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How to Deal with BEPS?

Abstract
Rise of various multinational corporations and increasing development of cross-border activities make an unfathomable impact on regular and broadly utilized paradigms and regulations. This impact makes the long-acting phenomena more mudded or create new ones and these progressions create challenges for tax authorities as well. Issues of taxation of multinationals and corporate tax avoidance are referred as Base Erosion and Profit Shifting (BEPS). This article is devoted to examine BEPS and propose a solution in this respect. In this regard, loopholes of international taxation, tax competition of states, tax havens, digital economy, hybrid mismatch arrangements, transfer pricing are analyzed, corporate tax structures of some multinationals (Apple and Amazon) are depicted and as a solution, foundation of International Tax Organization is suggested and its possible modus operandi is proposed.

Annotasiya
Çoxlu sayda transmilli korporasiyaların yaranması və sərhədlərarası iqtisadi münasibətlərin artan inkişafı geniş istifadə olunan anlayışlar və tənzimləmələrə böyük təsir göstərir. Bu təsir uzun zamandır işlənən fenomenləri ya mürəkkəbləşdirir ya da yeni problemlər yaradır ki, bu dəyişikliklər, eyni zamanda, vergi orqanlarına çətinliklər yaradır. Korporasiyaların vergidən yayınması ümumi şəkildə Baza Eroziyası və Mənfəətin Yerdəyişdirilməsi (BEMY) kimi adlandırılır. Bu məqalə də BEMY-in araşdırılmasına və bunun üçün həll yolunun verilməsinə həsr olunub. Bunun üçün beynəlxalq vergi hüququndakı boşluqlar, dövlətlərin vergi rəqabəti, ofşor zonalar, elektron ticarət, hibrid maliyyə əməliyyatları, transfer qiymətləri, "Apple" və "Amazon" kimi korporasiyaların vergi strukturu və vergi planlaşdırması araşdırılır və Beynəlxalq Vergi Təşkilatının yaradılması həll yolu kimi verilir və onun fəaliyyətinin necə həyata keçirilməsi təklif olunur.

Introduction

Base Erosion and Profit Shifting (BEPS) is set of arrangements for avoiding or reducing or negating tax.[1] These instruments are an outcome of tax planning strategies developed by Multinational Enterprises (MNEs). Reasons for BEPS are opportunities and advantages caused because of globalization and vastness of cross-border economic relations. In this manner, MNEs shift their income to jurisdictions with low taxation or no taxation via different means. These means can be traditional transfer pricing rules, absence of taxable presence because of E-commerce transactions, hybrid entities, abuse of differences between tax jurisdictions, which create double non-taxation and so on. In spite of the fact that BEPS has

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[1] Tax avoidance is not infringement of letter of law, but spirit of law. *See* Reuven Avi-Yonah, et al., Global Perspectives on Income Taxation Law, p. 101 (2011) or *see* Zoë Prebble & John Prebble, *Comparing the General Anti-Avoidance Rule of Income Tax Law with the Civil Law Doctrine of Abuse of Law*, 62:4 Bull. Int'l Tax. 151, p. 151 (April 2008)

been existing for a considerable length of time[2], recent news stories and vocal position of civil society and non-governmental organizations or "public outcry"[3] appear expanded consideration paid for corporate tax issues.[4] The mainstream of complaints on corporate taxation that multinationals do not pay fair share tax.

In the article, generally, BEPS will be examined and it will be suggested establishment of International Tax Organization in order to deal with these issues.

I. Big Picture of BEPS

A. Occurrence of BEPS

Rise of various multinational corporations and increasing development of cross-border activities make an unfathomable impact on regular and broadly utilized paradigms and regulations. This impact makes these long-acting phenomena more mudded or creates new ones and these progressions create challenges for tax authorities as well. Income of multinationals is referred as "stateless income", which means "income derived by a multinational group from business activities in a country other than the domicile of the group's ultimate parent company, but which is subject to tax only in a jurisdiction that is not the location of the firm's customers or the factors of production through which the income was derived, and is not the domicile of the group's parent company".[5]

Occurrence of Base Erosion and Profit Shifting (BEPS) is closely related to international or cross-border transactions and relations among or within Multinational Enterprises (MNEs). What matters is, multinationals can

[2] Pascal Saint-Amans & Raffaele Russo, *What the BEPS are we Talking About?*, OECD.ORG, http://www.oecd.org/ctp/what-the-beps-are-we-talking-about.htm (Last visited Nov. 10, 2015)

[3] "The recent public outcry about the taxation of multinationals has certainly been marked by passion and emotion, and has reached a crescendo of late. […] there emerged a growing sense of outrage by the public about the role of large multinationals (particularly in the financial services industry) in triggering the crisis, and a heightened awareness […] whether multinationals were paying their "fair share of tax." *See more*: Manal S. Corwin, Sense and Sensibility: The Policy and Politics of BEPS, 19th Annual David R. Tillinghast Lecture on International Taxation at New York University School of Law on September 30, 2014. Video available at: http://www.law.nyu.edu/news/global-tax-policy-manal-corwin-tillinghast-lecture (last visited Nov. 17, 2015), transcript of video – Manal S. Corwin, Sense and Sensibility: The Policy and Politics of BEPS, Current and Quotable Tax Notes, p. 134 – is available at: https://www.kpmg-institutes.com/content/dam/kpmg/taxwatch/pdf/2014/beps-corwin-tillinghast-tn-100614.pdf (last visited Nov. 17, 2015)

[4] OECD (2013), *Addressing Base Erosion and Profit Shifting,* OECD Publishing (hereinafter Addressing BEPS) *http://dx.doi.org/10.1787/9789264192744-en*, p. 13

[5] Edward D. Kleinbard. *The Lessons of Stateless Income*, 65 Tax L. Rev. 99, p. 99 (2011-2012)

successfully avoid or negate or keep their income away from corporate tax under current taxation rules.

As there are various taxation regimes of states, there is international tax regime, which attempt to manage tax collection matters of MNEs. International tax regime consists of more than two thousand double taxation agreements.[6] Parties to the treaties intend to minimize double taxation level to effective tax rate. For instance, resident of country A operates and gains its corporate wage in country B. Both country A and B want to subject the corporation to tax at the same time. This issue is generally solved by states with tax agreements. A tax treaty or a double tax agreement is an agreement entered into by those countries designed primarily to control the way in which income is taxed by those countries.[7] However, no all states make an agreement concerning this issue or nonetheless, despite those double taxation agreements, MNEs can avoid or reduce taxation of their income through different arrangements successfully.

Thus, primary reasons why BEPS rises are (*i*) loopholes in international taxation because of jurisdictional contrasts and ill-regulated tax rules or non-regulated taxation issues; (*ii*) misunderstandings among these jurisdictions because of the competition based taxation. In the following chapter, most of BEPS issues in the context of international taxation will be dissected.

Notable initiatives on aforementioned international taxation issues have been taken by Organization for Economic Co-operation and Development (OECD) and European Union (EU). Efforts of OECD on international taxation are mainly based on coordination. Coordination principle has been established against competition based international taxation. In reports and action plan of OECD[8], as a common sense, it is suggested that states should work together under international rules (*for instance, treaty*) in order to eradicate tax dodging and tax MNEs according to those rules. However, some economists consider this effort as a complete waste of time: "it entirely ignores the basic truth about corporate taxation. Which is that corporations never pay it in the first place."[9]

[6] Reuven Avi-Yonah, International Tax as International Law, p. 3 (2007)

[7] Robert L. Deutsch, Roisin M. Arkwright, Principles and Practice of Double Taxation Agreements, p. 3 (2008)

[8] "Final BEPS package for reform of the international tax system to tackle tax avoidance" was published on OECD's website. Package Contains 15 Actions. *See* BEPS 2015 Final Reports http://www.oecd.org/ctp/beps-2015-final-reports.htm (last visited Nov 23, 2015). Executive summery is available here: http://www.oecd.org/ctp/beps-reports-2015-executive-summaries.pdf (last visited Nov 23, 2015)

[9] Tim Worstall, *The OECD's BEPS Corporate Tax Plan Is A Complete Waste Of Time And Effort, Counter Productive Even*, http://www.forbes.com/sites/timworstall/2015/10/06/the-oecds-beps-plan-is-a-complete-waste-o/bbf-time-and-effort-counter-productive-even/ (last visited: 16 Nov, 2015)

B. Defining the "Tax Base"

The phrase "tax base" means amount of income or presence which should be levied or broadly "the base of tax means the thing, transaction or the amount on which the tax is raised".[10] Different territorial tax jurisdictions across the worldwide have different approaches in regard to determine and/or compute the tax base.

In this respect, there is European Union (EU) approach, which requires its members adapt their tax regulation to common rules established by EU Commission. Proposed Common Consolidated Corporate Tax Base (CCCTB) would imply a three-step approach:[11]

(1) Determination of corporate taxable income of group members based on a harmonized set of tax accounting regulations;

(2) Consolidation of the individual, i.e. the group members', corporate tax bases to the common tax base;

(3) Allocation of the consolidated tax base to group members located in different Member States by formula apportionment.

It has been reported that, "in the absence of common corporate tax rules, the interaction of national tax systems often leads to over-taxation and double taxation, businesses are facing heavy administrative burdens and high tax compliance costs."[12] It should be considered that, each tax jurisdiction has right to tax income of corporations within its jurisdiction in accordance to its tax law; therefore, aforementioned Directive ascertains common rules for just determining tax base in favor of better conditions for economy within EU.

II. Dissection of BEPS

A. Tax Competition of States

Tax competition means states' effort on reducing tax rate over corporate income. Tax rate is overall percentage for levying taxable corporate income or tax base of corporations laid down on appropriate tax regulation. While reducing tax rate states intend to draw corporations' attention with creating preferences for them. MNEs use these preferential regimes in order to shift income to tax havens. Because of less tax rate than many other countries, in preferential regimes taxation of earned profit turns out to be less. These advantages can be created as alluring environment for Research and Development (R&D). For instance, UK Patent Box rules enable companies to

[10] Subhajit Basu, Global Perspectives on E-Commerce Taxation Law, p. 175 (2007)

[11] Christoph Spengel, York Zöllkau (*editors*), Common Corporate Tax Base (CC(C)TB) and Determination of Taxable Income. An International Comparison, p. 5 (2012)

[12] European Commission. COUNCIL DIRECTIVE on a Common Consolidated Corporate Tax Base (CCCTB), p. 4 (2011) (available at http://ec.europa.eu/taxation_customs/resources/documents/taxation/company_tax/common_tax_base/com_2011_121_en.pdf last visited Nov. 20, 2015)

apply lower tax rate (10%) for profits earned from patented inventions;[13] Under Netherlands Innovation Box rules 5% tax rate is applied to profits earned from intangibles.[14] On the other hand, it should be contemplated that corporate income tax rates in UK and Netherlands are, respectively, 20% and 25%.[15] Another evidence is investigation of European Commission (EC) whether Luxemburg, Netherlands and Ireland while taxing corporate income of Apple, Starbucks and Fiat comply with EU state aid rules. Outcome of investigation is "tax rulings of Luxemburg and Netherlands that artificially reduce a company's tax burden are not in line with EU state aid rules".[16] According to EC, appropriate "tax rulings under investigation endorsed artificial and complex methods to establish taxable profits for the companies. They do not reflect economic reality. This is done, in particular, by setting prices for goods and services sold between companies of the Fiat and Starbucks groups (so-called "transfer prices") that do not correspond to market conditions".[17]

Abovementioned tax competition is considered as harmful tax practices and regarding this issue it is suggested or required share of data, transparency and cooperation.[18]

B. Tax Havens

For MNEs tax haven as a means to an end is favorable jurisdiction, where a recipient is located for obtaining money from subsidiaries all over the world, with no or low taxation. Mostly, tax havens are countries with low economic status and those countries tend to attract more and more investment or

[13] HM Revenue and Customs, Patent Box. http://www.hmrc.gov.uk/manuals/cirdmanual/CIRD200000.htm

[14] Baker & McKenzie. Improved Tax Regime for Intangibles in the Netherlands, p. 2 http://www.bakermckenzie.com/files/Uploads/Documents/Locations/Amsterdam/br_netherlands_innovationbox_2012.PDF (last visited Nov 29, 2015)

[15] OECD Statistics. Corporate income tax rate, http://stats.oecd.org//Index.aspx?QueryId=58204

[16] European Commission - Press release - Commission decides selective tax advantages for Fiat in Luxembourg and Starbucks in the Netherlands are illegal under EU state aid rules, http://europa.eu/rapid/press-release_IP-15-5880_en.htm (last visited Nov. 30, 2015)

[17] *Ibid.*

[18] *See more* OECD, Harmful Tax Competition (1998) http://www.oecd.org/tax/transparency/44430243.pdf; European Commission, Communication from the Commission to the European Parliament and the Council on Tax Transparency to Fight Tax Evasion and Avoidance http://ec.europa.eu/taxation_customs/resources/documents/taxation/company_tax/transparency/com_2015_136_en.pdf; OECD, Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance, Action 5 - 2015 Final Report http://www.oecd.org/tax/countering-harmful-tax-practices-more-effectively-taking-into-account-transparency-and-substance-action-5-2015-final-report-9789264241190-en.htm

another sort of money. As solution to tackle tax havens action plan is suggested by some authors contains three measures:[19]

(*i*) to create a worldwide register of financial wealth, recording who owns which stocks and bonds;

(*ii*) to levy sanctions proportional to the costs that tax havens impose on other countries;

(*iii*) to rethink the taxation of companies, as not to subject worldwide consolidated profits of corporations to tax, but their country-by-country income.

C. Digital Economy or E-commerce

Electronic commerce or E-commerce is such commercial activities that parties to the transaction interact digitally or over internet. As transactions are settled digitally, customary or conventional rules applied on so-called ordinary commercial activities turn out almost inapplicable in the realm of e-commerce. Because in ordinary commercial activities taxable presence can be determined, which established through long stretch. However, in the case of e-commerce, that presence occurs in virtual world and it challenges the rules as residency, permanent establishment (PE) and so on. Broadly, "e-commerce is multifaceted kind of commerce that covers both tangible and intangible goods, has multi-jurisdictional nature and difficult to define tax jurisdiction due to the location of the server, citizenship, or residence of the person registered domain name".[20] Therefore, because of the undetermined taxable presence in e-commerce, taxation of those wide-ranged activities becomes a challenge for tax jurisdictions. On the other hand, evidence of huge amount of profits earned by e-commerce giants[21] requires effective solution regarding this issue. Whereas it results with high loss of revenue. For instance, according to UK Public Account Committee, during 2006-2011 Google generated $18 billion revenue in UK, but paid just $16 million of UK corporate tax in the same period.[22] Different solutions have been suggested in order to deal with challenges of e-commerce as e-signature,[23] VAT[24], modifications of PE rules,[25]

[19] Gabriel Zucman. The Hidden Wealth of Nations: The Scourge of Tax Havens, pp. 4-6 (*Translated by* Teresa Lavender Fagan. The University of Chicago Press. 2015)

[20] Orkhan Abdulkarimli, *Taxation of E-commerce*, 1 Baku St. U. L.Rev. 99, p. 99

[21] For instance, Amazon $67.9b, Apple $18.3b *See more* Statista. Amazon's Online Sales Dwarf the Competition http://www.statista.com/chart/2214/10-largest-online-retailers/ (last visited Dec. 1, 2015)

[22] Public Accounts Committee, Tax Avoidance – Google, Conclusions and recommendations http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/112/11204.htm (last visited Dec 3, 2015)

[23] Abdulkarimli, supra note 20, pp. 107-108

[24] Anne Michèle Bardopoulos. eCommerce and the Effects of Technology on Taxation, p. 274 (2015)

[25] OECD Final Report on BEPS, Executive Summary, supra note 11, p. 6

imposing the tax on net basis income (instead of gross basis income) and in order to employ this proposal create Global Tax Fund[26].

D. Hybrid Mismatch Arrangements

It is a matter of different treatment of debt and equity in diverse jurisdictions. It is accomplished by creating hybrid entities which is "located" between sender and recipient companies in order to transfer or shift income. Corporations exploit the difference between jurisdictions and avoid the tax as well. For instance, what is equity in country A is treated as debt in country B. "A distribution will be deductible interest for the payer from country A but a dividend bringing home foreign tax credits to the country B".[27] This can comply with tax law of particular state, actually letter of law, however for corporations it is another means of tax avoidance.[28]

According to OECD, effects of hybrid mismatch arrangements are:[29]

• Double deduction schemes: Arrangements where a deduction related to the same contractual obligation is claimed for income tax purposes in two different countries.

• Deduction / no inclusion schemes: Arrangements that create a deduction in one country, typically a deduction for interest expenses, but avoid a corresponding inclusion in the taxable income in another country.

• Foreign tax credit generators: Arrangements that generate foreign tax credits that arguably would otherwise not be available, at least not to the same extent, or not without more corresponding taxable foreign income.

As mentioned above, jurisdictional differences are underlying elements whereby tax avoidance achieved through. For instance, the US check-the-box rules allows multinationals to create entities that are treated one way in a foreign jurisdiction and another by the United States.[30] Therefore,

[26] Rifat Azam, *Global Taxation of Cross-border E-commerce Income*, 31 Va. Tax Rev. 639, p. 664 (2012)

[27] "The United States sees one taxpayer, by reason of the check-the-box regime or otherwise; the other country sees two. We find ownership in one person, and a secured financing; they find a transfer of ownership to another person whom we perceive as a lender. We say the true borrower is the shareholder who guaranteed the debt; they say the debtor is the corporation that signed the loan instrument." *See* H. David Rosenbloom, The David R. Tillinghast Lecture: International Tax Arbitrage and "International Tax System", 53 Tax Law Review 137, p. 142 (2000)

[28] OECD, Hybrid Mismatch Arrangements: Tax Policy and Compliance issues, p. 11 (2012)

[29] *Id.* p. 7

[30] Jeremy Scott, *Check the Box for Tax Avoidance* (2014) http://www.forbes.com/sites/taxanalysts/2014/02/19/check-the-box-for-tax-avoidance/ (last visited Dec. 3, 2015)

harmonization of domestic tax regulations can be cure in order to get dispose of such sort of tax avoidance.[31]

E. Transfer Pricing

Suppose A Co. and B Co. are unrelated[32] parties to the transaction, which is negotiated under terms of market. In case of A Co. and B Co. becomes related parties, terms of same transaction can be manipulated in order to shift higher amount of money. Therefore, transfer pricing rules is applied on these transactions. Generally, transfer pricing rules are designed not to allow related parties to cross the line, which is determined by market forces, and require those related parties contract as independent parties. This requirement is arm's length principle, which originally developed by League of Nations in 1920s.[33] The problem with arm's length principle is determining comparable assets in a transaction concerning intangibles is hard to regulate.

F. Anti-avoidance Rules

Each state has own measures in its jurisdiction in regard to tackle tax avoidance by MNEs. For instance, the US courts have applied 'economic substance' test, which is employed when a transaction is set with no realistic economic terms.[34] In addition, taxation of corporations are mostly regulated according to Controlled Foreign Corporation (CFC) rules, which establishes anti-avoidance rules as well. "However, there is a certain irony, since many countries have intentionally weakened their CFC rules to improve the alleged competitiveness of their MNEs in foreign markets or to attract companies' headquarters to their jurisdictions".[35] Therefore, it triggers tax competition and open the doors for MNEs with advantages. As a result, anti-avoidance rules do not get to be against avoidance by any means.

G. Corporate Tax Structures

1. Apple[36]

Apple's tax structure is simpler than more commonly used Double Irish Dutch Sandwich. The US resident Apple Inc. established its wholly owned subsidiaries – Apple Operations International (AOI), Apple Operations

[31] OECD/G20 Base Erosion and Profit Shifting Project, Neutralising the Effects of Hybrid Mismatch Arrangements, Action 2 – 2015 Final Report, p. 16

[32] Herein unrelated means they have no any administrative connection, or they are not connected in order to manipulate the conditions or they are independent.

[33] Addressing BEPS, p. 35-36

[34] Karen B. Brown, Comparative Regulation of Corporate Tax Avoidance: An Overview, *in* A Comparative Look at Regulation of Corporate Tax Avoidance (Edited by Karen B. Brown), p. 3 (2012)

[35] Hugh J. Ault, *Some Reflections on the OECD and The Sources of International Tax Principles,* 70 Tax Notes Int'l 1195, p. 1198 (2013)

[36] Antony Ting, *iTax - Apple's International Tax Structure and the Double Non-Taxation Issue*, British Tax Review 2014, N1, 40, p. 42-46

Europe (AOE) and Apple Sales International (ASI) in Ireland in 1980. In addition, there are third party contract manufacturers in China, which send finished products to sales.

AOI has no any employees and is operated by Apple Inc. located in the US. According to law of Ireland AOI is not resident of Ireland since residency is defined by the location of company's central management. AOI owns many subsidiaries as an intermediate company, received $30 billion dividends between 2009 and 2011, and has not paid any corporate tax.

ASI is no resident company as well, because of the rule of residency. It receives finished products and sells them in distribution subsidiaries in Europe and Asia. The company has entered into cost sharing agreement (*transfer pricing*) with ultimate parent company Apple Inc., which provide it with economic rights to Apple's intellectual property while the legal ownership of intellectual property always rests with Apple Inc.

Although subsidiaries earns billions of dollars in Ireland, its corporate tax is not proportional to its income (for instance, in 2010, income: $22 billion; paid tax: $10 million). This means corporate income is not taxed in source country effectively. In this case, CFC rules should supposedly applied to income of Apple Inc. However, those rules have not been applying because all operations of Apple are pursuant to law of appropriate countries.

Shortly, Apple abuse following rulings:[37]

1. Definition of residency in Ireland and the US;
2. Transfer pricing rules on intangibles;
3. CFC rules in the US;
4. Check-the-box rules in the US;
5. Low tax jurisdiction or tax haven.

2. Amazon[38]

Amazon, which is online retailer headquartered in the US and was incorporated in 1994, operates 13 websites.

• Amazon [Company 1 ([>95%)] limited partner] and Amazon [Company 2 ([<%5] general partner)], both US resident companies, participate as partners in a Luxemburg *Société en Commandite Simple* (Lux SCS), a limited liability partnership. Although Lux SCS is separate entity, it has no separate tax personality from its partners and/or Lux SCS is transparent company for tax purposes. This means Lux SCS will not be subject to Luxemburg corporate income tax and net wealth tax.

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[37] *Id.* p. 46

[38] European Commission, State aid SA.38944 (2014/C) – Luxembourg. Alleged aid to Amazon by way of a tax ruling http://ec.europa.eu/competition/state_aid/cases/254685/254685_1614265_70_2.pdf (The subpart is analysis of the mentioned report)

• Lux SCS operates as intellectual property holding company, which was licensed by Amazon.com Inc. and other US affiliates of Amazon group through cost sharing agreement.
• Lux SCS holds all shares of Amazon EU *Société à responsabilité limitée* (hereinafter Amazon EU Sarl or LuxOpCO)
• Lux SCS licenses the IP right to LuxOpCo in return for tax deductible royalty payment.
• LuxOpCo runs all Amazon's Europe websites and holds all shares of subsidiaries located outside Luxemburg.
• Luxemburg provided Amazon with preferential tax regime, which concerns transfer pricing agreement. In addition, neither partners of Lux CSC, nor Lux CSC itself has any tangible presence in Luxemburg according to confirmed request of Amazon by Luxemburg tax authorities, which means Lux SCS will not be deemed to operate through permanent establishment in Luxemburg.
Hence, Amazon takes advantage of following issues in Europe:
1. Preferential regime or harmful tax practice;
2. Transfer pricing rules of intangibles;

H. How to Deal with It?

Multinationals should be treated "multinationally" and/or supranationally, otherwise ongoing fight between MNEs and tax authorities will remain and latter will continue to lose billions of revenue. Although remarkable initiatives have been taken by OECD and EU in this regard, stringent measures haven't been achieved yet. Effective solution would be foundation of International Tax Organization (ITO), which could manage taxation of so-called stateless income of corporations. Supposed modus operandi of ITO will employ following proceedings:

i. Requiring member states and making non-member states via economic means avoid harmful tax competition and harmonize their tax regulations;
ii. Imposing obligation on members to provide required data;
iii. Determining country-by-country income and calculate overall income of MNEs and tax base according to the submitted data;
iv. Determining effective tax rate;
v. Dividing taxed overall income between states with consideration of:
   • percentage of local activities of corporation in source(s) of income;
   • residency;
vi. Imposing liability on tax havens proportional to their contribution for profit shifting and make corporations not to use tax havens with sanctions;
vii. Ensuring continuous growth of cross-border economic activities.

Conclusion

In this article, main goal was providing basic information on Base Erosion and Profit Shifting (BEPS), which is the most crucial problem for international taxation. In order to provide proper information underlying issues of BEPS as harmful tax practice, tax havens, hybrid mismatch arrangements, transfer pricing, taxation of e-commerce, some of corporate tax structures were analyzed and foundation of International Tax Organization was proposed as an effective solution, which could deal with this issue. This proposal does not confront with sovereignty of states because it will be accomplished under treaty and operations will be employed under states' will, as they want to subject MNEs to tax now. Probably it needs further efforts and time to attain this purpose.[39] Nonetheless, proper changes are inevitable in order to harmonize international tax regime and tax multinationals.

[39] For instance, since 1988, 92 jurisdictions have joined to Multilateral Convention on Mutual Administrative Assistance in Tax Matters *See http://www.oecd.org/ctp/exchange-of-tax-information/Status_of_convention.pdf*