Responsible tax and international trends in taxation

The impact on BEPS, AEOI, and tax havens
Introduction

• What do we mean by responsible tax?
  - Why does it matter?
  - KPMG Journey

• Impact on:
  - BEPS implementation
  - Transparency issues
  - The debate about offshore finance centers

• Questions
Why does responsible tax matter?

“And And” versus “Either Or”

SDG8: Economic growth

SDG10: Reduce inequality

SDG10: Reduce inequality

SDG8: Economic growth
Tone of the tax debate

Panama Papers put world leaders, on the defensive
British PM, Ukrainian president and Formula One driver deny wrongdoing with
YKUR EKKI

EU ready to scrutinise UK tax deal in avoidance crackdown
At launch of plan to tackle sweetheart deals, Pierre Moscovici says commission will investigate ‘if the need arises’
EU Investigation Opened Amid Tax Evasion Allegations
The EU has opened a tax investigation into Luxembourg unit, alleging that the company has essentially paid zero tax profits since 2009.

Has Been Accused of Avoiding 1 Billion Euros in Taxes
by Luivnda Shen
February 13, 2016, 3:44 PM EST
The issue: Arguing from different premises

Pay your tax!

I am obeying the law!
The heat in the debate carries risks

Damage to reputation of all parties

Lack of cohesive agreed response

Poor tax reform and regulation
Purpose as tax advisors

“We recognize that tax is a fundamental part of our world. Without it countries could not function and we would not be able to achieve the collective goods of health and welfare, security and education which we all value. It is also a subject where, on a daily basis, we as a society face the boundaries between the rights and duties of the individual which we owe to each other and the obligations of the state....”

Jane McCormick, Global Head of Tax, KPMG International
Responsible Tax & BEPS

Transparency
12. Disclosure
13. Documentation and CBCR

Substance
5. Harmful practices
6. Treaty abuse
7. PEs
8-10. TP

Common approaches
1. Digital
2. Hybrids
3. CFC
4. Interest
15. Dispute resolution
BEPS – The Digital Debate – where should tax be paid?

- **Parent**
- **IP HoldCo**
- **Operating sub**

License

Cost sharing agreement

Customers
## Responsible Tax: The initiatives on disclosure of information

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<th>US FATCA</th>
<th>OECD</th>
<th>EU</th>
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| - Model I IGA  
- Model II IGA | - Model TIEA and art. 26 MTC  
- Administrative Assistance Convention  
- CRS  
- BEPS Action Plan | - Tax Treaties and TIEAs provide for all forms of information, including AEOI  
- All forms of administrative cooperation  
- AEOI on Financial Accounts  
- AEOI on certain BEPS related rulings and APAs  
- AEOI on CBCR on key financial data from MNEs  
- Mandatory disclosure | - AEOI on savings income when paid cross-border within the EU  
- Repealed in Nov. 2015  
- AEOI for various types of income.  
- AEOI extended to rulings and APAs under the EU DAC3  
- AEOI extended to CBCR on key financial data from MNEs – DAC4  
- Central registers of beneficial owners – AMLD4  
- Proposed amendment of the EU “accounting directive” |

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Responsible Tax & Transparency

• “interest to the public” v “the public interest”
• Public CbCR?
• Public register of beneficial ownership?
Responsible Tax & OFCs

By 2050 Africa needs to build about 100 cities the size of New York
### Responsible Tax & OFCs: Transparency

#### Level of adherence to international standards on transparency and financial crime, 2017

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Source: Capital Economics
Responsible Tax & OFCs: Neutrality

Investors

OFC

Investment 1

Investment 2

Investment 3

Source: States
Responsible Tax & OFC's: Possibility for avoidance?

Diagram:

- Parent
- OFC
- Sub
- Interest
- Loan

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Q&A
Some conclusions

— “Social contract” – not just a cost
— Legal with ethical dimension

Need to divide the economic pie more equally AND increase the size
Thank you

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