
Japan's perspective on BEPS project

~ as a facilitator and a participant ~

The 7th IMF-Japan High-Level Tax Conference
for Asian Countries in Tokyo

April 6 2016
Takuji Tanaka
Deputy Director General Tax Bureau
Ministry of Finance, Japan

Background of the BEPS Project

➤ Seeds of Cooperation on International taxation

- 1998 OECD reported *“Harmful Tax Competition - An Emerging Global Issue”*
- 2000 OECD started *“Harmful Tax Project”*
 - ✓ *List of harmful tax practices and names’ of so-called “tax heaven” became publicly available.*
 - ✓ *concept of “substantiality discipline” was identified*

➤ Trigger of BEPS Project

- 2008 Global Financial Crisis required sizable fiscal stimulus including bailout.
 - ✓ Aggressive tax planning by some multinational corporations caught public attention
 - ✓ Public anger against unfair tax burden for financing necessary fiscal spending to cope with the

Historic Value of the BEPS Project

1. Inclusive participation

- ✓ OECD member countries and non-OECD G20 countries on an equal footing
- ✓ 14 non-G20 developing countries as an invitee status
- ✓ Business and civil society through a number of public consultations and outreach programs

2. Global cooperation in international taxation through changing domestic legislation

3. From “preventing double taxation” to “eliminating double non-taxation”

Better alignment of the location of taxable profits with the location of economic activities and value creation

Key issues in BEPS Implementation Phase

- 1. Reviewing and monitoring implementation status**
- 2. Finalizing remaining technical issues**
- 3. Providing supports and guidance to countries for implementing the package**

Relevance of BEPS Project to Developing Countries

Implementation of BEPS package will provide:

1. More predictable and consistent tax system and administration for taxpayers;
2. Enhanced investment climates for investors; and
3. Clearer picture on business activities of multinational cooperation for tax authorities.

G20 leaders' communique (16 November 2015)

“We acknowledge that interested non-G20 developing countries’ timing of implementation may differ from other countries and expect the OECD and other international organizations to ensure that their circumstances are appropriately addressed in the framework”.

Japan's action to address BEPS

◆ Implementing BEPS outcomes and automatic exchange of financial account information through domestic legislation

➤ *Actions already taken*

- Action item 1 (Addressing the Tax Challenges of the Digital Economy) → *FY 2015*
- Action item 2 (Neutralising the Effects of Hybrid Mismatch Arrangement) → *FY 2015*
- Common Reporting Standard → *FY 2015*
- Action item 13 (Transfer Pricing Documentation and Country-by-Country Reporting) → *FY 2016*

➤ *In a couple of years...*

- *Steadily implementing new standards set by BEPS project outcome and will address remaining issues including through amending relevant laws and guidelines*

3Cs for Success: Communication, Coordination, Collaboration

Meeting of G20 Finance Ministers and Central Bank Governors' communique (Shanghai, 26-27 Feb. 2016)

“We also welcome the new proposal of developing a tax platform jointly by the IMF, OECD, UN and WBG, and call on them to recommend mechanisms to help ensure effective implementation of technical assistance programs, and recommend how countries can contribute funding for tax projects and direct technical assistance, and report back with recommendations at our July meeting framework”.

Join the “Inclusive Framework” and the historical work of the BEPS Project.

Hope to see you all in Kyoto !! Thank you.