



IGF-OECD BEPS in Mining Program

INTRODUCTION SESSION

October 20th 2017



“BEPS” Defined

- **Base Erosion:** **tax avoidance strategies** that exploit gaps and mismatches in tax rules **to reduce taxable income;**
- **Profit Shifting:** **tax avoidance strategies** that exploit gaps and mismatches in tax rules **to artificially shift profits to low or no-tax locations.**

Avoidance Vs. Evasion

tax avoidance

noun

1. tax avoidance is the use of quasi-legal methods to modify a corporations financial situation to lower the amount of income tax liability.

tax evasion

noun

1. tax evasion is the use of illegal methods to modify an individuals or corporations financial situation to lower the amount of income tax liability.



Source: <http://www.salesfactor.org/taxtionary/>



BEPS: Why is this important?

\$200 billion (for
developing
countries)
(IMF)

\$100 billion
(UNCTAD)

Uganda
\$352 million

Canada
\$344 million

\$100 billion
(Tax Justice
Network - LDCs)

Australia
\$755 million

GOAL: 0 BILLIONS LOST TO BEPS!



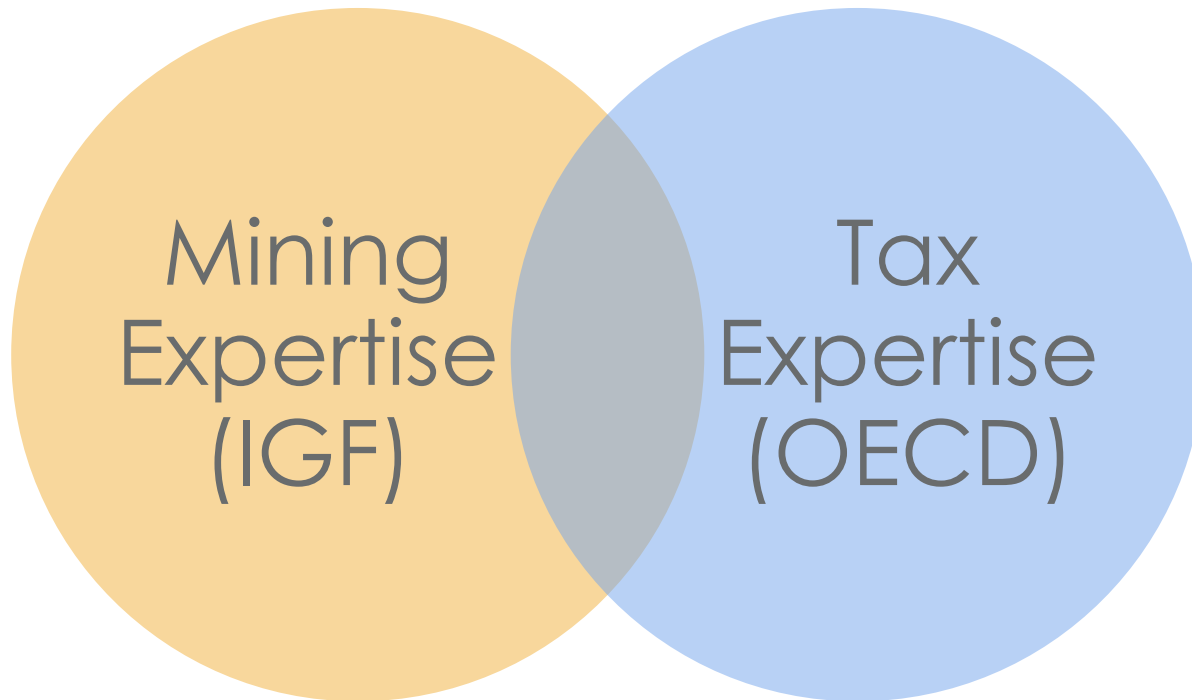
Our Response? The 'BEPS in Mining Program'

A program to equip developing country governments with the knowledge, skills and tools to build and administer mining tax systems that help reduce and eliminate tax base erosion and profit shifting by investors.

- In 2015, IGF member countries identified transfer pricing, base erosion, and illicit financial flows as top priorities;
- BEPS are a particular risk to developing countries given their reliance on corporate income tax;
- Many resource-rich developing countries lack the sector-specific expertise to respond to BEPS issues in mining;
- The OECD BEPS Actions cut across sectors; hence, there is value in adapting them to be mining specific.



Our Partnership with the OECD



=

sector-specific solutions to BEPS challenges in resource-rich developing countries.



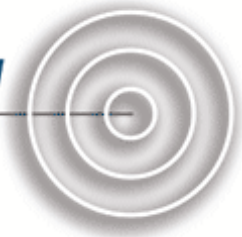
Our Collaborators



AFRICAN TAX
ADMINISTRATION FORUM

FORUM SUR
L'ADMINISTRATION
FISCALE AFRICAINE

Centre for **EXPLORATION
TARGETING**



ICMM
International Council
on Mining & Metals



AMDC
African Minerals Development Centre



ISLP International Senior
Lawyers Project



The BEPS in Mining Issues We Will Address

- List of issues was developed at October 2016 meeting
- Not simply the OECD BEPS items
- Some OECD items, some non-OECD items
- Unique list for mining sector
- We focus on government policies as well as corporate actions



The BEPS in Mining Issues We Will Address

The IGF-OECD program delivers policy and administrative tools to address:

1. Excessive interest deductions*
2. Abusive transfer pricing*
3. Undervaluation of mineral exports
4. Harmful tax incentives*
5. Tax stabilization*
6. International tax treaties
7. Indirect transfer of mining assets
8. Metals Streaming
9. Abusive Hedging arrangements
10. Inadequate ring-fencing

*Work has begun on these topics.



The BEPS in Mining Issues We Will Address

Consistent with other recent analysis:

- International Taxation and Extractive Industries (IMF), 2017
- How to Improve Mining Tax Administration and Collection Frameworks (World Bank), 2013
- Many Ways to Lose a Billion (Don Hubert, PWYP Canada), 2017



What the Program Will Deliver

Phase 1:

- Produce practical guidance and tools to counter BEPS in mining;
- Build on the OECD/G20-led Actions on BEPS;
- Fill vital gaps in the available resources by addressing all key issues;
- Keep administrative capacity front of mind (practical and implementable);
- Create a 'one-stop shop' website that includes for all the issues:
 - Key background documents
 - Original research and analysis
 - Guidance document
 - Training and implementation needs



What the Program Will Deliver

Phase 2:


- Training opportunities for countries, plus direct advisory services;
 - Training countries on transfer pricing risk assessment in mining has already begun! 8 governments signed up
- Develop a diagnostic tool to help identify main causes of BEPS on a country-by-country basis to establish priorities for support.



How We Will Deliver it

- Two year work program
- Initial funding Government of Canada and GIZ (more required)
- Initial work stream (early results today!)
- Jump to training were possible e.g. Transfer pricing.

Process for each topic:

- Draft policy and/ or administrative toolkit with required experts
 - Review by governments, experts, stakeholders on case-by-case basis
 - Finalize toolkit
 - Provide training and direct advisory support to countries.
- 

Our Project Leads

- **Alexandra Readhead** is Technical Advisor to the IGF on Tax Base Erosion and Profit Shifting. She is a specialist in international taxation and the extractive industries.
- **Dan Devlin** is the Senior Economist in Natural Resource Taxation at the OECD. He is also a technical adviser to the OECD-UNDP Tax Inspectors Without Borders project on mining in Liberia.
- **Howard Mann** is an Associate & Senior International Law Advisor to IISD and IGF. He is a specialist in international investment and sustainable development law, as well as mining contract negotiations.

