

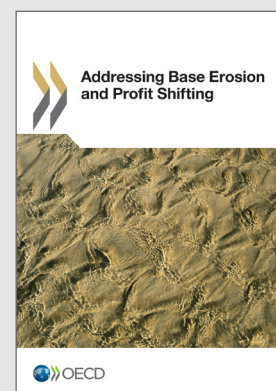
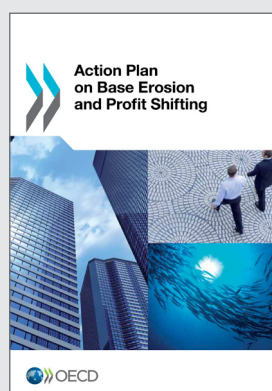
Mobilising domestic resources through tackling base erosion and profit shifting

BASE EROSION AND PROFIT SHIFTING (BEPS) refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to locations where there is little or no economic activity or value creation.

The BEPS Project was launched in July 2013, based on an Action Plan which identified 15 action items, to be addressed and delivered by **October 2015**.

Taxation plays a central role in promoting sustainable development. Developing countries face significant challenges in improving their tax capacities and mobilising domestic resources. Their engagement in the international tax agenda, including on BEPS, is therefore important to address their specific challenges.

Input received from developing countries in 2014 inspired a two-part report¹, identifying their specific challenges and priorities. This led to a more inclusive engagement of developing countries in the global fight against BEPS.



Heavy reliance of developing countries on taxation of multinational enterprises (MNE)²

- Rwanda reports that 70% of its tax base comes from MNEs.
- In Burundi one company contributes nearly 20% of total tax collection.
- In Nigeria, MNEs represent 88% of the tax base.

BEPS not only affects developed countries, but is a major concern for developing countries as well.

1. Report to G20 Development Working Group on the Impact of BEPS in Low Income Countries, Part 1 (Jul 2014)/Part 2 (Aug 2014)

2. Report to G20 Development [...] Part 1, p. 11.

Strengthened engagement with developing countries in the BEPS Project in three steps

1

Direct participation in the Committee on Fiscal Affairs and its technical working parties

Sixty-two countries, including more than a dozen developing countries, are participating, directly or indirectly, in the BEPS decision-making body and the technical working parties. **Developing countries have already influenced the outputs of the BEPS Project** through written comments and contributions during the meetings, e.g. in the field of transfer pricing aspects of commodity transactions and the limitation of interest deductibility. The United Nations, the International Monetary Fund and the World Bank Group, as well as ATAF and CIAT, are observers who actively participate as well.

DIRECT PARTICIPANTS IN THE BEPS MEETINGS:

Albania, Azerbaijan, Bangladesh, Georgia, Jamaica, Kenya, Morocco, Nigeria, Peru, Philippines, Senegal, Tunisia, and Viet Nam.

2

Regional networks of tax policy and administration officials

Regional networks **involving more than 80** countries have been set up to ensure the participation and input of countries that are not able to regularly attend the Paris-based meetings. These networks meet twice a year in Asia, Africa, Latin America and the Caribbean, and Eurasia, alongside a francophone network.

“Regional co-ordinated approaches, especially in the area of cross-border commodity transactions and transfer pricing documentation were considered as the key priority area by participants.”³

Lima (Peru), 26-27 February 2015



3

Capacity building support to assist countries implement BEPS solutions

Ensuring countries can practically implement the measures to counter BEPS is critical. Capacity building support, including toolkits, is therefore a necessary element to guarantee effectiveness. The toolkits are developed by the OECD, UN, IMF and WBG and regional tax organisations in co-operation with developing countries. They will contain reports, guidance, model legislation, train-the-trainers materials and other tools to support capacity building. The toolkits will be practical and based on real-life cases to **facilitate the work of tax administrations.**

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3.Co-Chairs' summary of discussions at the Latin America and the Caribbean Regional Network Meeting on BEPS Project