OECD TAX TALKS

CENTRE FOR TAX POLICY AND ADMINISTRATION

4 March 2021
16:00 – 17:00 (CET)
Housekeeping

- Chat function disabled for security purposes
- Submit questions via Q&A function
- Webinar is recorded and will be made available within 24 hours
- Join the conversation on social media by using #OECDtaxtalks
Speakers

Pascal Saint-Amans
Director of the OECD Centre for Tax Policy and Administration

Grace Perez-Navarro
Deputy Director of the OECD Centre for Tax Policy and Administration

David Bradbury
Head of the Tax Policy and Statistics Division

Achim Pross
Head of the International Co-operation and Tax Administration Division

Sophie Chatel
Head of the Tax Treaties Unit

Stewart Brant
Head of Transfer Pricing Unit

Sarah Perret
Tax Economist, Tax Policy and Statistics Division
Topics

1. Update on G20
2. Tax and digitalisation update on Pillar One and Pillar Two
3. Tax policy
4. COVID-19 response – tax treaties and transfer pricing
5. BEPS implementation and tax transparency
6. Tax and crime
7. Forthcoming publications
On international taxation, the FMCBG meeting focused on the urgent need to reform the current system to respond to the new challenges posed by globalization and the digitalization of the economy. In this regard, the G20 will endeavour to achieve a global and consensus-based solution by mid-2021.

Press Release First G20 Finance Ministers Meeting 26 February 2021
G20 support for tax and digitalisation project

• Letter from US Treasury Secretary:
  • Safe Harbour proposal withdrawn.
  • Consensus for reaching agreement by mid-2021.

• Next FM meeting: 7 April
• Agreement by: FM meeting 9 July
“Another point discussed by the Ministers and Governors was their recovery strategies as a unique opportunity to support the transition towards more sustainable, inclusive and equitable societies. Landmark steps will be considered more in-depth in future meetings and particularly during two events – a High Level Tax Symposium and a Conference on Climate, both to be held in Venice in July.”

Press Release First G20 Finance Ministers Meeting 26 February 2021
Other key deliverables

• OECD-IMF report on **carbon pricing** April 2021
• Updated report on **tax policy** in response to the Coronavirus Crisis April 2021
• Public **database** of tax policy responses to the Coronavirus Crisis across OECD and G20+ Spring 2021
• New tax reporting framework for **crypto-assets** 2021
• Updates to **BEPS minimum standards** 2021
• Updates to **common reporting standard** 2021/2022
2. TAX AND DIGITALISATION UPDATE

Achim Pross
Pillar One
Key outcomes from public consultation

- Strong support for international consensus solution and removal of unilateral measures
- Some questions around the policy objectives and principles
- Convergence on technical aspects of Amount A (e.g. approach to losses)
- Calls for greater simplification throughout the Amount A model to reduce compliance costs
- Some concerns about level playing field
- NGOs consider reforms too narrow - reject limiting Amount A to residual profits
Pillar One
Key issues

Key political issues
- Scope (including thresholds)
- Nexus (including plus factors)
- Quantum (including losses, withholding taxes and marketing and distribution safe harbour)
- Principles of elimination
- Tax Certainty including tax certainty beyond Amount
- Unilateral measures
- Amount B

Key technical issues
- Simplifications across all building blocks
- Revenue sourcing
- Tax base including segmentation
- Double counting and elimination
- Design of tax certainty process
- Tax administration
- Implementation
Pillar Two
Key outcomes from public consultation

- Support for the basic design of the ETR calculation
- Support for mechanisms to address timing differences (renewed call for re-considering the use of deferred tax accounting)
- Strong support for development of simplification options but concerns about design and consistency in application
- Strong support for rule order
- Concern with additional complexity in application of the split-ownership and UTPR
- Concerns about the design of STTR and limitations on its scope
- Support for measures to improve tax certainty and call for multilateral instrument
### Pillar Two

#### Key issues

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<th><strong>Key political issues</strong></th>
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<td>• Rates</td>
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<td>• Consensus on the approach to blending and carve-outs</td>
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<td>• Rule order and status</td>
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<td>• Mechanism and timing of implementation of the rules</td>
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<td>• GILTI co-existence</td>
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<td>• Scope and status of subject to tax rule</td>
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<table>
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<tr>
<th><strong>Key technical issues</strong></th>
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<td>• Excluded entity definition as applied to certain funds</td>
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<td>• Mechanism to address timing differences (including transitional rules and special rules e.g. accelerated Depreciation / Insurance)</td>
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<td>• Jurisdictional blending operational rules e.g. CFC taxes, tax transparent entities</td>
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<td>• Treatment of re-organisations</td>
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<td>• Simplification options, including simplifying split ownership and under-taxed payments rule</td>
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3. TAX POLICY

David Bradbury & Sarah Perret
Tax policy

• G20 Report: Tax and Fiscal Policy Responses to the Coronavirus Crisis
  – Update for G20 Finance Ministers, April 2021

• New project: Tax systems for inclusive and sustainable growth in the post-crisis world
  – Tax and environment: G20 and other contributions
  – Capital taxation: Recent work and upcoming report on inheritance taxation
Tax and environment

• Taxing Energy Use for Sustainable Development extension to 15 developing & emerging economies

• Effective Carbon Rates tracks carbon pricing rates, in 44 OECD & G20 countries, March 2021

• Joint OECD/IMF Report on carbon pricing for G20, April 2021

• G20 High Level Tax Symposium, July 2021
Capital taxation: ongoing and future work

Increased focus on personal capital taxation: Growing concerns over inequality, discussions on tax policy post-crisis and increased transparency

OECD work on personal capital taxation

- Taxation of Household Savings, 2018
- The Role and Design of Net Wealth Taxes in the OECD, 2018
- Inheritance Taxation in the OECD, May 2021
- Working paper: Effective taxation of housing, June 2021
- New project: Taxation of personal capital income, 2021/22
Inheritance taxation in the OECD

• **Scope:** Covers 36 OECD countries: 24 currently have an inheritance/estate tax

• **Purpose**
  – Is there a case for making greater use of inheritance taxation in OECD countries?
  – How do OECD countries currently tax gifts and inheritances and how can the design and implementation of these taxes be improved?

• **Forthcoming release in May 2021:** The project has been supported by the Korea Institute of Public Finance
4. COVID-19 RESPONSE

Sophie Chatel & Stewart Brant
Guidance on Tax Treaties Implications

• Revisiting guidance published in April 2020.
• Providing **more certainty** for taxpayers (e.g. stranded cross-border workers and employers).
• Clarifying the application of tax treaty rules in context of unprecedented measures:
  – Permanent establishment;
  – Residence;
  – Income of employment.

URL: oecd.org/tax/treaties #OECDtaxtalks
Guidance on Transfer Pricing Implications

- Clarification and support for taxpayers and tax administrations.
- Unique economic conditions arising from and specific challenges implied by the COVID-19 pandemic.
- Practical application of the *arm's length principle*.
- Four priority issues:
  (i) comparability analysis;
  (ii) losses and the allocation of COVID-19 specific costs;
  (iii) government assistance programmes;
  (iv) advance pricing agreements.

URL: oecd.org/tax/transfer-pricing #OECDtaxtalks
5. BEPS IMPLEMENTATION AND TAX TRANSPARENCY

Achim Pross
## BEPS implementation

Progress on the implementation of BEPS minimum standards is ongoing

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<th>Action 6</th>
<th>Action 13</th>
<th>Action 14</th>
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<tr>
<td>Combating Harmful Tax Practices</td>
<td>Countering Tax Treaty Abuse</td>
<td>Country-by-Country reporting</td>
<td>Improving Dispute Resolution</td>
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<td>Close to 300 tax regimes reviewed – virtually all harmful regimes amended or abolished</td>
<td>BEPS Multilateral Instrument signed by 95 jurisdictions and 63 jurisdictions have ratified</td>
<td>90 jurisdictions have introduced Country-by-Country reporting filing requirements</td>
<td>80 jurisdictions have been reviewed and around 1 800 recommendations have been made</td>
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International Compliance Assurance Programme (ICAP)

✓ Voluntary programme for large MNE groups

➤ Sets a framework for documentation, process and timelines

➤ MNE group and multiple tax administrations work together to consider international tax risks – Transfer Pricing & Permanent Establishment issues

➤ Each tax administration issues an outcome letter – aim is to give assurance of no further action if low risk

▪ ICAP Handbook and programme details just published
▪ List of participating tax administrations to be published in March
▪ Next application deadline 30 September
▪ Join first virtual interactive information sessions 30 March / 1 April
▪ Contact headquarter tax administration early to discuss participation

URL: http://oe.cd/icap
Crypto-assets

Tax treatment

– First comprehensive analysis of existing approaches and key policy gaps across main categories of taxes.

Tax transparency

– Since CRS adopted in 2014, around 100 jurisdictions have exchanged information on taxpayers’ offshore financial assets.
– Emergence of crypto-assets, not yet comprehensively covered, may erode the integrity of the CRS.
– Work progressing on including crypto-assets in scope of CRS or a similar reporting and exchange framework.
6. TAX AND CRIME
Grace Perez-Navarro
Tackling professional enablers of tax crimes

Report published 25 February 2021

- Highlights **damaging** role of **professional intermediaries** who **enable** tax evasion and other financial crimes for clients.
- **Recommends** strategies for **deterring**, disrupting, investigating and prosecuting professional enablers.

URL: [http://oe.cd/professional-enablers](http://oe.cd/professional-enablers)  #OECDtaxtalks
How do professional enablers facilitate tax crimes and other financial crimes?

Professional enablers use specialised expertise to help clients commit crimes

- Setting up companies, trusts or offshore business structures to:
  - obscure beneficial ownership;
  - hide clients’ money (and its sources) from tax and other authorities.
- Falsifying documentation for clients to evade taxation.
- Facilitating illegal tax schemes on behalf of clients.
Recommended strategies to counter professional enablers

- Skills and awareness
- Effective legislation
- Disruption strategies
- Co-operation
- Effective implementation

Find out more at the 2021 OECD Global Anti-Corruption & Integrity Forum
16:45 – 17:45 CET on 24 March

https://oecd-events.org/gacif2021
7. FORTHCOMING

Pascal Saint-Amans
QUESTIONS?
Questions?

• Please submit your questions using the Q&A function at the bottom of your screen.
THANK YOU