Seventh
Revised Edition

IBFD

INTERNATIONAL TAX GLOSSARY

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Revised Edition

IBFD International Tax Glossary, 7th Edition

Why this book?
The IBFD International Tax Glossary is regarded as an authoritative resource for defining tax and tax-related terms by its thousands of users all over the world.

With the addition of hundreds of completely new and revised definitions, a new appendix outlining the various levels and locations of tax courts in 42 countries, as well as the expansion of the multilingual list to include Chinese, Polish, Portuguese and Russian terms, in addition to the existing Dutch, French, German and Spanish equivalents of English terms, this latest edition continues to provide users with the broadest possible coverage of the language of taxation.

Title:	IBFD International Tax Glossary, 7th Edition
Author(s):	Julie Rogers-Glabush
Date of publication:	June 2015
ISBN:	978-90-8722-303-8
Type of publication:	Print Book
Number of pages:	552
Terms:	Shipping fees apply. Shipping information is available on our website
Price:	EUR 65 / USD 80 (VAT excl.)

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Introduction to the seventh edition

Since the 6th edition of the *IBFD International Tax Glossary* was published in 2009, there have been an unparalleled number of developments in the international tax arena. Tax is not only one of the most complex areas of law, it is also plagued by an unrivalled impetus to reinvent itself, the implication being that new tax terms are constantly being introduced and existing terms are being redefined. In particular, since the last edition, the tax world has had to respond to both the economic crisis, as well as intensified international attempts to curb multinational tax avoidance and offshore tax evasion. In this climate of constant flux, the tax practitioner is in need of a clear resource to decipher the plethora of terminology that emerges. In operating on an international level, one has to become familiar not only with the terms of one's own country, but also the common tax terms of the major players on the world scene. The *IBFD International Tax Glossary* has fulfilled this need for over 25 years and is now regarded as an authoritative resource of tax and tax-related terms by its users all over the world, including tax professionals, academics, students, courts and tax administrations.

Although the *Glossary* was significantly expanded and updated in 2009, the unabated flow of new terms or revised meanings has made a further edition a necessity. Although a work of this nature can never really be considered complete, this latest tax lexicography captures the most relevant new and revised terms. Since the process of revising the *Glossary* is not carried out in strict alphabetical order, the user will find equally up-to-date entries at the beginning of the book as at the end. This process has led to hundreds of new or substantially revised descriptions.

As in the previous edition, the current text contains a number of features designed to make the *Glossary* of more practical value to users, including, in particular, cross-references to key bibliographical sources for further research, as well as specific country references to indicate circumstances in which a term or concept is associated more particularly with one or more countries. The list of international organizations, treaties and tax-related bodies (Appendix I) has also been extensively revised and, where possible, website addresses have been added so as to aid further research. This latest edition of the *Glossary* introduces a new feature, Appendix II, which outlines the various levels and locations of tax courts in 42 countries. Appendix III (previously Appendix II) lists the business entities of some 40 countries, in particular OECD Member countries, in the original language, along with the English equivalent. Appendix IV (previously Appendix III) contains a multilingual list of approximately 400 tax terms. Whereas previously it only contained Dutch, French, German and Spanish equivalents of English terms, it has now been expanded to include Chinese, Polish, Portuguese and Russian terms.

The immediate aim of the new edition is to provide a comprehensive and up-to-date list of terms and expressions together with accurate and concise explanations. In providing explanations a difficult line has been drawn between an explanation of what a term means or how it is used, and writing a mini-treatise on a particular legal rule. Details of specific tax rules are, therefore, generally given if they help illustrate a particular meaning. The end result is intended to provide practitioners with a practical guide to understanding complex or unusual terms and concepts, while still giving students and researchers more detailed guidance on the principles and theoretical aspects involved. The *Glossary* should, however, also be of great value to those not involved in taxation on a day-to-day basis, but who need a key to understanding a difficult subject matter.

Considerable amounts of material and differing points of view are represented in the *Glossary*. Inevitably, the result is, to some extent, a compromise. It should be noted that a degree of imbalance is inevitable given the predominance of the English language and of the OECD in the development of international tax. The large number of UK and US-related terms is a function of this heritage. Having opted for an English-language approach, the intention is still to provide an "international" glossary that is not limited to the English-speaking countries. Therefore, in defining a term, account has been taken, where possible, of similar concepts used in non-English-speaking countries. This is also, to a limited extent, reflected in the country usage references, as well as in the multilingual list of terms. Finally, while international tax is a dynamic area, this does not mean that the past is no longer relevant. In fact, an understanding of how terms were used in the past can be of crucial relevance to both practitioners and researchers. Accordingly, historical terms have been retained with a view to expanding these in the future.

As in any work of this nature thanks are due, not least to all those who have worked on previous editions and laid such a solid foundation on which to develop the current edition. In particular, the extensive work of the previous editor, Barry Larking, has greatly facilitated and contributed to the editing of this edition. Further, the editor is indebted to Prof. Wim Wijnen for his comprehensive review of and contributions to the 7th edition. A grateful word of thanks is also extended to the help provided with the current edition by the research and production staff at the IBFD, in particular Magdalena van Doorn-Olejnicka, who coordinated the responses of the European Knowledge Group, as well as the VAT Team and John Rienstra, who coordinated the terms from the North America Group.

Comments are welcomed on this new edition and may be sent to j.rogers@ibfd.org.

Julie Rogers-Glabush*

* Managing Editor of European Taxation; Editor of the IBFD International Tax Glossary; IBFD Research Associate for Canada; tax lawyer, London, Ontario, Canada.

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B

B reorganization

See: **Share exchange**

Baby bond

Interest coupon that has been stripped from a corporate **bond** or **debenture** and sold separately. Because the coupons do not themselves pay **interest**, but instead mature on the coupon payment date, such coupons are treated as zero bonds.

See also: **Deep discount bond**; **Original issue discount**; **Stripped bond**; **Zero coupon bond**

Bachelor tax

Tax levied in addition to normal income tax on the income of a **single person** and, sometimes, a married couple without children. In effect, a bachelor tax is the opposite of **child relief** contained in the tax laws of other countries.

Back duty (e.g. UK)

Term used to refer to tax due for previous years that has been computed as the result of a tax **evasion** investigation.

Back service

Term used for that portion of a pension obligation that arises as a result of services provided in the past, either when the employer accepts or increases pension obligations for his personnel or when the employer transfers pension obligations – which he had previously accepted – to a **pension fund/scheme** or insurance company. The back service portion may have income tax implications for the employer when the pension obligation is accepted and when it is transferred.

Back taxes

Taxes that have been assessed for an earlier year or years, the payment of which remains outstanding.

See also: **Default**; **Delinquency**

Back-to-back loan

Informal term to describe indirect lending arrangements under which funds are lent through an intermediary that enters into separate but symmetrical loan agreements with the lender, on the one hand, and the borrower, on the other. May also describe more loose arrangements where, e.g. one party guarantees a loan made by an unrelated financial institution to another party. The ultimate lender and borrower are typically related parties, e.g. members of the same corporate group. Back-to-back loans may be used in order to circumvent, e.g. **thin capitalization** rules, or as a **treaty shopping** device to obtain the benefit of more favourable **withholding tax** rates.

See also: **Conduit company**; **Connected person**; **Multi-party financing**

Background advice memorandum (e.g. US) [BAM]

Advice provided by the tax administration to tax officials providing a general analysis of the law and the administration's position with regard to that law.

See also: **Field Service Advice**; **Technical advice memorandum**

Backup withholding (e.g. US)

A system used in the United States that requires withholding taxes to be collected from **interest**, **dividends** and certain other amounts paid to persons who do not comply with the US self-reporting tax system. Backup withholding applies to: (1) persons who fail to provide the payer with their **taxpayer identification number** (TIN); (2) persons with respect to whom the IRS has advised the payer that the TIN given by such persons is false; (3) persons with respect to whom the payer has been notified by the IRS that such persons have under-reported in the past the amount of payments received by them; and (4) persons who fail to certify to the payer under penalties of perjury that they are not subject to backup withholding.

See also: **Qualified intermediary**; **Tax agent**; **Withholding agent**; **Withholding tax**

Backward shifting of tax

See: **Shifting of tax**

Bad debt

Debt that is unlikely to be paid (for example, because of the probable or actual financial failure of the debtor). Bad debts are generally deductible for tax purposes. Generally, a **VAT** refund is available where the supplier has accounted for output VAT before receiving payment from his customer and the debt becomes bad (bad-debt relief).

See also: **Allowance for doubtful accounts**; **Bankruptcy**; **Debt dumping**; **Insolvency**; **Reserves**

Badges of fraud

The term "badges of fraud" is used to identify situations where there is an inference of fraudulent evasion leading to possible prosecution or the imposition of heavier penalties.

See also: **Fraud**; **Offence, tax**

Badges of trade (UK)

This refers to a number of specific factors that have been identified by the courts as relevant in determining whether a trade is being carried on for tax purposes. The badges of trade are of particular importance in determining whether a transaction should be characterized as an adventure in the nature of a trade.

The badges of trade include:
– the subject matter of the transaction;
– the length of the period of ownership;
– the frequency and number of similar transactions;
– supplementary work on the property;

– the circumstances leading to the sale; and
– motive.

Bib ref: Royal Commission on the Taxation of Profits and Income: final report (HMSO 1955).
See also: **Business**; **Trade or business**

Bail-out stock

When **preferred stock** is issued as a stock dividend and is non-taxable, it is referred to in some countries as bail-out stock, as it carries with it the potential to convert dividend income into capital gains.

Balance sheet

Statement of the financial position of a business as of a particular date, specifically its assets and liabilities.

See also: **Financial statement**; **Income statement**; **Liability provisions**; **Statutory books and forms**

Balance sheet adjustments

See: **Asset intensity adjustments**

Balanced allocation of taxing rights

One of the main justifications put forward by Member States and accepted by the European Court of Justice to justify tax rules that provide for a different treatment of comparable domestic and cross-border situations. As a separate justification it first appeared in the ECJ decision in *Marks and Spencer* (Case C-446/03).

Bib ref: UK: ECJ, 13 Dec. 2005, Case C-446/03, *Marks & Spencer plc v. David Halsey (Her Majesty's Inspector of Taxes)*, ECJ Case Law IBFD.
See also: **Discrimination**; **Justification**; **Proportionality**; **Restriction**

Balancing adjustment (Australia)

See: **Depreciation recapture**

Balancing allowances and charges

See: **Capital allowance**

Balancing change (UK)

See: **Depreciation recapture**

Balancing payment

See: **Buy in payment**

BALRM

See: **Basic arm's length return method**

BAM

See: **Background advice memorandum**

Bands

See: **Brackets**

Bank forward contract

See: **Foreign currency forward**

Bank secrecy

Under the laws of certain countries banks are forbidden to disclose information about their customers to third parties, including the **tax authorities**. Some countries, however, do not treat the tax authorities as an "ordinary" third party in cases of potential tax **evasion**, i.e. the tax authorities can compel the bank to disclose information.

Bib ref: OECD, *Taxation and the abuse of bank secrecy*, in *International tax avoidance and evasion*, Issues in Intl. Taxn., No. 1 (OECD 1987); OECD, *Improving access to bank information for tax purposes* (OECD 2000); and R.L. Doernberg, *An Overview of Tax Information Exchange Agreements and Bank Secrecy*, 16 Tax Notes Intl. 13, pp. 1013-1022 (1998).
See also: **Tax haven**

Bankruptcy

Although the criteria for bankruptcy vary from country to country, bankruptcy may be defined as a financial condition that exists when an individual, corporation or other entity is unable to pay its debts as they become due, or alternatively, to pay debts in full. Bankruptcy may also exist on a **balance sheet** basis if the liabilities of the debtor exceed its assets. In some countries, a person who is bankrupt may voluntarily seek protection from his creditors by filing a petition in bankruptcy court, or he may be forced into bankruptcy involuntarily if a petition is filed by any creditor. The function of a bankruptcy court is to distribute the assets of the debtor among various classes of creditors and discharge the debtor from further liability. The **tax authorities** may have priority over other creditors in this respect.

See also: **Bad debt**; **Insolvency**; **Preferential debt for tax**

BAPA

See: **Bilateral advance pricing arrangement**

Bare trust

See: **Trust**

Bargain sale or purchase (US)

A sale or purchase of property at below market value.

See also: **Transfer pricing**

Barred by limitation

See: **Expiry of the tax claim**

Barter

Transaction whereby goods or services are directly exchanged between two suppliers without using money as the medium of exchange. Barter transactions have the advantage of avoiding instability of currency values but create a problem regarding the correct valuation of the goods exchanged. For VAT purposes, barter transactions are treated as two separate supplies made by the two parties.

See also: **Exchange of goods**; **Value**

Base company

A company generally situated in a low- or no-tax country, typically a **tax haven**, which is used to collect income that would otherwise accrue directly to the taxpayer, thereby reducing taxes in the taxpayer's home country. The taxpayer is often able to enjoy the economic benefit of the income by, e.g. being able to direct its disposition by the base company. Examples of base companies might include a **holding company**, **captive insurance company**, or **artiste company**. Certain types of **conduit company** may also be considered base companies.

Many countries have introduced **anti-avoidance** measures targeted at the use of base companies, e.g. by disallowing payments from the source country to base companies as deductible expenses or by imposing taxation in the taxpayer's country of residence under **controlled foreign company** rules.

Bib ref: OECD, *Double taxation conventions and the use of base companies*, in *International tax avoidance and evasion*, Issues in Intl. Taxn., No. 1 (OECD 1987), International Organizations' Documentation IBFD.
See also: **Anti-tax haven rules**; **Corporation shopping**; **Finance company**; **Foreign base company income**; **Letter-box company**; **Profit shifting**; **Tax shelter**; **Treaty shopping**

Base cost
[Acquisition cost; Basis; Cost price]

Term generally referring to the cost of an **asset** for purposes of computing, e.g. a subsequent gain or loss, or **depreciation**.

See also: **Adjusted basis**; **Adjusted cost base**; **Appreciated property**; **Book value**; **Inside basis**; **Taxable base**

Base currency

For tax purposes, the currency with reference to which **foreign exchange gain and loss** arises.

See also: **Functional currency**

Base erosion and profit shifting

Base erosion and profit shifting refers to tax planning strategies that exploit gaps and mismatches in tax rules to make profits "disappear" for tax purposes or to shift profits to locations where there is little or no real activity but the taxes are low resulting in little or no overall corporate tax being paid.

See also: **Avoidance**; **Base shifting**; **BEPS Action Plan**; **Profit shifting**

Base erosion approach

A suggested approach to source-based taxation designed to resolve certain problems associated with the taxation of electronic commerce income, in particular the perceived erosion of the source country's tax base. The approach advocates a modified **permanent establishment** definition with the source state being permitted to withhold on any payments that were deductible or included in the cost of goods sold for the source state purchaser.

Bib ref: R.L. Doernberg, *Electronic commerce and international tax sharing*, 16 Tax Notes Intl. 13, pp. 1013-1022 (1998).
See also: **Source principle of taxation**

Base erosion rule

A rule that limits tax deductions or other benefits, including benefits under tax treaties, to prevent reduction (erosion) of a taxpayer's income (tax base) below a threshold amount.

Bib ref: OECD, *Addressing Base Erosion and Profit Shifting* (OECD 2013), International Organizations' Documentation IBFD.
See also: **Earnings stripping**; **Limitation on benefits provision**

Base on base method

See: **Accounts method**

Base shifting

Popular term to describe arrangements under which future taxable profits arise in a different, typically low-tax, jurisdiction by moving the profit-generating base, such as assets, functions or risks, to the relevant jurisdiction.

Bib ref: OECD, *Addressing Base Erosion and Profit Shifting* (OECD 2013), International Organizations' Documentation IBFD; and OECD, *Action Plan on Base Erosion and Profit Shifting* (2013), International Organizations' Documentation IBFD.
See also: **Profit shifting**; **Tax base shifting**; **Transfer pricing**

Base stock

Minimum amount of **inventory** necessary to ensure the smooth operation of the normal production process. Base stock may be valued so that its price is not immediately reflected in **taxable income**. In some countries, this is achieved by allowing the base stock to be valued under the **LIFO** system, or at a base price that remains static. The effect of these valuation systems in practice is that fluctuations in the price of the inventory do not influence the **value** of the base stock, and therefore do not influence the **profits** of the company unless the stock is no longer needed.

See also: **Inventory valuation methods**

Baseball arbitration

See: **Arbitration**; **Final offer arbitration**

Basel Capital Accord

See: **BIS ratio**

Basic arm's length return method (e.g. US) [BALRM]

A method used to determine an appropriate intercompany price for **transfer pricing** purposes by assigning an estimated arm's length rate of return to the sale, **licensing** or transfer of **intangible property** of the company rather than by using the **comparable uncontrolled price method** for the property transferred. The method was originally proposed in the US and, while it has not been adopted in its transfer pricing rules, aspects of it have survived in the **compar-**

able profits method. The BALRM focuses on the returns realized on the assets (or costs) used in performing each function performed by one of the related parties, and it relies on the return of uncontrolled entities performing the same functions at arm's length.

See also: **Arm's length principle**; **Berry ratio**; **Commensurate with income standard**; **Fourth methods**; **Functional analysis**

Basic rate

The term basic rate is often used (either informally or, in some countries, e.g. UK, formally) in the context of a **progressive income tax** system to refer to the standard rate of income tax applicable to low incomes. The rate is generally applicable to a particular (typically broad) band, or bracket, of **taxable income**. While the basic rate is often the lowest income tax rate this is not necessarily the case. A lower rate may be applicable to certain types of income.

Where VAT is imposed at multiple rates, the basic rate is generally referred to as the "standard rate"; the other rates are referred to as "reduced" or "increased rates".

Compare: **Maximum rate**; **Reduced rate**
See also: **Average rate of tax**; **Brackets**; **Effective rate of tax**; **Graduated rate**; **Marginal rate**; **Progression**; **Schedular taxation**; **Slab system**; **Slice system**

Basic relief

Any **tax relief** that is available to all taxpayers regardless of marital or family status or other personal circumstances.

See also: **Lump-sum deduction**; **Lump-sum exempt amount**; **Standard tax relief**

Basic world tax code

The Basic World Tax Code and Commentary consists of texts of various draft tax laws together with an explanatory commentary. Sponsored by the Harvard University Tax Program the code was prepared primarily for the use of tax policy makers and administrators in countries with developing economies or in transition to a market economy.

Bib ref: W.M. Hussey & D.C. Lubick, *Basic World Tax Code and Commentary*, 5 Tax Notes Intl. 23, pp. 1191-1298 (1992).

Basis

See: **Base cost**

Basis period

See: **Assessment period**

Basis swap

See: **Swap**

Baskets

See: **Foreign tax credit baskets**

BCC
Abbreviation for Belgian **coordination centre**.

Bearer bond
See: **Bearer securities**

Bearer levy
Some countries impose a high **withholding tax** on **interest** and **dividends** from **bearer securities** as a simple means of combating tax **avoidance** to which these instruments are susceptible in view of the absence of a registered owner. Other countries do not allow bearer securities.

See also: **Coupon tax**; **Substitute inheritance and gift tax**

Bearer securities
Stocks, bonds, etc. in which ownership can be transferred from one holder to another without registration of the transaction by the issuing company, that is, title passes with delivery. Therefore the person in possession of a bearer security is the one entitled to payment – the holder of a bearer **bond** is entitled to the **interest** upon presentation of the coupon, and the holder of bearer shares is entitled to the dividend upon presentation of the dividend coupon. Bearer securities are freely negotiable.

Compare: **Registered security**
See also: **Bearer levy**; **Coupon tax**; **Negotiable instrument**; **Quoted securities**

Bed & breakfasting (e.g. UK)
[Crystallization (e.g. Canada)]
Transaction under which assets, typically shares, are sold and immediately repurchased in order to generate a paper gain or loss without changing the taxpayer's economic position. The idea is that a gain can generally be sheltered, e.g. through an annual exemption, while a current loss can be generated for set-off elsewhere. A similar technique, known as a tax swap, involves selling and buying assets, typically shares, with similar but not identical characteristics. In many countries this kind of planning device is effectively prevented by **anti-avoidance** legislation.

See also: **Repo**; **Stop loss rules**; **Wash sale**

Below par
See: **Par value**

Benami (e.g. Bangladesh; India; Pakistan; Sri Lanka)
Expression used to denote two kinds of transactions. It correctly refers to the situation where there is a genuine transfer of title from one person to another, but the transferee is merely an ostensible owner for a third party whose name does not appear on the record. The transferee is more or less a **trustee** for the third party. The expression Benami is also used, though incorrectly, in relation to transactions where no title is intended to be transferred and the deed of transfer is merely a sham. In such cases the transferor continues to be the owner despite the transfer.

See also: **Agent**; **Beneficial owner**; **Constructive ownership**; **Sham transaction**

Benchmarking

The term benchmarking is drawn from business economics where it is used to describe the process of measuring a company's products, services, organization, etc. against its most efficient competitors in order to identify and follow best practices. In a **transfer pricing** context the term is used to refer to the process of comparing the conditions of a particular transaction between related parties (the "**controlled transaction**") with those applying between unrelated parties in otherwise similar circumstances (the "**uncontrolled transaction**"). In practice such comparisons are often carried out by means of dedicated databases.

See also: **Tested party**

Beneficial occupation

The occupation of real property – land or buildings – either rent-free or at a rent lower than an arm's length rent. The **value** of the beneficial occupation, i.e. the amount of rent saved, may be subject to income tax if it is connected with a source of income, e.g. an employment. If it is not connected with a source of income, the value of the beneficial occupation may be subject to **gift tax**. The beneficial occupier may, in certain circumstances, be liable for **property tax** or **land tax**.

See also: **Annual value**

Beneficial owner

The term beneficial owner is used in the domestic law of a limited number of countries whose legal systems are based on **common law**. Its meaning has been developed by the courts in these countries but differences exist as between those countries and even within a particular country as to its exact scope. Factors that have, at times, been considered by the courts as relevant features include the right to enjoy the economic benefits of the underlying property, as well as control over the disposition of that property. The term beneficial ownership is often used in contrast to **legal ownership**, where ownership rights are split, the latter referring to the more formal attributes, such as registration, etc. While the concept may be compared with similar concepts in civil law countries based on **economic ownership**, the latter may be distinguished in that the related rights are typically contractual in nature while a beneficial owner may, in general, also enforce his rights against third parties. Beneficial ownership is often used in conjunction with the term **equitable ownership**. While the two expressions appear to have similar meanings, it is not clear that they may always be used interchangeably.

In an international context the term is most commonly encountered in tax treaties as one of the preconditions to treaty entitlement in respect of, e.g. **dividends**, **interest** and **royalties**. It seems likely that the term was introduced into tax treaties as an **anti-avoidance** measure. However, there is a lack of consensus over whether the term has an autonomous "international tax law" meaning or whether its meaning is to be derived solely from the domestic law of the countries involved. Although an **agent** or **nominee** is generally excluded from the concept of beneficial ownership, some consider these are only illustrative examples, and maintain that the concept has a narrower meaning. For example, it has been argued that a **conduit company** cannot be a beneficial owner. It has also been suggested that beneficial ownership implies control over the capital from which the income is derived and/or control over the disposition of the income itself. Another view focuses on whether the payment is received for the recipient's own benefit. In a wider sense it has been suggested that the term should be interpreted in accordance with its function of excluding entities interposed solely for the purpose of enjoying treaty benefits that would otherwise not have been available.

Bib ref: C.P. du Toit, *Beneficial Ownership of Royalties in Bilateral Tax Treaties* (IBFD 1999); J.D.B. Oliver et al., *Beneficial Ownership*, 54 Bull. Intl. Taxn. 7, p. 310-325 (2000), Journals IBFD; C.P. du Toit, *The Evolution of the Term "Beneficial Ownership" in Relation to International Taxation over the Past 45 Years*, 64 Bull. Intl. Taxn. 10, p. 500-509 (2010), Journals IBFD; and OECD, *OECD Model Tax Convention: Revised Proposals Concerning the Meaning of "Beneficial Owner" in Articles 10, 11 and 12: 19 October 2012 to 15 December 2012* (OECD 2012).

Beneficiary

See: **Trust**

Benefit principle

Principle that taxes should be levied in accordance with the use made or benefits received from government goods and services. In other words, those who benefit more from public goods and services should pay more tax. Since lower income taxpayers tend to receive more state benefits than higher income taxpayers, this principle may be considered to lead to a **regressive tax** system. Although it may appear inconsistent with the **ability to pay** principle, the two may arguably be reconciled.

See also: **Benefit test**; **User charge**; **Valorization tax**

Benefit test

In considering whether a company may be allowed to deduct, as an expense, payments made to a related company in a multinational group on account of **expenses** incurred by that related company in providing **intra-group services**, many countries apply a "benefit test" by refusing a deduction unless a real benefit has been conferred on the company claiming the deduction. A similar, but somewhat elaborated approach, is taken by the OECD in determining whether intra-group services have been rendered. Under this approach, the question is whether the activity provides economic or commercial value and this is determined by considering whether an independent enterprise in comparable circumstances would have been willing to pay for the activity (or would have performed the activity itself).

Bib ref: OECD, *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* (2010), International Organizations' Documentation IBFD.

See also: **Cost-sharing arrangement**; **Duplicative services**

Benefits in kind

Term that refers to earnings, usually from employment, other than in cash, as part of compensation for services rendered (e.g. free or subsidized meals, accommodation, company car, etc. which are a component of **employment income**). The **value** of benefits in kind received from an employer must usually be included in the employee's **taxable income**, although, in certain systems, it is the employer who is liable for tax. The valuation of benefits in kind varies from country to country, e.g. cost to employer, **market value**, lump-sum estimate.

See also: **Fringe benefits**; **In kind**; **Meal vouchers**; **Remuneration**

BEPS

See: **Base erosion and profit shifting**

BEPS Action Plan

The OECD's Action Plan on base erosion and profit shifting (BEPS) was published in July 2013 with a view to addressing perceived flaws in international tax rules. The Action Plan was negotiated and drafted with the active participation of its member states, and contains 15 separate action points or work streams. The Plan is squarely focused on addressing these issues in a coordinated, comprehensive manner, and was endorsed by G20 leaders and finance ministers.

Bib ref: OECD, *Addressing Base Erosion and Profit Shifting* (OECD 2013), International Organizations' Documentation IBFD; and OECD, *Action Plan on Base Erosion and Profit Shifting* (2013), International Organizations' Documentation IBFD.
See also: **Avoidance**; **Base erosion and profit shifting**

Bequest tax

See: **Death duties**

Berry ratio

Ratio used to establish an arm's length profit. The method was formulated by Dr Charles Berry, an economist, and was first used in a US **transfer pricing** case. The Berry ratio is the ratio of a business' **gross income** to operating costs.

See also: **Fourth methods**; **Profit level indicators**; **Transfer pricing**

Best judgement assessment

In some countries, the **tax authorities** are authorized to raise an **assessment** according to their best judgement in certain circumstances. The conditions for making a best judgement assessment are normally along the following lines:

– the taxpayer fails to file a required income tax return;
– the taxpayer fails to produce required accounts, documents, information or a statement of assets and liabilities;
– the taxpayer, having filed a return, fails to appear at the tax authorities' office to produce documents or evidence; or
– the taxpayer fails to comply with a directive issued by the tax authorities regarding an **audit** of his accounts.

Similar rules might apply to VAT assessments.

Notes

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Contact

IBFD Head Office
Rietlandpark 301
1019 DW Amsterdam
P.O. Box 20237
1000 HE Amsterdam, The Netherlands
Tel.: +31-20-554 0100 (GMT+1)
Email: info@ibfd.org
Web: www.ibfd.org