



No: 521 /2019

Date: 8th July 2019

Gibraltar Joins the OECD Inclusive Framework on Base Erosion Profit Shifting as a Full Member

Her Majesty's Government of Gibraltar is very pleased to announce that the OECD has welcomed and agreed to Gibraltar becoming a full member of the Inclusive Framework on Base Erosion Profit Shifting (BEPS).

The Chief Minister, the Hon Fabian Picardo QC confirmed Gibraltar's membership in a letter to the OECD Secretary General last week.

This follows a significant and intensive period of liaison between Gibraltar officials and those of the OECD in which it became apparent that Gibraltar's membership of the BEPS framework was blocked by Spain.

The Spanish Government agreed to lift its veto on Gibraltar's membership of the BEPS framework upon the agreement of the International Tax Treaty between Gibraltar and Spain.

Whilst awaiting a decision on membership, Gibraltar has, nonetheless, been complying with the BEPS standard via the transposition of the relevant EU Directives that bring into effect the content of OECD BEPS action points such as country by country reporting and the exchange of tax rulings.

The Chief Minister, Fabian Picardo said:

“Our joining the OECD BEPS framework as a full and equal member is another demonstration of Gibraltar's commitment to international standards of tax transparency and cooperation. It is also a tangible deliverable resulting from the conclusion of the International Tax Treaty with Spain.

The public should not underestimate the amount of work that went on behind the scenes to ensure this has come to fruition after a very significant period of time. In particular, the tax treaty that was signed with Spain was a key to ensuring distinct progress in this matter and I would therefore like to reiterate my thanks to the Financial Secretary and to the Commissioner of Income Tax. The work of Albert Mena, John Lester and Terrence Rocca on this has been remarkable. They have worked alongside my core Brexit negotiating team and Albert Isola's Finance Centre team to deliver this excellent result.

Furthermore, this once again bolsters Gibraltar's unimpeachable reputation as a robust and reputable financial centre as we form part of another international forum on good tax governance, thereby shielding us from inclusion on any international blacklists on BEPS going forward, which is hugely important for the continued success of the finance centre.



This will undoubtedly assist in underpinning Gibraltar's future economic success and is simply another occasion when this Government actively ensures the protection of Gibraltar and its people; more so in these challenging times as the United Kingdom prepares to leave the European Union."

Ends

Note for Editors:

In 2015, G20 Leaders endorsed the 15 measures of the Base Erosion and Profit Shifting Project ("BEPS"). This is an OECD initiative containing a comprehensive package of measures for the purposes of preventing global tax avoidance by multinational corporations and improving cross-border tax dispute resolutions.

In implementing these measures the G20 leaders called for the development of an inclusive framework (the "Inclusive Framework") with the involvement of both interested non-G20 countries in addition to jurisdictions committing to implementing the BEPS Project. The Inclusive Framework is focused on the implementation of the BEPS measures, particularly the four minimum standards in the areas of harmful tax practices which, once implemented, will allow countries and jurisdictions to protect their tax bases.

Gibraltar has been invited to become the 130th jurisdiction to join the Inclusive Framework, including 83 non-OECD / non- G20 members. Through participation in the Inclusive Framework, nations commit to implementing four minimum standards multilaterally agreed to as a result of BEPS.

These minimum standards comprise:

1. Model provisions to prevent treaty abuse (including treaty shopping) by impeding the use of conduit companies to channel investments through countries and jurisdictions with favourable tax treaties in order to obtain reduced rates of taxation;
2. Standardised Country-by-Country (CbC) Reporting that will give tax administrations a global picture of where MNEs' profits, tax and economic activities are reported, and the ability to use this information to assess transfer pricing and other BEPS risks, so they can focus audit resources where they will be most effective;
3. A revitalised peer review process to address harmful tax practices, including patent boxes where they include harmful features, as well as a commitment to transparency through the mandatory spontaneous exchange of relevant information on taxpayer-specific rulings which, in the absence of such information exchange, could give rise to BEPS concerns;
4. An agreement to secure progress on dispute resolution, with the strong political commitment to the effective and timely resolution of disputes through the mutual agreement procedure (MAP).

As an associate to the BEPS Inclusive Framework, Gibraltar will work on an equal footing with OECD, G20 and the other Inclusive members to implement the comprehensive BEPS measures and



to develop standards on the remaining BEPS issues such as the tax challenges of the digitalisation of the economy. In addition to committing to the four minimum standards, and to its consistent implementation, Gibraltar will also need to contribute actively to BEPS, including through policy dialogue and exchange of information. The terms and modalities of Gibraltar's participation will be governed by the general rules applicable to participation in the Committee on Fiscal Affairs (CFA).

Becoming a BEPS Associate means that Gibraltar will participate in the full range of the work done on BEPS by the CFA and its subsidiary bodies on an equal footing with all OECD members, which includes:

- a. being invited to all agenda items of meetings of the CFA and its subsidiary bodies that relate to BEPS;
- b. participating in the decision-making on all outcomes related to the BEPS Project and associating itself with these outcomes unless it states otherwise;
- c. its delegates being eligible for election to the Steering Group of the BEPS Project.