

Request for input

**BEPS ACTION 11:
Establish methodologies
to collect and analyse
data on BEPS and the
actions to address it**

4 August 2014 – 19 September 2014



REQUEST FOR INPUT ON ACTION 11 OF THE BEPS ACTION PLAN REGARDING WORK ON ESTABLISHING METHODOLOGIES TO COLLECT AND ANALYSE DATA ON BEPS AND THE ACTIONS TO ADDRESS IT

Background

1. The Action Plan on Base Erosion and Profit Shifting (BEPS) was launched at the request of the G20 Finance Ministers in July 2013. The G20 leaders fully endorsed the Action Plan at their meeting in St. Petersburg on 5-6 September 2013.¹

2. The Action Plan sets forth 15 actions to tackle BEPS in a comprehensive and coordinated way. Development and implementation of the 15 actions in the Action Plan is intended to improve the rules for the taxation of cross-border profits. The aim is to ensure that profits are taxed where the economic activities that generate them are carried out and where value is created. Analysing the scale and economic impact of BEPS and monitoring and evaluating the effectiveness and economic impact of BEPS counter-measures are important means of ensuring transparency.

3. According to the Action Plan:

“Improving the availability and analysis of data on BEPS is critical, including to monitor the implementation of the Action Plan. The BEPS report notes that there are several studies and data indicating that there is an increased disconnect between the location where value creating activities and investment take place and the location where profits are reported for tax purposes. The report noted that further work needs to be done to evaluate such studies, to develop measures of the scale and effects of BEPS behaviours, and to monitor the impact of measures taken under the Action Plan to address BEPS. This should include outcome-based techniques, which look at measures of the allocation of income across jurisdictions relative to measures of value creating activities, as well as techniques that can be used to monitor the specific issues identified in the Action Plan. Accordingly, it is important to identify the types of data that taxpayers should provide to tax administrators, as well as the methodologies that can be used to analyse these data and to assess the likely economic implications of BEPS behaviours and actions taken to address BEPS.”

4. Against this background, the BEPS Action Plan includes the following description of the work to be undertaken in relation to measuring the scale and economic impact of BEPS and actions taken to address BEPS:

“ACTION 11– Establish methodologies to collect and analyse data on BEPS and the actions to address it: Develop recommendations regarding indicators of the scale and economic impact of

¹ The G20 leaders welcomed the establishment of the OECD/G20 BEPS project in which all eight non-OECD G20 countries (Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia and South Africa) and OECD Accession countries (Colombia and Latvia) are Associates in the BEPS Project and participate on an equal footing with OECD countries.

BEPS and ensure that tools are available to monitor and evaluate the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis. This will involve developing an economic analysis of the scale and impact of BEPS (including spillover effects across countries) and actions to address it. The work will also involve assessing a range of existing data sources, identifying new types of data that should be collected, and developing methodologies based on both aggregate (e.g. FDI and balance of payments data) and micro-level data (e.g. from financial statements and tax returns), taking into consideration the need to respect taxpayer confidentiality and the administrative costs for tax administrations and businesses.”

5. Action 11 includes a number of analyses and tasks, which broadly fall within four categories:
 - A. Recommend indicators of the scale and economic impact of BEPS, including identifying and assessing a range of existing data sources.
 - B. Develop an economic analysis of the scale and impact of BEPS (including spillover effects across countries) including developing methodologies based on both aggregate and micro level data.
 - C. Develop an economic analysis of the effectiveness (whether the measure is achieving its intended objectives) and impact of actions to address BEPS indicated in the BEPS Action Plan.
 - D. Recommend tools to monitor and evaluate the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis, including identifying and assessing new types of data needed for the tools.

6. The Action Plan also provides that “[t]he OECD’s work on the different items of the Action Plan will continue to include a transparent and inclusive consultation process” and that all stakeholders such as academia, business, non-governmental organisations, and think tanks would be consulted.

7. The work on Action 11 is being done by the Committee on Fiscal Affairs’ Working Party No. 2 on Tax Policy Analysis and Tax Statistics and its Action 11 Focus Group. A number of existing and potential economic analyses of BEPS, including those highlighted in Chapter 2 and Annex B of Addressing Base Erosion and Profit Shifting (OECD, 2013) have been considered by the Working Party. The limited empirical studies provide evidence of BEPS, but are often done for a single country or single tax planning strategy, or with aggregated or non-tax financial data.

8. The Action 11 work aims to produce an overview of several different economic analyses of BEPS using different data and methodologies that will give a potential range of the scale (i.e. magnitude of the change in overall tax receipts) and economic impacts (i.e. effects on total and geographic location of employment, investments in physical and knowledge-based capital, competition, etc.). Such an approach will be supported by the development of a range of indicators that are broadly correlated with BEPS behaviours and outcomes, which can indicate changes over time and across countries. A significant focus of the Action 11 work will be on developing indicators and tools that will assist in the monitoring and evaluation of the effectiveness (i.e. effectiveness of achieving desired outcomes) of actions taken to address BEPS on an on-going basis.

9. There will also be careful consideration of existing and new data that may need to be collected to assist in the monitoring and evaluation of actions taken to address BEPS, taking into account the need to maintain the confidentiality of taxpayers and minimise administrative and compliance costs upon taxpayers and tax administrations. WP2 and the Focus Group have analysed a number of databases, indicators or sets of indicators, or economic methodologies. Firm-specific approaches have advantages over aggregate

approaches of potentially separating BEPS behaviours from real economic activity. It will be important to acknowledge the focus and limitations of particular databases, indicators and methodologies.

Request for Input

A. Indicators of the scale and economic impact of BEPS

A.1. Indicators should be understood as tools aimed at providing general magnitudes or ranges which could be tracked to show trends over time for an individual country or globally, rather than necessarily being precise estimates of the scale and economic impact of particular BEPS behaviours (i.e. cases of no or low taxation associated with practices that artificially segregate taxable income from the activities that generate it.) or its total impact. Please provide any suggestions for possible indicators or sets of indicators that could be used on the basis of available existing data. Suggested indicators could be based on entities, cross-border groups of enterprises, tax jurisdictions or the global level, however, all types of indicators are welcome. Please note any caveats or limitations with the suggested indicators and data.

A.2. Please describe in detail what relevant data are currently collected and available for analysis in a specific country or for a larger group of countries. Please describe any other existing datasets that you are aware of that could be utilised to analyse and monitor BEPS, such as commercially available datasets. Please note whether the dataset contains information on companies' country of incorporation and/or tax residence.

B. Economic analysis of the scale and impact of BEPS

B.1. Measuring the scale and impact of BEPS (or the effects of counter-measures) could benefit from a baseline or "counter-factual" concept of corporate activity unaffected by BEPS behaviour. Please provide any suggestions on how to define and measure the non-BEPS counter-factual, or what issues should be excluded in a quantitative measure of BEPS.

B.2. Please identify any potential methodologies for estimating the scale and impact of particular BEPS behaviours (either individually or in aggregate) based on available existing data for an individual country or globally. Methodologies using both available aggregate statistics as well as micro-level data are welcome. Please note any caveats or limitations with the suggested methodologies. For example, many data items in national accounts, financial statements, and tax returns may be impacted by BEPS behaviours, so what adjustments might be needed to reflect the BEPS behaviours, if any.

B.3. Effective tax rates (ETRs) are used in many studies of the economic effects of BEPS. There are many different types of ETRs. Please suggest which specific ETRs should be used when measuring different types of BEPS behaviours and how to interpret them. If citing a particular analysis please be clear about the specific ETR being used, why it was selected, and any limitations. Effective tax rate measures may not capture all of the legislative and regulatory elements that affect BEPS behaviours. Please discuss any considerations of those other factors and how they might be included in an empirical analysis or how ETRs might be adjusted for them.

B.4. Please provide suggestions for currently available and potentially available data, methodologies, and available studies to assess BEPS-related spillover effects. Spillover effects may occur across countries (e.g. BEPS-related tax policy aspects of one country that affects other countries' economies) as well as within countries (e.g. competitive effects). Please note any caveats or limitations with the suggested methodologies.

C. Economic analysis of the impact and effectiveness of actions to address BEPS

C.1. Please provide any suggestions on additional existing available data and methodologies to develop economic analysis of the effects of BEPS counter-measures. If these data or methodologies are already mentioned above, please note their relevance for this purpose and indicate how they should be used. Are there specific sources of data, methodologies or analyses of any actions taken to address any of the particular BEPS behaviours discussed in the other BEPS action items?

D. New types of data to be collected and tools to monitor the effectiveness of the actions taken to address BEPS on an ongoing basis

D.1. Please provide any recommendations for new types of data, including types of data that taxpayers should provide to tax administrators, to be collected as part of future indicators for monitoring the effectiveness of BEPS counter-measures and to improve economic analysis of BEPS. Please note how the data could be used, and any caveats or limitations of the dataset. Also, please comment on how the suggested data might be used in such a way to respect taxpayer confidentiality and minimize the administrative costs for tax administrations and businesses.

D.2. Please provide any recommendations for additional tools, beyond those indicators specified in A.1., that could be used to monitor the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis.

E. Other comments

E.1. Please provide any other comments you may have regarding Action 11 of the BEPS Action Plan, including any additional information that you would consider useful in identifying tools and methodologies to analyse BEPS and the actions to address it.

E.2. If you have conducted research and analysis of the scale and economic impacts of BEPS and potential countermeasures, we invite you to share your analyses and datasets.

E.3. Responses to this invitation should be sent electronically (in Microsoft Word format) by email to CTP.TPS@oecd.org by 19 September 2014 at the latest. Unless otherwise requested at the time of submission, responses to this invitation will be posted on the OECD website. In order to maximise the effectiveness of your input we suggest you provide only brief comments or references to any publications that may contain more details. If you are making this submission on behalf of an organisation, please provide the name of the organisation.