

ASIA-PACIFIC REGIONAL NETWORK MEETING ON BEPS PROJECT

SEOUL, KOREA, 12-13 FEBRUARY 2015

CO-CHAIRS' SUMMARY OF DISCUSSIONS

Mr. Yoonjin Kang¹ and Mr. John Hutagaol² co-chaired the Asia-Pacific Regional Network Meeting on the BEPS Project, hosted by the Korean Policy Centre (Tax Programme). The Co-Chairs prepared this informal summary of the discussions of the meeting which was shared with all participants.

The objective of the meeting was to feed the views of developing countries into the BEPS work and support the development of toolkits to assist implementation of BEPS solutions. This Regional Network Meeting was part of a new structured dialogue process in the Asia Pacific Region which will enable the views of Partner economies, and particularly of developing countries expressed at this meeting, to be taken into account in the ongoing discussions in the Global Fora, Task Force on Tax and Development and Working Party meetings relating to the BEPS Project and the implementation of solutions to counter BEPS.

The Meeting

This Regional Network Meeting was held in Seoul, Korea, on 12-13 February 2015 and focused on the key priority areas identified by the Region at the regional consultation on BEPS that took place in Seoul in February 2014.

The event brought together 54 participants from 21 economies in the Asia-Pacific Region³, as well as representatives from regional and international organisations, including the Asian Development Bank, the International Monetary Fund (IMF) and the Study Group on Asian Tax Administration and Research (SGATAR); and US Agency for International Development (USAID).

Representatives of international and local business, and civil society were present in two plenary sessions and shared their perspectives with tax officials. The meeting discussed:

- The BEPS issues identified as key priorities for economies in the Asia-Pacific Region, and in particular: a) 2014 deliverables, b) ongoing 2015 deliverables with a focus on recently published BEPS discussion drafts, and c) toolkits and implementation strategies;
- How Partner economies can effectively provide their views into the BEPS Project and other related work;
- How Partner economies can ensure that the development of Toolkits can assist them to implement solutions to counter BEPS.

12 economies in the Region participate directly in the BEPS project as OECD Members (Australia, Japan, Korea, and New Zealand), G20 Members (China, India, and Indonesia), Participants to the CFA (Malaysia and Singapore) and Invitees to the BEPS Project (Bangladesh, Philippines, and Vietnam).

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³ Australia, Bangladesh, Bhutan, Cambodia, Chinese Taipei, Hong Kong, India, Indonesia, Japan, Korea, Laos, Malaysia, Marshall Islands, Myanmar, New Zealand, People's Republic of China, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

A. Key Messages

1. BEPS has become a key political issue in the region highlighted by extensive media coverage.
2. Participants supported the new OECD/G20 strategy to strengthen the involvement of developing countries into the BEPS project, under the G20 mandate, making the entire process more inclusive and providing an unique opportunity to enhance cooperation in the Region.
3. Participants stressed the need to balance investment opportunities with domestic resource mobilisation in the region.
4. The meeting emphasized that active engagement in the BEPS process is important to ensure a level playing field between MNEs and domestic businesses.
5. Need to engage all stakeholders, including business and civil society, in looking for solutions to counter BEPS.
6. The meeting emphasized the importance of capacity building and the need to obtain political support to implement relevant tax measures.

B. Discussion on relevant Action Items for the Region

1. Interest Deductibility (Action 4): Economies recognized the need to tackle BEPS situations caused by the lack of coordinated and effective rules on the allocation of interest expenses.
2. Artificial avoidance of PE status (Action 7): Economies highlighted initiatives to enhance current PE rules, especially those relating to preparatory and auxiliary activities, but at the same time highlighted the opportunity to develop guidance including on the relationship between Action 7 and the digital economy.
3. Transfer pricing issues (Actions 8-10): The general approach towards aligning taxation with economic value creation was supported by participants, because of the rapid and dynamic growth and development of economies in the region; and economies requested assistance in building capacity.
4. Transfer pricing documentation (Action 13): Participants welcomed the three-tiered approach proposed, with particular regard to the Country by Country reporting, and emphasized the need for consistency, confidentiality and appropriate use of the reported information for risk assessment purposes.
5. Tax Incentives and Comparability: The participants welcomed the G20 DWG mandate to the OECD, IMF, World Bank Group and UN to collaborate on developing toolkits to address difficulties in accessing comparable data and on tax incentives and stressed the importance of receiving support and assistance. They also considered the proposed scope satisfactory for their needs and highlighted the new OECD structured dialogue process as an effective way to provide their input/feedback in the preparation of the toolkits

6. Business and NGO perspectives: Representatives from the regional and local business communities provided insights in several areas, such as insights in the unique management features of Asian MNEs, challenges posed by the short timeframe to provide comments on BEPS (and need for translation) and requested further guidelines and additional work on dispute resolution.

Representatives from civil society and NGOs shared feedback on various issues, such as additional resources needed for tax policy development and capacity building as well as provision of capacity-building support by regional multilateral organizations.

C. Next Steps: Strengthening the engagement of Partner Economies in the BEPS Project and related work

The meeting considered that the Partner Economies in the region should strengthen their engagement in the BEPS Project and related work through various channels:

- To utilise this Regional Network to share updated information on the progress of the various areas of work of the BEPS Project, including providing input into the development and implementation of toolkits, and to take part in public consultations on discussion draft on BEPS Deliverables as appropriate.
- To directly participate in the Committee on Fiscal Affairs and its subsidiary bodies as Members, Associates, Participants or Invitees to the meetings, and in the Global Forum on Tax Treaties and on Transfer Pricing, and the Task Force on Tax and Development.
- To take part in the Global Relations Programme and the Tax and Development Programme to ensure capacity building for the implementation of measures.
- Engagement with regional multilateral organisations, such as SGATAR and the ASEAN Forum on Taxation to provide input on the BEPS Project.

The next steps in delivering the perspectives of this region into the technical process will take place: 1) at the Global Forum on Transfer Pricing and the Task Force on Tax and Development to be held in Paris on 16-18 March 2015: and 2) through direct participation of economies in the region in the Committee on Fiscal Affairs (CFA) and its subsidiary bodies.

The input of this Regional Network Meeting will also be fed into the development of toolkits as part of the implementation phase of solutions to counter BEPS. The next Regional Network Meeting will take place in October 2015 to discuss the outputs of the BEPS Project and the further development of the toolkits and other issues related to the implementation of the measures to counter BEPS.