

GS-III: Effects of liberalization on the Economy, changes in Industrial Policy and their Effects on Industrial Growth.

1. what is Base Erosion and Profit Shifting (BEPS)? Critically analyse the India-Mauritius Bilateral Tax treaty and its role in avoiding tax evasion and profit shifting by Multinational Corporations in the backdrop of recent Mauritius leaks."

Why this Question:

- ✚ The International Consortium of International Journalists published over 200,000 confidential documents from the offices of Conyers Dill & Pearman, a Bermuda-based law firm that allegedly aids large Western businesses to set up letterbox companies in Mauritius aimed at making tax-motivated investments in Africa and Asia.
- ✚ The leak has reignited the debate on multinational tax avoidance and how businesses use tax-friendly jurisdictions to channel funds from one country to another in order to minimise their overall corporate tax liability.

Key Demand of the Question:

- ✚ The question demands us to write about the BEPS first. Then it wants us to write about the bilateral tax treaty between India and Mauritius.
- ✚ Then it wants us to write about the use of treaty in countering tax evasion and its existing loopholes. Give few steps taken by the government in countering it.

Directive Word:

- ✚ **Critically Analyze** – When asked to analyze, you have to examine methodically the structure or nature of the topic by separating it into component parts and present them as a whole in a summary. When 'critically' is suffixed or prefixed to a directive, one needs to look at the good and bad of the topic and give a fair judgement.

Structure of the Answer:

Introduction:

- ✚ Write about the basic definition of Base Erosion and Profit shifting. Then write why it has been in news recently.

Body:

- ✚ Write what is round tripping or treaty shopping. Write why most of the MNC has been involved in such a process.
- ✚ Write about the Bilateral tax treaty between India and Mauritius. Then write why such treaty hasn't borne any fruits since then.
- ✚ Write about the initiatives taken by OECD countries to counter this phenomenon.
- ✚ Write about the loss in tax base to the country due to this.

Conclusion:

- ✚ Conclude with way ahead with few solutions for overcoming this treaty.

