What is the paradigm shift?
The Organization for Economic Co-operation and Development (OECD) BEPS Action Plan is now an imminent reality for companies with a regional and multinational tax footprint. It is noted that the majority of sizable and impactful economies have committed or already adopted legislative changes based on these principles. The provisions and tools provided by the OECD and driven by G-20 members assist in undertaking multilateral and/or unilateral actions, as the case may be, in order to implement anti-tax avoidance measures.

The central theme of the OECD’s BEPS Action Plan revolves around:
1. Increased tax transparency
2. Standardized reporting of business models
3. Substance driven legal entity structures
4. Transfer pricing practices employed by multinationals

What brought this change?
The tax environment in which companies operate is changing. The key changes and challenges faced by multinational enterprises include:

- Lingering economic uncertainty is increasing pressure on many companies to cut costs. Tax authority mandates to boost revenue also add complexity
- Globalization driving centralization of finance, tax and other functions
- Companies are expected to improve their governance, accountability and transparency in all areas, including tax
- Domestic and international tax rules are being modified in order to more closely align the allocation of income with the economic activity that generates that income (introduction of substance requirements in low tax jurisdictions such as the UAE, Cayman Islands, Jersey, etc.)
- Regulations require more disclosure of global tax data to tax authorities, in some cases, publicly (such as CbCR)
- Increased public scrutiny leading to governments’ demands for “fair share” tax payments where profits are earned
Who is impacted?
These developments have potential implications far beyond the traditional tax function, driven by tax compliance and management of a group’s effective tax rate. Many areas could be affected, including corporate brand, governmental affairs, corporate social responsibility, shareholder relations, finance, accounting and information technology systems.

What is the need of the hour?
Understanding and addressing BEPS-related developments and their potential impact is more important than ever. The tax function will play an integral role in the success of any organization, as more and more stakeholders take interest in efficiency and effectiveness. There is a persuasive argument for the transformation of the traditional tax function in order to improve performance, manage risk and deliver value.

How can KPMG Lower Gulf assist?
– Our impact assessment tool can support a better understanding of the potential effects of the Action Plan. We can help in assessing the historic tax positions and readiness of UAE-headquartered entities for a BEPS world
– Support in identifying aspects of an entity’s multinational organizational and business structure that may present areas of concern under the OECD’s BEPS recommendations based on various factors, including legal entity structure, existing operating model, intangible property ownership and exploitation, transfer pricing policies and documentation, key legal entity tax attributes and current tax positions (particularly those relying on a tax treaty), tax rulings, and inter-company and third-party
– financing structures Estimate the potential impact of the OECD’s BEPS recommendations for a company, from a cash tax and effective tax rate perspective with relevant quantifications
– Support development of sustainable tax structures in preparation for a post-BEPS environment
– Assist with design and implementation of governance frameworks, tax strategies, and tax policy and risk frameworks that enable tax management
– Identify knowledge and skillset gaps in the tax function through analysis of the current state and provide recommendations for improvement