



THE OECD HAS FINALISED THE BEPS REPORT FOR G20

More than two years ago, the G20 has commissioned the OECD to propose a plan to combat Base Erosion and Profit Shifting (BEPS). The OECD identified 15 actions along three key pillars: coherence, substance and transparency. The OECD has finalised the BEPS report for the G20 on October 5, 2015.

Although some of the reports already reached their final stage, the report itself should be read as an intermediate conclusion on the work done so far. The recommendations on the various actions still need to be embedded in domestic and international law. It remains to be seen to what extent countries will implement the OECD BEPS report one-on-one, or whether they will cherry-pick or incorporate more stringent rules. Next to this, follow-up actions have been identified for specific issues.

In essence the work done by the OECD under the BEPS project can be depicted as follows

Substance	Profit allocation on the basis of actual value adding activities
Coherence	Specific rules to make sure that tax gaps and 'black holes' are being removed
Transparency	Reporting requirements for multinational companies significantly increased

Specifically, we note that the thresholds for permanent establishments, creating taxation rights for the country in which the activities take place, are substantially lowered. A taxable presence in a country is therefore present at an earlier stage.

The access to tax treaties is proposed to be more constrained with the goal to deny access to tax treaties based on the intent of parties.

Reporting and documenting of international transactions is a key element in the BEPS plan, resulting in a considerable administrative burden for tax payers. Moreover, the exchange of information between countries is also increased, creating more transparency.

Tax authorities around the world will be given the tools to closely review the economic reality over the reported transactions. Next to this formal mandate it is anticipated that tax authorities will increase their focus on transfer pricing in general. It is therefore essential to assess your current situation and validate the timing of any follow-up actions. In this respect please contact your trusted RSM contact or:

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