

REGIONAL MEETING OF THE INCLUSIVE FRAMEWORK ON BEPS



3rd Regional Meeting of the Inclusive Framework on BEPS for Eastern European and Central Asia Countries 18 - 20 October 2017, Bratislava, Slovak Republic Co-chairs' Statement

Ms Silvia Karellová, Head of the International Taxation Unit, the Financial Directorate of the Slovak Republic, Ms Ľubica Adame, Head of the International Taxation Department, the Ministry of Finance of the Slovak Republic, and Mr. Wolfgang Büttner, Technical Taxation Expert at IOTA co-chaired the third meeting of the Inclusive Framework on BEPS (Base Erosion and Profit Shifting) for Eastern Europe and Central Asia. The event was hosted in Bratislava by the Ministry of Finance and the Financial Directorate of the Slovak Republic, 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 delegates.

Participants included senior officials from ministries of finance and tax administrations of the following 20 countries: Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Montenegro, Oman, Pakistan, Poland, Romania, the Slovak Republic, Slovenia, the Former Yugoslav Republic of Macedonia, Turkey, Ukraine and the United Arab Emirates, as well as representatives from the International Monetary Fund, the United Nations and the business community: the Business and Industry Advisory Committee to the OECD (BIAC), Deloitte, KPMG, Ernst & Young, PWC Bratislava, the Slovak Chamber of Tax Advisors and BMB Leitner.

This event followed the third meeting of the Inclusive Framework (IF) held in the Netherlands on 21-22 June 2017. The main objective of this event in Bratislava 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. Update participants on the recent developments in the IF on BEPS.
2. Discuss the work on toolkits and capacity-building initiatives currently in place or under development to address countries' needs.
3. Discuss recently issued OECD guidance on country-by-country reporting, the peer review process; and the support available to countries to assist them in implementing this minimum standard.
4. Update participants on recent developments in the transfer pricing and tax treaties areas, and the tax treaty-related minimum standards, with a special focus on dispute resolution.

5. Share experiences and discuss the process towards signature and ratification of the Multilateral Instrument as a means of swiftly implementing the tax treaty-related measures.
6. Seek feedback from participants and share experiences on the work being carried out regarding the implementation of the BEPS measures, focusing on country priorities and the challenges they are currently facing.
7. Share experiences among participants on the progress of the implementation of the four minimum standards, considering both the challenges faced and the best practices adopted.

The State Secretary of the Ministry of Finance of the Slovak Republic, Ms Dana Meager, and the President of the Financial Directorate of the Slovak Republic, Mr František Imrecze welcomed the participants to the event that gathered 80 participants from countries in the region, together with representatives from the IMF, the UN, and the local and international business communities.

In their opening remarks, Ms Meager stressed the importance of the role of the IF in helping countries adopt desirable solutions and in broadening the application of international standards to ensure a level playing field around the world. She highlighted the need for support initiatives and noted the challenges relating to language and budget constraints. Mr Imrecze pointed to a key achievement in international co-operation: the first automatic exchange of information on financial accounts in September 2017 between the EU, OECD countries and the US, in which the Slovak Republic participated. He emphasised that the implementation of BEPS, and in particular the four minimum standards, is a key priority for the Slovak Republic.

The Executive Secretary of IOTA, Mr Miguel Pinto, also welcomed participants and congratulated the Slovak Republic on its assumption of the IOTA presidency from July 2017. He emphasised the importance of the co-operation between IOTA and the OECD, noting that by such co-operation, resources can be used more efficiently and their impact maximised.

The co-chairs Ms Silvia Karelová and Mr Wolfgang Büttner 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.

The agenda focussed on the following topics:

- Recent developments regarding the Inclusive Framework (IF) on BEPS;
- The views of the business community;
- 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;
- An update on the work being carried out on BEPS-related measures and support provided by the UN and the IMF;
- Roadmap to the Multilateral Instrument signature including a practical national example of the pre-ratification and post-ratification process;
- Follow-up work on the BEPS-related standard setting in the area of transfer pricing;
- Sharing experiences on BEPS implementation among the participants;
- An in-depth discussion on the work on toolkits and capacity building initiatives; and

- A summary of the Country Survey on BEPS Implementation.

Key messages

- Participating countries recognised that implementing the BEPS measures is challenging and requires adequate capacity. At the same time, joining the Inclusive Framework on BEPS provides better access to capacity building programmes and opportunities for implementing sound and consistent domestic and treaty tax regimes, improving tax administration procedures as well as sharing experiences and best practices with other countries at both policy and tax administration levels.
- Participants indicated that their highest priority on BEPS is to comply with the minimum standards and underlined the main challenges in the implementation: a lack of capacity in terms of skilled personnel, information technology and financial resources together with timetable constraints, and legal and administrative obstacles to implementation.
- Delegates emphasised the importance of raising awareness of BEPS implementation among law-makers and engaging with them from an early stage of the process.
- Participants recognised the importance of Country-by-Country Reporting (CbCR), and shared information on the status of implementation of transfer pricing (TP) documentation regimes. They expressed appreciation for the recent OECD guidance on the appropriate use and the effective implementation of the CbCR as well as on risk assessment. Delegates expressed concerns about the lack of resources available to conduct appropriate analysis of the CbCR data.
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- 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. They recognised these initiatives as opportunities to raise the engagement of all stakeholders on a technical as well as political level. The delegates from Ukraine and Georgia shared their countries' positive experiences in receiving capacity building support from the OECD, including through the induction programme. Cooperation and synergies with the work carried out by other international organisations such as the IMF, UN and WBG, were welcomed by participants, as was the on-going collaboration between the OECD and IOTA.
- Participants raised questions regarding the interaction between the work carried out at the European Union (EU) level and that of the OECD on BEPS matters. With respect to arbitration in MAP cases, they expressed some concerns related to possible misalignments between the EU directive on dispute resolution and the principles elaborated under BEPS Action 14. Representatives of the business community reiterated the importance of the certainty and relief from double tax that mandatory binding arbitration provides.
- Participants recognised the significance of signing the Multilateral Instrument (MLI) as well as the importance of the OECD guidance on this work. Participants welcomed the opportunity to take part in workshops focused on the MLI. Tax administrations identified as main challenges the preparatory activities, in particular the preparation of the templates, as well as a good understanding of the nature of the legal instrument and the ratification process which are new processes to most of the countries.
- Delegates also discussed the importance of addressing the taxation of the digitalised economy in a co-ordinated fashion.

- Participants actively engaged in the discussions on the current standard-setting work on transfer pricing, including the proposed guidance on transfer pricing of financial transactions, the attribution of profits to PEs, and in particular the revision of the transactional profit split method. However, some delegates expressed concerns with the timeframes involved, noting the significant personnel resources pressures they face.
- Deep-dives on the toolkits on Addressing a Lack of Comparables for Transfer Pricing Analyses, Indirect Offshore Transfers, and Implementing Effective Transfer Pricing Documentation Regimes were undertaken and participants provided their feedback and input relevant to these toolkits and those still under development.
- Representatives of the business community discussed the importance of tax certainty within the context of BEPS as well as preserving the confidentiality of taxpayer data. They encouraged countries to join the IF and commit to minimum standards and to start implementing them in line with the OECD standards so as to increase consistency and alignment around the world. They also welcomed additional guidance on Country-by-Country Reporting and discussed the peer review process as well as their willingness to participate in this process.

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

All the input received, including the result of country surveys and satisfaction surveys, and the outcomes of the discussions will be taken into account for the purpose of shaping the future regional meetings in the Eastern Europe and Central Asia Region.

Participants welcomed the information on the Sultanate of Oman becoming the 103rd jurisdiction to join the Inclusive Framework on Base Erosion and Profit Shifting.

