

## BEPS – Where are we?

December 11, 2013

### In brief

Base erosion and profit shifting (BEPS) continues to be on the top of the agenda of the Organisation for Economic Co-operation and Development (OECD) and the European Commission (EC). This *Tax Insights*:

- updates you on the status of BEPS and what to expect
- helps you deal with the changing environment

### In detail

Since the release of the BEPS Action Plan on July 19, 2013, both the OECD and the EC have undertaken a number of efforts, with particular focus on:

- transfer pricing
- tax transparency
- hybrid instruments

- inter-group financing arrangements

As noted below, the OECD has recently announced its timetable for stakeholder input on the expected discussion papers.

In addition, some countries already have initiatives to implement domestic BEPS-

related measures. For example:

- new provisions related to intra-group transactions were introduced (or proposed) in Australia, Brazil, France and Mexico
- rules on tax residency and substance were adopted in Ireland and the Netherlands

	Recent BEPS news	Issue date (2013)	Link
OECD	BEPS project calendar	December 3	<a href="#">PwC News Alert</a>
	Tax challenges of the digital economy (public comments requested by December 22, 2013)	November 26	<a href="#">PwC News Alert</a>
	Transparency and exchange of information for tax purposes (Global Forum discussions)	November 21-22	<a href="#">OECD Global Forum</a>
	Transfer pricing matters (public consultation)	November 11-12	<a href="#">PwC News Alert</a>
	Artificial avoidance of permanent establishment status (public comments requested)	October 22	<a href="#">OECD Global Forum</a>
	Transfer pricing and intangibles (comments received on the discussion draft)	October 22	<a href="#">OECD Global Forum</a>
	Memorandum on transfer pricing documentation and country reporting	October 3	<a href="#">OECD Global Forum</a>
EC	Amendments to the Parent Subsidiary Directive (2011/96/EU)	November 25	<a href="#">PwC News Alert</a>
	Taxation of the digital economy (expert group created)	October 22	<a href="#">EC website</a>

## The takeaway

### Expect increased scrutiny worldwide

We expect that the series of discussion drafts and public consultations will continue to motivate the Canadian and foreign tax authorities to increase their scrutiny of both domestic and international transactions in 2014 and 2015.

Some countries have already revealed the steps their tax authorities will take. For example, the Australian Taxation Office (ATO) BEPS team recently announced it would start a new compliance initiative known as the 'International Structuring and Profit Shifting' project. The ATO will focus on tax issues such as transfer pricing, thin capitalization, controlled

foreign companies, valuations, and taxation of financial arrangements (see [PwC News Alert](#) for details).

### Timely diagnosis

Many taxpayers in Canada and other jurisdictions are considering ways to deal with the changing landscape ahead. A timely diagnosis, i.e. a risk assessment of operations and business structures from a tax perspective should help taxpayers to:

- identify and mitigate potential risks (when necessary)
- help manage existing or plan new operational and tax structures

### BEPS tax diagnostic

PwC has followed the BEPS initiative closely and is involved in the BEPS discussions. We have designed a [BEPS](#)

[tax diagnostic](#) that provides a high-level current status assessment of tax risks and opportunities. The diagnostic produces a 'heat map' that addresses various issues, depending on the project scope. For example, heat maps can be prepared for transfer pricing, permanent establishment, foreign accrual property income, residency and substance issues.

The BEPS tax diagnostic can also highlight key risks from a jurisdictional perspective, taking into account specific measures outlined in the BEPS Action Plan.

Please visit the [PwC website](#) for more information.

## Let's talk

For a deeper discussion of how these tax issues might affect your business, please contact:

- your PwC tax advisor
- any of the individuals listed at [www.pwc.com/ca/taxcontacts](http://www.pwc.com/ca/taxcontacts)
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