

ASIA-PACIFIC TECHNICAL MEETING ON BEPS

YOGYAKARTA, INDONESIA, 11-12 NOVEMBER 2015

CO-CHAIRS' SUMMARY OF DISCUSSIONS

Mr. John Hutagaol¹ and Mr. Kyoungwan Moon² co-chaired the first Asia-Pacific Technical Meeting on BEPS, hosted by Indonesia in cooperation with the OECD Korea Policy Centre (Tax Programme). The Co-Chairs prepared this summary of the discussions of the meeting which was shared with all participants.

The objectives of the technical meeting were 1) to update participants on the outcomes of the BEPS project and reflect country perspectives following the delivery of the BEPS Package, 2) to discuss the implementation and monitoring phase of the BEPS project, and 3) a technical 'deep dive' into the toolkits currently being developed by international and regional tax organizations.

This technical meeting follows the consultation held in Seoul, Korea, in February 2015. It gathered together 75 participants from 17 economies from the Asia-Pacific region³, as well as representatives from ATAIC, AIPEG, JICA, the OECD Korea Policy Centre (Tax Programme) and SGATAR.

The Meeting

In his opening address, Mr Mardiasmo, Vice Minister of Finance of the Republic of Indonesia, emphasised the importance of working together in the region to develop solutions to the global tax challenges faced by all. The discussions addressed the following topics:

- The presentation of the final BEPS Package and its different actions.
- The development of practical toolkits to implement targeted and workable solutions to counter BEPS issues.
- The challenges and opportunities in the BEPS implementation phase, including the areas where follow up work is needed and ideas on how to design the inclusive framework with all interested countries on an equal footing as well as continuing regional engagement.

A. Key Messages

1. The BEPS Package was welcomed and participants highlighted the importance of learning from other countries' experiences and best practices.
2. Participants demonstrated a strong interest in cooperation with each other and with the OECD. They were particularly supportive of developing a platform to work together on an equal footing with regard to the implementation of the BEPS outcomes.

¹ Director of Tax Regulation II, DGT, Indonesia.

² Director, MOSF, Korea

³ Australia, Bangladesh, Brunei Darussalam, Cambodia, Chinese Taipei, Indonesia, Japan, Korea, Malaysia, Myanmar, Papua New Guinea, People's Republic of China, Philippines, Saudi Arabia, Singapore, Thailand and Vietnam.

3. Participants recognised the importance of the multilateral instrument to implement the BEPS Project. 12 out of the 17 economies represented at the meeting have already joined the ad hoc Group for the negotiation of the instrument.

4. The importance of regional meetings and cooperation with regional organisations, such as ATAIC and SGATAR, was a means of engaging countries to provide their input and to express their views.

5. Participants highlighted the resource constraints faced in national administrations. They called for effective capacity building initiatives, and welcomed support from international and regional organisations.

6. Participants welcomed the work presented and the progresses made on specific toolkits and reports. They emphasised the need for the toolkits to be practical and based on country experiences.

7. Participants recognised the significance of engagement of business and civil society in implementing BEPS solutions.

B. Discussions

1. BEPS Final Deliverables

Participants welcomed the BEPS package and agreed that the implementation of the BEPS outcomes will be the next big challenge. They highlighted the importance of sharing information, balancing the need to tackle BEPS issues and to promote cross-border commercial activities. They anticipated that the Multilateral Instrument will provide clear guidance on implementing treaty-related measures, particularly with regard to measures to combat treaty abuse. They also looked forward to further guidance to be developed with regard to transfer pricing issues including the use of profit split methods.

There was particular interest in the outputs from Actions 4, 7, 8-10, 13 and the work on the digital economy. Specifically, there was detailed discussion on the scope of the changes to the definition of a permanent establishment, and on the implementation of Action 13 on country-by-country reporting.

2. Toolkits: Tax incentives for investment

Participants welcomed the report published on tax incentives and recognised that the report offered useful building blocks on the design of effective and efficient tax incentives. Participants provided useful examples of the operation of incentives in their economies, noting the opportunities and challenges with the various incentive schemes, and understood the importance of enhanced regional and international cooperation.

3. Toolkits: Indirect transfer of assets

This issue provided particular challenges to the economies in the region, and further information and guidance was welcomed. The meeting agreed to feed into the toolkit process through a questionnaire. There was in-depth discussion of the technical issues raised in the toolkit, as well as the practical implications.

4. Toolkits: Comparability issues and transfer pricing documentation

Participants welcomed the development of a transfer pricing comparability toolkit. They added that this toolkit would not only be useful for low income countries, but could help to address issues in a broad range of countries. Participants welcomed the planned practical nature of the toolkit, particularly given the importance of transfer pricing measures to their economies.

Participants welcomed the opportunity to work regionally and globally in enhancing the utility and effectiveness of the toolkits on transfer pricing. The OECD will work with SGATAR in disseminating questionnaires on comparability data and transfer pricing documentation to the countries in the region.

C. Implementation phase and participation of the Asia-Pacific countries in the inclusive framework

Participants acknowledged that direct participation in the Committee on Fiscal Affairs and working party meetings were a great opportunity, but that resource constraints may affect direct engagement.

Participants stressed the urgency of implementing the measures agreed in the BEPS package in a consistent manner. In particular, participants were interested in implementing the new transfer pricing documentation rules, and how to implement the treaty-related measures. Participants welcomed the initiative to build a more inclusive framework. They appreciated the positive experience represented by the Global Forum on Transparency and Exchange of Information for Tax Purposes, including the peer review mechanism and the wide participation on an equal footing, but noted differences between the scope of the two initiatives.

Participants supported the OECD capacity building initiatives including the Tax Inspectors Without Borders, Global Relations programme and bilateral Tax and Development programme.

Participants considered that the regional network meetings are a useful mechanism to obtain and to share information and experiences, as well as to build stronger relationships in the region.

Next Steps

1. The outcomes of the meeting will be reported to the CFA in January. This input will feed into the design of a more inclusive framework for which a proposal will be presented in early 2016 to the G20 Finance Ministers.
2. Questionnaires relating to the toolkit process will be sent to participants to provide input to better focus the workstreams addressed and the solutions proposed.
3. A regional network event will be held in 2016.

Finally, participants thanked Indonesia and OECD-Korea Policy Centre (Tax Programme) for hosting the successful and fruitful meeting.