

BEPS implementation: Multilateral Convention negotiated

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As OECD reported in its press release, on 24 November 2016, more than 100 jurisdictions concluded the negotiations on the text of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (hereinafter - the "Convention"). Please follow this [link](#) for text of the document.

Ukraine participates in the process as a member of the ad hoc Group on the Convention.

It is expected that the Convention will transpose results from the OECD/G20 Base Erosion and Profit Shifting Project (BEPS) into more than 2 000 tax treaties worldwide.

The Convention should enable all Parties to meet the treaty-related minimum standards that were agreed as part of the Final BEPS package, which are the minimum standard for the prevention of treaty abuse and the minimum standard for the improvement of dispute resolution. For these purposes, the Convention will modify tax treaties between two or more Parties to the Convention to swiftly implement the tax treaty-related BEPS measures under BEPS Actions 2, 6, 7 and 14, in particular:

- ▶ New tax-treaty rules addressing dual resident entities and income earned through transparent entities for neutralizing the effects of the hybrid mismatch arrangements
- ▶ Tax-treaty rules to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance, including through treaty-shopping arrangements:
 - ▶ Tax-treaty rule on a minimum shareholding period be satisfied in order for a company to be entitled to a reduced rate on dividends from a subsidiary
 - ▶ Anti-abuse rule for permanent establishments situated in third jurisdictions

Convention's key features

- ▶ Open for signature by any country
- ▶ A first high-level signing ceremony is expected to take place in early June 2017
- ▶ Governments are currently preparing their lists of treaties to be covered by the Convention and are considering which options to select and reservations to make
- ▶ Convention enters into force after five countries have ratified it
- ▶ Convention enters into effect for a specific tax treaty, after:
 - ▶ all parties to that treaty have ratified the instrument; and
 - ▶ a certain period has passed to ensure clarity and legal certainty.

Countering BEPS

To remind, the Base erosion and profit shifting (BEPS) refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. This results in little or no overall corporate tax being paid.

Please follow this [link](#) for more details.

Working together in the OECD/G20 BEPS Project, over 60 countries jointly developed 15 Actions to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. Leaders of OECD and G20 countries, as well as other leaders, urged the timely implementation of this comprehensive BEPS package. The Convention responds to this call for swift action.

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