

Challenges in International Taxation for Developing Countries Survey Outcomes



Kiyoshi Nakayama

Dialogue with Developing Countries on International Taxation

Sixth IMF-Japan High-Level Tax Conference
For Asian Countries in Tokyo

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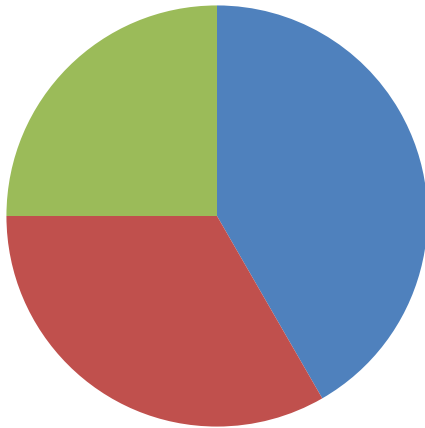
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Survey Outcomes

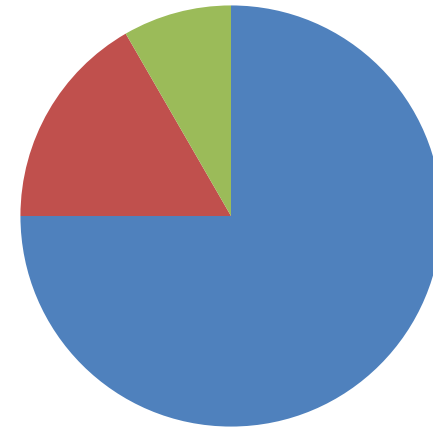
Question 1:

Which Base Erosion Profit Shifting (BEPS) action plan item(s) is the most relevant for your country's revenue mobilization efforts?

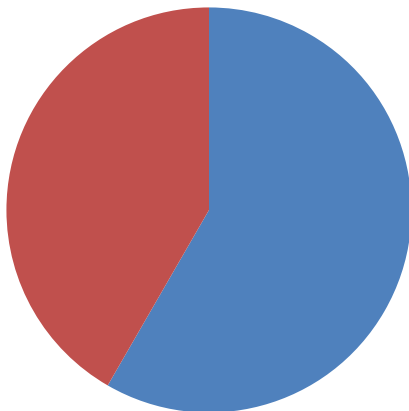
1. Address tax challenges of the digital economy



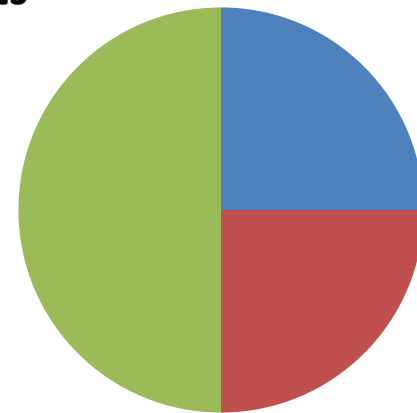
2. Neutralize effects of hybrid mismatch arrangements



3. Strengthen controlled foreign company rules



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

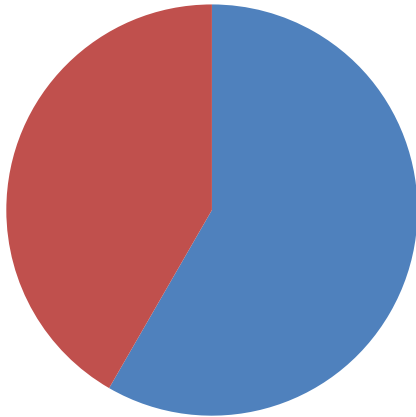


Low

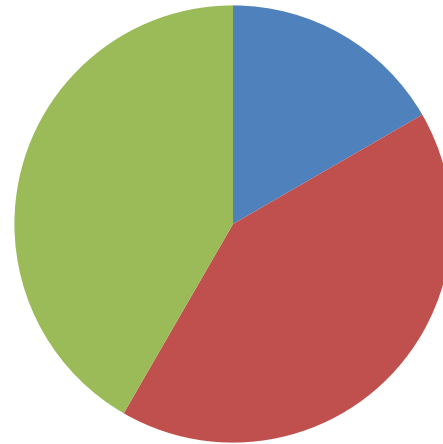
Medium

High

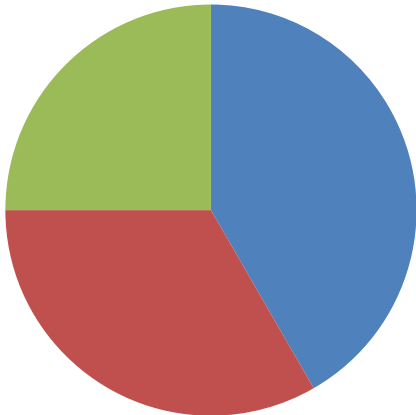
5. Counter harmful tax practices more effectively, taking into account trade



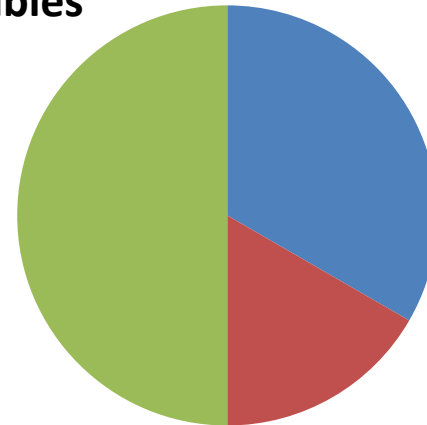
6. Prevent treaty abuse



7. Prevent artificial avoidance of permanent establishment status



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

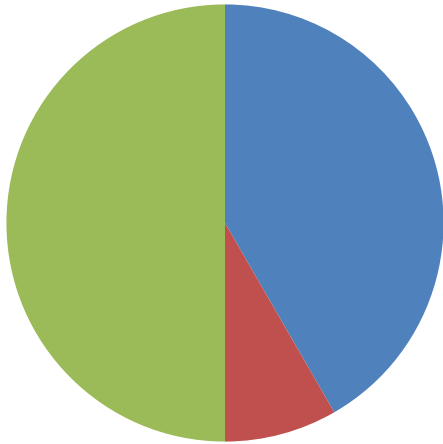


Low

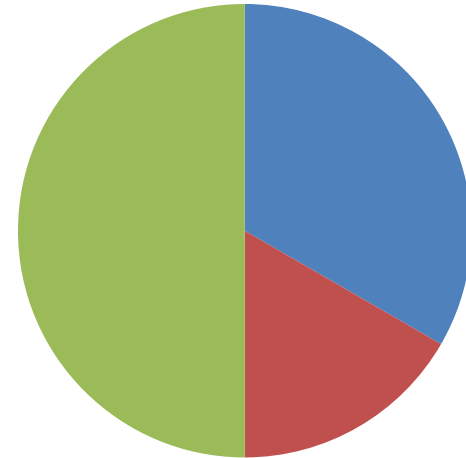
Medium

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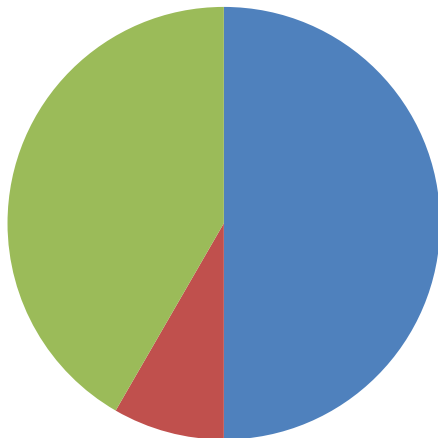
9. Assure transfer pricing outcomes are in line with value creation: risks and capital



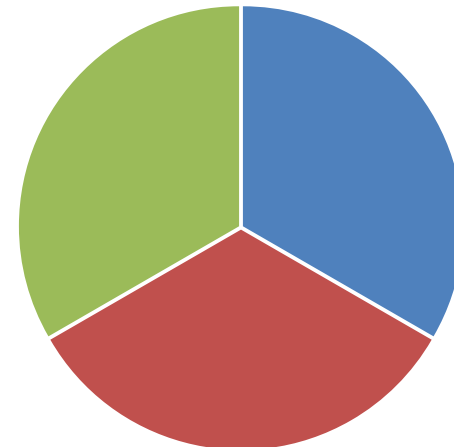
10. Assure transfer pricing outcomes are in line with value creation: other high-risk transactions



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

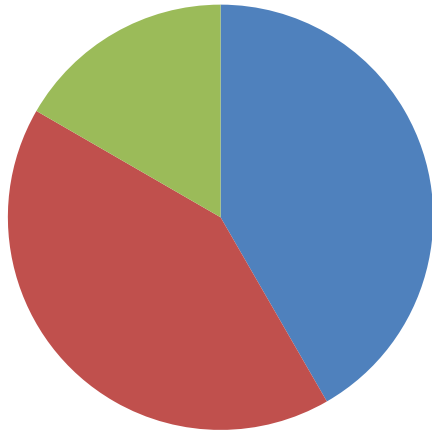


12. Require taxpayers to disclose their aggressive tax planning arrangements

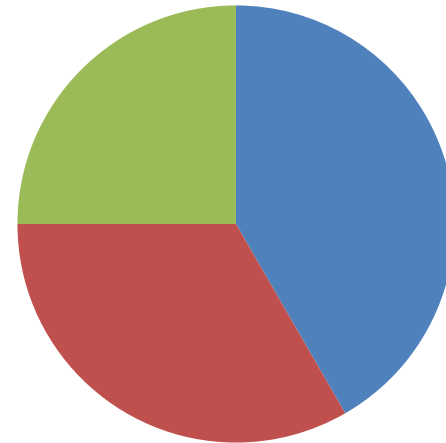


Low Medium High

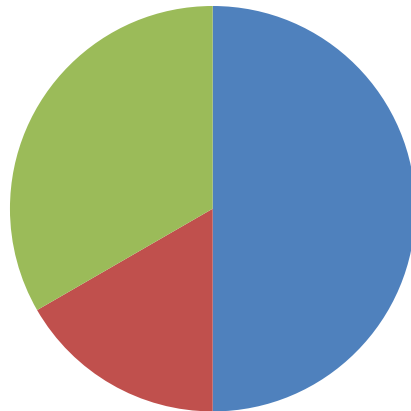
13. Re-examine transfer pricing documentation



14. Make dispute resolution mechanisms more effective



15. Develop a multilateral instrument



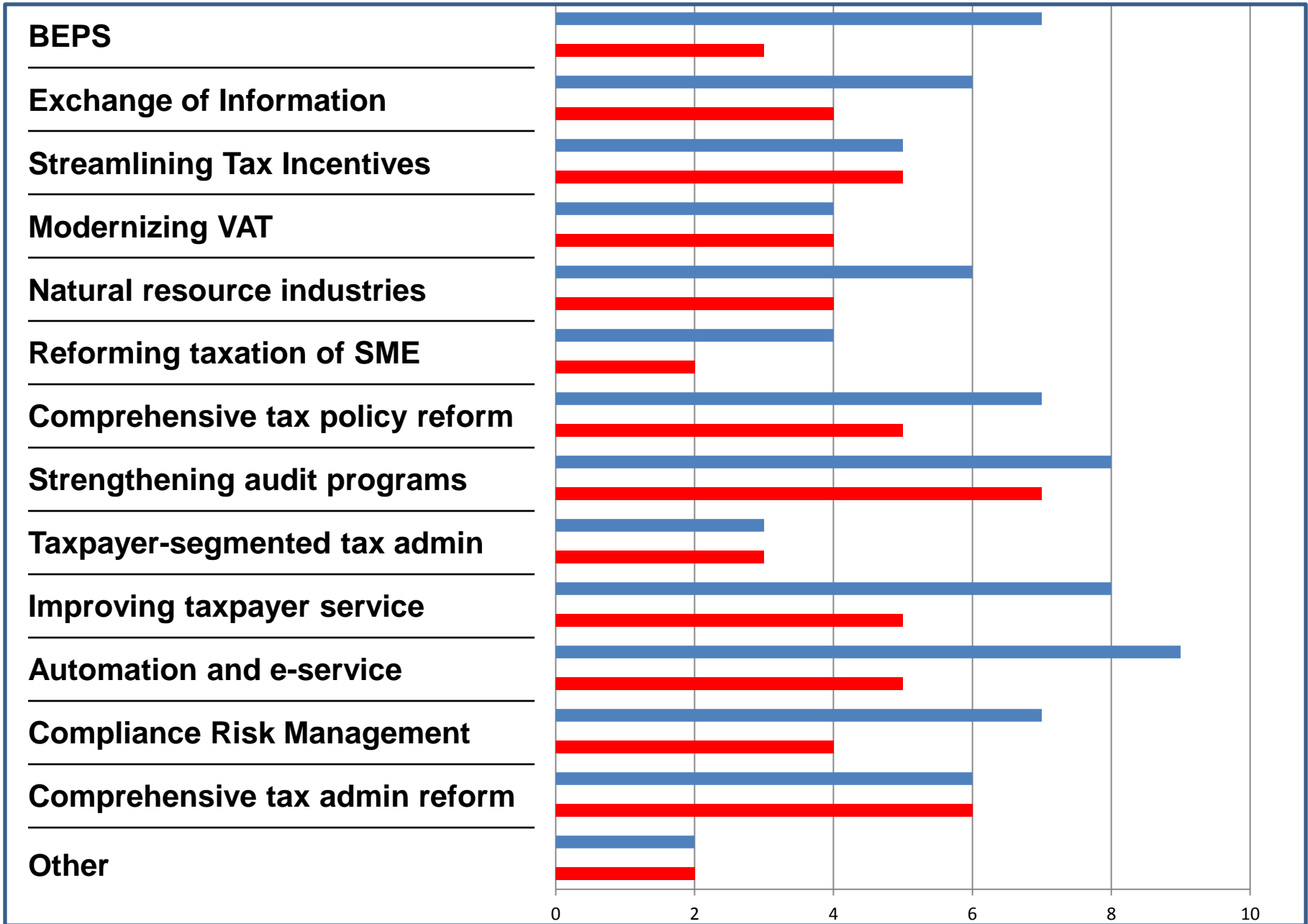
Low Medium High

Question 2:

Which area does your country give a higher priority in tax policy reform and capacity building for achieving a sustainable increase in tax revenue and improving tax compliance? Which area do you think most relevant to revenue mobilization?

Area	Higher Priority	Most relevant to revenue mobilization
BEPS	7	3
Exchange of Information	6	4
Streamlining Tax Incentives	5	5
Modernizing VAT	4	4
Taxation of natural resource industries	6	4
Reforming taxation of small & medium-sized businesses	4	2
Comprehensive tax policy reform (modernizing tax system)	7	5

Area	Higher Priority	Most relevant to revenue mobilization
Strengthening audit programs: risk assessment/audit methods and staff capacity	8	7
Reforming to taxpayer-segmented tax administration	3	3
Improving taxpayer service	8	5
Introducing/enhancing automation and e-service	9	5
Introducing Compliance Risk Management approaches	7	4
Comprehensive tax administration reform	6	6
Other	2	2



Question 3:

**How could greater international cooperation
in tax matters be achieved?**

- Global fora and regional meetings that provide platforms suitable for experience sharing among different jurisdictions.
 - All countries should have the same understanding and mutual objective to combat base erosion and profit shifting activities.
 - Policy discussions between developed countries and developing countries. Cooperation between groups of countries that are in a similar stage of economic development should be strengthened.

- More active participation in the global debate on international tax changes, especially from countries which are currently not well represented. There should not be a one-size fits all solution; and their priorities and challenges need to be taken into account. Countries should still be able to maintain their sovereign rights on taxation.

- Concerted and coordinated efforts should be made to ensure transparency and ability to exchange information on tax matters to adopt measures and tools to help address tax revenue erosion.

Question 4:

Attracting inbound direct investment by multinational corporations is a major objective of many developing countries. Do you think a successful outcome to the BEPS project would make this easier or harder for you, or have no effect?

- A good global tax governance will be welcomed by the investors. Therefore, anti-base erosion and anti-profit shifting measure should have no impact on in-bound FDI.
 - Tax is one of the many factors that MNEs will consider when seeking location for direct investment. Not anticipate that the BEPS project will have a significant impact if its recommendations are broadly accepted and applied.
 - It could be hard to attract direct investment by MNCs because these action plans focus on the protection of tax base of the countries.

- To be successful, the project should strike a balance between the need to attract investment against the need to protect our tax base and should not it should not take away tax incentives that promote real development and substantial economic activities.

- A successful outcome to the project should be one that supports growth, allow jurisdictions to maintain sovereign rights on taxation and must meet the needs of all countries, developing or developed. It should not lead to protectionism or tax policies that restrict and impede cross-border investments and trade.

- BEPS Project will also dedicate a study or work on the utility and effectiveness of tax incentives in attracting FDI. Developing countries and low-income countries often succumb to the trend of giving away tax and non-tax incentives to attract investment, however, the cost of incentives is not commensurate to the income contribution to the economy or sometimes, the incentives are not actually needed or not the primary consideration for an entry of investment.