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BEPS Actions implementation by country

Action 4 – Interest deductions

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines.

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It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected implementation and timing of the proposals under Action 4 by territory.

Country	Notes on implementation	Expected timing	Last reviewed by Deloitte
Argentina	Not yet known.	Not yet known	August 2017
Australia	The government has indicated that it is unlikely to change the existing thin capitalisation rules (based on debt-to-asset ratios) at this time since the rules were tightened in 2014.	N/A	July 2017
Austria	Austria recently introduced specific measures aimed at limiting the deductibility of interest (and royalty) payments. These	31 December 2019	March 2017

	measures are likely to be amended once the EU ATAD is transposed into domestic law.		
Belgium	As an EU member state, Belgium is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.	1 January 2019 (1 January 2014 if the transition rules apply)	May 2017
Brazil	Brazil has thin capitalisation rules that apply to intercompany foreign loans. The rules are based on debt-to-equity ratios, with more stringent rules applying to intercompany loans with a party resident in a tax haven jurisdiction. Transfer pricing rules require that foreign loans between related parties observe minimum/maximum market rates (Brazilian sovereign debt bonds and/ or LIBOR), as well as a spread defined in the tax legislation. No further changes are expected in the near future.	1 January 2011 1 January 2012, with a voluntary early adoption in 2011	July 2017
Canada	There are no specific legislative changes to date as a result of the BEPS project.	N/A – no specific actions	July 2017
China	China uses thin capitalisation and transfer pricing rules to limit interest deductions, although these rules only cover interest paid between related parties. The Enterprise Income Tax (EIT) law uses a debt-to-equity ratio, rather than an interest expense-based ratio, as the relevant criteria.	N/A	July 2017
Czech Republic	The Czech Republic already has thin capitalisation rules, but it is unclear whether these rules will be amended as a result of the final G20/OECD BEPS recommendations.		April 2017

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	As an EU member state, the Czech Republic is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.	1 January 2019 unless the transitional rules apply to the existing regime, in which case 1 January 2024.	
Denmark	As an EU member state, Denmark is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023. Denmark already has existing domestic tax law addressing interest deduction limitation. However, it is expected that Denmark may adjust the current EBIT-rule to be aligned with the new EBITDA rule included in the ATAD.	Not yet known	April 2017
Estonia	As an EU member state, Estonia is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes. It is not yet known how Estonia will implement these provisions in the ATAD.	1 January 2019	July 2017

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Finland	As an EU member state, Finland is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023. The timing of any amendments required to comply with ATAD is not yet known, nor whether the transition period will apply to the existing provisions.	1 January 2019, unless the transitional rules apply to the existing regime, in which case 1 January 2024	May 2017
France	As an EU member state, France is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023. The tax code already includes various interest deduction limitation rules. It is not yet known when or whether the legislation will be amended. It is expected that the existing rules will qualify for the transition period under ATAD, but this is yet to be confirmed.	1 January 2019 (1 January 2024 if the transitional rules apply)	May 2017
Germany	An EBITDA-related interest deduction limitation rule already exists. The constitutionality of the rule has been challenged and the case is currently pending before the Federal Constitutional Court. As an EU member state, Germany must adapt its national law to the ATAD I, which contains minimum standard provisions for an interest limitation rule similar to that of German legislation. The provision of the ATAD I must be implemented into domestic law by 31 December 2018.	1 January 2019, unless the transitional rules apply to the existing regime, in which case 1 January 2024	July 2017

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Greece	As an EU member state, Greece is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4.	1 January 2019, unless the transitional rules apply to the existing regime, in which case 1 January 2024	May 2017
	Greece already has rules relating to the deduction of interest expense, including a maximum deductible interest rate, a limitation based on an EBITDA ratio and transfer pricing rules. It is not yet known whether these rules will be qualify for the transitional period under the ATAD or whether they will need to be revised.	1 January 2014	
Hong Kong	Hong Kong already has specific anti-avoidance provisions limiting certain interest deductions, especially with regard to interest paid to nonresidents. However, Hong Kong does not have thin capitalisation rules. The IRD may further review the interest deduction rules.	Not yet known	July 2017
Hungary	Hungary already has thin capitalization rules. It is not yet known whether additional measures will be introduced.	Not yet known	April 2017
	As an EU member state, Hungary is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.	1 January 2019 unless the transitional rules apply to the existing regime, in which case 1 January 2024.	

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Iceland	New restrictions on the deduction of interest expense have been introduced, under which deductions on intragroup interest expense is limited to 30% of the taxpayer's EBIDTA.	1 January 2017	June 2017
India	Not yet known. There is a proposal to restrict the deduction of excess interest.	1 April 2017	May 2017
Indonesia	A thin capitalization rule is based on a debt-to-equity approach (balance sheet test), as opposed to the fixed or group ratio recommended by Action 4.	1 January 2016	July 2017
Ireland	The EU ATAD contains interest restriction rules that must be implemented by EU member states. However, a transition period applies for member states that have national, targeted rules for preventing BEPS that are equally effective as Action 4. Ireland already has significantly complex interest rules, depending on the activity concerned (e.g. investment or trading activities). The Department of Finance has stated: "The provisions on interest deductions are deferred until 2024 for countries like Ireland, that already have strong targeted rules. There are also strong grandfathering provisions to provide certainty to investors." This position will have to be confirmed with the EU.	1 January 2020 or 1 January 2024	March 2017
Israel	Not yet known.	Not yet known	April 2017
Italy	As an EU member state, Italy is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition	Not yet known	May 2017

	period lasts until 31 December 2023. A "fixed ratio rule" already applies in Italy for computing the maximum amount of deductible interest (30% of EBITDA). However, the existing rule is not fully in line with the Action 4 recommendations and it is not yet known whether further changes will be made.		
Japan	Existing earnings stripping rules restrict the deduction of interest where it exceeds 50% of adjusted taxable income. The 50% limitation may be further reduced in the future as a result of the Action 4 recommendations.	Not yet known	May 2017
Luxembourg	As an EU member state, Luxembourg is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes.	1 January 2019	March 2017
Mexico	General back-to-back and thin capitalization rules already exist in Mexico. It is not yet known whether further changes will be made to the rules.	Not yet known	March 2017
Netherlands	The Netherlands already has general and targeted rules relating to the deduction of interest expense. No unilateral action in relation to Action 4 is expected, but the government supports an internationally coordinated approach. As an EU member state, the Netherlands is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The	1 January 2019, unless the transitional rules apply to the existing regime, in which case 1 January 2024	May 2017

	transition period lasts until 31 December 2023. It is not yet known how the existing provisions will be amended to comply with ATAD, nor whether the transition period will apply.		
New Zealand	Consultation is underway on proposals to strengthen the existing thin capitalization rules. Options being explored include an interest rate cap (based on the parent company's credit rating) and adjusting the measurement of assets and liabilities.	Legislation is not expected until 2018	June 2017
Norway	The threshold for deducting interest expense on related party loans was reduced from 30% to 25% of EBITDA in the 2016 fiscal budget. The Ministry of Finance has proposed admendments to the interest deduction limitation rules that would include external debt, a de minimis exception (net interest expenses of NOK 10 million on a consolidated basis for all Norwegain entities) and the introduction of two equity-based escape clauses.	1 January 2016 (EBITDA reduction); public consultation on potential changes currently underway and final proposal and adoption by the parlimant is anticpated some time during the autumn of 2017	August 2017
Poland	As an EU member state, Poland is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. Poland has amended its thin capitalisation rules and introduced an alternative, operating profit based method for interest deduction limitation. It is not yet known whether the existing regime will qualify for the transition period.	1 January 2019 unless the transitional rules apply to the existing Polish regime, in which case 1 January 2024	May 2017

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Portugal	As an EU member state, Portugal is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to prevent artificial debt arrangements designed to minimise taxes. Existing tax legislation already contains limitations on the deductibility of financing costs and no further changes are expected.	N/A	July 2017
Russia	Russia already has provisions to address interest deductions (e.g. thin capitalisation, transfer pricing rules). No further changes are expected.	N/A	July 2017
Saudi Arabia	The existing thin capitalisation rules are considered to be more stringent than the best practice recommended in Action 4. It is not yet known whether any changes will be made to existing legislation.	Not yet known	May 2017
Singapore	Not yet known.	Not yet known	August 2017
Slovakia	As an EU member state, Slovakia is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. Slovakia already has thin capitalisation rules (25% of EBITDA). It is not yet known whether these will be amended.	1 January 2019 unless the transitional rules apply to the existing regime, in which case 1 January 2024	August 2017

Slovenia	Not yet known.	By 31 December 2018	December 2016
South Africa	South Africa's exchange control, transfer pricing and income tax rules generally prevent excessive interest deductions. However, the current legislative environment is complex and could create uncertainty for taxpayers. It is unclear whether any changes will be made.	Not yet known	June 2017
South Korea	Existing thin capitalization rules have been strengthened by changing the 3:1 debt-to-equity ratio requirement to 2:1. The EBITDA approach is being studied within the Ministry of Strategy and Finance.	1 January 2015	April 2017
Spain	As an EU member state, Spain is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023. Spain already has rules that limit the deductibility of interest expense, but it is not yet known whether they will opt for the transition period under ATAD.	1 January 2012 for existing rules The transition rules will apply from 1 January 2024	May 2017
Sweden	As an EU member state, Sweden is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.	1 January 2019 unless the transitional rules apply to the existing Swedish regime, in which case 1 January 2024	July 2017

	The government recently launched a consultation on proposed limitations on the deductibility of interest expense, based on EBIT/EBITDA. A formal proposal is expected following the close of the consultation period.		
Switzerland	The current view is that the existing thin capitalisation rules are sufficient to prevent unreasonable interest deductions.	N/A	February 2017
Turkey	Turkey already has rules that limit the deduction of interest (e.g. thin capitalisation, restrictions on the deduction of financing expenses). The Council of Ministers is authorized to determine the non-deductible interest portion to the extent the maximum limitation does not exceed 10%. Although the interest deduction limitation rule was introduced with effect from 1 January 2013, a decree setting the percentage of the limitation has not been announced, so the restriction cannot be applied in practice.	Not yet known as to when the decree will be issued	June 2017
United Kingdom	Following public consultation, draft legislation restricting corporate interest tax deductibility was issued in December 2016 and updated in January and March 2017. Net interest expense exceeding GPB 2 million will be restricted to the lower of 30% of tax-based EBITDA, and the worldwide group's net interest expense. A group may elect to deduct an amount based on the group's net accounting interest to accounting EBITDA ratio (the group ratio rule). Separate rules apply for infrastructure that has a public benefit. EU member states are subject to the ATAD, which must be implemented into domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.	1 April 2017	May 2017

	However, the UK tax authorities are of the view that existing laws are compatible with ATAD, so no further changes are expected.		
United States	An existing fixed-ratio limit on the deductibility of net interest expense generally applies to foreign-owned corporations, but the ratio is generally 50% instead of 10% to 30%. There are no legislative proposals on Action 4 recommendations.	N/A	March 2017