

# Mismatches in Tax Outcomes in the Light of BEPS Actions 2 and 5

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At present, the fight against tax evasion, currently often referred to as base erosion and profit shifting (BEPS), has become an important issue not only at the level of the OECD as well as the EU but also for governments around the globe. In this context, hybrid arrangements and existing preferential tax regimes have been identified, inter alia, as key factors for BEPS outcomes. Against this background, the purpose of this article is to critically assess the impact of the measures presented under BEPS Actions 2 and 5 on the existing mismatches thereby focusing on the question whether these proposals are likely to achieve the intended international coherence in corporate income taxation. Having examined the measures in detail, the authors are of the view that the linking rules presented by the OECD as a result of its work on BEPS Action 2 have significant potential to address the issue of hybrid mismatch arrangements, and the modified “nexus approach” developed in the course of the work on BEPS Action 5 will have some impact on the unintended mismatches connected with preferential tax regimes. However, these recommendations cope with different legal and economic environments around the globe. Bearing in mind the different tax policy considerations of sovereign tax legislators, the intended establishment of international coherence in corporate income taxation is unlikely to be achieved.

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