



Current Issues in International Tax Policy

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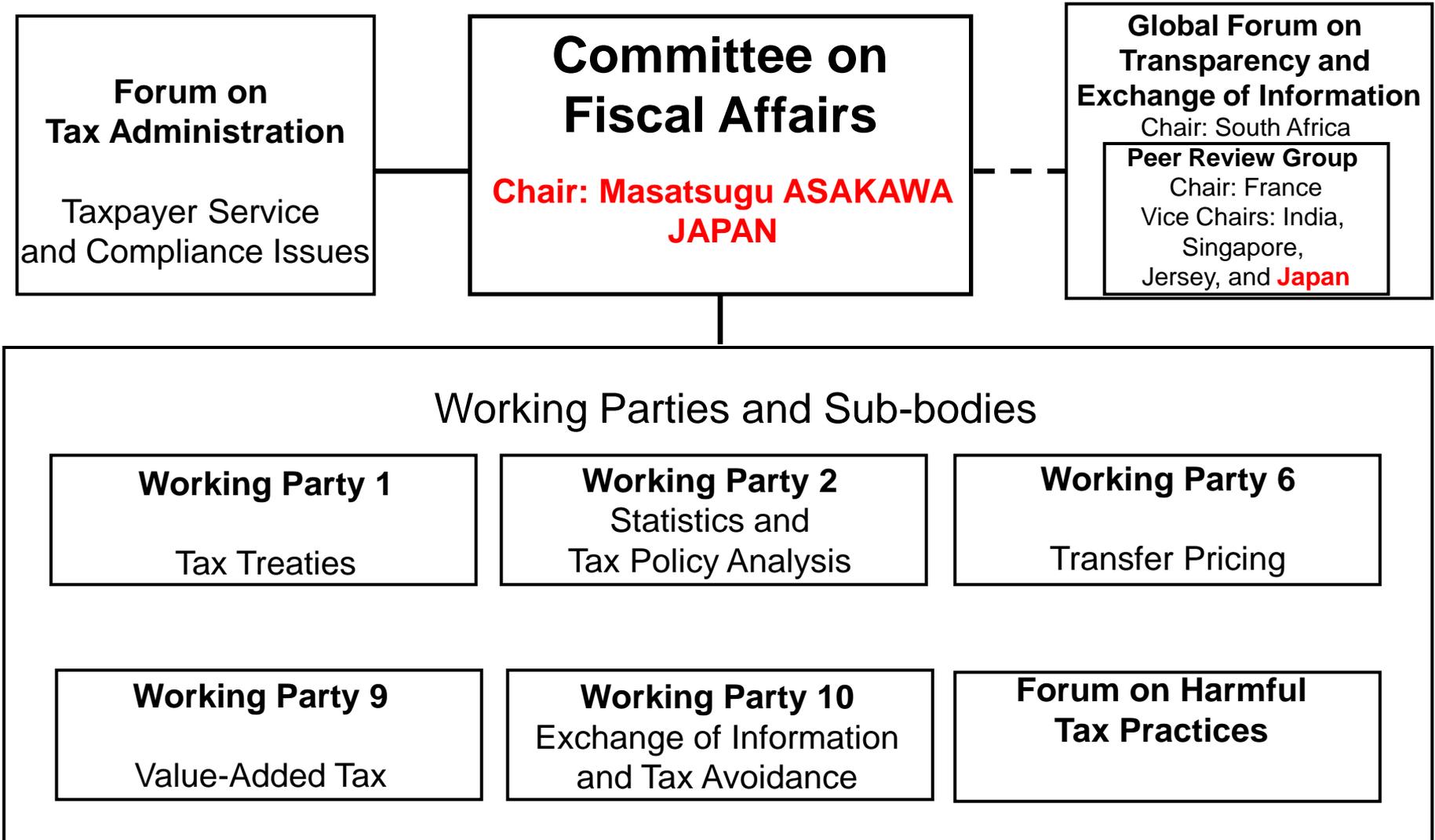
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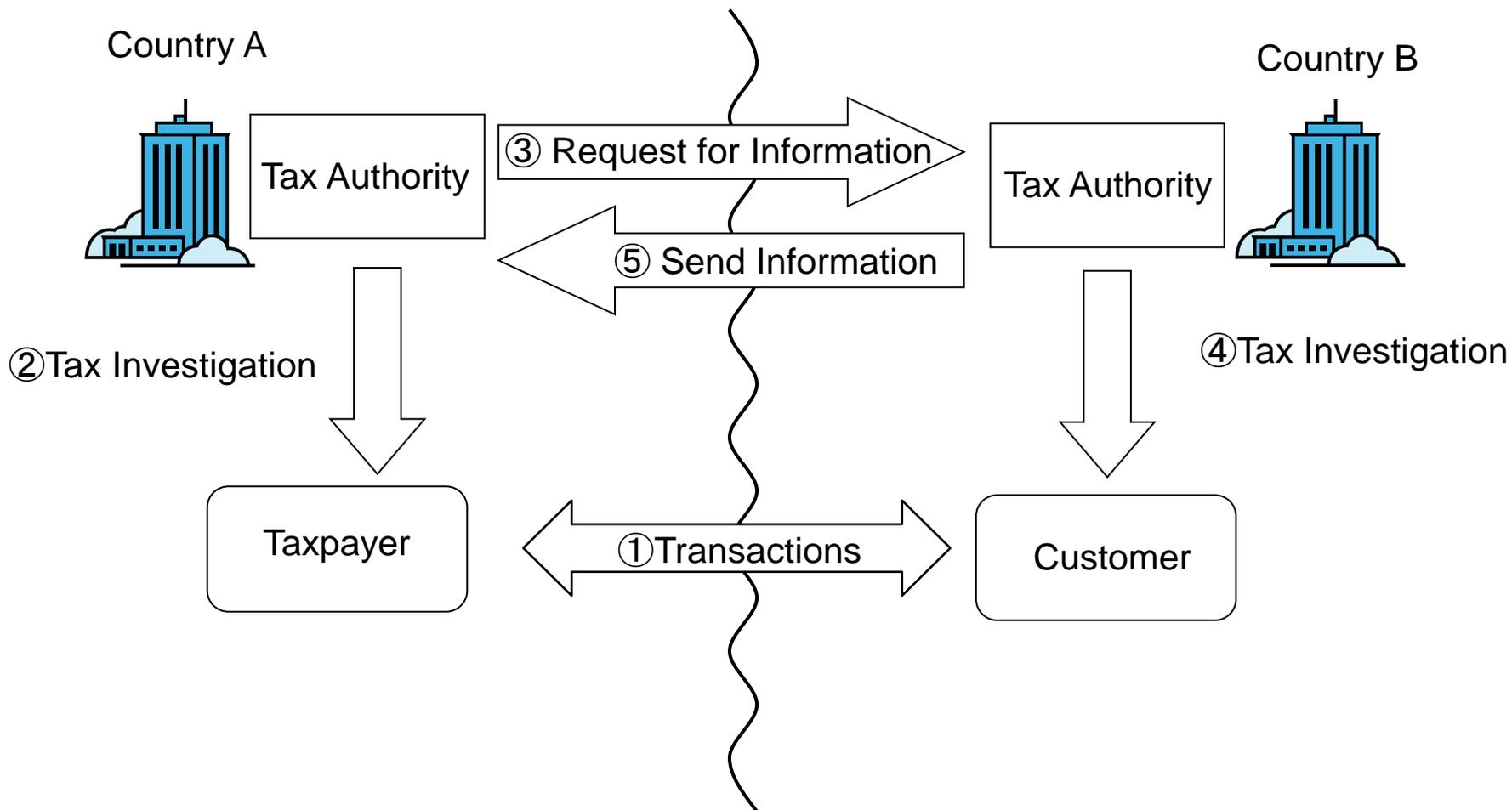
OECD Committee on Fiscal Affairs



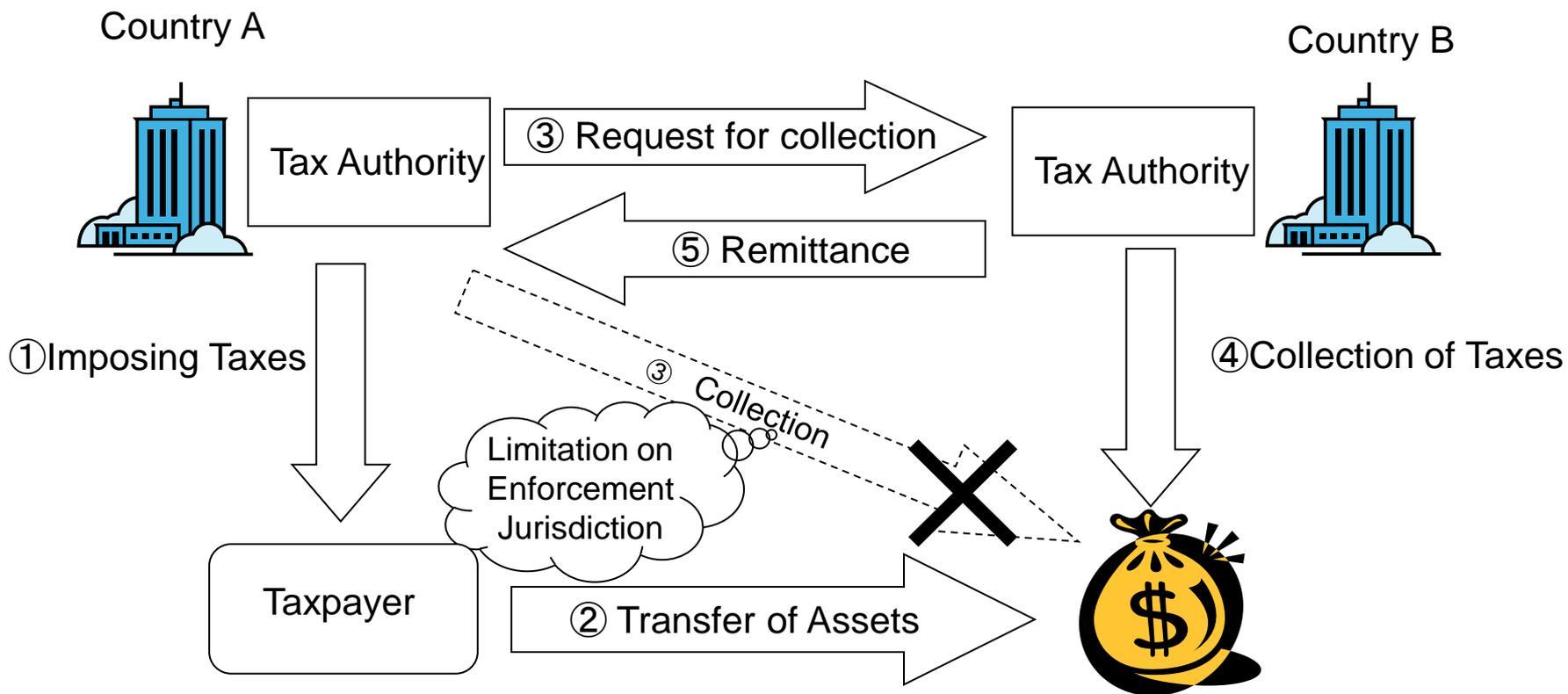
The Multilateral Convention on Mutual Administrative Assistance in Tax Matters

- ◆ Provides for three types of assistance:
 - Exchange of Information;
 - Collection Assistance;
 - Service of Documents.
- ◆ Since June 2011, it was opened for signature by not only OECD members but all countries.
- ◆ Japan has signed it on November 2011.
- ◆ Signatories are increasing! Now 45.
 - 13 Signatories since January 2012: Albania, Colombia, Costa Rica, Czech, Ghana, Greece, Guatemala, India, Lithuania, Malta, New Zealand, Romania, Tunisia.
- ◆ Asian countries are welcome to sign the Convention!

Exchange of Information



Collection Assistance

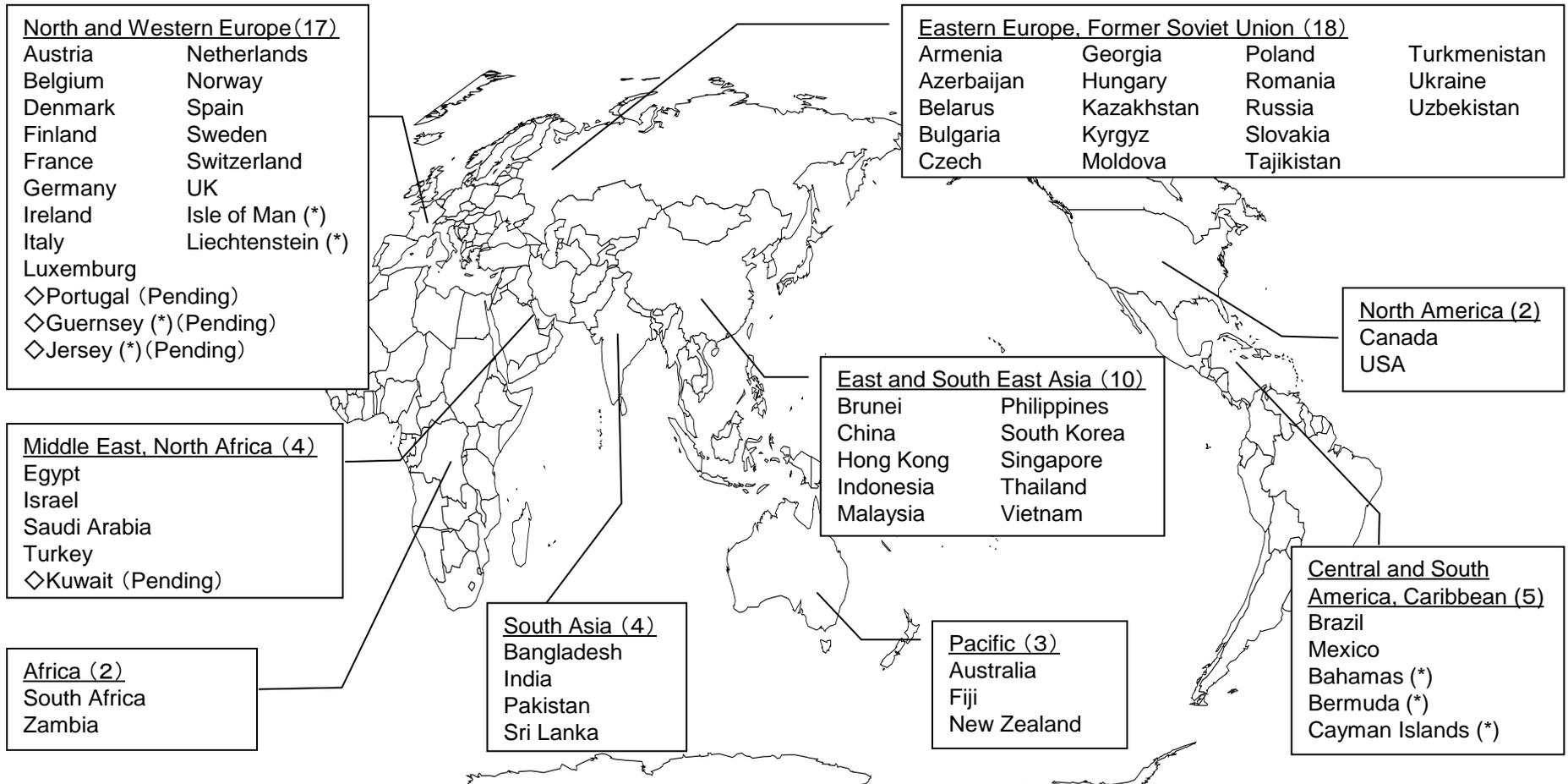


Expanding Exchange of Information

- ◆ In 2005, Article 26 of the OECD model tax convention was revised to strengthen Exchange of Information (EOI).
 - No restrictions on bank secrecy
 - No requirement of domestic tax interest
- ◆ In 2009, G20 leaders called on all jurisdictions to adopt the international standard for EOI.
- ◆ Since 2010, Japan has been concluding TIEAs (Tax Information Exchange Agreements) with low or no tax jurisdictions, such as Bermuda and the Cayman Islands.
- ◆ Japan has 54 tax treaties which enable EOI with 65 jurisdictions. Japan seeks further expansion of its network.

Japan's Tax Convention Network

54 conventions, applicable to 65 jurisdictions; as of Mar 2013



Note 1. The numbers of tax conventions and jurisdictions do not include tax conventions that have not entered into force.

Note 2. Since the tax conventions with the former Soviet Union and with the former state of Czechoslovakia were succeeded by more than one jurisdiction, the numbers of jurisdictions do not correspond to those of tax conventions.

Note 3. Tax conventions with jurisdictions marked with (*) are mainly centered on the exchange of information regarding tax matters.

Global Forum on Transparency and EOI

- ◆ The Global Forum is conducting peer reviews to ensure that all jurisdictions adhere to EOI standard.
 - Phase 1 Review (Legal Framework)
 - Phase 2 Review (Implementation)

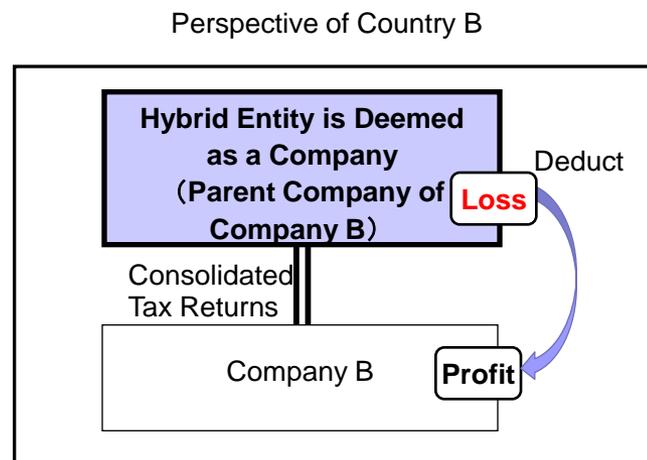
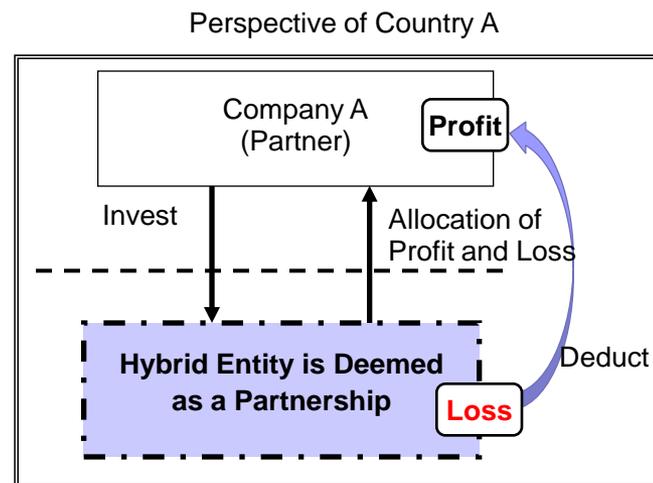
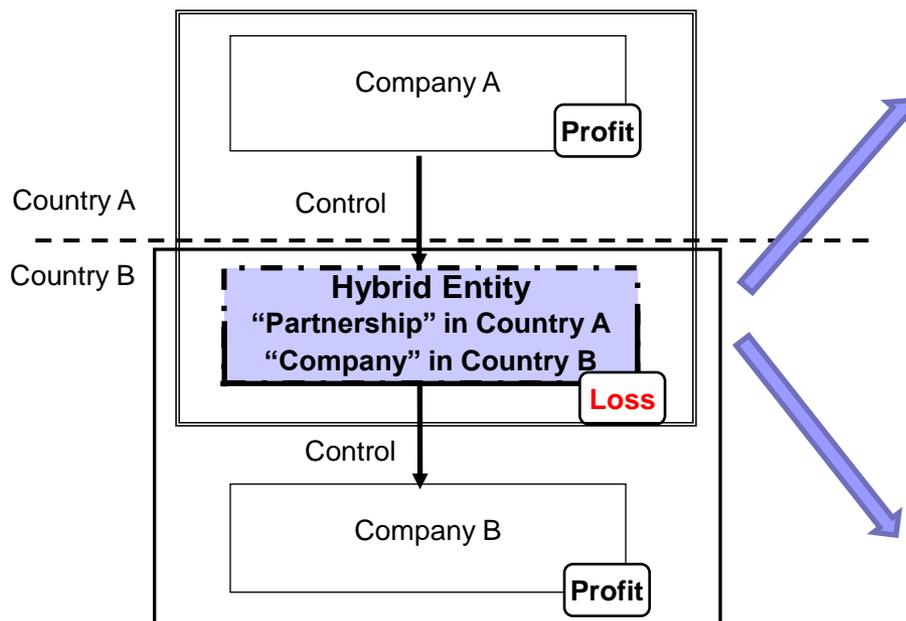
- ◆ Japan has been serving as co-Vice Chair of the Peer Review Group since 2009.

- ◆ Japan is contributing to funding the Global Forum's technical assistance allocated to Asian countries.

- ◆ Asian countries are welcome to join the Global Forum!

What is BEPS? Hybrid Mismatch

A Hybrid Mismatch scheme, which allows a hybrid entities' loss is deducted with the profit of not only Company A, but also Company B!



BEPS: Base Erosion and Profit Shifting

- ◆ Multinational Enterprises are criticized for avoiding taxes globally by using a complex scheme combining tax treaties and domestic laws of different countries → BEPS!!
- ◆ Base erosion constitutes a serious risk to tax revenues, tax sovereignty, and tax fairness.
- ◆ OECD (Committee on Fiscal Affairs) is advancing the BEPS project. Some of the main areas of the project are:
 - Limitation of interest deductibility
 - Strengthening CFC rules
 - Anti-avoidance rule of tax treaties
 - Hybrid Mismatch
- ◆ By July, OECD will make an action plan to combat BEPS.

BEPS: Time Frame

- ◆ June 2012, G20 Los Cabos Summit Declaration:
 - “We reiterate the need to prevent BEPS.”

- ◆ February 2013, G20 Finance Minister’s communiqué:
 - “... welcome the OECD report on addressing BEPS”
 - “... look forward to the comprehensive action plan the OECD will present to us in July.”

- ◆ Mid-June 2013, G8 summit

- ◆ End of June 2013, OECD Committee on Fiscal Affairs

- ◆ July 2013, the OECD will report the action plan to G20 Finance Ministers.

- ◆ July 2013~ Implementation of the action plan

G20 Finance Ministers Communique

(Moscow, 15-16 February 2013)

- In the tax area, we welcome the OECD report on addressing **base erosion and profit shifting** and acknowledge that an important part of fiscal sustainability is securing our revenue bases. We are determined to develop measures to address base erosion and profit shifting, take necessary collective actions, and look forward to the comprehensive action plan the OECD will present to us in July.
- We strongly encourage all jurisdictions to **sign the Multilateral Convention on Mutual Administrative Assistance**.
- We encourage the **Global Forum** on Transparency and Exchange of Information to continue to make rapid progress in assessing and monitoring on a continuous basis the implementation of the international standard on information exchange and look forward to the progress report by April 2013.
- We reiterate our commitment to extending the practice of **automatic exchange of information**, as appropriate, and commend the progress made recently in this area. We support the OECD analysis for multilateral implementation in that domain.

Thank you !
ありがとう。