

THE VIEW FROM VIENNA

Conversations: Jeffrey Owens and Pascal Saint-Amans



Jeffrey Owens

Jeffrey Owens, director of the WU Global Tax Policy Center at the Institute for Austrian and International Tax Law (Vienna University of Economics and Business), has created a series of Fireside Chats with people in the tax world who influence the way we approach tax policy and administration. Owens is the former head of the Center of Tax Policy and Administration at the OECD.



Pascal Saint-Amans

In this installment, Owens talks to Pascal Saint-Amans, current head of the Center of Tax Policy and Administration at the OECD.

This interview has been edited for brevity and clarity. The full interview can be seen at <http://www.wu.ac.at/wutv/clips/20141216-firesidechat>.

Jeffrey Owens: I'm very pleased to have Pascal at the WU (Vienna University of Economics and Business) for this Fireside Chat. It is two and a half years since he took over my position of head of tax at the OECD. The audience that we have here today is the largest we've ever had for one of these Fireside Chats. It's a mix of academics, business, and government and we have over 300 online from all over the world: Asia, Latin America, Africa; it's a real worldwide audience.

I know you're all desperate to know more about BEPS, but we are going to try to talk also about non-BEPS tax work that the OECD does because it's important to recognize there is more to the OECD than the tax work on BEPS. There's a lot more being done and in some ways maybe BEPS has squeezed out some of the other things. This is a good opportunity to get

more balance in the debate. It's over two years since you've been in this position. What have been the highlights of this period in heading up the tax work of the OECD?

Pascal Saint-Amans: Before responding, I'll say how happy I am to be with you today and I rarely address such a young crowd, so I'm very happy, it's a big change. To respond to the question without saying the four-letter word is going to be difficult because the highlight of the past two and a half years has been about BEPS. The fact you have a sea change there, which is an awareness by member countries and non-member countries that they have something which is extremely consensual, which is base erosion and profit shifting that they want to address.

When we held the first bureau meeting after Jeffrey left, I was new. There were new bureau members and I asked them what were their concerns. They all said we have a problem with base erosion, then we have a problem with profit shifting. So I wrote down BEPS and turned to a native speaker because I'm not an English native speaker, it's a four-letter word so I wanted to check it was fine. "Yes, it's fine, it doesn't mean anything bad." So I said let's launch a project, which will be BEPS, and we managed to put it in the G-20.

So that has been the highlight, and now it's probably too much of it because the brand is used by everybody. You cannot open the paper without seeing BEPS, and it's almost annoying because there is life after BEPS, there is something beyond it and not everything is about BEPS. Now people tend to say, "BEPS, isn't it?" Well, not necessarily. So that's the highlight.

Owens: Why this sudden surge of interest because, as you say, this has been around for a long time, why suddenly this political focus? Was it just because of the need of governments for money?

Saint-Amans: No, I think it's much deeper than that. Those thinking it's the need for money just get one part of the story, which is not the most important part. Let's step back, Valentine's Day 2008, we have

the Liechtenstein scandal. You remember a former employee of the LGT Bank, the subsidiary dealing with trusts of LGT, who has sold data to the German Secret Service, who have given it to the tax administration in Germany, who have shared it with 41 countries and who decided to wake up the CEO of Deutsche Post at six o'clock in the morning with TV and policemen. Not great waking up but that's a scandal which worked. Why did it work? Because we're in February 2008 meaning after August 2007, which is the beginning of the supreme crisis.

Owens: For many years, the OECD was trying to address BEPS issues but we never had the political backing. So the key was in April 2009 when the G-20 said enough is enough and then you have the political backing to get the OECD countries to move. You know how quickly they moved then. That was one of the turning points that changed the whole environment.

Give us a rundown of where you are on the 15 actions, just to bring us up to date of where we are today.

Saint-Amans: You know the BEPS action plan, otherwise you wouldn't sit here, I suppose. We have 15 actions, seven to be delivered in 2014, eight to be delivered in 2015. We have delivered the first seven actions according to the plan and on time. The first seven actions are three reports and four instruments.

One report on the digital economy, which basically says the digital economy is the economy itself, therefore a ring-fence solution is not necessarily the right thing to do. But BEPS is exacerbated in the digital economy environment, and therefore solutions to address BEPS should exacerbate the treatment of the problem.

We have a report on the feasibility of a multilateral instrument to streamline the implementation of the BEPS tax treaty-related measures. Then we have a report on harmful tax practices, which is one of the actions, action 5, but an important one. The report is twofold. One is about the patent boxes — the taxation of intellectual property through the patent boxes — and it includes a methodology which is the nexus approach, how to make sure that these patent boxes would not be toxic in terms of emptying the tax base of the partners without creating anything, any value. That was the only area where we didn't reach consensus because we had four countries against the so-called modifying nexus approach.

The second aspect of this action 5 report is about rulings and it was good that we did anticipate because you may have heard about the offshore leaks, the Lux leaks in particular, a few weeks before the G-20 leaders met. Here we said rulings are fine by themselves except that if they are delivered without transparency, meaning without being notified to the other countries the tax base of which might suffer from the ruling, then we have a problem. So we need to make sure we have compulsory spontaneous exchange of information of

these rulings. Spontaneous compulsory means automatic, that's the same. Yesterday during the webcast, we had people not understanding it's technically the same, automatic exchange of tax rulings. That was agreed in this report.

So three reports, action 1 digital economy, action 15 the feasibility of a multilateral convention, and action 5, two aspects, one not agreed, one agreed on rulings. Then we brought that to the G-20 and the G-20 said yes, that's the right thing to do and the former prime minister of Luxembourg, now president of the EU Commission, said we'll do a directive in Europe to implement this and to make sure we have automatic exchange of information on tax rulings.

We have four instruments as well, which have been delivered. One is a model domestic legislation to neutralize hybrid mismatches and some tax treaty provisions as well. Second is a minimum standards to counter treaty shopping, so either an LOB or a principal purpose test to neutralize treaty shopping as a minimum standard, which came as a surprise because it's very ambitious. All the countries agreed with that including those which are used as platforms for treaty shopping. I will not name any country here, certainly not the Netherlands, but they've agreed.

The third instrument is not an update but a new chapter for the 1995 transfer pricing guidelines on how to deal with intangible property, in particular where you have cash boxes in low-tax or no-tax jurisdictions. Finally, we have the country-by-country reporting — what should companies report on a country-by-country basis to tax administrations, not publicly. But these are the four instruments which were agreed. We did put a chapeau on all that, which is an explanatory report for those not willing to read 700 pages of documents. I love stories, they always start "Once upon a time." "Once upon a time you had base erosion and profit shifting and the G-20 countries met the OECD and decided to put an end to cash boxes."

Owens: It's not a fairy tale?

Saint-Amans: We'll see. I haven't yet met the process but I still hope to. So we have delivered this explanatory report to make sure the story makes sense and can be read by politicians. That's the first seven. Another eight to go.

Owens: And maybe we could take one or two questions. The one thing Pascal was too modest to say, you delivered on time. You delivered quality products and I think you surprised everybody.

Saint-Amans: Including ourselves.

Audience: Was there a real agreement on the patent box?

Owens: Getting agreement two days before the German and the U.K. agreement, I see that as important because my concern was that the patent box was going to become the new tonnage tax regime. I can remember in the 1980s, people actually taxed shipping and

then along came tonnage regimes and the tax base disappeared. The real danger is that this is going to happen with intangibles because for large multinational enterprises, that's where their wealth is, it's on intangibles. So if you then provide very low-tax or no-tax regimes for them, you've lost your corporate tax base. In a sense, I think it was a big success getting that agreement in Brisbane. The question, is will it stick? The U.K. has got rather a generous transition period.

Saint-Amans: I fully agree with you on the fact that it was critical to agree on this action because there is a growing part of global income which is linked to intellectual property. So if you allow countries to disconnect the location of the intangible property so that it can benefit a very preferential tax regime, disconnected from the place where the activities generating the income take place, then you empty the corporate income tax base from the growing part. I don't know what the share is today but it's getting bigger and bigger. That was absolutely critical.

The modified nexus approach is quite complex, but it's compatible with EU legislation.

Owens: The EU has agreed with this?

Saint-Amans: The nexus approach has been agreed by the EU Commission, by the EU Council legal services, meaning that it's pretty safe even though at the end of the day, it's only the ECJ [Court of Justice of the European Union] which has to decide. But when you have the EU Commission legal service and the EU Council legal service writing to you or telling you that it's EU-compatible, not bad so we could move ahead and that's what we've done. But we had four countries not agreeing and unsurprisingly, four countries with so-called aggressive patent boxes — the U.K., Luxembourg, the Netherlands, and Spain. What does Spain do in that category, that's another question but they were there. And the French have an aggressive patent box and they say we're going to change it, so you have four countries reserving so we had a progress report to the G-20.

It was frustrating, but then there were some discussions between Germany and the U.K. They came up with a solution. It's true that it's pretty generous in terms of phasing in, to say you have until June 2016 to stop the entry into the patent box, and then you have five years. After these six years, it stops. Is it ideal? Probably not, but it clearly shows an agreement there.

But then we were left with two countries which did not agree, because they are not in the G-20 they could not express their views in Brisbane, and these two countries were the Netherlands and Luxembourg. So we have the Forum on Harmful Tax Practices, which met and you've seen publicly that Luxembourg said we fully agree and they did fully agree. I must say the government of Luxembourg after the offshore leaks has reacted very proactively saying "our business model needs to change."

Owens: Well, they changed their prime minister.

Saint-Amans: I met the new prime minister at his request last week and he was crystal clear and willing to send a very strong message that they cooperate extremely well with the OECD, which I can confirm. The Netherlands is in a difficult position because they have a patent box but part of it is largely inward looking, meaning they have small and medium-sized companies which do all the expenses in the Netherlands, and which benefit from the IP regime even though they are using certified innovations which are not necessarily legal patents. They are not patented as well. We may have an issue with the lack of clarity of the definition of what can be included in the patent box, so we may need to work further on whether some certified innovations which are equivalent to patents but are not legal patents.

On the patent box, I think we now have an agreement which will be formalized at the Committee on Fiscal Affairs at the end of January, and I think it's extremely important in terms of sending out a message that it's not because you have intellectual property income that this one will be taxed at a very preferential rate without any link with where the activities are taking place.

Owens: Maybe just coming back to the diverted profits tax the U.K. has put in place, is there a danger that other countries are going to say this sounds quite attractive? Because that tax is about trying to change behavior. The U.K. is hoping nobody's going to end up paying it because they won't play games, but you can see the Australians have come out and said maybe we should do this as well. In one way, it's quite helpful because it shows what will be the consequences if you don't get agreement but in another way it's preempting what the outcome will be. Doesn't it take some pressure off you on dealing with this whole question of PE?

Saint-Amans: Action 7 is about the commissioner arrangement on fractioning the activities in one country not to have a permanent establishment, which could be part of the digital economy. There is a third dimension, which I think is not related to the diverted profit tax in the U.K., which is: Does it make sense in today's environment not to have a permanent establishment where you have a warehouse? In the 19th- and 20th-century economy where selling goods in one country is not, was not, and still is not considered as having a permanent establishment, if you just sell your stuff and have a warehouse to deliver, it shouldn't constitute a PE. When you have a purely digital economy in terms of sales but you still need the physical presence and you have the warehouse, does this same logic apply or not? Probably not, and that's why we have action 7.

So the pressure is not really off. We still have work going on on action 1, on the digital economy, and how to address the challenges there so we have more material.

Owens: Maybe before going on to action 8, there's a lot of confusion about the multilateral instrument. I can understand why because it's complex but it's also a key to the success of the project. Unless you get that in place, it will take 10 or 15 years of renegotiating. Tax negotiators can get to all these lovely places for their summer and skiing holidays and they can negotiate, that's why they call them tax negotiators. So, in a sense, this action of having a multilateral instrument is really a key to the effective implementation. What exactly is this, and what do you think are your chances of success? Is it going to require all countries to sign on, or can you do it in a gradual way?

Saint-Amans: We'll see, I don't have all the answers. The idea is extremely simple. We're going to agree within the BEPS action plan to some tax treaty-related BEPS measures. Action 6, action 2, hybrid mismatches, there is one thing which is tax treaty-related, action 14 on mutual agreement procedure and maybe arbitration, action 7 on the permanent establishment, and maybe some special measures provided for by actions 9 and 10. You have two avenues to implement any agreed changes. One is that the tax treaty negotiators will go back to their country, pack their bags, and start traveling the world. The U.K. has 120 tax treaties, so the U.K. delegates will go to 120 countries to negotiate what their prime minister has agreed with the other countries at the OECD. But if you travel the world, you need to justify it by reopening other treaty issues or by modifying the agreed language. So it would take 10 years to implement agreed changes.

Owens: That's probably optimistic as well.

Saint-Amans: Yes, 20 years, you will have uncertainty because the treaties will not be the same. You will create opportunities for treaty shopping that you're trying to neutralize because once you've put your provision in some treaties, maybe the business community will use other tax treaties, which have not yet been updated. It's time consuming and resource consuming. That's one option which is the option which has prevailed so far, and I was a tax treaty negotiator.

Owens: And you traveled.

Saint-Amans: And I traveled. At that time I loved it because I could choose where to travel. The other option is to say if you get political agreement on a change maybe we could implement in the context of a multilateral instrument which respects the same processes as the process for ratifying a bilateral treaty. You'll go to Parliament but you will kill 120 birds with one stone instead of going out and negotiating all these treaties and then going to the Congress or Parliament 120 times. It's as simple as that. It's just to incorporate in a multilateral instrument things which would've been agreed in the context of the BEPS action plan, which are tax treaty-related BEPS measures.

Owens: I agree with that, but there's this perception out there that somehow this will impinge on national sovereignty.

Saint-Amans: That's not correct. It's nothing more than doing at once what you would do taking a lot of time. It has not been possible so far because when we tried it in 2005 I was the chair of Working Party 1 and you were head of the Secretariat at that time. We lacked the political support. But then we tried on arbitration. It was delegates coming to Paris and we had to agree on these issues. When you're a delegate, you'll go to Paris and your main task is to protect your own legislation so that you have no homework when you go back home. I'm not really kidding. Even if you want to do the right thing, you will first try to limit the impact of the changes you need to do at home.

Now it's top-down mandated and in that environment, agreeing on the multilateral instrument has nothing to do with impeding sovereignty. Will all the countries be obliged to sign? Of course not, because we're not impeding on sovereignty. Would it be good that we have a minimum group of countries? Yes, it would be good. But there it's more a political dimension than a legal dimension. So there should be a critical mass.

Owens: And in that respect, if there's a message we can give today, it's that the business community should be lobbying for this because it's in their interests to have this. Once they've agreed on a set of changes, let's get those changes in place quickly.

Saint-Amans: That's what we think. There are some provisions which will remain optional because if it's a whole package and nothing else, you will not get the countries you really want. So I think we need to include some form of flexibility. If we say it's arbitration for all or nothing, a number of big countries will not join because they are not yet ripe for arbitration and we would miss them. But you can start the process and they might join at a later date. So we need something flexible and political enough so we get all the countries to implement the minimum standards where there is a minimum standard. We need to do it in a very low-profile manner. It's just about implementing things which will have been agreed in the context of the BEPS project.

We hope we'll get a mandate to organize a conference to negotiate this and that this will be open to all states, not sure about non-state jurisdictions because they have special status but for sure all the states, as is the case for the multilateral convention on mutual assistance, which now has been signed by more than 80 jurisdictions. I think here we have a good base and maybe in the future where countries agree on a model tax provision in the OECD model or in the U.N. model, they will say we've all agreed, there is no reservation, we're all comfortable, let's put it in there and then they will have to go back to Parliament who will do protocols. But it's just more efficient.

Owens: I think that's absolutely the case. To me, it's a very pragmatic approach. You've agreed on something; let's get it done as quick as we can. Let's move on to the next eight actions. What do you think you're

going to be delivering on those other eight actions in autumn 2015 to the G-20 summit?

Saint-Amans: What we have to deliver first is action 3, which is about CFC legislation. That's a very easy and extremely difficult one, very easy because we may just do some form of benchmark and best practices. If you want a solid CFC legislation which is EU compatible, then this is how you can do it. There are some strong CFC legislations within the EU, you should look at the Danish one. That's something we can do, not too difficult. But you may also want to go a step further. Why don't we try to have something like a primary rule, a secondary rule? The countries could do CFC based on the minimum tax because then it's objective and it avoids all the debate and problems with what is substance from transfer pricing perspectives.

So instead of trying to solve abusive cases through transfer pricing, we just do it with an objective criteria, the right minimum tax, 12.5 randomly, the average rates, they are there and we consider rates below these as not acceptable. And then we have a CFC but as a primary mechanism and if a country doesn't protect its tax base, then the source countries have a right to tax. Then we need to invent something, why not formulary apportionment for these countries? It's not me speaking, it's a U.S. proposal that Bob Stack has articulated.

Owens: But aren't you getting yourself in a situation, something the OECD has done very infrequently, where you're making recommendations for changes in domestic legislation? You have some countries that don't have CFC legislation, some that have taken a very strong position saying CFC legislation is not consistent with treaties. You have in some countries, I shan't mention them, the U.K., which are weak in the CFC legislation, so this is a tough one.

Saint-Amans: It is but on the other hand, there are a number of countries willing to tighten their CFC legislation and they're looking for advice and we can provide advice here in a manner which will not be detrimental to the others and which will limit double taxation by having properly designed CFC regimes. But you can see it can also be articulated with the other measures depending on how countries react to the U.S. proposal.

Then we have action 4 on interest deductibility. It sounds like there is a pot of money there, that's the reaction I have from the business community. So the idea here is to say currently we do have a lot of situations where interest is located in a low-tax jurisdiction and is deducted from a high-tax jurisdiction. Is it the right policy outcome, especially at a time where you may not want to increase the leverage, even though the rates are extremely low?

Then we have action 7, which is the permanent establishment, and I've described to you what is at stake there, so I will skip this for the time being. We move to the remaining transfer pricing issues and you will have seen we have not completed action 8 that we launched

on the intangible property because the goal as clearly identified in the explanatory report is to eliminate the use of cash boxes. It's to say the arm's-length principle should not result in locating the excess profits in a cash box where nothing is happening. Or if it is the case, then there is a need for special measures to neutralize this. Are countries in agreement on whether this is the arm's-length principle or not? No, they are not yet in agreement. Are they in agreement that the special measures are within or outside the arm's-length principle? No, they are not, they are discussing these.

Owens: It's a very positive thing that these special measures are on the table because what that says is the OECD countries are prepared to adopt a more flexible approach to the interpretation of the arm's-length principle. That gives you a good chance of getting closer to some countries like Brazil.

Saint-Amans: Yes, absolutely. Then we have an action which is a very interesting one, action 11. Action 11 is about measuring the base erosion and profit shifting. When I floated the idea of BEPS in spring 2012, the first reaction of some members of the business community was: "Prove it with figures first before annoying us." We said the member countries have a strong feeling that something is happening. Look at corporate income tax. The contribution of corporate income tax to GDP has not decreased, it's been around 8 to 10 percent for the past 20 years despite the reduction in nominal rates. And instead of that, it's remained constant. So you're not doing the right analysis.

Then we have action 12 on mandatory disclosure, not too difficult. There are some precedents and the idea is to combine these with the obligation of exchanging information on rules, action 5 and action 13, which is the country-by-country reporting. On action 13, we've delivered what we need to deliver, now it's the implementation package.

Action 14 on improving the MAP is extremely important, too. We are in an increasingly uncertain environment. Some tell me it's because we launched the BEPS project.

Owens: Will you still be pursuing the dual line of improving the MAP and arbitration, or given the statements that have been made by the Indians and others, are you backing off arbitration?

Saint-Amans: The answer is we need to move to practical progress. We need to be extremely pragmatic. We know what the solutions are. The real question is how do you get these solutions implemented because we know some countries will not move to arbitration.

Owens: I agree getting non-OECD members to agree on arbitration will take time but what's interesting is that in 2000 when we launched the discussion at OECD on arbitration, almost all the arguments put forward by Brazil and India and others were arguments that were being put forward by the United States, Japan, the U.K., and many other OECD countries. And

yet after five years of discussing the issue, we agreed on a new provision providing for mandatory arbitration.

Saint-Amans: You don't need to convince me, I'm a big fan of arbitration. For those of you who don't know that, I'm the only human being on earth having participated in two arbitration commissions on tax. When I was the French competent authority, I initiated the two cases under the multilateral convention on arbitration. These are the only two cases, maybe there's a third or fourth one now, but under that convention, the competent authority is also an arbitrator. I was an arbitrator in two cases so I'm convinced, you don't need to convince me. My problem is how to convince the other countries.

So what can we do? I think we can put the pressure on countries using the top-down approach, use the political approach by the G-20 to pressure the countries, to name and shame them, to see how many MAP cases they have, the way they organize the tax administration and the effectiveness of the competent authority.

Owens: So it's monitoring.

Saint-Amans: It's monitoring, peer reviewing. I think a strong peer review mechanism would work extremely well in terms of changing the mind-set and changing on the ground, which is what we need to do plus arbitration, plus promoting APAs and other dispute resolution mechanisms. So avoiding disputes by having less aggressive tax administration or putting in place some mechanisms, for instance through the forum on tax administration, I think you can have a very nice mix there which will make a difference.

Owens: I hope that business will be part of any monitoring process. A related issue is, are we going to see the BRICS engaging in Working Party 1, in Working Party 6? Is that your vision of the next step?

Saint-Amans: I think the answer is in the question. We've been able to bring 90 percent of the world economy along. What is striking is that the CFA Bureau now consists of 12 OECD countries and four non-OECD countries. We have China, India, Brazil, and South Africa present when we discuss BEPS.

Owens: Are big OECD countries comfortable with this new format?

Saint-Amans: I think it's done, they're present, and the interaction is taking place. Sometimes you can see some dividing lines which are between the emerging economies but the emerging economies go beyond the BRICS. You have some OECD countries which are also emerging economies — Mexico, Turkey, Chile, soon Colombia, which is joining the OECD. When you hear of NGOs, you have the rich man's club on the one hand and the poor developing countries on the other. Not exactly. The OECD is much more complex than that. You cannot make the difference between an OECD country and a non-OECD country in terms of input, in terms of being at home.

Owens: Aren't we going to end where the divide that you have will not be OECD versus non-OECD but the OECD countries plus the emerging economies, the big countries like the BRICS and the next generation of BRICS on the one hand and the developing countries on the other?

Saint-Amans: It's one big challenge. I'm quite supportive of the U.N.; they have a bigger role to play to bring the views of developing countries. I'm not sure the U.N. turf is to move global and develop the global standards. I know it's the view of a number of NGOs but I'm not sure that you want two standard setters. The U.N. has more legitimacy than us, it's true but also practically, it's not only about resources because you could put the resources there but the dynamic is such that reaching consensus through the political process would prove extremely difficult in a U.N. context. We've had meetings in New York with the head of financing for development [U.N. Secretariat]. I think having the U.N. bring the views of developing countries into the debate is something which would be extremely valuable.

More generally, we're trying to engage developing countries in the project. It's not our initial constituency but we're doing this and we have countries willing to participate. We held a meeting last week with interested developing countries; we couldn't get them all because there were more countries interested than we could take. I think there were 14 countries present from Bangladesh to Vietnam, Senegal, Morocco, Tunisia, Azerbaijan, Kenya, and many others. These countries were saying we want to participate in the standard setting which is our business.

To assist these countries, we are developing with the other international organizations, the World Bank, IMF, and U.N. There are many other aspects than BEPS for developing countries. Maybe some aspects of BEPS are not relevant for these developing countries. That's for them to voice their concerns at the OECD because now they have a seat, even though technically speaking it's not on an equal footing, practically speaking it will be on an equal footing.

Owens: The two issues of particular concern to developing countries are the issue of tax incentives source versus residence taxation. I say to the business community, particularly the U.S., you're wrong in pushing not to have a debate on these issues. We need a broader debate on it, and it needs to go beyond BEPS.

Let's now belatedly look at some non-BEPS issues. There are three such issues around at the moment. One is the question of inequality. Two is the question of how do we get out of the recession because we're still there and tax has to have some role to play in that. And the third one, which you haven't mentioned is climate change. We've got the big conference coming up at the end of next year in Paris. What is the OECD going to do to contribute to that from a tax perspective?

Saint-Amans: We're doing a lot of work on tax and environment. You may have seen a publication from a research perspective, it's extremely good material on the effective taxation of the different energy users — transport, heating, and all that. You have country-by-country analysis of the effective taxation, which is measured in two different manners. So that's very good work on which we're trying to draw economic lessons that we will try to feed into the political debate. We have what we call the ITD — the International Tax Dialogue — which will organize next year a conference where all the partners will input on this very big issue so it can be taken on by the negotiators of any climate agreement.

Owens: You mentioned consumption tax. The reality today is countries are moving more and more to relying on consumption tax. VAT is the tax of choice, you have 160 countries around the world that have VAT and yet there's no international standards. The work the OECD has been doing on developing the guidance, how would you see that developing over the next few years?

Saint-Amans: The risk of double taxation in VAT is lesser than in the area of direct taxation but the money at stake is much bigger than direct taxation. So the risk might be smaller, what is at stake is bigger so we need to do something. We're doing something. We're having a Working Party at the OECD but it's amplified by a Global Forum on VAT where we're trying to develop international standards on VAT for B2B, now moving to B2C in particular for the digital services. We are agreeing on rules on who should tax between the countries of origin and the country of destination. We had a global forum in Tokyo last May. We're having one in the first half of 2015 and we hope the rules which have been agreed by the Working Party will be endorsed by many other countries. In this global forum on VAT, many developing countries are extremely interested. They are present and they've contributed, they've changed the draft, and they may just endorse the draft so we may have a global standard there. It's much less controversial than in the area of direct taxation, meaning that it's easier to get there, though technically it's a challenge.

Owens: It's a win-win situation.

Saint-Amans: Absolutely.

Owens: Before we move to the last round, tell us a bit about where you see the debate on cooperative compliance moving because I've got this gut feeling that a lot of the BEPS issues would be easier to deal with if you had more countries and more companies moving into the cooperative compliance space.

Saint-Amans: The BEPS project is about fixing the law. What I like repeating is that companies are doing their job, which is to reduce the tax burden when it's legal and it is legal so it's not a compliance or enforcement issue. It's true that when we move to an environment where tax administrations are more nervous, where you may have more uncertainty, you need to build trust and increase transparency. That's where the cooperative compliance comes in. Clearly it's high on the agenda of the Forum on Tax Administration. It's part of its work. We have a new chair from the U.K., who's very ambitious, very committed, and you may have seen that we have worked on mutual agreement procedures.

Owens: Let's move to the very last section. What would you see the OECD tax world looking like in 2020? Is it going to look very different from today?

Saint-Amans: I just don't know. I'm not a visionary, so I don't know where we will be in 10 years time. It's changing so fast that it's really hard to say. What I don't see is a world tax organization that some are talking about. I don't see this happening because of the sovereignty constraints. I think we should have accomplished something with BEPS which should fix the rules for some years. We will have to move toward consistent implementation. I would like to see countries more serious in implementing what they agree so we have a better regulated environment. We had no real tax regulations. We had recommendations and rules but no real regulations. Maybe we're moving to some form of better regulation, that's what we see in the area of bank secrecy with the Global Forum and the peer review mechanism.

Owens: Last question. Where are you going to be in 2020?

Saint-Amans: I don't have a clue. On a surfboard, I hope!

Owens: Surfing the tax waves, that's quite a nice way to go out for this. Thank you again, Pascal.

Saint-Amans: Thank you. ◆