

ESSAY QUESTION

Base Erosion Profit Shifting (BEPS) is essentially an issue concerning the cross-border schemes orchestrated by multinational enterprises (MNEs) that take advantage of different domestic tax rules and double tax treaties (DTTs) to effectively pay little or minimal tax. In this regard, the Organisation for Economic Co-operation and Development (OECD) has drafted Action Plans to create a single set of consensus-based international tax rules to ensure MNEs pay their fair share of taxes.

The Prime Minister from Country X is not clear on this whole BEPS topic. The Prime Minister is currently looking to appoint a tax policy adviser and you are interested in this position.

As part of the interview process, the Prime Minister has asked you (a potential candidate for the job), to write an essay so that the Prime Minister can understand how MNEs are taking advantage of the different domestic tax rules and DTTs in the digital economy. This is because the Prime Minister has been made aware that business operations today have changed as a result of advances in information and communications technology (ICT), making technology cheaper and more powerful, changing business processes and bolstering innovation across all sectors of the economy, including traditional industries.

You have been informed that the Prime Minister would be impressed if your essay identifies an actual international tax structure and names the MNE.

The Prime Minister also wants your essay to identify and explain which OECD Action Plans/Plan relate(s) to the scheme you have described and how the proposed Action Plans/Plan will assist to prevent such base erosion in future.