

The problems of hybrid financial instruments in international tax law

Increasing opportunities for companies' tax planning strategies have been evaluated within the scope of matters requiring measures on national and regional scale following the introduction of the Base Erosion and Profit Shifting (BEPS) action plans developed by the OECD since 2013.

OECD's BEPS Action Plan 2 deals with Hybrid Mismatch Arrangements.

Hybrid financial instruments within the scope of hybrid mismatch arrangements are causing the usage of different allocation rules in the OECD Model Tax Convention of the states of residence and source, in other words, the hybrid financial instruments cause determination of earnings types differently.

In this study, taxation problems caused by hybrid financial instruments in international tax law are explained and some proposals of solution under BEPS Action Plan 2 are given.

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