

OECD SECRETARY-GENERAL TAX REPORT TO G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

India, February 2023



G20 

OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors

India, February 2023



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Introduction

I am pleased to present my first tax report under the Indian G20 Presidency ahead of the February meeting of G20 Finance Ministers and Central Bank Governors. Since you last met, the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) has welcomed an additional member (Azerbaijan), bringing the total membership to 142 countries and jurisdictions, collaborating on an equal footing to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment by implementing the OECD/G20 BEPS Project.¹ The priority of the Inclusive Framework remains to finalise the reform of the international tax rules through the landmark Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy (Two-Pillar Solution).

Pillar Two puts a floor on competition over corporate income tax, through the introduction of a 15% **global minimum effective corporate tax** rate that will apply to companies with revenue above EUR 750 million.

The implementation of the Two-Pillar Solution is well underway across the 138 jurisdictions and countries that have joined the agreement reached on 8 October 2021. On Pillar Two, **the global minimum tax is now a reality**, with all 27 EU member states, as well as countries such as the United Kingdom, Switzerland, Japan, Korea, Singapore and many others moving forward with legislation. On 2 February 2023, the Inclusive Framework agreed technical guidance to assist governments with implementation of the global minimum tax, representing the final piece of work on the model rules that Inclusive Framework members committed to deliver in October 2021. Regional initiatives are also underway on the global minimum tax, with notably the release by the African Tax

Administration Forum of a Suggested Approach to Drafting Domestic Minimum Top-Up Tax Legislation to implementing the global minimum tax.

On Pillar One, following a year of consultation with stakeholders and the public, Inclusive Framework delegates are now working around the clock to agree the text of a Multilateral Convention (MLC) to be opened for signature by mid-2023. Since our last meeting in October 2022, delegates to the Inclusive Framework have met for more than 240 hours of technical meetings to progress the work on the Two Pillars and have launched five public consultations.²

In January 2023, the OECD released an updated economic impact assessment, showing that revenue gains from the implementation of the Two-Pillar solution will be higher than previously expected. **Pillar Two global minimum tax is now expected to result in annual global revenue gains of around USD 220 billion**, or 9% of global corporate income tax revenues. Pillar One is now expected to allocate new taxing rights on about USD 200 billion in profits to market jurisdictions annually. This is expected to lead to **annual global tax revenue gains of between**

Pillar One aims to ensure a fairer distribution of profits and taxing rights among countries over the world's largest multinational companies (MNEs). Amount A of Pillar One works by reallocating taxing rights on 25% of the residual profits (profits in excess of 10% of revenues) of MNEs (with a global turnover above EUR 20 billion) to market jurisdictions, regardless of whether they have a physical presence in such jurisdictions.

¹ BEPS stands for Base erosion and profit shifting. The OECD/BEPS Project comprises 15 actions to equip governments with domestic and international rules and instruments to address tax avoidance, ensuring that profits are taxed where economic activities generating the profits are performed and where value is created. See <https://www.oecd.org/tax/beps/beps-actions/>

² This includes the Steering Group of the Inclusive Framework on BEPS, Working Party 11 and the Task Force of the Digital Economy.

USD 13-36 billion. Developing country revenue gains from Pillar One are also expected to be greater than those in more advanced economies, as a proportion of current corporate tax revenues.

Developing countries account for around half of the membership of both the Inclusive Framework and its Steering Group, and over half of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Building tax capacity to implement the Two Pillars across all members of the Inclusive Framework is now an even greater priority. Following the *G20/OECD Roadmap on Developing Countries and International Taxation* delivered during the Indonesian G20 Presidency, the OECD is to gear up capacity building efforts through bespoke training and pilot programmes, including the OECD/UNDP *Tax Inspectors Without Borders* (TIWB) Initiative, to support developing countries in the implementation of the global minimum tax now that it is ready for implementation. We will also accelerate our efforts to support implementation of Pillar One in the lead up to mid-2023.³ Capacity

building also remains central to the work of the OECD-hosted **Global Forum on Transparency and Exchange of Information for Tax Purposes** (Global Forum) and this report includes an update of the latest work of the Global Forum.

Thanks to G20 leadership, international tax transparency efforts continue to yield sustained results, from the exchange of information on request (EOIR), which raised almost EUR 2.6 billion in revenue for governments from 2019 to 2021, to the automatic exchange of financial account information (AEOI), which 120 jurisdictions have now committed to implement.⁴ During India's G20 Presidency, we will explore further work to combat offshore tax evasion and ensure that your efforts are not undermined by new technologies such as crypto assets.

To date, governments have identified more than **EUR 114 billion** of additional revenues in tax, interest, penalties as a result of tax transparency efforts and over **EUR 30 billion** has been identified by developing countries.

I am pleased that the February G20 High Level Tax Symposium will focus on the key role that tax can play in combating tax evasion, corruption and money laundering. Criminals don't operate in silos, why should law enforcement? A better coordinated, whole-of-government approach to tackling these often complex transnational crimes can lead to more effective results. I am pleased to share in this report the latest OECD work on these issues. This report also outlines progress made on tax transparency, our efforts to support developing jurisdictions in building sustainable tax revenue bases and the outcomes of the inaugural meeting of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA) held on 9-10 February 2023.

³ OECD (2022), *G20/OECD Roadmap on Developing Countries and International Taxation: OECD report for the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/cf46900c-en>.

⁴ OECD (2023), *OECD Tax: A Year In Review 2022*, OECD, Paris, <https://www.oecd.org/tax/oecd-tax-a-year-in-review-2022.pdf>.

Two-Pillar International Tax Package

Pillar Two

The Pillar Two global minimum tax is expected to result in annual global revenue gains of around **USD 220 billion**.

The Global minimum tax is now becoming a reality. In February 2023, the Inclusive Framework concluded the technical guidance on the Implementation Framework in line with the commitments of the Detailed Implementation Plan agreed in October 2021.⁵ This is effectively empowering countries to enact the legislation necessary to move forward with the implementation.

This new 111-page *Administrative Guidance* (Guidance) provides tax administrations with detailed guidance on the co-ordinated design of the Global Anti-Base Erosion (GloBE) Rules and provides MNEs with greater certainty as they prepare to apply the GloBE rules from the beginning of 2024.⁶ The Guidance includes the recognition of the US minimum tax (also known as Global Intangible Low-Taxed Income (GILTI) taxes) under GloBE, and more general guidance on the scope, operation and transitional elements of the new rules. It also features the design of Qualified Domestic Minimum Top-up Taxes, i.e., domestic taxes that ensures that the excess profits of MNEs operating in that jurisdiction are subject to a minimum tax rate of 15%, which will particularly benefit to developing countries, as it will take pressure off to offer inefficient tax incentives to multinationals to attract investment. Finally, the Guidance responds to stakeholder feedback on technical issues such as the collection of top up tax in a jurisdiction in a period where the jurisdiction has no GloBE income and on the treatment of debt releases and certain tax credit equity structures.

The release of the *Guidance* marks the completion of the remaining technical work on Pillar Two, together with (a) the December 2022 publication of the documentation on *Safe Harbours and Penalty Relief*⁷ and (b) two public consultations carried out on the compliance and tax certainty aspects of the global minimum tax and on the GloBE Information Return.⁸

“We are committed to the swift implementation of the OECD/G20 two-pillar international tax package. We welcome the progress on Pillar One. We also welcome progress on Pillar Two Global Anti-Base Erosion (GloBE) Model Rules, which pave the way for consistent implementation at a global level as a common approach, and we look forward to the completion of the GloBE Implementation Framework. We call on the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) to finalize Pillar One, including remaining issues and by signing the Multilateral Convention in the first half of 2023, and to complete the negotiations of the Subject to Tax Rule (STTR) under Pillar Two that would allow the development of a Multilateral Instrument for its implementation.”

G20 BALI LEADERS’ DECLARATION

Bali, Indonesia, 15-16 November 2022

⁵ OECD (2021), “Annex. Detailed Implementation Plan”, in *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 8 October 2021*, OECD, Paris, <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>.

⁶ OECD (2023), *Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two)*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/agreed-administrative-guidance-for-the-pillar-two-globe-rules.pdf>.

⁷ OECD (2022), *Safe Harbours and Penalty Relief: Global Anti-Base Erosion Rules (Pillar Two)*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/safe-harbours-and-penalty-relief-global-anti-base-erosion-rules-pillar-two.pdf>.

⁸ OECD (2022), *Public consultation document: Pillar Two – Tax Certainty for the GloBE Rules*, OECD, Paris, <https://www.oecd.org/tax/beps/public-consultation-document-pillar-two-tax-certainty-for-the-globe-rules.pdf>; OECD

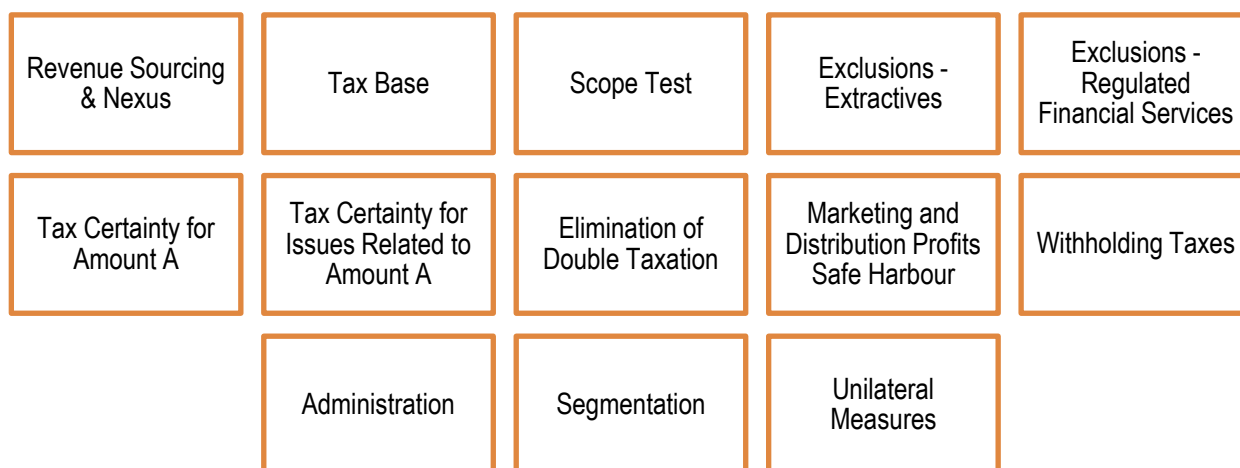
The Inclusive Framework will continue to release further agreed administrative guidance on an ongoing basis, to ensure the GloBE Rules continue to be implemented and applied in a coordinated manner.

The Inclusive Framework recognises that the Subject to Tax Rule (STTR) is an integral part of achieving consensus on Pillar Two for developing countries. Work on the STTR and its commentary is well advanced. The Inclusive Framework is continuing its work to reach a compromise on the remaining outstanding issues to enable signature of the STTR multilateral instrument by mid-2023.

Pillar One

In December 2022, the Inclusive Framework released the main design elements of Amount B for public consultation and held a public webinar setting out the work undertaken on Amount B since October 2021. Amount B provides for a simplified and streamlined approach to the application of the arm's length principle to in-country baseline marketing and distribution activities, with a particular focus on the needs of low-capacity countries. The consultation period closed on 25 January 2023 and the Inclusive Framework is now focused on integrating the over 1 000 pages of input received from 60 commentators into the ongoing technical work.⁹

On Amount A, the priority of the Inclusive Framework is working to find agreement on the building blocks to finalise the text of the Multilateral Convention (MLC) in order that it can be opened for signature by mid-2023. While some of the building blocks of Amount A are relatively stabilised, several aspects remain the subject to ongoing negotiations among delegates to the Inclusive Framework.



Building Blocks of Amount A of Pillar One

(2022), *Public consultation document: Pillar Two – GloBE Information Return*, OECD, Paris, <https://www.oecd.org/tax/beps/public-consultation-document-pillar-two-globe-information-return.pdf>.

⁹ OECD (2022), *Call for input: Amount B – Pillar One*, <https://www.oecd.org/tax/beps/oecd-invites-public-input-on-the-design-elements-of-amount-b-under-pillar-one-relating-to-the-simplification-of-transfer-pricing-rules.htm> (accessed 8 December 2022).

Following a year of rolling public consultations throughout 2022, the Inclusive Framework held three consultations since you last met in October 2022, between November 2022 and January 2023 on the following topics:

- The Progress Report on the Administration and Tax Certainty Aspects of Amount A, which closed in November 2022;
- The draft MLC provisions on digital services taxes and other relevant similar measures under Amount A, which closed in January 2023;
- The design elements of Amount B relating to the simplification of transfer pricing rules, which closed in January 2023.¹⁰

Together these consultations have enabled the technical work to progress, and have allowed the public and stakeholders to have an up-to-date understanding of the design of Amount A and its practical operation. As the negotiations are now at a critical point, I count on your continued support and willingness to compromise so that the MLC can be agreed in time for signature by mid-2023.

Impact Assessment

In January 2023, the OECD released an updated economic impact assessment, showing the economic impact of the Two-Pillars, based on updated data and incorporating most of the recently agreed design features included in the Amount A Progress Report¹¹ and the GloBE model rules,¹² many of which have not been accounted for in other studies.

The update to the OECD's earlier assessments, including the detailed Economic Impact Assessment issued in October 2020, shows that the projected revenue gains of the Two-Pillar solution are higher than previously expected.

The new estimates show increased projected revenue gains from Pillar Two, with its implementation now expected to generate around USD 220 billion in additional tax revenues globally each year. The new estimates for Pillar Two, which reflect increases in global low-taxed profit, including as a result of improved data coverage, are a significant increase compared to the OECD's previous estimate of USD 150 billion in additional annual tax revenues.

Under **Pillar One**, low and middle-income countries are expected to gain the most as a share of existing corporate income tax revenues.

The expected revenue gains from Pillar One have also increased, and are continuing to rise over time, due to both revisions to the design of the tax reform and increased profitability of in-scope MNEs.¹³ Pillar

¹⁰ All comments received through public consultation are made public and available on the OECD website: OECD (2023), *Planned stakeholder input in OECD tax matters*, <https://www.oecd.org/tax/planned-stakeholder-input-in-oecd-tax-matters.htm> (accessed 9 February 2023).

¹¹ OECD (2022), *Progress Report on Amount A of Pillar One, Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy*, OECD/G20 Base Erosion and Profit Shifting Project, OECD, Paris, <https://www.oecd.org/tax/beps/progress-report-on-amount-a-of-pillar-one-july-2022.pdf>.

¹² OECD (2021), *Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/782bac33-en>.

¹³ 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>.

One is now expected to allocate new taxing rights on about USD 200 billion in profits to market jurisdictions annually. This is expected to lead to annual global tax revenue gains of between USD 13-36 billion. The revised estimates reflect a significant increase compared to the USD 125 billion of profits in previous estimates. The analysis finds that, under Pillar One, low and middle-income countries are expected to gain the most as a share of existing corporate income tax revenues. The analysis highlights that several design features included in the recent Amount A Progress Report¹⁴ will have particularly beneficial impacts for small and low-income countries.

Corporate Tax Statistics

Last November 2022, as G20 Leaders gathered in Bali, the OECD released the latest edition of the annual report on *Corporate Tax Statistics*, covering over 160 countries and jurisdictions and including new Country-by-Country Report (CbCR) data on the activities of almost 7 000 multinational enterprises (MNEs).¹⁵ The data, which showed that corporate income tax remains an important source of revenue for most countries (especially for developing and emerging market economies), also pointed to the persistent risk of multinational tax avoidance across countries and provided further evidence of the need for the swift implementation of the Two-Pillar solution. This was shortly followed by the OECD's annual *Tax Certainty Day* on 22 November 2022, which considered the statistics across 127 jurisdictions in handling international tax-related disputes and coincided with the release of a new manual to help administrations adhere to the G20/OECD tax certainty agenda.¹⁶ All the while, the Inclusive Framework released public consultations dedicated to the tax certainty elements of the Two-Pillars as part of five public consultations since you last met in October 2022.

¹⁴ OECD (2022), *Progress Report on Amount A of Pillar One, Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy, OECD/G20 Base Erosion and Profit Shifting Project*, OECD, Paris, <https://www.oecd.org/tax/beps/progress-report-on-amount-a-of-pillar-one-july-2022.pdf>.

¹⁵ OECD (2022), *Corporate Tax Statistics: Fourth Edition*, OECD, Paris, <https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf>.

¹⁶ See <https://www.oecd.org/tax/forum-on-tax-administration/news/oecd-releases-new-mutual-agreement-procedure-statistics-and-country-awards-on-the-resolution-of-international-tax-disputes.htm>.

Tax and Development

“We will work to strengthen the tax and development agenda in light of the July 2022 G20 Ministerial Symposium on Tax and Development, and we note the G20/OECD Roadmap on Developing Countries and International Tax.”

**G20 BALI LEADERS’ DECLARATION,
Bali, Indonesia, 15-16 November 2022**

Ensuring that developing countries are engaged in the ongoing negotiations, have the training needed and are up to date with developments is critical to maintaining a strong coalition in the Inclusive Framework. Throughout 2022 and into 2023 a key area of focus for the OECD’s outreach activities has been ensuring that tax officials can get the information and understanding they need regarding the implementation of the Two-Pillar Solution. Recorded webinars on this topic have been accompanied by live, interactive Q&A sessions. The new live workshop series *Tax challenges and*

opportunities arising from digitalisation not only covered the key building blocks of Pillar One and the practical steps to apply the GloBE rules of Pillar Two, but also included technical training on topics relating to VAT on cross-border digital services and the digitalisation of tax administration. A comprehensive set of video-recorded webinars on the Two-Pillars has been published in multiple languages in a dedicated section of the OECD website.¹⁷

Working with regional tax organisations in Africa, Asia-Pacific, Latin America and the Caribbean, Eastern Europe and Central Asia, the OECD also held a series of consultations throughout 2022. In total, three rounds of regional consultations were organized, reaching more than **1900 officials from over 145 jurisdictions**. These regular consultations aim at addressing international tax issues, focusing on the priority topics that tax administrators and policymakers are confronted with including the Two-Pillar Solution as well as a range of other international tax issues.

The widespread implementation of the Pillar Two GloBE rules will have far-reaching implications for all countries.

GloBE revenues can be an important source of domestic revenue mobilisation. We will accompany developing countries to help them understand the impact of these new rules on their domestic tax systems, so they can act quickly to collect any additional tax revenue that will otherwise be paid to headquarter or intermediary jurisdictions. Since you last met in October 2022, the OECD has begun a series of pilot

In 2022, more than **5,000 officials** from over 155 jurisdictions participated in 38 live training events as part of the OECD’s outreach activities. These events were complemented by self-paced tools, including 17 recorded webinars and video capsules, and 3 new e-learning modules, which were used by more than **14,000 officials** from 205 jurisdictions.

programmes to assist developing countries understand the impact of the rules and advise on how to implement domestic top up taxes in the short term. In the medium term these initiatives will also assist in the reform of ineffective or wasteful tax incentives, making a key contribution to domestic resource mobilisation in developing countries. As of February 2023, the OECD is working closely with 10 pilot countries with a view to establishing wider support for Inclusive Framework members going forward.



Tax challenges and opportunities arising from digitalisation

¹⁷ OECD (2023), *Training on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*, <https://www.oecd.org/tax/tax-global/training-two-pillar-solution.htm> (accessed 9 February 2023).

OECD/United Nations Development Programme (UNDP) Tax Inspectors Without Borders

Tax Inspectors Without Borders (TIWB), a joint OECD-UNDP initiative, offers a unique approach to **capacity-building** that deploys experts to developing country tax administrations to provide practical, hands-on assistance on current audit cases and related international tax issues. To date, TIWB programmes spanned 54 jurisdictions, with 58 completed and 54 current programmes, including 21 South-South programmes.

Owing to the success of the audit programmes, TIWB assistance expanded to new areas: Tax Inspectors Without Borders for Criminal Investigations (TIWB-CI), Effective Use of Automatically Exchanged Information, Digitalisation of Tax Administrations and Tax and the Environment. As the technical work on the Global Minimum Tax is now completed, an important area of focus will also be devoted on the practical implementation of Global Minimum Tax in developing countries, as countries are now diving in the implementation phase.

As of 30 June 2022, a total of **USD 1.7 billion** in additional tax collected and **USD 3.9 billion** in additional tax assessed are attributed to TIWB programmes across Africa, Asia and the Pacific, Eastern Europe, and Latin America and the Caribbean.

Global Forum on Transparency and Exchange of Information for Tax Purposes

With 165 members - more than half of which are developing jurisdictions - the Global Forum continues to monitor, under the mandate provided by the G20, the effective implementation of the exchange of information on request (EOIR) and the Automatic Exchange of Financial Account Information (AEOI) standards. The Global Forum also pursues an ambitious technical assistance programme to ensure all its members reap the benefits of all forms of exchange of information (EOI).

Ensuring baseline compliance with the EOI Standards

As set out in its 2022 Annual Report,¹⁸ the Global Forum has made considerable progress in conducting peer reviews of the implementation of both EOI Standards to ensure the level playing field and the effective implementation of the EOI Standards.

Automatic Exchange of Information

The global implementation of the AEOI Standard continues to deliver highly significant results. As I reported in October 2022, **99%** of the jurisdictions committed to commence such exchanges have done so and many more jurisdictions are expected to commence them in the coming years. In 2021, information on 111 million financial accounts was exchanged, with a total balance of EUR 11 trillion. In total, the move to AEOI has been associated with contributing to over EUR 114 billion in tax, interest and penalties being identified, whether through voluntary disclosure programmes or other offshore compliance activities.

¹⁸ OECD (2022), *Raising the Bar on Tax Transparency: 2022 Global Forum Annual Report*, OECD, Paris, <https://www.oecd.org/tax/transparency/documents/global-forum-annual-report-2022.pdf>.

The Global Forum works to maximise the effectiveness of the AEOI Standard through its peer review processes. Following last year's publication of the *Peer Review of the Automatic Exchange of Financial Account Information 2022*, which showed good progress by the over 100 jurisdictions implementing the AEOI Standard,¹⁹ the Global Forum has started a second round of peer reviews focused on reviewing in greater detail the effectiveness of the implementation of the AEOI Standard. The second round has been designed to obtain further and deeper assurance that the standard is operating effectively in practice, reflecting the greater maturity in implementation that can now be expected. This includes reviewing the effectiveness of each jurisdiction's activities to ensure that reporting financial institutions are effectively complying with their due diligence and reporting obligations, including through onsite visits meeting with both the relevant authorities and the financial sector. This second round of reviews should be completed for around 100 jurisdictions by the end of 2025.

Ensuring the confidentiality and the proper safeguarding of the sensitive information exchanged is critical to the AEOI standard. The Global Forum therefore continues to implement its programme of confidentiality and data safeguards assessments, both prior to the commencement of exchanges and once they are underway, to maintain assurance that the data exchanged under AEOI is properly protected by participating tax administrations. The results of the assessments are not published due to their sensitive and confidential nature, although procedures are in place to address any gaps identified, including deferring the receipt of information if necessary.

Global Forum members have identified over EUR **11.7 billion** in tax revenues as a result of the exchange of information on request since 2009, with almost **EUR 3.5 billion** reported by developing jurisdictions.

Exchange of Information on Request

Exchange of information on request (EOIR) has long been the foundation of the international architecture for transparency and exchange of information for tax purposes and is the most widely used form of exchange. Its relevance has further increased since the move to the AEOI standard, with an increase in requests for specific information triggered by AEOI. Global Forum members report identifying over EUR 11.7 billion as a result of EOIR since 2009, with almost EUR 3.5 billion reported by developing jurisdictions.

In November 2022, the Global Forum released 10 new peer review reports on Transparency and EOIR for Barbados, the British Virgin Islands, Iceland, Israel, Kuwait, the Maldives, Morocco, Slovenia, South Africa and Türkiye.

- Seven jurisdictions were issued updated ratings on their practical implementation of the EOIR standard, with six of them granted the satisfactory “Largely Compliant” rating (Barbados, Iceland, Morocco, Slovenia, South Africa and Türkiye), and one rated as “Partially Compliant” (British Virgin Islands).
- The other three reports (Israel, Kuwait and Maldives) cover the analysis of the legal and regulatory frameworks, either because the COVID-19 pandemic prevented the onsite visit to take place or because they have no or limited experience in EOIR. Implementation aspects will be analysed in 2023 for Israel, and at a later date for Kuwait and Maldives.

To date, the Global Forum has delivered ratings on 89 jurisdictions in the second round of EOIR peer reviews and 3 jurisdictions have already gone through a supplementary review to acknowledge progress made in implementing the standard, which has resulted in improved ratings for these jurisdictions. More than 30 reviews are ongoing, including 5 other supplementary reviews. These results show that

¹⁹ OECD (2022), *Peer Review of the Automatic Exchange of Financial Account Information 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/36e7cded-en>.

jurisdictions that receive unsatisfactory ratings take recommendations issued to them seriously and take action to improve their compliance with the standard.

Crypto-Asset Reporting and the updated Common Reporting Standard for automatic exchange of information

At its November 2022 Plenary meeting, in Seville, Spain,²⁰ the Global Forum welcomed the October 2022 G20 Chair's Summary in relation to the OECD's work on the Crypto-Asset Reporting Framework (CARF) and the amendments to the Common Reporting Standard (CRS) – both seen by the G20 Finance Ministers as integral additions to the global standards for automatic exchange of information. The Global Forum also

In 2021 alone, African, Asian and Latin American jurisdictions respectively identified **EUR 37.2 million, EUR 140 million and EUR 261 million through EOI**. Global Forum developing country members implementing AEOI received information on over **32 million** financial accounts, with a total value of **EUR 2.4 trillion**.

welcomed the invitation to build on its commitment and monitoring processes to ensure their widespread implementation by relevant jurisdictions.

Delegates committed to closely follow the work of the OECD to finalise the implementation packages and to consider how best to build on the Global Forum's commitment and monitoring processes to deliver in respect of these issues.

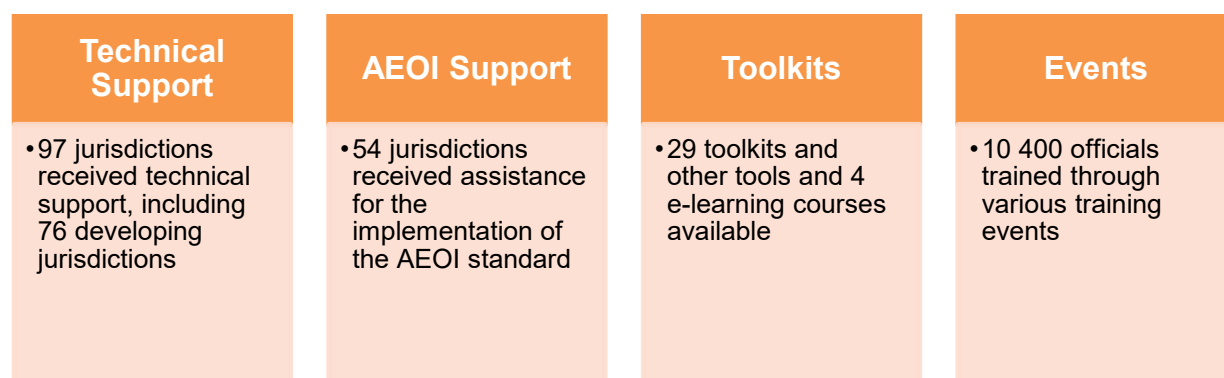
Assisting Global Forum members through capacity building and regional initiatives

The Global Forum's capacity building and outreach activities not only assist developing jurisdictions with their implementation of the EOI Standards, but they also assist jurisdictions in using EOI to mobilise domestic resources. Over EUR 30 billion of additional revenue have been identified by developing countries since 2009, through offshore tax investigation, including through the effective use of the EOIR Standard, voluntary disclosure programmes implemented prior to the first exchanges under the AEOI Standard, and the effective use of AEOI data.

As set out in the 2023 Global Forum Capacity Building Report²¹, 97 countries benefitted from technical support in 2022, the highest number ever reached, highlighting the growing need for technical assistance in all areas of the implementation of the standards, including for setting and implementing an appropriate information security management framework and a sound administrative AEOI compliance strategy.

²⁰ OECD (2022), *Statement of Outcomes: 2022 Global Forum Plenary Meeting*, OECD, Paris, <https://www.oecd.org/tax/transparency/documents/2022-global-forum-plenary-meeting-outcomes.pdf>.

²¹ OECD (2023), *New Horizons in Capacity Building for Tax Transparency: 2023 Global Forum Capacity Building Report*, OECD, Paris, <https://www.oecd.org/tax/transparency/documents/capacity-building-report-2023.htm>.



Global Forum Snapshot: 2022 Capacity Building and Outreach Activities

Regional initiatives

The regional initiatives have continued to deepen their co-operation in line with regional priorities, increasing local ownership and active participation by their members.

- The Latin America Initiative adopted a framework to facilitate the use of tax treaty-exchanged information for other purposes than tax, while the Africa Initiative made significant progress on cross-border assistance for the recovery of tax claims, with both initiatives reporting their progress through annual reports.
- The recently launched Asia Initiative has already set up its governance structure and adopted an ambitious work plan to implement the high-level objectives of the Bali Declaration endorsed by 17 Asian countries since the ministerial signing ceremony in July 2022.

Facilitating the adoption and implementation of AEOI by developing jurisdictions

While AEOI has been beneficial for the developing countries that have implemented it, many developing countries have still not taken advantage of this critical compliance tool. To unleash the potential of AEOI for developing countries, the Global Forum released its new strategy at the end of 2021.²² A comprehensive and structured capacity-building programme is available to developing countries to effectively implement and use AEOI. To assist them in benefitting from the AEOI Standard, a modular approach has been established, which covers the various implementation requirements in respect of the legal framework, the practical operational and confidentiality and data safeguarding aspects.

- In 2022, 54 jurisdictions received assistance for the implementation of the AEOI Standard, including jurisdictions committed to undertake first exchanges in 2022 (Jamaica and Kenya), 2023 (Jordan, Moldova, Montenegro, Thailand, Uganda and Ukraine), 2024 (Georgia and Tunisia) and 2025 (Armenia, Morocco, Rwanda).
- Jamaica and the Maldives successfully started their first exchanges (on a reciprocal basis) under the AEOI Standard in 2022.
- Morocco and Rwanda, which had originally committed to begin exchanges in 2022 and 2024 respectively, have postponed their first exchanges to 2025 and will continue to receive assistance to meet their commitment.

²² OECD (2021), *Unleashing the potential of automatic exchange of information for developing countries, 2021 Strategy*, OECD, Paris, <https://www.oecd.org/tax/transparency/documents/aeoi-strategy-developing-countries.pdf>.

- Other developing countries, such as North Macedonia, Papua New Guinea and Senegal, are benefiting from technical assistance before making a formal and informed AEOI commitment.

A whole of government approach to tackling tax crimes and other financial crimes: sharing information for non-tax purposes

Tax authorities have information that may be relevant for the work of other law enforcement agencies (such as financial intelligence units, criminal prosecution and anti-corruption agencies), including treaty-exchanged information. The sharing of such information with other relevant law enforcement agencies for non-tax purposes, also known as the “wider use of treaty-exchanged information,” can be instrumental in the fight against illicit financial flows, money laundering or corruption where permitted by domestic laws and treaties, and supports a whole-of-government approach to information exchange.

In the context of the Latin America Initiative, the Global Forum developed in 2022 a comprehensive framework for the wider use of treaty-exchanged information to facilitate this form of co-operation, which includes:

- the development of tailored agreements, following models and templates prepared for that purpose;
- the definition of a multilateral pilot project for the wider use of treaty-exchanged information, between interested countries, in which Argentina, Costa Rica and Paraguay agreed to participate in November 2022; and
- the delivery of a series of confidentiality and data safeguards training to raise awareness and strengthen knowledge among domestic law enforcement agencies.

The implementation of the pilot programme for the wider use of treaty-exchanged information, which is opened to all countries, started in 2023. I will report further on this initiative in the coming months.

Training activities

The Global Forum continues to focus on training with novel approaches to best disseminate knowledge and expertise.²³

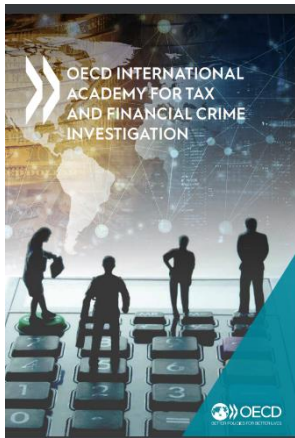
The Women Leaders in Tax Transparency programme recently launched its second iteration after the successful completion of its first year pilot programme in 2022.

More than **10 400 officials** have been trained on different areas of tax transparency through various capacity-building initiatives

The Train the Trainer programme pilot resulted in the training of more than 800 officials in Africa, and was expanded to Asia and Latin America, and led to **2 600 officials** trained in 2022.

²³ See Train the Trainer: *Building a sustainable EOI capacity within tax administrations*: www.oecd.org/tax/transparency/what-we-do/technical-assistance/train-the-trainer.htm and Women Leaders in Tax Transparency pilot programme www.oecd.org/tax/transparency/what-we-do/technical-assistance/women-leaders-in-tax-transparency.htm.

Tax and Crime



The OECD Task Force on Tax Crimes and Other Crimes (TFTC) continues to deliver an ambitious programme, with workstreams on enhancing inter-agency and international cooperation, asset recovery, fighting professional enablers of financial crime, managing investigations involving the misuse of virtual assets, and combatting organised VAT Fraud. The new OECD Recommendation on the Ten Global Principles for Fighting Tax Crime (approved by the OECD Ministerial Council Meeting in June 2022), marks a new era for the TFTC and offers the first comprehensive global standard on combatting tax crimes, by setting out the ten essential legal, institutional, administrative, and operational frameworks necessary to effectively prevent, detect, investigate, and prosecute tax crimes, and to recover the proceeds of those crimes. The OECD is actively engaging with broad-ranging jurisdictions, including G20 Members, to encourage those that have not yet done so to

undertake self-assessments against the Ten Global Principles to support global alignment with this standard.

The OECD also continues to support multilateral capacity building in the fight against tax crimes and illicit financial flows through the OECD International Academy for Tax and Financial crime Investigation (the Academy). The results of a recent Academy Evaluation and Impact Assessment demonstrate the positive effects the Academy has on investigators', their organisations' and jurisdictions' enforcement of financial crime. With the global easing of COVID-19 restrictions, the Academy adopted a hybrid course delivery model, with its centres in Italy, Japan, Argentina and Kenya, now delivering both virtual and on-site courses as part of their curriculum.

TFTC members also support global efforts to stamp out tax crime through the TIWB-CI Programme. Nine developing jurisdictions are currently receiving bilateral support on active tax crime cases as well as technical assistance to identify and implement improvements to their tax crime enforcement frameworks.

In addition to its core programme, in 2023, the **OECD International Academy for Tax and Financial Crime** will deliver two pilot programmes, with a course scheduled in New Delhi later in 2023. Over 600 participants joined Academy training programmes in 2022, taking the total number of participants to over **2 500** since its launch ten years ago.

BEPS Project Implementation

Steady progress continues to be made on the implementation of other BEPS Actions, in particular the four minimum standards.

Almost **50 000 exchanges** of information on tax rulings between governments have taken place to date, with peer reviews on tax rulings covering 131 jurisdictions.

- **Action 5 on Harmful Tax Practices**

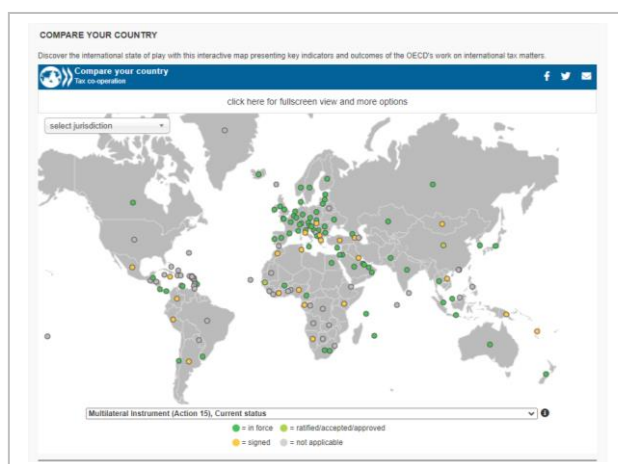
Since the beginning of the BEPS Action 5 peer reviews, the Forum on Harmful Tax Practices (FHTP) has reviewed over 300 preferential regimes and the substance legislation of 12 no tax or only nominal tax jurisdictions.

In January 2023, the results of the FHTP's second annual monitoring of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions were released, showing general progress of the 12 no or only nominal tax jurisdiction towards putting in place the FHTP standard in practice.

- **Action 6 on Tax Treaty Abuse**

Most Inclusive Framework members rely on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (BEPS MLI) to implement Action 6. The BEPS MLI now covers 100 jurisdictions and around 1 850 bilateral tax treaties.

As of 1 February 2023, the BEPS MLI has already started to modify the around 1 150 bilateral treaties concluded among 79 jurisdictions that have ratified it and an additional around 700 treaties will be modified once the BEPS MLI is ratified by all signatories.



- **Action 13 on CbC reporting**

The implementation of CbC reporting is well underway and tangible progress has been made on multiple fronts since I last reported to you, with more jurisdictions introducing domestic legislation to require CbC reporting, and those with existing legislation taking steps to put exchange relationships in place and address recommendations from earlier peer reviews.

Over 100 jurisdictions have a domestic legal framework for CbC reporting in place

In total, 87 jurisdictions have multilateral or bilateral competent authority agreements in place

A number of jurisdictions have final legislation approved that is awaiting official publication

Around 100 jurisdictions have undergone an assessment as to their confidentiality and data safeguards for the purposes of reciprocal exchange

- **Action 14 on Mutual Agreement Procedure**

Under BEPS Action 14, jurisdictions have committed to improving the resolution of tax-related disputes between jurisdictions. As the need for tax certainty increases, this minimum standard is critical to ensuring that tax disputes are resolved in a timely, effective and efficient manner. Despite the significant disruption caused by the COVID-19 pandemic, peer review monitoring of the BEPS Action 14 minimum standard has continued unabated.

In September 2022 the latest peer review reports were released showing the efforts that 13 jurisdictions (Aruba, Bahrain, Barbados, Gibraltar, Greenland, Kazakhstan, Oman, Qatar, Saint Kitts and Nevis, Thailand, Trinidad and Tobago, United Arab Emirates and Viet Nam) have made to comply with the minimum standard. With this, the Action 14 peer review process for all reviewed jurisdictions under the current Assessment Methodology has been completed. The Inclusive Framework has approved revised assessment methodology, whereby monitoring of this important area continues, now involving all Inclusive Framework members.

Inclusive Forum on Carbon Mitigation Approaches

Since I last reported to you, **more than 600 senior officials representing 103 countries and jurisdictions and 9 international and other organisations gathered for the first meeting of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA)** in Paris on 9-10 February 2023.

The IFCMA is an initiative designed to help **improve the global impact of emissions reduction efforts** around the world through data and information sharing, evidence-based mutual learning and **inclusive multilateral dialogue**.

The IFCMA brings together all relevant policy perspectives from countries around the world, participating on an equal footing basis, to take stock of and consider the effectiveness of different carbon mitigation approaches.

With its technical work, the IFCMA seeks to enhance understanding of the full spectrum of carbon mitigation approaches available and their combined global impact. The IFCMA will support individual countries' emissions reduction efforts,

facilitated by better information about the range of good practices available that could be adapted to their individual circumstances. It provides an inclusive and trusted platform for dialogue aimed at ensuring emissions reduction efforts in individual countries and jurisdictions are globally effective and do not just shift emissions to other parts of the world.

As part of the first meeting in February 2023, senior and technical-level delegates from the climate, tax and structural economic policy communities in participating countries met to consider proposed terms of reference and governance arrangements for the IFCMA and initiate discussion on a range of substantive questions raised by the proposed technical work on carbon mitigation approaches. I look forward to reporting back to you as the work of the IFCMA gets underway.

OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors

India, February 2023

This report sets out the latest developments in international tax reform since October 2022, including on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, as well as progress made on tax transparency and efforts to support developing jurisdictions in building sustainable tax revenue bases, and reporting on the first meeting of the Inclusive Forum on Carbon Mitigation Approaches.



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