



Base Erosion and Profit Shifting

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<http://www.un.org/esa/ffd/events/event/ie-2017-ictm.html>

Base Erosion and Profit Shifting

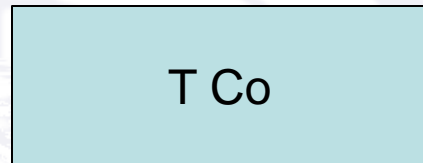
- Base erosion and profits shifting (BEPS) refers to tax avoidance strategies used by multinational enterprises (MNEs), which exploit gaps and mismatches in tax rules to artificially shift profits to no or low-tax locations
- BEPS result - BEPS) tnorat (y)0-4.()-16.8 (.8 (f)1t)-4 erstrat

A Practical Example

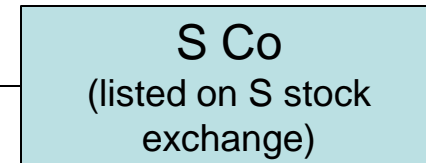
BEFORE RESTRUCTURE

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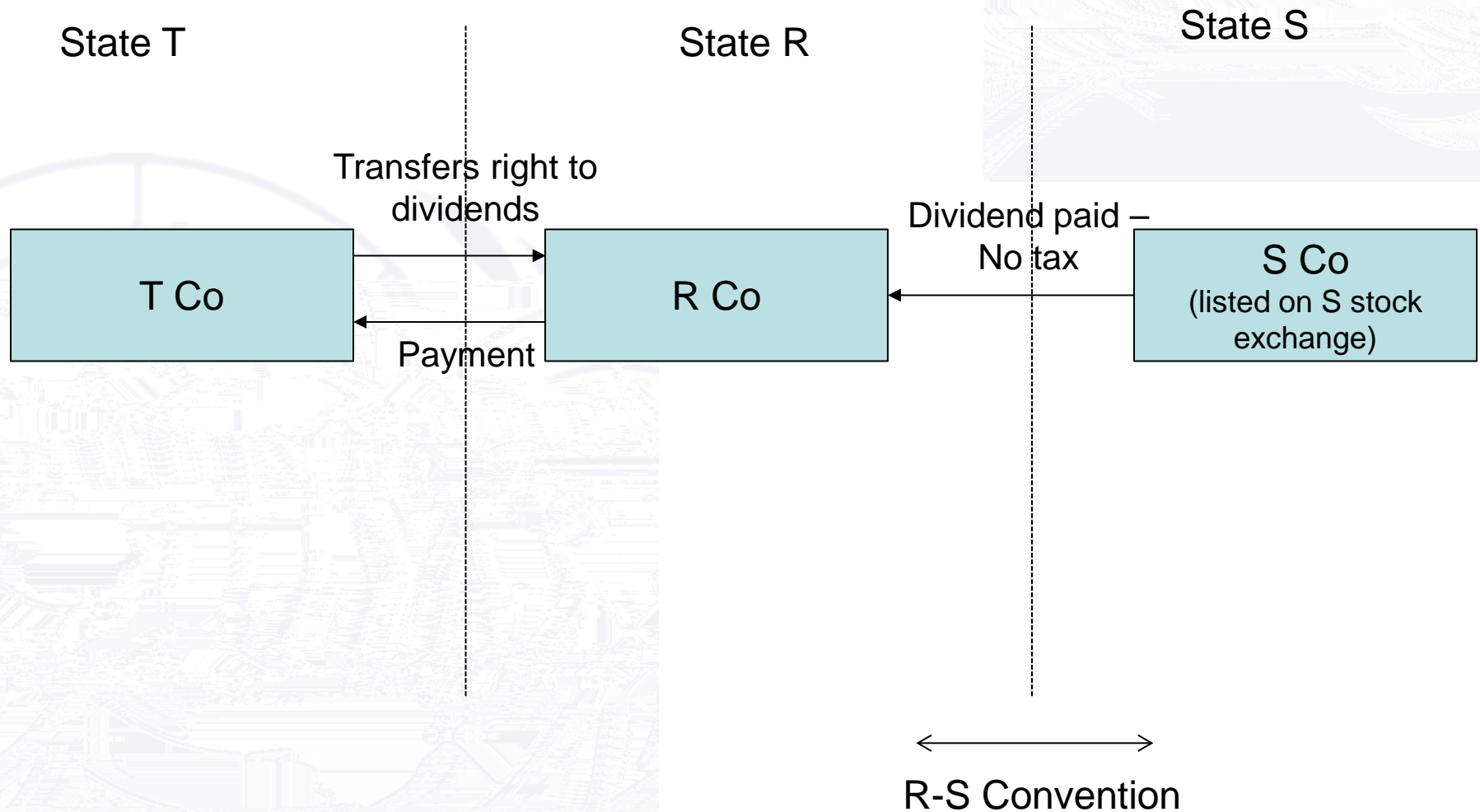
Dividend –
taxed at 25%



←→
No T-S Convention

A Practical Example

AFTER RESTRUCTURE



Addis Ababa Action Agenda

- Member States committed to:
 - Improve the fairness, transparency, efficiency and effectiveness of tax systems, including by broadening the tax base
 - Reduce opportunities for tax avoidance
 - Consider inserting anti-abuse clauses in all double tax treaties
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Subcommittee on Base Erosion and Profit Shifting Issues for Developing Countries

- Monitor developments on BEPS issues and keep a communication channel open with officials in developing countries in order to:
 - Help inform developing countries on such issues
 - Facilitate the input of developing country experiences and views into the ongoing international initiatives to tackle BEPS
 - Create greater awareness of responses to BEPS that would work for developing countries
- Propose revisions to the UN Model Double Taxation Convention to take account of developments in the area of international tax policies regarding BEPS issues and how to address them

Changes to the UN Model Convention

- New preamble to establish treaties not to be mis-used
- New articles to address treaty abuse
- Changes to existing articles to address specific treaty abuse structures
- Expansion of taxing rights where the income is earned