

5th Regional Meeting on BEPS for Eurasian Countries 8-10 October 2019, Baku, Azerbaijan

Co-chairs' Statement

The Fifth Regional Meeting on BEPS for Eurasian countries took place in Baku, Azerbaijan on 8 - 10 October 2018. It was hosted by the Ministry of Taxes of the Republic of Azerbaijan in collaboration with the Organisation for Economic Co-operation and Development (OECD) and the Intra-European Organisation of Tax Administrations (IOTA). The meeting was opened by Mr. Ilkin Valiyev, Deputy Minister of Taxes of the Republic of Azerbaijan and Mr. Ben Dickinson, Head of the Global Relations and Development Division of the Centre for Tax Policy and Administration at the OECD. It was co-chaired by Mr. Orkhan Musayev from the Ministry of Taxes of the Republic of Azerbaijan, and Mr. Wolfgang Büttner from the IOTA Secretariat.

Over 70 delegates from 14 countries, international and regional organisations, business and civil society participated in the event. Participants included senior officials from ministries of finance and tax administrations from Azerbaijan, Belarus, Bulgaria, Czech Republic, Georgia, Hungary, Jordan, Kuwait, Lithuania, Poland, Republic of Srpska (Bosnia and Herzegovina), Romania, Serbia and the Slovak Republic, as well as representatives from international and regional organisations (Asian Development Bank, Swiss Cooperation Office for the South Caucasus), the local business community (PwC, Deloitte, EY, KPMG, the State Oil Company of the Azerbaijan Republic, McKinsey & Company), chambers of commerce (German-Azerbaijani Chamber of Commerce, American Chamber of Commerce in Azerbaijan, Azerbaijan-France Chamber of Commerce and Industry), and the academia (Azerbaijan State University of Economics).

This summary of the discussions has been prepared by the co-chairs and shared with all delegates.

In his opening remarks, Mr. Ilkin Valiyev stressed the importance of international tax co-operation and tax compliance in addressing the challenges posed by the shadow economy. He reported on Azerbaijan's commitment to fight tax evasion by the introduction in 2017 of the Common Reporting Standard (CRS) for the automatic exchange of financial account information on a global level. He also emphasised Azerbaijan's introduction of transfer pricing rules in 2017. Deputy Minister Valiyev also expressed Azerbaijan's interest in joining the Inclusive Framework on BEPS (IF).

The co-chairs welcomed the participants from governments, international and regional organisations, business and civil society and emphasised that the main objectives of the meeting were to exchange views, best practices, opportunities and challenges.

The agenda focussed on the following topics:

- Governance of the Inclusive Framework on BEPS: latest developments;
- Update on the implementation of the four BEPS minimum standards and on the tax work related to the digitalisation of the economy;
- Business, civil society and academia perspectives;

- Implementation requirements and peer review processes of action 6 (preventing tax treaty abuse) and action 14 (making dispute resolution more effective) with a focus on the Multilateral Instrument (MLI);
- Case studies on BEPS minimum standards:
 - Review of preferential tax regimes (BEPS Action 5);
 - Country-by-Country Reporting (BEPS Action 13);
- Digitalisation of the Economy;
- Update on the development of toolkits to support the implementation of anti-BEPS measures in lower capacity countries;
- Follow-up work on Transfer Pricing;
- In-depth discussion on capacity building initiatives.

Several participants took the opportunity to hold bilateral meetings to discuss their specific circumstances or cases directly with technical specialists from the OECD Secretariat.

Conclusions

This regional meeting offered an opportunity for participants to actively contribute to the discussions and to provide input on the different work streams related to BEPS. Participants appreciated the chance to share best practices and experiences and highlighted their priorities in relation to the Inclusive Framework's work, especially in the area of addressing the challenges of the digitalisation of the economy. They also welcomed the capacity building initiatives of the international and regional organisations in supporting their BEPS implementation efforts.

Summary of key messages

- Participants welcomed the Inclusive Framework's work to develop a consensus solution to the tax challenges arising from the digitalisation of the economy. There was an extensive exchange of views on both the proposal for a unified approach on profit allocation (Pillar 1) and the Global anti-base erosion proposal for a minimum tax on the profits of MNEs (Pillar 2). Participants emphasised the importance of, and their commitment to being part of the ongoing discussions in the different technical working parties, as well as their active involvement in the decision making process of the Inclusive Framework. They also appreciated the support provided to lower capacity countries to evaluate the proposals and actively participate in the discussions.
- Participants recognised that the MLI provides for an efficient way to implement the treaty-related BEPS measures. They also stressed the importance of identifying the specific effects of the MLI on their treaty networks (via the matching of MLI Positions of pairs of Contracting Jurisdictions). They welcomed the development of tools to make these effects more readily apparent (e.g. Matching Database, Guidance documents, such as the Guidance for the development of synthesised texts of modified treaties). Participants greatly appreciated the discussions led by Poland on its experiences on the process of signing, ratifying, and implementing the MLI.

- One working group examined a sample Country-by-Country (CbC) Report and discussed how it can be used through identifying possible risk indicators that might warrant further examination. Countries exchanged views on how they are using CbC information for high level risk assessment, including both automated risk “flags” and more detailed manual analysis. The limitations of the information contained in a CbC Report were also discussed, together with the resulting implications in terms of the Appropriate Use condition of the minimum standard. In light of this, the group also considered what additional information may need to be gathered in order to progress towards any possible audit adjustment.
- Another working group considered the minimum standard in the area of preferential tax regimes, in particular discussing the criteria against which a preferential regime is reviewed by the Forum on Harmful Tax Practices (FHTP) to determine whether it is compliant with the BEPS Action 5 minimum standard. The specific features of regimes were discussed with a focus on ring-fencing, substantial activities requirements, transparency, and the effective exchange of information with respect to the regime. A number of possible options to fix the harmful features of the regime were discussed and presented by the working group in the plenary session.
- An update on the follow-up work of the IF on transfer pricing was provided and participants exchanged views on the draft guidance on intra-group financial transactions. The Ministry of Taxes of the Republic of Azerbaijan provided information on the introduction of a transfer pricing regime (and associated anti-BEPS measures) in the country.
- Discussions on the toolkits on *Addressing a Difficulties in Accessing Comparables for Transfer Pricing Analyses* as well as on *Implementing Effective Transfer Pricing Documentation* were undertaken, and participants provided their feedback and input relevant to these toolkits and those still under development.
- On capacity building, country delegates welcomed the initiatives, such as induction programmes and the joint OECD/UNDP initiative ‘Tax Inspectors Without Borders’ (TIWB), as well as IOTA’s new Technical Assistance Programme. They recognised these programmes provide opportunities to raise the engagement of all stakeholders on a technical, as well as political level. Participants also welcomed the modernisation of OECD’s Global Relations Programme on Tax to include e-learning courses. Georgia illustrated the practical benefits of OECD’s support initiatives. The Slovak Republic shared their experiences as a partner administration for delivering TIWB programmes. Co-operation and synergies with the work carried out by other international organisations, development banks and agencies, such as the Asian Development Bank (ADB) and the Swiss Co-operation Office for the South Caucasus (SECO), were welcomed by participants, as was the on-going collaboration between the OECD and IOTA.
- Representatives of the business community expressed their support for effective and consistent implementation of the BEPS minimum standards by all countries to ensure a level playing field and welcomed the initiatives of the OECD and other international and regional organisations to support developing countries in this regard. They also stressed the significance of the ongoing work aimed at addressing the challenges of digitalisation.

More information

<https://www.oecd.org/tax/beps/fifth-regional-meeting-on-beps-for-eurasian-countries-october-2019.htm>