



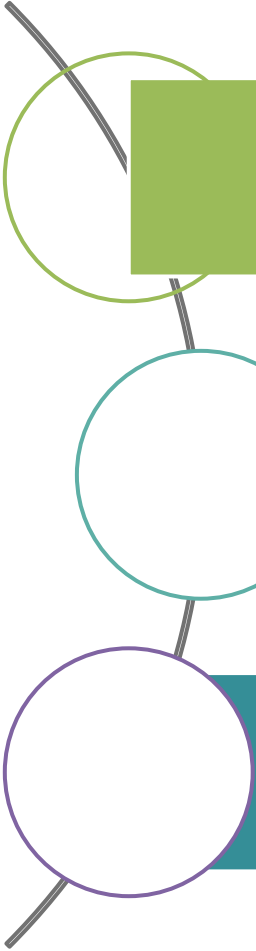
The OECD/G20 BEPS Project: Latest developments and key tools for identifying and addressing profit shifting opportunities

IOTA Digital Workshop
on Combating international tax avoidance and aggressive tax
planning through the use of legal entities in tax havens

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Outline



OECD/G20 Base Erosion and Profit Shifting (BEPS) Project

A Decade of the BEPS Initiative

Recommendations and Looking Ahead



OECD/G20 BASE EROSION AND PROFIT SHIFTING (BEPS) PROJECT



What is BEPS?

- BEPS refers to base erosion and profit shifting – the area between illegal tax evasion and legitimate tax planning
- This occurs as a result of aggressive tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to locations with no/low tax rates and no/little economic activity
- The result is that MNEs pay little or no tax
- BEPS distorts competition and investment decisions and poses a fundamental question of fairness



BEPS in a nutshell



Ultimate Residence Country
(High tax)

Parent Co

1. ParentCo
operating in a
market country

Low tax
intermediate country

OECD/G20 2015 BEPS REPORTS

• Maximize
Assets/Risks
Actions 8-10

- Ineffective Rules Action 3
- Maximise Actions Action 4
- Minimise Actions 8-10

2. BEPS techniques to
minimize/avoid
tax burden

Action 2
Action 5
Action 4

4. BEPS techniques to
minimize/avoid
tax burden

Action 1

Action 11

Action 12

Action 13

Action 14

Source (Market/Production)
country (High Tax)

Local
Activity

- Avoid Tax Presence Action 7
- Minimise Assets/Risks Actions 8-10
- Maximise Actions Action 4

5. Profits stashed in a
“cash box” in a low tax
jurisdiction

intermediate company to shift
(from source country) tax-free
(e.g. no withholding taxes)



A DECADE OF THE BEPS INITIATIVE

*An Inclusive Framework Stocktake Report to G20
Finance Ministers and Central Bank Governors*

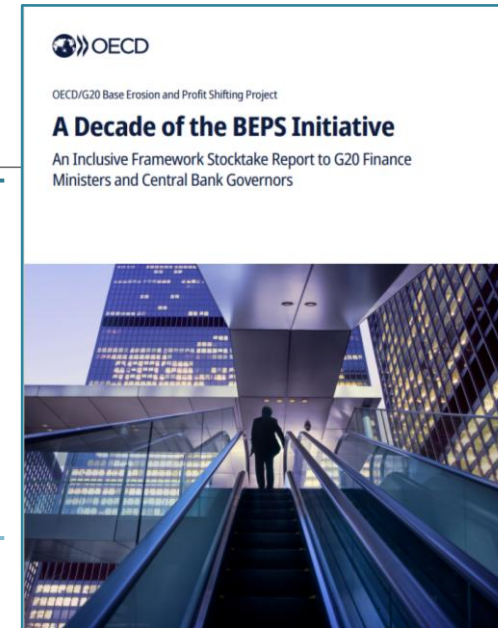


Background

10 years on from release of BEPS Actions, chance to take stock – what has been accomplished, what has worked and what needs to be done still to support implementation?

Wider consultation with Inclusive Framework members and observers, **business, civil society and other relevant groups**

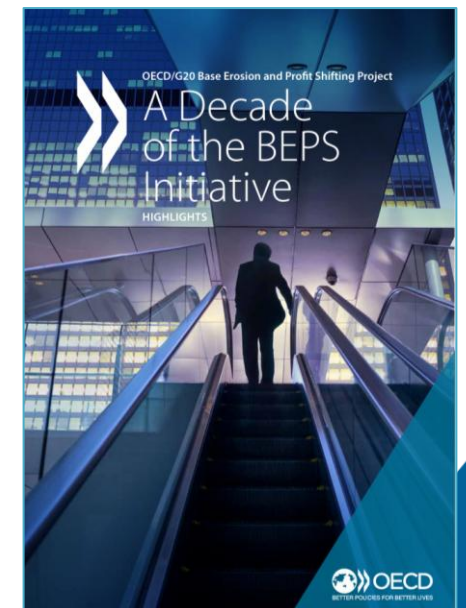
On 15 October, the report was published in conjunction with the G20 Finance Ministers and Central Bank Governors (FMCBG) meeting



Full Report in English



Brochure in English





Economic Impact of the BEPS Project

Available data* point to a range of **positive impacts of the BEPS Project** including:

- **Better alignment of profits and substance** – 27% decrease in profits-to-employees ratio in investment hubs
- Evidence on **reduced sensitivity of profit location to taxation** (12-40% drop compared to pre-2015 estimates)
- **Easing of competitive pressures** (corporate income tax rates have stabilised over past 5 years)
- **Greater transparency** (98% of global outbound foreign direct investment subject to country-by-country reporting)
- **Strengthened tax certainty** (strong expansion of mutual agreement procedure use across jurisdictions)

However, the latest available data show that BEPS challenges and competitive pressures remain, in part due to increasing digitalisation and increasing intangible-intensity.

*Quantitative analysis remains challenging due to data and methodological constraints.



Implementation of the BEPS Minimum Standards

Action 5: 332 regimes reviewed: 97% abolished, amended or found not to pose a BEPS risk.

Most **IP regimes** aligned with the **nexus approach**, linking benefits to substantive IP activity.

Substance monitoring: 63 non-IP regimes and 11 no/nominal-tax jurisdictions monitored in 2024.

Rulings exchange: 110 jurisdictions participating, with 64,000 exchanges on 28,00 rulings by end-2024.

Action 6: As of February 2025, above 95% of the agreements concluded between IF members were already compliant (about 1600 agreements) or on track for compliance with Action 6 minimum standards

Action 13: 120 jurisdictions had implemented CbCR under Action 13 by February 2025, covering 98% of world outward FDI

Action 14: MAP activity has intensified pursuant Action 14, with an average annual growth of 9% in MAP cases in inventory and of 10% in the number of cases closed over 2016-2023.



Implementation of the BEPS Non-Minimum Standards

Action 1

As of January 2025, 108 jurisdictions had implemented VAT reforms directed at digital services in line with OECD guidelines

Action 2

As of 2019, 33 jurisdictions self-declared having anti-hybrid rules in place consistent with Action 2, representing 49% of world GDP

Action 3

In 2024, 53 jurisdictions had CFC rules in place consistent with Action 3, representing 78% of world outward FDI

Action 4

In 2024, 83 jurisdictions had implemented ILRs, representing 90% of world GDP

Action 7

As of February 2025, almost 40% of the agreements to be modified by the BEPS MLI will include at least one of the Action 7 measures

Action 8-10

By 2022, almost 80% of IF jurisdictions have ALP in their legislation for transfer pricing (TP) purposes, and almost 70% follow the OECD TP guidelines amended by Actions 8-10

Action 12

In 2019, 32 jurisdictions self-declared having implemented mandatory disclosure rules consistent with Action 12, representing 48% of world GDP

Action 15

104 jurisdictions representing 68% of global GDP have signed the BEPS MLI



BEPS in Developing Countries



Developing countries are more exposed to BEPS risks than developed countries notably due to resource constraints



Developing countries rely proportionately more on corporate income tax



BEPS priorities for developing countries often differ to those of developed countries



Developing countries often provide CIT incentives to attract FDI further eroding the tax base



Going forward enhanced capacity-building remains a priority



Recommendations and Looking Ahead



Monitor

- the implementation and impact of the BEPS Project



Simplify and streamline

- Continue its work on burden reduction and to simplify and streamline Inclusive Framework processes



Developing country implementation

- Support the implementation of BEPS Actions in developing countries



Ongoing measures

- Support additional implementation and administration of measures addressing the digitalisation of the economy



Open dialogue

- Ensure an open dialogue with business, civil society and other relevant groups





Measures to Address the Tax Challenges Arising from the Digitalisation of the Economy

Amount B simplifies transfer pricing rules to baseline distribution activities reflecting the needs of low-capacity countries.

Global Minimum Tax (based on the GloBE Rules) ensures that multinational enterprises pay a minimum 15% tax, generating between USD 152 – 192 billion of additional tax revenue annually.
Broad implementation of the GMT is an important step towards continuing to address concerns around base erosion and profit shifting.

Subject to Tax Rule (STTR) is a treaty-based rule designed to help developing countries restore source taxing rights on defined intra-group payments up to a minimum rate of 9%.

THANK YOU!

For more information:

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