BACKGROUND BRIEF

Inclusive Framework on BEPS

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OECD
BETTER POLICIES FOR BETTER LIVES

Background Brief

Inclusive Framework on BEPS

BETTER POLICIES FOR BETTER LIVES

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Executive summary

The international tax landscape has changed dramatically in recent years as a result of economic challenges, and new standards have been developed to enable countries protect their revenue bases. With a conservatively estimated annual revenue loss of USD 100 to 240 billion due to base erosion and profit shifting (BEPS), the stakes are high for governments around the world. With the political support of the G20 Leaders, OECD and G20 countries have taken joint action to address the weaknesses within the international tax system that create opportunities for BEPS. Working with other countries, they have developed a comprehensive package of measures to tackle BEPS: the BEPS package.

Countries and jurisdictions are now working together on implementing the BEPS package consistently on a global basis, and to develop further standards to address remaining BEPS issues. To these ends, the decision making body for the OECD's tax work - the OECD Committee on Fiscal Affairs (CFA) – had been opened up to interested countries and jurisdictions in order to put in place an Inclusive Framework on BEPS. The Inclusive Framework on BEPS held its first meeting on 30 June – 1 July 2016 in Kyoto, Japan, with the second one taking place at the end of January 2017.

Members of the framework work on an equal footing to tackle tax avoidance, to improve the coherence of international tax rules, and to ensure a more transparent tax environment. In particular, the framework:

- develops standards in respect of remaining BEPS issues;
- will review the implementation of agreed minimum standards through an effective monitoring system;
- monitors BEPS issues, including tax challenges raised by the digital economy; and
- facilitates the implementation processes of the Members by providing further guidance and by supporting development of toolkits to support low-capacity developing countries.

All countries and jurisdictions that have not become Members are invited to contact the OECD Secretariat (at CTP.BEPS@oecd.org) to express their interest in joining the Inclusive Framework on BEPS.

Countries and jurisdictions that want to join the framework are required:

- to commit to the comprehensive BEPS package and its consistent implementation; and
- to pay an annual Member's fee to cover the costs of the framework.

1. Background

1.1. The Base Erosion and Profit Shifting (BEPS) Project

The international tax landscape has changed dramatically in recent years. With political support of G20 Leaders, the international community has taken joint action to increase transparency and exchange of information in tax matters, and to address weaknesses of the international tax system that create opportunities for BEPS. The internationally agreed standards of transparency and exchange of information in the tax area have put an end to the era of bank secrecy. With over 130 countries and jurisdictions currently participating, the Global Forum on Transparency and Exchange of Information for Tax Purposes has ensured consistent and effective implementation of international transparency standards since its establishment in 2009.

At the same time, the financial crisis and aggressive tax planning by multinational enterprises (MNEs) have put BEPS high on the political agenda. With a conservatively estimated annual revenue loss of USD 100 to 240 billion, the stakes are high for governments around the world. The impact of BEPS on developing countries, as a percentage of tax revenues, is estimated to be even higher than in developed countries.

1.2. Development of a comprehensive BEPS Action Plan

Therefore, in September 2013, the G20 Leaders endorsed the ambitious and comprehensive BEPS Action Plan, developed with OECD members. On the basis of this Action Plan, the OECD and G20 countries developed and agreed upon a comprehensive package of measures in just two years. These measures were designed to be implemented domestically and through tax treaty provisions in a co-ordinated manner, supported by targeted monitoring and strengthened transparency.

In the design phase attention was paid to the effectiveness and the enforceability of the measures, by requesting important input from all stakeholders. The resulting package is now representing the results of a major and unparalleled effort by OECD and G20 countries, working together on an equal footing, and contains measures that work both for tax administrations and tax payers.

1.3. The BEPS package

The BEPS package consists of reports on 15 actions, and sets out a variety of measures ranging from new minimum standards, the revision of existing standards, as well as common approaches which will facilitate the convergence of national practices, to guidance drawing on best practices. An overview of the BEPS package is provided in Annex 1.

In particular, four minimum standards were agreed, to tackle issues in cases where no action by some countries or jurisdictions would have created negative spill overs (including adverse impacts of competitiveness) on others. These minimum standards encompass the following:

1. Model provisions to prevent treaty abuse (including treaty shopping) by impeding the use of conduit companies to channel investments through countries and jurisdictions with favourable tax treaties in order to obtain reduced rates of taxation;

2. **Standardised Country-by-Country (CbC) Reporting** that will give tax administrations a global picture of where MNEs' profits, tax and economic activities are reported, and the ability to use this information to assess transfer pricing and other BEPS risks, so they can focus audit resources where they will be most effective;
3. **A revitalised peer review process to address harmful tax practices**, including patent boxes where they include harmful features, as well as a commitment to transparency through the mandatory spontaneous exchange of relevant information on taxpayer-specific rulings which, in the absence of such information exchange, could give rise to BEPS concerns;
4. **An agreement to secure progress on dispute resolution**, with the strong political commitment to the effective and timely resolution of disputes through the mutual agreement procedure (MAP).

Existing standards have been updated and will be implemented, noting however that not all countries that have participated in the BEPS Project have endorsed the underlying standards on tax treaties or transfer pricing.

In other areas, such as recommendations on hybrid mismatch arrangements and best practices on interest deductibility, countries and jurisdictions have agreed a general tax policy direction. In these areas, domestic rules are expected to converge through the implementation of the agreed common approaches, thereby still enabling further consideration of whether such measures should become minimum standards. Guidance based on best practices will also support governments intending to act in the areas of mandatory disclosure initiatives or controlled foreign company (CFC) legislation.

1.4. Implementation of the BEPS package through joint action

The BEPS package was agreed and delivered by OECD members and by G20 economies, and subsequently endorsed by the G20 Leaders Summit in Antalya on 15-16 November 2015. Even though some elements of the BEPS Action Plan are still being finalised or will have yet to be finalised in 2017, the main tasks now relate to the implementation of the agreed package.

An effective and consistent implementation of the BEPS package requires an inclusive implementation process. First, the implementation of the BEPS package into different tax systems should not result in conflicts between domestic systems. Furthermore, the interpretation of the new standards should not lead to increased disputes. Once after all it is necessary to ensure a level playing field among countries and jurisdictions in the fight against tax avoidance. In this regard the OECD and G20 have also recognised that developing countries struggling to fight against tax avoidance can benefit from the work that has already been done in the OECD/G20 BEPS Project as well as from joining the implementation of the BEPS package, with support from and assistance by international and regional organisations.

An inclusive implementation of the BEPS package includes countries and jurisdictions in relation to which implementation of the minimum standards is necessary to ensure a level playing field.

For this reason, "jurisdictions of relevance" to the Global Forum on Transparency and Information Exchange for Tax Purposes (Global Forum) have already been subject to monitoring and peer review of their implementation of the Global Forum's standards on transparency and the exchange of information for tax purposes. A similar process is being developed for the implementation of the BEPS package. Therefore, jurisdictions of relevance for BEPS purposes will be informed about the minimum standards and will be invited to commit to the comprehensive BEPS package and to participate in the review processes.

However, more importantly, inclusiveness also means that the implementation process is open to interested countries and jurisdictions. Therefore, the G20 Leaders called in their Communique from November 2015 on the OECD to develop a framework which is open to all interested countries and jurisdictions, including developing countries:

> "…We, therefore, strongly urge the timely implementation of the project and encourage all countries and jurisdictions, including developing ones, to participate. To monitor the implementation of the BEPS project globally, we call on the OECD to develop an inclusive framework by early 2016 with the involvement of interested non-G20 countries and jurisdictions which commit to implement the BEPS project, including developing economies, on an equal footing."[1]

[1] Par. 15, http://g20.org.tr/g20-leaders-commenced-the-antalya-summit/.

2. Establishment of the Inclusive Framework on BEPS

2.1. Design of the Inclusive Framework on BEPS

In response to the aforementioned call of the G20 Leaders, **the OECD members and G20 countries have developed an Inclusive Framework** which allows interested countries and jurisdictions to work with OECD and G20 members on developing standards on BEPS related issues, and to review and monitor the implementation of the whole BEPS package. **To join the framework countries and jurisdictions are required to commit to the comprehensive BEPS package and its consistent implementation and to pay an annual BEPS Member fee.** However, it is recognised that interested developing countries' timing of implementation may differ from that of other countries and jurisdictions, and that their circumstances should be appropriately addressed in the framework. Furthermore, a reduced fee may be applied to developing countries with significant resource constraints.

The new framework broadening the participation in the OECD/G20 BEPS project has been **endorsed by the G20 Finance Ministers** at their meeting on 26-27 February 2016 in Shanghai, China:

> "…To ensure a consistent global approach, we endorse the inclusive framework proposed by the OECD for the global implementation of BEPS project and encourage all relevant and interested non-G20 countries and jurisdictions, which commit to implement the BEPS project, including developing countries, to join in the framework on an equal footing. We support that the specific challenges faced by developing countries in BEPS implementation should be appropriately addressed under the framework..."[2]

With this strong political support, the Inclusive Framework is now in place. The first meeting of the Inclusive Framework on BEPS was held on 30 June – 1 July 2016 in Kyoto, Japan. To date, 48 countries and jurisdictions have joined the Inclusive Framework.

This number adds to the existing group of 46 countries (including OECD, OECD accession and G20 members), and brings the total number of countries and jurisdictions participating to 94. The new countries and jurisdictions participate on an equal footing with OECD and G20 countries in the OECD's CFA, being the OECD's key decision making body on fiscal matters, and its subsidiary bodies.[3]

International organisations and regional tax organisations also play an important role in the Inclusive Framework on BEPS, in particular to support the implementation of the BEPS package in developing countries. The *African Tax Administration Forum* (ATAF), the *Centre de rencontres et d'études des dirigeants des administrations fiscales* (CREDAF), the *Centro Interamericano de Administraciones Tributarias* (CIAT) together with other international organisations such as the *International Monetary Fund* (IMF), the *World Bank* (WB) and the *United Nations* (UN) participate in the BEPS work.

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[2] Par. 7, www.g20.utoronto.ca/2016/160227-finance-en.html.

[3] The new countries and jurisdictions to the Inclusive Framework participate in the CFA as "BEPS Associates". Also the G20 countries that are non-OECD members have participated as BEPS Associates in the CFA since the establishment of the BEPS Project, whereas OECD members were automatically Member of the BEPS Project. As all countries and jurisdictions participating in the Inclusive Framework collaborate on an equal footing, this text will refer – for the matter of clarity - to all participating countries and jurisdictions as Members of the Inclusive Framework on BEPS.

Furthermore, the IMF, the OECD, the UN and the WB intensified – while leveraging on their respective strengths - their co-operation on a wide range of international tax issues through the Platform for Collaboration on Tax.[4]

2.2. Participating in the decision-making body on an equal footing

The OECD's work programme on tax is carried out by the CFA through groups of national experts, organised by technical area in Working Parties and other bodies.[5] These working groups develop international tax standards and guidance, as well as all the technical work (see Annex 2). The working groups, being subsidiary bodies of the CFA, meet regularly, and discuss draft documents prepared by the OECD Secretariat, with input received by members of the related groups. During these meetings, where technicalities are discussed and standards are developed, delegates reach agreements by consensus. The working groups report to the CFA where senior officials of member countries can: i) decide, on a consensus-based approach, on the working groups' outcomes; ii) hold further discussions on issues working groups could not reach consensus on; or iii) require the working groups to carry out further work.

In practice, this means that the OECD's decision making process for tax purposes has a two-layer structure. At the first level, countries' technical experts participate in the decision-making at the level of the working groups and work closely with their respective CFA delegates in order to make them fully aware of the technicalities discussed at the subsidiary levels. On the second level, countries' senior officials participate in the CFA decision process to ensure a political commitment to the CFA outcomes.

Decision-making by consensus offers each participating government great opportunities as well as responsibilities. Objection from one member can halt the entire process, which requires all countries and jurisdictions to find solutions that work for all. Agreement by consensus, therefore, respects the sovereignty of each government. As the outcome is morally binding to all parties in the process, agreement by consensus provides a solid basis for a consistent and broad implementation of the agreements reached.

Embodied in the CFA, the Inclusive Framework on BEPS makes use of this consensus-based mechanism whereby all Members participate on an equal footing.

In practice, all Members of the Inclusive Framework have the opportunity to participate on an equal footing in all meetings of the CFA and its working groups that relate to BEPS. The meetings usually take place in Paris, France, with the CFA meeting at least twice a year and the working groups' meetings two to four times per year.

It should be noted that the Ad Hoc group on the Multilateral Instrument (MLI) is outside the formal scope of the Inclusive Framework, and was opened for participation on an equal footing by all interested countries and observer. Late November 2016, the Ad Hoc group adopted the text for the MLI and the accompanying Explanatory Statement. All countries will be able to sign up for the MLI irrespective of their Membership of the Inclusive Framework on BEPS. More details on the MLI are discussed in Chapter 5.

[4] www.worldbank.org/en/programs/platform-for-tax collaboration.

[5] www.oecd.org/ctp/centre-for-tax-policy-and-administration-brochure.pdf.

3. Programme of Work for the Inclusive Framework

Together, the Members of the Inclusive Framework on BEPS have agreed upon an ambitious work plan that will drive the implementation and monitoring process on the BEPS package, as well as ongoing standard-setting, while taking into account the needs and constraints of the developing countries involved. In essence, this work can be categorised in five strands of work. Sections 3.1 - 3.5 will elaborate on these matters.

3.1. Standard setting in respect of remaining BEPS issues

The Members of the framework set standards on remaining BEPS issues, for example, in the area of tax treaties and transfer pricing. This includes the work on the development of guidance on transfer pricing, on the application of profit split methods and on financial transactions.

3.2. Reviewing the implementation of the four minimum standards

Under the second strand of work, the Members in the framework agree upon review processes for the four minimum standards as well as monitoring mechanisms for other elements of the BEPS package. These review mechanisms may differ by Action, and will take into account countries' specific circumstances.

All countries and jurisdictions in the framework will participate in the upcoming review processes on the implementation of the minimum standards. These processes allow Members to review their own tax systems and to identify (and remove) elements raising BEPS risks. Moreover, the monitoring of the four minimum standards will ensure that all Members, as well as jurisdictions of relevance, will comply with the BEPS standards in order to ensure a level playing field.

In particular a monitoring and review mechanism covering preferential regimes (including IP regimes) and the transparency framework will need to be implemented to achieve an equal playing field. As for transparency, adopting the CbC reporting requires countries and jurisdictions to introduce, if not present, domestic legislation in a timely manner as well as to expand the coverage of their international agreements for the exchange of information. Monitoring mechanisms are being developed to monitor countries' and jurisdictions' compliance and to ensure the effectiveness of the filing and dissemination mechanisms of the CbC reports, as provided for by 2020's CbC standard.

3.3. Implementing decisions in terms of monitoring

Under the third strand of work, monitoring processes are developed on the digital economy (Action 1) and the economic impact of BEPS (Action 11). The Action 1 Report considered several options to address the broader tax challenges raised by the digital economy, but none of these options were recommended. This was mainly due to the fact that measures developed in the BEPS Project may have a substantial impact on BEPS issues raised by the digital economy. In this respect, OECD and G20 countries agreed to monitor developments and analyse data that will become available over time. Based on this monitoring process, further work on the options considered to address the challenges posed by the digital economy may be carried out and any decisions will be taken on a consensus-based approach.

Under the Action 11 Report the monitoring process requires governments to make better use of data collected (or to be collected as part of the BEPS Project), in order to evaluate the effectiveness of the BEPS countermeasures. An additional and more in-depth analysis of BEPS requires the publication of statistical results and aggregate tabulations of MNE taxes and activities by individual countries.

3.4 Gathering data on other aspects of implementation

Under the fourth strand of work, additional data gathering on the implementation of the BEPS package should be undertaken, other than data collections under Actions 1 and 11. This could include collection of feedback through self-assessments. The data will be used to provide periodic and comprehensive updates on the implementation of the BEPS package. A first comprehensive report is expected in 2017.

3.5. Implementation support, guidance and toolkits

Under the last strand of work the framework supports the development of toolkits for low-capacity developing countries, after the G20 Development Working Group (G20 DWG) requested the IMF, the OECD, the UN and the World Bank Group to work together on the development of toolkits and guidance to support low-capacity developing countries in addressing BEPS issues. These toolkits took and will take into account the issues that developing countries have identified as priorities during regional consultations. In addition, the Inclusive Framework allows its Members to feed their views into the toolkit work. Likewise the latter might impact the BEPS remaining standard-setting work. Annex 3 provides an overview of the toolkits and reports.

The involvement of international organisations in the Inclusive Framework, as elaborated in paragraph 2.1, will also facilitate the Members of the Framework by offering them the opportunity to receive co-ordinated and more targeted capacity building support in the implementation of the BEPS outcomes.

4. Achievements of the Inclusive Framework

At the first meeting of the Inclusive Framework in Kyoto (30 June – 1 July 2016) Members took important procedural and substantive decisions to tackle BEPS.

In terms of governance, the Inclusive Framework established a Steering Group at CFA level. The steering group for the Inclusive Framework, which reflects a geographical balance as well as a balance between types of economies, helps to steer the work carried out by the Framework, ensuring efficiency and effectiveness, mainly with regard to the implementation of the BEPS measures. When additional countries and jurisdictions join the Inclusive Framework as Members, the Steering Group can be extended in order to reflect the Inclusive Framework's growing membership. However the size of the Steering Group should allow keeping the group lean and efficient. In addition the delegates welcomed plans from the OECD Secretariat to support effective work methods for the Inclusive Framework and to strengthen the capacity of new Members to participate effectively in its work. These plans include the launch of a pilot for webinars on BEPS, prior and after Working Party meetings, induction workshops organised in advance of Working Party meetings and the setting up of a twinning programme. Through this twinning programme, new Members of the Inclusive Framework can be supported and mentored by experienced Members of the BEPS Project.

The Kyoto meeting also mandated the development of the monitoring and review processes on the implementation of the four minimum standards. In fact, the Terms of reference (ToRs) and Assessment Methodology for the review on the implementation of Action 14 have already been adopted by the Inclusive Framework and are available online.[6] The review process for Action 14 considers country's specific circumstances. In particular the review of non-OECD/G20 developing countries, will be deferred under two conditions: 1) the country has not yet encountered meaningful levels of MAP requests; and 2) there is no feedback from other members of the Forum on Tax Administration Mutual agreement procedure (FTA MAP Forum) indicating that the country's MAP regime requires improvement.

[6] www.oecd.org/tax/beps/g20-oecd-beps-project-advances-tax-certainty-agenda-with-the-launch-of-global-review-of-map-programmes.htm.

5. BEPS implementation at a national level

As foreseen in the BEPS package, 99 countries have negotiated the Multilateral Instrument (MLI), to swiftly incorporate tax treaty-related BEPS measures. Late November the participants finalised the main text on the MLI and the accompanying Explanatory Statement. These agreed texts have been published at the OECD's web site at http://oe.cd/mli.

The MLI will be open for signature by any interested country by 31 December 2016. It should be noted that the Members of the Inclusive Framework are not obliged to sign up to the MLI. Nevertheless, the MLI allows the Members of the Inclusive Framework to meet the BEPS minimum standards in an efficient manner by putting an end to treaty shopping (Action 6) and improving the resolution of treaty-related disputes (Action 14). The MLI also implements other treaty-related BEPS measures and contains an optional provision on mandatory binding arbitrage. Given the broad participation of countries, more than 3,000 bilateral treaties can be amended when the countries involved sign the MLI. A first signing ceremony will be organised in the week of 5 June 2017.

6. Next steps

Working Parties and other subsidiary groups (i.e. the Forum on Harmful Tax Practices, the Task Force on the Digital Economy, the Ad hoc Group on CbC, the FTA MAP Forum) will carry out the BEPS work in the coming months. The various peer reviews are concurrently being set up, and some have already started. Information is also available on the OECD BEPS web site[7].

Recognising the practical reality that some low-income countries will struggle to participate regularly in Paris-based meetings, regional meetings have been upgraded as an integral part of the Inclusive Framework, ensuring all interested countries can have a voice and participate effectively in BEPS processes. Regional meetings are organised on five regional/linguistic groupings, in close co-operation with other International Organisations and in full partnership with relevant Regional Tax Organisations. An up-to-date overview with information about regional meetings can be retrieved at any time from www.oecd.org/tax/beps/beps-regional-meetings.htm. The 2nd plenary meeting of the Inclusive Framework on BEPS at CFA level will be held in Paris on 26-27 January 2017.

[7] www.oecd.org/tax/beps.

7. Contact

All countries and jurisdictions are invited to contact the OECD Secretariat to express their interest in joining the Inclusive Framework as BEPS Associates (formally Members of the Inclusive Framework on BEPS), subject to the membership requirements. For countries and jurisdictions that have not been formally invited yet, a decision on formal invitation as BEPS Associate will be taken by the Inclusive Framework on BEPS and the OECD Council. Invited countries and jurisdictions will become BEPS Associates upon receipt of a positive response to the formal invitation from the OECD Secretary-General.

The OECD Secretariat remains available to provide additional information on the Inclusive Framework and to assist potential BEPS Associates with any matters relating to the commitment process. Countries and jurisdictions can contact the OECD Secretariat by sending an email to CTP.BEPS@oecd.org.

Annex 1 – Overview of the BEPS package

- Action 1: Addresses the tax challenges of the digital economy and identifies the main difficulties that the digital economy poses for the application of existing international tax rules. The Report develops detailed options to address these difficulties, taking a holistic approach and considering both direct and indirect taxation.

- Action 2: The work on neutralising the effects of hybrid mismatch arrangements develops model treaty provisions and recommendations regarding the design of domestic rules to neutralise the effect (e.g. double non-taxation, double deduction, long-term deferral) of hybrid instruments and entities.

- Action 3: Work to strengthen the rules for controlled foreign corporations develops recommendations regarding the design of controlled foreign company rules.

- Action 4: Work on limiting base erosion via interest deductions and other financial payments, develops recommendations regarding best practices in the design of rules to prevent base erosion through the use of interest expense, for example through the use of related-party and third-party debt to achieve excessive interest deductions or to finance the production of exempt or deferred income, and other financial payments that are economically equivalent to interest payments.

- Action 5: The work to counter harmful tax practices more effectively, taking into account transparency and substance, revamps the work on harmful tax practices with a priority on improving transparency, including compulsory spontaneous exchange on rulings related to preferential regimes, and on requiring substantial activity for any preferential regime.

- Action 6: The work on preventing treaty abuse develops model treaty provisions and recommendations regarding the design of domestic rules to prevent the granting of treaty benefits in inappropriate circumstances.

- Action 7: The work on preventing the artificial avoidance of permanent establishment status develops changes to the definition of permanent establishment to prevent the artificial avoidance of permanent establishment status in relation to BEPS, including through the use of commissionaire arrangements and the specific activity exemptions.

- Actions 8 – 10: Work to assure that transfer pricing outcomes are in line with value creation including work on (i) intangibles by developing rules to prevent BEPS by moving intangibles among group members, (ii) risks and capital by developing rules to prevent BEPS by transferring risks among, or allocating excessive capital to, group members, and (iii) other high-risk transactions develops rules to prevent BEPS by engaging in transactions which would not, or would only very rarely, occur between third parties.

- Action 11: The work to establish methodologies to collect and analyse data on BEPS and the actions to address it, develops recommendations regarding indicators of the scale and economic impact of BEPS and ensure that tools are available to monitor and evaluate the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis.

- Action 12: The work on requiring taxpayers to disclose their aggressive tax planning arrangements develops recommendations regarding the design of mandatory disclosure rules for aggressive or abusive transactions, arrangements, or structures, taking into consideration the administrative costs for tax administrations and business and drawing on experiences of the increasing number of countries that have such rules.

- Action 13: The work to re-examine transfer pricing documentation develops rules regarding transfer pricing documentation to enhance transparency for tax administrations, taking into consideration the compliance costs for business.

- Action 14: The work on making dispute resolution mechanisms more effective develops solutions to address obstacles that prevent countries from solving treaty-related disputes under MAP, including the absence of arbitration provisions in most treaties and the fact that access to MAP and arbitration may be denied in certain cases.

- Action 15: The work on developing a multilateral instrument to modify bilateral tax treaties provides an analysis of the tax and public international law issues related to the development of a multilateral instrument to enable countries to implement measures developed in the course of the work on BEPS and amend bilateral tax treaties.

Annex 2

Members of the Inclusive Framework on BEPS are entitled to attend and take part to the decision-making process in all BEPS-related meetings of the CFA and its subsidiary bodies, namely:

- Working Party No. 1 (WP1) on Tax Conventions and Related Questions: Actions 6, 7, 14 and parts of Action 2.
- Working Party No. 2 (WP2) on Tax Policy Analysis and Tax Statistics: Action 11.
- Working Party No. 6 (WP6) on Taxation of Multinational Enterprises (e.g. Transfer Pricing issues): Actions 8, 9, 10 and 13.
- Ad hoc Group on Country-by-Country reporting: Action 13.
- Working Party No. 11 (WP11) on Aggressive Tax Planning: Actions 2, 3, 4 and 12.
- The Task Force on the Digital Economy (TFDE): Action 1.
- The Forum on Harmful Tax Practices (FHTP): Action 5.
- The Forum on Tax Administration and Mutual Agreement Procedure (FTA MAP Forum): Action 14.

BEPS Invitees, i.e. countries or jurisdictions that participate in the discussions of the Inclusive Framework on BEPS pending their decision to become a Member of the Framework, are entitled to attend all BEPS-related meetings of the CFA and its subsidiary bodies listed above up to and including the BEPS Inclusive Framework plenary meeting to be held on the 26-27 January 2017.

All Members of the Inclusive Framework can express interest to participate on an equal footing in the meetings of these groups on BEPS related issues. It is to be noted that the *ad hoc* Group on the Multilateral Instrument, in the context of Action 15, is outside the formal scope of the Inclusive Framework. As a result, this group is open to equal-footing participation by all interested states.

Annex 3 – Development of Toolkits and Reports

At the end of 2014, the G20 Development Working Group (DWG) set a mandate for the international organisations (the OECD, the IMF, the WBG and the UN) to deliver toolkits and guidance to support the implementation of measures addressing BEPS in lower capacity developing countries.

This mandate was based on the recommendations set out in a two-part report to the G20 DWG on the impact of BEPS in low income countries, whereby part 1 was published in July 2014 and part 2 in August 2014. The combined Report[8] identified areas of priorities for developing countries and called for the development of the following toolkits and reports:

- Report on tax incentives (2015);
- Toolkit on lack of comparables for transfer pricing purposes (2017)[9];
- Report on indirect transfers of assets (2017);
- Toolkit on Transfer Pricing Documentation requirements (2017);
- Toolkit on Tax Treaty Negotiation (2017);
- Toolkit on Base-Eroding Payments (2018);
- Toolkit on Supply Chain Restructuring (2018); and
- Toolkit on assessment of BEPS risks (2018).

The project started taking shape in February 2015, when the international organisations proposed to the DWG terms of reference for the first two outputs, i.e. an options report on tax incentives and a toolkit on transfer pricing comparability data. The report on tax incentives was finalised and submitted to the G20 Leaders at their summit in Antalya (Turkey) in November 2015.[10]

[8] Report available at: (www.oecd.org/tax/tax-global/report-to-g20-dwg-on-the-impact-of-beps-in-low-income-countries.pdf)
[9] A draft on the "Toolkit on lack of comparables for transfer pricing purposes" is expected to be published for consultation in early 2017.
[10] IMF, OECD, UN and World Bank (2015), *Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment*, International Monetary Fund, Washington D.C., www.imf.org/external/np/g20/pdf/101515.pdf.

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