WHAT IS BEPS?
and what BEPS means for business

In 2012, the G20 looked to the OECD, the leading multi-lateral institution on international taxation, to develop a framework to equip governments with tools to address tax avoidance — subsequently coined “Base Erosion and Profit Shifting” or “BEPS.” BEPS, in the view of the G20/OECD, was caused by MNEs’ exploitation of the existing international tax rules to move profits (and related tax) from jurisdictions with operations (and often relatively high-tax rates) to low or no-tax jurisdictions.

Pursuant to its G20 mandate, the OECD developed 15 Action Items across a range of tax issues, including the digital economy, transfer pricing, coherence of corporate income taxation, as well as transparency, certainty, and predictability of taxation.

From 2012 to today, the OECD has addressed all 15 Actions, with final reports issued in fall of 2015. Additionally, supplemental work continues on several items, e.g., Action 1: Tax Challenges Arising from Digitalisation (2018).

**BY THE NUMBERS**

- 15 Consensus Action Items
- >100 jurisdictions involved in the process
- >10,000 MNEs impacted by new rules
- 2,000-3,000 potential tax treaties impacted
- USD 100-240B potential annual tax revenue lost from BEPS as est. by OECD

**INCLUSIVE FRAMEWORK**

Extended traditional 35 OECD members to 113 countries, with all agreeing to implement four minimum BEPS standards:

- Harmful tax practices (Action 5) – standards for preferential tax regimes
- Treaty Abuse (Action 6) – rules to eliminate/reduce treaty-shopping
- Country-by-Country Reporting (“CbCR”)(Action 13) – increased reporting
- Dispute Resolution (Action 14) – mechanisms for dispute resolution

**BUSINESS AT OECD INVOLVEMENT**

- 35 written responses to discussion drafts
- 13 public consultations attended
- 8 Regional Network Meetings attended
- 5 Public Position Papers
- 18 Press Releases

Direct discussions with governments on implementation

**WHAT BEPS MEANS FOR BUSINESS**

- Hybrid Mismatch (Action 2)
- Controlled Foreign Corps (Action 3)
- Interest Deductions (Action 4)

- Harmful Tax Practices (Action 5)
- Permanent Establishment (Action 7)
- Transfer Pricing Guidelines (Actions 8-10)

- Prevent Treaty Abuse (Action 6)
- Multilateral Instrument (Action 15)

- Disclosure of Aggressive Tax Planning (Action 12)

- Dispute Resolution (Action 14)

**BEPS TIMELINE**

- November 2012: UK, France, and Germany joint letter and G20
- February 2013: OECD Initial Report
- July 2013: BEPS Action Plan
- Fall 2014: Action Item Int. Reports
- Fall 2015: Action Item Final Reports
- May 2016: MLI Discussion Draft
- November 2016: Adoption of MLI
- June 2017: Signing of MLI
- Fall 2017: Digital Input & Consult
- March 2018: Digital Interim Report
- March 2018: Slovenia enacts MLI
- July 2018: MLI legally effective
- Summer 2019 (expected): Update on Digital
- Summer 2020 (expected): Final Digital Report