

**SPECIAL MEETING OF THE OECD TASK FORCE ON TAX AND DEVELOPMENT¹ ON BASE
EROSION AND PROFIT SHIFTING (BEPS) AND DEVELOPING COUNTRIES AND
SUMMARY OF THE BEPS CONSULTATIONS**

CO-CHAIRS STATEMENT

Paris, March 2014

1. The OECD's Task Force on Tax and Development met in Paris, France, on 28 March 2014, to take stock of the ongoing efforts to consult with developing countries and understand their perspectives on the **Base Erosion and Profit Shifting** (BEPS) issues they are faced with. Governments, international and regional organisations, civil society and business representatives welcomed the significant progress made in this consultation process since the previous meeting in Korea in October 2013 and explored how to ensure that developing countries have an ongoing voice in the development of the work on BEPS to reflect developing country needs to better mobilise their domestic resources. This meeting was the culmination of a first round of consultations with the developing world, which we summarise below, together with future actions to ensure there is an ongoing dialogue with developing countries.

BEPS consultations with developing countries

2. As mandated by the G20 Leaders and reflected in the BEPS Action Plan of July 2013, developing countries have been extensively consulted on their priorities and ways to address BEPS challenges. This consultation process involved a combination of regional and global high-level policy dialogues. Following the Annual Meeting of the Global Forum on Tax Treaties of September 2013 and the Plenary Meeting of the Task Force of October 2013, 4 Regional Consultations were held in February and March 2014 (hosted by or in conjunction with regional tax organisations – CIAT, ATAF and CREDAF) to discuss BEPS issues with countries in Asia, Latin America, Africa and for francophone countries and to explore how the current work in the context of the OECD/G20 Project on BEPS should take those into account, with a particular focus on developing countries.² Representatives of the UN Committee of Experts and IMF officials actively contributed to these events. The outcome statements from these events are in Annex 1.

3. This first round of regional consultations was concluded with global meetings, where the main outcomes of the regional meetings were presented. The Annual Meeting of the Global Forum on Transfer Pricing was held on 26-28 March 2014, gathered over 330 senior tax officials from more than 110

¹ Co-Chaired by South Africa and the Netherlands, the Task Force is a multi-stakeholder advisory group set up to help to improve the enabling environment for developing countries to collect taxes fairly and effectively. This statement reflects the views of the Co-Chairs and not necessarily those of all stakeholders.

² In three of these Regional Consultations, the Global Forum on Transparency and Exchange of Information for Tax Purposes also gathered countries views on the benefits and challenges for countries in the region in implementing the global standards on automatic exchange of tax information (AEOI).

jurisdictions. On 28 March 2014, Government officials were joined by representatives from civil society and the business community at the Task Force's Special Meeting on BEPS and Developing Countries. The final plenary session brought together the lessons learned from the intensive regional and global dialogue that has taken place over the past 6-8 months and proposed a number of ways forward.

Lessons learned from the ongoing consultations

4. The Task Force welcomed international efforts to gather effective input from developing countries on the work on BEPS. These meetings concluded that BEPS is of major significance for developing countries due to their heavy reliance on corporate income tax, particularly from Multinational Enterprises (MNEs). The different meetings were consistent in emphasising the following key messages:

- *Some items of the BEPS Action Plan were considered of higher immediate priority by developing countries.* These include limiting base erosion via interest deductions and other financial payments (Action 4), preventing tax treaty abuse and the artificial avoidance of PE status (Actions 6 and 7), transfer pricing, in particular base eroding payments (Actions 8, 9 and 10), and transfer pricing documentation and Country-by-Country Reporting (Action 13).
- *A number of other issues that are linked to, but not specifically included in, the BEPS Action Plan have been considered as of key importance in developing countries.* These were the granting of wasteful tax incentives which may erode the country's tax base with little demonstrable benefit and the significant difficulties developing countries face in obtaining relevant data, particularly comparable data for transfer pricing purposes.
- *Capacity building is one of the biggest challenges faced by developing countries.* The lack of effective legislation and gaps in capacity may leave the door open to simpler, but potentially more aggressive, tax avoidance than is typically encountered in developed economies. BEPS solutions for developing countries may need to be tailored to this reality, and concrete technical support will be needed to enable developing countries increase their capacity to improve their domestic resource mobilization.
- *Political support is critical to drive policy change that balances the encouragement of foreign direct investment with the need for domestic resource mobilisation.* All stakeholders have a role to play in increasing awareness about the importance of BEPS for developing countries and in ensuring that the required support is obtained from political decision makers.
- *Further engagement with developing countries is crucial to ensure that BEPS solutions are achieved at the global level.* The first round of regional consultations was very effective and it is important to continue the global dialogue on BEPS issues.

5. Developing country input received so far will be fed into the report for the G20 Development Working Group (DWG). This report, which is being prepared by the Task Force Secretariat in close cooperation with the IMF and other international organisations, is focused on the main BEPS issues and challenges faced by developing countries, how these are related to the BEPS Action Plan, and how the DWG might assist developing countries to meet those challenges.

Next steps

6. As Co-Chairs, we encourage international and regional organisations and all stakeholders to take further steps to ensure that developing countries' voices are taken into account in the international efforts to counter BEPS and strengthen domestic resource mobilisation. These steps include:

- Organising a further round of regional consultations towards the end of 2014 to take stock of the impact of BEPS outputs due by September 2014, and to input on the work under development with regard to the other outputs due later in 2015, ideally in conjunction with other planned BEPS meetings hosted by international and regional organisations.
- Make full use of existing mechanisms to channel input provided by developing countries into the OECD/G20 BEPS Project, e.g. through the comments to be provided by all interested parties on BEPS discussion drafts and public consultations; the direct participation of Government officials into the BEPS work at working group level; the publication of summaries reflecting discussions held during meetings on BEPS; and the use of questionnaires to inform the relevant working groups.