

Action 4

Limit base erosion via interest deductions

Potential policy change

The Action Plan will look at developing recommendations regarding the best practices in the rules to prevent base erosion through interest expense.

Considerations



The Action Plan will also develop the Transfer Pricing Guidelines.

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Potential policy change

The Action Plan will look at developing recommendations regarding best practices in the rules to prevent base erosion through interest expense.

The Action Plan will also develop Transfer Pricing Guidelines in relation to interest. 

- For example, prevention of base erosion achieved via excessive interest deductions through the use of related-party and third party debt.
- Will evaluate the effectiveness of different types of limitations, including limitations by reference to third party debt.

Co-ordinated with the work on **Hybrid mismatch**  (2), and the work on **CFC rules**  (3).

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Limit base erosion via interest deductions

Potential policy change

The Action Plan will look at developing recommendations regarding best practices in the rules to prevent base erosion through interest expense. ▶

The Action Plan will also develop Transfer Pricing Guidelines in relation to interest.

- Transfer pricing guidance will be developed regarding related party financial transaction such as financial and performance guarantees, derivatives and insurance arrangements.

Co-ordinated with the work on **Hybrid mismatch** ▶ (2), and the work on **CFC rules** ▶ (3).