

Peter Barnes Comments on BEPS Shifts From Talk to Action in 2015

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Bloomberg BNA

Bloomberg BNA quoted Peter A. Barnes concerning the Base Erosion and Profit Shifting (BEPS) action plan and how it will trigger radical changes in domestic law and regulation around the globe in 2015 and beyond. For the complete article, please click on the link above.

Excerpt taken from the article.

Unilateral BEPS Measures

Although the BEPS project will not issue its final slew of reports until September 2015, some countries already are taking unilateral legislative action in order to adopt key BEPS concepts, a course of action bemoaned by companies and their advisers who believe such measures will destabilize the international tax system.

Peter Barnes of Caplin & Drysdale in Washington, D.C. said examples of BEPS measures taken by governments to date include:

- the United's Kingdom adoption of country-by-country reporting and a proposal for a new diverted profits tax effective April 1, 2015;
- Spain's adoption of new audit guidelines focusing on the digital economy and hybrid mechanisms;
- Hungary's guidance on cases of double non-taxation;
- Norway's new limits on interest deductions;
- Mexico's new requirements on treaty benefits eligibility; and
- Switzerland's focus on tax reform to address BEPS concerns.

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Tax Competition

As the OECD works toward consensus on the discussion drafts this spring, some observers question whether the BEPS project ultimately will be able to stem the drive toward tax competition among participating countries.

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Barnes observed that the impulse to play off one tax system against another is not an exclusively foreign phenomenon. U.S. states have engaged in tax competition for years, and are "not the least bit embarrassed in saying 'we won't tax you; come to me.' "

It is "a little bit odd," he said, "that we fully accept U.S. states, including Texas, doing stuff that the BEPS exercise suggests that Luxembourg, Ireland, Switzerland, Singapore, and Bermuda cannot do."

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