

OECD SECRETARY-GENERAL TAX REPORT TO G20 LEADERS

Saudi Arabia
November 2020



G20 

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Note by Turkey

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

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Overview

As I report to you, the COVID-19 pandemic continues its course, resulting in global and sustained economic fallout. Since the start of the COVID-19 pandemic, the OECD has monitored closely the tax and fiscal policy responses of countries and jurisdictions. Tax policy should prioritise supporting health systems and recovery above all and then be adapted in view of social and economic transformations that include but are not limited to COVID-19. Beyond domestic measures, as governments are adopting recovery plans to restore growth, the issue of international taxation and co-operation remains a priority.

One pressing issue—which has been a priority of the international community for several years—is to reform the international tax system to address the tax challenges arising from the digitalisation of the economy, restore stability to the international tax framework and avoid the risk of further uncoordinated, unilateral tax measures which could trigger trade sanctions. The COVID-19 crisis has exacerbated these tax challenges even further by accelerating the digitalisation of the economy, increasing pressures on public finances and decreasing public tolerance for profitable MNEs not paying their fair share of taxes.

In July 2020, your Finance Ministers mandated the G20/OECD Inclusive Framework on BEPS (hereafter G20/OECD Inclusive Framework) to produce reports on the Blueprints of Pillar One and Pillar Two by the October G20 Finance Ministers meeting with a view to reaching consensus by year end. Pillar One is focused on nexus and profit allocation whereas Pillar Two is focused on a global minimum tax intended to address remaining base erosion and profit shifting (BEPS) issues. Despite the unprecedented times, the G20/OECD Inclusive Framework, which consists of 137 member jurisdictions, has worked tirelessly to deliver the reports on the blueprints of the two-pillar solution to these direct tax challenges. Since February 2020, the Steering Group and the Working Parties of the G20/OECD Inclusive Framework have carried out almost 70 days of mostly virtual meetings to advance the technical work.

On 9 October 2020, the G20/OECD Inclusive Framework finalised a package consisting of a Cover Statement¹ and the Reports on the Pillar One and Pillar Two Blueprints for public release. This package reflects convergent views on a number of key policy features, principles and parameters of both Pillars, identifies remaining political and technical issues where differences of views remain to be bridged, and next steps. **The 137 members of the G20/OECD Inclusive Framework recognised the Report on the Blueprint on Pillar One² as a “solid foundation for future agreement** that would adhere to the concept of net taxation of income, avoid double taxation and be as simple and

¹ OECD (2020), *Cover Statement by the Inclusive Framework on the Reports on the Blueprints of Pillar One and Pillar Two – October 2020*, OECD, Paris, www.oecd.org/tax/beps/cover-statement-by-the-oecd-g20-inclusive-framework-on-beps-on-the-reports-on-the-blueprints-of-pillar-one-and-pillar-two-october-2020.pdf.

² OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/beba0634-en>.

administrable as possible”, and that the **Report on the Blueprint on Pillar Two**³ is “a solid basis for a systemic solution that would address remaining base erosion and profit shifting (BEPS) challenges”.

On 14 October 2020, the G20 Finance Ministers endorsed the Reports on the Blueprints for Pillar 1 and Pillar 2 approved for public release by the Inclusive Framework. They further stated⁴ that: “Building on this solid basis, we remain committed to further progress on both pillars and urge the G20/OECD Inclusive Framework on BEPS to address the remaining issues with a view to reaching a global and consensus-based solution by mid-2021.”

In addition, as decided in the May 2019 Programme of Work⁵, the OECD Secretariat released its report, *Tax Challenges Arising from Digitalisation – Economic Impact Assessment*⁶, and analyses the economic and tax revenue implications of both Pillars, as set out in the blueprints. Pillar One and Pillar Two could increase global corporate income tax (CIT) revenues by about USD 60-100 billion per year or up to around 4% of global CIT revenues taking into account the combined effect of these reforms and of the US GILTI regime.

Thus, while at this point the conditions for a political agreement have not yet been achieved, the Inclusive Framework now has a sound and solid basis for a future agreement to which it remains committed. Given, how far the architecture of each Pillar has advanced, political agreement could and should be reached soon.

Meanwhile, the G20/OECD Inclusive Framework decided on 9 October 2020 to use the reports on the blueprints as a basis for seeking stakeholder input. These inputs will inform the ongoing work of the G20/OECD Inclusive Framework, which has also agreed to continue working to resolve the remaining issues quickly with a view to bringing the process to a successful conclusion by mid-2021.

Reaching a solution to the tax challenges arising from digitalisation will only be achieved with your strong leadership and unequivocal political support and involvement.

The work on tackling **other tax challenges arising from the digitalisation** of the economy is also progressing.

- As new technologies derived from digitalisation have emerged, they raise novel tax challenges that must be addressed as well. In this respect, **the G20/OECD Inclusive Framework adopted in October 2020 the report, *Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues*.** With coverage of over 50 jurisdictions, including all G20 and OECD members, this report is the first comprehensive analysis of the existing approaches and key policy gaps across the main categories of taxes for such a large group of countries.
- Progress is being made in updating the Common Reporting Standard for the automatic exchange of information to extend its coverage to crypto assets. The update of the standard should be completed in 2021.

³ OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/abb4c3d1-en>.

⁴ Communiqué, G20 Finance Ministers & Central Bank Governors Meeting 14 October 2020.

⁵ OECD (2019), *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm.

⁶ OECD (2020), *Tax Challenges Arising from Digitalisation – Economic Impact Assessment: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/0e3cc2d4-en>.

- **The implementation of the OECD's standards for the effective collection of VAT on online sales of goods, services and digital products (included in the 2015 BEPS Action 1 report) have continued to influence VAT reform in a growing number of countries worldwide.** Work on guidance for the VAT treatment of the sharing and gig economy, including on the role of sharing and gig economy platforms in facilitating VAT compliance, is on track for delivery by the end of 2020. Almost 65 jurisdictions have implemented these standards while over 40 additional jurisdictions are implementing these standards or are considering doing so. Among those, three jurisdictions have promoted a VAT/digital solution while abandoning their plans for a digital services tax (DSTs) based on turnover. The implementation of these standards is yielding impressive results. For example, the European Union reported EUR 14.8 billion of VAT revenues collected from these measures in the first four years of their operation.
- Once implemented, the model reporting rules⁷ for digital platforms facilitating transactions in the sharing and gig economy, approved on 30 June 2020, will constitute an efficient tool to ensure digital platforms report to tax authorities the identity of sellers active on the platform, as well as details on the transactions they have concluded.

Further progress on the tax agenda

In the aftermath of the COVID-19 crisis, the public's tolerance for tax evasion and tax avoidance is expected to reach historic lows. The international tax transparency and BEPS Minimum Standards are valuable tools to tackle increasingly sophisticated, non-compliant taxpayers and aggressive tax planning, to collect missing and much needed tax revenues.

The implementation of the tax transparency standards has been one of the success stories of the G20. With continuous G20 support since 2008, multilateral co-operation has delivered significant results, notably the end of bank secrecy marking a new era of tax transparency, with close to 100 jurisdictions automatically exchanging information on financial accounts in 2019.

- While in 2008, only **40** exchange of information (EOI) relationships were in place between secretive jurisdictions and other countries; the Convention on Mutual Administrative Assistance in Tax Matters now covers **141** signatories (4 jurisdictions have joined since July 2020), which brings the number of EOI relationships to **8 500** today.
- In 2019, more than **6 100** bilateral **automatic exchanges of information** (AEOI) took place among **95** jurisdictions. In 2020, the number of bilateral AEOI rose to **7 000**, which is 900 more than in the previous year.
- Voluntary disclosure programmes, offshore tax investigations and related measures before the start of automatic exchange in 2017 and since then, have so far led to the identification of **102 billion euros of additional tax revenues worldwide.**
- In 2019, this exchange of information concerned more than **84 million** bank accounts, totalling almost **EUR 10 trillion.**

To ensure a level playing field, the G20 Finance Ministers have requested the OECD to regularly report on the jurisdictions that fail to comply with the tax transparency standards. Since December 2018, the number of identified jurisdictions has decreased from 15 to 5 today; i.e. one additional jurisdiction since July 2020.

⁷ OECD (2020), *Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy*, OECD, Paris, www.oecd.org/tax/exchange-of-tax-information/model-rules-for-reporting-by-platform-operators-with-respect-to-sellers-in-the-sharing-and-gig-economy.htm.

The implementation of the G20/OECD BEPS Project continues to deliver results. Since June 2020, we continue to see progress:

- Since July 2020, **four** additional countries deposited their instruments of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Convention or MLI).
- Overall, the landscape is now more transparent with respect to the tax affairs of MNEs, with almost **30 000** information exchanges on previously secret tax rulings since 2016; and with **90** jurisdictions having engaged in the exchange of Country-by-Country (CbC) reports on the activities, income and assets of MNEs, which began in June 2018. Jurisdictions have also amended or abolished an important number of preferential tax regimes, which allowed MNEs to avoid tax on their international activities, contributing to base erosion. Since 2015, almost **290** regimes have been reviewed and virtually all of the regimes that were identified as harmful have been amended or abolished. Finally, multilateral co-operation to prevent treaty shopping has become a reality with the MLI, signed by **94** jurisdictions, **53** of which have ratified it as of 29 September 2020.

As per your mandate, we keep working to improve developing countries' capacity to strengthen their tax systems and mobilise their domestic resources – thus supporting the achievement of the United Nations Sustainable Development Goals. Domestic resource mobilisation and taxation in particular, will remain as the only long-term viable source of financing for sustainable development, including critical services such as health care and education. As the COVID-19 crisis continues to unfold and with fiscal headroom highly constrained, the work to build effective tax systems in developing countries has never been more important and must remain a priority during the recovery phase. The combination of domestic and international actions will help broaden the tax base and contribute to strengthen domestic resource mobilisation. The OECD is continuing its support to developing countries on tax, including through expanding the **Tax Inspectors Without Borders (TIWB)** initiative with 40 programmes completed, 40 ongoing and 19 forthcoming as of 15 September 2020. It is developing toolkits on issues such as VAT on e-commerce and tax treaty negotiations, enhancing multilateral training, including through e-learning, incorporating developing countries into OECD tax databases, and providing in-depth bilateral capacity building.

Lastly, tax certainty has also been a priority of the G20, dating back to 2016, when G20 Leaders first tasked the OECD and the IMF to work on tax certainty in addition to pro-growth tax policies. In an increasingly uncertain world, providing tax certainty is becoming even more important to facilitate global growth and cross-border investment. Work continues to improve tax dispute prevention and dispute resolution processes, particularly with respect to advance pricing agreements (APA), mutual agreement procedures (MAP), and the use of benchmarks. Tax certainty has also been a priority throughout the ongoing G20/OECD Inclusive Framework negotiations on a two-pillar solution, with members recognising the need to include concrete measures to bolster tax certainty as part of any final agreed package.

In just a bit more than a decade, thanks to the G20 leadership, the international tax framework has been changed fundamentally. Until 2008, lack of co-operation, secrecy, base erosion and aggressive tax planning had undermined the sovereignty of countries and increased the sense that the system was unfair. Since then tax co-operation has become the rule, with multilateral instruments to facilitate it, and strong and inclusive institutions to support it. Bank secrecy is over, aggressive tax planning has been reined in and we are at the eve of completing the last mile to make the system more robust and fairer at the time of the digitalisation of the economy.

Part I. The G20's international tax agenda

1 Addressing the tax challenges arising from the digitalisation of the economy

“We will continue our cooperation for a globally fair, sustainable, and modern international tax system. We acknowledge that the COVID-19 pandemic has impacted the work of addressing the tax challenges arising from the digitalization of the economy. We stress the importance of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) to continue advancing the work on a global and consensus-based solution with a report on the blueprints for each pillar to be submitted to our next meeting in October 2020. We remain committed to further progress on both pillars to overcome remaining differences and reaffirm our commitment to reach a global and consensus-based solution this year”.

Communiqué, G20 Finance Ministers & Central Bank Governors Meeting 18 July 2020

Direct tax challenges arising from the digitalisation of the economy

Background

The work on addressing the tax challenges arising from the digitalisation of the economy is rooted in the BEPS 2015 Action 1 Report⁸, which laid the foundations of the project. Since 2017, the G20/OECD Inclusive Framework has been working on the issue, delivering an interim report in March 2018, at the request of the G20. Following a new mandate from the G20, the members of the G20/OECD Inclusive Framework committed to continue working together to deliver a consensus-based solution by the end of 2020.

In May 2019, the G20/OECD Inclusive Framework adopted a Programme of Work which was endorsed by the G20 Finance Ministers and G20 Leaders at their respective meetings in June 2019⁹. The Programme of Work draws extensively on the Policy Note¹⁰ approved by the G20/OECD Inclusive Framework on 23 January 2019, which grouped proposals into two pillars that could form the basis for consensus:

- **Pillar One** seeks to adapt the international tax system to new business models through a coherent and concurrent review of the profit allocation and nexus rules. It intends to expand the

8 OECD (2015), *Addressing the Tax Challenges of the Digital Economy, Action 1 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD, Paris, <https://doi.org/10.1787/9789264241046-en>.

9 Paragraph 11 of the Communiqué, *G20 Finance Ministers and Central bank Governors Meeting, Fukuoka (Jun.8-9, 2019)*. www.mof.go.jp/english/international_policy/convention/g20/communiqué.htm Ministry of Finance, Japan (2019), *Communiqué, G20 Finance Ministers and Central bank Governors Meeting, Fukuoka. (Jun.8-9, 2019)*, Ministry of Finance, Japan. www.mof.go.jp/english/international_policy/convention/g20/communiqué.htm

10 OECD (2019), *Addressing the Tax Challenges of the Digitalisation of the Economy – Policy Note*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, www.oecd.org/tax/beps/policy-note-beps-inclusive-framework-addressing-tax-challenges-digitalisation.pdf

taxing rights of market jurisdictions where there is an active and sustained participation of a business in the economy of that jurisdiction through activities in, or remotely directed at, that jurisdiction. Pillar One also aims to significantly improve tax certainty by introducing innovative dispute prevention and resolution mechanisms.

- **Pillar Two** (also referred to as the “GloBE” proposal) would introduce global anti-base erosion rules to ensure a minimum level of effective taxation to address remaining BEPS concerns. To this end, Pillar Two would provide jurisdictions with a right to “tax back” where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of effective taxation.

On Pillar One, the Programme of Work, endorsed by the G20 Finance Ministers in June 2019, contained three different proposals. Based on an OECD Secretariat proposal issued in October 2019, in its Statement¹¹ of 30 January 2020 (Statement), the G20/OECD Inclusive Framework “agreed upon an outline of the architecture of a Unified Approach on Pillar One (the Outline) as the basis for negotiations and welcomed the progress made on Pillar Two”.

Since the approval of the “Outline of the Architecture of a Unified Approach on Pillar One” and the Progress Note on Pillar Two” in January 2020, significant progress has been made on the technical development of both pillars by the various working groups. Between February and October 2020, six meetings of the Steering Group of the G20/OECD Inclusive Framework and a total of almost 70 days of Steering Group and Working Party meetings allowed for technical progress to be made.

Notwithstanding the progress made, the emergence and persistence of the COVID-19 pandemic understandably slowed down the negotiations towards a political agreement while posing certain obstacles to the technical work undertaken by the G20/OECD Inclusive Framework. This resulted in the postponement of the date for key political decision-making from July 2020 to October 2020. It was thought at the time that the technical development would be advanced enough to allow for key political decisions to be taken on both pillars in October 2020.

Key dates

- October 2015** – BEPS Action 1 report
- March 2018** – Tax Challenges Arising from Digitalisation: Interim Report
- January 2019** – Policy note agreed by the G20/OECD IF and public consultation in February/ March
- May 2019** – Programme of Work to Develop a Consensus Solution
- October 2019** – Proposal of the Secretariat on a “Unified Approach”
- November - December 2019** – Public consultations on Pillar One and Pillar Two
- 29-30 January 2020** – Plenary meeting of the G20/OECD IF- Adoption of the Statement on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy
- February to October 2020** – Almost 70 days of Working Party and Steering Group meetings

Update on the Two-Pillar Programme of Work since July 2020

On 9 October 2020, the G20/OECD Inclusive Framework approved for publication a package consisting of a Cover Statement and the Reports on the Pillar One and Pillar Two Blueprints, “which reflect

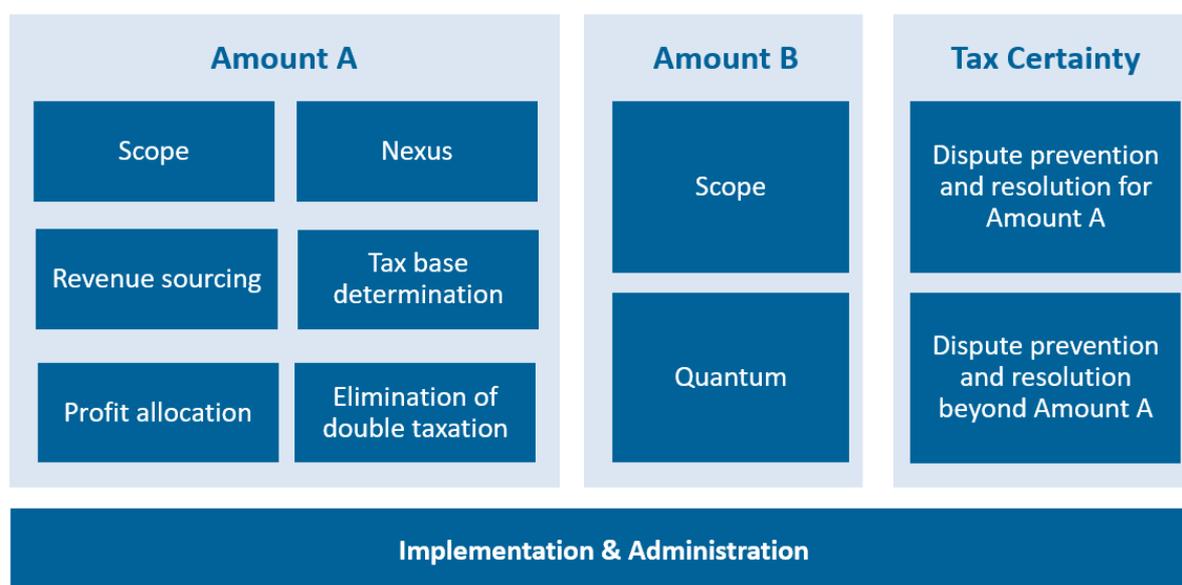
¹¹ OECD (2020), *Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

convergent views on a number of key policy features, principles and parameters of both Pillars, identifies remaining political and technical issues where differences of views remain to be bridged, and next steps¹². More fundamentally, the G20/OECD Inclusive Framework recognised the *Report on the Blueprint for Pillar One* as a “solid basis for future agreement” and the *Report on the Blueprint for Pillar Two* as “a solid basis for a systemic solution that would address remaining BEPS challenges”. In the Statement, the G20/OECD Inclusive Framework agreed “to swiftly address the remaining issues with a view to bringing the process to a successful conclusion by mid-2021 and to resolve technical issues, develop model draft legislation, guidelines, and international rules and processes as necessary to enable jurisdictions to implement a consensus based solution. The G20/OECD Inclusive Framework further approved public consultations on the Reports on the Pillar One and Pillar Two Blueprints to be carried out by 14 December 2020.

On 14 October 2020, while the G20 Finance Ministers acknowledged that the COVID-19 pandemic had impacted the work, they welcomed the Reports on the Blueprints for Pillar 1 and Pillar 2 approved for public release by the Inclusive Framework. They also reaffirmed their commitment to further progress on both pillars and urged the Inclusive Framework to address the remaining issues with a view to reaching a global and consensus-based solution by mid-2021. Progress on Pillar One: Blueprint on Pillar One

Since July 2020, work has advanced on the 11 building blocks of the Pillar One solution (see Figure 1.1.). The technical elements of these building blocks have been further discussed and refined by senior policymakers and tax administrators within the subsidiary bodies of the G20/OECD Inclusive Framework, and further synthesised into the *Report on the Pillar One Blueprint*.

Figure 1.1. Building blocks of the Pillar One solution



The blueprint details the significant progress made on the three core elements of Pillar One, which include a new taxing right for market jurisdictions over a share of residual profit calculated at an MNE group (or segment) level (Amount A); a fixed return for certain baseline marketing and distribution activities taking place physically in a market jurisdiction, in line with the ALP (Amount B); and processes to improve tax certainty through effective dispute prevention and resolution mechanisms.

¹² Cover Statement by the OECD/G20 Inclusive Framework on BEPS on the Reports on the Blueprints of Pillar One and Pillar Two, paragraph 3.

Notwithstanding the progress made, the blueprint also notes that several issues still require further technical work or political decisions to be resolved. These issues include the scope of Amount A; the amount of profit to be reallocated under Amount A; the scope of mandatory binding dispute resolution beyond Amount A; and the scope and application of Amount B. Further work in the coming months will focus on resolving these issues in order to reach a final agreement on Pillar One.

In its Cover Statement, the G20/OECD Inclusive Framework agreed that “the Blueprint offers a solid basis for future agreement” and reflects a number of elements that are listed in the Statement. In addition, the G20/OECD Inclusive Framework stated they “will now focus on resolving the remaining political and technical issues”.

Progress on Pillar Two: Blueprint on Pillar Two

The Blueprint on Pillar Two lays down the features of a systemic solution - known as the global anti-base erosion proposal (GloBE proposal) - to address remaining BEPS challenges which ensures that all large and internationally operating businesses pay at least a minimum level of tax. It includes the design of the four rules as set out in the Programme of Work: a) the income inclusion rule (IRR); b) the switch-over rule; c) the undertaxed payment rule (UTPR); and d) the subject to tax rule (STTR).

In its Cover Statement, the G20/OECD Inclusive Framework “acknowledged that “jurisdictions are free to determine their own tax systems, including whether they have a corporate income tax and the level of their tax rates, but also accept the right of other jurisdictions to apply an internationally agreed Pillar Two regime where income is taxed below a minimum rate¹³”.

Regarding the key design features of Pillar Two, it was agreed the “Blueprint provides a solid basis for future agreement on the Income Inclusion Rule (IIR), the Undertaxed Payment Rule (UTPR), the Subject to Tax Rule (STT), the rule order, the calculation of the effective tax rate and the allocation of the top-up tax for the IIR and the UTPR, including the tax base, the definition of covered taxes, mechanisms to address volatility, and the substance carve-out” The IIR and UTPR is to be implemented as a common approach, and any jurisdiction implementing such rules would apply them consistently with the agreed Pillar Two *vis-à-vis* all other jurisdictions (including groups headquartered therein) that also join the consensus. On the STTR, the G20/OECD Inclusive Framework recognised “that an STTR would be an integral part of a consensus solution on Pillar Two”, “given the importance that a large number of Inclusive Framework members, particularly developing countries, attach to an STTR”.

The G20/OECD Inclusive Framework also agreed that the Blueprint would be a solid foundation for future agreement on the basis on which the United States’ Global Intangible Low Taxed Income Regime (GILTI) regime would be treated as a Pillar Two compliant income inclusion rule.

The G20/OECD Inclusive Framework further agreed a public consultation on Pillar Two with a focus on issues of administration, implementation and simplification. In addition, the G20/OECD Inclusive Framework will work on the development of model legislation, standard documentation and guidance, designing a multilateral review process if necessary and exploring the use of a multilateral convention, which could include the key aspects of Pillar Two.

Economic analysis and impact assessment

In the May 2019 Programme of Work, it was decided that the Secretariat would carry out an economic analysis of the proposals. The Secretariat report *Tax Challenges Arising from Digitalisation – Economic Impact Assessment*, contains the results from this assessment. The assessment relies on a number of illustrative assumptions on proposal design and parameters, without prejudice to the final decisions of the G20/OECD Inclusive Framework. The assessment draws on the best data available across a wide

¹³ Cover Statement by the OECD/G20 Inclusive Framework on BEPS on the Reports on the Blueprints of Pillar One and Pillar Two, paragraph 7.

range of jurisdictions, including the newly published aggregated and anonymised Country-by-Country (CbC) Report data.

Effect of the proposals on tax revenues

Pillar One and Pillar Two could increase global corporate income tax (CIT) revenues by about USD 50-80 billion per year. Taking into account the combined effect of these reforms and the US GILTI regime, the total effect could represent USD 60-100 billion per year or up to around 4% of global CIT revenues. The exact gains could differ from these 'ex ante' estimates as they would depend on the final design and parameters of Pillar One and Pillar Two, the extent of their implementation, the nature and scale of reactions by MNEs and governments, and future economic developments.

- Pillar One would involve a significant change to the way taxing rights are allocated among jurisdictions, as taxing rights on about USD 100 billion of profit could be reallocated to market jurisdictions. This would lead to a modest increase in global tax revenues. On average, low, middle and high income economies would all benefit from revenue gains, while 'investment hubs' would tend to lose tax revenues.
- Pillar Two would yield a significant increase in CIT revenues and significantly reduce the incentives for MNEs to shift profits to low-tax jurisdictions, which would generate revenue gains in addition to the direct gains resulting from the implementation of the GloBE rules.
- The combined revenue gains from both pillars are estimated to be broadly similar – as a share of current CIT revenues – across low, middle and high income jurisdictions.

Effect of the proposals on investment and economic growth

A consensus-based multilateral solution involving Pillar One and Pillar Two would lead to a more favourable environment for investment and growth than would likely be the case in absence of an agreement by the G20/OECD Inclusive Framework:

- Pillar One and Pillar Two would lead to a relatively small increase in the average (post-tax) investment costs of MNEs. The ensuing negative effect on global investment is estimated to be very small, as the proposals would mostly affect highly profitable MNEs whose investment is less sensitive to taxes. Overall, the negative effect on global GDP stemming from the expected increase in tax revenues associated with the proposals is estimated to be less than 0.1% in the long term.
- In contrast, the absence of a consensus-based solution would likely lead to a proliferation of uncoordinated and unilateral tax measures (e.g. digital services taxes) and an increase in damaging tax and trade disputes. This would undermine tax certainty and investment and also result in additional compliance and administration costs. The magnitude of the negative consequences would depend on the extent, design and scope of these unilateral measures, and the scale of any ensuing trade retaliation. In the "worst-case" scenario, these disputes could reduce global GDP by more than 1%.

Implications of the COVID-19 crisis

The full impact of the COVID-19 crisis remains highly uncertain at this stage, but a few likely implications for the impact assessment of Pillar One and Pillar Two already stand out:

- The COVID-19 crisis is likely to reduce the expected revenue gains from Pillar One and Pillar Two at least in the short run as the crisis weighs on the profitability of many MNEs, even though some digital-intensive MNEs have managed to sustain or enhance their profitability since the beginning of the crisis.
- The crisis has accelerated the trend towards the digitalisation of the economy, increasing the need to address the tax challenges arising from digitalisation. Accelerating digitalisation

will also increase the relative importance of automated digital services (ADS) in the scope of Pillar One.

Taxing virtual currencies and ensuring tax transparency for crypto-assets

Crypto-assets, and within them virtual currencies, are in rapid development. The overall market capitalisation of virtual currencies reached USD 354 billion in September 2020.¹⁴ Relying on blockchain technology, they bring about a number of opportunities but also raise some policy issues that are of increasing relevance for governments, including for the G20 Finance Ministers and Central Bank Governors who called on international organisations to analyse the risks posed in various policy areas – including taxation – in their March and July 2018 communiqués.¹⁵

Regulators are still at the early stages of considering virtual currencies. While the financial stability and anti-money laundering implications were addressed recently by the Financial Stability Board¹⁶ and by the Financial Action Task Force,¹⁷ the tax policy, transparency and tax evasion aspects have been largely unexplored, although they form an important part of the overall regulatory framework. Their exchangeability with ‘fiat’ (i.e. sovereign) currencies and their similarities to other forms of financial products or intangible assets means that a sound tax policy framework is necessary to ensure the consistent treatment of similar asset types, to facilitate compliance, provide tax certainty, and prevent tax avoidance and evasion. In addition, virtual currencies face high price volatility, which can result in significant gains (or losses). Investment in virtual currencies is significant and represents a potentially important tax base. Once defined and recognised by countries, they would then need to decide whether and to what extent they want to tax this base.

Taxing Virtual Currencies: tax treatments and emerging tax policy issues

Bridging this gap, the G20/OECD Inclusive Framework adopted in October 2020 the report *Taxing Virtual Currencies: an Overview of Tax Treatments and Emerging Tax Policy Issues*¹⁸. Covering over 50 jurisdictions, including all G20 and OECD members, this report is the first comprehensive analysis of the existing approaches and key policy gaps across the main categories of taxes for such a large group of countries.

This report covers the key concepts and definitions of blockchain and crypto-assets, looking at the characterisation, legality and valuation of virtual currencies while analysing the tax consequences across the different stages of their lifecycle, from creation to disposal. It provides an overview of the tax treatment of virtual currencies – from the perspective of income, consumption and property taxation – highlighting key taxable events, similarities and differences in country approaches to taxation. The report also analyses a number of emerging issues related to the taxation of virtual currencies, including the emergence of stablecoins and ‘central bank digital currencies’; as well as the evolution of the consensus mechanisms used to maintain blockchain networks and the development of decentralised finance.

¹⁴ <https://coinmarketcap.com/all/views/all/>.

¹⁵ www.g20.utoronto.ca/2018/2018-03-30-g20_finance_communique-en.html and www.g20.utoronto.ca/2018/2018-07-22-finance.html

¹⁶ www.fsb.org/2020/04/addressing-the-regulatory-supervisory-and-oversight-challenges-raised-by-global-stablecoin-arrangements-consultative-document/

¹⁷ www.fatf-gafi.org/publications/fatfgeneral/documents/report-g20-so-called-stablecoins-june-2020.html.

¹⁸ OECD (2020) *Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues*, OECD, Paris, www.oecd.org/tax/tax-policy/taxing-virtual-currencies-an-overview-of-tax-treatments-and-emerging-tax-policy-issues.htm.

The report highlights a number of considerations for policymakers wishing to strengthen their legal and regulatory frameworks for taxing virtual currencies, thus improving certainty for tax administrations and taxpayers alike. These considerations include:

- Providing clear guidance and legislative frameworks for the tax treatment of crypto-assets and virtual currencies, including to ensure consistency with the treatment of other assets;
- Supporting improved compliance, including through the consideration of simplified rules on valuation and on exemption thresholds for small trades; and
- Aligning the tax treatment of virtual currencies with other policy objectives or trends, including the decline of cash use and environmental policy objectives.
- Designing appropriate guidance on the tax treatment of emerging technological areas, including stablecoins, central bank digital currencies, proof-of-stake and decentralised finance, for which existing frameworks may not be appropriate.

Tax transparency work on crypto-assets

In addition, the OECD is advancing its work to design a tax reporting framework that will ensure tax transparency with respect to crypto-assets, including the income derived from the sale of such assets.

This tax reporting framework will use the G20/OECD Common Reporting Standard (CRS) as the starting point. The CRS is the global benchmark for ensuring tax transparency with respect to financial assets and income. Equally, building on the existing framework for the exchange of financial account information will help ensure consistency between the reporting on traditional financial assets and crypto-assets, as well as the income derived from such assets.

The information flows will follow the same architecture as the CRS: the information collected will be reported by intermediaries to the tax authorities in their jurisdiction of residence. The tax authorities will then automatically exchange the information with the jurisdictions in which the relevant taxpayers are resident. In order to reflect the dynamic and highly mobile nature of the crypto-asset market, the objective is to design the international exchange framework in such a manner that all jurisdictions hosting intermediaries can fully participate.

Technical issues on which work is progressing include the questions of whether, in addition to crypto-assets, also other types of virtual assets should be included in the scope, whether, in addition to crypto-exchanges, other intermediaries, such as wallet providers, are to be included in the scope and whether, beyond the reporting of sales proceeds, other income derived from crypto-assets and information on the value of the holding of crypto-assets should be reported.

The OECD will continue to work on the detailed technical proposals for the new tax reporting framework for crypto-assets, with a view to presenting a comprehensive implementation package to the G20 in 2021.

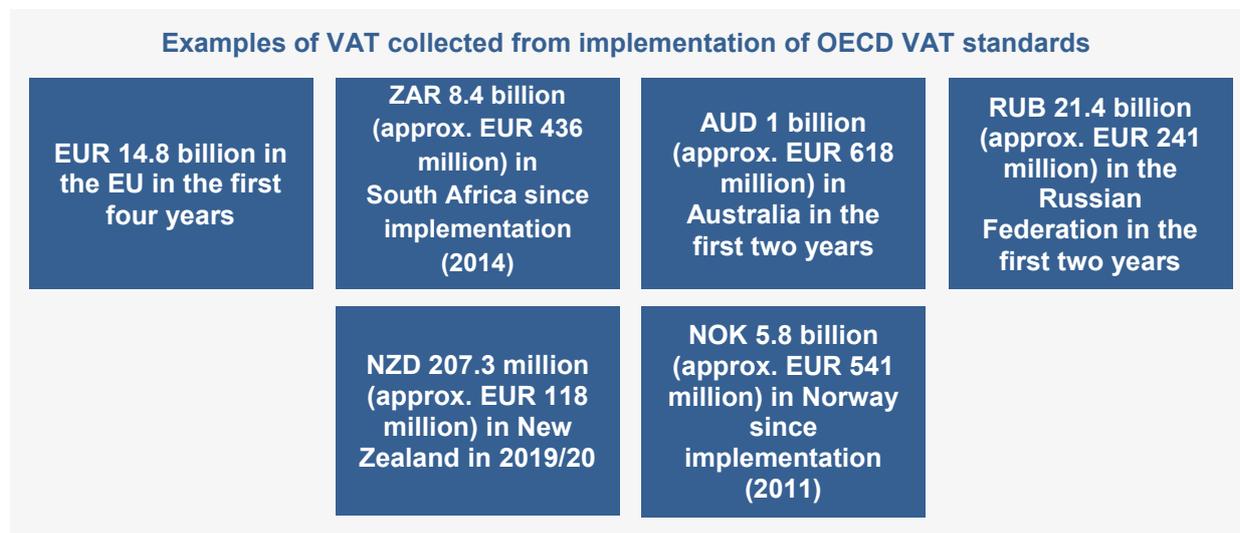
Other updates: indirect taxes

The OECD's standards for the effective collection of VAT on online sales of goods, services and digital products have continued to influence VAT reform in a growing number of countries worldwide. These standards were included in the 2015 BEPS Action 1 Report and in the detailed implementation guidance that has been developed since then. Work on guidance for the VAT treatment of the sharing and gig economy, including on the role of sharing and gig economy platforms in facilitating VAT compliance, is on track for delivery by the end of 2020.

Almost 65 jurisdictions have implemented these standards while over 40 additional jurisdictions are implementing these standards or are considering doing so. Among those, three jurisdictions have

promoted a VAT/digital solution while abandoning their plans for Digital Services Tax (DSTs) based on turnover.

Very positive results have been reported in terms of compliance and revenue collected from these measures as well as minimising competitive distortions between online traders and traditional businesses.



Those measures have become even more relevant in light of the outbreak of COVID-19, as containment and mitigation measures taken in response to the pandemic have notably led to spikes in online shopping and increased demand for digital products and online services.

The OECD continues to advance its work to support developing countries seeking to implement these recommended solutions. The development of a regional toolkit providing detailed practical implementation guidance for Latin American and Caribbean countries is on track for delivery in 2020, in co-operation with the World Bank Group (WBG), the Inter-American Development Bank (IDB) and the Inter-American Center of Tax Administration (CIAT). Work on a similar project for the Asia-Pacific region has commenced, with the WBG and the Asian Development Bank (ADB) as partners. The project for an African regional toolkit is expected to be launched in the second half of 2020, with the WBG and ATAF as partners. In addition, a bilateral assistance programme was launched in early 2020 in response to the growing demand from developing countries for bespoke bilateral capacity building on VAT and e-commerce.

2 Other G20 tax deliverables

Addressing the tax challenges of the digitalisation of the economy is not the only priority on the international tax agenda. As a result of subsequent mandates from the G20, significant progress continues to be made in the fight against tax evasion and tax avoidance, while also ensuring that these tools benefit all members of the G20/OECD Inclusive Framework, including developing countries. In addition, as the COVID-19 pandemic continues to impact people and the global economy, the work on tax policy responses, as described in the last section of this chapter, is more relevant than ever.

Implementing the base erosion and profit shifting measures

As tolerance for tax avoidance by MNEs is expected to reach an all-time low among the public as a result of the pandemic, the work to fight against tax avoidance will remain a priority in the recovery period. While tax administrations have been focusing on countering the effects of the COVID-19 crisis, progress on implementing the four BEPS minimum standards has continued within the constraints imposed by the ongoing pandemic.

The core elements of the BEPS package are the four minimum standards which the G20/OECD Inclusive Framework has been implementing since 2016. The 2020 review of each of the BEPS minimum standards is currently underway and will provide an opportunity to evaluate what has worked well and how the standards could be improved to better counter BEPS practices moving forward.

| Action 5 Combating Harmful Tax Regimes | Action 6 Countering Tax Treaty Abuse | Action 13 Country-by-Country reporting | Action 14 Improving Dispute Resolution |
|--|---|--|--|
| Around 290 tax regimes reviewed – virtually all harmful regimes amended or abolished | BEPS Multilateral Instrument signed by 94 jurisdictions; 53 jurisdictions have ratified | 90 jurisdictions introduced Country-by-Country reporting filing requirements | Almost 70 jurisdictions have been reviewed and around 1 500 recommendations have been made |

Action 5: Exchange of tax rulings and preferential tax regimes

The OECD Forum on Harmful Tax Practices (FHTP) has been continuing to carry out the work on reviewing preferential tax regimes as well as conducting the annual peer review of the transparency framework on the exchange of information on rulings under Action 5. At the same time, members of the G20/OECD Inclusive Framework (and jurisdictions of relevance¹⁹) have continued to work on

¹⁹ Non-members deemed as “jurisdictions of relevance” by members of the G20/OECD Inclusive Framework.

implementing changes required by the FHTP as part of its review of preferential tax regimes and its review of the substantial activities requirement for no tax or only nominal tax jurisdictions.

Since the BEPS Action 5 peer review started, the FHTP has reviewed almost **290** preferential regimes, as well as the legislation of 12 no tax or only nominal tax jurisdictions. The FHTP will continue its work, examining the effective implementation of these changes in practice.

Furthermore, over **30 000** exchanges of information on tax rulings have taken place between 2016 and 2020. This ensures increased transparency as tax administrations receive more information on tax rulings pertaining to the tax arrangements of their taxpayers, including MNEs, to identify and act on any potential BEPS risks. The implementation of this standard is ensured through the peer review carried out by the FHTP.

Two aspects of the Action 5 minimum standard were to be reviewed in 2020: the spontaneous exchange of information on tax rulings, and the third category of IP assets eligible for the “nexus” approach. The FHTP review of the standard on the exchange of information on rulings has commenced in October 2020, and is examining the effectiveness of the standard, whether changes should be made to the standard, and developing a new peer review process for the coming years, in light of the experiences of jurisdictions to date and the results of the peer review process conducted from 2016-2020. The second aspect of the 2020 review with respect to the nexus approach is expected to be concluded at the FHTP meeting in October 2020, and takes into account the implementation practices and statistical data reported by jurisdictions. These reviews complement earlier work in reconsidering the work of the FHTP, relating to the criteria used for preferential tax regimes and substantial activities in no tax or only nominal tax jurisdictions, and which was reported in 2018²⁰.

Action 6 and Action 15: Prevention of tax treaty abuse and BEPS Multilateral Instrument

To update international tax rules, the G20/OECD Inclusive Framework on BEPS members are now in the process of strengthening their tax treaty network. **The BEPS Multilateral Instrument entered into force on 1 July 2018 and now covers 94 jurisdictions.** As of 29 September 2020, 53 jurisdictions have finalised their ratification process (four jurisdictions more than we reported in July 2020), including 10 G20 members²¹ and 26 OECD members²². The BEPS Multilateral Instrument now covers almost 1 700 bilateral tax treaties. Furthermore, the BEPS Multilateral Instrument will become effective on 1 January 2021 for over 500 treaties concluded among the 53 jurisdictions, with an additional 1 200 treaties to become effectively modified once the BEPS Multilateral Instruments will have been ratified by all Signatories.

The process for the peer review²³ of the Action 6 minimum standard to prevent treaty abuse calls for a review of its methodology in 2020. Technical work related to the review of the Action 6 peer review methodology and terms of reference is being carried out by the relevant working party. This technical work focuses on how the peer review can identify treaty-shopping possibilities and vulnerable agreements. It will also propose a revamp of the process through which a jurisdiction can report

²⁰ OECD (2019), *Harmful Tax Practices - 2018 Progress Report on Preferential Regimes: Inclusive Framework on BEPS: Action 5*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264311480-en>.

²¹ Australia, Canada, France, India, Indonesia, Japan, Korea, Russian Federation, Saudi Arabia and the United Kingdom.

²² Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Iceland, Ireland, Israel, Japan, Korea, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Sweden, Switzerland and the United Kingdom

²³ www.oecd.org/tax/treaties/beps-action-6-preventing-the-granting-of-treaty-benefits-in-inappropriate-circumstance-peer-review-documents.pdf.

difficulties in getting agreement from another jurisdiction to amend an existing agreement to implement the minimum standard. A note on the review of the Action 6 peer review methodology and terms of reference is expected to be submitted to the G20/OECD Inclusive Framework for discussion and approval in 2021.

Action 13: Improving transparency through Country-by-Country reporting

Jurisdictions continue to introduce Country-by-Country (CbC) reporting filing requirements for MNEs, which currently total over **90** jurisdictions thereby increasing transparency across a broad range of countries. In addition, more than **2 500** bilateral relationships have been established for the exchange of CbC reports under the Convention on Mutual Administrative Assistance in Tax Matters, bilateral double tax conventions and tax information exchange agreements, and among European Union (EU) Member States. As a result of this progress, substantially every MNE above the consolidated group revenue threshold of EUR 750 million is already within the scope of CbC reporting and the few remaining gaps are rapidly being closed.

To make headway on the 2020 review of the Action 13 minimum standard, a public consultation document was released in February 2020 and an online public consultation meeting, including around 270 business and civil society participants, was held in May 2020. The 2020 review provides an opportunity to seek feedback from stakeholders on issues connected to the implementation and operation of BEPS Action 13, as well as to explore possible changes to the scope of CbC reporting and to the content of CbC reports. The work to agree on the revisions to the Action 13 is ongoing and is expected to be completed by the end of 2020.

Action 14: Mutual Agreement Procedures

As part of the larger tax certainty agenda, Action 14 has made substantial improvements to the efficiency of MAP. The peer review process shows that countries are updating their treaties to be in line with this minimum standard and are greatly improving their MAP processes, including by making more resources available to their tax administrations to improve the timeliness and effectiveness of MAP. With nine out of ten batches completed in stage 1, around 1 500 recommendations for improvement have been issued. The stage 2 monitoring process to check whether the jurisdictions are addressing these recommendations, is well underway.

The assessment methodology under this minimum standard stipulates that, based on its outcomes, the Action 14 peer review process should be evaluated in 2020, including a decision on whether the deferrals of certain jurisdictions' peer reviews should be continued. In this context, building on the experiences of nearly five years of peer reviews and mindful of the wider advances on the tax certainty agenda, the OECD Forum on Tax Administration Mutual Agreement Procedure Forum (FTA MAP Forum) started discussions on a possible strengthening of the Minimum Standard and the continuation of the deferrals. A public consultation will be held at the end of 2020. Further discussions will be held in the FTA MAP Forum and in Working Party 1.

Capacity building – Supporting developing countries

“We [...] continue our support to developing countries in strengthening their tax capacity to build sustainable tax revenue bases”.

Communiqué, G20 Finance Ministers & Central Bank Governors Meeting 18 July 2020

As per your mandate, much work is being carried out to ensure that developing jurisdictions benefit from the tax transparency and BEPS standards and are part of the discussions on the tax and digitalisation project. As the COVID-19 crisis continues to unfold and with the increased pressure on budgets, the work to build effective tax systems in developing countries has never been more important and must remain a priority during the recovery phase. The combination of domestic and international actions will help broaden the tax base and contribute to fortifying domestic resource mobilisation.

Capacity building efforts for the implementation of the BEPS package

41 bespoke induction programmes to support new members of the G20/OECD Inclusive Framework to implement their BEPS priorities and build capacity have been launched to date. These programmes generally incorporate high-level engagement with key decision makers and other stakeholders – to help ensure political support for necessary legislative or regulatory reforms – as well as technical workshops at a working level and ongoing remote support.

In addition to the BEPS minimum standards, such programmes cover other BEPS topics that are of particular interest to the country in question, such as transfer pricing or limiting excessive interest deductions. Despite the COVID-19 crisis and associated restrictions, most technical elements of these induction programmes have been able to continue using remote channels. However, some delays have been experienced, for example on high level engagement with ministers and commissioners general as a result of both travel restrictions and the immediate need for such key decision makers to address other priorities, particularly during the initial phase of the crisis.

In addition, in-depth, bilateral technical assistance and capacity building support on BEPS to increase domestic resource mobilisation has been carried out or is ongoing in 35 developing countries, often in collaboration with regional and other international partners such as the African Tax Administration Forum (ATAF), the European Union (EU), WBG and the Inter-governmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF). Among the milestones, new BEPS related legislation and regulations have been or are in the process of being implemented in many of these countries. Support has also included organisational restructurings, skills building and mentoring.

While many of these programmes focus on key BEPS risks such as transfer pricing, in some cases they have also evolved to provide a sectoral focus, including “deep dives” on the mining industry in a number of resource-rich developing countries.

The restrictions introduced as a result of the COVID-19 crisis have undoubtedly presented challenges to capacity building efforts. As a result, the delivery of work has pivoted to virtual channels. While these

Capacity building activities

- 41 bespoke induction programmes for new members
- Bilateral technical assistance activities for 35 developing countries
- Collaboration with regional and international partners such as ATAF, the EU and WBG
- Pivot to remote assistance

changes pose certain challenges, they have also provided opportunities, in particular, in terms of the breadth of participation that can be achieved.

Between March and August 2020, 22 virtual workshops and seminars were held under the Global Relations Programme to replace face-to-face events cancelled due to restrictions associated with the COVID-19 pandemic. Delivered through the Knowledge Sharing Platform in English, French, Spanish, Chinese or Russian, over 6 500 tax officials from more than 160 jurisdictions participated in these training events. The virtual workshops are designed to be as interactive as possible, including using polling questions to seek feedback and guide the event as well as chat functions and breakout rooms to facilitate case studies and discussion forums.

In addition, efforts to ramp up e-learning offerings have been redoubled, with new modules on beneficial ownership, value added tax, enterprise risk management, and tax administration and COVID-19 introduced. E-learning modules are available as stand-alone blocks, or may be used as part of blended learning workshops. Between January and August 2020, the number of e-learning users the Knowledge Sharing Platform increased by more than 340%, from 4 500 to 15 500.

Supporting countries in their COVID-19 responses

The OECD has prioritised work on a range of targeted and temporary tax policy and tax administration measures governments could consider as part of their immediate response to COVID-19. The Forum of Tax Administration (FTA) has provided an overview of strategies and measures that tax administrations may wish to consider to help ensure the delivery of their core functions and services during a period of possibly severe capacity constraints.

Working together with the Regional Tax Organisations, four regional dialogues were held on tax policy, tax administration and business continuity in the context of COVID-19. These took place with the African Tax Administration Forum (ATAF), the Asian Development Bank (ADB), Commonwealth Association of Tax Administrators (CATA), Pacific Islands Tax Administrators' Association (PITAA), Caribbean Organisation of Tax Administrators (COTA) and Caribbean Community (CARICOM). The four workshops brought together more than 350 tax officials from over 50 jurisdictions.

Tax reforms for sustainable health financing

Since 2003, the Global Fund to Fight AIDS, Tuberculosis and Malaria²⁴ has provided financial support to Morocco (USD 100 million) and Côte d'Ivoire (USD 640 million) to assist building their capacity to fight these three diseases. The OECD is now working together with the Global Fund to support countries in mobilising domestic resources to fund health care systems. This collaboration recognises that health challenges do not stop at national borders, but are global in nature and often require regional or global co-ordination, information sharing and action. It also recognises that countries are not unique in their tax policy challenges, and can learn from the experiences of, and best practices developed by others.

Two new OECD reports on mobilising tax revenues to finance the health system in Morocco²⁵ and Côte d'Ivoire²⁶ present recommendations on how these countries can improve the design of their tax systems in order to strengthen health financing. The analysis shows that in both countries, part of the solution includes ambitious tax reform, implemented progressively over time. Such reform would help address today's economic and social challenges while preparing the country for future challenges, such as

²⁴ www.theglobalfund.org/en/.

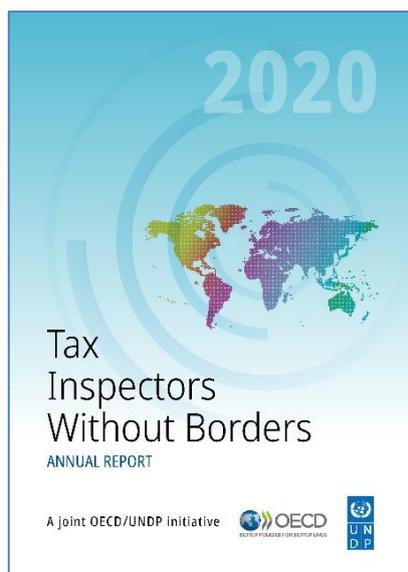
²⁵ OECD (2020), *Mobilising Tax Revenues To Finance The Health System in Morocco*, OECD, Paris, www.oecd.org/tax/tax-policy/mobilising-tax-revenues-to-finance-the-health-system-in-morocco.htm

²⁶ OECD (2020), *Mobilising Tax Revenues To Finance The Health System in Côte d'Ivoire*, OECD, Paris, www.oecd.org/tax/tax-policy/mobilising-tax-revenues-to-finance-the-health-system-in-cote-ivoire.htm

climate change, which could have devastating effects on the health and well-being of all citizens, especially the most vulnerable.

Update on Tax Inspectors Without Borders

The OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative is expanding its scope, with **40** programmes completed, **40** ongoing and **19** forthcoming as of 15 September 2020. This increase in the number of programmes is due to growing demand for general audits and for sector-focused programmes from host countries. The initiative is implementing or has implemented programmes in 45 countries and jurisdictions worldwide.



The TIWB initiative's Annual Report 2020²⁷, launched at a side event of the 75th Regular Session of the United Nations General Assembly²⁸ on 28 September 2020, reflects on the achievements made under the TIWB Initiative from January 2019 to June 2020. In addition to outlining growth and results achieved to date, the report includes information on the recent stocktake of the initiative and recommendations for the future.

“South-South” co-operation is expanding with **15** such TIWB programmes implemented or underway. In 2020, the initiative is also expanding its offering beyond support for tax audits of MNEs. Pilot programmes are being undertaken to combat illicit financial flows in the areas of tax-related criminal investigations and the effective use of automatic exchange of information. The TIWB approach will also be applied to other areas including, tax treaty negotiation and administration, joint audits, natural resource contracts and tax and the environment.

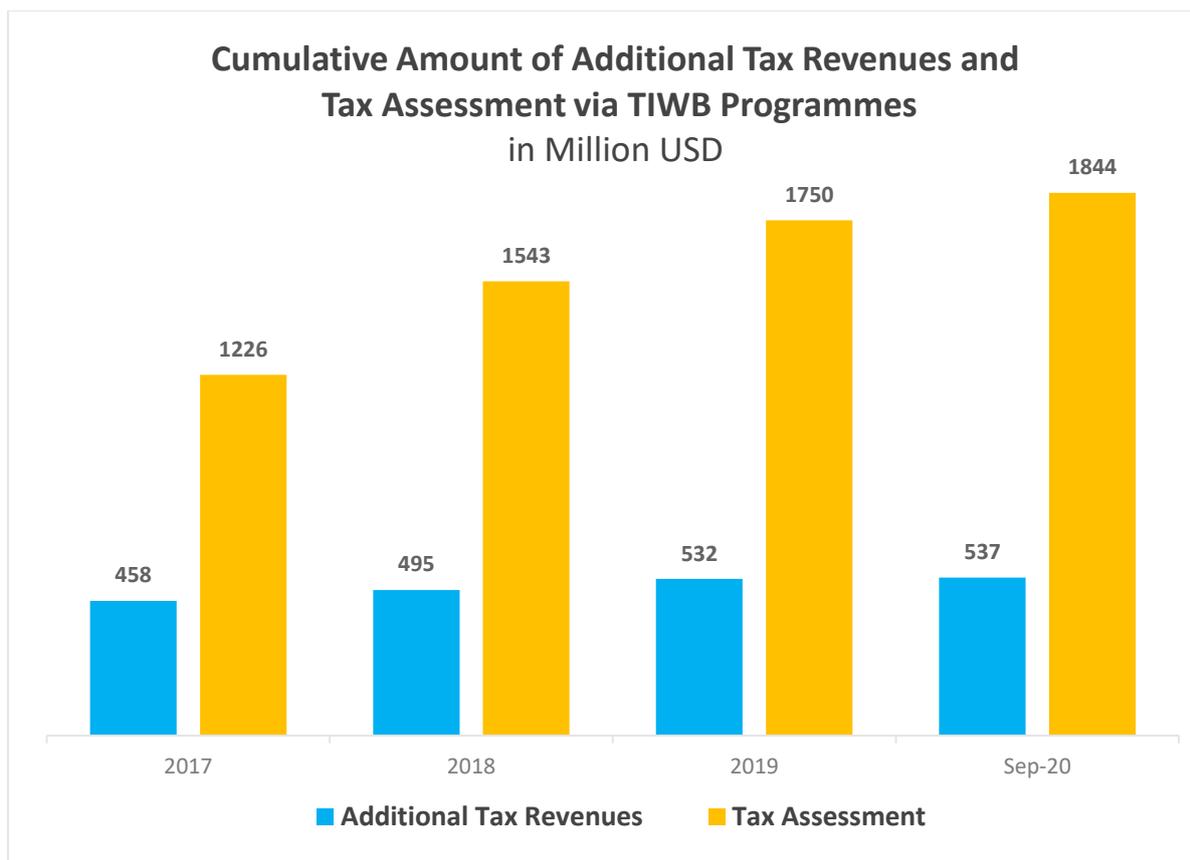
Pilot programmes under TIWB criminal investigations focus on broader capacity building on combatting tax crimes, including TIWB expert support on real-time case resolution. Six pilot projects are now underway, in Armenia (partnering with Italy); Colombia (with plans to partner with the United States); and Kenya (partnering with India); Pakistan (partnering with the United Kingdom); Tunisia (partnering with France); and Uganda (partnering with India). Action Plans have been finalised for Armenia, Colombia and Uganda, and are in progress for the other three countries. Expressions of interest have been received from Costa Rica and Honduras and the initiative plans to start these programmes in the coming months. The programmes assess current capacity in tax crime investigation (based on the OECD's *Fighting Tax Crime: The Ten Global Principles*²⁹), providing recommendations for making reforms on the legal, operational and strategic building blocks in place, and providing support on anonymised tax crime cases.

TIWB programmes continue to show tangible results, with more than **USD 537 million** in additional tax revenues being recovered from an overall tax assessment of over **USD 1.84 billion** to date. Broader benefits, such as skills transfers, development of effective tools and processes, organisational improvements and increases in taxpayer compliance, are also evident.

²⁷ OECD/UNDP (2020), *Tax Inspectors Without Borders Annual Report 2020*. www.tiwb.org/resources/reports-case-studies/tax-inspectors-without-borders-annual-report-2020.htm.

²⁸ www.tiwb.org/resources/events/financing-for-development-in-the-era-of-covid-19-and-beyond-through-tiwb-september-2020.htm.

²⁹ OECD (2017), *Fighting Tax Crime: The Ten Global Principles*, OECD, Paris. www.oecd.org/tax/crime/fighting-tax-crime-the-ten-global-principles.htm



Update on the Academy for Tax and Financial Crime Investigation

Tackling tax crimes and other financial crimes is an important area where capacity building is needed. Without tackling the most serious tax evasion and related financial crimes such as money laundering and corruption, the gains made by building inclusive and resilient economies can be undermined. The OECD, with the support of the G20, has made capacity building a key pillar of its work in addressing tax crimes.

As of September 2020, the Academy has trained close to **1 100** financial crime investigators from more than **100** countries with demand for participation continuing to outpace supply. To address ongoing demand, the Academy has in recent years expanded beyond its International Centre in Italy and established regional centres for Latin America (Argentina) and Asia Pacific (Japan), and has an ongoing pilot programme for Africa (Kenya). As well as expanding the geographical centres of the Academy, the course curriculum is continually updated to ensure it keeps pace with global financial crime trends is focused on the specific needs of different regions. The programme includes broad based courses on conducting and managing financial crime investigations, as well as specialised courses on asset recovery, VAT/GST fraud investigations, the cash economy, money laundering investigations and investigative techniques for the effective use of banking information. In addition to tax crime investigators and prosecutors, Academy courses are also open to law enforcement authorities responsible for taking enforcement action against corruption, money laundering, and other financial crimes – which is of critical importance in building an effective response to illicit financial flows.

Although the COVID-19 pandemic has had an impact on the delivery of the Academy courses on site, most of the programmes has been replaced by virtual trainings until the end of 2020.

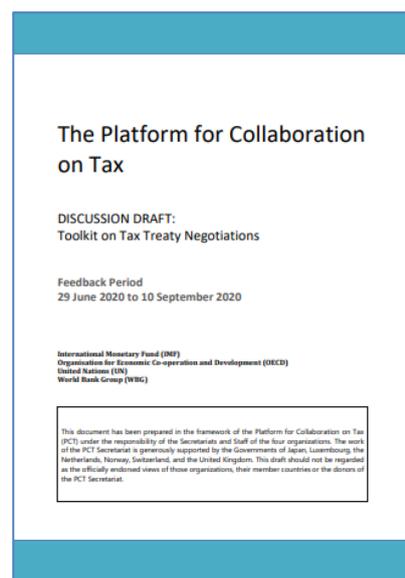
The OECD continues to work to ensure the effectiveness of its capacity building in tax crime and financial crime. This includes Training the Trainer workshops to equip investigators from developing countries with the skills needed to train their colleagues at home; the creation of an International Tax Crime Advisory Board to bring developing countries, donors, international organisations, and Academy

trainers together to develop strategic approaches to tax crime capacity building; a training needs assessment study for the Africa Academy; and the development of new pilot programmes for bilateral capacity building in tax crime for developing countries. In 2020, the Academy will commence a full scale survey of all past alumni to assess the ways in which the training has impacted their ability to conduct their day-to-day role and obtain qualitative data on practical outcomes the training has had within participants' organisations or administrations more broadly.

Update on the Platform for Collaboration on Tax

The partners in the Platform for Collaboration on Tax (PCT) – the IMF, OECD, UN, and WBG – continue to strengthen their co-operation, an even more vital endeavour as countries seek to rebuild finances following the COVID-19 crisis. The PCT is continuing to deliver its 2018 Action Plan, and a full update on activities is available in the *Platform for Collaboration on Tax Progress Report 2020*³⁰. Since July 2020, the PCT delivered the following:

- Progress has continued on the toolkits being developed by the PCT under a mandate from the G20. These toolkits provide practical implementation guidance on BEPS issues of particular relevance to developing countries. A discussion draft of the toolkit on Treaty Negotiation was published for comment in June 2020, while the toolkit on transfer pricing documentation is expected to be published shortly. Workshops are being delivered to assist countries in making most effective use of the toolkits.
- The PCT also continues to support the Medium Term Revenue Strategy (MTRS) concept, as a way to help developing countries design a more effective and comprehensive approach to tax systems reform. 23 countries are currently engaged with PCT partners in discussing, designing or implementing an MTRS.



³⁰ IMF/OECD/UN/WBG (2020), *Platform for Collaboration on Tax Progress Report 2020*, IMF/OECD/UN/WBG, Washington D.C. www.tax-platform.org/sites/pct/files/publications/Platform-for-Collaboration-on-Tax-PCT-Progress-Report-2020.pdf

Tax transparency developments

Update on the list of jurisdictions that have not satisfactorily implemented the tax transparency standards

To ensure a level playing field, the G20 Finance Ministers have requested the OECD to regularly report on the jurisdictions that fail to comply with the tax transparency standards. Since December 2018, the number of identified jurisdictions has decreased from 15 to 5 today. Since July 2020 where four jurisdictions had failed to comply (Dominica, Niue, Sint Maarten and Trinidad and Tobago), one additional jurisdiction (Anguilla) has failed to comply as it received a non-compliant rating as a result of its Exchange of Information on Request (EOIR) review in July 2020.³¹

The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), the activities of which are reported in Part II, is working closely with all of these jurisdictions to provide whatever assistance and guidance is necessary to ensure a global level playing field. Further details on the application of the objective criteria used to identify jurisdictions that fail to comply with the tax transparency standards are included in Annex I.A.

³¹ OECD (2020), *Global Forum on Transparency and Exchange of Information for Tax Purposes: Anguilla 2020 (Second Round): Peer Review Report on the Exchange of Information on Request*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD Publishing, Paris, <https://doi.org/10.1787/ac228609-en>.

Stimulus should facilitate a green recovery. Where practicable, making access to support conditional on reducing climate and environmental footprints deserves recommendation, and stimulus should avoid supporting investments that do not align with climate and environment policy goals. The *OECD Interim Outlook* expresses concerns over the extent to which support risks further lock-in into carbon-intensive assets.

Once recovery is solid – and only then – the tax policy perspective can shift from support and stimulus to structural reform. Guiding principles for reform include fair burden sharing and better alignment of tax policy with major trends and risks related to ageing, health, climate and the environment. This suggests a more central role for environment- and health-related taxes, for property and personal capital income taxes, and for strong multilateral collaboration on addressing the tax challenges arising from digitalisation to avoid tax disputes that could harm the recovery.

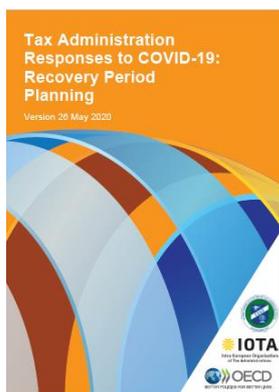
To conclude, tax policy should first continue to support recovery and then be updated in view of social and economic shocks and transformations that include, but are not limited to, the COVID-19 pandemic. The OECD stands ready to assist with these challenges, should G20 Finance Ministers so request.

Tax administrations' responses to the crisis

Tax administrations in the 53 member jurisdictions of the OECD Forum on Tax Administration (FTA) acted rapidly and pragmatically to mitigate the effects of the COVID-19 crisis on both taxpayers and the day-to-day operation of tax administrations. This included:

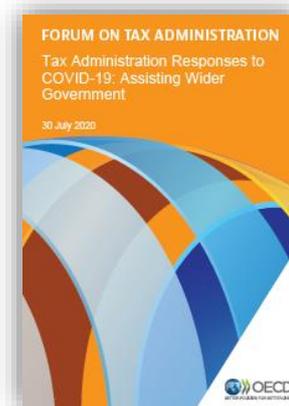
- Establishing a COVID-19 virtual group, regularly bringing together those working on COVID-19 responses across the FTA. Meetings have covered, among other things: measures to support taxpayers; communications; remote working challenges; tax debt management; managing reputational risks; employee and taxpayer health protections; and the challenges of taking on new roles to support government.
- Publication of three COVID-19 planning documents, in collaboration with CIAT and the Intra-European Organisation of Tax Administrations (IOTA). These covered: examples of measures taken to support taxpayers; business continuity considerations in a pandemic; and recovery period planning. Additional COVID-19 related publications have included a note on privacy, disclosure and fraud risks, a report on reputational risk management and on the implications of COVID-19 on gender balance in the short and longer term.
- Utilising the Knowledge Sharing Platform (KSP) developed by the Canada Revenue Agency. This has allowed material from the virtual group meetings to be disseminated quickly and more widely to the global tax administration community, including developing countries.
- Joint-working by the FTA's Networks and Communities of Interest, which have brought together subject matter experts, including on tax debt management, large business and international, enterprise risk management, digital transformation and the Joint International Task Force on Shared Intelligence and Collaboration, also known as JITSIC.
- In the medium term, drawing on COVID-19 lessons and experiences, FTA members are undertaking more in-depth work on the considerations for effective remote working, the lessons learned on HR management in crisis situations and strategies to ease burdens on small and medium sized enterprises. Joint work is also planned on ways to accelerate the digital transformation of tax administrations, including the use of digital tools to make the administration more resilient, agile, and efficient and to reduce burdens on taxpayers.

Tax Administration COVID-19 Documents

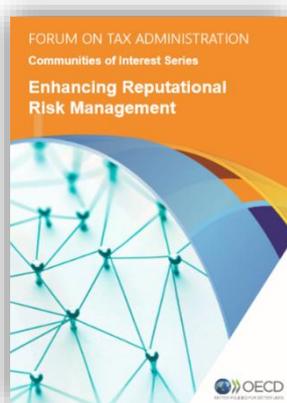


Recovery Period Planning: This report looks at the range of issues that should be considered for a return to a more steady-state working environment in due course, which may be different in many respects from the pre-crisis environment. It emphasises the continued importance of crisis-style management combined with a cross-administration strategic planning process.

Assisting Wider Government: This report captures some of the new responsibilities taken on by tax administrations as regards providing financial support to citizens and businesses. It identifies a number of issues that tax administrations are likely to face when taking on these new roles and briefly describes the opportunities that may arise from more agile ways of working and more joined-up government



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Enhancing Reputational Risk Management: This report highlights the importance of reputational risk management in modern tax administration and sets out some key considerations as to how to identify and manage reputational risks, including in the crisis context. It also contains a set of tools, including a maturity model, to assist tax administrations in developing their capacity in this area.

Other Publications

- **Measures Taken To Support Taxpayers:** This report sets out examples of measures taken by over sixty tax administrations to support taxpayers affected by COVID-19. This includes measures to reduce administrative burdens, to assist with cash-flow concerns and to help prevent hardship through the suspension or postponement of some debt collection activities.
- **Business Continuity Considerations:** This report seeks to draw out the main operational considerations for tax administrations in the context of a pandemic. It emphasises the importance of joined-up, agile and well-informed business continuity governance arrangements combined with a strong understanding of critical functions, vulnerabilities and mitigating actions as well as robust scenario planning.
- **Privacy, Disclosure and Fraud Risks Related to COVID-19:** This report describes some of the high-level privacy, disclosure and fraud risks for tax administrations that arise due to the large increase in remote working, the fast-moving and potentially confusing nature of changes in processes, increased security risks and greater opportunities for errors, misconduct and fraud.
- **Gender Balance and COVID-19:** This short note sets-out the risks and challenges for gender balance that might arise during the crisis and recovery period, in particular as regards issues that predominantly affect those with caring responsibilities. It also identifies potential opportunities that might arise from adopting greater flexibility in working arrangements post-crisis as well as from a greater understanding of gender balance issues.

Transfer Pricing implications of the COVID-19 crisis

In addition to providing an OECD Secretariat analysis of tax treaties and the impact of the COVID-19 crisis³⁶ in April 2020, work is ongoing to provide a co-ordinated response to the transfer pricing challenges arising from the COVID-19 pandemic. This work carried out by the Working Party No. 6 in collaboration with the FTA MAP Forum will be significant as it will provide enhanced tax certainty for both taxpayers and tax administrations of the G20/OECD Inclusive Framework jurisdictions in applying the principles of the *OECD Transfer Pricing Guidelines* in the current economic circumstances. The project will continue to seek input from the public to ensure its final output is practical and meaningful for taxpayers in setting their transfer pricing policies to accommodate the impact of the COVID-19 pandemic and for tax administrations in assessing whether those policies are compliant with the arm's length principle.

³⁶ www.oecd.org/coronavirus/policy-responses/oecd-secretariat-analysis-of-tax-treaties-and-the-impact-of-the-covid-19-crisis-947dcb01/.

3 Tax certainty

Tax certainty has been a priority for the G20 dating back to 2016. The G20 Leaders Communiqué first tasked the OECD and IMF to work on pro-growth tax policies and tax certainty. In response, the OECD Secretariat and IMF staff produced a comprehensive report on tax certainty,³⁷ which identified the sources of uncertainty in tax matters and the various tools that taxpayers and governments could use to reduce it from the perspective of businesses and tax administrations. The G20 asked for an update of the 2017 report which was delivered in 2018.³⁸

After both the 2017 and 2018 reports, G20 Leaders re-iterated the importance of this issue, calling in the Buenos Aires Action Plan for “the OECD and the IMF to report to Finance Ministers and Central Bank Governors in 2019 on progress made on tax certainty.” In response, a 2019 report was published that further expounded on the tax certainty work achieved to date and which demonstrated that tax certainty remains a priority issue for taxpayers and tax administrations alike.³⁹ In continued recognition of the importance of this issue, the communique of the June 2019 G20 Finance Ministers and Central Bank Governors Meeting in Fukuoka, Japan reaffirmed “the importance of the worldwide implementation of the G20/OECD Base Erosion and Profit Shifting package and enhanced tax certainty”.⁴⁰

Tax certainty is also a key component of the ongoing negotiations to reach a consensus based solution to the tax challenges of the digitalisation of the economy. During the course of these negotiations, the OECD held its first-ever Tax Certainty Day⁴¹ in September 2019 at the OECD’s headquarters in Paris where over 200 tax policy makers, tax administrations, business representatives and other stakeholders from over 50 countries participated. This event provided an opportunity for tax policy makers, tax administrations, business representatives and other stakeholders to take stock of the tax certainty agenda and move towards further improvements in both dispute prevention and dispute resolution, both of which are key priorities of the G20/OECD Inclusive Framework’s ongoing work on tax and digitalisation.

Work on dispute prevention

Update on the progress in the International Compliance Assurance Programme

The International Compliance and Assurance Programme (ICAP) is a voluntary programme for a multilateral co-operative risk assessment and assurance process. It is designed to be an efficient, effective and co-ordinated approach to provide MNEs that are willing to engage actively, openly and in a fully transparent manner with increased tax certainty with respect to some of their activities and transactions. The first ICAP pilot was launched in Washington D.C., in January 2018. This pilot brought

³⁷ www.oecd.org/tax/tax-policy/tax-certainty-report-oecd-imf-report-g20-finance-ministers-march-2017.pdf

³⁸ www.oecd.org/ctp/tax-policy/tax-certainty-update-oecd-imf-report-g20-finance-ministers-july-2018.pdf

³⁹ www.oecd.org/tax/tax-policy/imf-oecd-2019-progress-report-on-tax-certainty.pdf

⁴⁰ www.mof.go.jp/english/international_policy/convention/g20/communique.htm

⁴¹ www.oecd.org/tax/administration/oecd-tax-certainty-day.htm

together eight tax administrations at the time but the ICAP process has since been updated to reflect the experience and feedback from these tax administrations and MNEs.

A second ICAP Pilot (ICAP 2.0⁴²) was announced at the OECD Forum on Tax Administration Plenary held in Santiago, Chile on 26-28 March 2019. The tax administrations participating in ICAP 2.0 involve a number of G20 jurisdictions, including Australia, Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States. Non G-20 members participating in ICAP 2.0 include Austria, Belgium, Denmark, Finland, Ireland, Luxembourg, Netherlands, Norway, Poland and Spain.

The ICAP Pilot Handbook 2.0⁴³ contains, *inter alia*, a detailed description of each stage of the ICAP 2.0 process, as well as the documentation and information an MNE participating in ICAP 2.0 is asked to provide. The results of this innovative programme will become clearer as the participating tax administrations continue to work with MNEs under the auspices of the ICAP framework.

Transfer pricing

“The FTA MAP Forum, in conjunction with the FTA Large Business International Programme, will study other avenues to advance on the tax certainty agenda, including by identifying improvements that could be made to the APA process and exploring the potential for the wider use of multilateral APAs and MAPs. In addition, we will explore the potential use and sharing of benchmarks for standard situations in the area of transfer pricing”. March 2019 Forum on Tax Administration Plenary Communiqué

Advance Pricing Arrangements

In light of the March 2019 FTA plenary meeting in Santiago Chile, a project titled *Identifying improvement to the APA process* is underway, which involves 19 jurisdictions,⁴⁴ led by an OECD-established Focus Group. As part of this work, an advisory group has also been established that will conduct analyses and work towards recommendations to improve the APA process in an effort to improve dispute prevention.

APAs have successfully contributed to provide both taxpayers and tax administrations certainty in advance in an increasing number of cases, and therefore are a valuable tool to ensure predictability of the tax treatment of international transactions. This work seeks to build on a number of factors already identified in the OECD Transfer Pricing Guidelines that may contribute to an efficient and effective APA programme.

In addition, the focus group has acknowledged the work done in relation to ICAP as being helpful in the course of finalising an APA. For example, using ICAP-related risk assessments at the outset of the APA process may help to determine the level of resources needed and the to-be applied timelines that could be derived from the ICAP project.

APAs also hold the promise of being used to possibly establish a tax certainty process for non-transfer pricing issues for taxpayers. The focus group is considering whether it might be possible to establish an APA-like process to provide advance certainty on the interpretation and application of the tax treaty

⁴² www.oecd.org/ctp/administration/leading-global-tax-administrations-agree-collective-actions-on-tax-certainty-co-operation-and-digital-transformation.htm

⁴³ www.oecd.org/tax/forum-on-tax-administration/publications-and-products/international-compliance-assurance-programme-pilot-handbook-20.htm

⁴⁴ Australia, Canada, China, Colombia, Denmark, Finland, Germany, India, Italy, Japan, Korea, Netherlands, Norway, Poland, Spain, Switzerland, Thailand, the United Kingdom and the United States.

in individual cases in advance and on a bilateral or multilateral basis. The focus group will continue to explore all avenues regarding how APAs can contribute to enhancing dispute prevention.

A separate focus group composed of 18 members⁴⁵ has also been established with the purpose of “exploring potential for wider use of multilateral MAP and APAs”. Similar to the focus group on improving the APA process, a five-member advisory group has also been formed. Given the interrelated nature of the work on enhancing the tax certainty agenda, the chairs of these groups will be in regular contact with each other in order to raise awareness on the work undertaken by each group and to identify whether and how this work could assist the focus group on exploring the potential wider use of multilateral APAs and MAPs to enhance dispute prevention and resolution.

Although MAPs and APAs are typically used in a bilateral context, in the area of transfer pricing, questions on the correct arm’s length price for transactions between associated enterprises or the attribution of profits to permanent establishments cannot only be considered in their bilateral context. Transfer pricing issues are no longer only bilateral in nature, as a transfer pricing adjustment in one jurisdiction may have consequences for the allocation of profits in a number of other jurisdictions involved in a series of controlled transactions. In this respect, the focus group acknowledges that bilateral issues should be resolved bilaterally and multilateral issues multilaterally, as only in that situation all the relevant jurisdictions participate in the MAP or APA process and a truly comprehensive solution can be found.

The focus group will continue to discuss legal possibilities and constraints that may hinder multilateral APAs and MAPs. In addition, issues relating to *inter alia* the rights and role of the taxpayer in the process will also be explored. Although COVID-19 poses challenges to the timing of the work stream, the advisory group is planning to draft a report to be discussed by the focus group. The report will include an outline of possible legal issues that may arise when dealing with multilateral APAs and MAPs, as well as provide for a framework to be able to effectively and efficiently handle such multilateral cases.

Benchmarks

In a similar vein, and also in light of the FTA Communiqué dated 29 March 2020, a third project was launched titled *Using Benchmarks to Improve Tax Certainty*. A total of 24 jurisdictions⁴⁶ have expressed interest in participating in the focus group, out of which an advisory group of eight jurisdictions has been established. This project is exploring the extent to which tax administrations already use standard benchmarks for particular sectors and activities, whether they are implicit and explicit, and whether the benchmarks themselves or the processes to identify them could be standardised to allow application to similar cases without further detailed consideration of each case, reducing the resource burden on groups and tax administrations. This in turn could lead to a reduction in resources required to settle MAP cases and APAs thereby enhancing tax certainty.

Possible outputs that may be produced include a handbook for developing standardised benchmarks. A pilot programme could also be launched that would apply the techniques and approaches, either bilaterally or multilaterally, to transfer pricing, APA and MAP cases. Further consideration of using the results of this work stream as a risk assessment tool would further the dispute avoidance agenda and increase tax certainty.

⁴⁵ Australia, Austria, Canada, China, Colombia, Denmark, Germany, India, Ireland, Italy, Japan, Netherlands, Norway, Poland, Spain, Thailand, United Kingdom and the United States.

⁴⁶ Australia, Belgium, Canada, China, Colombia, Denmark, France, Germany, India, Ireland, Italy, Japan, Mexico, Netherlands, Norway, Poland, Singapore, Spain, South Africa, Sweden, Switzerland, Thailand, the United Kingdom and the United States.

Joint audits

Work also continues on joint audits, a project established in early 2018 by the Forum on Tax Administration which seeks to foster collaboration between tax administrations. As described in the 2019 report *Joint Audit 2019 – Enhancing Tax Co-Operation and Improving Tax Certainty*⁴⁷, one form of co-ordinated action undertaken by tax administrations in this regard is conducting audits in close co-operation with other jurisdictions. The 2019 report identified the benefits that can arise from the greater use of joint audits as well as the challenges that need to be overcome to ensure that these benefits can be realised as effectively and efficiently as possible for both tax administrations and taxpayers. Certain tax administrations are in the process of utilising the tools and guidance identified in the report and tax certainty will continue to increase the more such tax administrations continue to collaborate.

Work on dispute resolution

Mutual Agreement Procedures

Dispute resolution continues to be improved as a result of the ongoing BEPS Action 14 Minimum Standard, which aims to make Mutual Agreement Procedures (MAP) more timely, effective and efficient. MAP is a critical element to ensuring tax certainty as it provides an avenue for individuals and MNEs to ensure that they are not ultimately subject to double taxation. As stated above, the results from the Action 14 peer review process are impressive and continue to impact positively the work on improving dispute resolution. A review of the Action 14 Minimum Standard is also underway, where consideration is being given to three components: the minimum standard, reporting of MAP statistics and the assessment methodology. As mentioned above, discussions are ongoing in the Forum on Tax Administration MAP Forum regarding what changes, if any, should be made to these three components of Action 14.

Mandatory binding resolution

Around 30 covered jurisdictions opted for mandatory binding MAP arbitration as part of the MLI, thereby modifying over 200 covered tax agreements to include the MLI mandatory binding arbitration provisions.

Tax certainty in the Blueprint for Pillar One

Securing tax certainty is an essential element of the Pillar One solution to the tax challenges arising from the digitalisation of the economy. The recently released *Report on the Pillar One Blueprint* breaks down the tax certainty dimension of Pillar One into two segments: dispute prevention and resolution for Amount A and dispute prevention and resolution beyond Amount A.

The new Amount A taxing right under Pillar One will be determined by the application of a formula to a newly defined tax base, corresponding to a portion of the residual profit of large MNE groups' in-scope activities. Pillar One embeds a dispute prevention mechanism to ensure that the application of the new taxing right to a particular MNE group is agreed among all interested jurisdictions. A panel mechanism would be put in place for tax administrations to work together, along with the relevant MNEs, to agree on all aspects of the application of Amount A. It is recognised that the resource implications of such a multilateral dispute prevention process are significantly less than the resources that would be required by unilateral uncoordinated compliance activities. In addition, in the event a dispute related to Amount A might arise that is not dealt with by the Amount A dispute prevention process, members of the G20/OECD Inclusive Framework agreed that appropriate mandatory binding dispute resolution mechanisms will be developed.

⁴⁷ OECD (2019), *Joint Audit 2019 – Enhancing Tax Co-operation and Improving Tax Certainty: Forum on Tax Administration*, OECD Publishing, Paris, <https://doi.org/10.1787/17bfa30d-en>.

To provide tax certainty beyond Amount A, the *Report on the Pillar One Blueprint* takes a holistic approach based on a number of main steps, from dispute prevention and the existing tax treaty mutual agreement procedure (MAP) to a new and innovative, mandatory, binding dispute resolution mechanism. While work to improve and enhance dispute prevention and resolution tools, including MAP, has already been an important work stream in itself, it has gained further momentum in light of the fundamental importance of tax certainty as an element of Pillar One.

Although there continue to be differences of view on the scope of mandatory binding dispute resolution beyond Amount A, members of the G20/OECD Inclusive Framework agreed to explore mandatory binding timely dispute resolution mechanisms for disputes not related to the application of the new Amount A taxing right. The report on the Blueprint of Pillar One contains a proposed approach to bridge these divergent views that takes into consideration the circumstances of certain developing/low-income economies with no or low levels of MAP cases. A decision on the scope of application of a new mandatory and binding dispute resolution mechanism beyond Amount A will be necessary as part of an overall political agreement on Pillar One and to advance technical work on the mechanism and its implementation.

Tax certainty and responsible tax principles

Mutual trust between taxpayers and authorities can help increase tax certainty, building confidence and predictability in behaviour. While there has been significant focus on the actions that tax authorities can take to build tax certainty, the taxpayer actions have received less attention. The 2019 update on tax certainty⁴⁸ highlighted the role of responsible tax principles and voluntary codes of conduct in demonstrating businesses' commitment to tax certainty, especially in developing countries. The 2019 update also outlined the plans to survey tax authority officials' perceptions of large business' compliance with the Business at OECD *Statement of Tax Best Practices for Engaging with Tax Authorities in Developing Countries*.⁴⁹ This survey complements previous survey work done on both business and tax authority perceptions⁵⁰, most notably through providing information on the views of tax authority officials in developing countries, which have not previously been sought.

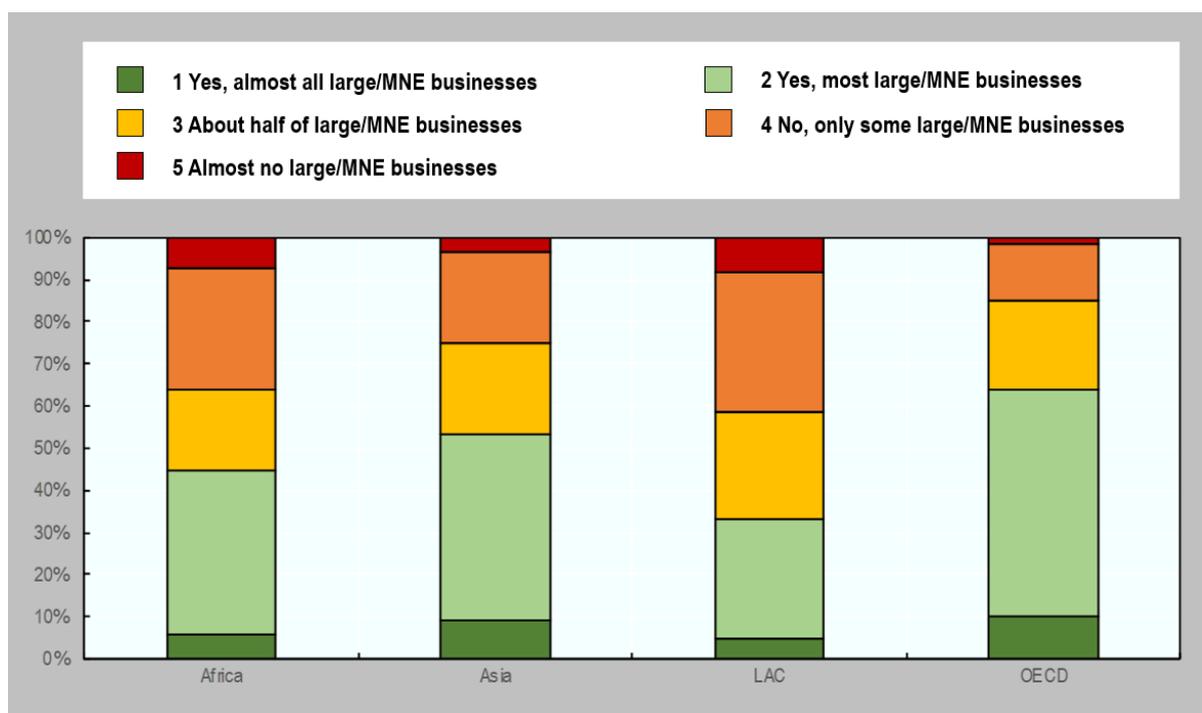
Preliminary results from the survey of tax officials' perceptions of MNE/large business behaviour highlight the need to (re)build trust, especially in Africa and Latin America. While MNEs/large businesses were almost universally perceived as performing well in relation to basic functions (e.g. over 80% of respondents perceive that most MNEs/large businesses pay their tax liabilities within the established due date), there was a much greater range of opinion when looking at perceptions of trust and openness. Figure 3.1 shows perceptions in response to the statement; '*Against the request of the tax authorities, large businesses/MNEs answer to the tax authorities in an open, transparent and straightforward manner*'. In all regions/groupings except the OECD countries the perception is that most large businesses/MNEs are not open and transparent. This perception will clearly have implications for tax certainty, as officials who do not perceive taxpayers to be open, transparent and straightforward are likely to be more resistant to using some of the tools and approaches desired by taxpayers to improve tax certainty, such as shifting the focus from dispute resolution to dispute prevention, or simplifying rules and procedures to facilitate compliance.

⁴⁸ www.oecd.org/tax/tax-policy/imf-oecd-2019-progress-report-on-tax-certainty.pdf

⁴⁹ www.biac.org/wp-content/uploads/2017/06/Statement-of-Tax-Best-Practices-for-Engaging-with-Tax-Authorities-in-Developing-Countries-2016-format-update1.pdf

⁵⁰ www.oecd.org/tax/tax-policy/tax-certainty-report-oecd-imf-report-g20-finance-ministers-march-2017.pdf

Figure 3.1. When thinking about the large/MNE businesses in your country, do they answer to the tax authorities in an open, transparent and straightforward manner’?



Note: Perceptions of tax officials on the following statement “Large/MNE business are open and transparent with the revenue authorities with their tax affairs, and relevant information”

Source: OECD 2020 Survey on MNE’s and Big Four FIRMS tax behaviour.

Looking at the tax officials perceptions together with MNE perceptions on tax certainty identifies areas where there are common underlying issues. An example of this is that the 2018 tax certainty update⁵¹ identified ‘Unpredictable or inconsistent treatment by the tax authority’ as the top source of tax uncertainty in developing countries. This would appear to be a corollary of the concerns by tax authority officials that MNEs are not open, transparent or straightforward in response to requests from the tax authority, and reaffirms the view that approaches that build mutual trust between taxpayers and the tax authority are necessary.

The availability of data on perceptions from both taxpayers and tax officials in developing countries offers a new opportunity for dialogue. There have been previous attempts at dialogue between MNEs and tax authorities in developing countries, and some progress has been made, including the development of the *Business at OECD* principles. As this new data shows however, challenges remain in the relationship between tax authorities and MNEs. The tax officials perceptions of MNE behaviour also provide hope, in all regions there is perception of a positive relationship from some officials; this suggests that improvements are attainable, and there is existing good practice to build from. This new evidence therefore provides an opportunity to start a dialogue based on concrete data on how both taxpayers and officials perceive each other, which may enable discussions to focus on more practical steps to build trust.

The OECD will be working with regional partners and the business community to develop this dialogue, with a view to identifying both existing best practice, and areas for further work. As the surveys on MNEs and tax officials’ mutual perceptions have revealed significant variations across regions, it seems most appropriate to take a regional approach. Working with regional partners, it is proposed to organise a series of regional multi-stakeholder roundtables to discuss the issues highlighted in the studies, and

⁵¹ www.oecd.org/tax/tax-certainty-update-oecd-imf-report-g20-finance-ministers-july-2018.pdf.

possible approaches in response. Analysis and roundtables at the country level may also be explored. The results of these roundtables will be published, alongside the full results of the tax officials' perception survey.

Part II. Global Forum on Transparency and Exchange of Information for Tax Purposes: Progress Report to the G20

Overview

Your continuous support and leadership⁵² on ensuring the global implementation of the tax transparency and exchange of information standards since 2009⁵³ has yielded impressive results. Cross-border co-operation between tax authorities reached a new level in 2019 with nearly 100 jurisdictions having exchanged information automatically on 84 million financial accounts, covering total assets of around EUR 10 trillion. With this wealth of new information, tax administrations so far have been able to identify for collection EUR 102 billion that was previously hidden money. Shortly after these record-breaking exchanges, the world was hit by an unprecedented global health crisis. With a dramatic surge in government spending to meet the health and economic challenges generated by the COVID-19 pandemic, the need to strengthen public finances is becoming even more acute than ever. In addition, in the aftermath of this crisis, public tolerance for offshore tax avoidance and evasion is expected to reach a new low point. In this context, tax transparency and exchange of information can be effectively deployed to revamp the revenue raising capacity of governments and continue to provide effective tools to defeat offshore tax avoidance and evasion.

Despite the immediate operational challenges caused by the COVID-19 pandemic, the Global Forum Secretariat and its members have adapted to the current situation and continue to deliver further progress on tax transparency and exchange of information:

- On the implementation of the Automatic Exchange of Information (AEOI) Standard, with the bilateral exchange relationships having increased from around 4 500 in 2018 to around 6 100 in 2019 and now around 7 000 in 2020 (a rise of 15%), this year's automatic exchanges are set to reach new heights once completed. The AEOI peer review process has progressed as scheduled. The Global Forum is now finalising its conclusions on the legal frameworks put in place to implement the AEOI Standard and expects to publish its determinations by the end of 2020. However, to ensure that all members can fully engage with the process in these challenging times and that the AEOI Standard is based on a level playing field, the finalisation of the next step, i.e. peer reviews of the effectiveness of implementation of the AEOI Standard in practice, is now expected in 2022, rather than next year as originally scheduled.
- On the implementation of the Exchange of Information on Request (EOIR) Standard, nine new peer review reports were adopted and published since my last report, of which four jurisdictions maintained their "Largely Compliant" rating obtained in Round 1, four jurisdictions saw their ratings being downgraded and one jurisdiction received a rating for the first time. Since 2016, 80 Round 2 EOIR peer review reports have been published, including 14 jurisdictions rated as "Compliant" with the standard, 53 as "Largely Compliant", 9 as "Partially Compliant" and 2 as "Non-Compliant". Since the previous report in July 2020, four new jurisdictions have joined the Convention on Mutual Administrative Assistance in Tax Matters and three jurisdictions have deposited their instrument of ratification.

⁵² Communiqué from the G20 Finances Ministers & Central Bank Governors Meeting, 18 July 2020. Paragraph 10 reads: "We welcome the progress made on implementing the internationally agreed tax transparency standards and the progress made on the established automatic exchange of information, [...]".

⁵³ London Summit – G20 Leaders' Statement, 2 April 2009.

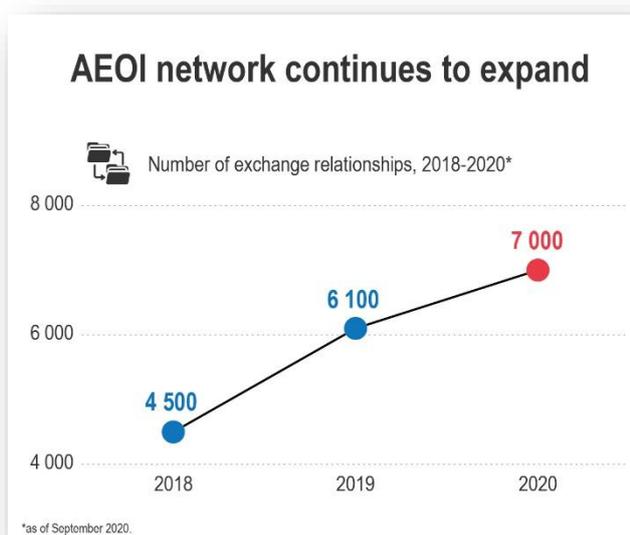
As developing countries may be more severely impacted by the COVID-19 crisis and its economic consequences, the effective tools which may assist governments in domestic revenue mobilisation, such as exchange of information, are in increasing demand. In response, the Global Forum has set up an Action Plan seeking to deliver its technical assistance remotely through videoconferencing, online toolkits and e-learning. In total, 57 jurisdictions continue to be supported by the Global Forum, including through 38 ongoing comprehensive capacity-building programmes (Induction Programmes) offered to new members, as well as “à la carte assistance” which is provided on request. New online tools have been launched and thousands of public officials have been trained in 2020 alone. The Global Forum’s technical assistance continues to strive and deliver results in these challenging times.

1 Delivering Effective AEOI and EOIR

Whilst the COVID-19 pandemic has created difficulties for information exchanges, the Global Forum has been determined to continue its work as planned and secure the effective operation of the AEOI and EOIR standards. With governments putting together strategies for satisfying mounting spending needs, there is a growing recognition that tax transparency and exchange of information could support jurisdictions through the recovery period by providing a powerful tool in the fight against offshore tax evasion and avoidance.

Guarding the level playing field through peer reviews of the AEOI Standard

Ensuring that this year's automatic exchanges take place in an orderly, coordinated and predictable way has been a central priority in the past few months. The Global Forum has adapted to secure the effectiveness of the AEOI Standard, while also accommodating the operational constraints faced by financial institutions and tax administrations to collect, sort and validate information for exchange. In this regard, the Global Forum has made clear that, where needed, jurisdictions may conduct the 2020 exchanges up until the end of December. With the bilateral exchange relationships having increased from around 4 500 in 2018 to around 6 100 in 2019 and now around 7 000 in 2020 (a rise of 15%), this year's exchanges are set to reach new heights once completed.



In addition to providing the flexibility on the date of exchanges where needed, the Global Forum has continued conducting its peer reviews of (i) the legal frameworks in place to implement the AEOI Standard; and (ii) the effectiveness in practice of the AEOI Standard. Various adjustments have been made in the AEOI work plan to maximise member engagement and deliver on the priorities of its members.

Over recent years, the Global Forum has reviewed the frameworks put in place to implement the AEOI Standard. It carried out detailed checks to ensure that all of the key elements of the due diligence and reporting rules that financial institutions must follow are reflected in each jurisdiction's domestic legislative framework, along with a framework to enforce the requirements. Furthermore, each jurisdiction's international treaty network was reviewed to ensure it meets the requirements and permits the exchange of information with all partners that wish to receive information from that jurisdiction. The compliance with the required standards in relation to confidentiality and data safeguards was also evaluated. The Global Forum is currently finalising its conclusions on the extent to which each jurisdiction has the necessary legal frameworks in place and expects to publish its determinations with

respect to all jurisdictions which commenced exchanges (see Annex II.A) by the end of 2020.⁵⁴ This work is carried out remotely with videoconferencing used as a tool to hold the meetings of the AEOI Peer Review Group.

Further, having assessed whether the necessary legal frameworks are in place, the Global Forum is also commencing peer reviews of the effectiveness of each jurisdiction's implementation of the AEOI Standard in practice. As envisaged by the agreed terms of reference and methodology, jurisdictions have already completed the input questionnaires, which include information on the frameworks each jurisdiction has in place to ensure compliance by financial institutions, as well as feedback from each jurisdiction's exchange partners on the content and technical aspects of the exchanges. The Global Forum will now analyse the information and follow up with each jurisdiction and its exchange partners to determine how well the Standard operates. The peer review process has commenced as scheduled. However, to ensure that all members can fully engage with the process in these challenging times and that the AEOI Standard is based on a level playing field, the finalisation of these reviews is now expected in 2022, rather than next year as originally scheduled.

Continuing EOIR peer reviews to ensure further progress

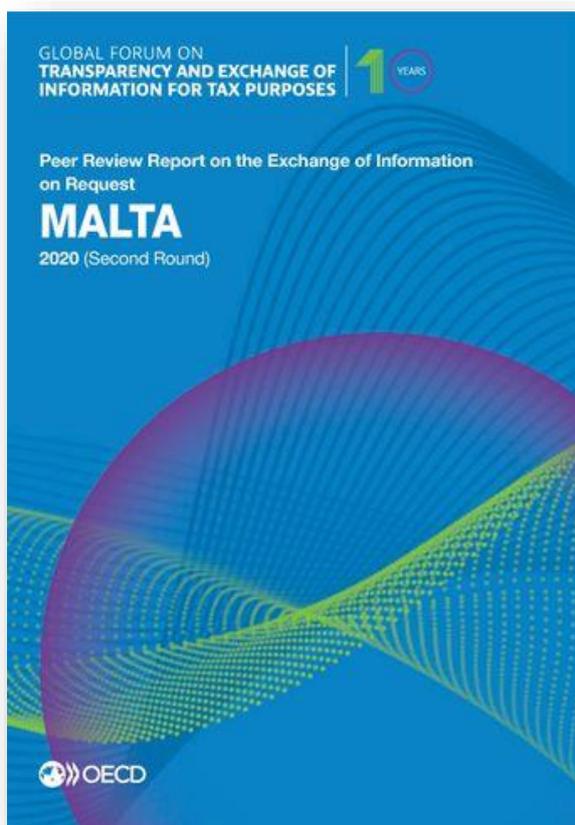
Despite the disruption caused by the COVID-19 pandemic over the past few months, the Global Forum has continued its peer reviews assessing compliance with the international standard on EOIR. Adapting to the demands of the current situation, the latest meeting of the Peer Review Group (6-9 July 2020) was conducted through video conference. Greater use was made of the written procedure for approval of the reports – which were subjected to an extra round of written comments by Peer Review Group members to maintain the same level of rigour and engagement. These adjustments have enabled the peer review process to move ahead.

In September 2020, nine new peer review reports were published,⁵⁵ of which four jurisdictions maintained their “Largely Compliant” rating obtained in Round 1, four jurisdictions saw their ratings being downgraded and one jurisdiction received a rating for the first time.

The revision of Anguilla's rating from “Partially Compliant” to “Non-Compliant” was primarily due to major deficiencies in respect of practical implementation of rules requiring the availability of accounting records. The authorities failed to respond to most requests for information from peers because of organisational malfunction and closure of service providers who were expected to have such information available.

⁵⁴ Annex II A. provides information on all jurisdictions that have exchanged information. It should be noted that this includes all jurisdictions committed to exchanging information, aside from Dominica, Niue, Sint Maarten and Trinidad and Tobago. The Global Forum continues to work with these jurisdictions to support them put in place the necessary frameworks for exchange.

⁵⁵ Global Forum, “Global Forum reveals compliance ratings from new peer review assessments for Anguilla, Chile, China, Gibraltar, Greece, Korea, Malta, Papua New Guinea and Uruguay” (01/09/2020) www.oecd.org/tax/transparency/documents/global-forum-reveals-compliance-ratings-from-new-peer-review-assessments-for-anguilla-chile-china-gibraltar-greece-korea-malta-papua-new-guinea-and-uruguay.htm



Malta's new peer review resulted in a downgrade from "Largely Compliant" obtained during the first round of reviews to an overall "Partially Compliant" rating under this second round of reviews. The review revealed material deficiencies in supervisory and enforcement activities for ensuring the availability of ownership, accounting and banking information. These shortcomings resulted in delays or failures to provide information to its main exchange of information partners in some cases.

A "Largely Compliant" overall rating was retained from Round 1 by Chile, Gibraltar, Greece and Uruguay, while China and Korea's overall ratings were downgraded from "Compliant" to "Largely Compliant". In almost all these reports, recommendations were made in respect of ensuring the availability of beneficial ownership information through better supervision and enforcement of legal provisions. Jurisdictions were also recommended to enhance their supervision over the availability of ownership and accounting information of inactive legal entities or those that ceased to exist.

Papua New Guinea has undergone its first full peer review, as it joined the Global Forum in 2015, and attained a Largely Compliant rating reflecting its efforts for putting in place the supportive legal framework for EOIR and a functional exchange of information unit. Papua New Guinea now needs to strengthen its enforcement and supervisory framework to ensure the availability of information.

Since 2016, 80 Round 2 EOIR peer review reports have been published, including 14 jurisdictions rated as "Compliant" with the standard, 53 as "Largely Compliant", 9 as "Partially Compliant" and 2 as "Non-Compliant". Two of these reports were supplementary and recognised the progress made by Curaçao and Jamaica. Overall, 86% of jurisdictions have received a satisfactory rating, which confirms that the implementation of the EOIR standard is on a good track (see Annex II.B).

As reported in July 2020, due to the COVID-19 pandemic which caused the closure of borders and suspension of most air traffic, on-site visits had to be deferred. Three ongoing peer review reports for which on-site visits took place prior to the travel restrictions coming into effect will be discussed at the November meeting of the Peer Review Group, which will be conducted virtually. Ongoing reviews for which the on-site visit had not taken place, have been deferred until the situation stabilises and assessment teams are able to undertake international travel again. The Global Forum is continuously monitoring the evolving situation and is responding dynamically. While not ruling out further changes to the schedule of reviews, efforts are being made to minimise such changes by leveraging on technology and written communication for making progress on the reviews, as travel restrictions continue to apply. The latest schedule is available on the Global Forum website.⁵⁶

⁵⁶ Global Forum, "Exchange of Information on Request: Schedule of Second Reviews 2016-2023" www.oecd.org/tax/transparency/documents/schedule-of-reviews.pdf

2 Gearing Up Capacity Building Work

Despite the COVID-19 pandemic, the demand for technical assistance has remained high with an increased appetite for virtual trainings, as well as assistance in preparation for EOIR peer reviews and automatic exchanges of information. In response, the Global Forum has set up an Action Plan helping to strengthen its tools for supporting developing countries in these new conditions.

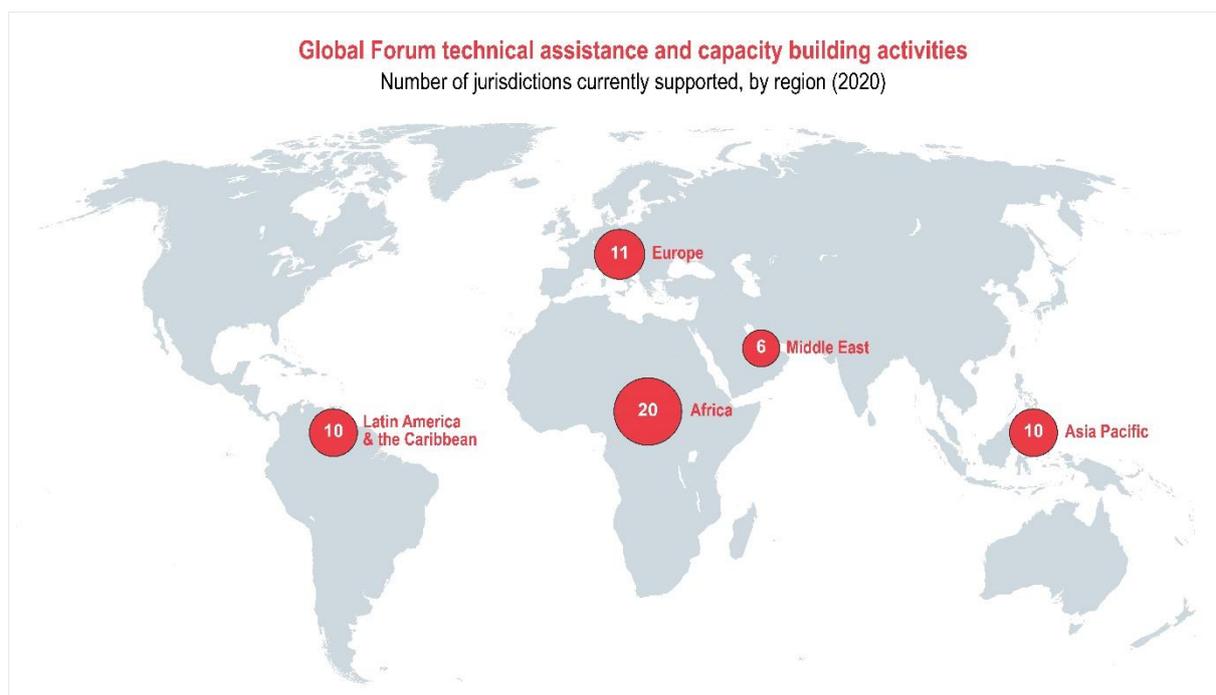
Moreover, as the Global Forum's capacity-building programme approaches its 10-year mark in 2021, a new and more ambitious capacity building strategy is being developed to further improve the effectiveness of the support provided to members, taking into account their diversity and needs, as well as the resources available and the impact of actions on the ground. This new strategy will focus on consolidating the engagement with members, providing assistance on a step-by-step approach for all relevant areas of work (EOIR, AEOI, Information Security Management and the effective use of data) and strengthening the Global Forum's co-operation with other development agencies.

The COVID-19 Action Plan to continue delivering capacity-building activities and providing tools to prepare for the recovery

Due to wide-spread restrictions put in place around the world, on-site activities have been suspended. Therefore, country-specific technical assistance has almost exclusively been delivered remotely through desk-based support and video conferencing. This enabled the continuation of 38 ongoing comprehensive capacity-building programmes (Induction Programmes) offered to new members, as well as "à la carte assistance" which is provided on request to support the implementation of the EOIR and AEOI standards, including the advancement of the six AEOI pilot projects that are currently underway.⁵⁷ A new AEOI pilot project would be launched between Tunisia and Switzerland by the end of 2020. This work is bearing fruit. For instance, several jurisdictions receiving technical assistance (i.e. Tunisia, Peru and Papua New Guinea) have obtained a "Largely Compliant" rating with the EOIR Standard in April and September 2020. In total, 57 jurisdictions are supported by the Global Forum.

To enhance the desk-based assistance and strengthen its technical assistance offerings, the Global Forum accelerated the development of new tools for its member jurisdictions, such as e-learning modules, toolkits and virtual trainings. Building on the synergies between these new tools and the bilateral support provided to member jurisdictions, a complete set of capacity building actions is provided from creating general awareness to allowing for effective implementation.

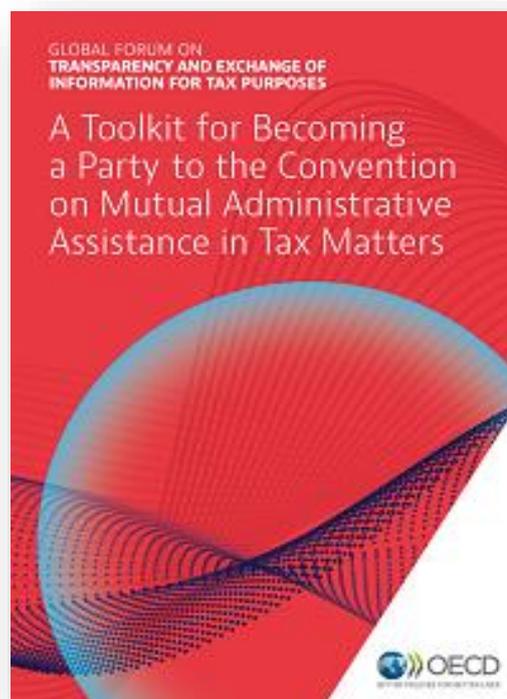
⁵⁷ Since 2014, pilot projects have been launched with partner jurisdictions to assist developing countries in implementing AEOI. Two pilot projects between Colombia and Spain and between Pakistan and the United Kingdom came to successful conclusions with Colombia commencing exchanges under the AEOI Standard in 2017 and Pakistan in 2018. The ongoing pilot projects are: Albania and Italy; Egypt and the United Kingdom; Ghana and the United Kingdom; Georgia and Germany; Morocco and France; and the Philippines and Australia.



In 2020, this strategy has been implemented in two main areas, i.e. ensuring the transparency of beneficial ownership information and promoting the Convention on Mutual Administrative Assistance in Tax Matters.

Released in July 2020, the new e-learning course on beneficial ownership information complements the existing beneficial ownership implementation toolkit developed with the IDB in 2019.⁵⁸ Six virtual seminars have been carried out to unpack the concept and explore policy considerations that Global Forum member jurisdictions, in particular in Africa, Latin America and Asia-Pacific, can use to implement legal and supervisory frameworks to identify and collect beneficial ownership information. These are followed by bilateral technical work on legal and practical aspects to ensure effective implementation, taking into account jurisdiction specific contexts.

Another focus of the Action Plan has been on the Convention on Mutual Administrative Assistance in Tax Matters as an effective tool to increase tax transparency and the exchange of information networks. Currently, the Convention provides a multilateral legal basis for exchange of information and other forms of administrative co-operation with 141 jurisdictions (see Annex II.C). A new toolkit for becoming a Party to the Convention was released in July 2020 and is now



⁵⁸ Global Forum and Inter-American Development Bank, “A Beneficial Ownership Implementation Toolkit” www.oecd.org/tax/transparency/documents/beneficial-ownership-toolkit.pdf

available in English, French and Spanish.⁵⁹ The toolkit supports bilateral assistance provided to Global Forum members in joining and ratifying the Convention. In the context of the launch in October 2020 of the Pacific Initiative⁶⁰, which aims at promoting tax transparency and exchange of information in the Pacific, a training will be provided on the benefits of the Convention.

Further, continued support has also been provided to improve the use of EOIR in tax investigations and to help developing country members in implementing the AEOI Standard. Five trainings for auditors and competent authorities have taken place in 2020 and a new e-learning module on EOIR will be released in October 2020. In total, more than 2 700 officials were trained during the first half of 2020 and more than 2 500 officials have followed the Global Forum e-learning courses. Additional toolkits are now being developed with the aim to assist Global Forum members in establishing an EOI Unit and ensuring an appropriate level of confidentiality and data safeguards.



Very positive feedback has been received on the new tools provided. Moving forward, these tools will further strengthen capacity-building programs, and virtual classes will continue to be held, as they allow for the assembly of larger and more targeted audiences.

High-level commitments to tax transparency and positive results

Although the pandemic has reduced the opportunities for high-level political engagements, the Global Forum has continued to interact with senior officials at jurisdiction and regional level. For instance, the tax transparency agenda remains a high priority for the African continent, as shown in the annual progress report of the Africa Initiative (Tax Transparency in Africa 2020).⁶¹ Launched virtually during a high-level webinar event on 25 June 2020, the report sets out the substantial progress made by African members in implementing and benefiting from the tax transparency standards, as well as the challenges they face.

Despite the difficult circumstances, transparency and exchange of information prominently features on the tax and development agenda and high-level commitments continue to be made:

- 2 new countries (Mali and Palau) joined the Global Forum in 2020;
- 6 countries signed the Convention on Mutual Administrative Assistance in Tax Matters

⁵⁹ Global Forum, “A Toolkit for Becoming a Party to the Convention on Mutual Administrative Assistance in Tax Matters” <http://oe.cd/maac-toolkit>

⁶⁰ The Pacific Initiative is a collaboration among international organisations and countries supporting resource and capacity-building work in developing countries in the Pacific region and consisting of the Asian Development Bank, OECD, Global Forum, World Bank Group, Pacific Islands Tax Administrators Association, Australian Taxation Office, and New Zealand Inland Revenue Department.

⁶¹ Tax Transparency in Africa 2020 is a joint publication of the Global Forum, the African Union Commission (AU Commission) and the African Tax Administration Forum (ATAF): www.oecd.org/tax/transparency/documents/Tax-Transparency-in-Africa-2020.pdf

(Botswana, Eswatini, Jordan, Namibia, Togo and Thailand) and 7 have deposited their instrument of ratification (Armenia, Bosnia and Herzegovina, Cabo Verde, Kenya, Mongolia, Montenegro and Oman) in 2020;

- Morocco and Kenya committed to start their first exchanges under the AEOI Standard in 2022 and Georgia in 2023;
- Eswatini joined the Yaoundé Declaration⁶², adding its voice to the 29 other African countries calling for advancing tax transparency and exchange of information in Africa to tackle illicit financial flows;
- Guatemala joined the Punta del Este Declaration⁶³, committing itself along 11 other Latin America countries to tackle illicit financial flows through increased international tax co-operation.

⁶² Yaoundé Declaration: www.oecd.org/tax/transparency/what-we-do/technical-assistance/Yaounde-Declaration-with-Signatories.pdf

⁶³ Punta del Este Declaration: www.oecd.org/tax/transparency/what-we-do/technical-assistance/punta-del-este-declaration.htm

Annex I.A Application of the criteria to identify jurisdictions that have not satisfactorily implemented the tax transparency standards

(as at 11 September 2020)

List of criteria

The identification criteria cover all members of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum), except developing countries without financial centres, as well as non-member jurisdictions that are identified by the Global Forum as relevant for the purposes of its work.

In order for a jurisdiction to be considered to comply with respect to international tax transparency, it would need to meet the benchmarks of **at least two of the three below-mentioned criteria**.

1. **The exchange of information on request (the EOIR standard):** a “Largely Compliant” overall rating, taking into account the Global Forum’s second round of reviews on an ongoing basis and provided jurisdictions (other than those that received a provisional rating in the first round) have had an opportunity to respond to any downgrades in rating through a supplementary report;
2. **The automatic exchange of information (the AEOI standard):**
 - a) All necessary legislation is in place and exchanges commenced by the end of 2018; and
 - b) Agreements are activated with substantially all interested appropriate partners by the end of 2019; and
3. Having the **Convention on Mutual Administrative Assistance in Tax Matters in force** or having a sufficiently broad exchange network of bilateral agreements in force permitting both EOIR and AEOI.

However, **a jurisdiction will be considered as failing to comply notwithstanding that it may have met the benchmarks of two of the three criteria** if:

- a) it is determined to be “non-compliant” overall for its implementation of the EOIR standard; or
- b) it has not met the AEOI benchmark set out above.

Criterion 1: Exchange of Information on Request (EOIR)

Exchange of information on request has grown in importance as co-operation in tax matters has spread more widely. The level of compliance with the EOIR standard is high: today, **out of 78 Global Forum members that have been reviewed in the second round of reviews, 86% are rated at least “Largely Compliant” with the EOIR standard overall.**

Some Global Forum members that are developing countries without a financial centre have received a “Non-Compliant” or “Partially Compliant” overall rating in the second round of reviews but they are excluded from the scope of this exercise.

Of the jurisdictions that are within the scope of the listing exercise, five jurisdictions⁶⁴ do not satisfactorily implement the EOIR Standard and fail to meet the EOIR criterion, as their rating is Partially Compliant or Non-Compliant.

Criterion 2: Automatic Exchange of Information (AEOI)

In total, 100 jurisdictions committed to implement the AEOI Standard by 2018. Out of these, **five jurisdictions are currently failing the criterion on AEOI with its two sub-criteria.**

Sub-criterion a): legislation is in place and exchanges commenced by the end of 2018

In July 2020, four jurisdictions⁶⁵ were identified as not having met this sub-criterion.

In total, 96 of the 100 jurisdictions that committed to commence exchanges by 2018 have therefore now exchanged information. **Four jurisdictions have yet to commence exchanges** (Dominica, Niue, Sint Maarten and Trinidad and Tobago).

It is worth noting that Niue has completed all of the necessary legal steps and are linking into the Common Transmission System (CTS), so it may therefore commence exchanges shortly.

Sub-criterion b): Agreements activated with substantially all interested appropriate partners by the end of 2019

Part of the commitment to the AEOI Standard is to exchange information with all interested appropriate partners. Interested appropriate partners' are defined as jurisdictions that are interested in receiving information from another jurisdiction and that meet the expected standards in relation to confidentiality and data safeguards. **To date, no gaps in the exchange networks in place have been identified, thanks to the Global Forum review process.**

A jurisdiction can trigger the review process when it is concerned about delays by potential partner jurisdictions in putting in place of an exchange relationship. The review is to establish whether an agreement should be put in place and therefore whether there is a gap in a jurisdiction's exchange network. Several jurisdictions triggered this process. As a first step in the review process the Global Forum facilitates further bilateral engagement. As a result of this facilitation the bilateral engagement has intensified and the jurisdictions have decided not to move to the next step in the process, which is the full review process.

Criterion 3: Convention on Mutual Administrative Assistance in Tax Matters in force or having a sufficiently broad exchange network of bilateral agreements

As of 29 September 2020, 141 jurisdictions participate in the Convention on Mutual Administrative Assistance in Tax Matters, resulting in over 8 500 exchange relationships. However, one jurisdiction committed to AEOI (Trinidad and Tobago) still needs to ratify the Convention.

⁶⁴ Panama, Kazakhstan and Vanuatu, which received a partially compliant rating, do not meet the conditions of criterion 1. In addition, although Trinidad and Tobago has not undergone a review under the second round, it received a non-compliant rating under the first round of reviews, and therefore is failing to comply. Similarly, Anguilla received a Non-Compliant rating in Round 2 in July 2020, and accordingly, is considered as failing to comply with the tax transparency standards.

⁶⁵ Dominica, Niue, Sint Maarten and Trinidad and Tobago.

Annex II.A. AEOI Implementation and Commitments

(as at 16 September 2020)

| PART 1: JURISDICTIONS THAT HAVE EXCHANGED INFORMATION | | | |
|---|---------------------------------------|--|--|
| Jurisdiction | Year of commitment to first exchanges | Number of partners to which the data relating to 2017 was sent in 2018 | Number of partners to which the data relating to 2018 was sent in 2019 |
| 1. Andorra | 2018 | 39 | 59 |
| 2. Anguilla | 2017 | 4 | 52 |
| 3. Antigua and Barbuda ^a | 2018 | 36 | 35 |
| 4. Argentina | 2017 | 56 | 67 |
| 5. Aruba | 2018 | 50 | 58 |
| 6. Australia | 2018 | 57 | 64 |
| 7. Austria | 2018 | 46 | 61 |
| 8. Azerbaijan ^b | 2018 | 33 | 53 |
| 9. Bahamas | 2018 | 36 | 48 |
| 10. Bahrain | 2018 | 38 | 50 |
| 11. Barbados | 2018 | 57 | 44 |
| 12. Belgium | 2017 | 66 | 69 |
| 13. Belize | 2018 | 47 | 59 |
| 14. Bermuda | 2017 | 52 | 61 |
| 15. Brazil | 2018 | 56 | 67 |
| 16. British Virgin Islands | 2017 | 50 | 64 |
| 17. Brunei Darussalam ^a | 2018 | 27 | 27 |
| 18. Bulgaria ^c | 2017 | 60 | - |
| 19. Canada | 2018 | 56 | 59 |
| 20. Cayman Islands | 2017 | 57 | 64 |
| 21. Chile | 2018 | 48 | 63 |
| 22. China (People's Republic of) | 2018 | 52 | 64 |
| 23. Colombia | 2017 | 60 | 65 |
| 24. Cook Islands | 2018 | 45 | 62 |
| 25. Costa Rica | 2018 | 49 | 67 |
| 26. Croatia | 2017 | 60 | 65 |
| 27. Curaçao | 2018 | 57 | 57 |
| 28. Cyprus ^d | 2017 | 59 | 67 |
| 29. Czech Republic | 2017 | 60 | 60 |
| 30. Denmark | 2017 | 66 | 69 |
| 31. Estonia | 2017 | 62 | 66 |
| 32. Faroe Islands | 2017 | 57 | 67 |
| 33. Finland | 2017 | 66 | 69 |
| 34. France | 2017 | 62 | 66 |
| 35. Germany | 2017 | 63 | 68 |
| 36. Ghana ^b | 2019 | N/A | 56 |
| 37. Gibraltar | 2017 | 51 | 59 |
| 38. Greece | 2017 | 67 | 68 |
| 39. Greenland | 2018 | 57 | 67 |
| 40. Grenada | 2018 | 41 | 35 |
| 41. Guernsey | 2017 | 61 | 64 |
| 42. Hong Kong (China) | 2018 | 36 | 45 |
| 43. Hungary | 2017 | 57 | 66 |
| 44. Iceland | 2017 | 59 | 64 |
| 45. India | 2017 | 60 | 67 |
| 46. Indonesia | 2018 | 59 | 66 |
| 47. Ireland | 2017 | 66 | 69 |
| 48. Isle of Man | 2017 | 57 | 64 |
| 49. Israel ^a | 2018 | 41 | 55 |
| 50. Italy | 2017 | 64 | 67 |
| 51. Japan | 2018 | 55 | 67 |
| 52. Jersey | 2017 | 58 | 65 |
| 53. Korea | 2017 | 59 | 67 |
| 54. Kuwait ^e | 2019 | 34 | 52 |
| 55. Latvia | 2017 | 56 | 66 |
| 56. Lebanon | 2018 | 27 | 59 |
| 57. Liechtenstein | 2017 | 50 | 60 |
| 58. Lithuania | 2017 | 63 | 66 |
| 59. Luxembourg | 2017 | 66 | 69 |
| 60. Macau (China) | 2018 | 36 | 48 |
| 61. Malaysia | 2018 | 42 | 64 |
| 62. Malta | 2017 | 61 | 67 |

| PART 1: JURISDICTIONS THAT HAVE EXCHANGED INFORMATION (CONT.) | | | |
|---|---------------------------------------|--|--|
| Jurisdiction | Year of commitment to first exchanges | Number of partners to which the data relating to 2017 was sent in 2018 | Number of partners to which the data relating to 2018 was sent in 2019 |
| 63. Marshall Islands | 2018 | 1 | 57 |
| 64. Mauritius | 2018 | 58 | 65 |
| 65. Mexico | 2017 | 60 | 67 |
| 66. Monaco | 2018 | 34 | 58 |
| 67. Montserrat | 2017 | 0 | 1 |
| 68. Nauru | 2018 | 48 | 68 |
| 69. Netherlands | 2017 | 61 | 65 |
| 70. New Zealand | 2018 | 55 | 65 |
| 71. Norway | 2017 | 64 | 68 |
| 72. Pakistan ^b | 2018 | 40 | 55 |
| 73. Panama | 2018 | 32 | 58 |
| 74. Poland | 2017 | 66 | 69 |
| 75. Portugal | 2017 | 66 | 69 |
| 76. Qatar | 2018 | 9 | 49 |
| 77. Romania | 2017 | 59 | 65 |
| 78. Russia | 2018 | 50 | 58 |
| 79. Saint Kitts and Nevis | 2018 | 25 | 62 |
| 80. Saint Lucia | 2018 | 40 | 61 |
| 81. Saint Vincent and the Grenadines ^a | 2018 | 65 | 56 |
| 82. Samoa | 2018 | 45 | 59 |
| 83. San Marino | 2017 | 57 | 63 |
| 84. Saudi Arabia | 2018 | 56 | 65 |
| 85. Seychelles | 2017 | 55 | 66 |
| 86. Singapore | 2018 | 50 | 62 |
| 87. Slovak Republic | 2017 | 62 | 67 |
| 88. Slovenia | 2017 | 64 | 69 |
| 89. South Africa | 2017 | 57 | 63 |
| 90. Spain | 2017 | 66 | 69 |
| 91. Sweden | 2017 | 61 | 66 |
| 92. Switzerland | 2018 | 36 | 62 |
| 93. Turkey | 2018 | 1 | 2 |
| 94. Turks and Caicos Islands ^f | 2017 | 44 | - |
| 95. United Arab Emirates | 2018 | 43 | 53 |
| 96. United Kingdom | 2017 | 62 | 68 |
| 97. Uruguay | 2018 | 59 | 67 |
| 98. Vanuatu ^a | 2018 | 20 | 42 |

Notes:

The United States has undertaken automatic information exchanges pursuant to FATCA from 2015 and entered into intergovernmental agreements (IGAs) with other jurisdictions to do so. The Model 1A IGAs entered into by the United States acknowledge the need for the United States to achieve equivalent levels of reciprocal automatic information exchange with partner jurisdictions. They also include a political commitment to pursue the adoption of regulations and to advocate and support relevant legislation to achieve such equivalent levels of reciprocal automatic exchange.

a: These jurisdictions were significantly delayed so did not commence AEOI exchanges in 2018 (i.e. data collected for 2017 reporting year) but exchanged the information in 2019, and in the case of Brunei Darussalam in 2020. As the exchanges are generally reciprocal, this may therefore also be reflected in the timing of the exchanges with respect to their exchanges partners.

b: These jurisdictions are developing countries that were not asked to commit to implement the AEOI Standard to a particular timeline, but did so voluntarily.

c: Bulgaria has temporarily suspended exchanges while it strengthens its confidentiality and data safeguarding frameworks.

d: Note by Turkey: The information in the documents with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in the documents relates to the area under the effective control of the Government of the Republic of Cyprus.

e: Kuwait was originally expected to commence exchanging information in 2018 but postponed its commitment to 2019. Kuwait has exchanged in 2019 information on 2017 and 2018 reporting years.

f: Due to technical difficulties, the Turks and Caicos Islands is delayed in undertaking exchanges in 2019.

**PART 2: JURISDICTIONS THAT HAVE NOT YET EXCHANGED INFORMATION
BECAUSE THEIR TECHNICAL IMPLEMENTATION IS ONGOING**

| Jurisdiction | Year of commitment to first exchanges | Status |
|--------------|---------------------------------------|--|
| 1. Dominica | 2018 | Have not yet signed the CTS user agreement |
| 2. Niue | 2018 | Have signed the CTS user agreement |

**PART 3: JURISDICTIONS THAT HAVE NOT YET EXCHANGED INFORMATION
BECAUSE THEIR LEGAL IMPLEMENTATION IS ONGOING**

| Jurisdiction | Year of commitment to first exchanges | Status |
|------------------------|---------------------------------------|--|
| 1. Sint Maarten | 2018 | Domestic legal framework not in place |
| 2. Trinidad and Tobago | 2018 | Domestic and international legal frameworks not in place |

**PART 4: JURISDICTIONS NOT YET EXCHANGING BUT THAT
HAVE SET A DATE FOR THE FIRST YEAR OF EXCHANGES**

| Jurisdiction | Year of commitment to first exchanges | |
|-----------------------------|---------------------------------------|--|
| 1. Kazakhstan ^c | 2020 | |
| 2. Nigeria ^a | 2020 | |
| 3. Oman ^b | 2020 | |
| 4. Peru ^a | 2020 | |
| 5. Albania ^a | 2021 | |
| 6. Ecuador ^a | 2021 | |
| 7. Maldives ^a | 2021 | |
| 8. Kenya ^a | 2022 | |
| 9. Morocco ^a | 2022 | |
| 10. Georgia ^a | 2023 | |
| 11. Jordan ^c | 2023 | |
| 12. Montenegro ^c | 2023 | |
| 13. Thailand ^c | 2023 | |

Notes:

a: Developing countries that do not host a financial centre and were not asked to commit to a specific date to exchange information, but have done so voluntarily.

b: Developed countries that joined the Global Forum after the commitment process was conducted in 2014. They were therefore asked to commit to a particular timeline upon joining.

c: Jordan, Kazakhstan, Montenegro and Thailand were subject to the Global Forum process aimed at identifying jurisdictions relevant for the implementation of the AEOI Standard and, if considered relevant, they would have been expected to commit to exchange under the AEOI Standard to a particular timeline. They however voluntarily committed to implement the AEOI Standard.

**PART 5: DEVELOPING COUNTRIES NOT ASKED TO COMMIT AND THAT
HAVE NOT YET SET A DATE FOR THE FIRST YEAR OF EXCHANGES**

| | | |
|---------------------------|----------------|----------------------|
| 1. Armenia | 16. Gabon | 31. Niger |
| 2. Benin | 17. Guatemala | 32. North Macedonia |
| 3. Bosnia and Herzegovina | 18. Guinea | 33. Palau |
| 4. Botswana | 19. Guyana | 34. Papua New Guinea |
| 5. Burkina Faso | 20. Haiti | 35. Paraguay |
| 6. Cabo Verde | 21. Honduras | 36. Philippines |
| 7. Cambodia | 22. Jamaica | 37. Rwanda |
| 8. Cameroon | 23. Lesotho | 38. Senegal |
| 9. Chad | 24. Liberia | 39. Serbia |
| 10. Côte d'Ivoire | 25. Madagascar | 40. Tanzania |
| 11. Djibouti | 26. Mali | 41. Togo |
| 12. Dominican Republic | 27. Mauritania | 42. Tunisia |
| 13. Egypt | 28. Moldova | 43. Uganda |
| 14. El Salvador | 29. Mongolia | 44. Ukraine |
| 15. Eswatini | 30. Namibia | 45. Viet Nam |

Annex II.B. Overall EOIR ratings of the Global Forum members

(as at 1 September 2020)

| Compliant | | | |
|--|--------------|---|-------------|
| First round of reviews (2010-16) (where no rating is assigned yet in second round) | | Second round of reviews (2016-ongoing) (under the strengthened 2016 Terms of Reference) | |
| Colombia | Slovenia | Bahrain | Isle of Man |
| Finland | South Africa | Estonia | Italy |
| Iceland | Sweden | France | Jersey |
| Lithuania | | Guernsey | Mauritius |
| Mexico | | Ireland | Monaco |
| | | | New Zealand |
| | | | Norway |
| | | | San Marino |
| | | | Singapore |

| Largely Compliant | | | |
|---|------------|---|------------------------|
| First round of reviews (2010-16) | | Second round of reviews (2016-ongoing) | |
| Albania | Georgia | Russia | Andorra |
| Antigua & Barbuda* | Grenada | Saint Lucia | Aruba |
| Argentina | Israel | Saint Vincent & the Grenadines | Australia |
| Azerbaijan | Kenya | Senegal | Austria |
| Belize | Latvia | Slovak Republic | The Bahamas |
| British Virgin Islands | Lesotho | Uganda | Belgium |
| Bulgaria | Mauritania | | Bermuda |
| Burkina Faso | Montserrat | | Brazil |
| Cameroon | Morocco | | Brunei Darussalam |
| Cook Islands | Nigeria | | Canada |
| Cyprus | Niue | | Cayman Islands |
| Czech Republic | Pakistan | | Chile |
| Dominica* | Poland | | China |
| El Salvador | Portugal | | Costa Rica |
| Gabon | Romania | | Croatia |
| | | | Curaçao |
| | | | Denmark |
| | | | Dominican Republic |
| | | | Germany |
| | | | Gibraltar |
| | | | Greece |
| | | | Hong Kong (China) |
| | | | Hungary |
| | | | India |
| | | | Indonesia |
| | | | Jamaica |
| | | | Japan |
| | | | Korea |
| | | | Lebanon |
| | | | Liechtenstein |
| | | | Luxembourg |
| | | | Macau (China) |
| | | | Malaysia |
| | | | Marshall Islands |
| | | | Micronesia |
| | | | Nauru |
| | | | Netherlands |
| | | | North Macedonia |
| | | | Papua New Guinea |
| | | | Peru |
| | | | Philippines |
| | | | Qatar |
| | | | Saint Kitts & Nevis |
| | | | Samoa |
| | | | Saudi Arabia |
| | | | Spain |
| | | | Switzerland |
| | | | Tunisia |
| | | | Turks & Caicos Islands |
| | | | United Arab Emirates |
| | | | United Kingdom |
| | | | United States |
| | | | Uruguay |

| Partially Compliant | | | |
|---|--|---|------------|
| First round of reviews (2010-16) | | Second round of reviews (2016-ongoing) | |
| Sint Maarten | | Barbados | Kazakhstan |
| Turkey | | Botswana | Liberia |
| | | Ghana | Malta |
| | | | Panama |
| | | | Seychelles |
| | | | Vanuatu |

| Non-Compliant | | | |
|---|--|---|--|
| First round of reviews (2010-16) | | Second round of reviews (2016-ongoing) | |
| Trinidad & Tobago | | Anguilla | |
| | | Guatemala | |

| Recent Global Forum members, not yet reviewed | | | |
|---|---------------|------------|----------|
| Armenia | Eswatini | Maldives | Rwanda |
| Benin | Faroe Islands | Mali | Serbia |
| Bosnia & Herzegovina | Greenland | Moldova | Tanzania |
| Cabo Verde | Guinea | Mongolia | Thailand |
| Cambodia | Guyana | Montenegro | Togo |
| Chad | Haiti | Namibia | Ukraine |
| Côte d'Ivoire | Honduras | Niger | Viet Nam |
| Djibouti | Jordan | Oman | |
| Ecuador | Kuwait | Palau | |
| Egypt | Madagascar | Paraguay | |

* These jurisdictions have been reviewed under the 2017 Fast-Track review procedure and assigned a provisional overall rating. Their full review under the strengthened 2016 Terms of Reference is ongoing. Following calls in April 2016 by the G20 Finance leaders to establish objective criteria and a list of jurisdictions which have not made satisfactory progress in implementing the international standards on transparency and exchange of information for tax purposes, a special fast track review procedure was implemented to allow jurisdictions demonstrate progress in the implementation of the EOIR standard. They were granted a provisional upgrade to their ratings that needs be confirmed in Round 2.

Annex II.C. Jurisdictions participating in the Convention on Mutual Administrative Assistance in Tax Matters

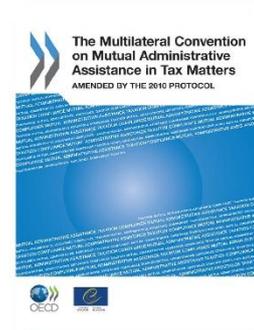
(as at 29 September 2020)

Convention entered into force (128)

| | | | | |
|----------------------------|-----------------------|------------------|--------------------------------|----------------------------|
| Albania | Croatia | Italy | North Macedonia | Turks & Caicos Islands (1) |
| Andorra | Curaçao (3) | Jamaica | Norway | Uganda |
| Anguilla (1) | Cyprus | Japan | Oman | Ukraine |
| Antigua & Barbuda | Czech Republic | Jersey (1) | Pakistan | United Arab Emirates |
| Argentina | Denmark | Kazakhstan | Panama | United Kingdom |
| Armenia | Dominica | Kenya | Peru | Uruguay |
| Aruba (2) | Dominican Republic | Korea | Poland | Vanuatu |
| Australia | Ecuador | Kuwait | Portugal | United States (6) |
| Austria | El Salvador | Latvia | Qatar | |
| Azerbaijan | Estonia | Lebanon | Romania | |
| Bahamas | Faroe Islands (4) | Liechtenstein | Russia | |
| Bahrain | Finland | Lithuania | Saint Kitts & Nevis | |
| Barbados | France | Luxembourg | Saint Lucia | |
| Belgium | Georgia | Macau (China) | Saint Vincent & the Grenadines | |
| Belize | Germany | Malaysia | Samoa | |
| Bermuda (1) | Ghana | Malta | San Marino | |
| Bosnia & Herzegovina | Gibraltar (1) | Marshall Islands | Saudi Arabia | |
| Brazil | Greece | Mauritius | Senegal | |
| British Virgin Islands (1) | Greenland (4) | Mexico | Serbia | |
| Brunei Darussalam | Grenada | Moldova | Seychelles | |
| Bulgaria | Guatemala | Monaco | Singapore | |
| Cabo Verde | Guernsey (1) | Mongolia | Sint Maarten (4) | |
| Cameroon | Hong Kong (China) (5) | Montenegro | Slovak Republic | |
| Canada | Hungary | Montserrat | Slovenia | |
| Cayman Islands (1) | Iceland | Morocco | South Africa | |
| Chile | India | Nauru | Spain | |
| China | Indonesia | Netherlands | Sweden | |
| Colombia | Ireland | New Zealand | Switzerland | |
| Cook Islands | Isle of Man (1) | Nigeria | Tunisia | |
| Costa Rica | Israel | Niue | Turkey | |

Amended Convention signed (13)

| | |
|--------------|-------------|
| Benin | Philippines |
| Botswana | Thailand |
| Burkina Faso | Togo |
| Eswatini | |
| Gabon | |
| Jordan | |
| Liberia | |
| Mauritania | |
| Namibia | |
| Paraguay | |



* These tables includes State Parties to the Convention as well as other Global Forum members, including jurisdictions that have been listed in its Annex B naming a competent authority, to which the application of the Convention has been extended pursuant to Article 29 of the Convention. It also includes participating jurisdictions that are not Global Forum members.

(1) Territorial extension by the United Kingdom.

(2) Territorial extension by the Kingdom of the Netherlands. (3) Territorial extension by the Kingdom of the Netherlands. Curaçao and Sint Maarten used to be constituents of the “Netherlands Antilles”, to which the original Convention applied as from 1 February 1997.

(4) Territorial extension by the Kingdom of Denmark.

(5) Territorial extension by China.

(6) The United States have signed and ratified the original Convention, which has been in force since 1 April 1995. The Amending Protocol was signed on 27 May 2010 but is awaiting ratification



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