



Press release

CLECAT and FIATA call on OECD countries to include logistics services in the scope of BEPS Pillar 2

Brussels, Geneva, 8 July 2021 – European and global forwarders' associations call on OECD governments to prevent tax avoidance and ensure a level playing field for all stakeholders in the maritime supply chain.

CLECAT and FIATA, respectively, the European and global organisations for freight forwarding and logistics services providers, welcome the historic proposals agreed upon by 130 countries under the OECD/G20 Inclusive Framework on Base Erosion Profit Shifting (BEPS) two-pillar plan for a global minimum corporation tax rate. Noting the proposed exemptions for shipping, CLECAT and FIATA raise concerns that the broad definition of 'shipping services', which currently includes ancillary services, would open the door to tax avoidance and trade distortion, undermining the overarching intent of the OECD/G20 BEPS framework. CLECAT and FIATA call upon OECD member countries to include any, and all kinds of cargo handling, logistics and ancillary activities within the scope of the proposals in the interests of ensuring a level playing field for all stakeholders in the maritime logistics supply chain.

The global shipping industry has secured an exemption from the OECD proposals for a global minimum corporation tax rate of no less than 15%, which would apply to all shipping companies with a turnover above a 750-million Euro threshold. The final details of the agreement still need to be further defined, and should ensure that the definition of 'shipping services' eligible for the exemption focuses on vessel-related port-to-port services only, so as not to perpetuate tax evasion. CLECAT and FIATA underline that the exemption should in no way apply to other ancillary or door-to-door services in the maritime supply chain, as it would create further distortions, and would enable tax evasion schemes.

CLECAT and FIATA are particularly concerned by the overly broad definition of shipping (as stated in the commentary of Article 8 of the OECD Tax Convention¹) that could lead to an exemption of shipping companies' services in the areas of freight forwarding, customs, and logistics services. This would mean that freight forwarders, logistics service providers and terminal operators would be required to pay taxes for the same activities that shipping lines could offer tax-exempt or partially tax-exempt, thereby providing incentives for carrier haulage (door-to-door transport arranged by the carrier) rather than merchant haulage. This would further distort competition in the maritime logistics supply chain and would weaken the very purpose of the new OECD proposals. In particular, it would have a detrimental impact on small and medium-sized companies (SMEs), who already suffer today from the ongoing disruptions in the maritime supply chain and the dominant position of the shipping companies, noting ongoing disruptions and calls for greater transparency in the rising charges levied by shipping lines.

¹ OECD (2017), "Commentary on Article 8", in *Model Tax Convention on Income and on Capital: Condensed Version 2017*, OECD Publishing, Paris, https://doi.org/10.1787/mtc_cond-2017-11-en



FIATA and CLECAT therefore call on OECD member countries to include all services which are not directly related to the ship within the scope of BEPS Pillar 2, including hinterland transport, storage, cargo handling, customs services, fiscal and insurance services, and all other ancillary services. The definition of 'shipping services' under the exemption should be limited to vessel-related port-to-port services only. CLECAT and FIATA also take this opportunity to remind OECD member countries of the important purpose of the global proposals which should ensure that all multinational companies, including the international shipping sector, pay their fair and appropriate share of taxes. Carve-outs and exemptions undermine the policy intent of the OECD/G20. Such tax exemptions will encourage further consolidation in the sector and reduce choice and service in the logistics supply chain, to the detriment of SMEs and consumers.

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About CLECAT

CLECAT is the leading voice of freight forwarding, logistics and customs services at European level. Based in Brussels, we represent and are supported by 25 member organisations working to promote a sound approach to transport and logistics across Europe, in support of the competitiveness of our industry.

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About FIATA

FIATA International Federation of Freight Forwarders Associations is a nongovernmental, membership-based organization representing freight forwarders in some 150 countries. FIATA's membership is composed of 109 Associations Members and more than 5,500 Individual Members, overall representing an industry of 40,000 freight forwarding and logistics firms worldwide. Based in Geneva, FIATA is 'the global voice of freight logistics' www.fiata.com.

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