



OECD Discussion Drafts to BEPS-Actions 4, 7 and 8 to 10

Your Contact

BEPS-Action 4 – Interest

Generally interest should only be tax deductible up to 30% of the EBITA.

Within a group it shall be possible to deduct also higher net interest expenses to the extent that they don't exceed the group ratio of net interest expenses to EBITDA.

The discussion draft „Elements of the Design and Operation of the Group Ratio Rule“ deals with details to this rule.

BEPS-Action 7 – PEs

The discussion draft „Additional Guidance on the Attribution of Profits to Permanent Establishments“ contains new considerations on the profit attribution to permanent establishments.

Of special interest is the determination of the profit attributable to an agent in a commissionaire structure.

Another interesting issue is the attribution of profits to warehouses.

BEPS-Actions 8-10 - Profit Split

It was to be expected, that the profit split method will gain importance following the BEPS report. The discussion draft „Revised Guidance on Profit Splits“ now comes up with more detailed considerations regarding the allocation of profits according to this method.

Conclusion

As the EU directive on Rules Against Tax Avoidance Practices also foresees a group ratio for interest expenses, this draft could play a role in the transformation into local law.

Considering that the results of the BEPS reports shall be implemented into the OECD TP Guidelines and moreover shall also in the meantime be already observed these discussion drafts are of relevance already today.



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