

EASTERN EUROPE & CENTRAL ASIA

REGIONAL NETWORK MEETING ON BEPS & GOVERNMENTAL WORKSHOP

TBILISI, GEORGIA, 21-23 OCTOBER 2015

CO-CHAIRS' SUMMARY OF DISCUSSIONS

Mr. Davit Chitaishvili¹ and Mr. Valerio Barbantini² co-chaired the Eastern Europe and Central Asia (EECA) Regional Network Meeting and Governmental Workshop, hosted by the Revenue Service and the Ministry of Finance of Georgia, in cooperation with the OECD and the Intra-European Organisation of Tax Administrations (IOTA). The Co-Chairs prepared this summary of the discussions of the meeting which was shared with all participants.

The objective of the meeting was to obtain comments and feedback from countries and other stakeholders representing the business and the civil society following the delivery of the BEPS Package on 5 October 2015, as well as feed their views into the design of toolkits intended to address BEPS issues previously identified by developing countries through such regional network meetings, and to support implementation of BEPS solutions that target developing countries' needs.

This meeting follows the previous consultation in the region that was held in Ankara, Turkey, on 5-6 March 2015, as part of the [strategy to strengthen the involvement of developing countries](#) in the work related to BEPS.

The Meeting

This regional meeting was held in Tbilisi, Georgia, on 21-23 October 2015. In their opening addresses, Nodar Khaduri, Minister of Finance of Georgia, Pascal Saint-Amans, Director of the Centre for Tax Policy and Administration at the OECD, Jan Christian Sandberg, Acting Executive Secretary of the IOTA and Radu Gorincioy, Chairman-in-Office of the Black Sea Economic Cooperation, welcomed participants to the meeting, which focused on the following topics:

- The presentation of the final BEPS Package and its different actions, in particular the actions identified as key priorities by participants for economies in the region.
- The possible challenges and opportunities in the BEPS implementation phase, including the areas where follow up work is needed and ideas on how to design the inclusive framework with all interested countries on an equal footing.
- How countries in the region can become more involved in the BEPS implementation phase, in particular as regards capacity building initiatives.
- The different current and planned experiences of countries in implementing such measures and the expected timeline to make BEPS countermeasures effective.

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- How countries can ensure that the development of practical toolkits can assist them to implement targeted and workable solutions to counter BEPS issues, with separate sessions focussing on tax incentives, on indirect transfer of assets, on comparability issue for transfer pricing purposes and on transfer pricing documentation.

The event gathered 65 participants from 15 countries of the Eastern Europe and Central Asia region³, as well as representatives from civil society and business and advisory firms, including the BEPS Monitoring Group, BIAC, Deloitte, EY, KPMG, Oxfam, PwC, etc. The input provided by business and NGOs representatives was taken into consideration in the discussion in the governmental workshop.

A. Key Messages

1. The BEPS Package was welcomed as a necessary and timely improvement of international tax rules. As a direct and urgent next step, the need to adapt solutions to countries' specific needs was highlighted.
2. The country delegates as well as the representation of IOTA demonstrated a strong interest in cooperation with each other and with the OECD. They were particularly supportive of being involved and in sharing ideas on the design of the new inclusive framework for the implementation of the BEPS outcomes.
3. Participants recognised that the negotiations over the multilateral instrument to implement the BEPS Project are highly important. In particular, 12 out of the 15 countries represented at the meeting have already joined the ad hoc Group for the negotiation of the instrument and IOTA will join other international and regional organisations as an observer. The other countries expressed interest in possibly joining the negotiations as well and to report the outcome of the meetings internally for evaluation.
4. The importance of regional meetings and strengthening the involvement of regional organisations, such as IOTA, was acknowledged as a means of providing opportunities to countries that are unable to participate directly in the global process to provide their input and to express their views.
5. Participants expressed the need to provide certainty to taxpayers, highlighting the importance of avoiding double taxation, as well as for tax administrations, in particular as regards the different stages of the implementation and the additional work required in certain areas of international tax.
6. Country delegates recognised the importance of continuous improvement of awareness at the political level, among policy makers and in the auditing field. In this regard, the Regional Network Meetings were appreciated as valuable platforms to contribute to such awareness in civil society, as well as in the media, since the BEPS Project was launched. Countries called on the International Organisations to continue to raise political awareness on BEPS, considered particularly important during changes in Governments.

³ Afghanistan, Armenia, Austria, Belarus, Finland, Georgia, Kazakhstan, Latvia, the Netherlands, Poland, Romania, Slovak Republic, Slovenia, Turkey and Ukraine.

7. Countries highlighted the resource constraints faced in national administrations, which limit the possibilities for providing auditors and other tax officials necessary training and education. Country delegates called for timely and effective capacity building initiatives, including training programmes, and welcomed support from regional organisations, such as IOTA, working in much closer cooperation with OECD.

8. Countries welcomed the work presented and the progresses made on specific toolkits and reports (tax incentives, lack of comparables data and indirect transfer of assets) and related work (mineral pricing). They emphasised the need for the toolkits to be practical and based on country experiences so as to make them workable.

9. The need to involve all stakeholders, including the views of business and civil society, was stressed by participants. They noted that the BEPS implementation phase would benefit from the adoption of a cooperative and constructive approach by both tax administrations and taxpayers.

10. Delegates recognized the importance of the regional networks and action in support of low income countries, to two of the priorities of the Turkish G20 presidency, the other being the protection of small and medium companies.

B. Discussions on the different items

1. Implementation phase and involvement of countries in the inclusive framework

Country delegates acknowledged that direct participation in the Committee on Fiscal Affairs and working party meetings were a great opportunity, but that due to resource constraints, they should prioritise some areas of work over others. The experience of countries like Georgia, which participates in several working parties, showed that it is important for countries to prioritize the work streams that are relevant for them and that being fully involved in the discussions provides excellent opportunities to assess other countries' practices.

Country delegates stressed the urgency of starting to implement the measures agreed in the BEPS package in a consistent manner in order to ensure a level playing field. Resource constraints as well as country peculiarities require governments to define and select priorities. In this context, country delegates expressed the need to exchange ideas and to learn from other countries' experiences and, in this regard, they called for support from the OECD and from Regional Organisations such as IOTA as well as for greater involvement of the Forum on Tax Administration (FTA).

Participants welcomed the initiative to build a more inclusive framework, noting the need to provide an efficient and robust structure to timely support the implementation of BEPS outcomes by governments and their tax administrations. In terms of how to design the system, they appreciated the positive experience represented by the Global Forum on Transparency and Exchange of Information for Tax Purposes, especially for its peer review mechanism and the great number of countries participating on an equal footing.

2. General presentation on toolkits and supplementary work on mineral pricing

Participants welcomed the work undertaken for the development of the toolkits and related reports. They also considered that mineral pricing issues, and more generally tax risks in relation to the

extractive industries and commodities, are highly important and need to be addressed since only little guidance is currently available to policy makers and tax administrations. General appreciation was shown by all participants on the BEPS outcome in the transfer pricing area, with particular reference to how developing countries could influence the process, in particular with regard to the changes in chapter II of the Transfer Pricing Guidelines related to commodities.

3. Tax incentives for investments

Participants welcomed the report published on tax incentives and recognised that there was room for improvement for more efficient tax incentives, while noting that discretionary power in their granting should be restricted in order to avoid rent-seeking by corporations and corruption cases.

4. Indirect transfer of assets

The issue of indirect transfer of assets was considered as highly important by countries of the EECA region, due to the challenges and complexities involved in levying taxes on capital gains effectively on the transfer of ownership of assets actually located in their territory. Lack of information and guidance has been particular challenges in this area.

5. Comparability issues

Participants reported challenges regarding transfer pricing comparability data. They welcomed the development of a transfer pricing comparability toolkit by the OECD and the World Bank Group in cooperation with other International and Regional Organizations. They also added that this toolkit would not only be useful for low income countries, but could help to address issues in a broad range of countries. Participants welcomed the planned practical nature of the toolkit and would welcome, for example, practical guidance on how the new guidance in Chapter I of the Transfer Pricing Guidelines on comparability analysis can offer appropriate solutions as well as on the use of foreign data and related adjustments. The OECD announced cooperation with IOTA in disseminating questionnaires on comparability data and transfer pricing documentation to the countries in the region. The co-chairs encouraged delegates to complete the questionnaire and to indicate the relevant contacts of experts in their administration dealing with transfer pricing issues.

6. Business and NGO perspectives:

Representatives from civil society and NGOs expressed appreciation for the involvement in the regional meetings, even if they considered the BEPS Project as a first step toward broader reform of the international tax system. They called for an institutional framework that would support a broad representation of countries on equal footing. In this context, they also highlighted that care should be taken to ensure that all interested countries can effectively participate in the negotiations on the multilateral instrument.

Representatives from businesses shared their concerns with tax officials and in particular about the increasing number of tax disputes, and emphasised the need for certainty. They indicated (in particular BIAC) that existing rules should be elaborated and clarified by further guidance, especially as regard the interpretation of the OECD Transfer Pricing Guidelines and for the grant of tax incentives, and called on the countries and international and regional organisations to ensure consistent implementation and interpretation of the BEPS measures.

C. Next steps for the countries engagement in the BEPS implementation phase

The country delegates acknowledged that they should deepen their involvement in the BEPS implementation phase both with IOTA, which presented a work programme for 2016 including several initiatives addressing BEPS issues, and with the OECD through capacity building initiatives including the Tax Inspectors Without Borders programme. Participants considered that the regional network meetings are important to obtain and to share information and experiences, as well as to build stronger relationships between each other.

Before the next regional network meeting and a governmental workshop, different events in the upcoming months can serve as next steps for the countries to share experiences and to prepare the implementation phase of the BEPS outputs. These events include 1) the meeting of the Task Force on Tax and Development that will take place in Paris on 2 November 2015, 2) the Global Forum on Tax Treaties to be held in Paris on 3-4 November 2015, 3) the Inaugural meeting of the ad hoc Group for the development of a multilateral instrument which will also take place in Paris on 5-6 November 2015 and 4) the above mentioned IOTA initiatives.

The consultation process on toolkits is ongoing, and new surveys will be sent around in order to get more practical experiences from countries that can be used to better target the work streams addressed and the solutions to be proposed. The co-chairs called upon the participants to bring the cooperating international organisations in direct contact with the experts for this purpose and welcomed the support IOTA offered in developing the toolkits.

The input received during this meeting covered both discussions over technical issues and over the different ways to move forward to engage with more countries in the implementation phase of the BEPS Project. This input will feed into the design of a more inclusive framework for which a proposal will be presented in February 2016 to the G20 Finance Ministers. Several other regional network meetings and governmental workshops will be held in the upcoming weeks and months, in particular in Yogyakarta, Indonesia on 11-12 November 2015 and in San José, Costa Rica on 17-18 November 2015.

Finally, participants thanked Georgia, the OECD and IOTA for the successful and fruitful meeting and the Slovak Republic kindly offered to host the next Regional Network Meeting in 2016.