THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

December 2023

MODULE 3.03 – TRANSFER PRICING OPTION

SUGGESTED SOLUTIONS

PART A

Question 1

Part 1

Candidates should accurately delineate the transactions between the associated enterprises of the ATS group.

Intellectual Property:

- ATM (Country B) pays royalties to ATL (Country A) for the use of intellectual property (manufacturing know-how)
- ATDCo1 (Country C) pays royalties to ATL (Country A) for the use of intellectual property (brand name)
- ATDCo2 (Country D) pays royalties to ATL (Country A) for the use of intellectual property (brand name)
- ATL (Country A) receives royalties from ATM (Country B) for the use of intellectual property (manufacturing know-how)
- ATL (Country A) receives royalties from ATDCo1 (Country C) for the use of intellectual property (brand name)
- ATL (Country A) receives royalties from ATDCo2 (Country D) for the use of intellectual property (brand name)

Related party purchases:

- ATDCo1 (Country C) purchases physical products (finished goods) from ATM (Country B)
- ATDCo2 (Country D) purchases physical products (finished goods) from ATM (Country B)

Related party sales:

- ATM (Country B) sells physical products (finished goods) to ATDCo1 (Country C)
- ATM (Country B) sells physical products (finished goods) to ATDCo 2 (Country D)

Part 2

Candidates should note that a functional analysis should identify the economically significant activities and responsibilities undertaken, assets used or contributed, and risks assumed by the parties to the transactions.

Each entity should be characterised following identification of the functions, assets and risks of the entities (OECD Transfer Pricing Guidelines 2017, Chapter 1, D.1.2). Industry knowledge is another important element in understanding the business and global value chain.

Candidates may note the practical nature of functional interviews to be conducted with a broad range of personnel of the associated enterprises as part of a functional analysis, this includes personnel at not only the strategic but operational levels across various business divisions.

Associated Entity	Functions	Assets	Risks	Characterisation
ATL (Country A)	New product development Research and development Intellectual property hub (DEMPE)	Intellectual property Property, plant and equipment – Research and Development facility Offices Warehouses Staff	Research and Development risk Market risk Inventory risk Capital investment risk Intellectual property (DEMPE) risk	Intellectual property owner/hub with research and development and new product development functions

ATM (Country B)	Manufacturing Distribution	Property, plant and equipment Warehouses Offices Staff	Market risk Manufacturing risk Inventory risk Capital investment risk Potential warranty risk Potential obsolesce risk	Full-fledged manufacturer and distributor (to associated entities)
ATDCo1 (Country C)	Procurement Demand planning Administration Marketing and sales	Staff Offices Warehouses	Market risk Potential warranty risk Potential obsolesce risk	Fully-fledged distributor with sales and marketing function
ATDCo2 (Country D)	Procurement Demand planning Administration Marketing and sales	Staff Offices Warehouses	Market risk Financing risk Credit risk	Fully-fledged distributor with sales and marketing function

<u>Part 3</u>

Candidates may make reference to the OECD Transfer Pricing Guidelines (2017), Chapter II: Transfer Pricing Methods.

Part II of Chapter II of the OECD Transfer Pricing Guidelines (2017) lists the traditional transaction methods - Section B: Comparable uncontrolled price method:

- The CUP method compares the price charged for property or services transferred in a comparable uncontrolled transaction in comparable circumstances.

- Most direct and reliable way to apply the arm's length principle.

- Requires the same or very similar functionality products.

An CUP method could potentially be applied to the royalty transactions by comparing the royalty paid by ATDCo1 (Country C) to ATL (Country A) with the royalty paid by ATDCo2 (Country D) to ATL (Country A). This is an internal CUP given the comparison is between associated enterprises.

A CUP method could potentially be applied to related party sales and purchases by comparing the prices paid by ATDCo1 (Country C) and ATDCO2 (Country D) to ATM.

The comparability factors would need to considered in the potential application of this method. The functions assets and risks in particular are important with this method (refer to para 2.32 of the OECD TP Guidelines, 2007).

Candidates may note that a resale price method may be considered.

The resale price method begins with the price at which a product that has been purchased from an associated enterprise is resold to an independent enterprise. This price (the resale price) is then reduced by an appropriate gross margin on this price (the resale price margin) representing the amount out of which the reseller would seek to cover its selling and other operating expenses and, in the light of the functions performed (taking into account assets used and risks assumed), make an appropriate profit. What is left after subtracting the gross margin can be regarded, after adjustment for other costs associated with the purchase of the product, as an arm's length price for the original transfer of property between independent enterprises.

ATDCo1 and ATDCo2 both purchase finished products from ATM, therefore there is a purchase by the distributors from an associated enterprise and on selling to independent enterprises. The remainder of the resale price methodology may then be applied to the transactions. The resale price margin of the reseller in the controlled transaction may be determined by reference to the resale price margin that the same reseller earns on items purchased and sold in comparable uncontrolled transactions (para 2.28 OECD TP Guidelines, 2007).

Again, the comparability factors would need to considered in the potential application of this method. The functions assets and risks in particular are important with this method (refer to para 2.32 of the OECD TP Guidelines, 2007). ATDCo1 and ATDCo2 would not add any significant value to the finished products or the sales process for the resale price method to be applied.

Part III: Transactional profit methods - Section B: Transactional net margin method (TNMM):

- The TNMM examines the net profit relative to an appropriate base (eg. costs, sales, assets) that a taxpayer realises from a controlled transaction.

- Less affected by transactional differences than a CUP.

- Net profit indicators more tolerant to some functional differences between the controlled and uncontrolled transactions than gross profit margins.

A TNMM may be applied to the profitability of each entity within the ATS group (particularly for distribution functions). They would be the tested party and compared against companies (applying the comparability analysis framework in Chapter III of the OECD TP Guidelines and the comparability factors). An appropriate PLI may then be applied, e.g. EBIT/Sales (profitability) with distribution/marketing/sales functions.

Section C: Transactional profit split method

- Identifies the profits to be split for the associated enterprises from the controlled transactions in which the associated enterprises are engaged (the combined profits / losses). It then splits those combine profits between the associated enterprises on an economically valid basis that approximates the division of profits that would have been anticipated and reflected in an agreement made at arm's length.

- Useful for highly integrated operations for which a one-sided method would not be appropriate.

- Most appropriate where both parties to a transaction make unique valuable contributions (e.g. contribute unique intangibles) and wish to share their respective contributions.

- Contribution analysis and residual analyses can be conducted.

A profit split would only be applied in this situation if the associated enterprises are contributing towards the development of intellectual property. The research and development function are conducted by ATL and the intangible property is legally owned by ATL also.

A cost plus method may be applied to any services (e.g. low or higher value added) or research and development within the ATS group. Whilst the facts do not indicate this, candidates may note this.

Question 2

Part 1

The Ocean Fresh Group has a number of associated enterprises with different functions and transactions between them. In addition, they are operating in multiple jurisdictions with different corporate tax rates. Therefore, a tax authority would certainty raise questions in terms of potential transfer pricing risks/issues.

The contract research and development arrangement between TunaHeadco and Tuna Sub 4

Whilst subquestion 3 will explore intellectual property and DEMPE issues separately, this would be raised as a risk in terms of the arm's length nature of the arrangement. The form versus substance surrounding the arrangement would need to be tested. The cost plus 5% remuneration for TunaHeadco's functions, assets and risks require testing.

Tuna Sub 4 is in a low tax jurisdiction, whilst TunaHeaco is not, further Tuna Sub 4 receives a tax exemption having regard to intellectual property legal ownership. Would also need to check if any royalties or license fees exist in the arrangement.

Tuna Sub 1 is operating in a jurisdiction with a corporate tax headline of 17%. It is domiciled in Country W, however appears to own assets and fish in Country V. This may create a permanent establishment and transfer pricing risk between the jurisdictions.

Tuna Sub 2 and Tuna Sub 3 both operate in low taxed jurisdictions. The prices paid by both these entities would need to be examined and determined which associated enterprise invoices them (TunaHeadco or Tuna Sub 1) relative to the work performed. The purchases by Tuna Sub 2 and Tuna Sub 3 could be tested in terms of the arm's length nature of them by internal CUPs. A resale price method may also potentially be applied.

The global value chain of the entire group arrangement would be required. A transfer pricing advisor would develop a risk framework and recommendations following a full functional analysis, including functional interviews across the entities within the group. Any intercompany agreements would need to also be requested and examined.

Part 2

Comparability issues

Para 1.36 of the OECD Transfer Pricing Guidelines (2017) outlines the comparability factors as:

1) Contractual terms
2) Functions, assets and risks
3) Characteristics of property or services
4) Economic circumstances
5) Business strategies

In terms of the Ocean Fresh Group, all of the comparability factors must be considered when selecting and applying transfer pricing methods.

Candidates may note:

1) The contractual terms of all intercompany agreements between associated enterprises in the Ocean Fresh Group should be examined. It would be expected that there would be formal agreements in place for the contract research and development arrangement between Tuna Headco and Tuna Sub 4. There may also be agreements in place surrounding the intellectual property as well as the distribution functions.

2) A functional analysis of the Ocean Fresh Group would be conducted and any comparability analysis would give consideration to the functions, assets and risks of the tested party and comparables.

3) The characteristics of property or services would include the products purchased and distributed as well as any services provided within the group.

4) Economic circumstances in the different markets the entities of the Ocean Fresh Group are operating in would need to be considered.

5) The business strategies of the entities and comparables would be considered. For example, a subsidiary may be relatively new to the market and targeting a market penetration strategy to gain market share.

Part 3

Intellectual property and DEMPE

Reference is made to Chapter VI of the OECD Transfer Pricing Guidelines – Special consideration for intangibles. Any intangibles that exist within the Ocean Fresh Group need to be firstly identified. It is evident that intangibles exist as it is stated that Tuna Sub 4 legally owns all intellectual property for the group. Clearly, this arrangement will be discussed and issues raised, as highlighted below.

Ownership and DEMPE (development, enhancement, maintenance, protection and exploitation) need to be fully examined. This includes the form and substance of the intangibles.

Analysis of intangibles should involve an investigation of the commercial and financial relations of the entities within the group to delineate the transactions. A functional analysis should be performed to identify which entities are creating intangibles or adding value through the value chain.

Some specific issues that may be raised by candidates include:

- Who legally owns the IP?
- The legal form of the arrangement relative to the economic substance.
- Who performs the DEPME functions?
- What is the extent and nature of the research and development conducted?
- Has there been any transfer of IP?
- Is the remuneration of the arrangements arm's length?

If any restructuring has occurred, particularly in relation to the IP, implications in relation to the OECD BEPS Project, Actions 8 – 10 (Aligning Transfer Pricing Outcomes with Value Creation) and Chapter VI of the OECD Transfer Pricing Guidelines may include:

- Arm's-length pricing should be based on accurately delineated transactions.

- Analysis of the contractual relations together with evidence of the actual conduct of the parties, including control over risks.

- Where economically relevant characteristics of a transaction are inconsistent with contractual terms, the actual transactions should in general be identified based on the actual conduct of the parties.

- The legal form of the transaction relative to the economic reality of the transaction.

- Has there been an AL compensation for any potential transfer of assets?

PART B

Question 3

Part 1

Based on the facts provided, Smith Group does not have a subsidiary which is either incorporated or resident of Reedland. The project requires employees which are assumed to be usually located in Albinea to work in Reedland.

Article 5 of the OECD Model Tax Convention on Income and on Capital (OECD MTC) provides guidance on permanent establishments. Based on the facts it is not known whether Albinea or Reedland may have a Treaty/ Double Tax Agreement or whether they have domestic law in relation to permanent establishment. On this basis, the OECD MTC is relied upon to determine whether it is likely that Smith Group has a permanent establishment in Reedland.

Candidates are expected to refer to Article 5 of the OECD MTC or United Nations Model Double Taxation Convention in supporting their response. Candidates should reference the definition of permanent establishment and when a permanent establishment will arise (Article 5(1) and (2)). The facts provide that Smith Group doesn't operate through an office or physical place of business in Reedland.

It is possible that the project could be considered to be a building site, construction or installation project. However, Article 5(3) specifies that such a project would only be considered a permanent establishment if the project lasts more than 12 months.

Article 5(4) lists the exemptions to permanent establishment and based on the facts, it is unlikely that any of the exemptions would apply.

Further, noting that the contract was signed in Reedland by senior management of Smith Group, based on Article 5(5) it is unlikely that Smith Group would be habitually concluding contracts in Reedland based on the facts available.

In summary, based solely on the OECD MTC, Smith Group would unlikely satisfy the requirements of having a permanent establishment in Reedland.

Part 2

Based on the answer to (1), Article 7 covering Business Profits provides support that the profits from the project in Reedland should be wholly taxed in Albinea i.e. no profits should be attributed to Reedland.

Question 4

Candidates should articulate that Casuarina Group has undertaken a business restructure and reference the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, specifically:

- Chapter IX: Transfer pricing aspects of business restructurings.
- Chapter VI: Special considerations for intangibles (specifically C) regarding the transfer of intellectual property (IP) from HT Corp to IP Corp.
- Chapter X: Transfer pricing aspects of financial transactions.

Some of the points that candidates might raise include:

- Establishment of new entities in low tax jurisdictions will likely increase the risk of the arrangement. This may lead to a review or examination to consider the economic substance of the arrangement
- Explain that a business restructure has been undertaken referring to the facts.
- Consider whether under the arm's length principle if the conditions in the business restructure different from the conditions that would be expected from independent enterprises.
- Identify the commercial or financial relations between the parties
- Undertake a functional analysis to understand the global value chain and assist in economic substance of the group pre and post restructure. This should include identifying the restructure transactions (functions, assets and risks) both before and after the restructure.
- Understand the commercial reasons or justification and expected benefits from the restructure (including synergies).
- Consider whether arm's length compensation has been provided for the restructure.
- Consider the remuneration post restructure.
- Determine the economic substance of the transactions i.e. whether independent parties would have undertaken the restructure.
- Has there been arm's length compensation for transfer of assets (intellectual property) from HT Corp to IP Corp.
- Has Casuarina group documented the restructure, including decision making.
- Should an independent valuation have been undertaken for the transfer of IP?
- Arm's length nature of 5% royalty payment.
- Contractual terms relating to the IP.
- Whether IP Corp has the ability to undertake the functions relating to IP, including assume risk.
- Whether Manufacturing Corp should pay interest on the loan provided by HP Corp.
- Loss of profit making potential of HT Corp.

PART C

Question 5

Part 1

Candidates could respond with several valid recent international tax developments in relation to transfer pricing and e-commerce.

Base Erosion and Profit Shifting (BEPS) Action Item 1 on taxing the digital economy has been prioritised by the OECD. This is commonly referred to as BEPS 2.0. As digitisation has advanced significantly, most multinational enterprises operate business models which could be considered digital. The work under BEPS Action Item 1 has been much broader, with it unable to be ring fenced to digital enterprises. It is widely viewed that the existing international tax framework has not kept up to speed i.e. existing tax treaties are not capable of dealing with the taxation of such issues.

Some countries held the view that they missed out on their share of taxes from expanding and more profitable multinational digital companies. There is generally no requirement to have a significant physical presence in a country and in some instances, therefore no way for tax administrations to tax profits. This resulted in some jurisdictions applying digital services taxes on digital transactions, such as online advertising or sales of user data - unilateral measures with no co-ordination amongst countries. This lead to the OECD progressing work on Pillar One and Pillar Two, which is summarised below:

- Each pillar addresses a different gap in the existing rules that allow MNEs to avoid paying taxes.

- Pillar One (Amount A) applies to the largest and most profitable MNEs and re-allocates part of their profit to the countries where they sell their products and provide their services, where their consumers are (market jurisdictions). Without this rule, these companies can earn significant profits in a market without paying much tax there.

- Pillar One will result in a change in effector tax rate and cash obligations, as well as an impact on current transfer pricing arrangements.

- The timing for the introduction of Amount A is unknown and depends on its acceptance by a critical mass of jurisdictions.

- Under Pillar Two, a much larger group of MNEs (any company with over EUR 750 million of annual revenue) will now be subject to a global minimum corporate tax. With the new rule companies organising their affairs in a way that their profits in a given jurisdiction (whether in a low-tax jurisdiction or otherwise) are subject to an effective tax rate lower than the minimum rate, those profits would still be taxed at a minimum rate of 15%.

- Pillar Two aims to ensure that income is taxed at an appropriate rate and is complex, with substantial new forms of financial data.

- Jurisdictions are able to implement Pillar Two from 1 January 2024 (Income Inclusion Rule and domestic minimum tax), with Undertaxed Payments Rule applying from 1 January 2025.

Candidates may also refer to BEPS Actions 8 to 10 on transfer pricing and value creation:

- Although not as recent as BEPS 2.0, the OECD has updated the TPG on a new approach to intellectual property (IP) ownership and the allocation of profits amongst associated enterprises. This considers intangibles in terms of their development, enhancement, protection and exploitation (commonly referred to as DEMPE).

- This resulted in updates to the TPG on risk allocation which considers control over risk, in addition to contractual allocations of the risk in the determination of risk allocation.

- This essentially requires substance in relation to IP development.

- This has resulted in the inclusion of OECT TPG Chapter VI: Special Considerations for Intangibles.

Part 2

Candidates may provide a range of responses. For example:

- Complete country-by-country reports accurately as this provides increased transparency to tax administrations.

- Prepare good quality contemporaneous documentation which is consistent in each jurisdiction in which they operate. By having documentation ready this supports that a multinational has considered, resourced and have a consistent transfer pricing framework.

- Ensure that you follow the arm's length principle as set out in the OECD TPG

- Ensure that your tax function is well resourced (or you utilise professional advisors)

- Ensure that you have good corporate governance

- Consider entering into Advance Pricing Arrangements (APAs) for material cross border transactions to provide tax certainty

- Utilise safe harbours published by tax administrations i.e. if a taxpayer complies with a safe harbour, a tax administration will generally not allocate resources to undertake further compliance activities

Question 6

Part 1

Cost contribution arrangements (CCA) is covered in Chapter VIII of OECD TPG.

Paragraph 8.5 provides that CCAs can apply to the development, production or obtaining of intangible or tangible assets.

Further, a CCA can be for obtaining services (refer to paragraph 8.10).

For example, it could the development of a new pharmaceutical active ingredient by associated enterprises undertaking research and development.

Most commonly in practice a CCA is in relation to intangible property.

Part 2

Countries have generally widely adopted the definition of permanent establishment (PE) in their domestic legislation and tax treaties based off the definition in Article 5 of the OECD Model Tax Convention on Income and on Capital (OECD MTC). In general terms, a PE means having a taxable presence outside your company's country of residence. It requires having a physical presence, such as a fixed place of business in another jurisdiction and will vary from country by country and treaty by treaty.

The primary meaning of PE is set out in Article 5(1) as "a fixed place of business through which the business of an enterprise is wholly or partly carried on". Article 5(2) includes a branch, place of management, office, factory, workshop, and mine or other place of extraction of natural resources, while Article 5(3) includes a building site or construction project that lasts more than 12 months. Certain activities are exempted from the definition of PE are listed in Article 5(4). Many of these relate to the sale of goods into a jurisdiction by a foreign enterprise. Other elements of the PE definition address activities of independent or dependent agents on behalf of a foreign business (Article 5(5) and (6)) and state that a company does not automatically have PE status merely because another company in the same MNE group has a PE in a country (Article 5(7) and (8)).

The definition of a PE is critical to determining whether a non-resident enterprise may pay tax in another country. Tax treaties (and Article 7: Business profits) generally provide that the business profits of a foreign enterprise are taxable in a jurisdiction only to the extent that the enterprise has in that jurisdiction a permanent establishment to which the profits are attributable. Having a PE means that profits are potentially taxable in two countries. Only the taxable profits directly attributable to the activities of the PE should be subject to local tax. This means that the arm's length principle will apply as if the PE was a separate or independent entity, similar to associated enterprises (for example, parent entity and foreign subsidiary).

Question 7

Part 1

The transfer pricing provisions are applied before the thin capitalisation provisions in determining the deduction allowable for the pricing of debt.

The transfer pricing provisions, and the thin capitalisation rules have different functions. The function of the transfer pricing provisions is to ensure that tax administrations can counter 'non-arm's length transfer pricing' or 'international profit shifting' arrangements. They provide a mechanism by which tax administrations adopt the accepted 'arm's length principle' for taxation purposes to the ensure that conditions which would have existed between independent parties dealing at arm's length (or independently) with each other under comparable circumstances.

Under the thin capitalisation rules, the amount of debt used to fund the operations of certain entities limited. The rules generally disallow a deduction for a portion of specified expenses an entity incurs in relation to its debt finance, its debt deductions. The rules apply when the entity's debt-to-equity ratio exceeds certain limits.

Provisions of tax treaties (or the OECD MTC), notably the Business Profits Article and the Associated Enterprises Article, contemplate adjustments to profits to reflect the outcome that would be achieved if cross-border dealings had been conducted in accordance with the arm's length principle.

Part 2

Tax authorities frequently focus on multinational groups that make losses over several years. Tax authorities can often find transfer pricing policies that are not in compliance with the arm's-length principle. This observation is supported by the OECD TPG (refer to paragraph 1.129 – 1.131).

According to the OECD TPG, when company that is part of a multinational group consistently returns losses while its multinational parent remains profitable, tax authorities must analyse its tax practices, focusing on its the transfer pricing policies.

This is because an independent company would not consistently recurring losses for an undetermined period. It would rather, under those conditions, opt to cease its activities. However, a company that belongs to a multinational group can tolerate such losses if its commercial activities generate benefits for the multinational group as a whole.

In some cases, as provided for by the OECD TPOG, recurring losses, borne for a reasonable period, can be justified by a company strategy of establishing low prices in order to enter a market and launch a new product. However, those low prices can only be applied for a limited period with the goal of increasing profits in the long term.

It largely depends on the facts and circumstances whether an independent party would consistently make losses.

Part 3

The BEPS Action 13 report (Transfer Pricing Documentation and Country-by-Country Reporting) provides a template for multinational enterprises to report annually and for each tax jurisdiction in which they do business the information set out therein. This report is called the Country-by-Country (CbC) Report.

The first exchanges of CbC reports took place in June 2018 and tax administrations are incorporating CbC reports into their tax risk assessment and assurance processes to understand better the risks posed to their jurisdictions.

The OECD mandates that appropriate use of CbC by tax administrations is restricted to:

- high level transfer pricing risk assessment.
- assessment of other base erosion and profit shifting related risks.
- economic and statistical analysis, where appropriate.

Question 8

Part 1

Reference is made to Chapter VII of the OECD Transfer Pricing Guidelines – Special considerations for intra-group services.

The first key consideration in relation to intra-group services is whether they have been provided before moving onto an analysis of the arm's length nature of them. Examples of intra-group services include administrative, accounting, human resources, marketing and sales, research and development.

Some of the main issues candidates may raise include:

- Benefits test – has a benefit been received and would an independent party have been willing to pay for the services.

- Shareholder activities – not considered to be an intra-group service and therefore not chargeable given at the shareholder level (e.g. costs of compliance for the parent company, shareholding costs, listing, meetings, costs ancillary to the governance of the MNE).

- Duplication – performing for itself and another member.

- Incidental benefits – e.g. economic benefits for members in a group not directly involved in a decision and a shareholding or co-ordination centre.

- Centralised services – activities such as administrative, accounting that a central entity performs for other members of the group and are remunerated for.

- Form of remuneration – e.g. service fee, commission.

- Determining an arm's length charge:

    - Identification of actual arrangements for charging intra-group services

    - Direct charge methods – charge for specific intra-group services.

    - Indirect charge methods – cost allocation and apportionment methods such as allocation keys of staff hours, turnover, orders processed.

- Calculation of an arm's length remuneration is based on the value of the intra-group service and how much a comparable independent enterprise would be willing to pay for the service.

- Low value adding intra-group services – e.g. back office administrative services (cost plus 5%) compared to higher value adding services such as highly technical engineering services.

Part 2

A safe harbour is a set of circumstances in which taxpayers could follow a simple set of rules under which transfer prices would be automatically accepted by tax administrations.

Benefits of safe harbours include:

- Transactions can be filed with greater certainty;
- A lower cost of compliance given a lower risk of review or audit by tax administrations;
- Contribute towards a robust tax risk management framework;
- Developing a more collaborative relationship with tax administrations;
- Reduce the tax risk profile of the group;
- Provides a more optimal use of resources; and
- Reduce administrative burdens.

Issues with safe harbours:

- Impact on the tax calculations of associated enterprises in other jurisdictions.

- Difficulty in establishing satisfactory criteria for defining safe harbours and production of non-arm's length prices.

- Risk of double taxation and MAP difficulties.

- Possibility of opening up avenues for tax planning.

- Equity and uniformity issues.

Question 9

This is a broad question that allows candidates the opportunity to reflect on and respond to it through the OECD/G20 BEPS Project since inception in 2015 having regard to tax administrations and taxpayers' perspectives.

Working together in the OECD/G20 Inclusive Framework on BEPS, over 140 countries and jurisdictions are implementing 15 Actions to tackle tax avoidance, improve the coherence of international tax rules, ensure a more transparent tax environment and address the tax challenges arising from the digitalisation of the economy.

The BEPS package provides 15 Actions that equip governments with the domestic and international instruments needed to tackle tax avoidance. Countries now have the tools to ensure that profits are taxed where economic activities generating the profits are performed and where value is created. These tools also give businesses greater certainty by reducing disputes over the application of international tax rules and standardising compliance requirements.

OECD and G20 countries along with developing countries that are participating in the implementation of the BEPS Package and the ongoing development of anti-BEPS international standards are establishing a modern international tax framework to ensure profits are taxed where economic activity and value creation occur. Work is being carried out to support all countries interested in implementing and applying the rules in a consistent and coherent manner, particularly those for which capacity building is an important issue.

Candidates may discuss the OECD Pillars 1 and 2 as well as any of the 15 BEPS action items in terms of implementation and impact.