

Action 3

Strengthen CFC rules

Potential policy change

The Action Plan will look to address concerns over the possibility of creating affiliated non-resident taxpayers and routing income of a resident enterprise through the non-resident affiliate to avoid taxation.

Considerations



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Develop recommendations regarding design of domestic CFC rules.

Rules in many countries do not always counter BEPS comprehensively.

Address routing income of a resident enterprise through non-resident affiliate.

Co-ordinated with the work on **Hybrid mismatch** ▶ (2), and the work on **interest expense limitations** ▶ (4).