1. The Global Forum on Tax Transparency intensifies the pressure on tax evaders worldwide

The aftermath of the release of the “Paradise Papers”, 200 delegates from more than 90 delegations met in Yaoundé, Cameroon.

The Global Forum adopted the first report on the status of implementation of the Automatic Exchange of Information (AEOI) Standard a few weeks after almost 50 countries started exchanges of information under the new standard on automatic exchange of information, with another 53 countries starting in September 2018. The principle of annual implementation reports and peer reviews were agreed at the meeting to ensure effective implementation and a level playing field.

Delegates at the Yaoundé meeting also agreed that the countries and jurisdictions working within the Global Forum as well as within the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) could provide support to the European Union on its current listing exercise to identify third country jurisdictions that fail to comply with tax governance standards.

2. US House passes tax reform plan with overhaul of international tax system

The US House of Representatives passed a rewrite of the tax code, agreeing to proposals which would dramatically revise the US international tax system.

The House bill would move the US to a territorial tax system, accomplished by a foreign dividends received deduction. This is coupled with a deemed repatriation of existing earnings held offshore.

The bill’s deemed repatriation tax rate was set at 14 percent for accumulated earnings comprised of cash or cash equivalents and 7 percent for other earnings.

The plan is buttressed by base erosion rules that require US parent corporations to pay current tax on one half their subsidiaries’ “foreign high returns,” namely, an amount considered greater than a routine profit. This provision is designed to discourage MNEs from shifting property, such a intangible property and risks, to low tax jurisdictions.

3. Juncker criticizes Luxembourg over EU-Wide approach to taxation of Multinationals

Shortly after European Commission President Jean-Claude Juncker criticized his former government for not embracing proposals to tax multinational technology companies on their European turnover, Luxembourg Prime Minister Xavier Bettel said that while he is in favor of any initiative likely to improve the regulatory framework, a turnover tax is not the way to do it.

In an interview Juncker said the Luxembourg government is making a historical mistake by “not wanting to impose at the appropriate levels the profits of multinationals that act globally but do not pay the tax due."

In September, the French government proposed the quick implementation of an “equalization tax” based on the turnover of large technology companies such as Google, Apple, Facebook, and Amazon. The so-called GAFA group has been accused of avoiding European national taxes by artificially shifting a large part of their European revenues from higher-tax countries to jurisdictions with lower rates.

Bettel responded it is unacceptable that multinationals pay little or nothing in the way of tax. "Luxembourg is open to the discussion on digital taxation, but within the framework of the OECD and by taxing profits rather than turnover," he said.

4. MEPs demand finance ministers and Council step up fight against tax evasion

The Council and finance ministers were sharply criticised by MEPs for their lacklustre performance in fighting tax evasion and avoidance.

The criticism came during an urgent debate prompted by the latest media leaks on offshore tax havens, dubbed the “Paradise Papers.” Finance ministers should not hide behind unanimity rules in the battle against tax avoidance, said MEPs.

MEPs from across the political spectrum lamented the sharp practices used by the super-rich and multinationals to hide their wealth, as revealed in successive leaks including Luxleaks, the Panama Papers, and most recently, the Paradise Papers. The names of the individuals involved may change, but the mechanisms remain the same, added one MEP.

5. Ireland must not overextend welcome to multinationals

US technology and pharmaceutical companies are some of the world’s most high-profile companies. The US has a unique system that facilitates, and to a certain extent encourages, companies to split their taxable profit into domestic and foreign, based on the location of their customers. The location of customers does not determine where a company owes tax on its profits, but it can determine when a US company pays its US tax.

One of the aims of the OECD’s Base Erosion and Profit Shifting (BEPS) project is to improve the alignment of profits with the substance that generates that profit. For US companies we know that this substance is in the US but as long as the US approach to transfer pricing considers the profits to be “offshore”, the shell game will continue.

Whether by accident or design, Ireland has found itself central to all of this. And is likely to become even more so. By changing our residency laws, Ireland moved against profits that were “stateless” and over the next few years the various BEPS proposals will limit the ability of US companies to shift profits to small islands with no corporate taxes which will see the end of “double-Irish”.

Source: https://www.irishtimes.com/opinion/ireland-must-not-overextend-welcome-to-multinationals-1.3287327
6. U.K. Government urged to implement Public CbC reporting

The Paradise Papers revelations show that tax avoidance has become “a scourge on our society" and illustrate the need for public country-by-country reporting, Dame Margaret Hodge, chair of an all-party parliamentary group on responsible tax, told members of the U.K. Parliament as she led an emergency debate while the government continued to defend its record of tackling avoidance and evasion.

Much of the debate focused on arguments for greater transparency, and Hodge said the government should now implement legislation requiring multinational companies to report publicly their profits and taxes on a country-by-country basis. The government has said it continues to support the development of a public CbC reporting model that operates on a multilateral basis.

“Let us get country-by-country reporting by multinationals in the public domain so that we can all see how much profit they are making and in which territory, and compare that information with their turnover there, how many employees they have, and what assets they have. That is perfectly fair information; it is not greatly enhanced disclosure,” MP Nigel Mills added.

7. EU Commission releases preliminary State aid decision on UK CFC regime

The European Commission released a non-confidential version of its decision to open a formal investigation into the UK’s controlled foreign company (CFC) regime.

The Commission’s preliminary finding is that the group financing exemption under the CFC rules, conflicts with the provisions of State aid. The group financing exemption allows for certain non-trading profits that meet at least one of four tests can be either partially or fully exempt for CFC charge.

The focus of the Commission is establishing selective advantage. The Commission believes that the group financing exemption is a derogation from the reference framework (CFC regime). Allowing certain companies to be exempt from the CFC charge contradicts the purpose of the CFC regime, which is to ensure the taxation of profits which are artificially diverted from the UK into UK controlled non-resident associated entities, the Commission said.

8. India clarifies indirect transfer tax for foreign private equity, venture capital funds

India’s Central Board of Direct Taxes (CBDT) issued new clarifications on applicability of the indirect transfer tax provisions to foreign investors such as private equity and venture capital funds investing in India.

Under the Indian Income Tax Act, gains arising from transfer of shares of an offshore entity (i.e., entity incorporated outside India) can be taxable in India if the offshore entity’s shares derive their value ‘substantially’ from assets located in India.

Since the introduction of these provisions, there have been several concerns raised and representations made by foreign investors, including private equity and venture capital funds investing in India.

Moreover, the CBDT has not specified the effective date for implementing these clarifications. The expectation is that there may be further clarifications on some of these points, perhaps at the time of the release of the Finance Bill 2018.

9. Singapore: Tax incentives meet international BEPS standards

Singapore is an “associate” jurisdiction under the base erosion and profit shifting (BEPS) project, and under the BEPS inclusive framework, Singapore’s status as a BEPS associate has been reviewed by the Forum on Harmful Tax Practices.

Tax incentives available in Singapore were reviewed and found to be “not harmful” under the peer review standards. Thus, the peer review outcome indicates that Singapore’s tax incentives meet international tax standards.

10. Taiwan updates transfer pricing, CFC rules

New orders released by Taiwan’s Ministry of Finance (MOF) update the country’s transfer pricing documentation rules to reflect recent OECD implementation guidance and set specific rules for controlled foreign companies (CFC) owned by individual shareholders.

The MOF’s order on transfer pricing documentation says Taiwan should follow other countries in conforming its rules to guidance issued after the country first adopted the master file, local file, and country-by-country reporting requirements set out in the OECD’s final report on action 13 of the base erosion and profit-shifting project.

The MOF also issued rules on the application of its CFC rules to individual shareholders. The rules require that shareholders calculate their share of income of a CFC in proportion to their shareholding ratio and include that amount in their taxable personal income. According to the individual shareholder CFC rules, the threshold for low taxation, the availability of loss carryforwards, and access to double taxation relief will depend on Taiwan’s treaty relationship with the CFC country. This approach will allow the government to “at the same time safeguard the fairness of taxation and balance the interests of economic growth and taxpayers,” the government explanation says.