

## Base Erosion and Profit Shifting

Developed in the context of the **OECD/G20 BEPS Project**, the **15 actions** set out below equip governments with **domestic and international instruments** to address **tax avoidance**, ensuring that profits are taxed where economic activities generating the profits are performed and where value is created.

### EXPLANATORY STATEMENT 2015

The OECD/G20 BEPS Project creates a single set of consensus-based international tax rules to protect tax bases while offering increased certainty and predictability to taxpayers.

- > Download the Explanatory Statement ([EN](#) / [FR](#) / [ES](#) / [DEU](#))

#### Related material:

- > [Summaries of the 2015 reports](#)
- > [Policy brief](#)
- > [Frequently Asked Questions](#)
- > [10 Myths & Facts about BEPS](#)
- > [Brief for journalists](#)
- > [Action Plan on BEPS](#) (Jul 2013)
- > [Addressing BEPS](#) (Feb 2013)

### ADDRESSING THE TAX CHALLENGES OF THE DIGITAL ECONOMY

Action 1 addresses the tax challenges of the digital economy and identifies the main difficulties that the digital economy poses for the application of existing international tax rules. The Report outlines options to address these difficulties, taking a holistic approach and considering both direct and indirect taxation.

#### Related material:

- > [Tax Challenges Arising from Digitalisation - Interim Report 2018](#) (March 2018)
- > [Public consultation](#) (Nov 2017)
- > [Comments](#) (Oct 2017)
- > [Call for input](#) (Sep 2017)
- > [Final report 2015](#) (Oct 2015)
- > [2014 interim report](#) (Sep 2014)

#### EXPLANATORY STATEMENT

#### ACTION 1 DIGITAL ECONOMY

## NEUTRALISING THE EFFECTS OF HYBRID MISMATCH ARRANGEMENTS

### ACTION 2 HYBRIDS

Action 2 develops model treaty provisions and recommendations regarding the design of domestic rules to neutralise the effects of hybrid instruments and entities (e.g. double non-taxation, double deduction, long-term deferral).

#### Related material:

- > 2017 Report (Jul 2017)
- > Discussion draft (Aug 2016)
- > Final report 2015 (Oct 2015)
- > 2014 interim report (Sep 2014)

## DESIGNING EFFECTIVE CONTROLLED FOREIGN COMPANY (CFC) RULES

### ACTION 3 CFC RULES

Action 3 sets out recommendations to strengthen the rules for the taxation of controlled foreign corporations (CFC).

#### Related material:

- > Final report 2015 (Oct 2015)

## LIMITING BASE EROSION INVOLVING INTEREST DEDUCTIONS AND OTHER FINANCIAL PAYMENTS

### ACTION 4 INTEREST DEDUCTIONS

Action 4 outlines a common approach based on best practices for preventing base erosion through the use of interest expense, for example through the use of related-party and third-party debt to achieve excessive interest deductions or to finance the production of exempt or deferred income.

#### Related material:

- > Discussion draft (April 2018)
- > Updated report 2016 (Dec 2016)
- > Final report 2015 (Oct 2015)

## COUNTERING HARMFUL TAX PRACTICES MORE EFFECTIVELY, TAKING INTO ACCOUNT TRANSPARENCY AND SUBSTANCE

Action 5 revamps the work on harmful tax practices with a focus on improving transparency, including compulsory spontaneous exchange on rulings related to preferential regimes, and on requiring substantial activity for preferential regimes, such as IP regimes.

BEPS Action 5 peer review and monitoring: [www.oecd.org/tax/beps/beps-action-5-peer-review-and-monitoring.htm](http://www.oecd.org/tax/beps/beps-action-5-peer-review-and-monitoring.htm)

### ACTION 5 HARMFUL TAX PRACTICES

#### Related material:

- > Updated Preferential Tax Regimes (May 2018)
- > Peer Review Reports on the Exchange of Information on Tax Rulings (Dec 2017)
- > 2017 Progress Report on Preferential Regimes (Oct 2017)
- > ETR Status Message XML Schema and User Guide (Sep 2017)
- > ETR XML Schema and User Guide (Sep 2017)
- > Peer Review Documents (Feb 2017)
- > Final report 2015 (Oct 2015)
- > 2014 interim report (Sep 2014)

**ACTION 6**  
**TREATY ABUSE**

**PREVENTING THE GRANTING OF TREATY BENEFITS IN  
INAPPROPRIATE CIRCUMSTANCES**

Action 6 develops model treaty provisions and recommendations regarding the design of domestic rules to prevent treaty abuse.

**Related material:**

- › [Peer Review Document](#) (May 2017)
- › [Discussion draft: Treaty entitlement of non-CIV funds](#) (Mar 2016)
- › [Discussion draft: Treaty residence of pension funds](#) (Feb 2016)
- › [Final report 2015](#) (Oct 2015)
- › [2014 interim report](#) (Sep 2014)

**ACTION 7**  
**PERMANENT  
ESTABLISHMENT  
STATUS**

**PREVENTING THE ARTIFICIAL AVOIDANCE OF PERMANENT  
ESTABLISHMENT STATUS**

Action 7 contains changes to the definition of permanent establishment to prevent its artificial circumvention, e.g. via the use of commissionaire structures and the likes.

**Related material:**

- › [Additional guidance](#) (Mar 2018)
- › [Comments on discussion draft](#) (Oct 2017)
- › [Discussion draft](#) (Jun 2017)
- › [Comments on discussion draft](#) (Sep 2016)
- › [Discussion draft](#) (Jul 2016)
- › [Final report 2015](#) (Oct 2015)

## ALIGNING TRANSFER PRICING OUTCOMES WITH VALUE CREATION

Actions 8 – 10 contain transfer pricing guidance to assure that transfer pricing outcomes are in line with value creation in relation to intangibles, including hard-to-value ones, to risks and capital, and to other high-risk transactions.

### Related material:

- › [Comments on discussion draft](#) (Oct 2017)
- › [Transfer Pricing Guidelines 2017](#) (Jul 2017)
- › [Discussion draft](#) (Jun 2017)
- › [Comments on discussion draft](#) (Sep 2016)
- › [Comments on discussion draft: Chapter IX TP Guidelines](#) (Aug 2016)
- › [Discussion draft: Profit splits](#) (Jul 2016)
- › [Discussion draft: Chapter IX TP Guidelines](#) (Jul 2016)
- › [Final report 2015](#) (Oct 2015)
- › [Comments on discussion draft: Intangibles](#) (Jun 2015)
- › [Discussion draft: Intangibles](#) (Jun 2015)
- › [Comments on discussion draft: Cost contribution arrangements](#) (Jun 2015)
- › [Discussion draft: Cost contribution arrangements](#) (Apr 2015)
- › [Comments on discussion draft: Risk, recharacterisation](#) (Feb 2015)
- › [Comments on discussion draft: Cross-border commodity transactions](#) (Feb 2015)
- › [Comments on discussion draft: Profit splits](#) (Feb 2015)
- › [Comments on discussion draft: Low value-adding intra-group services](#) (Jan 2015)
- › [Discussion draft: Risk, recharacterisation](#) (Dec 2014)
- › [Discussion draft: Cross-border commodity transactions](#) (Dec 2014)
- › [Discussion draft: Profit splits](#) (Dec 2014)
- › [Discussion draft: Low value-adding intra-group services](#) (Nov 2014)
- › [2014 interim report](#) (Sep 2014)
- › [Public consultation summary](#) (Nov 2013)
- › [Comments on discussion draft TP Intangibles](#) (Oct 2013)
- › [Revised discussion draft TP Intangibles](#) (Jul 2013)

## MEASURING AND MONITORING BEPS

Action 11 establishes methodologies to collect and analyse data on BEPS and the actions to address it, develops recommendations regarding indicators of the scale and economic impact of BEPS and ensure that tools are available to monitor and evaluates the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis.

### Related material:

- › [Final report 2015](#) (Oct 2015)

### ACTIONS 8-10

#### TRANSFER PRICING

Intangibles

Risks & Capital

High-Risk Transactions

### ACTION 11

#### BEPS DATA ANALYSIS



## **ACTION 12**

### **DISCLOSURE OF AGGRESSIVE TAX PLANNING**

#### **MANDATORY DISCLOSURE RULES**

Action 12 contains recommendations regarding the design of mandatory disclosure rules for aggressive tax planning schemes, taking into consideration the administrative costs for tax administrations and business and drawing on experiences of the increasing number of countries that have such rules.

##### **Related material:**

- › Report: Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures (Mar 2018)
- › Public comments: CRS avoidance arrangement and offshore structures (Jan 2018)
- › Discussion draft: CRS avoidance arrangements and offshore structures (Dec 2017)
- › Final report 2015 (Oct 2015)

#### **TRANSFER PRICING DOCUMENTATION AND COUNTRY-BY-COUNTRY REPORTING**

Action 13 contains revised guidance on transfer pricing documentation, including the template for country-by-country reporting, to enhance transparency while taking into consideration compliance costs.

Please consult our website on Country-by-Country reporting: [www.oecd.org/tax/beps/country-by-country-reporting.htm](http://www.oecd.org/tax/beps/country-by-country-reporting.htm)

## **ACTION 13**

### **TRANSFER PRICING DOCUMENTATION**

##### **Related material:**

- › Compilation of Peer Review Reports - Phase 1 (May 2018)
- › Transfer Pricing Guidelines 2017 (Jul 2017)
- › Peer Review Documents (Feb 2017)
- › List of CbC MCAA signatories (PDF)
- › Final report 2015 (Oct 2015)
- › 2014 interim report (Sep 2014)

## **ACTION 14 DISPUTE RESOLUTION**

### **MAKING DISPUTE RESOLUTION MECHANISMS MORE EFFECTIVE**

Action 14 develops solutions to address obstacles that prevent countries from solving treaty-related disputes under MAP, via a minimum standard in this area as well as a number of best practices. It also includes arbitration as an option for willing countries.

BEPS Action 14 peer review and monitoring: [www.oecd.org/tax/beps/beps-action-14-peer-review-and-monitoring.htm](http://www.oecd.org/tax/beps/beps-action-14-peer-review-and-monitoring.htm)

#### **Related material:**

- > [Peer Review reports - Batch 4: AUS, JAP, IRL, ISR, MAL, MEX, NZL, POR](#) (Aug 2018)
- > [Peer Review reports - Batch 3: CZE, DNK, ESP, FIN, KOR, NOR, POL, SGP](#) (Mar 2018)
- > [Peer Review reports - Batch 2: AUT, FRA, DEU, ITA, LIE, LUX, SWE](#) (Dec 2017)
- > [MAP Statistics 2016](#) (Nov 2017)
- > [Peer Review reports - Batch 1: BEL, CAN, NLD, CHE, GBR, USA](#) (Sept 2017)
- > [Assessment Schedule for Stage 1 Peer Reviews](#)
- > [Peer Review Documents](#) (Oct 2016)
- > [Final report 2015](#) (Oct 2015)

### **MULTILATERAL CONVENTION TO IMPLEMENT TAX TREATY RELATED MEASURES TO PREVENT BEPS**

Action 15 provides an analysis of the legal issues related to the development of a multilateral instrument to enable countries to streamline the implementation of the BEPS treaty measures. On 7 June 2017, over 70 Ministers and other high-level representatives participated in the signing ceremony of the Multilateral Instrument.

Visit: <http://oe.cd/mli>

## **ACTION 15 MULTILATERAL INSTRUMENT**

#### **Related material:**

- > [Signature of the MLI](#) (Jan 2018)
- > [Signature of the MLI](#) (Jun 2017)
- > [Adoption of the MLI](#) (Nov 2016)
- > [Public consultation](#) (Jul 2016)
- > [Comments on discussion draft](#) (Jul 2016)
- > [Discussion draft](#) (May 2016)
- > [Final report 2015](#) (Oct 2015)
- > [2014 interim report](#) (Sep 2014)

## **Related Documents**

[All reports related to BEPS](#)

[More about developing countries and BEPS](#)

[Frequently asked questions on BEPS](#)