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Base erosion and profit shifting

Base erosion and profit shifting (or BEPS) refers to corporate tax planning strategies used by multinational companies that artificially "shift" profits from higher-tax locations, to lower-tax locations, thus "eroding" the tax-base of the higher-tax locations.

The strategies used for BEPS are complex and involve advanced accounting to encourage high-tax locations to allow the BEPS systems operate in their jurisdiction.

Key strategies to artificially shift profits include:

- Exploiting mismatches in tax rules
 - Using intellectual property accounting
 - Using loan interest from intergroup loans
 - Using securitisation SPVs
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Powers and functions of RBI

Powers to RBI by provisions of the Banking Regulation Act

- The Act gives the Reserve Bank of India (RBI) the power to license banks, have regulation over shareholding and voting rights of shareholders.
- Supervise the appointment of the boards and management.
- Regulate the operations of banks.
- Lay down instructions for audits.
- Control moratorium, mergers and liquidation.
- Issue directives in the interests of public good and on banking policy, and impose penalties.

Main Functions of RBI

Monetary Authority:

- Formulates, implements and monitors the monetary policy.
- Objective: maintaining price stability while keeping in mind the objective of growth.

Regulator and supervisor of the financial system:

- Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
- Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

Manager of Foreign Exchange

- Manages the Foreign Exchange Management Act, 1999.
- Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Issuer of currency:

- Issues and exchanges or destroys currency and coins not fit for circulation.
- Objective: to give the public adequate quantity of supplies of currency notes and coins and in good quality.

Developmental role

- Performs a wide range of promotional functions to support national objectives.

Related Functions

- Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.
 - Banker to banks: maintains banking accounts of all scheduled banks.
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