OECD

On 18 March 2017, the OECD published on its website the OECD’s Secretary-General Report to the G20 Finance Ministers. The report was requested by G20 leaders at the conclusion of the Hangzhou (China) Summit in 2016 and is the result of international cooperation on pro-growth tax policies and the work on tax and inclusive growth and tax certainty conducted by the OECD and the International Monetary Fund (IMF). The report was provided to the G20 Finance Ministers meeting in Baden-Baden, Germany and it consists of two parts: Part I of the report is an update regarding the latest developments in the international tax agenda, including, as an annex, the joint IMF/OECD Report on Tax Certainty; and Part II is a progress report to the G20 by the Global Forum on Transparency and Exchange of Information for Tax Purposes. At the end of the G20 Finance Ministers meeting, the G20 also released a communiqué highlighting the outcomes of the meeting. In the communiqué, the G20 confirms that it will continue working for a globally fair and modern international tax system and requests the OECD to report on the progress of BEPS implementation, including all four minimum standards, by the Leaders’ Summit in July 2017.


On 22 March 2017, the OECD updated the list of BEPS members to include British Virgin Islands and Turks and Caicos Islands, bringing the total Members in the inclusive framework to 94. As members of the BEPS inclusive framework, these countries have committed to comply with the BEPS minimum standards contained in Action 5 (countering harmful tax practices), Action 6 (preventing treaty abuse), Action 13 (transfer pricing documentation) and Action 14
(enhancing dispute resolution). British Virgin Islands and Turks and Caicos Islands will also participate on an equal footing with the other members of the inclusive framework with respect to the remaining standard setting under the BEPS project, and the review and monitoring of the implementation of the BEPS package.

**Brazil**

On 21 February 2017, a [Normative Instruction 1,689/2017](https://www.receita.fazenda.gov.br) (NI) was published by the Brazilian Federal Revenue Agency regulating the exchange of information on tax rulings. According to the NI, the following three categories of rulings will be subject to exchange of information namely (i) preferential tax regimes (those within the scope of the OECD Harmonious Practices Forum whose effective tax rate is low or zero); (ii) advance price or transfer pricing agreements; and (iii) permanent establishments. Brazilian taxpayers who request these rulings should include the following information on (i) the identification of the direct controller and final controller of the legal entity that formulated the consultation, as well as their countries of residence; (ii) in the case of a nonresident, the countries of residence of all related parties to which the taxpayer conducts transactions subject to the consultation; and (iii) the country of residence of the head office and the permanent establishment. The NI will be effective from the date of its publication in the Official Gazette. Brazilian tax authorities would disclose a summary of the ruling to the tax authorities located in jurisdictions under which Brazil has an exchange of information agreement.

**Canada**

On 22 March 2017, Canada’s Minister of Finance presented the Liberal Government’s Federal Budget for fiscal year 2017-18. The budget indicates Canada’s firm commitment towards implementing the OECD’s minimum standard recommendations under the BEPS Action Plan. It also outlines the measures taken by Canada towards implementing those standards which include the enactment of legislation on Country-by-Country Reporting (CbCR), Canada’s participation in the development of a Multilateral Instrument to implement the tax treaty related BEPS recommendations, to improve on the Mutual Agreement Procedures (MAP) process under tax treaties and the spontaneous exchange of information on tax rulings. With respect to other BEPS recommendations, the Canadian Government will continuously strive to work with other international partners to combat aggressive tax planning and avoidance. Further, the budget proposes to tax Canadian life insurers on income from the insurance of Canadian risks, even if such insurance is provided through foreign branches. See EY Global Tax Alert, *Canada issues Federal budget 2017-18*, dated 24 March 2017.

**Estonia**

On 15 March 2017, the Estonian Parliament adopted the law on CbCR requirements. There are no substantial changes from the earlier draft law to the adopted law. Further, in order for the law to take effect the adopted law must be announced by the President, which took place on 22 March 2017, and published in the official gazette. The law will apply to multinational enterprises (MNEs) with fiscal years commencing on 1 January 2016 or later. The notification will have to be provided to the tax authorities within six months as of the end of the fiscal year of the MNE, e.g., by 30 June 2017 for the fiscal year commencing on 1 January 2016 or by 30 September 2017 for the fiscal year commencing 1 April 2016. Reporting forms are set by the Minister of Finance and are already available.

**Germany**

The German Ministry of Finance recently published the final version of the Act that implements the three-tiered approach (Master File and Local File and Country-by-Country (CbC) reports) to the transfer pricing documentation requirement, as recommended by the OECD under BEPS Action 13. German ultimate parent entities with annual consolidated group revenue of at least €750m in the previous fiscal year (FY) are required to file a CbC report for FYS starting after 31 December 2015. The changes from the earlier draft version include increasing the penalty for non-compliance (non-filing, late filing or incomplete filing) with the CbC reporting obligation to €10,000 and require every domestic constituent entity to file a CbC report if the German tax authorities do not receive the CbC report from any other country as well as the notification in the tax return whether it is the German group parent entity, a surrogate parent entity or a domestic group entity of a foreign group parent entity for the FY starting after 31 December 2016. Further, the requirement for preparation of the Master File has been delayed by one year and applies for the first time for financial years starting after 31 December 2016. Finally, the Act mandates a revision of the German
“Decree on the Type, Content and Scope of Documentation” (Gewinnabgrenzungsaufzeichnungsverordnung in German or Transfer Pricing Documentation Regulations) to provide further guidance on the newly implemented documentation measures. As a result, the German Ministry of Finance published a discussion draft on 23 February 2017 with detailed information on the required content of the Master File and Local File. The discussion draft will likely be finalized during 2017 and will first be applicable for financial years starting after 31 December 2016.

Mozambique

On 30 December 2016, the Mozambique Government issued a gazette that introduced the indirect taxation of electronic services applicable from 1 January 2017. The electronic services include the supply of websites, web page domiciliation, remote maintenance of programs and equipment; the supply and use of programs; the supply of image, text and information and provision of databases; the supply of music, movies and games, including online gambling and political, artistic, cultural, sporting and recreational manifestations; long distance learning and other similar services. This change is encouraged by the OECD BEPS Action 1 on addressing challenges of the digital economy.

See EY Global Tax Alert, Mozambique amends VAT Code to facilitate implementation of net VAT system among other changes, dated 1 February 2017.

Taiwan

On 8 March 2017, the Taiwan Ministry of Finance released draft amendments (the Draft Amendments) to the Value-added and Non-value-added Business Tax Act (VAT Act to conform to the partial amendments to the VAT Act enacted on 28 December 2016) (the 2016 Amendments). Under the Draft Amendments, foreign suppliers selling e-commerce services to Taiwanese individual purchasers must register for business and pay VAT directly or indirectly through appointment of a tax-filing agent. The registration and VAT return filing obligations are required only if the annual e-commerce sales revenue exceeds NTD480,000 (US$16,000) and failure to comply with this requirement may result in a penalty ranging from NTD3,000 to NTD30,000 (US$100 - US$1,000).

See EY Global Tax Alert, Taiwan issues new tax guidelines on cross-border e-commerce transactions, dated 22 March 2017.

United Kingdom

On 20 March 2017, the UK Government published Finance Bill 2017. The latest version of the proposed legislation expands upon the updated version published in January 2017. As previously announced, the Bill includes, among other items, legislation to align UK rules on corporate interest deductions with OECD recommendations under Action 4, legislation with important changes to the UK system of loss relief, and legislation which simplifies the UK participation exemption on chargeable gains. Various minor amendments were made to the previous draft of the legislation in these areas, details of which are set out in the Alert (see link below). Further on the anti-hybrid rules enacted in Finance Act 2016, following the discussions with stakeholders, two measures that were announced at Autumn Statement 2016 have now been included in the Bill with retroactive effect from 1 January 2017. These two measures are removal of the requirement to make a formal claim to extend the time period during which temporary mismatches relating to hybrid financial instruments or hybrid transfers can be ignored and preventing a deduction for amortization from being within the scope of the rules for the purposes of the provisions counteracting deductions without inclusion of the relevant income. Lastly, on patent-box cost sharing, rules have now been developed to address cost-sharing arrangements with effect for accounting periods beginning on or after 1 April 2017. The rules also extend the grandfathering rules for existing intellectual property, which allow companies to delay application of the modified nexus rules until 1 July 2021.

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