

To that end, the note included a short questionnaire on how developing countries view and prioritize the BEPS project issues – as well as any other base erosion concerns. The questionnaire was made available in English, Spanish and French.

Obtaining responses to these questions has been critical to ensuring the mandate of the Subcommittee can be fulfilled. The link to the relevant documents and questionnaire is at http://www.un.org/esa/ffd/wp-content/uploads/2014/10/BEPS_note.pdf

The questionnaire aims to be straight forward. Most responses have been posted on the UN website, but countries were free to request that their submissions not be made public if they preferred.

This report summarizes the responses to the questionnaire that we received to date. Some countries that have not answered the questionnaire have indicated that they may still do so. If we receive more responses, we will update this report to incorporate their views.

SUMMARY OF RESPONSES

The following countries made submissions which are available on the UN website:

Brazil	India	Singapore
Chile	Lesotho	Thailand
China	Malaysia	Tonga
Ghana	Mexico	Zambia

In addition we received two responses that were submitted by NGOs: a joint submission by

A lack of information and capacity building were also common themes. Revenue authorities in developing nations struggle to establish, grow and upskill effective international tax teams. Some respondents cited poorly developed exchange of information (EOI) networks as being an impediment while others had networks in place but found that information was not received swiftly enough.

There appeared to be different views over how the level of tax paid by an MNE was judged to be appropriate or not, other than the standard tools of comparability and risk analysis.

All of the respondents agreed that the OECD BEPS Action Plan items identified in the questionnaire as developing nation priorities were important with disclosure of aggressive tax positions (Action 12) and transfer pricing documentation (Action 13) being the top concerns. This was closely followed by the transfer pricing actions on intangibles (Action 8) and other high risk transactions (Action 10), which includes management fees.

There was less agreement over whether there were other Actions that were not prioritized in the questionnaire but are nevertheless important to developing countries. However, the avoidance of PE status (Action 7) and the digital economy (Action 1) are the two Actions that were most commonly cited in response to this question.

The general themes emerging from the responses are comparable to those covered in the recently released International Monetary Fund policy paper, *Spillovers in International Corporate Taxation*.² The main difference is that transfer pricing concerns are emphasized more strongly in the UN responses and treaty shopping and natural resource exploitation features more prominently in the IMF paper.

Question one – how does base erosion and profit shifting affect your country?

All respondents stated that there is a BEPS issue with most citing the impact on tax revenue as a concern. However, two respondents noted that there is no formal quantitative measure of the lost tax revenue. One country estimated that between 2007 and 2012, transfer pricing operations in that country amounted to US\$370 billion.

About half of the respondents stated that BEPS distorts competition and is unfair, because it increases the tax burden on other taxpayers – with many using the divide between SMEs and large businesses as an example.

Four countries were concerned with the potential negative impact BEPS has on the credibility and integrity of the tax system (and voluntary compliance).

Three countries stated that profits should be taxed where the economic activity takes place. Two additional respondents noted that there is a level of disconnect between the economic activity and where the income is reported for tax revenue/where tax is paid. One country noted that the source country has to bear the cost of doing business (for example, infrastructure, waste management, and social development), which doesn't match the amount of tax paid.

² <http://www.imf.org/external/np/pp/eng/2014/050914.pdf>

Three respondents stated that a major obstacle was inadequate legislation/legal infrastructure. An additional respondent stated that there are no

Question seven – Are there other Action Points currently in the Action Plan but not listed above that you would include as being most important for developing countries?

Eight countries included Action 7 (Avoidance of PE status)

Seven countries included Action 1 (Digital economy)

Four countries included Action 5 (Harmful tax practices)

Three countries included Action 3 (Controlled foreign company rules)

Two countries included Action 2 (Hybrid mismatch arrangements)

One country included Action 14 (Disputes resolution) and one country included Action 15 (Multilateral instrument).

Question eight – Having considered the issues outlined in the Action Plan and the proposed approaches to addressing them (including domestic legislation, bilateral treaties and a possible multilateral treaty) do you believe there are other approaches to addressing those practices that might be more effective at the policy or practical levels instead of, or alongside such actions, for your country?

Capacity building (including training, improving risk analysis tools, technical assistance and

Other suggestions included guidelines for domestic GAARs, guidelines of how to run, resource and fund international tax teams (e.g. TP units), expand the EOI network, look into branches and the cash economy, advice on business restructuring, analysis of the harm done by tax incentives, set up a global forum for BEPS.

One country suggested that trade mispricing (a broader issue than simply transfer pricing) which includes issues relating to fraud and illegal activity was important.

One country suggested that e-commerce should be considered.

Another country would like capital gains taxation to be considered to ensure that there is more source taxation.

Question ten – Do you want to be kept informed by email on the Subcommittee’s work on base erosion and profit shifting issues 008 T.08.(t)8xn.08.gpp..e