Mr David Chitaishvili, Advisor, Revenue Service of Georgia and Mr Eugenijus Soldatkovas, Technical Taxation Expert at IOTA co-chaired the second meeting of the Inclusive Framework on BEPS (Base Erosion and Profit Shifting) for Eastern Europe and Central Asia. The event was hosted in Tbilisi by the Ministry of Finance and Revenue Service of Georgia, and organised by the OECD and the Intra-European Organisation of Tax Administrations (IOTA). This summary of the discussions has been prepared by the co-chairs and shared with all participants.

Participants included senior officials from ministries of finance and tax administrations from the following 14 countries: Bulgaria, Croatia, Czech Republic, Georgia, Kuwait, Latvia, Lithuania, Oman, Pakistan, Poland, Slovak Republic, Slovenia, Turkey and Ukraine, as well as representatives from Dechert, Deloitte, BIAC (Ernst and Young), GIZ, Grant Thornton LLC, KPMG and Nexia TA.

This regional meeting followed the second meeting of the Inclusive Framework held in Paris on 26-27 January 2017. The main objective of this event was to discuss the status of the implementation of the BEPS measures, with a specific focus on the peer-review mechanisms as well as timelines for the implementation of the minimum standards. The meeting also provided an opportunity to:

1. Discuss the work on toolkits and capacity-building initiatives currently in place or under development to address countries' needs;
2. Update participants on recent developments in transfer pricing and the tax treaties area, including country-by-country reporting and the tax treaty-related minimum standards, with a special focus on dispute resolution mechanisms.
3. Provide clarifications on the status of work on the Multilateral Instrument aimed at swiftly implementing BEPS tax treaty-related measures.
4. Seek for feedback from participants on the work countries are carrying out regarding the implementation of the BEPS measures and the challenges they are currently facing.
5. Share experiences among participants on issues related to implementation and solutions adopted.
6. Understand country priorities and specific needs in terms of capacity building and training.

Mr Giorgi Tabuashvili, First Deputy Minister of Finance of Georgia, Director General (DG) of Revenue Service of Georgia, welcomed the participants to the event that gathered 48 participants from countries in the region, together with business representatives from international firms, organisations and local corporations.

In their opening remarks, Mr Giorgi Tabuashvili and Mr Eugenijus Soldatkovas expressed appreciation for the work carried out by the OECD in setting-up the Inclusive Framework and for the increased engagement of non-OECD/G20 countries in the implementation of BEPS
measures. Mr. Tabuashvli highlighted the developments in Georgia in the field of taxation in recent years that have led to improved tax collection and increased quality of services to taxpayers. The co-chairs also addressed the challenges faced by countries in the implementation of the BEPS measures. They concluded their opening remarks noting that the implementation of BEPS measures is also beneficial to efficient resource mobilisation.

The agenda focussed on the following topics:

- Recent developments regarding the Inclusive Framework (IF) on BEPS;
- The views of the business community;
- Priorities of Eastern European and Central Asian countries;
- Actions to be undertaken to allow countries to benefit from the BEPS package particularly through the implementation of the minimum standards on Country-by-Country Reporting, and the anti-treaty abuse and dispute resolution provisions;
- The possibilities for swift implementation of tax-treaty related measures through the Multilateral Instrument;
- Follow-up work on the remaining BEPS-related standard setting in the area of transfer pricing;
- An in-depth discussion on the work on toolkits and capacity building initiatives;

Key messages

- Participating countries recognised that joining the Inclusive Framework on BEPS is challenging and requires adequate capacity. At the same time, it provides opportunities for implementing sound and consistent domestic and treaty tax regimes, improving tax administration procedures and sharing experiences and best practices with other countries at policy and tax administration level.
- Participants stressed the importance of Country-by-Country reporting (CbCR), and shared information on the status of reforms already underway to implement transfer pricing (TP) documentation requirements. They expressed some concerns on how to effectively use CbCR data, on the lack of resources available to conduct appropriate risk assessments and on the need to have IT infrastructures in place for the receipt and exchanging of TP documentation. Jurisdictions also shared the challenges they faced in terms of enacting CbC legislation that addresses confidentiality requirement.
- A number of participating countries indicated that their highest priority on BEPS is to comply with the minimum standards within the existing timeline whilst the main challenges remain limited personnel and IT resources. Countries also indicated the need to address other tax issues beyond BEPS such as tackling the shadow economy.
- On capacity building, country delegates highlighted the need for support and welcomed the new initiatives illustrated by the OECD representatives such as induction programmes and twinning. Georgia encouraged other participants to make use of these initiatives and provided examples of the great benefits from the participation to Tax Inspectors Without Borders. Synergies with the work carried out by other organisations was welcomed by participants, including on-going collaboration between the OECD and IOTA.
Participants raised questions regarding the interaction between the work on arbitration at the European Union (EU) level and that of the OECD. They asked for further clarification on possible misalignments between the EU directive on dispute resolution and the principles elaborated under BEPS Action 14 with respect to arbitration.

Although participants recognised the significance and potential value of signing the Multilateral Instrument (MLI), some expressed concerns that they would not be able to fulfil all the formal requirements before the first signing ceremony. Issues relating to the nature of the legal instrument, in particular on the ratification process and authority to enact the modifications to the treaties, were also discussed.

Participants actively engaged in the discussions on the current follow-up work on the revision of the transactional profit split method, noting that more practical guidance on this area of transfer pricing is welcomed.

It was clarified that a main aim of the toolkits is to help assist countries in making informed policy choices appropriate to their needs. The toolkits will also contain examples of best practices and practical implementation guidance that may not require legislative changes. Particular interest was shown by participants on the current work on indirect transfer of assets, noting the difficulties they are currently facing to detect and to collect taxes in cases of off-shore alienation of shares mainly representing assets held in their countries. In this respect, the possibility to use the MLI to opt-in for art. 13(4) was also discussed.

The representatives of business community discussed the importance of tax certainty to taxpayers within the context of BEPS. They underscored that both Mutual Agreement Procedures and the MLI help tackle such tax uncertainty in the international context and expressed their desire to see consistency across countries, preferably using a single agreed-upon standard. It was also noted that business favours mandatory binding arbitration, which helps to increase certainty for taxpayers. Additional practical guide on TP would be useful for the business sector and welcomed the current work on toolkits. Finally, they emphasised the importance of confidentiality with respect to CbC reporting.

**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. They shared valuable comments, provided input and highlighted areas of concern, which will be reported to the various CFA Working Parties responsible for the Inclusive Framework’s work.

All the input received and the outcomes of the discussion will be taken into account for the purpose of shaping the future regional meetings. The Third Regional Meeting of the Inclusive Framework on BEPS for the Eastern Europe and Central Asia countries will be held on 18-20 October 2017 in Bratislava, Slovakia.