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# The Base Erosion and Profit Shifting Assessment Tool (B.A.T.) Manual

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## Abbreviations and Acronyms

B.A.T.	Base Erosion and Profit Shifting Assessment Tool
B.A.T. Scoring Criteria	B.A.T. Key Areas of Assessment, Performance Indicators and Criteria for Scoring based on International Best Practices
B.A.T. Template Report	B.A.T. Assessment Template Report
B.A.T. Questionnaire	B.A.T. Questionnaire about the Implementation of Measures against Base Erosion and Profit Shifting
BEPS	Base Erosion and Profit Shifting
EOI	Exchange of information
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
IBFD	International Bureau of Fiscal Documentation
IF	OECD/G20 Inclusive Framework on BEPS
KAAs	Key Areas of Assessment
OECD	Organisation for Economic Co-operation and Development
OECD/G20 BEPS	OECD/G20 BEPS initiative
PCT	Platform for Collaboration on Tax
PI(s)	Performance Indicator(s)
TP	transfer pricing

## 1. Introduction

The Base Erosion and Profit Shifting Assessment Tool (B.A.T.) aims to (i) evaluate the country tax system's strengths and weaknesses regarding Base Erosion and Profit Shifting (BEPS); (ii) identify possible measures to deal with BEPS issues relevant for the country, including specific actions and capacity building to implement those measures; and (iii) identify a possible priority setting.

The *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) commissioned the International Bureau of Fiscal Documentation (IBFD) to develop the B.A.T., a task that the two organizations undertook in partnership in 2019. The Ministry of Foreign Affairs of the Netherlands supported this initiative by funding an initial BEPS assessment in Malawi in 2019. The B.A.T. has been further reviewed and updated in 2022. To date, B.A.T. assessments have been carried out in Zambia (2019), Benin (2022) and Uganda (2023), with more assessments planned for other countries in the coming months. This document aims to serve as a manual for the B.A.T. It describes the B.A.T. process and explains its different phases and main documents. It is aimed at those who would like to understand more in-depth the process that results in the final B.A.T. Report (for example, future assessors in an assessment team, tax authorities' officials and others participating in a B.A.T. project).

The information provided in this manual may also be found in other B.A.T. documents. It has been compiled and reorganized in this document with additional explanations to allow the reader to gain a general understanding of the tool before a more in-depth analysis of the main B.A.T. documents. This manual is foreseen as a "live" document that will be further developed as needed to provide an easy and didactic guide to the tool.

## 2. General Description

As described above, the aim of the B.A.T. is

- to evaluate the current situation of the country tax system's strengths and weaknesses regarding BEPS; and
- to make recommendations based on the findings of the evaluation.

The various phases of the B.A.T. process are explained and detailed in section 4.

The main data collection instruments for the evaluation are:

- the B.A.T. Questionnaire on the Implementation of Measures against Base Erosion and Profit Shifting (B.A.T. Questionnaire) (see sections 5.1.-5.3.);
- a desk study of publicly available information (see section 5.4.); and
- the B.A.T. In-Country Interviews.

The B.A.T. evaluation is based first on the B.A.T. Questionnaire, which is addressed to the tax authorities. This questionnaire is filled in by key officials on behalf of the tax authorities. The responses provided by the tax authorities are compared and contrasted with publicly available information separately collected and studied. Afterwards, in-country interviews with the same key officials of the tax authorities are held to clarify and/or elaborate on their responses and gather evidence to validate the B.A.T. findings as necessary.

The B.A.T. evaluation is then made based on the information collected and subsequently validated. The basis for this evaluation is the "B.A.T. Key Areas of Assessment, Performance Indicators and Criteria for Scoring based on International Best Practices (B.A.T. Scoring Criteria)". The document establishes five Key Areas of Assessment (KAAs), i.e. strategy framework, legislative and regulatory framework, organizational framework, expertise framework, and IT framework for selected OECD/G20 BEPS Actions. These five key areas are assessed on the basis of performance indicators (PIs), which are measured based on specific scoring criteria. This methodology is explained in section 6.

It should be noted that the B.A.T. assessment cannot in any way replace or be considered as part of the peer review process of the BEPS minimum standards, which is the official assessment for members of the OECD/G20 Inclusive Framework on BEPS.

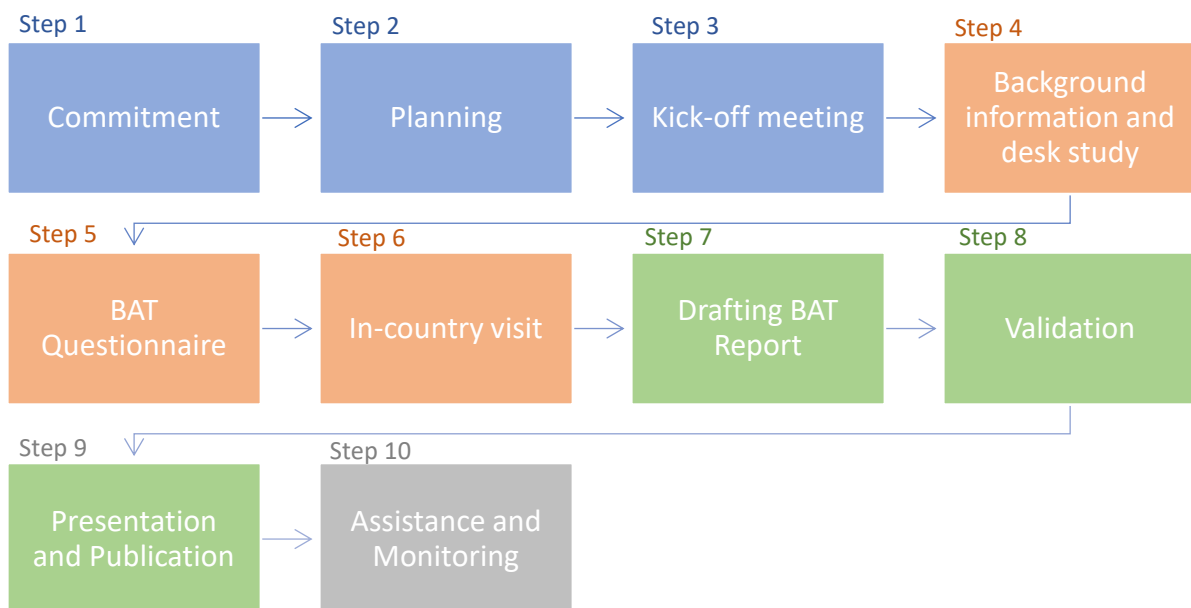
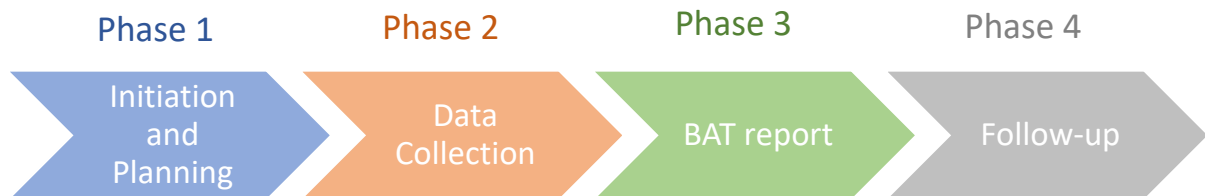
The conclusions of the B.A.T. evaluation are the basis for recommendations to the tax authorities regarding possible measures and priority-setting of such measures to deal with BEPS. The B.A.T. recommendations consist of:

- measures to deal with BEPS;
- priority-setting for adopting measures;
- specific actions to start adopting such measures; and
- assistance for capacity-building to address the needs of the tax authorities.

The B.A.T. Report documents the assessment conducted in the country, its findings and, accordingly, the recommendations (see section 7).

### 3. B.A.T. Process: Overview

The B.A.T. process comprises four phases that are divided into ten steps, as shown in the overview below:



## 4. B.A.T. Process: Phases

The four phases and ten steps are described below:

### 4.1. Phase 1: Initiation and Planning

#### Step 1 - Commitment

The B.A.T. is initiated upon request by the tax authorities of a country. The tax authorities submit a formal request to GIZ and/or IBFD to undertake the B.A.T. assessment. A formal commitment to carry out the B.A.T. must be agreed between the country's tax authorities, GIZ and/or IBFD and, if the funding is provided by a development partner, the development partner.

#### Step 2 - Planning

##### Assessment team

First, an assessment team of at least four assessors, a supervisor and an administrative support coordinator should be agreed upon and formed. One of the assessors assumes the role of team leader for the purposes of the assessment.

The team leader is directly responsible for the overall execution of the specific B.A.T. project within the agreed timeframe from a technical and project management point of view, including in particular the delivery and content of the B.A.T. Report. The team leader is also the direct contact with the country's tax authorities, GIZ and/or financing development partner and allocates roles, coordinates and reviews the overall work of the assessment team.

The supervisor oversees the technical work and ensures quality control by providing general and tax technical feedback to the team leader.

Both the team leader and supervisor are involved in the presentation of the final B.A.T. Report to the tax authorities, financing development partner and, if it is made public, to the relevant stakeholders.

The team members must have proven qualification and expertise in international taxation, including international tax law, and specifically the OECD/G20 BEPS package and follow-up initiatives by relevant international organizations to deal with BEPS-related aspects. Ideally, the team should be composed of persons with particular expertise on tax policy and legislation, tax administration, tax treaties, transfer pricing and VAT. They should have at least 5 years of relevant professional experience. The team leader should have at least 10 years of relevant professional experience, including experience on government consultancy projects (i.e. advising and providing training for governments on tax policy and tax administration) and project management. The supervisor should have the same qualifications as the assessors as well as having very broad experience in dealing with country's tax authorities and having at least 15 years of relevant professional experience.

#### Identification of key officials of the tax authorities and contact persons

Initial communication is held between the assessment team, GIZ and/or IBFD, as well as the tax authorities, to explain the B.A.T. assessment process and to initiate the planning. After initial communication, a meeting may be arranged to this effect.



This step also involves the identification of the tax authorities that are relevant for the assessment (see section 5.2.) and, consequently, the institutions, departments or units and their key officials that would be responsible for providing the required information under Phase 2 (Data Collection). To this end, the tax authorities must appoint key officials that will fill in the B.A.T. questionnaire and participate in the in-country visit interviews. For example, such officials may include officials from the Ministry of Finance (or equivalent ministry) and the tax administration, for example, officials from their tax policy, legal affairs/legislative drafting, international taxation, human resources, IT and statistics departments.

With regard to the selection of representatives from the tax authorities, it is crucial that representatives are not only knowledgeable about the areas to be assessed but are also open-minded and frank in sharing both the aspects that go well and also those that go less well within the tax authorities, with the aim of, where necessary, improving the performance. It should be emphasized that the whole B.A.T. process requires a climate of trust that enables tax authority officials to freely express their opinions about the current situation with respect to BEPS issues. In this context, it should be highlighted that all information provided is kept strictly confidential. GIZ and IBFD will only share the information with other entities or governments if formally approved by the relevant authorities of the country under assessment.

In addition, this step requires an agreement about the tax authorities' official(s) and GIZ and/or development partner local representative(s) that would act as the main point of contact (i.e. direct counterparts) with the team leader of the assessment team during the whole process. Ideally, one contact person per relevant tax authority, one contact person from GIZ and/or development partner local office and one contact person from IBFD should be appointed.

When convenient, the tax authorities may issue a resolution creating a committee and/or appointing relevant officials for the purpose of the assessment.

### Timetable

Finally, an initial agreement on the timetable and logistics for carrying out the assessment should also be agreed.

An example of a possible timetable is shown below:

Proposed Date(s)	Activity
27 January	Kick-Off Meeting between the assessment team and tax authorities. B.A.T. Questionnaire(s) to be sent to the tax authorities.
27 January to 27 February	Tax authorities to fill in questionnaire(s).
27 January to 10 March	Assessment team to do a desk study and analysis of the responses (when received).
13 to 17 March	In-country visit: assessment team to interview key officials.
20 March to 28 April	Assessment team to prepare the B.A.T. Assessment Report.

1 May	Assessment team to submit draft B.A.T. Assessment Report to GIZ/development partner and the tax authorities for feedback.
1 June	GIZ/development partner and the tax authorities to submit feedback to the assessment team.
15 June	Assessment team to submit the final BAT Assessment Report to GIZ/development partner and the tax authorities.
15 July	Official presentation of highlights of the BAT Assessment Report to the tax authorities and relevant stakeholders.

### Step 3 - Kick-Off Meeting

A kick-off meeting is organized between GIZ and/or development partner local office representatives, key officials appointed by the tax authorities and the assessment team. This meeting in principle would be held face-to-face between GIZ and/or development partner local officials and the tax authority's key officials. In principle, the assessment team would join online to provide the technical input; however, where feasible (cost-wise and timewise), a member of the assessment team may also join the meeting.

The purpose of the meeting is to:

- officially kick off the B.A.T. project;
- introduce all relevant stakeholders and persons involved in the project, and their respective roles;
- explain the purpose of the B.A.T.;
- describe the assessment **process**;
- present the agreed timetable; and
- address questions as necessary.

It is also possible for a preliminary meeting to take place before the above-mentioned kick-off meeting involving only high-level tax authority officials to explain the purpose of the B.A.T. and its process from a tax policy perspective. This may be useful for the project as their endorsement and commitment would highlight the relevance of the B.A.T. and encourage the work of the tax authorities' key officials. It would also serve to align expectations before beginning the process.

## 4.2. Phase 2: Data Collection

### Step 4 - Background information and desk study

When the questionnaire is sent, as a first step, the assessment team requests the tax authorities to provide relevant background information.

The list of the relevant information needed is included in section C of the B.A.T. Questionnaire (see section 5.).

The tax authorities are requested to submit the required information to the assessment team at least 2 or 3 weeks prior to the start of Step 6 (In-country visit).

Once the information is submitted, the assessment team may send additional questions, put forward issues that require further clarification and/or indicate evidence that should be provided by tax

authorities during the interviews in Step 6 (In-country visit). Conference call(s) may also be arranged when appropriate.

Between the kick-off meeting and the in-country visit, the assessment team conducts a desk study by:

- researching using its own sources of relevant information about the country, for example, using the IBFD Tax Research Platform and/or sources of publicly available information, such as government websites and international organizations' websites; and
- analysing the background information provided by the tax authorities.

The purpose of the desk study is ideally for the assessment team to prepopulate its own version of the responses to the questionnaire and perform a pre-assessment based on the information gathered, which would in principle be possible for the Key Areas of Assessment A (strategy framework) and B (legislation and regulatory framework). This information is not shared with the tax authorities, as it is only used for internal purposes, that is, to prepare for the in-country visit and to later compare and contrast this information with the responses to the questionnaire provided by the tax authorities.

### Step 5 - B.A.T. Questionnaire

Shortly after the kick-off meeting, the assessment team sends the "B.A.T. Questionnaire on the Implementation of Measures against Base Erosion and Profit Shifting" to the contact person(s) of the tax authorities.

The questionnaire is to be filled in by the key officials identified and appointed in Step 2 (Planning). If the tax authorities, as identified in Step 2 (Planning), are based in different government ministries or departments, they should fill in separate questionnaires. For example, if the tax authorities are in the Ministry of Finance and in the tax administration, both the Ministry of Finance and the tax administration should fill in their questionnaires separately.

The questionnaire should be sent at least 6 weeks prior to the start of Step 6 (In-country visit) and the tax authorities should submit their responses to the assessment team at least 2 weeks prior to the start of Step 6 (In-country visit).

During the process of filling in the questionnaire, it is highly recommended that a member of the assessment team or a tax expert of GIZ or development partner provides direct support to the key officials by assisting in the coordination of their work and/or providing technical guidance in meetings held specifically for this purpose.

Once the questionnaire has been submitted, in the 2-week period before Step 6 (In-country visit) the assessment team analyses the responses compared to its own findings. The team may then send additional questions, point out issues that require further clarification and/or indicate evidence that should be provided by tax authorities during the interviews in Step 6.

Conference call(s) may also be arranged when appropriate.

### Step 6 - In-Country Visit

During the in-country visit, the assessment team conducts interview sessions with key officials identified and appointed in Step 2 (Planning), who must be the same officials that have filled in the questionnaire. The purpose of these interviews is to validate information received, where relevant, and obtain clarifications with regard to the information provided by the tax authorities in the B.A.T. Questionnaire and, if necessary, collect further information.

Ideally, the in-country visit should take 5 days, whereby interview sessions should be carried out in the mornings of the first 4 days. The afternoons should be reserved for the assessment team to initiate the drafting of the B.A.T. Report and prepare the following interview sessions. If the Ministry of Finance (or equivalent) and the tax administration filled in separate questionnaires, interviews may be carried out separately with each of group of representatives or with both groups together. The last day should be reserved for a closure meeting between the assessment team, GIZ or development partner representatives and the tax authorities (the persons participating in the assessment and the higher-level authorities that agreed to the B.A.T. assessment being carried out). During this meeting, the assessment team presents its preliminary findings on the assessment and preliminary recommendations and priority setting.

An example of a possible timetable is shown below (example with interviews held separately with the Ministry of Finance and the tax administration):

	Day 1	Day 2	Day 3	Day 4	Day 5
Morning	Interview session with the tax authorities (Ministry of Finance) conducted by the assessment team	Interview session with the tax authorities (Ministry of Finance) conducted by the assessment team	Interview session with the tax authorities (tax administration) conducted by the assessment team	Interview session with the tax authorities (tax administration) conducted by the assessment team	Closure meeting between GIZ/development partner, assessment team and the relevant tax authorities
Afternoon	The assessment team prepares the draft report and next interview session	The assessment team prepares the draft report and next interview session	The assessment team prepares the draft report and next interview session	The assessment team prepares the draft report and presentation for the closure meeting	

It should be noted that the information provided by the tax authorities during all steps of this phase is kept strictly confidential. GIZ and/or development partner and IBFD will only share the information with other entities, governments or stakeholders if formally approved by the tax authorities.

### 4.3. Phase 3: B.A.T. Report

#### Step 7 - Drafting the B.A.T. Report

The assessment team initiates the drafting of the mainlines of the B.A.T. Report during Step 6 (In-country visit). However, most of the drafting is done during the 5 weeks following the in-country visit.

During this period, a careful analysis is carried out of the responses to the B.A.T. Questionnaire, the information gathered during the interviews and, where relevant, the additional information requested during the interviews and received after these.

The report provides the assessment and recommendations for possible measures regarding BEPS and a priority-setting, including actions that could be undertaken by the country to implement those measures, identified needs, and possible assistance for capacity-building (see section 7.).

## Step 8 - Validation

Once the drafting of the B.A.T. Report is concluded, the assessment team submits it as a preliminary draft to the tax authorities and GIZ and/or development partner for feedback and validation. This draft may also include comments to address and/or request clarification of specific issues.

In some cases, GIZ or development partner may prefer that the B.A.T. Report is submitted first to them for their review and feedback and only submitted to the tax authorities after their sign-off. Also, GIZ or development partner may prefer to directly submit the B.A.T. Report to the tax authorities.

The tax authorities and GIZ or development partner should ideally provide their feedbacks and comments within a 4-week period.

Afterwards, the assessment team submits the B.A.T. Report to GIZ and/or development partner and to the tax authorities as final.

At this point, the tax authorities should also indicate in writing whether they authorize the B.A.T. Report to be made public and/or available to other stakeholders (e.g. country authorities, international organizations, development partner/donor countries, technical assistance providers and other stakeholders).

## Step 9 - Presentation and Publication

The B.A.T. Report is officially presented by the assessment team during a meeting organized with the high-level tax authority representatives, GIZ and/or development partner and, if a written authorization is given by the country, it may also be presented to other relevant stakeholders and published.

The assessment team presents key findings, recommendations, and advice for priority-setting, while the tax authorities provide their feedback on their experience during the process. Afterwards, discussions on the findings may take place together with an open dialogue on possible necessary assistance with the implementation of the priority plan.

## 4.4. Phase 4: Follow-up

### Step 10 - Assistance and Monitoring

This Phase/Step is optional. The assessed country may wish to request assistance from GIZ and/or development partner and/or IBFD in supporting the implementation of the country priority plan (or parts of it). This may include capacity building trainings, technical assistance, and setting up or supporting relevant library resources.

The assessed country may also wish to monitor the implementation of its priority plan (or parts of it) by requesting and agreeing on one (or more) follow-up B.A.T. assessment(s). The follow-up B.A.T. assessment(s) could monitor the development made by the country in all the areas originally assessed by the B.A.T. or be limited to monitor the areas considered relevant under the country priority plan.

To give sufficient time for the implementation of priority plan (or parts of it) to be effective and detected, it is recommended to conduct a B.A.T. follow-up assessment only after a 5-year period has elapsed since the conclusion of the previous B.A.T. assessment.

## 5. B.A.T. Questionnaire

### 5.1. Overview

The B.A.T. Questionnaire is the main data collection instrument. This questionnaire has to be filled in by the tax authorities (see section 4.2.).

The B.A.T. Questionnaire deals with:

- the OECD/G20 BEPS Action measures constituting the minimum standards;
- the OECD/G20 BEPS Action measures considered to be most relevant for developing countries;
- other selected BEPS issues and measures relevant for developing countries; and
- the latest initiatives from the UN and the IF to deal with the taxation of the digitalized economy (the Two-Pillar Solution).

The B.A.T. Questionnaire consists of more than 350 questions. However, there are as many close-ended questions as possible and, depending on the responses given, the respondent can skip a number of questions. Where relevant, some of these questions request additional information. Requests for comments or clarifications are clearly stated. For example:

**2.1. Has your country stated as a priority in its strategy documents the need to implement, fully or partially, the OECD/G20 BEPS package?**

No → Please proceed to 2.2.

Yes → Please proceed to 2.3.

**2.2. Please indicate the main reason(s) for your country's current position not to implement the BEPS package.**

Still to be discussed in government. Please explain: Click here to enter text.

Considered not relevant for the country. Please explain: Click here to enter text.

Considered relevant, but not a priority. Please explain: Click here to enter text.

Considered relevant, but too complex/costly to administer. Please explain the challenges you face and the assistance you may need to overcome such challenges: Click here to enter text.

Other; please specify: Click here to enter text.

→ After you have selected an answer, please proceed to 2.4.

Other questions are of an open-ended nature. For example:

**5.7. Please describe which types of regimes of your country have been identified by the Forum as "harmful" and whether measures have been taken or are being taken by your country to amend or terminate the regime and the time frame:** Click here to enter text.

→ After you have provided your answer, please proceed to 6.1.

Throughout the questionnaire, references and/or hyperlinks to relevant documents are provided in order to facilitate its completion by the tax authorities (e.g. OECD/G20 BEPS Action Reports, UN Tax Handbook on Protecting the Tax Base of Developing Countries, OECD Model, UN Model, and toolkits prepared by the Platform for Collaboration on Tax).

## 5.2. Tax authorities

As mentioned above, for the purpose of the B.A.T., the term “tax authorities” of a country encompasses the tax policy authorities, tax legislation authorities and/or tax administration authorities. Therefore, if those authorities are located in different ministries or government divisions, the questionnaire would need to be filled in by all of them, as appropriate, based on their responsibility for the relevant matters. For example, possible tax officials for providing the required information may include:

- tax policy and tax legislation representatives at the Ministry of Finance;
- representatives of the revenue authority;
- the commissioner general or his representative(s);
- the commissioner for international taxation;
- representatives of the transfer pricing unit;
- officials negotiating and applying double taxation agreements;
- representatives of the board of investments;
- officials responsible for granting or administering tax incentives; and
- officials dealing with making budgetary assessments of tax measures.

Accordingly, different sections of the B.A.T. Questionnaire should be filled in by different government departments. This is stated at the beginning of each KAA and/or at the beginning of specific (sub)sections of the questionnaire.

## 5.3. Structure

The B.A.T. Questionnaire consists of the following sections:

- A. Introduction: It provides a general overview of the OECD/G20 BEPS Project and the B.A.T.
- B. Questionnaire:
  - generally describes the subject matter.
  - describes the structure: The questionnaire is organized based on five KAAs, each containing a number of open-ended and close-ended questions and sub questions:
    - KAA A: Strategy framework
    - KAA B: Legislative framework
    - KAA C: Organizational framework
    - KAA D: Expertise framework
    - KAA E: IT framework.
  - requests, generally, in order to validate the responses, the relevant reference to and text of the legislation specified in the responses (e.g. provision or article that deals with the matter, treaty policy and/or country model, or legislation establishing procedures for advanced pricing agreements (APAs)).
  - provides the explanation of the term “tax authorities” (see section 5.2.).
- C. Country background information (see sections 4.2. and 5.4.).

## 5.4. Country's background information

Part C of the B.A.T. Questionnaire contains the list of background information that is relevant for the desk research by the assessment team. The assessment team requests the tax authorities to provide this information as soon as possible (before the tax authorities provide the responses in the questionnaire).

The requested information is generally as follows:

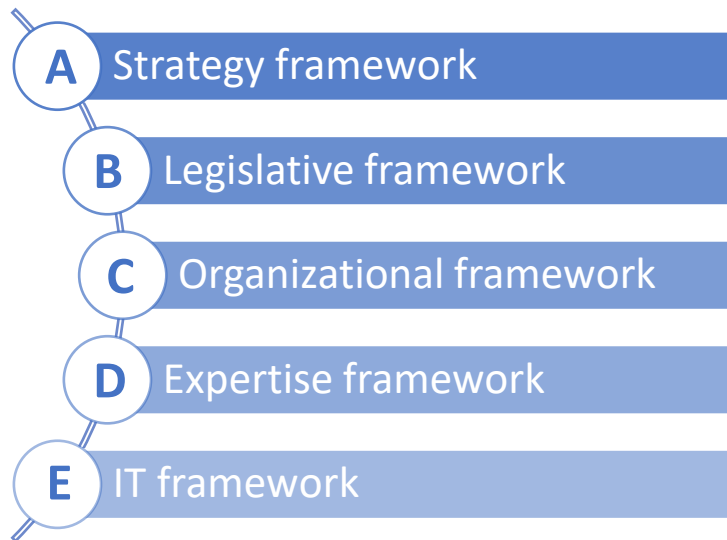
- basic country economic background information;
- basic (tax) statistical information;
- indication of eventual signature of specific multilateral agreements;
- the text of the country tax treaty model;
- the text of tax treaties in force and signed and list of treaties under (re)negotiation;
- the organizational structure of the tax authorities;
- strategic plans of the tax authorities; and
- tax legislation relevant for the B.A.T. Assessment.



## 6. Methodology

### 6.1. Key Areas of Assessment: Overview

The country is assessed in five different areas (the KAAs) as indicated below:



In order to assess a country's situation with regard to BEPS, the B.A.T. assessment comprises the following five key areas:

- KAA A: Country strategy on (i) tax avoidance in general; (ii) tax avoidance through issues dealt with in selected OECD/G20 BEPS Actions, including those addressed by the BEPS minimum standards; and (iii) tax avoidance through other BEPS issues (strategy framework).
- KAA B: Adoption of measures, including BEPS minimum standards, to deal with (i) selected OECD/G20 BEPS issues; and (ii) other BEPS issues (legislative and regulatory framework).
- KAA C: Tax authorities' organization to apply measures, including BEPS minimum standards, to deal with (i) selected OECD/G20 BEPS issues; and (ii) other base BEPS issues (organizational framework).
- KAA D: Staff expertise to effectively apply measures, including BEPS minimum standards, to deal with (i) selected OECD/G20 BEPS issues; and (ii) other BEPS issues (expertise framework).
- KAA E: Information technology (IT) infrastructure to implement specific IT requirements of selected OECD/G20 BEPS Actions (IT framework).

## 6.2. Performance indicators

The five key areas are assessed on the basis of 46 performance indicators. Each performance indicator (PI) is measured based on specific scoring criteria. The document “B.A.T. Key Areas of Assessment,

Performance Indicators and Criteria for Scoring based on International Best Practices” (Scoring Criteria) states the PIs per KAA and the criteria for scoring for each PI, which are presented as a scoring scale. It provides the description of each PI including the specific elements to be assessed. The scoring criteria serve as the basis for the evaluation of the information provided by the tax authorities in their responses to the B.A.T. Questionnaire and during the in-country visit.

Each PI section provides a description and the specific elements that are assessed based on the specific scoring criteria.

PIs belonging to KAAs B.1, B.2 and E are based on the following international best practices:

- For OECD/G20 BEPS Action measures:
  - for the minimum standards, the recommendations as provided by the terms of reference for peer reviews; and
  - for non-minimum standards, the recommendations established in the final reports of the selected BEPS Actions.
- For other base BEPS issues, the recommendations provided by:
  - the UN Tax Handbook on protecting the tax base; and
  - the toolkits developed by the PCT.

The evaluation of each PI focuses on specific elements (e.g. specific best practices for achieving an effective and efficient use of tax incentives for investments). As each element is separately assessed and scored, the assessment of a PI may result in various scores. However, where the scores are the same, the elements are grouped accordingly. For example, PI “x” covers two elements/ best practices, “y” and “z”; “y” is fully adopted by the country, meeting international best practices, while “z” has not yet been analysed, thus not meeting international best practices. In this case, for PI x, the country receives a score of “A; D” (A for element y; D for element z).

## 6.3. Scoring Scale

A four-point A-D scale is used to score each PI.

Generally, the scoring of this scale is arranged as follows:

- “A” denotes performance that meets international best practices;
- “B” represents strong performance, but below international best practices;
- “C” means weak performance relative to international best practices; and
- “D” denotes inadequate performance relative to international best practices.

The alternative score “Other” may also apply under certain circumstances (see section 6.5.).

## 6.4. Scoring criteria concerning OECD/G20 BEPS minimum standards

With regards to PIs relating to adoption of measures for compliance with the OECD/G20 BEPS minimum standards (i.e. KAA B.1), the following should be noted:

- if a country has been officially peer reviewed under the process of the IF, the score given follows the result of such a peer review; however, the B.A.T. evaluation may highlight what the country still may need to do, or acknowledge subsequent progress made by the country to meet the minimum standard after a peer review; or
- if the country has not yet been officially peer reviewed, the score A should be considered a provisional score based on a few main elements, pending a much more detailed official peer review. Such a provisional score aims to give an impression about whether the country would be compliant with the minimum standard considering the main elements of the relevant terms of reference for a peer review. These elements are specifically stated under subheadings “Assessed Elements” of the description of each of these PIs.

It should be noted that the B.A.T. cannot in any way replace or be considered as part of the peer review process of the BEPS minimum standards, which is the official assessment for members of the IF.

## 6.5. Score Other

For most PIs, an alternative score *Other* is provided for situations in which it is not possible to give a score on the A-D scale, generally because it is not possible to grade the implementation of the international best practices.

The criteria for the score *Other* are specified under each PI. The main reasons are as follows:

- KAA A (country strategy): the score *Other* is given where a country considers that the issue is not a priority and therefore no strategy to deal with it needs to be developed.
- KAA B (legislative and regulatory framework) and E (IT specific requirements): the score *Other* is given where the country’s position is not to adopt the recommendations (e.g. BEPS minimum standards). This may be because:
  - the issue is not considered relevant for the country (e.g. the issue of taxing indirect alienation of assets is not relevant because, for example, a country does not levy capital gains tax); or
  - the country considers that the issue is sufficiently addressed by an alternative measure (e.g. thin capitalization rules).

However, in the case of the BEPS minimum standards, if the country has joined the OECD/G20 Inclusive Framework on BEPS (IF), it has taken a position to implement the BEPS minimum standards and therefore it may only be graded on the A-D scale.

- KAA C (organizational framework): score *Other* is given where:
  - the country has taken the position not to adopt the relevant recommendations and therefore no organizational structure needs be implemented; or

- the country has taken no position because it has not yet analysed those recommendations and therefore it is still unknown whether an organizational structure is required.
- KAA D (expertise framework): score *Other* is given where:
  - the country has taken a position not to adopt the relevant recommendations and therefore no expertise of staff is required; or
  - the country has taken no position because it has not yet analysed those recommendations and therefore it is still unknown whether expertise of staff is required.

## 6.6. Scoring criteria concerning tax treaty measures

Regarding tax treaty related measures, the B.A.T. uses “30% of tax treaties in force” as threshold for determining the applicable score when assessing countries that have not adopted such measures in all its tax treaties in force, as follows: (i) score “B” applies for cases where the relevant treaty measure has been initiated and fully adopted in 30% or more of the tax treaties in force, but not fully adopted in all tax treaties in force (yet); and (ii) score “C” applies for cases where the relevant measure has been initiated and fully adopted in less than 30% of the tax treaties in force.

The assessment based on these criteria still applies even for cases where a country is unable to renegotiate or amend their tax treaties due to the fact that a treaty partner is not (yet) prepared to renegotiate the treaty or due to disagreement of the partner on the provision. In such cases, the assessment report should explain, for example, that the country has the position to implement the treaty provisions and made attempts in this direction but was unable to effectively implement them in view of the position of the treaty partner (to either not engage in renegotiations or to disagree on the relevant provision).

## 6.7. Definition of specific expressions

Specific expressions used in the description of the PIs and scoring scale are:

### **Tax authorities**

The “tax authorities” of a country encompass the tax policy authorities, tax legislation authorities and/or tax administration authorities.

### **Country awareness**

It is understood that there is country awareness when the tax authorities have knowledge or perception of the OECD/G20 BEPS issues and recommendations.

### **Country position**

It is understood that there is a country position:

- where such a position is established in an official strategy document;
- in the case of the BEPS minimum standards, when a country has joined the IF (position to implement those standards);
- in the case of treaty-related recommendations, when specific recommendation(s) is/are included in the country treaty model (position to adopt those recommendations in tax treaties); and

- in the case of alternative measures, when the country has adopted measures other than those established in the BEPS recommendations or partially adopted BEPS recommendations (position not to adopt (the other) BEPS recommendations).

### **Operational unit instructed to apply measures**

A unit does not necessarily mean an organized structure with a certain number of officials. A unit may thus be composed of one official only. A unit may be a territorial unit (for example, a local tax inspector) or a department in charge of specific matters (for example, a large taxpayer office or a department of international taxation).

A unit is operational where:

- its staff members are effectively working or ready to work on the matters they are supposed to carry out and are responsible for;
- it has enough officials to deal with the measures resulting from the recommendations considering the economic context of the country; and
- it has a well-defined internal work process to deal with the specific base erosion and profit shifting issue and the recommendations.

The unit is instructed to apply measures resulting from the recommendations if:

- formally instructed to apply the measures; or
- there is awareness among its staff members about the need to apply the measures.

### **Sufficient expertise of staff effectively applied in practice**

- It is understood that there is sufficient expertise of staff where staff have sufficient expert skills or knowledge in the particular field. To determine whether the staff have sufficient expertise, staff self-grading, specific training received and years of experience in the specific field (e.g. TP or EOI) are considered. In addition, it is relevant whether there is enough expertise to deal with the kind of problems faced in this respect in the country; this aspect is considered taking into account the staff self-evaluation.
- The expertise is effectively applied in practice if the staff unit's expertise matches the tasks assigned to that unit (e.g. staff with expertise on TP work in the TP unit) and the unit achieves its desired (institutional) targets.

## 7. B.A.T. Report

### 7.1. Overview

The B.A.T. Report documents the assessment conducted in the country, its findings and, accordingly, recommendations on possible measures that may be undertaken by the tax authorities to deal with BEPS and a priority-setting to implement these measures. It also aims to suggest specific actions that could be undertaken to start implementing these measures, and to identify needs and possible assistance for capacity-building to address these needs.

The Template Report provides the standard structure to be used for each B.A.T. evaluation. This is relevant for the B.A.T. to enable comparisons between countries and future comparison with the progress made by a country over a period of years.

The Template Report consists of four main sections complemented by two annexes and specific tables. Some of the content of sections or subsections is prepopulated. The (part of) sections or subsections that are to be drafted by the assessment team are highlighted in yellow and square brackets.

In what follows, the main sections of the Template Report are presented. For the process of drafting, validating and presenting the report, see section 4.3.

### 7.2. Introduction

Section 1.1. of the Template Report provides a general introduction on the OECD/G20 BEPS Project and the B.A.T. (prepopulated section). Section 1.2. of the Template Report must be filled in with a brief overview of the country's assessment process (prepopulated section with customized information to be added).

### 7.3. B.A.T. Assessment

Section 2.1. of the Template Report contains a prepopulated text illustrating the B.A.T. methodology, which generally replicates the information provided in section 6. of this manual.

Sections 2.2. to 2.6. of the Template Report present the assessment of each PI divided by KAA.

The evaluation of each PI focuses on the specific elements that are assessed on the basis of its scoring criteria. Each PI, its elements and scoring criteria are fully described in the B.A.T. Scoring Criteria document; nevertheless, to facilitate the understating by the reader, the Template Report partially replicates some of this information. For each PI, the report includes:

- the description of the PI and/or the elements to be assessed (prepopulated text);
- the score given by the assessment team to each element on the basis of the data collected (see section 4.2.). As each element is separately assessed and scored, the assessment of a PI may result in various scores. However, where scores are the same, the elements are grouped accordingly. This is depicted in a box, where the elements or group of elements and their scores are separated in rows; and
- the justifications/reasoning underlying the score given by the assessment team. The justification must begin with a standard phrase that replicates the relevant sentence from the B.A.T. Scoring Criteria. This phrase summarizes the score and its justification. Afterwards, it follows a complete

explanation of the score given including relevant collected data; if appropriate, reference to the relevance document in the annexes is made.

Section 2.7. of the Template Report provides a table (Table 1) summarizing the score given to each PI. It includes in each row the score given in the previous sections. If a PI is given more than one score due to its different elements, the same row/cell includes all scores separated by a hyphen.

## 7.4. Recommendations

Section 3 of the Template Report:

- draws conclusions based on the assessment presented in section 2; and
- provides recommendations; in particular, it:
  - suggests possible measures that tax authorities may undertake to deal with BEPS issues considered particularly relevant for the country;
  - suggests specific actions to start implementing these measures;
  - identifies the needs of tax authorities; and
  - suggests possible assistance for capacity-building to address those needs.

Each subsection includes a table in which the assessment team summarizes the possible measures and must specify these actions, needs and capacity-building as much as possible.

Section 3.1. concerns the country's strategy against tax avoidance. The assessment team must include conclusions and possible suggestions on the overall strategy.

Section 3.2. deals with the country's international commitments and compliance with the OECD/G20 BEPS minimum standards. Section 3.2.1. deals with the decision whether to join the IF (prepopulated text). Under section 3.2.2., the assessment team must include, for each minimum standard, their conclusions regarding each KAA, any suggested measures and fill in the table referred to above.

Section 3.3. deals with possible measures regarding BEPS issues other than the BEPS minimum standards. In this section, the PIs are grouped based on topic areas (tax treaties, transfer pricing, etc.). In each subsection, the assessment team must include its conclusion regarding each KAA, include any suggested measures and fill in the table referred to above.

Section 3.4. deals generally with capacity building. The assessment team must include suggestions, differentiating between:

- general considerations concerning the tax authorities' expertise and practical experience in international taxation and, specifically, international tax avoidance; and
- general suggestions concerning training on international taxation and, specifically, international tax avoidance.

Finally, section 3.5. provides a summary table (Table 2). The assessment team must fill in the table summarizing all the suggestions, actions, needs and assistance. This table is basically a copy/paste of the tables presented in each previous subsection.

## 7.5. Priority-Setting

Under section 4., based on the assessment (Section 2) and the recommendations (Section 3), the assessment team suggests possible priority-setting concerning possible BEPS measures that may be considered by the country's tax authorities and fills in the final table (Table 3) summarizing this.

## 7.6. Annexes

Annex A contains:

- the B.A.T. Questionnaire with the responses from the tax authorities;
- the B.A.T. Scoring Criteria; and
- the list of the key tax authorities' officials that responded to the B.A.T. Questionnaire and participated in the in-country visit interviews.

Annex B provides the following relevant background information on the country used for the B.A.T.:

- basic information on the country's tax system (e.g. IBFD survey);
- information on international treaties and other relevant initiatives;
- the tax treaty model of the country, text of tax treaties in force or signed and a list of tax treaties under (re)negotiation (including the status of the negotiation);
- organizational structure of the tax authorities;
- strategic plans of the tax authorities;
- the text of relevant legislation for the B.A.T. Assessment, specifying as much as possible the identification of the provisions referred to in the B.A.T. Report;
- a list of tax incentives; and
- IF peer review reports (when available and for IF members).