

Base erosion and profit shifting

Business



Base Erosion and profit Shifting (BEPS) al Affiliation Base Erosion and profit Shifting (BEPS) As the term refers, this are the planning strategies that are used in tax to capture and exploit the in between information and gaps that are in the taxing rules and policy strategies in order to make the profits to be shifted to the areas where there is little activity making the taxes to be low hence resulting to low corporate tax to be paid by the citizens. Most of the people including the OECD do not term the BEPS to be illegal because most of the schemes used in the taxation are illegal making the tax administration committee to fight against them. Despite of the people's opinions, the BEPS are relevant hence resulting to some effects. This causes the distortion of the competition where the cross border operations will benefit from the profits due to the introduction of the BEPS opportunities. This will be an advantage to the domestic business where they will experience the competition. (Poterba, 2007, p. 625) This also makes the allocation to be inefficient respective of the resources hence affecting the decisions made by the investment authorities.

The OECD is interested in the BEPS at this time because it needs to control the aggressive taxing which has been the hottest topics in the country. This has been made top in the political game in the OECD countries. With the view of the OECD, the BEPS is not the main problem created by the companies in the respective countries instead, it is the rules in the taxation that is the problem. The OECD openly blames the countries for having the wrong rules for the business making the business to have difficulties. The OECD is majorly against the harmful taxation in the competition in the field of business (Aronsson & Sjögren, 2003, p. 750).

The BEPS has got a number of results in the business mostly in the <https://assignbuster.com/base-erosion-and-profit-shifting/>

combination of its strategies both at home and at the host countries hence this will make the domestic tax to be levied (Poterba, 2007, p. 626). This will also affect the domestic tax systems whereby the income will be taxed by more than one jurisdiction in the domestic level hence creating double taxation. As stated early, gaps will also be introduced by the BEPS making the income not to be taxed.

In the process, there will be winners and losers where by the developing countries will also face challenges in regard to the BEPS because of their poor national legal and business platforms concerning taxation. They will need supporting groups like the global Fora on the treaties of tax to help them in developing the countries (Aronsson & Sjögren, 2003, p. 752).

With the BEPS action plan, there will be an improvement of the tax standards internationally in the principles of Coherence, Transparency and Substance. We as citizens will benefit from the digital economy which will be improved by the BEPS. This will also lead to innovative in the developing countries making them to drastically improve with the help of the action plan.

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