Selected International Taxation Issues

Kiyoshi Nakayama

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Views are author's alone and should not be attributed to the IMF, its Executive Boards, or its management

Outline

- What are Top Tax Priorities for Developing Countries?
- Technical Assistance in International Taxation: Joint Treaty Negotiation Project for East African Community

What are top tax priorities for developing countries?

G20 DWG Guidance (1)

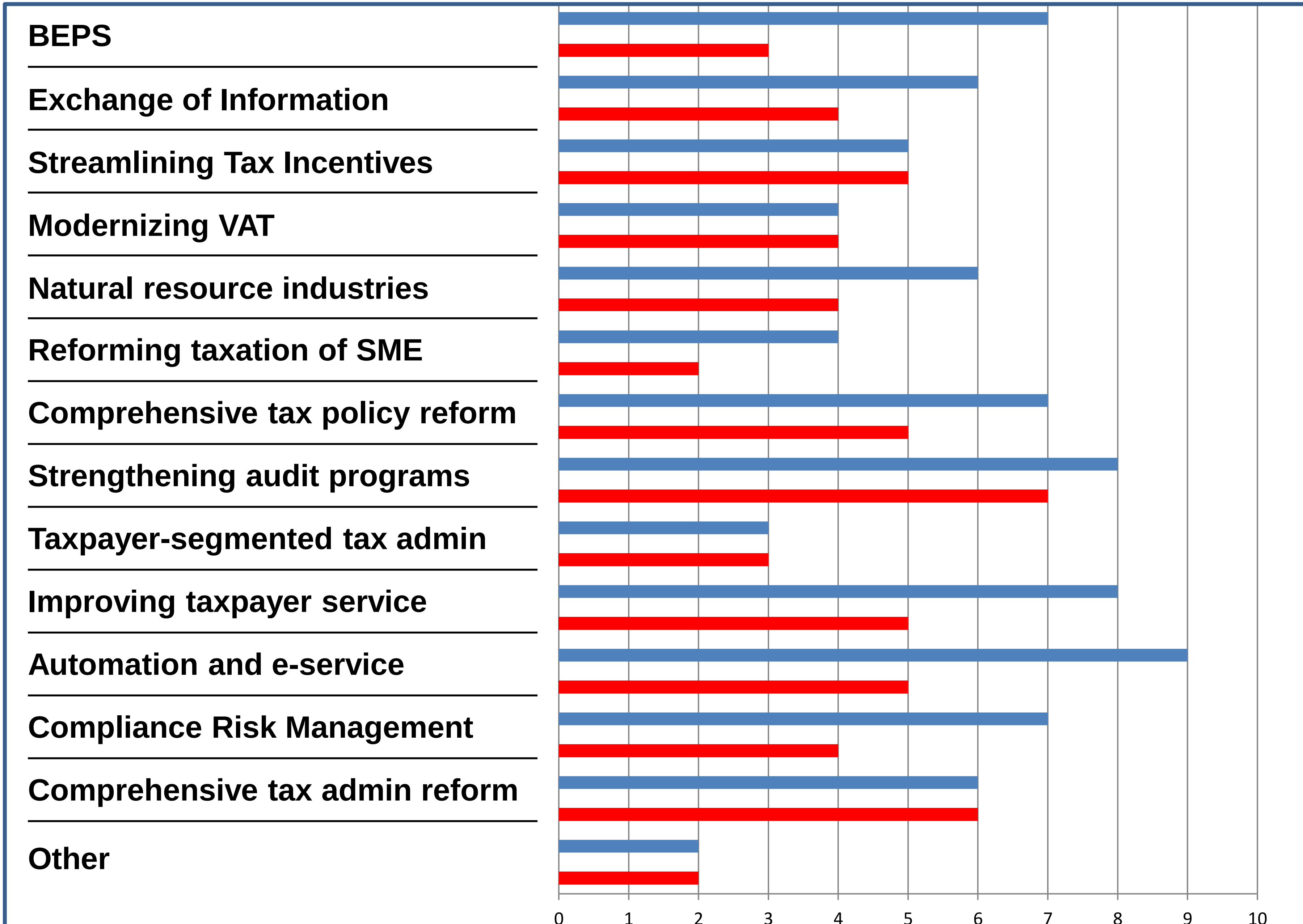
Efforts to strengthen developing countries' capacity in tackling BEPS and implementing the new standard for AEOI should…

1.… be sequenced with support for other tax priorities, *where necessary starting with the building blocks for effective tax systems.* Support for developing countries to address BEPS and participate in AEOI should be integrated into broader tax-related capacity building efforts in developing countries.

2. …target areas of priority identified by partner goverments, considered on a case-by-case basis.

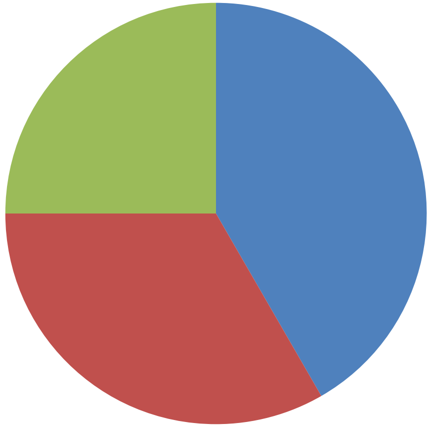
G20 DWG Guidance (2)

4. *…include consideration of developing countries' capacity to reap the benefits of reforms*. To ensure developing countries can reap the full benefits of participation in the G20 tax agenda, development cooperation in tax should consider how developing countries will enforce BEPS rules and use tax data (e.g. audit capacity), in addition to considering compliance with international standards and norms.

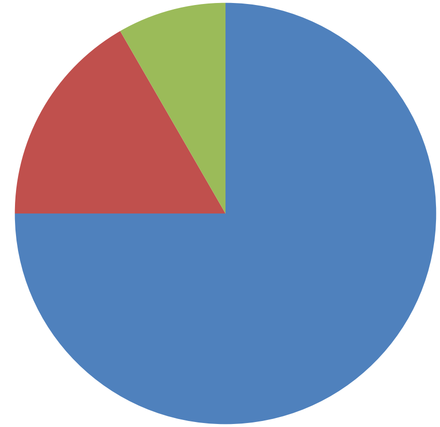


Priority Revenue Mobilization Based on the survey of selected Asian countries

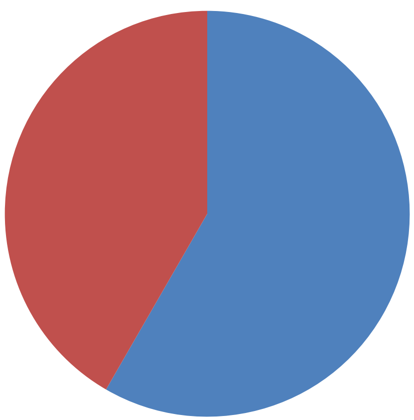
1. Address tax challenges of the digital economv



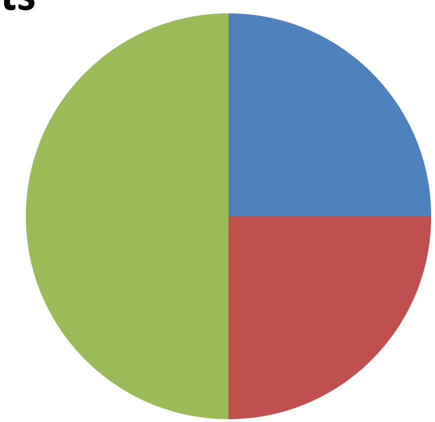
2. Neutralize effects of hybrid mismatch arrangements



3. Strengthen controlled foreign company rules



4. Limit base erosion via interest deductions and other financial payments



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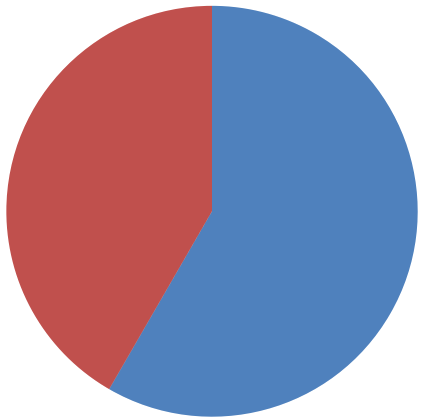
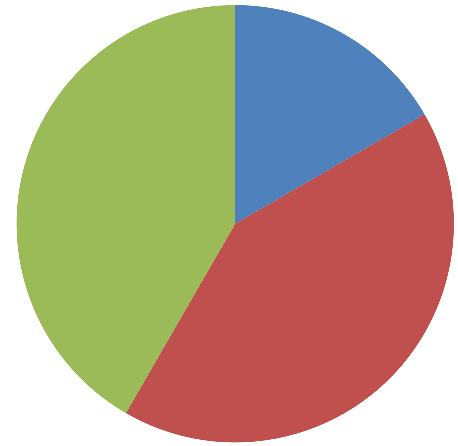
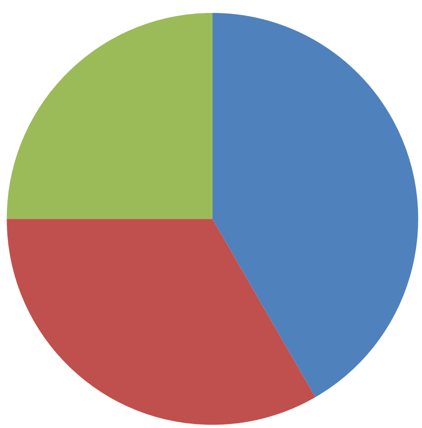
5. Counter harmful tax practices more effectively, taking into account tra



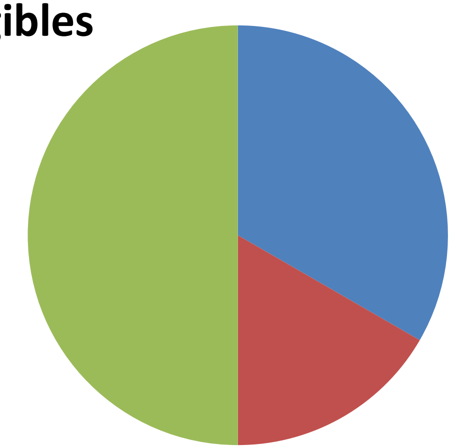
6. Prevent treaty abuse



7. Prevent artificial avoidance of permanent establishment status



8. Assure transfer pricing outcomes are in line with value creation: intangibles



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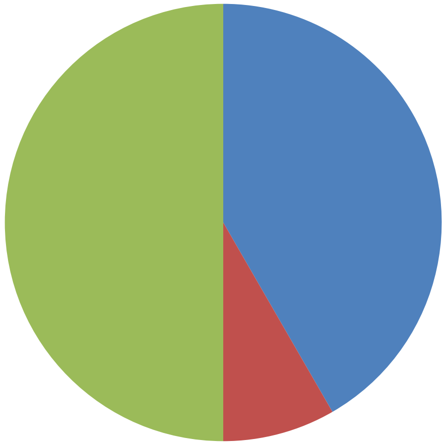
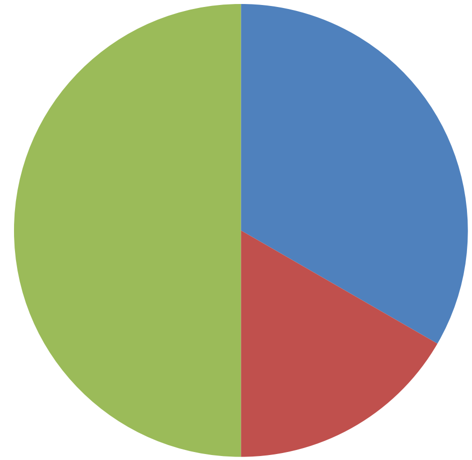
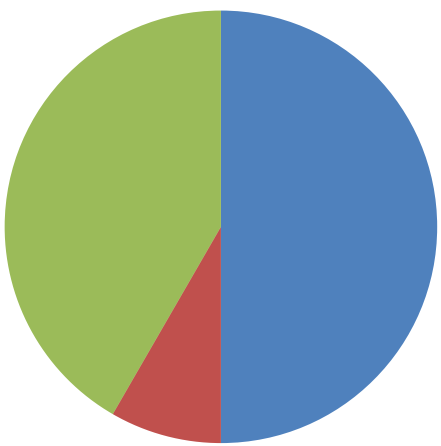
9. Assure transfer pricing outcomes are in line with value creation: risks and capital



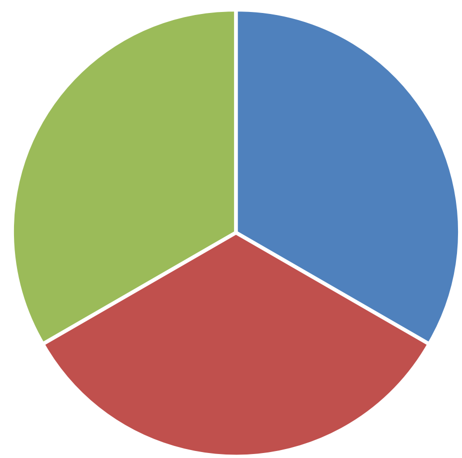
10. Assure transfer pricing outcomes are in line with value creation: other high-risk transactions



11. Establish methodologies to collect and analyze data on BEPS and the actions to address it



12. Require taxpayers to disclose their aggressive tax planning arrangements



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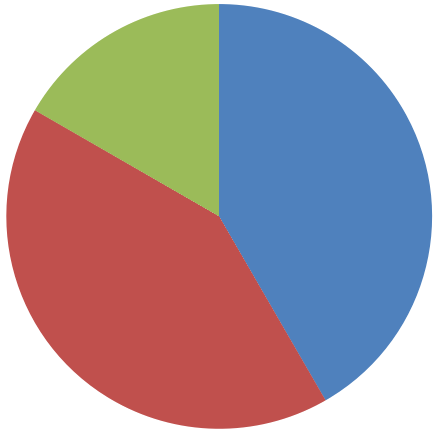
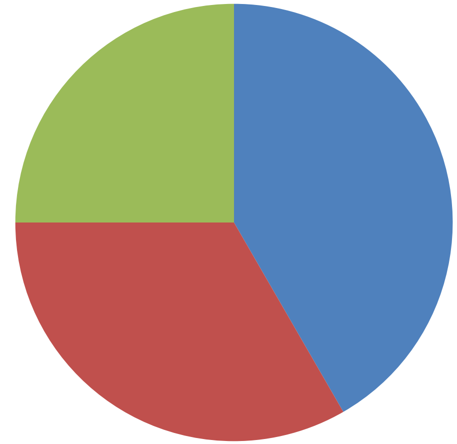
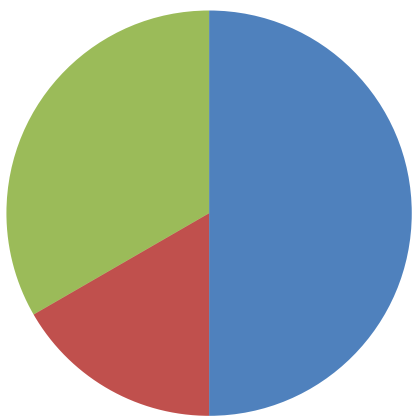
13. Re-examine transfer pricing documentation



14. Make dispute resolution mechanisms more effective



15. Develop a multilateral instrument



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Based on the survey of selected Asian countries

Q: Whose statement?

"Recently more and more enterprises organized abroad by American firms have arranged their corporate structures-aided by artificial arrangements between parent and subsidiary regarding intercompany pricing, the transfer of patent licensing rights, the shifting of management fees, and similar practices which maximize the accumulation of profits in the tax haven-so as to exploit the multiplicity of foreign tax systems and international agreements in order to reduce sharply or eliminate completely their tax liabilities both at home and abroad. To the extent that these tax havens and other tax deferral privileges result in U.S. firms investing or locating abroad largely for tax reasons, the efficient allocation of international resources is upset, the initial drain on our already adverse balance of payments is never fully compensated, and profits are retained and reinvested abroad which would otherwise be invested in the United States."

Technical Assistance in International Taxation
Joint Treaty Negotiation Project
for East African Community

How it works and its background

Joint Tax Treaty Negotiation is a negotiation of a bundle of bilateral tax treaties with a third-party country, by a joint negotiation team comprising members of a regional economic community, not negotiations of a multilateral tax treaty.

Background

- Difficulties and risks in expanding the tax treaty network
- Need for regional harmonization of tax system

Merits

- Could encourage advanced countries to come to the negotiation table because the latter can expect to expand its tax treaty network in a more efficient way.
- Could give EAC partner states more bargaining power than they have in a one-to-one negotiation.
- Could underpin the EAC's effort to harmonize tax system by keeping tax treaties similar.
- Could minimize a risk that differences in tax treaties and domestic taxation rules will be abused by MNEs.
- Could solidify cooperation between tax authorities in EAC partner states.