

REGIONAL MEETING OF THE INCLUSIVE FRAMEWORK ON BEPS



Regional meeting of the Inclusive Framework on BEPS for Eastern Europe and Central Asia

Vilnius (Lithuania), 14-16 December 2016

Co-chairs' statement

Ms. Audrone Misiunaite, Deputy Director of Tax Policy Department at the Ministry of Finance of Lithuania and Mr. Eugenijus Soldatkovas, Technical Taxation Expert at IOTA co-chaired the first meeting of the Inclusive Framework on BEPS (*Base Erosion and Profit Shifting*) for Eastern Europe and Central Asia. The event was hosted in Vilnius by the Ministry of Finance and the State Tax Inspectorate of Lithuania, and organised by the OECD and the Intra-European Organisation of Tax Administrations (IOTA). This summary of the discussions has been prepared by the co-chairs and shared with all participants.

This regional meeting followed the inaugural meeting of the Inclusive Framework on BEPS which took place in Kyoto, Japan, on 30 June-1 July 2016. The main objective of this event was to discuss and seek input on the latest developments in the Inclusive Framework and in the Committee on Fiscal Affairs' (CFA) Working Parties. The meeting also provided an opportunity to:

- 1) Discuss the implementation of the BEPS Project measures, in particular regarding the peer review process proposed for the minimum standards ;
- 2) Seek input from participants on toolkits being developed to address specific issues previously identified by the non-OECD/G20 and low income countries as priority issues;
- 3) Prepare the delegates for the next meetings of the Inclusive Framework, including the working party meetings; and
- 4) Understand country priorities and specific needs in terms of capacity building.

Dainoras Bradauskas, Director General of the State Tax Inspectorate of Lithuania, welcomed the participants to the event that gathered 62 participants from 14 countries (Bulgaria, Croatia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Montenegro, Poland, Romania, Slovakia, Slovenia, Turkey and Ukraine). Business representatives from international firms such as Ernst and Young, KPMG, PricewaterhouseCoopers and from Lithuanian corporations and associations such as Cobalt, Lithuania Tax Consultants Association, Rödl & Partner, Sorainen and Valiunas Ellex also participated during the first morning of the meeting, and actively contributed to the discussion, including through a specific session dedicated to them.

In their opening remarks, Ms. Daiva Brasiunaite, Director of Tax Policy Department at the Ministry of Finance of Lithuania, and Miguel Silva Pinto, Executive Secretary of IOTA expressed their appreciation for the interest shown by many countries in the region participating in the meeting, as well as for the important work carried out by the OECD to achieve greater inclusiveness. They highlighted the unprecedented number of countries that joined the Inclusive Framework on BEPS as well as the overall efforts towards transparency, with an increasing volume of exchanges of information among tax administrations, together with an enhanced co-operation among countries.

The agenda focussed on the following topics:

- The organisation of the Inclusive Framework and the implementation of the measures developed under the BEPS Project;
- A specific session dedicated to the views of the business community ;
- The latest developments within the Forum on Harmful Tax Practices and the Working Party 11 on aggressive tax planning ;
- The discussions within the Working Party 6 linked to transfer pricing and the follow-up work underway on the remaining BEPS related standard setting ;
- The work of the Working Party 1 on tax conventions and on the finalisation of the multilateral instrument to implement tax treaty related BEPS measures.
- The country priorities for implementation of BEPS measures and specific needs of the Eastern European and Central Asian countries in terms of capacity building, including the use of the Platform for Collaboration on Tax ; and
- The work related to the toolkits to support non-OECD/G20 and low income countries to addressing the lack of comparables for transfer pricing purposes, improving transfer pricing documentation and tackling abuses on indirect transfers of assets.

Key messages

- Participating countries recognised that joining the Inclusive Framework on BEPS provides opportunities for implementing sound and consistent domestic and treaty tax legislation, improving tax administration procedures and sharing experiences and best practices with other countries at policy and administration level.
- Countries expressed the importance of implementing the BEPS measures consistently and some participants reported their active involvement in the Inclusive Framework and in other OECD initiatives. Several countries also indicated that they are engaged through their EU membership in several initiatives, including in the context of the EU Anti-Tax Avoidance Directive and other measures in seeking a co-ordinated approach to tackle the emerging BEPS issues.
- Participants reiterated in several instances the need for flexibility offered in the peer review of the implementation of the BEPS minimum standards, and welcomed the level of optionality offered in the multilateral instrument. They also noted that this instrument would be an efficient tool to implement the BEPS treaty-related measures and reiterated the need to closely follow this work stream.
- Participants stressed the importance of Country-by-Country reporting, and shared the reforms already underway to implement transfer pricing documentation requirements. They also recognized that the implementation of the BEPS measures will allow them to address current areas of concerns, in particular aggressive tax planning, treaty abuse, avoidance of the permanent establishment status and transfer pricing.
- A number of participating countries indicated that the main difficulties in implementing BEPS relate to limitations in personnel and IT resources. They also noted that changes in the legal and administrative systems are a challenge for the swift implementation of the BEPS measures.

- On capacity building, country delegates highlighted the need for support in the implementation as well as for extended deadlines to comply with the minimum standards. They also stressed the importance of training programmes, in particular on transfer pricing and aggressive tax planning issues. They expressed the need for more training in these areas, including for EU members since they need a lot of human resources to monitor OECD and EU developments. They also welcomed the OECD Tax Inspectors Without Borders initiative in partnership with UNDP as well as opportunities to participate in the technical events under the work programme of IOTA.
- Countries also indicated the need to employ their limited capacity to more fundamental areas of priority, such as tackling the shadow economy. They also mentioned the importance of exchange of information, notably in the area of detection of hybrid mismatch arrangements and on CbC reporting, and noted the benefits of participating in the Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC).
- Participants appreciated the partnership between the OECD and IOTA, noting the significant number of IOTA members that are participating in the Inclusive Framework. They also highlighted the importance of the involvement of regional tax organizations, and of IOTA in particular, in the Inclusive Framework, also considering its Observer status in the Ad Hoc Group on the multilateral instrument to implement tax treaty related BEPS measures. IOTA also announced the planned launch, in 2017, of a forum on the implementation of BEPS to discuss strategies and practical application of working methods and tools developed to effectively tackle BEPS.
- The business representatives raised the need for mutual understanding between corporations and tax administrations, and expressed concerns in relation to the appropriate use of the Country-by-Country reports. They noted that the BEPS project targeted multinational business and also expressed concerns on the possible retroactive application of the BEPS measures by tax administrations. The business community welcomed the new OECD tax initiative on tax certainty under the mandate of the G20, since predictability is key for them.

Conclusion and next steps

This regional meeting offered an opportunity for participants to actively contribute to the discussions and to provide input on the different work streams. They shared valuable comments, provided input and highlighted areas of concern, which will be reported to the various CFA Working Parties responsible for the Inclusive Framework's work.

All the input received and the outcomes of the discussion will be taken into account for the purpose of shaping the future regional meetings in the Eastern Europe and Central Asia Region, and will allow the members of the Inclusive Framework on BEPS in the region to participate efficiently, as well as to ensure that their views, concerns and needs are addressed in a co-ordinated and more effective way.