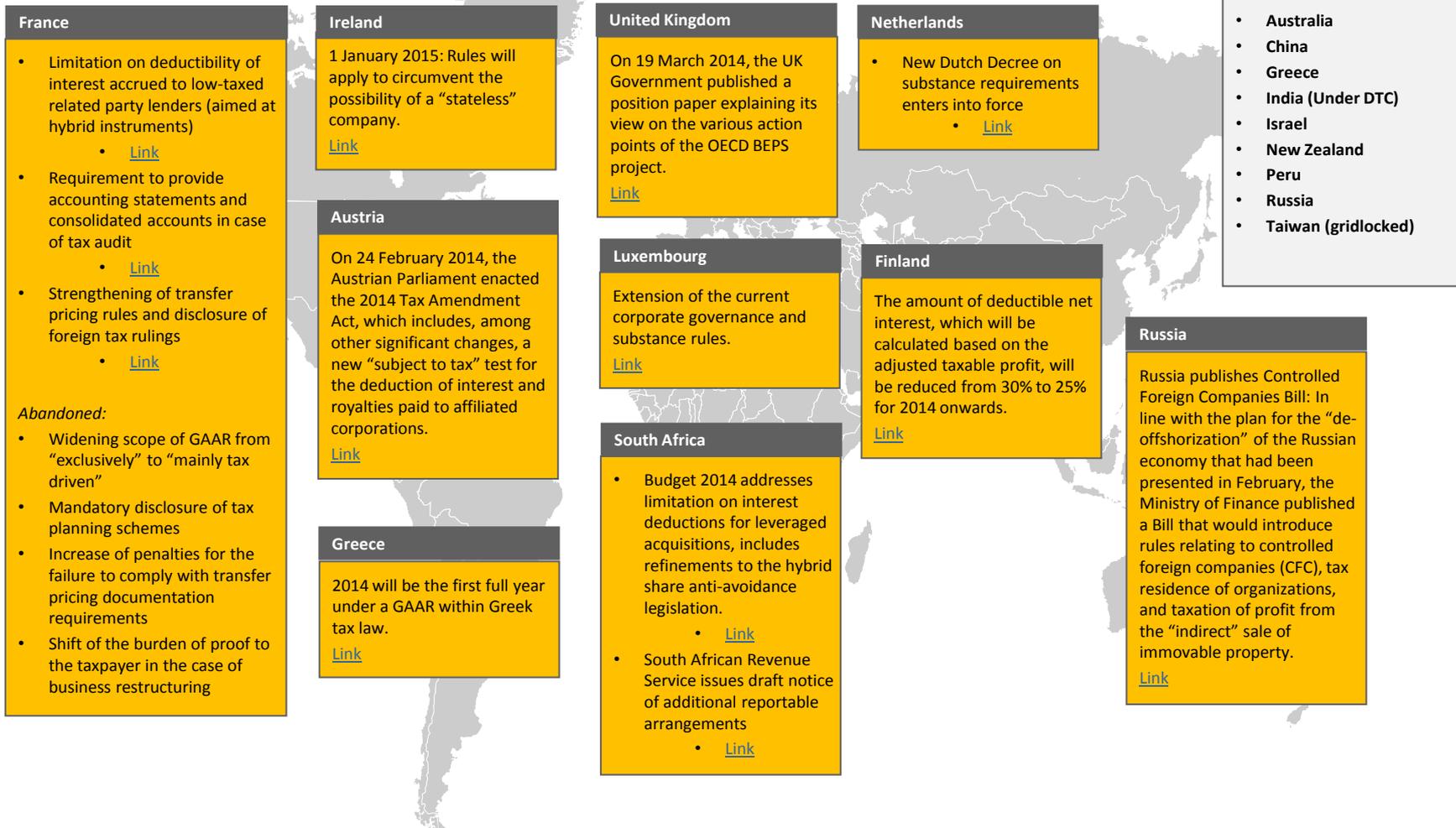
[Link](#)

## New or stronger CFC rules for 2014

- Australia
- China
- Greece
- India (Under DTC)
- Israel
- New Zealand
- Peru
- Russia
- Taiwan (gridlocked)

# Unilateral Actions presumed

## Europe, Middle East, India and Africa



# Unilateral Action presumed

## Asia-Pacific



### New or stronger CFC rules for 2014

- Australia
- China
- Greece
- India (Under DTC)
- Israel
- New Zealand
- Peru
- Russia
- Taiwan (gridlocked)

### Vietnam

2014: GAAR introduced related to the claiming of tax treaty benefits.

[Link](#)

### Australia

- Public reporting (via ATO) of taxes paid from the 2013-14 income year
  - [Link](#)
- New transfer pricing regulations to combat profit shifting
  - [Link](#)
- Australia releases discussion paper regarding debt-equity tax classification rules
  - [Link](#)

# And in other news:

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## Various Comments from Daily Tax Report: March through May

- ▶ OECD's Saint Amans: BEPS Plan to include mechanism to fix Implementations snag
  - ▶ "Carol Doran Klein, vice president and international tax counsel with the United States Council for International Business, said the OECD, under its project on value-added taxes, has taken nearly eight years to complete guidelines on business-to-business transactions and hasn't yet completed its work on business-to-consumer transactions.... But... "the BEPS model, where you publish a document and then three weeks later have a hearing, is absurd," she said. "The idea that you can redesign the international tax world in a couple of months is not likely to achieve lasting outcomes in my view.""
  - ▶ Samuel Maruca, the Internal Revenue Service's director of transfer pricing, said April 30 that BEPS could lead to "international tax chaos" if it isn't implemented under a "deliberative process" (84 DTR G-7, 5/1/14).
- ▶ The Association of British Insurers (ABI) in its letter focused on the draft's proposed definition of a related party as a party with a 10 percent share holding, saying the definition will mean that in most cases it will be practically impossible for insurers to identify the holders of their externally issued regulatory hybrid capital, irrespective of whether a bottom-up or top-down approach is adopted.
- ▶ An AstraZeneca Plc official said the draft's proposed treatment of hybrid financial instruments and transfers is unworkable.
- ▶ [Other countries are protesting] The U.K. patent box scheme which allows companies to pay a 10 percent corporate tax rate on profits derived from patents that have been granted either by the U.K.'s Intellectual Property Office or the European Patent Office (201 DTR I-3, 10/17/13).

# And in other news:

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## Various Comments from Daily Tax Report: March through May

- ▶ U.S. Competent Authority Michael Danilack: BEPS Forcing U.S. to Focus On Inbound Activity, Protecting Tax Base
  - ▶ As foreign governments take more aggressive positions in double tax cases, the U.S. must take steps to protect its own tax base—and this will mean a greater focus on inbound investment. That is the lesson for the U.S. from the Organization for Economic Cooperation and Development’s action plan on base erosion and profit shifting, as discussed by Danilack on May 9. BEPS has emboldened some nations that believe they weren’t getting their fair share, and the U.S. must respond or face a serious threat to its tax base.
- ▶ USCIB’s Klein: No More Columns Likely To Be Removed From Reporting Template
  - ▶ A United States Council for International Business official said it is unlikely that the OECD will delete more columns from its proposed country-by-country reporting template.
- ▶ Businesses Need Role in Helping Developing Countries Fight BEPS, Shell Tax Chief Says
- ▶ China Delegate Calls for ‘Flexibility’ to Extend BEPS Anti-Hybrid Rules to Unrelated Parties

# And in other news:

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## Various Comments from Daily Tax Report: March through May

- ▶ Robert Stack, Treasury deputy assistant secretary (international tax affairs) told the May meeting of the American Bar Association Section of Taxation that:
    - ▶ U.S. probably will succeed in getting section B of the revised discussion draft on intangibles, addressing ownership of intangibles, pulled out for recirculation;
    - ▶ Working Party No. 6 has yet to debate how multinational companies will share their country-by-country reporting templates with tax authorities;
      - ▶ Background: The U.S. would like to preclude the information from being used for formulary apportionment. The U.S. is having some success in getting the list of required items whittled down to seven from 15 items. The seven would include revenues; earnings before interest, taxes, depreciation, and amortization; cash taxes; current-year tax accruals; stated capital and accumulated earnings from the balance sheet; number of employees; and tangible assets.
    - ▶ U.S. probably will be able to raise the related party threshold, currently at 10 percent ownership, under the hybrid discussion draft;
    - ▶ U.S. will make a reservation to the OECD Model Tax Treaty if a “main purpose” clause is added to the model;
      - ▶ Background: The U.S. opposes inclusion in treaties of a "main purpose of tax avoidance" clause that would deny treaty benefits. The Senate rejected that clause in two treaties, Stack noted. Instead, the U.S. advocates U.S.-style limitation on benefits clauses, while acknowledging their shortcomings and complexity. As a compromise, the U.S. will offer the U.S./U.K. anti-conduit rules, Stack explained, noting that many abuses involve conduits.
  - ▶ there is little support among members of the digital economy tax force for adopting a virtual permanent establishment.
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# EU Reaction

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- ▶ EU Commission Proposes to Modify Parent-Subsidiary Directive to Counter Hybrid Mismatches (25 November 2013)
  - ▶ Hybrid Instrument Mismatches (force inclusion)
  - ▶ General Anti-Abuse Rule
- ▶ EU Parliament Vote of Support (2 April 2014)
- ▶ EU Council Adoption Required

# Summary Views: States have interests, not friends

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- ▶ OECD:
  - ▶ Has met timetable in terms of Discussion Drafts and Consultation
- ▶ EU:
  - ▶ Developments on Hybrid Instruments under PSD Directive
  - ▶ Many unilateral actions
  - ▶ Various countries in EU reacting differently; open/hidden frictions
- ▶ Canada:
  - ▶ Consultations on Treaty Shopping & BEPS, plus new B2B Rules
  - ▶ Cautious support for changes that could affect outbound investment
- ▶ US:
  - ▶ Little support for fundamental changes
- ▶ Other countries: muted reactions

# Finally:

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- ▶ Does Barbados have a definitive view on the BEPS Action Plan proposed by the OECD?
- ▶ How to react? A Caricom reaction?
- ▶ Barbados tax policy challenges? Impact on Offshore business?
- ▶ Impact on Barbadian tax regimes? Compliant?
- ▶ Treaty negotiations?
- ▶ What to show the world? Say to the world?
  
- ▶ PS: The OECD Common Reporting Standard (CRS):
  - ▶ On March 19 2014, a number of jurisdictions said they would adopt CRS earlier
  - ▶ This includes: Bermuda, BVI, Turks and Caicos and the Cayman
  - ▶ Luxembourg, Singapore and Ireland stated their support for the standard
  - ▶ Barbados?