Good afternoon Ladies and Gentlemen,

Protocol having already been established, I will proceed with providing an overview of the OECD's Base Erosion and Profit Shifting Initiative otherwise referred to as "BEPS".

BEPS concerns strategies which aim to move profits to where they are taxed at lower rates and expenses to where they are relieved at higher rates. The result is a tendency to associate more profit with legal constructs and intangible rights and obligations, and reduce the share of profits associated with substantive operations involving the interaction of people with one another. According to the OECD, ***"While these corporate tax planning strategies may be technically legal and rely on carefully planned interactions of a variety of tax rules and principles, the overall effect of this type of tax planning is to erode the corporate tax base of many countries in a manner that is not intended by domestic policy.***

(https://www.oecd.org/ctp/TheOECDworkonBEPS.pdf)

BEPS is maintained by the developed countries, it affects everyone, harming governments because it reduces their tax revenues and raises the cost of ensuring compliance. BEPS harms people because, when some multinationals pay low or no tax, individual taxpayers must shoulder a greater share of the tax burden.

What is driving BEPS?

Globalization has opened up opportunities for multinational enterprises (MNEs) to greatly reduce the taxes they pay. The use of legal arrangements that make profits disappear for tax purposes or allow profits to be artificially shifted to low or no-tax locations is referred to as Base Erosion and Profit Shifting (BEPS).

International tax rules have not always kept up with developments in the world economy, and globalization has increased the need for countries to cooperate to protect their sovereignty on tax matters. The OECD/G20 BEPS Project began when OECD and G20 countries agreed on the need for multilateral efforts to improve tax rules, with the aim of ensuring that Multinationals report profits where economic activities are carried out and value is created.

OECD tax work has always sought to eliminate double taxation. An international tax system that aims to prevent double taxation is not sustainable if the same system generates double non-taxation. Hence, several factors are driving BEPS which can be summarized as follows:

- **The interaction between the tax rules of countries**
- **Perceived gaps between "home" and "foreign" tax rules**
- **Growth in the digital economy**
- **The impact of bilateral tax treaties**

The BEPS Action Plan comprises of 15 Actions designed to be implemented globally into domestic legislation and through tax treaty provisions.

Action 1: Addresses the tax challenges of the digital economy

Action 2: Neutralizes the effects of hybrid mismatch arrangements

Action 3: Strengthens Controlled Foreign Company Rules

Action 4: Limits base erosion via interest deductions and other financial payments

Action 5: Counter harmful tax practices more effectively taking into account transparency and substance

Action 6: Prevents the Granting of Treaty Benefits in Inappropriate Circumstances

Action 7: Prevents the artificial avoidance of Permanent Establishment status

Action 8: Assures that transfer pricing outcomes are in line with value creation – intangibles

Action 9: Assures that transfer pricing outcomes are in line with value creations – risk and capital

Action 10: Assures that transfer pricing outcomes are in line with value creation – other high risk transactions

Action 11: Establishes methodologies to collect and analyses data on BEPS and the actions to address it

Action 12: Requires taxpayers to disclose their aggressive tax planning arrangements

Action 13: Re-examines transfer pricing documentation

Action 14: Makes dispute resolution mechanisms more effective

Action 15: Develops a multinational instrument

The BEPS Package was developed mainly by G20 and OECD countries, but international tax issues affect virtually all other countries. In 2015, it was agreed to open the BEPS process to all interested countries and jurisdictions including developing countries by developing an 'Inclusive Framework'. To join the framework countries and jurisdictions are required to commit to the comprehensive BEPS package and its consistent implementation and to pay an annual BEPS Member fee (reduced when applied to developing countries). All members of the Inclusive Framework on BEPS commit to implementing the minimum standards and participating in the peer reviews. It effectively gives a country a seat at the table when decisions about the rules are being made. As of April 2017 96 countries had joined the Inclusive Framework.

The OECD have set a number of deadlines to conclude on the BEPS Actions. The Bahamas is required to definitively state its position and whether it commits to BEPS by the end of this year.

Thank you for your kind attention and I will now hand the microphone to my colleague Ms. Tanya Murray of the Ministry of Financial Services who will speak on the BEPS Minimum Standard.