

OECD SECRETARY-GENERAL TAX REPORT TO G20 LEADERS

India, September 2023



G20 

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Table of contents

Introduction	4
Two-Pillar International Tax Package	4
Work on Indirect Tax	7
Tax and Development & Capacity Building	8
Tax Transparency	9
Tax and Crime	15
Tax Administration	16
Tax Policy and Climate Change	17
BEPS Project Implementation	18
Annex A. Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 11 July 2023	20
Annex B. G20/OECD Roadmap on Developing Countries and International Taxation Update 2023	23
Annex C. Enhancing International Tax Transparency on Real Estate	24
Annex D. Update on the Implementation of the 2021 Strategy on Unleashing the Potential of Automatic Exchange of Information for Developing Countries	25
Annex E. Facilitating the Use of Tax-Treaty-Exchanged Information for Non-Tax Purposes	26

Introduction

Since my last report to you in November 2022, I am delighted to report that a historic milestone was reached at the 15th Plenary Meeting of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework) on 11 July 2023, as 138 members of the Inclusive Framework approved an Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (Two-Pillar Solution). The Outcome Statement (in Annex A) summarises the package of deliverables developed by the Inclusive Framework to address the remaining elements of the Two-Pillar Solution:

- A text of a Multilateral Convention (MLC) developed by the Inclusive Framework, which will allow jurisdictions to exercise a domestic taxing right over a portion of the residual profits of the largest and most profitable multinational enterprises (MNEs) (Amount A of Pillar One);
- A proposed framework for the simplified and streamlined application of the arm's length principle to in-country baseline marketing and distribution activities (Amount B of Pillar One);
- The Subject-to-Tax Rule (STTR) together with its implementation framework, which will enable developing countries to update bilateral tax treaties to “tax back” in respect of certain intra-group income where such income is subject to low or no nominal taxation in the other jurisdiction;
- A comprehensive action plan will be prepared by the OECD to support the swift and co-ordinated implementation of the Two-Pillar Solution, co-ordinating with regional and international organisations.

This is the culmination of an enormous amount of work – across almost 350 days of delegate meetings¹ – to implement the landmark agreement of October 2021 and reflects collaboration and compromises among all jurisdictions – small and large, developing and developed – during the negotiations.

In a further significant development, these 138 Inclusive Framework members have also agreed to refrain from imposing newly enacted digital services taxes (DSTs) or relevant similar measures on any company before 31 December 2024, or the entry into force of the MLC if earlier, provided the signature of the MLC has made sufficient progress by the end of the year. This commitment is made in recognition of the progress made to date and the need to prevent disruption or delay of the ratification of the MLC.

Two-Pillar International Tax Package

Amount A of Pillar One

The Inclusive Framework has delivered a text of a MLC, which will allocate a taxing right to market jurisdictions over a defined portion of the profits of the largest and most profitable MNEs (Amount A of Pillar One). While countries will also implement Amount A via their domestic laws, the MLC is necessary to co-ordinate the exercise of this taxing right across jurisdictions, supersede existing tax treaties where necessary, and ensure double taxation is eliminated.

The MLC sets out the substantive features of Amount A, including:

- The **scope of the taxing right**, which covers MNEs with revenues above EUR 20 billion and profitability above 10%, and applies to 25% of the profit in excess of 10% of revenues. The revenue threshold will be lowered to EUR 10 billion after 7 years, conditional on the successful implementation of Amount A. Targeted exclusions apply to enterprises in the extractives, regulated

¹ Meetings of Working Party 1, Working Party 6, Working Party 11, the Task Force on the Digital Economy, the FTA MAP Forum, the Steering Group of the Inclusive Framework and the Inclusive Framework.

financial services and defence sectors;

- The **revenue sourcing rules**, which determine the allocation of Amount A between market jurisdictions;
- The **mechanisms for relieving double taxation**;
- The **processes to ensure tax certainty** for Amount A and issues related to Amount A;
- The commitment to **remove specified measures, and not to introduce DSTs or relevant similar measures** once Amount A is in effect;
- The **measures relating to the administration of Amount A**, which feature rules for streamlined compliance and rely on a single entity of each covered group to make payments to market jurisdictions;
- The **arrangements regarding the MLC's entry into force**, which will occur on a date decided by contracting jurisdictions after at least 30 jurisdictions accounting for at least 60 percent of the ultimate parent entities (UPEs) of in-scope MNEs have ratified it.

The MLC also includes several provisions designed to address the unique circumstances of developing countries, including the tail-end revenue rule for revenue sourcing, a lower nexus threshold and several de minimis thresholds to ensure small and developing countries fully benefit from Amount A allocations.

Recognising the progress made and the need to prevent disruption or delay of the ratification of the MLC, subject to at least 30 jurisdictions accounting for at least 60 percent of the Ultimate Parent Entities (UPEs) of in-scope MNEs signing the MLC before the end of 2023, members of the Inclusive Framework have agreed to refrain from imposing newly enacted DSTs or relevant similar measures, as defined in the MLC, on any company between 1 January 2024 and the earlier of 31 December 2024, or the entry into force of the MLC.

While a few jurisdictions have expressed concerns with some specific items in the MLC, efforts to resolve these issues are underway with a view to prepare the MLC for signature expeditiously. The MLC will be opened in the second half of 2023 and a signing ceremony will be organised by year end, with the objective of enabling the MLC to enter into force in 2025, allowing for the domestic consultation, legislative, and administrative processes applicable in each jurisdiction.

Amount B of Pillar One

The Inclusive Framework continues to make significant progress on Amount B of Pillar One and has further developed the framework for the simplified and streamlined application of the arm's length principle to in-country baseline marketing and distribution activities. This framework is now open to public consultation, allowing stakeholders to provide feedback that will contribute to finalising the design of Amount B by the end of 2023.

Amount B holds particular significance for low-capacity countries, who lack appropriate local market comparables through which arm's length prices can be established. Moreover, it is expected to reduce disputes, enhance tax certainty, and promote more efficient utilisation of resources for both taxpayers and tax administrations.

Pillar Two GloBE Rules

The implementation of the global minimum tax is now well underway and will come into effect from the beginning of next year. To date, around 50 jurisdictions have taken steps to implement the global minimum tax. This figure includes half the members of the G20 and all the member states of the European Union. The implementation of the global minimum tax continues to gather speed and we

By 2025 almost 90% of global in-scope MNEs will be subject to an effective minimum tax of 15% in every jurisdiction where they operate.

estimate that by 2025 almost 90% of global multinational enterprises (MNEs) with revenues above EUR 750 million will be subject to a minimum effective tax rate of 15% in every jurisdiction where they operate.

Co-ordinated implementation of the global minimum tax across jurisdictions is essential. To ensure a consistent and effective implementation of the Global Anti-Base Erosion (GloBE) Rules under Pillar Two, the Inclusive Framework has agreed to adopt a process for reviewing implementation by each jurisdiction, covering both legislation and

administrative aspects. The efficient application of consistent and co-ordinated rules will be supported through agreed guidance and an administrative framework. Importantly this framework will include a common filing and exchange network based on a standardised GloBE Information Return. Many countries are looking to adopt the GloBE Rules through a qualified domestic minimum top-up tax (QDMTT) which gives that country the first right to collect top-up taxes due under the minimum tax on an MNE's local branches and subsidiaries. The Inclusive Framework is developing further guidance on the application of the QDMTT for those countries which includes the development of an agreed safe harbour.

The Inclusive Framework continues its work to assist with the implementation of the global minimum tax. At the request of the Indian G20 Presidency, the OECD Secretariat is developing a handbook to support the effective implementation of the GloBE Rules, to be delivered to Finance Ministers and Central Bank Governors in October 2023. This handbook will provide a step-by-step approach, together with illustrations on the application of the rules, with a view to making the technical content of the GloBE Rules more accessible. With the GloBE Rules set to come into effect on 1 January 2024 in many jurisdictions, demand from developing countries for support is expected to increase. This report includes a chapter on capacity building that sets out, in further detail, the support to be provided to countries in implementing these rules.

Pillar Two Subject to Tax Rule

The Inclusive Framework has developed and agreed a subject to tax rule (STTR) model treaty provision and commentary that explains its purpose and operation; it has developed a multilateral instrument (MLI) to facilitate the implementation of the STTR, together with an accompanying Explanatory Statement; and, it has agreed the key design features of a process to support developing Inclusive Framework members with implementation.

The STTR is an important part of the consensus on a Two-Pillar Solution for developing countries. It forms part of Pillar Two, alongside the GloBE Rules. The agreement on the STTR is an important milestone and demonstrates significant progress.

As part of the 2021 October Statement, Inclusive Framework members recognised that the STTR is an integral part of achieving a consensus on Pillar Two for developing countries and agreed that Inclusive Framework jurisdictions applying nominal corporate income tax rates below the STTR minimum rate of nine percent to items of covered income would implement the STTR in their bilateral tax treaties when requested to do so by Inclusive Framework jurisdictions identified as developing for this purpose.

The STTR is a treaty-based rule that applies on a transactional basis to intragroup payments from source States that are subject to low nominal tax rates in the State of the payee. The STTR is based on an understanding that where, under a tax treaty, a source State has ceded taxing rights on certain outbound

intragroup payments, it should be able to recover some of those rights where the income in question is taxed (if at all) in the State of the payee (i.e. the residence State) at a rate below nine percent.

The OECD Secretariat stands ready to support members of the Inclusive Framework in their implementation of the STTR.

Economic Impact Assessment

The OECD has recently released updated economic impact assessment data for both Pillars at a public webinar held on 18 January 2023, using the most recently available data.² The analysis shows that Amount A involves a substantial reallocation of taxing rights, with the reallocation largely flowing from investment hubs to market jurisdictions. Pillar One is now expected to allocate new taxing rights on about USD 200 billion in profits to market jurisdictions annually, and result in annual revenue gains of USD 17-31 billion. The analysis shows that growth in MNE profits in recent years, particularly in 2021, has driven an increase in the estimated revenue gains of Amount A, and that developing country revenue gains from Pillar One as a proportion of current corporate tax revenues are expected to be greater than those in more advanced economies.

The OECD is continuing to work on updated estimates of the global minimum tax under Pillar Two, which is expected to reduce global low-taxed profit by around 70%. The minimum tax is expected to raise up to USD 200 billion in additional revenues each year globally, based on the latest available data from 2020, with about one-third of those gains coming from reduced profit shifting. The OECD will publish updated analysis in the coming months.

Work on Indirect Tax

Over 90 countries have now implemented the internationally agreed OECD standards and guidance for addressing the challenges of collecting value added taxes (VAT) on digital trade.

As e-commerce continues to grow and diversify, not least in developing economies, these measures allow governments to secure critical VAT revenues and to ensure a level playing field between e-commerce and traditional businesses, without stifling innovation and economic growth.

The OECD and the World Bank Group (WBG), together with the African Tax Administration Forum (ATAF), released the VAT Digital Toolkit for Africa in February 2023, following the delivery of similar toolkits for Latin America and the Caribbean (2021) and the Asia-Pacific (2022) with the support of the Inter American Center for Tax Administrations (CIAT), the Inter-American Development Bank (IDB) and the Asian Development Bank (ADB). These toolkits provide step-by-step guidance for the design and the implementation of the recommended framework for the collection of VAT on digital trade, taking account of specific regional circumstances and challenges. The OECD has also launched a programme to provide comprehensive technical assistance to interested jurisdictions worldwide. This assistance can cover all aspects of VAT reform targeted at digital trade, including policy guidance, legal drafting, implementation of administrative and compliance processes and robust audit and enforcement strategies.

² www.oecd.org/tax/beps/webinar-economic-impact-assessment-two-pillar-solution.htm (accessed 1 July 2023)

Tax and Development & Capacity Building

2023 Roadmap on Developing Countries and International Tax

In October 2022, the OECD presented **G20 Finance Ministers and Central Bank Governors with a Roadmap on Developing Countries and International Tax**³ setting out further actions the G20 and other interested stakeholders could take to deepen engagement with developing countries. At the November 2022 G20 Leaders' Summit in Bali, you agreed:

“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.”⁴

Considering this call to further strengthen the tax and development agenda, the OECD is now delivering an update on that Roadmap that tracks progress since last year, sets out indicative targets, and outlines the range of specific initiatives that are planned to accelerate progress in areas identified by countries as key priorities. **The report, in Annex B, takes stock of developing countries' progress on international tax, and engagement in the Inclusive Framework.**

The report focuses on action in the area of Country-by-Country (CbC) reporting and support in implementing the Two-Pillar Solution. Work supporting developing countries to respond to the internationally agreed GloBE Rules instituting a global minimum tax from 2024 is particularly urgent, but also presents an important opportunity for countries to implement reforms across their corporate tax bases over the longer term, including the reform of tax incentives.

The OECD's 2022 Report to the G20 on *Tax Incentives and the Global Minimum Corporate Tax*⁵ highlighted that even where a jurisdiction's nominal corporate income tax rate is substantially above the 15% rate specified in the GloBE Rules, the availability of tax incentives, may result in top-up tax. Tax incentives, which are commonly used by developing countries, can mean that substantial numbers of local taxpayers that are affiliates of MNE groups may be impacted by the adoption of the GloBE Rules elsewhere in the world (e.g. in the jurisdiction of the MNE group's ultimate parent entity). However not all incentives will be impacted and incentives that attract strong investment and substantial payroll will be less affected.

The work on tax incentives and measuring the economic impact of the rules in a particular jurisdiction can be complex and resource intensive, requiring targeted bespoke solutions. In addition to supporting countries in undertaking this work, the Inclusive Framework will continue to consider the development of simplifications and safe-harbours that would assist both jurisdictions and MNEs in adjusting to the impact of the GloBE Rules in light of incentives designed to encourage investment, R&D and innovation.

The report also finds that an increasing number of developing countries are continuing to advance in both applying internationally agreed rules and standards, and in terms of contributing to the ongoing development of those rules. Furthermore, even as the rules are finalised and agreed, the Inclusive Framework continues to play an important role as a forum for developing countries to engage on the effective, efficient, and practical implementation of those rules.

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 G20 Bali Leaders' Declaration Bali, Indonesia, 15-16 November 2022

⁵ OECD (2022), *Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax Incentives after the GloBE Rules*, OECD Publishing, Paris, <https://doi.org/10.1787/25d30b96-en>.

In addition, the Outcome Statement calls for a comprehensive action plan to support the swift and co-ordinated implementation of the Two-Pillar Solution, notably by developing countries, in co-ordination with other international and regional organisations.⁶

Tax Inspectors Without Borders

Tax Inspectors Without Borders (TIWB) is a joint initiative of the OECD and United Nations Development Programme (UNDP) 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 have spanned 59 jurisdictions, with 63 completed and 54 current programmes, including 24 South-South programmes.

The initiative offers assistance in a variety of areas, including international tax audit, criminal tax investigations, and effective use of automatically exchanged information. Pilot programmes are underway for the digitalisation of tax administration and opportunities are available for tax administrations to request assistance on tax and the environment, tax and natural resource contracts, auditing VAT on digital trade, effective use of CbC reporting and implementation of the global minimum tax.

A total of **USD 2.07 billion** in additional tax collected and **USD 4.94 billion** in additional tax assessed are attributed to TIWB programmes.

To date, a total of USD 2.07 billion in additional tax collected and USD 4.94 billion in additional tax assessed are attributed to TIWB programmes across Africa, Asia and the Pacific, Eastern Europe, and Latin America and the Caribbean.

Tax Transparency

International Standards for Automatic Exchange of Information in Tax Matters

Following the delivery of the Crypto-Asset Reporting Framework (CARF) and amended Common Reporting Standard (CRS) in October 2022, the OECD has completed the technical work on the international exchange architecture for both frameworks. Following the completion of this work, the OECD Ministerial Council, at its 7-8 June 2023 meeting, adopted a new Recommendation which recognises the CARF as an international standard alongside the amended CRS.⁷ Through this Recommendation, OECD member countries agreed to swiftly adopt the CARF and CRS amendments, invited other relevant jurisdictions to join OECD countries in relation to the Recommendation, and invited

⁶ Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 11 July 2023, www.oecd.org/tax/beps/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.htm.

⁷ The OECD Recommendation on the International Standards for Automatic Exchange of Information in Tax Matters [OECD/LEGAL/0407] was adopted by the OECD Council on 15 July 2014 and revised on 8 June 2023. For access to the official and up-to-date text of the Recommendation, as well as other related information, please consult the Compendium of OECD Legal Instruments at <http://legalinstruments.oecd.org>

the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) to take forward its work to identify jurisdictions of relevance for implementing the CARF and to ensure its widespread implementation.

Prior to these developments, at its November 2022 Plenary meeting in Seville, Spain, the Global Forum welcomed the references to the CARF and the CRS in the October 2022 G20 Finance Ministers Chair's Summary and the subsequent G20 Leaders' Declaration. The Plenary also welcomed the invitation for the Global Forum to

build on its commitment and monitoring processes to ensure the widespread implementation of the CARF and the amended CRS by relevant jurisdictions.⁸ Global Forum members have closely followed the work of the OECD, which has now finalised the implementation packages, and the Global Forum is now taking forward the work to build on its commitment and monitoring processes to deliver in respect of these issues. Consequently, in line with the Statement of Outcomes from its 2022 Plenary meeting,⁹ the Global Forum is establishing a group of interested members to take forward the work in relation to the CARF and is discussing the amended CRS in its AEOI Peer Review Group, with a view to their widespread implementation. We will continue to report back to you on these efforts.

"[We] welcome the Crypto-Asset Reporting Framework and the amendments to the Common Reporting Standard, both of which we consider to be integral additions to the global standards for automatic exchange of information. We call on the OECD to conclude the work on implementation packages, including possible timelines, and invite the Global Forum on Transparency and Exchange of Information for Tax Purposes to build on its commitment and monitoring processes to ensure widespread implementation of both packages by relevant jurisdictions."

**G20 Bali Leaders' Declaration
Bali, 16 November 2022**

A roadmap for enhancing international tax transparency on real estate

In February 2023, the OECD was invited to prepare a report that explores options to enhance international tax transparency on real estate, including on acquisitions of real estate abroad. **I am pleased to submit a report for your consideration, in Annex C, that assesses the tax compliance risks and needs associated with real estate held abroad and lays out proposals for short-term improvements and longer-term structural enhancements.**

Implementation of Tax Transparency Standards

Close to **EUR 126 billion** of additional revenues have been identified by governments so far, thanks to voluntary disclosure programmes and similar initiatives and offshore tax investigations.

Since I last reported to you, the Global Forum has expanded its membership to 168 with three new members.¹⁰ The Global Forum continued its monitoring activities to ensure widespread implementation of the standards on Transparency and Exchange of Information on Request (EOIR) and Automatic Exchange of Financial Account Information (AEOI). With close to 170 members – more than half of which are developing jurisdictions – the

Global Forum also pursues its ambitious technical assistance programme and regional initiatives to ensure all of its members reap the benefits of exchange of information (EOI). A total of close to EUR 126 billion of additional revenues (tax, interest, penalties) have been identified so far, thanks to voluntary disclosure

⁹ <https://www.oecd.org/tax/transparency/documents/2022-global-forum-plenary-meeting-outcomes.pdf> (accessed 1 July 2023)

¹⁰ Angola in March 2023, Zimbabwe in April 2023 and Sierra Leone in May 2023.

programmes and similar initiatives and offshore tax investigations.

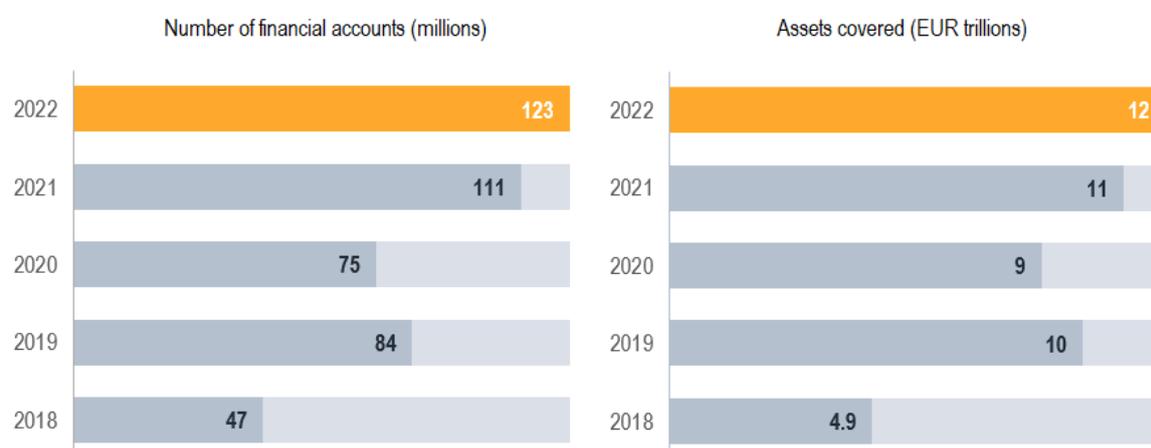
Automatic exchange of financial account information

In the years since the end of bank secrecy for tax purposes, the global implementation of the AEOI standard has become the new normal for tax transparency. In 2022, information on **over 123 million financial accounts worldwide, covering total assets of above EUR 12 trillion**, was exchanged automatically. The numbers of jurisdictions participating in AEOI and the amount of information exchanged continue to increase. Overall, this represents an increasingly mature system, supporting the international community to tackle tax evasion and avoidance by providing tax authorities with significant information on offshore financial activities on an ongoing basis.

The Global Forum has moved to the next stage in ensuring that AEOI is an effective tool for the international community to tackle tax avoidance and evasion. Following the completion and publication, in 2022, of the Global Forum's initial peer reviews of the implementation of AEOI in practice, which assessed whether jurisdictions were on track as regards implementation, the Global Forum has commenced a new round of more detailed peer reviews, with greater expectations. The new process is designed to obtain a higher level of assurance that jurisdictions are effectively ensuring compliance by financial institutions with the due diligence and reporting requirements, and that the information reported is being exchanged effectively in practice.

To deliver on these efforts, since I last reported to you, the Global Forum has begun a programme of onsite visits to verify the level of implementation and the activities that are being conducted in practice, including meetings with the relevant authorities and the financial sector. The programme of onsite visits for the first 99 jurisdictions that implemented AEOI are due to be completed by 2025, at which point the final conclusions will be made and ratings assigned.

Figure 1. Automatic exchange of financial account information (AEOI) - key figures for 2018-2022



Source: 2019, 2020, 2021, 2022 and 2023 Global Forum Surveys.

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.

Exchange of Information on Request

Since last year's report, the Global Forum released 27 new peer review reports on EOIR, including 10 new reports in July 2023.¹¹ More than half of the Global Forum members have now been fully reviewed in the second round of EOIR peer reviews and the ratings assigned are generally positive with 85% of the jurisdictions obtaining satisfactory overall ratings ("Compliant" or "Largely Compliant"), while 13% were assessed as "Partially Compliant" and 2% as "Non-Compliant."

The 10th Global Forum Competent Authorities Conference, hosted by Georgia, brought together **160 participants from 77 jurisdictions** to discuss the implementation of transparency standards.

Assisting Global Forum members through capacity building and regional initiatives

Over **EUR 41 billion** of additional revenue has been identified by developing countries since 2009 through voluntary disclosure programmes and similar initiatives and offshore tax investigations, including the use of EOIR and AEOI data.

For more than 12 years, the Global Forum's capacity building and outreach activities have assisted developing jurisdictions with their implementation of the EOI Standards. In addition, the Global Forum assists jurisdictions in using EOI to mobilise domestic resources. Over EUR 41 billion of additional revenue has been identified by developing countries since 2009 through voluntary disclosure programmes and similar initiatives and offshore tax investigations, including the use of EOIR and AEOI data. In 2022 alone, African, Asian and Latin American jurisdictions respectively identified EUR 76.6 million, EUR 3.9 billion and EUR 708 million through EOI.



Revenues identified in 2022, including through the use of EOIR and AEOI data, by region.

Since I last reported to you, there has been an increase in technical assistance to support members in implementing both standards. In particular, key progress has been made in supporting the implementation of an administrative AEOI compliance strategy with new tools developed to support jurisdiction-specific technical programmes.¹² Additional guidance has also been made available to members to set and implement an appropriate information security management framework, in particular with the launch of guidance on an AEOI secure perimeter as a possible approach for developing

¹¹ Reports released for 10 of its members: Antigua and Barbuda, Argentina, Belize, Faroe Islands, Greenland, Lesotho, Paraguay, Saint Vincent and the Grenadines, and supplementary reports that reflect progress made by two members: Anguilla and Seychelles. See [Global Forum publishes ten new peer review reports on transparency and exchange of information on request](#), 19 July 2023

¹² OECD (2023), *Methodology for implementation of the risk-based approach to administrative compliance – Risk matrix*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris, available to tax authorities on request.

countries.¹³ If implemented, this approach would also enable developing jurisdictions to implement both AEOI and CbC reporting exchanges.

Regional initiatives in Africa, Asia and Latin America

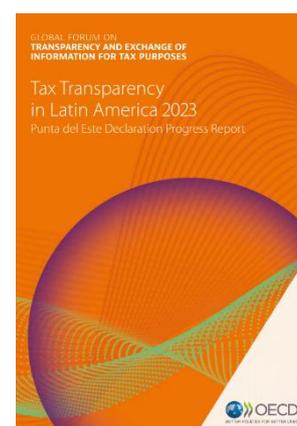
The regional initiatives of the Global Forum allow for tailored regional programmes, whereby members set out dedicated work plans and objectives for each initiative.

Three high-level meetings took place in 2023, which highlight the success of these initiatives; (1) the Fourth Meeting of the Asia Initiative, held in New Delhi, India on 27-28 April 2023, (2) the Eighth Meeting of the Punta del Este Declaration, held in Asunción, Paraguay, on 26-28 June 2023; and (3) the 13th Meeting of the Africa Initiative held on 6-7 July 2023 in Cape Town, South Africa. During these important meetings, the Global Forum launched the report on Tax Transparency in Asia 2023¹⁴, the report Tax Transparency in Latin America 2023¹⁵ and the report on Tax Transparency in Africa 2023.¹⁶



The effective use of the EOI Standards remains uneven **in Asia**. Many Asian countries are not yet members of the Global Forum and some jurisdictions still make few EOI requests or have not yet committed to implement the AEOI standard by a specific date. Through **the Asia Initiative**, launched at the end of 2021 under the Indonesian G20 Presidency, 22 Asian countries had signed up to the Bali Declaration. Sixteen of them committed to undertake first AEOI exchanges by 2024. Their commitment to achieve full EOI potential for the region has set an example for other countries in the region to follow.

In Latin America, the 15 Global Forum members in the region are at different levels of maturity in the implementation and use of EOI standards. The most advanced countries are effectively using the EOI tools by sending requests for information to support tax investigations (735 in 2022), implementing and increasingly using data received automatically (10 out of 15 Latin American members) and raising domestic revenues, **EUR 27.8 billion since 2009**. By sharing experience and engaging in tailored technical assistance under the Latin American Initiative, more Latin American members are benefiting from a solid capacity-building framework to advance and benefit from tax transparency.

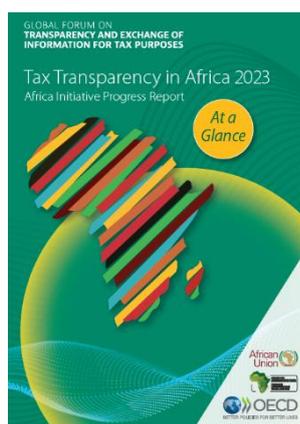


¹³ OECD (2023), *Guidance on implementation of a secure perimeter for AEOI purposes, A tactical approach on confidentiality and data safeguards for developing countries*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris, available to tax authorities on request.

¹⁴ OECD (2023), *Tax Transparency in Asia 2023: Asia Initiative Progress Report*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris, <https://www.oecd.org/tax/transparency/documents/tax-transparency-in-asia-2023.htm>

¹⁵ OECD (2023), *Tax Transparency in Latin America 2023: Punta del Este Declaration Progress Report*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris, www.oecd.org/tax/transparency/documents/tax-transparency-in-latin-america-2023.pdf.

¹⁶ OECD (2023), *Tax Transparency in Africa 2023: Africa Initiative Progress Report*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris, www.oecd.org/tax/transparency/documents/tax-transparency-in-africa-2023.pdf.



In Africa, solid progress was recorded in 2022, although it has been uneven among countries. African countries are progressively setting their EOI infrastructures, including by joining the Convention on Mutual Administrative Assistance in Tax Matters. More advanced countries are using EOI tools with 531 requests for information sent. In addition, 10 countries are now committed to begin AEOI by a certain date while others are considering such a date with the support of the Global Forum. **Since 2009, African countries have identified at least EUR 1.69 billion in additional revenues.**

Facilitating the adoption and implementation of AEOI by developing jurisdictions

To unleash the potential of AEOI for developing countries, the Global Forum released its new strategy at the end of 2021.¹⁷ **At the request of the Indian G20 Presidency, the Secretariat of the Global Forum prepared a report, which is at Annex D, that provides an update on progress made in implementing the modular approach for developing countries.** The report covers the necessary implementation requirements in respect of the legal framework, the practical operational and confidentiality and data safeguarding aspects.

Developing country members of the Global Forum have already identified over **EUR 36 billion** in additional revenue (tax, interest, and penalties) between 2014 and 2022.

The majority of the developing countries that are members of the Global Forum are now implementing the AEOI Standard: 48 developing members have committed to start AEOI by a defined date, representing 39% of the 123 committed countries and over 52% of the 92 developing country members of the Global Forum. In parallel, more developing countries are receiving technical support to determine a suitable date for their first AEOI exchanges. Developing countries are also benefiting from the implementation of the AEOI Standard: they are receiving more information than what they provide, and they have already identified over EUR 36 billion in additional revenue (tax, interest, and penalties) between 2014 and 2022, thanks to voluntary disclosure programmes and similar initiatives and the use of AEOI data.

Focus on sharing information for non-tax purposes

Tax authorities have information that may be relevant for the work of other law enforcement agencies (e.g. 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,” is instrumental in the fight against illicit financial flows (IFFs), money laundering and corruption, and supports a “whole-of-government approach” to addressing financial crimes.

While several jurisdictions are interested in developing this form of co-operation as part of their whole-of-government approach to fighting IFFs, they can often face operational challenges in implementing in practice wider use, in particular to obtain the consent from the jurisdiction providing the information.

Following a request from the Indian G20 Presidency, the Secretariat of the Global Forum has delivered a report, which is at Annex E, that includes an approach to advance and streamline the wider use of treaty exchanged information between interested jurisdictions. This could be achieved through the implementation of co-operation agreements, e.g. between competent authorities for exchange

¹⁷ OECD (2021), *Unleashing the potential of automatic exchange of information for developing countries, 2021 Strategy*, www.oecd.org/tax/transparency/documents/aeoi-strategy-developing-countries.pdf.

of information for tax purposes, and between tax and non-tax authorities at the domestic level. This also considers operational procedures to reduce implementation barriers and ensure the observation of confidentiality and data safeguards requirements.

Training activities

There remains a focus on training, with novel approaches to best disseminate knowledge and expertise.

- The **Train the Trainer programme**,¹⁸ which resulted in the training of more than 2 600 officials in 2022 by almost 70 officials in Africa, Asia and Latin America, was expanded in 2023 to also encompass Central and Eastern Europe and the Middle East in 2023. This year 93 officials from 46 countries are participating to this 9-month programme.
- The **Women Leaders in Tax Transparency programme**¹⁹ recently launched its second iteration with 23 female participants from 23 developing countries, given the successful completion of its first-year pilot programme in 2022.

Tax and Crime

As part of the Indian G20 Presidency, the OECD was proud to support the G20 High-Level Tax Symposium on “Combatting Tax Evasion, Corruption and Money Laundering” in Gandhinagar on 16 July 2023. This event provided an opportunity for G20 Finance Ministers to reflect on the links between tax and serious economic crime, and how to improve detection and investigation capabilities, including through enhanced mechanisms for cross-border information sharing.

To date, the OECD Academy for Tax and Financial crime Investigation has trained over 2 700 government officials involved in the fight against financial crime from more than 170 jurisdictions.

The OECD Task Force on Tax Crimes and Other Crimes (TFTC) has an ambitious work programme underpinned by the *OECD Council Recommendation on the Ten Global Principles for Fighting Tax Crime*. As part of its permanent work on enhancing inter-agency and international co-operation in the fight against tax crime and other financial crimes, the TFTC is currently preparing a series of reports and toolkits focusing on the development of whole-of-government strategies to tackle tax crime (including fostering trust among stakeholders), and on sophisticated fraud manoeuvres such as “cum-ex” or dividend stripping. The OECD actively engages with a broad range of jurisdictions, including members of the G20, to encourage those that have not already done so to undertake self-assessments against the Ten Global Principles to support global alignment with the standard.

¹⁸ www.oecd.org/tax/transparency/what-we-do/technical-assistance/train-the-trainer.htm (accessed 1 July 2023)

¹⁹ www.oecd.org/tax/transparency/what-we-do/technical-assistance/women-leaders-in-tax-transparency.htm (accessed 1 July 2023)



Launch of the pilot programme on conducting financial investigations on 18 July 2023 at the Regional Campus of National Academy of Direct Taxes in New Delhi, India.

The OECD also continues to support multilateral capacity building in the fight against tax crimes and illicit financial flows through the OECD Academy for Tax and Financial Crime Investigation (the Academy). Follow-up surveys to Academy programmes (both on-site and virtual) demonstrate the positive effects the Academy has on investigators, their organisations and their jurisdictions' enforcement of financial crime. To date, the Academy has trained over 2 700 government officials involved in the fight against financial crime from more than 170 jurisdictions. At the same time as Finance Ministers and Central Bank Governors met in Gandhinagar in July 2023, the OECD and the Indian

G20 Presidency also launched a new pilot programme of the Academy for investigators from the South Asian region. The first training sessions under the new pilot programme took place in Delhi on 18-27 July 2023.

TFTC members also support global efforts to stamp out tax crime through Tax Inspectors Without Borders – Criminal Investigation (TIWB-CI) programmes. 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.

Tax Administration

Tax Administration and Digital Transformation

For the past three years, the OECD's Tax Administration 3.0 report²⁰ has established a vision for the digital transformation of the tax administration operating model which envisages moving taxation processes increasingly into the systems that businesses and individual taxpayers use in their daily lives. The aim is to make tax a more seamless and frictionless process, significantly reducing burdens on taxpayers over time and building-in compliance, with taxation increasingly happening closer to the taxable event. The Tax Administration 3.0 vision is increasingly being incorporated by tax administrations globally into their longer-term reform strategies.

Against that background, the Forum on Tax Administration (FTA) Commissioners agreed at their annual Plenary in Sydney in September 2022²¹ to set up a new senior level group to guide the next more practical phase of work on Tax Administration 3.0. This group brings together 41 tax administrations, alongside business and academic representatives, with the shared aim of identifying high-value international collaborative projects to help accelerate digital transformation, in particular by seeking to develop common technical solutions to shared problems. The group met on 23-24 May 2023 in Paris and is scoping out potential collaborative projects for agreement at the FTA Plenary meeting in Singapore in October 2023.

²⁰ OECD (2020), *Tax Administration 3.0: The Digital Transformation of Tax Administration*, OECD, Paris. www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-3-0-the-digital-transformation-of-tax-administration.htm.

²¹ Statement of Outcomes of the 2022 Forum on Tax Administration Plenary meeting: www.oecd.org/tax/forum-on-tax-administration/events/2022/forum-on-tax-administration-communique-2022.pdf

Tax Certainty

As tax certainty becomes increasingly important, two important manuals have recently been developed by the FTA MAP Forum, in conjunction with the FTA Large Business International Programme:

- The *Bilateral Advance Pricing Arrangement Manual*²² (“BAPAM”), which is intended as a guide for streamlining the Bilateral Advance Pricing Arrangement (BAPA) process. The BAPAM provides tax administrations and taxpayers with information on the operation of BAPAs and identifies 29 best practices for BAPAs without imposing a set of binding rules. As part of the BAPAM’s development, tax administrations have committed to assessing whether implementation of these best practices is appropriate, considering the circumstances of their own BAPA programme and the unique features of each BAPA application, so that the best practices are applied appropriately and with enough flexibility to improve current BAPA processes. The BAPAM also highlights what tax administrations expect from taxpayers in the BAPA process to facilitate a cooperative and collaborative process.
- The *Manual on the Handling of Multilateral MAPs and APAs*²³ (MoMA), which is intended as a guide to multilateral Mutual Agreement Procedure (MAP) and Advance Pricing Agreement (APA) processes from both a legal and procedural perspective. The MoMA provides tax administrations and taxpayers with basic information on the operation of such procedures and suggests different approaches based on the existing practices of jurisdictions, without imposing a set of binding rules. The MoMA allows tax administrations to explore whether implementation of these procedures is appropriate considering the circumstances of their own MAP and APA programmes and to consider whether the guidance therein may be incorporated in their domestic guidance on MAP or APA processes to provide additional clarity.

Tax Policy and Climate Change

Since I last reported to you, the OECD has released the report “*Net Zero+: Climate and Economic Resilience in a Changing World*,”²⁴ which explores approaches to ensure that the transition to net-zero emissions is resilient to changing economic conditions and other disruptions, while simultaneously building resilience to the impacts of climate change. Sound public finances are a prerequisite for a resilient transition, and the impact of different policy approaches on revenues and expenditures varies. Careful fiscal planning is needed, and is strongly context-specific. In addition, the distributional effects of the transition need to be managed to ensure public support, and tax policy can help to shape distributional outcomes.

By combining earlier work on energy taxation, carbon taxation, tradeable emissions permit prices – collected in the *Taxing Energy Use* and *Effective Carbon Rates* databases – with the *OECD Inventory of Support Measures for Fossil Fuels*, a new indicator has been produced that summarises the combined effect of taxes, carbon prices and fossil fuel support measures on the effective price of CO₂-emissions from energy use. The *Net Effective Carbon Rate* allows for a comparison of the impact of policies covered across fuels, users, sectors and countries.²⁵ The work on *Effective Carbon Rates* is also part of

²² OECD (2022), *Bilateral Advance Pricing Arrangement Manual*, OECD Publishing, Paris, <https://doi.org/10.1787/4aa570e1-en>.

²³ OECD (2023), *Manual on the Handling of Multilateral Mutual Agreement Procedures and Advance Pricing Arrangements: Enhancing Tax Certainty*, OECD Publishing, Paris, <https://doi.org/10.1787/f0cad7f3-en>.

²⁴ www.oecd.org/climate-change/net-zero-resilience/ (accessed 1 July 2023)

²⁵ Garsous, G., et al. (2023), “Net effective carbon rates”, *OECD Taxation Working Papers*, No. 61, OECD Publishing, Paris, <https://doi.org/10.1787/279e049e-en>.

the comprehensive data collection exercise of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA), where in addition, the broad set of mitigation policies beyond carbon pricing will be covered.

BEPS Project Implementation

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

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 close to 320 preferential regimes and the substance legislation of 12 no tax or only nominal tax jurisdictions. In June 2023, the FHTP released the results for a further five preferential tax regimes and has launched its third annual monitoring of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions, with results to be expected later this year.

In addition, 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 6 on Tax Treaty Abuse

The Fifth Peer Review Report on Treaty Shopping, released since I last reported to you, in March 2023, demonstrated sustained progress in the implementation of the BEPS Action 6 minimum standard to prevent tax treaty shopping. The sixth peer review process, launched in April 2023, is currently underway.

Most Inclusive Framework members continue to rely on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (BEPS MLI) to implement Action 6.

As of 1 September 2023, the BEPS MLI has already started to modify around 1 200 bilateral treaties concluded among 83 jurisdictions that have ratified it and around an additional 650 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 advanced and tangible progress has been made on multiple fronts since I last reported to you, with over 110 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, such as implementing processes to ensure the appropriate use of CbC reporting data.

- Over 110 jurisdictions have a domestic legal framework for CbC reporting in place.
- In total, 88 jurisdictions have multilateral or bilateral competent authority agreements in place which permit the exchange of CbC reports.
- Of the jurisdictions included in the peer review, 90 have undergone an assessment as to their confidentiality and data safeguards for the purposes of reciprocal exchange.
- 71 jurisdictions have provided detailed information, enabling the Inclusive Framework to obtain sufficient assurance that measures are in place to ensure the appropriate use of CbC reports.

Action 14 on Mutual Agreement Procedure

Under BEPS Action 14, jurisdictions have committed to improving the resolution of tax-related disputes between jurisdictions. Tax certainty remains one of the most important concerns for business and this minimum standard is critical to ensuring that tax disputes are resolved in a timely, effective and efficient manner. It was therefore decided to review all Inclusive Framework members, starting in 2023 with the jurisdictions that have no or only limited experience in dispute resolution.

In January 2023, the first batch of the simplified peer review was launched for 10 jurisdictions, followed by the second batch of peer review for another 10 jurisdictions in April 2023. The first reports were discussed in the July meeting of the FTA MAP Forum and the next batch are being discussed in the September meeting. The review will continue in accordance with the schedule²⁶ that is published on the OECD website.

²⁶ www.oecd.org/tax/beps/beps-action-14-peer-review-assessment-schedule.pdf (accessed 1 July 2023)

Annex A. Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 11 July 2023

This document sets out the Outcome Statement approved by [138 members](#) of the OECD/G20 Inclusive Framework on BEPS as of 11 July 2023.

Introduction

1. Members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework) have delivered a package to further implement the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.
2. The consensus-based Two-Pillar Solution plays an important role to ensure fairness and equity in our tax systems and to fortify the international tax framework in the face of new and changing business models. The global minimum tax under Pillar Two establishes a floor on corporate tax competition which will ensure a multinational enterprise (MNE) is subject to tax in each jurisdiction at a 15% effective minimum tax rate regardless of where it operates, thereby ensuring a level playing field. This global minimum tax framework under Pillar Two is already a reality, with over 50 jurisdictions taking steps towards implementation.
3. The Inclusive Framework is finalising the work on Pillar One and has completed the work on the development of the Subject to Tax Rule (STTR) and its implementation framework. Amount A of Pillar One will establish a taxing right for market jurisdictions with respect to a defined portion of the residual profits of the largest and most profitable MNEs operating in their markets, prevent the proliferation of Digital Service Taxes (DSTs) and relevant similar measures, avoid double taxation and excessive compliance burdens, and enhance stability and certainty in the international tax system.
4. This Statement summarises the package of deliverables developed by the Inclusive Framework to address the remaining elements of the Two-Pillar Solution. This package reflects compromises made by small and large jurisdictions, developing and developed countries, and source and residence jurisdictions alike.
5. The package delivered by members of the Inclusive Framework comprises four parts, which are outlined in the following paragraphs.

Part I – Multilateral Convention on Amount A of Pillar One

6. The Inclusive Framework has delivered a text of a Multilateral Convention (MLC),¹ which will allow the Parties to the MLC to exercise a domestic taxing right (Amount A of Pillar One) with respect to a defined portion of the residual profits of MNEs that meet certain revenue and profitability thresholds and that have a defined nexus to the markets of these Parties.

7. The MLC sets out the substantive features necessary for it to be prepared for signature, including the scope and operation of the permissible taxing right, the mechanisms for relieving double taxation, a process for ensuring tax certainty, the conditions for the removal of existing DSTs and relevant similar measures upon its entry into effect, and the commitment as of the same time not to enact new DSTs and relevant similar measures. The MLC also includes several provisions designed to address the unique circumstances of developing Inclusive Framework members. The MLC will be accompanied by an Explanatory Statement that will set out the common understanding of the MLC.

8. A few jurisdictions have expressed concerns with some specific items in the MLC. Efforts to resolve these issues are underway with a view to prepare the MLC for signature expeditiously. The MLC will be opened in the second half of 2023 and a signing ceremony will be organised by year end, with the objective of enabling the MLC to enter into force in 2025, allowing for the domestic consultation, legislative, and administrative processes applicable in each jurisdiction.

9. Recognising the progress made and the need to prevent disruption or delay of the ratification of the MLC, and subject to at least 30 jurisdictions accounting for at least 60 percent of the Ultimate Parent Entities (UPEs) of in-scope MNEs signing the MLC before the end of 2023, members of the Inclusive Framework agree to refrain from imposing newly enacted DSTs or relevant similar measures, as defined in the MLC, on any company between 1 January 2024 and the earlier of 31 December 2024, or the entry into force of the MLC. Assuming sufficient progress has been made by that date towards the entry into force of the MLC, members of the Inclusive Framework may agree to extend this commitment to the earlier of 31 December 2025, or the entry into force of the MLC.

Part II – Amount B of Pillar One

10. Amount B of Pillar One provides a framework for the simplified and streamlined 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 which are most often related to the unavailability of appropriate local market comparables through which arm's length prices can be established.

11. The Inclusive Framework recognises that Amount B is a critical component of the broader agreement on Pillar One and as such have achieved consensus on many aspects of that framework. To ensure the appropriateness of the scope and pricing framework, further work will be undertaken on the following aspects:

- I. Ensuring an appropriate balance between a quantitative and qualitative approach in identifying baseline distribution activities;
- II. The appropriateness of:
 - a) the pricing framework, including in light of the final agreement on scope;
 - b) the application of the framework to the wholesale distribution of digital goods;
 - c) country uplifts within geographic markets; and
 - d) the criteria to apply Amount B utilising a local database in certain jurisdictions.

¹ With efforts continuing on a small number of specific items as mentioned in paragraph 8.

12. We invite input from stakeholders on the elements identified above through 1 September 2023 with the work on those elements to be completed by year end.

13. Once this work is completed, the Inclusive Framework will approve and publish a final Amount B report, content from which will be incorporated into the OECD Transfer Pricing Guidelines by January 2024 with due consideration given to both the needs of low-capacity jurisdictions (which are most often related to the absence of local market comparables), and the interdependence of Amount B and the signing and entry into force of the MLC. The timeline for the smooth implementation of Amount B will take into account those considerations and the time necessary for some jurisdictions to adopt legislative changes to give effect to the revised guidelines as well as to allow business to be prepared.

Part III – The Subject to Tax Rule (STTR) under Pillar Two

14. The STTR is an integral part of achieving consensus on Pillar Two for developing Inclusive Framework members. Inclusive Framework members that apply nominal corporate income tax rates below nine per cent to intra-group interest, royalties and a defined set of other payments will implement the STTR in their treaties with developing Inclusive Framework members when requested to do so.

15. The Inclusive Framework has completed and delivered:

- **An STTR model provision and commentary.** The STTR is a treaty-based rule, which applies to intra-group interest, royalties and a defined set of other intra-group payments (covered income). The list of covered income includes all payments for intra-group services. Where items of covered income are subject to a nominal corporate income tax rate below the STTR minimum rate of nine per cent in the residence jurisdiction, and the treaty limits the rate at which the jurisdiction in which that income arises can tax that income, the STTR allows that jurisdiction to tax it at a rate up to the difference between nine per cent and the nominal corporate income tax rate of the residence jurisdiction. The STTR is subject to certain exclusions, a materiality threshold and a mark-up threshold, and is administered through an ex-post annualised charge.
- **A Multilateral Instrument (MLI), together with an Explanatory Statement,** to facilitate the implementation of the STTR. The MLI will amend the treaties that it covers. The Explanatory Statement reflects the agreed understanding of the negotiators on the approach taken in the MLI. Finally, the Inclusive Framework has also agreed a process to assist developing Inclusive Framework members in implementing the STTR.

The MLI implementing the STTR will be open for signature from 2 October 2023. Inclusive Framework members can elect to implement the STTR by signing the MLI, or bilaterally amending their treaties to include the STTR when requested by developing Inclusive Framework members.

Part IV – Implementation Support

16. The Inclusive Framework also calls upon the Secretariat to prepare a comprehensive action plan to support the swift and co-ordinated implementation of the Two-Pillar Solution. In particular, the plan should offer additional support and technical assistance to enhance the capacity necessary for the implementation of the Two-Pillar Solution by developing countries. In this regard, the OECD should co-ordinate with relevant regional and international organisations.

Annex B. G20/OECD Roadmap on Developing Countries and International Taxation Update 2023

[Available to download here.](#)

Annex C. Enhancing International Tax Transparency on Real Estate

[Available to download here.](#)

Annex D. Update on the Implementation of the 2021 Strategy on Unleashing the Potential of Automatic Exchange of Information for Developing Countries

[Available to download here.](#)

Annex E. Facilitating the Use of Tax-Treaty-Exchanged Information for Non-Tax Purposes

[Available to download here.](#)

OECD Secretary-General Tax Report to G20 Leaders

India, September 2023



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