Committee: Economic and Financial Committee (2nd GA)

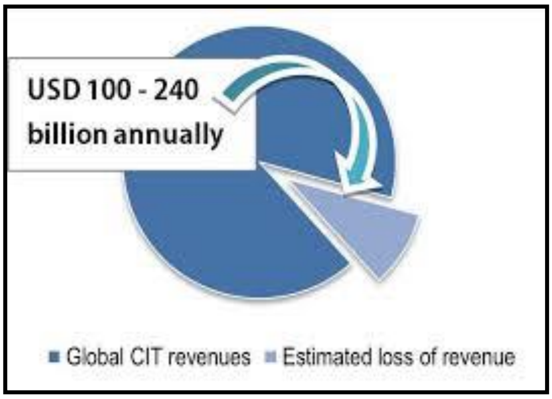
Issue: Ensuring the implementation of the BEPS guidelines

Student Officer: Despina Chouliara

Position: Deputy Chair

INTRODUCTION

International tax issues are currently high on the political agenda, as governments face budget shortfalls from the significant losses of national tax revenues. Firms, multinational enterprises (MNEs) in particular, avoid paying their “fair share” of taxes through the use of legal arrangements that make profits disappear for tax purposes or allow profits to be artificially shifted to low or no-tax locations, which is referred to as ‘Base Erosion and Profit Shifting’ or else BEPS. In other words, multinational companies erode the taxable base by shifting profits across borders to take advantage of tax rates that are lower than in the country where the profit is made. MNEs use a number of schemes to shift profits, with the main ones being hybrid mismatch arrangements and transfer pricing.



Through BEPS MNEs managed to pay as little as five percent in corporate taxes compared to the thirty percent smaller businesses pay, and also costs governments approximately one fifth of a trillion dollars of tax revenues annually. In addition, BEPS appearance has revealed many of the weaknesses of the international tax framework and tax systems in general, as MNEs take advantage of mismatches between national legislation and loopholes in international tax law.

Since the need for multilateral efforts to improve tax rules was so urgent, the Organization for Economic Co-operation and Development (OECD) and the G-20 established the Base Erosion and Profit Shifting Project in 2012, whose goal is to reshape international tax rules for countries to implement and give governments the domestic and international arms they need to combat

BEPS, by creating a set of coordinated tax rules that facilitates global trade. This project involves input from the 34 members of the OECD, all G20 members, and more than 40 Less Economically Developed Countries (LEDCs) and consists of 15 Actions, the BEPS guidelines. The project was completed in November 2015, and now the challenge faced by the OECD and the countries participating in this project is the implementation of the 15 BEPS Actions.

DEFINITION OF KEY TERMS

Base Erosion and Profit Shifting (BEPS)

'Base Erosion and Profit Shifting' is a term used to describe tax planning strategies that rely on mismatches and gaps in tax rules, to minimize the effective tax rate that is payable overall, by either making tax profits "disappear" or shift profits to low tax operations where there is little or no economic activity.[1] Some of the schemes used are illegal, but most BEPS strategies are legitimate, as they take advantage of different tax rules of different jurisdictions, which are not suited to the current global and digital business environment.

BEPS undermines the fairness and integrity of tax systems because businesses that operate across borders can use BEPS strategies to gain a competitive advantage over enterprises that operate at a domestic level.[2] In addition, BEPS is an important and urgent issue for LEDCs since these countries rely heavily on corporate income tax, particularly from MNEs. Overall, BEPS is one of the most important challenges for the governments across the world today that the OECD together with the G-20 governments try to tackle through the BEPS project.

Digital Economy

"The digital economy is an umbrella term used to describe markets that focus on digital technologies, which typically involve the trade of information goods or services through electronic commerce." The expansion of the digital sector has been a key driver of economic growth in recent years, and the shift towards a digital world has had effects on society that extend far beyond the digital technology context alone.[3]

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[1] "Definition of Base Erosion and Profit Shifting Beps." FINANCIAL TIMES. N.p., n.d. Web. <http://lexicon.ft.com/Term?term=base-erosion-and-profit-shifting-Beps>

[2] "Centre for Tax Policy and Administration." About BEPS and the Inclusive Framework. OECD, n.d. Web. 29 July 2016. <http://www.oecd.org/ctp/beps-about.htm>

[3] "The Digital Economy." Digital Media and Society (2012): n. pag. OECD. Web. <http://www.oecd.org/daf/competition/The-Digital-Economy-2012.pdf>

Double Taxation/Double Non-Taxation

No two tax systems are exactly the same. Therefore, the interaction of domestic tax systems can many times lead to an overlap and a country levies tax on an income that has already been taxed either in the same or another country. However, many times the interaction of domestic tax systems can also leave gaps, which can lead to double non-taxation meaning that an item of income is not taxed anywhere due to mismatches between national tax systems.

Aggressive Tax Planning

"Aggressive tax planning consists of taking advantage of the technicalities of a tax system or of mismatches between two or more tax systems for the purpose of reducing tax liability."[4] Aggressive tax planning can take a multitude of forms. Its consequences include double non-taxation. Countries find it difficult to protect their national tax bases from erosion through aggressive tax planning, due to the cross-border dimension of many tax planning structures as well as the increased mobility of capital and persons.

Hybrid Mismatch Arrangements

According to the OECD, hybrid mismatch arrangements are cross-border arrangements that take advantage of differences in the tax treatment of financial instruments, asset transfers and entities between two or more countries to achieve "double non-taxation" that may not be intended by either country. "The basic idea behind hybrid mismatch arrangements is that taxation is avoided due to the fact that the same money, transaction or entity is treated differently in different countries due to differences in national laws or bilateral treaties."[5] Therefore hybrid mismatch arrangements lead to low or zero taxation of enterprises that operate in numerous countries, thus providing opportunities for BEPS.

"Example: A typical hybrid instrument would allow a company to declare the same transaction either as debt or equity depending on the tax rules of the countries, in which MNEs operate, for tax purposes. For example, in the Figure below, company 'A Co' in country A funds a company 'B Co' residing in B with an instrument that is an 'equity' in country A but a 'debt' in country B. Payments under this instrument are thus deductible for B Co as interest expenses under country B tax law, but are seen as exempted dividend for country A tax law."

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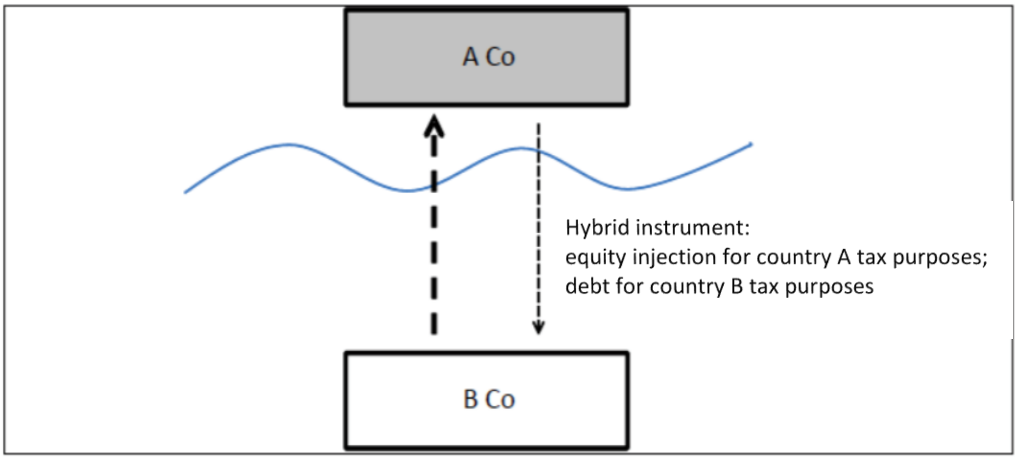
[4] "COMMISSION RECOMMENDATION on Aggressive Tax Planning." EN ENCOMMISSION RECOMMENDATION (n.d.): European Commission, 6 Nov. 2012. Web. <http://ec.europa.eu/taxation_customs/resources/documents/taxation/tax_fraud_evasion/c_2012_8806_en.pdf>

[5] Lamers, Isabel, Pauline Mcharo, and Kei Nakajima. "Tax Base Erosion and Profit Shifting (BEPS) and International Economic Law*." (2014): n. pag. 7 Jan. 2014. Web. <http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/Law%20Clinic/Memoranda%202013/20140107%20BEPS_Final%20Memo.pdf>.

Figure 1: Hybrid instrument



Source: OECD, Hybrid Mismatch Arrangements: Tax Policy and Compliance Issues (OECD Publishing 2012), at 9.

Transfer Pricing

"Transfer pricing is a mechanism used to shift profits, a tool that enables tax erosion. "Transfer price" is the price of intra-group, cross-border transfer of goods, intangibles and services, the amount that is charged by a part or segment of an organization for a product or service that it supplies to another part or segment of the same organization."[6] "Transfer pricing refers to the setting of prices at which transactions occur involving the transfer of property or services between associated enterprises, forming part of an MNE group. Transfer pricing is the mechanism that is used to calculate how profits should be allocated among the different parts of the company in different countries, and to decide how much tax the MNE pays and to which tax administration."[7]

Transfer pricing is not illegal as it happens whenever two companies that are part of the same multinational group trade with each other and establish a price for the transaction. However, transfer pricing can cause numerous problems. For example, problems could arise when internal transfers are priced differently than between independent entities, or when transfer prices are artificial and therefore profits can be shifted from high to low tax

[6] "An Introduction to Transfer Pricing." The Dictionary of Genomics, Transcriptomics and Proteomics (n.d.): n. pag. Members of the UN Tax Committee's Subcommittee. Web. <http://www.un.org/esa/ffd/tax/2011_TP/TP_Chapter1_Introduction.pdf>

[7] "An Introduction to Transfer Pricing." The Dictionary of Genomics, Transcriptomics and Proteomics (n.d.): n. pag. Members of the UN Tax Committee's Subcommittee. Web. <http://www.un.org/esa/ffd/tax/2011_TP/TP_Chapter1_Introduction.pdf>

jurisdictions. In other words, transfer pricing can lead to opportunities for BEPS, since the price is established by the company itself.

Arm's Length Principle

"Arm's length principle is commonly applied to commercial and financial transactions between related companies. It says that transactions should be valued as if they had been carried out between unrelated parties, each acting in his own best interest."[8] "It is founded on the premise that when market forces drive the terms and conditions agreed to in an independent party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each party to the transaction. Essentially, this means that if two associated enterprises derive profits at a level above or below the comparable market level solely by reason of the special relationship between them, the profits will be deemed non-arm's length. In such a case, the tax authorities may make the necessary adjustments to the taxable profit of the related parties in their jurisdiction so as to reflect the true value that would otherwise be derived on an arm's length basis."[9]

Permanent Establishment (PE)

According to the OECD, tax treaties generally provide that the "profits of a foreign enterprise are taxable in a State only to the extent that the enterprise has in that State a permanent establishment (PE) to which the profits are attributable. The term 'permanent establishment' means a fixed place of business through which the business of an enterprise is wholly or partly carried on." [10] In other words, any "business" activity carried out in a country which results in profit being generated is likely to be deemed as having created a "PE".

Controlled Foreign Corporation (CFC)

"A controlled foreign corporation is a corporate entity that is registered and conducts business in a different jurisdiction or country than the residency of the controlling owners."[11]

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[8] "ARM'S LENGTH PRINCIPLE." GLOSSARY OF STATISTICAL TERMS. OECD, 23 July 2007. Web. <https://stats.oecd.org/glossary/detail.asp?ID=7245>

[9] Arm's Length Standard (2013): n. pag. Global Transfer Pricing. Web. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dtt_tax_armslengthstandard_130408.pdf>

[10] Recent Trends and Developments. N.p.: London Records., n.d. Permanent Establishments. Web. <http://www.ey.com/Publication/vwLUAssets/ey-permanent-establishments/$FILE/ey-permanent-establishments.pdf>.

[11] "Controlled Foreign Corporation (CFC)." Investopedia. N.p., 13 Apr. 2008. Web. <http://www.investopedia.com/terms/c/cfc.asp#ixzz4FcWO1yvV>.

Bilateral Tax Agreement

A bilateral tax agreement is an arrangement between two jurisdictions whose aim is to diminish the problem of double taxation, which occurs when tax laws consider a company to be a resident of more than one jurisdiction.

Mutual Agreement Procedure (MAP)

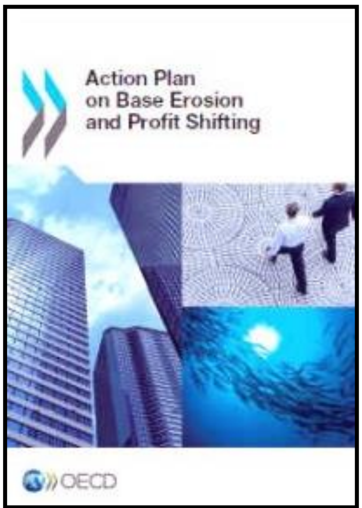
“A mutual agreement procedure is an alternative available to taxpayers for resolving disputes giving rise to double taxation and it enables the parties to a bilateral treaty to better carry out the interpretation and application of the substantive treaty provisions.”[12] MAP is also included in an article in tax conventions that calls for competent authorities from contracting countries to engage in the resolution of international tax disputes.

BACKGROUND INFORMATION

Beginning of BEPS Project

The G20 worked with various policymakers towards greater transparency in tax administration. One of the main concerns voiced was related to the difficulty of taxing corporations engaged in cross-border activities, a perceived increase in base erosion and profit shifting, and a risk that double taxation may arise if governments acted unilaterally to protect their respective corporate tax revenue bases. “At the G20 Leaders’ Summit in June 2012, world leaders expressed the “need to prevent base erosion and profit shifting” and voiced support for the work being done in that area by the OECD.”[13]

Therefore, The OECD released a report in early 2013 in order to discuss some of the issues related to base erosion and profit shifting; a report that listed several key principles for the taxation of cross-border activities and the base erosion and profit shifting opportunities the principles may create. This report is called “BEPS Action Plan” and was approved by the G20 leaders. The BEPS Action Plan identifies 15 action items (“BEPS Actions”) and sets a goal of completion within two years. It was an ambitious and comprehensive plan with



Suggested Reading
Link for the Action Plan:
https://www.oecd.org/ctp/BEPSActionPlan.pdf

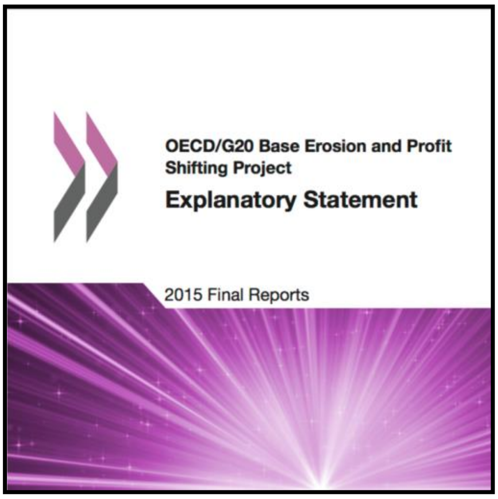
[12] "Article 25 Mutual Agreement Procedure." Model Tax Convention on Income and on Capital 2014 United Nations. Web. <http://www.un.org/esa/ffd/tax/2013TMTTAN/A8_Ault.pdf>

[13] "BACKGROUND, SUMMARY, AND IMPLICATIONS OF THE OECD/G20 BASE EROSION AND PROFIT SHIFTING PROJECT." (n.d.): n. pag. The Staff of the JOINT COMMITTEE ON TAXATION, 30 Nov. 2015. Web. <http://www.finance.senate.gov/imo/media/doc/x-139-15.pdf>

the aim of restoring confidence in the international tax system and ensuring that profits are taxed where economic activities take place and value is created. The plan required that the OECD conduct its work not only with members of OECD and G20, but also with all interested non-members on an equal footing.

BEPS Package

On the basis of this BEPS Action Plan, a thorough package of measures was developed and agreed in just two years. The package represents the results of an extensive effort by OECD and G20 countries working together, with the participation of numerous LEDCs and regional tax organizations. “The BEPS Package consists of reports on 15 Actions (15 guidelines) that equip governments with the domestic and international instruments needed to tackle BEPS.”[14] The main aim of the 15 Actions are to tackle tax avoidance, to improve the coherence of international tax rules and to ensure a more transparent tax environment. The BEPS Package has given countries the tools to ensure that profits are taxed where economic activities generating the profits are performed and where value is created, and has reduced disputes over the application of international tax rules, thus giving businesses greater certainty.



“The BEPS Package set out measures ranging from new minimum standards, revision of existing standards, as well as common approaches which will facilitate the convergence of national practice, and guidance drawing on best practices.[15] Among these measures, four important “minimum standards were agreed, in cases where no action by some countries would have created negative spill overs (including adverse impacts of competitiveness) on other countries.”[16] These standards encompass: a) model provisions to prevent treaty abuse, b) standardized Country-by-Country reporting, c) a revitalized peer review process to address harmful tax practices and d) an agreement to secure progress on dispute resolution.

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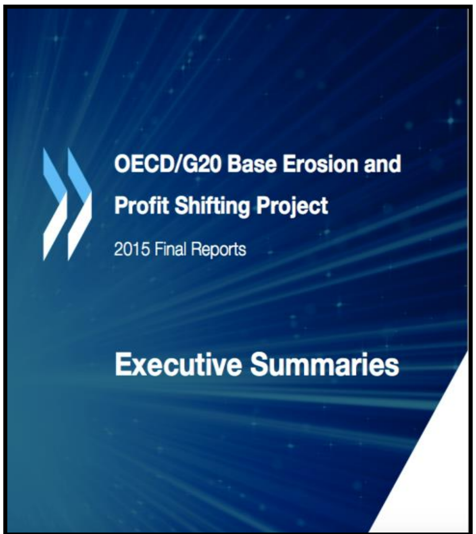
[14] "Centre for Tax Policy and Administration." About BEPS and the Inclusive Framework. OECD, n.d. Web. 29 July 2016. <http://www.oecd.org/ctp/beps-about.htm>.

[15] "BEPS - Frequently Asked Questions." N.p., n.d. Web. <http://www.oecd.org/ctp/beps-frequentlyaskedquestions.htm>.

[16] "BACKGROUND BRIEF INCLUSIVE FRAMEWORK FOR BEPS IMPLEMENTATION." OECD, Mar. 2016. Web. <http://www.oecd.org/tax/background-brief-inclusive-framework-for-beps-implementation.pdf>.

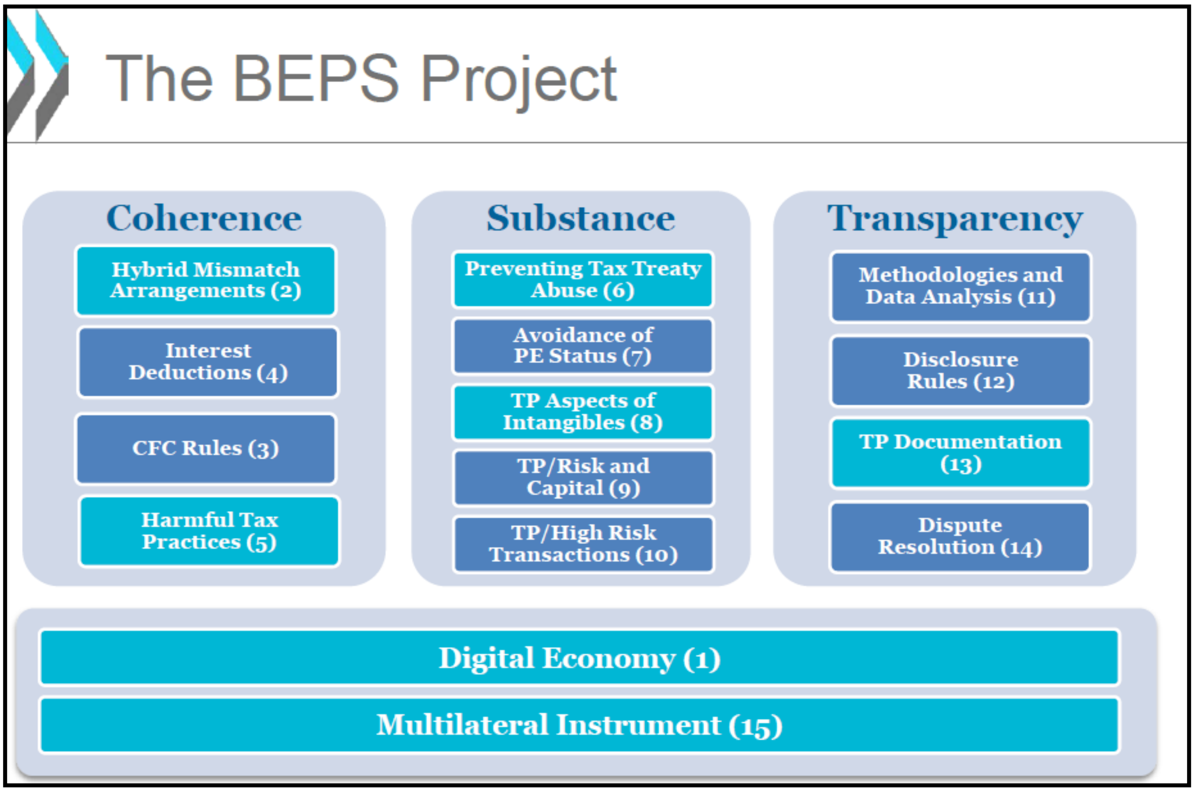
Overview of the 15 BEPS Actions (BEPS guidelines)

- 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. It develops detailed options to address these difficulties, taking a holistic approach and considering both direct and indirect taxation.
- Action 2 develops model treaty provisions and recommendations regarding the design of domestic rules to neutralize the effect (e.g. double non-taxation) of hybrid instruments and entities.
- Action 3 aims to strengthen the rules for controlled foreign corporations by developing recommendations regarding the design of controlled foreign company rules.
- Action 4 develops recommendations regarding best practices in the design of rules to prevent base erosion through the use of interest expense and other financial payments that are economically equivalent to interest payments.
- Action 5 revamps the work on harmful tax practices with a priority on improving transparency.
- Action 6 focuses on treaty abuse and develops model treaty provisions and recommendations regarding the design of domestic rules to prevent the granting of treaty benefits in inappropriate circumstances.
- Action 7 focuses on the prevention of the artificial avoidance of permanent establishment status.
- Actions 8 – 10 aim to ensure that transfer pricing outcomes are in line with value creation, by requiring that the attribution of value for tax purposes is consistent with economic activity generating that value.
- Action 11 establishes methodologies to collect and analyze data on BEPS and the actions to address it, and ensures that tools are available to monitor and evaluate the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis.
- Action 12 develops recommendations regarding the design of mandatory disclosure rules for aggressive transactions or arrangements.



Suggested Reading
Link for Executive Summaries – Summaries of the Reports
http://www.oecd.org/ctp/beps-reports-2015-executive-summaries.pdf

- Action 13 re-examines transfer pricing documentation and develops rules regarding transfer pricing documentation to enhance transparency for tax administration.
- Action 14 develops solutions to address obstacles that prevent countries from solving treaty-related disputes under mutual agreement procedures.
- Action 15 focuses on the development of a multilateral instrument to modify bilateral tax treaties. It provides an analysis of the tax and public international law issues related to the development of a multilateral instrument to enable countries to implement measures developed in the course of the work on BEPS and amend bilateral tax treaties.



Implementation, Guidance and Toolkits

"The BEPS package is designed to be implemented via changes in domestic law and practices, and via treaty provisions with negotiations for a multilateral instrument. In order to ensure a consistent and coordinated implementation, the OECD and the G20 countries have agreed to work together"[17] but to also establish a global dialogue with all other interested countries. Therefore, the OECD established an inclusive framework that brings together over 100 countries and jurisdictions to collaborate on the implementation of the BEPS package.

[17] "Addressing the Tax Challenges of the Digital Economy, Action 1 2015 - Final Report", European Commission <https://ec.europa.eu/futurium/en/content/addressing-tax-challenges-digital-economy-action-1-2015-final-report>

This framework will support and monitor implementation of the different measures as well as examine their impact over time.

"Members of the inclusive framework will develop a monitoring process and monitoring mechanisms for the four minimum standards as well as put in place the review mechanisms for other elements of the BEPS package."[18] The monitoring of the four minimum standards is crucial as it will ensure that all members will comply with the standards in order to ensure a level playing field and all jurisdictions will comply with their commitments. Regarding the review mechanisms, all countries and jurisdictions joining the framework will participate in the review process, which will allow them to review their own tax systems and to identify and remove elements raising BEPS risks.

"The inclusive framework will also support the development of the toolkits, by international organizations, including the UN, the IMF and the World Bank, for low-capacity LEDCs."[19] The toolkits will support LEDCs implementing measures to tackle BEPS and the inclusive framework will allow members to feed their views into the toolkit work. The inclusive framework plays a vital role in the development of the toolkits, as the interaction between international organizations will be connected with the inclusive framework and the involvement of the international organizations as Observers in the inclusive framework will facilitate their collaboration.

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

Less Economically Developed Countries (LEDCs)

LEDCs rely heavily on corporate income tax, particularly from multinational enterprises, thus the BEPS Project is of major significance for them. LEDCs have been engaged since the beginning of the BEPS Project and it is important to ensure that they receive support to address their specific needs. LEDCs discuss the challenges of BEPS through direct participation in the Committee on Fiscal Affairs and through their partnership with regional tax organizations. Once implemented, the BEPS measures will benefit LEDCs and provide them with tools to mobilize domestic resources. In addition, through the work on the toolkits, the specific challenges faced by LEDCs and identified by them during consultations are currently being addressed. So far, numerous LEDCS have joined the inclusive framework.

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[18] "Centre for Tax Policy and Administration." About BEPS and the Inclusive Framework. OECD, n.d. Web. 29 July 2016. <http://www.oecd.org/ctp/beps-about.htm>.
[19] "Centre for Tax Policy and Administration." About BEPS and the Inclusive Framework. OECD, n.d. Web. 29 July 2016. <http://www.oecd.org/ctp/beps-about.htm>.

Group of Twenty (G-20)

The G-20 is an international forum for the governments and central bank governors from 20 major economies for international economic cooperation. “It was founded in 1999 with the aim of studying, reviewing, and promoting high-level discussion of policy issues pertaining to the promotion of international financial stability. It seeks to address issues that go beyond the responsibilities of any one organization.”[20]

“Since its launch by the OECD, the work on BEPS received consistent support by the G20 and it is a key item on the Finance Ministers’ and Leaders’ agendas. Moreover, all G20 countries have participated as equal partners in the development of the work and their continued participation has been critical to guarantee a level playing field and prevent inconsistent standards.”[21]

Organization for Economic Co-operation and Development (OECD)

“The Organization for Economic Cooperation and Development (OECD) is forum where the governments of 34 countries with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development.”[22] It is an organization that enables governments to compare policy experiences and coordinate domestic and international policies, and helps countries reap the benefits and confront the challenges of a global economy.

International Monetary Fund (IMF)

The International Monetary Fund is an organization of 189 countries that was established in July 1944 during a UN conference. The primary aim of the IMF is to promote global financial stability of the monetary system, facilitate international trade, promote sustainable economic growth and reduce poverty around the world.

World Bank Group (WBG)

The World Bank Group was established in 1944 and is a vital source of financial and technical assistance to LEDCs. It is a unique partnership to reduce poverty and support

[20] Ramachandran, Jaya. "G20 Finance Ministers Committed to Sustainable Development." Inter Press Service. <http://www.ipsnews.net/2015/09/g20-finance-ministers-committed-to-sustainable-development/>.

[21] "BEPS - Frequently Asked Questions." N.p., n.d. Web. <http://www.oecd.org/ctp/beps-frequentlyaskedquestions.htm>.

[22] "What Is the OECD?" United States Mission to The Organization for Economic Cooperation and Development. N.p., n.d. Web. <http://usoecd.usmission.gov/mission/overview.html>.

development that provides low-interest loans, zero to low-interest credits, and grants to LEDCs. The Bank helps manage initiatives that address needs across a wide range of sectors and developing regions, supports capacity development in the countries it serves and participates in many conferences and forums on issues of development, often in collaboration with partners.

Regional Tax Organizations

"Regional tax organizations including the African Tax Administration Forum (ATAF), the Centre de rencontres et d'études des administrations fiscales (CREDAF), the Centro Interamericano de Administraciones Tributarias (CIAT) and the Intra-European Organization of Tax Administrations (IOTA) play a pivotal role in the BEPS Project. Specifically, regional tax organizations are central to the regional networks, and regional meetings play and important role in the inclusive framework. Regional networks will be of particular support to LEDCs for the implementation of the BEPS package."[23]

TIMELINE OF EVENTS

Date	Description of Event
June 2012	G-20 summit launches BEPS project. World leaders expressed the "need to prevent base erosion and profit shifting" and voiced support for the work being done in that area by the OECD
July 2013	OECD Action Plan completed
September 2013	St. Petersburg summit. The G-20 leaders approved the "BEPS Action Plan"
November 2015	Antalya Summit. The G20 leaders adopted the BEPS tax reform package
February 2016	Publication of new inclusive framework for wider participation in the BEPS project.

[23] "About BEPS and the inclusive framework", OECD <http://www.oecd.org/ctp/beps-about.htm#other-orgs>

March 2016	Meeting of the Global Forum on Transfer Pricing. The meeting focused mostly on the challenges of implementing the transfer pricing measures. Meeting on the Task Force on Tax and Development. It included discussions about the inclusive framework
April 2016	a) OECD Forum on Tax Administration. The programme covered BEPS implementation, the post-BEPS environment, collaborative working to address cross-border tax evasion digital solutions and help for LEDCs. b) Launch of the Platform for Collaboration on Tax by the IMF, the OECD, the UN and the World Bank.
July 2016	First meeting of the inclusive framework in Kyoto, Japan

UN INVOLVEMENT: RELEVANT RESOLUTIONS, TREATIES AND EVENTS

United Nations Committee of Experts on International Cooperation in Tax Matters - Subcommittee on BEPS

In October 2013, the United Nations Committee of Experts on International Cooperation in Tax Matters established a sub-committee on base erosion and profit shifting issues for LEDCs. The sub-committee has been engaging with other relevant bodies, particularly the OECD, with a view to monitoring developments on BEPS issues and communicating on such issues with officials in LEDCs.

United Nations Model Double Taxation Convention between Developed and Developing Countries

"This Convention forms part of the continuing international efforts aimed at eliminating double taxation. It is used by countries as a basis for negotiation of their bilateral tax treaties and it includes a set of guidelines to prevent double taxation between countries, as well as to avoid tax evasion, which costs countries $3.1 trillion every year."[24] This UN Model has been revised in order to take into account recent developments in the areas of international tax policies relevant to MEDCs and LEDCs.

[24] "Financing for Development." UN News Center. UN, 5 Apr. 2012. Web. 29 July 2016. <http://www.un.org/en/development/desa/publications/double-taxation-convention.html>.

Platform for Collaboration on Tax

"The UN, the IMF, the OECD, and the World Bank Group announced at the beginning of 2016 the launch of the Platform for Collaboration on Tax, which is a joint effort to intensify their co-operation on tax issues. The Platform will facilitate regular discussions between the four international organizations on the design and implementation of standards for international tax matters. It will strengthen their capacity-building support, deliver jointly developed guidance, and share information on operational and knowledge activities." [25]

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

Before the OECD's Base Erosion and Profit Shifting project was launched in 2011, there had been no previous structured attempts to solve the issue of BEPS. No other organization had made any efforts to improve tax rules in order to combat this issue, since BEPS is a highly complicated issue that started to significantly affect the world economy just in the past couple of decades due to the fast growth of MNEs. However, it is important to mention that since 2011 this project has encouraged various other organizations such as the UN, the IMF and the World Bank, to finally participate in the serious efforts to tackle this issue.

POSSIBLE SOLUTIONS

Finding solutions to such a complicated and current issue is incredibly challenging. The solutions have to be particularly specific and precise, and in order to achieve this it is essential to fully understand all the BEPS guidelines, putting particular emphasis on Action 15.

To begin with, it is very important to inform all Member States about the importance of tackling BEPS and the ways in which BEPS affects countries' economies. The BEPS Actions aim to reshape international tax rules for countries to implement and unilateral action by individual countries will pose serious obstacles to their implementation, thus it is crucial to encourage more member states to get involved in this project and participate in the inclusive framework. In addition, another solution to this issue is to improve and strengthen the cooperation among the participating countries in the BEPS project and international organizations, such as the IMF and the World Bank.

[25] International organisations take major step to boost global co-operation in tax matters, OECD <http://www.oecd.org/ctp/international-organisations-take-major-step-to-boost-global-co-operation-in-tax-matters.htm>

Since LEDCs rely heavily on corporate income tax and suffer the most losses from BEPS, LEDCs play a major role in this project. Therefore, the UN has to support LEDCs, ensure that they are in position to implement the guidelines and encourage its sub-committee on BEPS to take a more active role. The UN has to strengthen the cooperation between LEDCs, the OECD and the G20. Also, the UN has to intensify its work on the development of the toolkits for the LEDCs, as it is responsible to a great extent for their completion.

Lastly, it is essential and critical to ensure that countries can practically implement the measures to counter BEPS. Capacity building support, including toolkits, is therefore a necessary element to guarantee effectiveness. Additionally, special emphasis has to be placed on Action 15 and the four minimum standards, particularly Country-by-Country reporting. The UN has to ensure that all countries agree to these standards and are willing to implement them.

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