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New Zealand signs OECD Multilateral Instrument

Judith Collins

Revenue

A new treaty signed in Paris this week is a significant step forward in the fight against base erosion and profit shifting (BEPS), says Revenue Minister Judith Collins.

"Many BEPS techniques involve tax treaty abuse. The *Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting* (known as the Multilateral Instrument) allows a worldwide network of several thousand tax treaties to be quickly updated to adopt recommendations from the OECD's BEPS Action Plan.

"Renegotiating all these tax treaties bilaterally to include the OECD recommendations would be too time-consuming to be practical. The Multilateral Instrument is an innovative solution, which allows these treaties to be rapidly updated," she says.

The Multilateral Instrument includes articles on "permanent establishment" avoidance, treaty abuse, dispute resolution and hybrid mismatches. These address the key treaty-related BEPS issues. The extent to which these provisions are incorporated into New Zealand's treaties will depend on the final positions of both New Zealand and our treaty partners.

While these positions will be confirmed upon ratification, preliminary positions will be made available by the OECD on its website.

Once both parties have signed and ratified the Multilateral Instrument, it will prospectively modify most of New Zealand's existing bilateral treaties. It is likely that New Zealand's treaties will begin to be modified from 2019.

Ms Collins says the signing of the Multilateral Instrument by a significant number of jurisdictions demonstrates the power of a global solution to the BEPS problem.

"This has been almost two years in the making and I am very proud that New Zealand was heavily involved in its development," says Ms Collins.

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