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4th Regional Meeting of the Inclusive Framework on BEPS for Eastern Europe and Central Asia

**7 - 9 November 2018, Yerevan, Armenia
Co-chairs' Statement**

The Fourth Regional Meeting¹ of the Inclusive Framework on BEPS for Eastern Europe and Central Asia took place in Yerevan, Armenia on 7 - 9 November 2018. It was hosted by the State Revenue Committee of the Republic of Armenia in co-operation with the Organisation for Economic Co-operation and Development (OECD) and the Intra-European Organisation of Tax Administrations (IOTA). Opened by the Chairman of the State Revenue Committee of Armenia, Mr Davit Ananyan, the meeting was co-chaired by Ms Nairuhi Avetisyan, Head of the Transfer Pricing and International Projects Division, State Revenue Committee of Armenia, and Mr Wolfgang Büttner, International Taxation Expert at the Intra-European Organisation of Tax Administrations (IOTA).

Over 60 delegates from 16 countries, international and regional organisations, business, civil society and academia participated in the event. Participants included senior officials from ministries of finance and tax administrations from Armenia, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia (FYROM), Georgia, Hungary, Italy, Kuwait, Latvia, Oman, Poland, Romania and the Slovak Republic, as well as representatives from the British Embassy, the Eurasian Economic Commission (EEC), GIZ, the National Assembly of the Republic of Armenia, from the private sector (Association of Accountants and Auditors of Armenia, BDO Armenia, Grant Thornton, Ernst & Young and PwC Armenia), from civil society (Taxpayers Rights Protection Organisation) and academia (Yerevan State University).

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

In his opening remarks, Mr Davit Ananyan stressed the importance of international tax co-operation and Armenia's commitment to be part of the BEPS process. He reported that both the Multilateral Instrument to implement tax treaty-related BEPS measures (MLI) - signed by Armenia in 2017 - and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) - signed by Armenia in 2018 - are currently in the ratification process.

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

¹ www.oecd.org/tax/beps/regional-meeting-of-the-inclusive-framework-on-beps-for-eastern-europe-and-central-asia-november-2018.htm



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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;
- Business, civil society and academia perspectives;
- Case studies on BEPS minimum standards:
 - Country-by-Country Reporting (BEPS Action 13);
 - Review of preferential tax regimes and exchange of information on tax rulings (BEPS Action 5);
 - Treaty shopping and treaty abuse (BEPS Action 6).
- Update on the development of toolkits to support the implementation of anti-BEPS measures in lower capacity countries;
- Implementation requirements and peer review processes of BEPS Action 14 - making dispute resolution more effective;
- Implementation requirements and peer review processes of BEPS Action 6 - preventing tax treaty abuse - with a focus on the Multilateral Instrument (MLI);
- Follow-up work on transfer pricing;
- In-depth discussion on capacity building initiatives.

Several participants took advantage of the sessions allocated to bilateral meetings to discuss their specific circumstances or cases directly with technical specialists from the OECD Secretariat.

Key messages

- Participating countries recognised that implementing the BEPS package is challenging and requires adequate capacity. At the same time, joining the Inclusive Framework on BEPS provides better access to capacity building programmes and opportunities for implementing sound and consistent domestic tax rules and tax treaties, improving the Ministry's and tax administration's organisation with regards to international tax questions as well as sharing experiences and best practices with other countries at both policy and tax administration levels.
- Representatives of the business community called for an effective and consistent implementation of the BEPS minimum standards and other priority actions, e.g. transfer pricing, across the region. They stressed the need to promote and clarify the new rules to taxpayers and the main stakeholders, and to enhance legislative, organisational and human resource capabilities as well as cross-country co-operation, e.g. through Advance Pricing Arrangements (APA), Mutual Agreement Procedures (MAP) and exchange of information. Participants discussed the role of tax consultants in ensuring consistent implementation and stressed the importance of consultation processes.

- One working group examined a sample Country-by-Country Report and discussed 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 following the high level risk assessment stage 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 the regime were discussed with a focus on ring-fencing, substantial activities requirements, the transparency of the regime 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 to the plenary.
- A third working group considered the minimum standard on treaty abuse, in particular discussing the differences, as well as the advantages and disadvantages, of the Principal Purposes Test approach and the Limitation on Benefits approach. A number of scenarios were discussed, together with how the anti-treaty abuse mechanisms would apply in each case, and how the Multilateral Instrument (MLI) could implement these approaches. Following this, the group also considered a number of case studies to apply the rules for entry into effect of the MLI for various types of taxes.
- Participants recognised that the MLI provides for an efficient way to implement the minimum standard on treaty abuse in treaty networks. Participants identified as one of the important challenges, the identification of the MLI effects on the tax treaties it covers (via the matching of MLI Positions of pairs of Contracting Jurisdictions). They welcomed the development of tools to enhance the readability of these effects (e.g. Matching Database, Synthesised texts of modified treaties, Guidance documents). Participants also welcomed the opportunity to take part in workshops focused on the MLI, on its signature (for Future Signatories) and its implementation (for Signatories and Parties).
- An update on the follow-up work on transfer pricing was provided and participants exchanged views on the application of the profit split method, the implementation of the measures addressing hard to value intangibles, and the current work on financial transactions.
- Deep-dives on the toolkits on Addressing a Difficulties in Accessing Comparables for Transfer Pricing Analyses, Implementing Effective Transfer Pricing Documentation Regimes and Indirect Offshore Transfers were undertaken and participants provided their feedback and input relevant to these toolkits and those still under development.
- Participants discussed the Action 14 minimum standard on improving dispute resolution, including both the treaty-based mechanisms and administrative practices. The opportunities and challenges involved in the Peer Review process were also considered.



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- On capacity building, country delegates highlighted the need for support and welcomed the initiatives such as induction programmes and the joint OECD/UNDP initiative 'Tax Inspectors Without Borders' (TIWB) including its new pilot project on criminal investigations. 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 blended and e-learning. Co-operation and synergies with the work carried out by other international organisations and development agencies such as GIZ, were welcomed by participants, as was the on-going collaboration between the OECD and IOTA.

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 related to BEPS. They shared valuable comments and experiences, provided input and flagged areas of concern, which will be considered in the Inclusive Framework's work. All the input received and the outcomes of the discussions will be taken into account for the purpose of shaping the future regional meetings in the Eastern European and Central Asian countries.