



OECD TAX TALKS

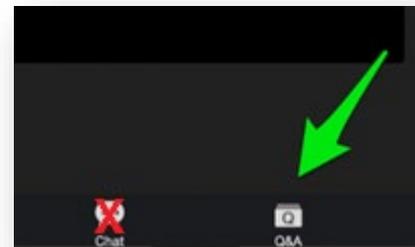
CENTRE FOR TAX POLICY
AND ADMINISTRATION

21 February 2022
15:30-16:30 (CET)



Housekeeping

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



INTRODUCTION

Speakers



- **Pascal Saint-Amans**
Director, OECD Centre for Tax Policy and Administration



- **Manuel De Los Santos**
Acting Head, Transfer Pricing Unit



- **Achim Pross**
Head, International Co-operation and Tax Administration Division



- **Félicie Bonnet**
Advisor, International Co-operation and Tax Administration Division



- **Melissa Dejong**
Senior Advisor, International Co-operation and Tax Administration Division



- **Lee Harley**
Head, Tax Treaties Unit

Overview

- **General update**
- **Pillar One update**
- **Pillar Two update**
- **Other workstreams**



GENERAL UPDATE

Since we last met...

- 1 July Agreement
- 8 October Landmark Agreement
 - 136 members + Mauritania



Pillar One

- Taxing rights over 25% of the residual profit of the largest and most profitable MNEs to be re-allocated to market jurisdictions (Amount A)
- Simplified/streamlined approach to the application of the arm's length principle (Amount B)

Pillar Two

- GloBE rules for a new global minimum corporate tax rate at 15% to apply to all MNEs with annual revenue over 750 million euros
- New Subject to Tax rule (STTR) for certain jurisdictions

Detailed Implementation Plan

- For 2023:
 - Pillar One
 - MLC + Model domestic rules
 - Pillar Two
 - GloBE rules + MLI for STTR
 - Implementation Framework



Since 8 October...

Pillar Two

- Model GloBE Rules published December 2021
- Commentary to the Model GloBE Rules to be published soon
- Consultation on Implementation Framework to be launched shortly
- Model treaty provision to facilitate STTR and a discussion draft on new MLI to facilitate STTR implementation to be released for input in March 2022

Pillar One

- Amount A distilled into approx. 14 building blocks
- Task Force on the Digital Economy (TFDE) agreeing technical work
- Consultations underway: nexus and revenue sourcing (completed), tax base determination (ongoing, launched 18 February)
- TFDE in MLC format to agree MLC by mid-2022, negotiations underway since 17 January 2022



G20 leadership



“To ensure the swift global implementation of the historic OECD/G20 two-pillar international tax package agreed in 2021, we commit to develop the model rules and multilateral instruments according to the timetable provided in the Detailed Implementation Plan, with a view to ensure that the new rules will come into effect at global level in 2023. We welcome the technical design of the Global anti-base erosion Model Rules for Pillar 2 adopted by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), and call for their finalization and consistent implementation at a global level as a common approach. We also welcome the ongoing development of the Multilateral Convention for Pillar 1. Bespoke technical assistance will be available to developing countries to support all aspects of implementation. We support the global and regional efforts, including in the Asia-Pacific region, to improve domestic resource mobilization in developing countries through technical assistance and capacity building and welcome the G20 Ministerial Symposium to discuss these issues. We support the progress made on implementing internationally agreed tax transparency standards. We ask the OECD to swiftly complete the work on the framework for the automatic exchange of information on crypto-assets. We acknowledge the OECD/G20 Inclusive Framework on BEPS report on Tax Policy and Gender Equality.”

**G20 Finance Ministers and Central Bank Governors Communique
Jakarta, 17-18 February 2022**



G20: Issues for further action

“International Taxation

- We ask the OECD as a top priority to explore further the recommendations of the report on developing countries and the OECD/G20 Inclusive Framework on BEPS to identify possible areas where domestic resource mobilization efforts could be further supported, including in the Asia-Pacific region and in collaboration with the Asian Development Bank’s Asia-Pacific Tax Hub.
- We ask the OECD to complete the work on a reporting framework for automatic exchange of information on crypto-assets, with a view to improve tax compliance.
- We look forward to the OECD work on the tax policy implications of gender equality.”

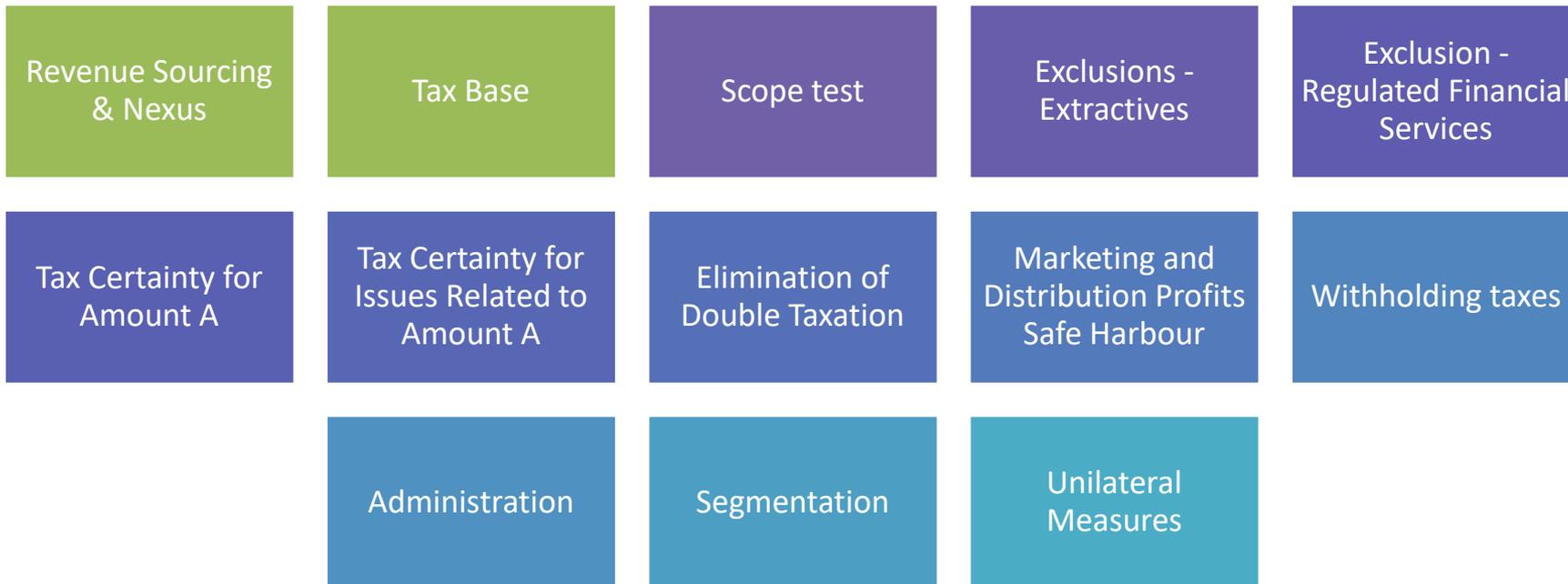
**G20 Finance Ministers and Central Bank Governors Communique
Jakarta, 17-18 February 2022**



PILLAR ONE UPDATE

Amount A

Speaker:
Achim Pross



Pillar One state of play

Speaker:
Achim Pross

Public Consultations on Amount A building blocks now underway on a rolling basis

Nexus and Revenue Sourcing

- Public consultation period completed (deadline 18 February)
- TFDE now to finalise model rules based on public input
- MLC negotiations underway in special TFDE setting (TFDE in MLC format)

Tax base determinations

- Public consultation document released on 18 February
- Deadline for comments on 4 March
- TFDE to finalise model rules based on stakeholder input and start MLC negotiations in early March

Other building blocks

- TFDE continues technical work on other building blocks
- Once stable, these will be released on a rolling basis
- MLC negotiations to start once a building block has been submitted for public consultation



Revenue sourcing

Speaker:
Melissa Dejong

- The journey so far
- Illustration – the finished goods rule
- Common themes:
 - accuracy with flexibility;
 - use what you have to sensibly approximate;
 - make sure all revenue sourced;
 - provide certainty.



- Lessons and key findings from public comments:
 - Transaction by transaction approach;
 - “Reasonableness” in context;
 - Simplicity;
 - Crucial link to certainty process.

Amount B

Speaker:
Manuel de los Santos

- *The application of the arm's length principle to **in-country baseline marketing and distribution** activities will be **simplified and streamlined**, with a particular **focus on the needs of low capacity countries**.*
- Reduce and prevent disputes on pricing marketing and distribution arrangements
- Special consideration of low capacity jurisdictions



Amount B

Speaker:
Manuel de los Santos

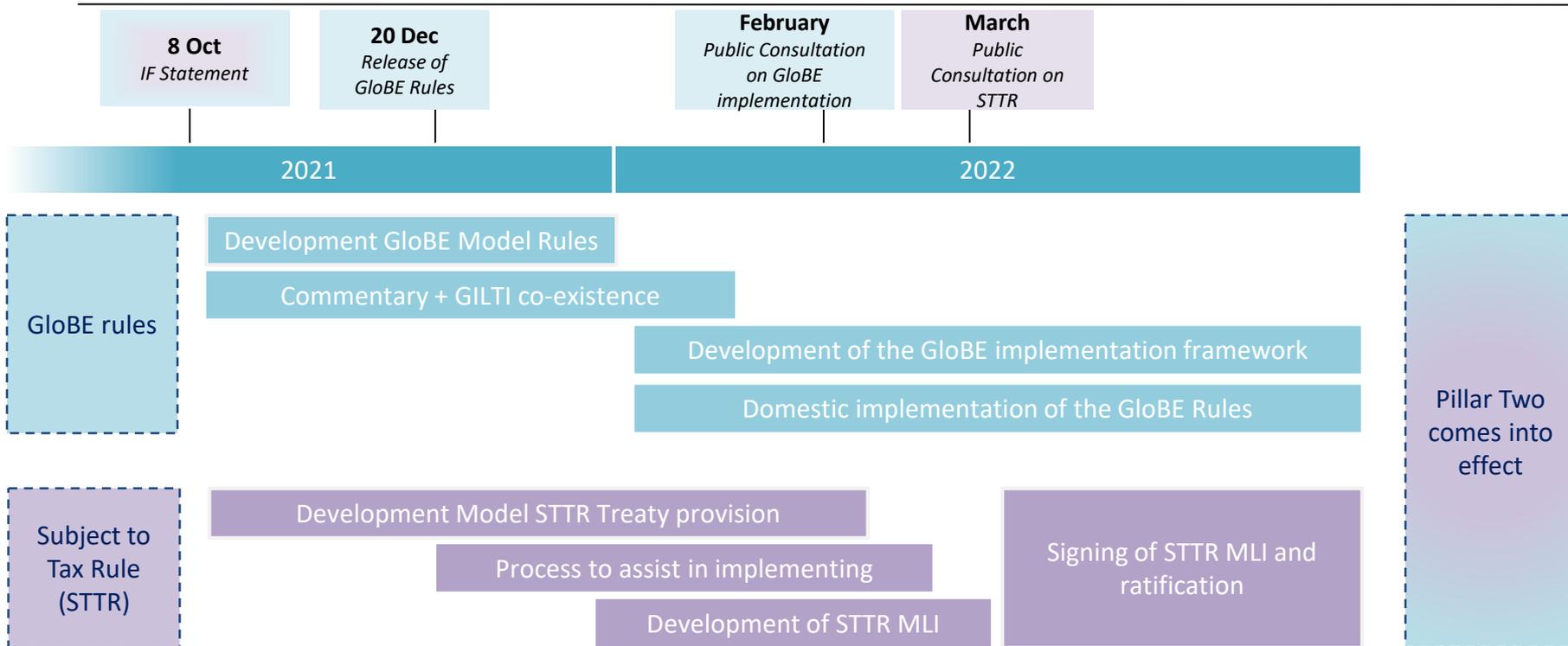
- Current technical work is focused on
 - Defining baseline marketing and distribution activities
 - Pricing baseline marketing and distribution activities
- Public consultation by mid-2022
- Work to be finalised by end-2022



PILLAR TWO UPDATE

Pillar Two state of play

Speaker:
Achim Pross



GloBE Rules

Overview

Speaker:
Félicie Bonnet

Who is in scope?

- Identify MNE Groups within scope
- Identify Constituent Entities and Excluded Entities within the Group

Is the ETR below 15%?

- Jurisdictional blending approach
- Determine the GloBE Income of each Constituent Entity, on the basis of its financial accounts
- Determine taxes attributable to that income, including deferred tax expense to some extent

How much top-up tax is due?

- Amount necessary to bring the ETR up to 15% in each jurisdiction
- Exceptions, e.g. de minimis exclusion, Substance-based carve-out

Where is top-up tax paid?

- Qualified Domestic Minimum Top-up Tax, if any
- Income Inclusion Rule (top-down approach with an exception for partially-owned parent entities)
- UTPR (allocation mechanism based on substance)



GloBE Rules

Next steps

Speaker:
Félicie Bonnet

GloBE Implementation Framework (Before end 2022)

- Administrative, compliance and co-ordination issues relating to the GloBE rules

Upcoming public consultation (February/March 2022)

- Consultation on aspects of the GloBE Implementation Framework that can benefit from stakeholder input, such as:
 - Filing obligations and implications for MNE Groups
 - Safe harbours (jurisdictional ETR computation)



STTR

Work streams

Speaker:
Lee Harley

STTR model treaty provision

- Model treaty provision to be introduced in tax treaties

Commentary

- Guidance on how to interpret and apply the STTR

Process to assist in implementing

- To support jurisdictions in implementing the STTR

A multilateral instrument

- To modify relevant tax treaties and implement the STTR swiftly



STTR

Consultation with business and other stakeholders

Speaker:
Lee Harley

Upcoming Public consultation – in March 2022

- Public discussion draft on model treaty provision and commentary
 - Inputs on questions related to the application and administration of the STTR
- Public discussion draft on the development of STTR multilateral instrument
 - Input on specific technical questions that may arise from implementing STTR in existing bilateral tax treaties



OTHER WORKSTREAMS

Other workstreams

- Tax and development
- Tax transparency
- Tax administration
- Tax and gender
- Carbon pricing





Priority Actions agreed during Ministerial Round Table on
Developing Countries and
International Taxation chaired by Minister of Finance

Kingston, Jamaica: Friday, November 12, 2021

Ministers of finance and senior officials from countries in various regions across the world gathered virtually on November 10th for a roundtable event chaired by Minister of Finance and the Public Service, Dr. Nigel Clarke, to assess how developing countries could benefit fully from recent developments in international tax cooperation. The meeting was held in cooperation with the Organisation for Economic Co-operation and Development (OECD).

The discussions took place at a time when the global tax landscape is evolving quickly, particularly as developing countries are experiencing constrained fiscal space due to the global pandemic and there is therefore an urgency to ensure that developing countries benefit from new opportunities, including international tax matters.

The Ministers discussed the progress made by developing countries since the establishment in 2016 of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS"), an international collaboration of 141 countries and jurisdictions working on an equal footing to prevent profit shifting by large multinational enterprises. They noted the positive impact that developing countries have had on the Two-Pillar Solution agreed by 137 countries and jurisdictions to address the tax challenges arising from the digitalisation of the economy, with representatives from Italy and Indonesia – as the outgoing and incoming G20 presidencies – noting their commitment to focus attention on the needs of developing countries.



Tax and development I

- Progress Report: Developing Countries and the OECD/G20 Inclusive Framework on BEPS
 - October 2021
- Ministerial Round Table on Developing Countries and International Taxation hosted by Jamaica
 - November 2021
- Upcoming G20 Ministerial Tax Symposium on Development
 - July 2022

“...Bespoke technical assistance will be available to developing countries to support all aspects of implementation. We support the global and regional efforts, including in the Asia-Pacific region, to improve domestic resource mobilization in developing countries through technical assistance and capacity building and welcome the G20 Ministerial Symposium to discuss these issues.”

G20 Finance Ministers and Central Bank Governors Communique
Jakarta, February 17-18, 2022



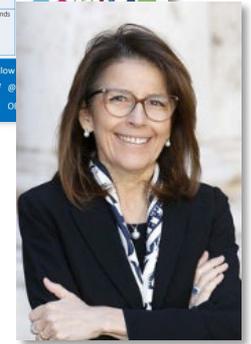
G20 INDONESIA
2022



Tax and development II



- New Co-Chair of OECD/G20 Inclusive Framework on BEPS
 - To join newly appointed Fabrizia Lapecorella of Italy
- OECD/UNDP Tax Inspectors Without Borders
 - Now deploying 100 programmes
 - More than **USD 1.4 billion** in additional revenues has been raised through TIWB programmes and the linked audit support programmes run by the OECD, ATAF and WBG.
 - Nearly **USD 3.9 billion** in additional tax has been assessed.
- Tax and Development Days
 - 16-17 February 2022
 - Over 3 500 participants
- New area of focus: Tax Incentives

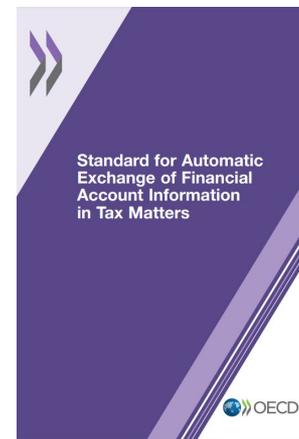


Fabrizia Lapecorella



Tax transparency

- How do we modernise tax transparency instruments?
 - ✓ Crypto-Asset Reporting Framework
 - New global framework for the automatic exchange of tax information on crypto-asset transactions
 - Designed to serve as a single comprehensive framework that can be adopted by CRS and non-CRS jurisdictions alike
 - ✓ Amendments to the Common Reporting Standard
 - Seven years after adoption and first comprehensive review
- Forthcoming: **Public Consultation**



“We support the progress made on implementing internationally agreed tax transparency standards. We ask the OECD to swiftly complete the work on the framework for the automatic exchange of information on crypto-assets.”

**G20 Finance Ministers and Central Bank Governors Communique
Jakarta, 17-18 February 2022**



Tax administration

- OECD Forum on Tax Administration (FTA) 14th Plenary meeting on 16-17 December 2021
 - Supporting the **implementation** of the Two-Pillar Solution and **tax certainty** tools
 - Supporting **tax capacity building initiatives** to assist developing countries with the implementation of the Pillars and the digitalisation of tax administration
 - Developing a new strategic framework covering digitalisation and digital transformation - draws from **digital transformation maturity model** and **Inventory of Tax Technology Initiatives** to be launched in early 2022.
- New Reports
 - Digital Transformation Maturity Model covering the key building blocks of future tax administration - one of the first outputs following the OECD FTA's publication of the **Tax Administration 3.0** Vision in 2020.
 - Supporting the Digitalisation of Developing Country Tax Administrations (with ATAF)



Tax and gender

- New report on Tax Policy and Gender Equality
 - First **cross-country analysis** of national approaches to tax policy and gender outcomes
 - Input from 43 OECD/G20 countries to a detailed survey on gender and tax policy design
 - Explores extent to which countries consider and address gender equality in tax policy development and tax administration
- Initial findings:
 - About half of the 43 countries have already implemented **specific tax reforms** to improve gender equity (mostly through personal income tax)
 - More than half of the countries indicated a **risk of implicit bias** in their system
 - There is **insufficient** collection of **gender-disaggregated data** on taxation



“We acknowledge the OECD/G20 Inclusive Framework on BEPS report on Tax Policy and Gender Equality.”

**G20 Finance Ministers and Central Bank Governors Communique
Jakarta, 17-18 February 2022**



Carbon pricing

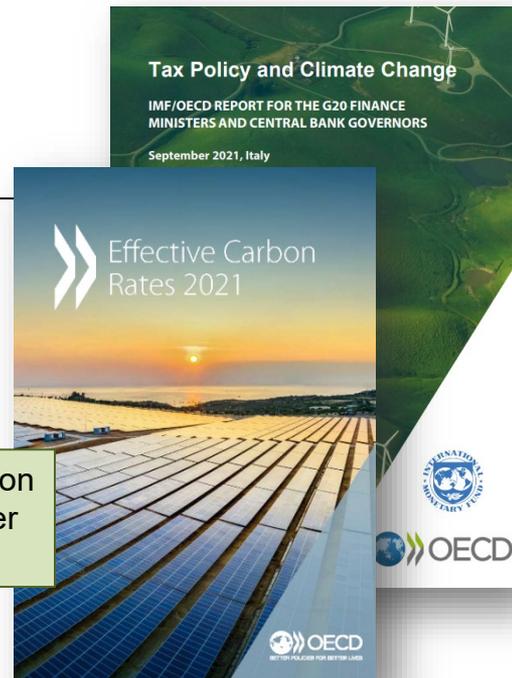
- Hallmark OECD publications
 - Effective Carbon Rates (44 OECD and G20 countries)
 - Taxing Energy Use & Taxing Energy Use for Sustainable Development
 - COP26 Carbon Pricing in Times of COVID-19: What Has Changed in G20 Economies?

Almost half (49%) of CO₂ emissions from energy use are priced

The average effective carbon rate is EUR 19

Average explicit carbon prices are EUR 4 per tonne of CO₂

- Italian G20 Presidency 2021
 - Reports on Tax Policy and Climate Change (February and September 2021)
 - G20 Finance Ministers recognised carbon pricing as a potential tool to address climate change for the first time in a communique (July 2021)
 - First G20 High Level Tax Symposium on Tax Policy and Climate Change (9 July 2021)



Carbon pricing II - Inclusive initiative on climate mitigation measures

G20 High Level Tax Symposium on Tax Policy and Climate Change

- ✓ Countries have committed to impressive emissions reduction targets (NDCs, net zero)..
- ✓ The policies used to reach those targets are a matter for each country/jurisdiction..

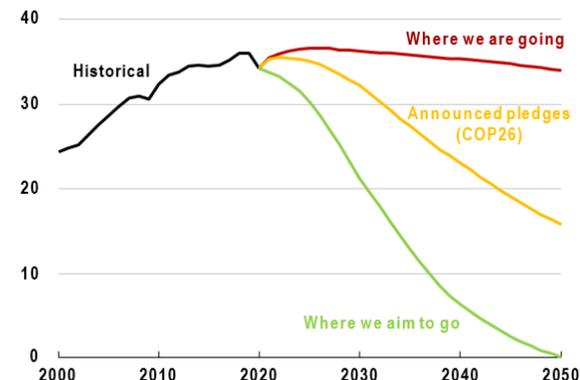
But a lack of communication and coordination risks **negative spillovers**, including trade distortions, carbon leakage and, if left unaddressed, trade tensions that risks becoming problematic as individual countries/jurisdictions lift their effort to the level required to achieve carbon neutrality through uncoordinated measures.

- ✓ It's beneficial to **exchange knowledge** and coordinate our efforts and better understand the comparative cost and impact of the full range of policies countries adopt to reduce emissions, whether **fiscal measures, regulations and standards, explicit carbon pricing or other.**



The climate challenge

Global CO₂ emissions, gigatonnes



Source: IEA, 2021

Note: Limiting warming to 1.5°C requires -45% GHG emissions by 2030 compared to 2010.



Carbon pricing III - Inclusive initiative on climate mitigation measures

- **A multilateral vehicle** to share data and information
 - To help each country/jurisdiction
 - To ensure larger emissions reductions in a way that is globally effective and fair
- **No binding commitments**
 - Not overlapping with or distanced from work being carried out in other fora
- **Genuinely inclusive approach**
 - Members participating on equal footing
 - Facilitating mutually beneficial exchanges
 - Helping to optimise emissions reduction outcomes everywhere and globally

Every country has different starting points, faces different circumstances and will make its own unique contribution to the global effort on climate.



Coming up...

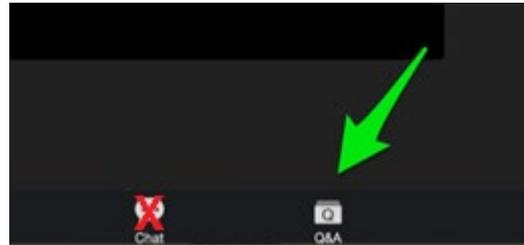
- Pillar One and Pillar Two consultations
- Taxation of part-time work
- Report on Tax Morale and Large Business
- Addressing Illicit Financial Flows
- #MarchonGender



QUESTIONS?

Questions?

- Please submit your questions using the Q&A function at the bottom of your screen



THANK YOU