

REGIONAL MEETING OF THE INCLUSIVE FRAMEWORK ON BEPS  
FOR THE ASIA-PACIFIC REGION

Manila (ADB, the Philippines)

29 November - 1 December 2016

**CO-CHAIRS' SUMMARY**

Mr. John Hutagaol, Director of International Taxation in the Ministry of Finance of the Republic of Indonesia, and Mr. Kwangouck Byun, Director of Tax Treaty Division in the Korean Ministry of Strategy and Finance, co-chaired the first regional meeting of the Inclusive Framework on BEPS for Asia and the Pacific. The meeting was co-organized by the Organisation for Economic Co-operation and Development (OECD) and the Asian Development Bank (ADB), in partnership with the OECD Southeast Asia Programme and the OECD-Korea Policy Centre [Tax Programme]. This discussion summary was prepared by the co-chairs and shared with participants at the end of the meeting.

This regional event follows the first meeting of the Inclusive Framework held in Kyoto, Japan, on 29 June - 1 July 2016. The objective was to update participants on the outcomes of the Kyoto meeting and to provide information on recent developments in the Committee on Fiscal Affairs (CFA), and its Working Parties, as well as the governance and membership of the Inclusive Framework. Other important objectives of the meeting were: i) to discuss the implementation of the BEPS Package, with reference to the minimum standards; ii) to share perspectives and update delegates on the work on toolkits aimed at addressing developing countries' needs; iii) to prepare delegates for participation in the upcoming meetings of the Inclusive Framework; and iv) to receive input and feedback, in particular on the region's countries' specific needs in terms of capacity building and priorities.

The meeting was attended by fifty participants, including delegates from 16 countries (Bhutan, Brunei Darussalam, Cambodia, People's Republic of China, Fiji, Indonesia, Japan, Korea, Malaysia, Maldives, Myanmar, Philippines, Singapore, Sri Lanka, Thailand, Vietnam), representatives from the civil society (Asian People's Movement on Debt and Development), from the business community (BIAC, Unilever Philippines), and from International Organisations (International Monetary Fund (IMF) and the Asian Development Bank (ADB)).

On behalf of the ADB, Dr. Gambhir Bhatta, Technical Advisor and Head of the Governance Thematic Group, opened the meeting and welcomed the participants, and highlighted the ADB's work in the area of taxation in the region. On behalf of OECD, Mr. Ben Dickinson also welcomed the participants, introducing the purpose and the agenda of the meeting, mainly focused on the following topics:

- The organisation of the Inclusive Framework on BEPS and the implementation of the BEPS Package.
- Open session for business and civil society.
- Latest developments on Forum on Harmful Tax Practices and latest discussions in the area of transfer pricing and related standard setting work within Working Party 6.
- Latest discussions and follow-up work within Working Party 1 on treaty-related issues, within the ad-hoc group on the Multilateral Instrument and within Working Party 11 on aggressive tax planning.
- Discussions on countries' priorities and on their specific capacity building needs, including the framework of the Platform for Collaboration on Tax.

- The developments in the area of toolkits on comparables, on transfer pricing documentation and on indirect transfer of assets

### **Key messages and conclusions**

1. Participants welcomed the opportunity to join the Inclusive Framework, noting the challenges in fully complying with the process, especially in respect of implementing the minimum standards. Countries highlighted the importance of some flexibility to new members in the timeline for implementation.

2. Participants noted that limited resources could be an impediment to implementing the BEPS measures, and welcomed a regional-based approach and the importance of sharing experience as a means to get support, including the active use of Korea and China OECD multilateral tax centres.

3. Participants welcomed the cooperation between the Asian Development Bank and the OECD as well as the efforts and support of Asian Development Bank in tax and development activities in the Asia-Pacific Region. Participants encouraged further collaboration with Asia-Pacific developing countries.

4. Business highlighted the importance of consistent implementation, for example on Country-by-Country reporting, to reduce compliance costs. Mandatory binding arbitration and a better functioning of dispute resolution mechanisms, as well as the Multilateral Instrument, would be beneficial for business and would increase certainty and facilitate inward investment in the region.

5. Participants recognized the importance and the challenges connected with the work on Harmful Tax Practices and emphasised that the “race to the bottom” with a “beggar-thy-neighbour effect” can harm countries - including those countries with harmful regimes as well as their competitors in the long run.

6. Delegates underlined the importance of exchanging Country-by-Country reports consistently through their treaty networks or other appropriate means; reliance on local filing should be by exception and only under the conditions set out in the Action 13 report.

7. Most participants indicated that transfer pricing remains one of their top priorities. Challenges in this area included lack of experience on practical cases (especially on intangibles, on financial transactions and on risk analysis) and difficulties in accessing information on comparables (including availability of databases). Delegates also indicated indirect transfer of assets as an area of concern, and welcomed the toolkit work currently undertaken by International Organizations on this topic.

8. Participants reiterated the need for effective capacity building initiatives. They welcomed the regional meetings and the other initiatives that the Inclusive Framework will put in place (e.g. twinning programmes) in order to facilitate continued effective participation. Participants expressed the need for continued training on tax treaties and welcomed the direction of the work on transfer pricing and on the toolkits, particularly in possible simplified approaches and practical guidance. Countries comment specifically on the Tax Inspectors Without Borders Initiative and the support received from International Organizations. Participants were asked to complete a questionnaire on their capacity building needs relating to engagement in the BEPS process and BEPS implementation itself.

9. All participants provided views on their priorities, underlining the need for fundamental domestic tax reforms as well as the implementation of the BEPS Package.

10. Participants expressed concern at the lack of political awareness of the Inclusive Framework on BEPS among parliamentarians and commended the increasing engagement of the OECD with parliamentary associations and encouraged action in the Asian region.

11. The meeting concluded by noting the significance and effectiveness of the Regional component of the Inclusive Framework and it was agreed to plan further activities of the Asian Regional Meeting on the BEPS Inclusive Framework in 2017.

