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Base erosion and profit shifting. A global tax challenge and road ahead

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BASE EROSION & PROFIT SHIFTING (BEPS)

A GLOBAL TAX CHALLENGE AND ROAD AHEAD

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PREFACE

As the world becomes more globalized and resources become more internationally mobile, the issue related to international taxation is moving to the forefront of debates surrounding national tax system. The process of globalization has led to increased competition among businesses in the global market place. International taxation generally refers to the tax treatment of cross-national transactions. Since each nation has its own tax rules and the rules of one nation are rarely perfectly meshed with those of another, it is possible that income will be taxed more than once which is sometimes referred to as double taxation or that it will go untaxed by any jurisdiction. To prevent this, usually countries adopt different methods. In principal, two methods of taxation are there i.e. the territorial (or source) system of taxation and the worldwide (or residence) system.

Base Erosion and Profit Shifting by the multinational enterprises or by the individuals is one of the current problem by which the whole world suffering. To curb this problem Organisation for Economic Co-operation and Development (OECD) has unveiled its report on Base Erosion and Profit Shifting (BEPS) on 12 February, 2013. The Report has attempted to identify and tackle the global issue of tax base erosion, which in present time has achieved gigantic proportions.

There is a growing perception that Governments across world lose substantial revenue due to tax avoidance because of planning aimed at eroding the tax the taxable base or shifting profits to favorable tax jurisdiction. Keeping cognizance of this situation, the Organisation for Economic Co-operation and Development (OECD) recommends a holistic and planned approach to address the problem of Base Erosion and Profit Shifting (BEPS).

In the *Addressing Base Erosion and Profit Shifting* Report, there are certain key tax principles and opportunities for Base Erosion and Profit Shifting have been analyzed, such as jurisdiction to tax, transfer pricing, leverage and anti-avoidance. Further in these key pressure areas of the Report have been discussed in detail as different chapters of this dissertation.

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Dr. Vivek Shukla is an Assistant Professor of Commerce in an affiliated college of University of Lucknow. He is also a visiting faculty of Commerce in University of Lucknow. He has more than 10 years of teaching experience and 5 years of professional experience in the field of tax and accounts. He has to his credit publication of 3 books on International Taxation, Direct Tax and Tax planning, Financial Management and over 14 Research Papers in various journals of national and international repute. His expertise lies in simplifying technical issues related with taxation.



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