Tax Co-operation for Development

PROGRESS REPORT ON 2022

OECD

BETTER POLICIES FOR BETTER LIVES

Preface

Supporting developing countries to participate in international tax rule-making and implementation of international tax standards is a priority for the OECD, and contributes to domestic resource mobilisation and the realisation of the Sustainable Development Goals (SDGs).

In 2022, developing countries faced worsening fiscal positions, with many still recovering from the economic effects of the COVID-19 pandemic and now facing fuel and commodity price shocks, food insecurity and higher global interest rates. Maximising tax revenues has become increasingly important given the comparatively high reliance by developing countries on corporate income tax and the significant role of Multinational Enterprises (MNEs) in the corporate tax base. The additional revenues needed to finance the SDGs cannot, however, be expected to come solely from the reform of international corporate income taxation. Reaching revenue objectives will require a range of different measures and tax policy reforms. Through tax capacity building, the OECD works to ensure that developing countries effectively apply international tax rules and participate in the continuing evolution of the international tax system, including the development and implementation of the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy by the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework). These activities also reinforce the capacities of tax policymakers and tax administrations more broadly, in areas beyond the corporate income tax.

OECD support for developing country engagement in negotiations on the Two-Pillar Solution and the first steps in its implementation continued in 2022. This support, which included extensive consultations and briefings, reinforced developing countries' active participation and influence. While all countries in the Inclusive Framework have been required to make compromises, the impact of developing country interventions on key design aspects of the Two-Pillar Solution is clear (see Box 3). There was significant progress worldwide in the implementation of the global minimum tax under Pillar Two in 2022, including in developing countries. New guidance and pilot programmes are helping developing countries review tax incentives in light of the Pillar Two Global Anti-Base Erosion (GloBE) Rules to ensure that revenues are not at risk of being sacrificed to other jurisdictions.

Support for domestic resource mobilisation extends beyond the Two-Pillar Solution to tax capacity building. For example:

- Technical assistance on exchange of information (EOI) reached a record 76 developing countries in 2022, contributing to a growing global momentum on transparency and EOI. As more developing countries build the necessary capacities, they are making more (and more effective) use of EOI. Over EUR 30 billion of additional revenues have been identified by developing countries since 2009.

- More than 100 jurisdictions participated in the development of three regional toolkits on VAT on e-commerce that are tailored to the needs of specific regions (Latin America and the Caribbean, the Asia-Pacific region and Africa). In addition, e-learning and *ad hoc* and comprehensive assistance help developing countries to implement VAT reforms, with 20 countries receiving such assistance in 2022 and 8 developing countries implementing reforms.

- The adoption of the OECD Council Recommendation on the Ten Global Principles for Fighting Tax Crime (TGP) in June 2022 provided the first comprehensive global standard on combatting tax crimes, marking the start of a new era in in the fight against illicit financial flows. Capacity building support for developing countries' implementation of the TGP is provided by the OECD Academy for Tax and Financial Crime Investigation, which delivered a record 15 courses in 2022, including a return to in-person training for two courses and a pilot Francophone course.

- Tax Inspectors Without Borders (TIWB) continues to diversify, with audit assistance provided in a growing range of sectors and new programmes in areas including fighting tax crime and digitalisation of tax administration. Fourteen new TIWB programmes were launched in 2022. Together with its international partners, TIWB helped Host Administrations collect a cumulative total of over USD 2 billion in supplementary revenues as of December 2022.

- The OECD further expanded the data and analysis for, and with, developing countries. The 2022 *Tax Policy Reforms* publication reflected inputs from 26 developing countries and was accompanied by a policy brief on the reforms in these countries. An additional six developing countries were included in the OECD *Revenue Statistics* database, which now covers a total of 120 jurisdictions.

- The Inclusive Forum on Carbon Mitigation Approaches (IFCMA) provides a new opportunity for developing countries to engage in multilateral dialogue and benefit from new comparative data and analysis on climate policies and their impacts.

Work in 2023 will focus on the finalisation and implementation of the Two-Pillar Solution. But the importance of the OECD's engagement with developing countries on a range of other tax policy and administration issues should not be underestimated. This report highlights the broad range of other tax policy and administration issues where the OECD is engaging with developing countries. Governments will continue to look for avenues that will have the greatest impact on their fiscal positions and identify initiatives that will deliver the most out of the scarce resources they have in the international tax space. The OECD, along with its development partners, will work with developing countries to deliver capacity building support that meets their individual circumstances.

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Acronyms & abbreviations

AAAA	Addis Ababa Action Agenda on Financing for Development
ADB	Asian Development Bank
AEOI	Automatic Exchange of Information
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
BIAC	Business at OECD
CATA	Commonwealth Association of Tax Administrators
CbC	Country-by-Country
CFA	Committee on Fiscal Affairs
CIAT	Inter-American Center of Tax Administrations
CREDAF	*Cercle de Réflexion et d'Échange des Dirigeants des Administrations Fiscales*
CRS	Common Reporting Standard
DRM	Domestic Resource Mobilisation
DTMM	Digital Transformation Maturity Model
EIA	Economic Impact Assessment
EOI	Exchange of Information
EOIR	Exchange of Information on Request
ETR	Effective Tax Rate
FTA	Forum on Tax Administration
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
GloBE	Global Anti-Base Erosion
GST	Goods and Services Tax
GRA	Ghana Revenue Authority
GRP	The Global Relations Programme on Taxation
Host Administration	Tax administration hosting a TIWB programme
Inclusive Framework	OECD/G20 Inclusive Framework on BEPS
IFCMA	Inclusive Forum on Carbon Mitigation Approaches
IFFs	Illicit Financial Flows
IGF	Inter-Governmental Forum on Mining, Minerals, Metals and Sustainable Development
IMF	International Monetary Fund
IOTA	Inter-European Organisation of Tax Administrations
ISM	Information Security Management
ISORA	International Survey on Revenue Administration
ITTI	Inventory of Tax Technology Initiatives
MAAC	Convention on Mutual Administrative Assistance in Tax Matters
MLI / Multilateral Instrument	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting
MIRA	Maldives Inland Revenue Authority
MNE	Multinational Enterprise
Partner Administration	Tax administration providing expertise to a TIWB programme
PCT	Platform for Collaboration on Tax
QDMTT	Qualified Domestic Minimum Top-Up Tax
SARS	South African Revenue Service
SDGs	Sustainable Development Goals
SGATAR	Study Group on Asian Tax Administration and Research
SPTR	Social Protection Tax Revenue
STTR	Subject-to-Tax Rule
TGP / Ten Global Principles	Ten Global Principles for Fighting Tax Crime
TFTC	Task Force on Tax and Crime
TIWB	Tax Inspectors Without Borders
TIWB-CI	Tax Inspectors Without Borders – Criminal Investigation
Two-Pillar Solution	Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VAT	Value-Added Tax

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Introduction

The 2015 Addis Ababa Action Agenda on Financing for Development (AAAA)[1] recognised that international tax co-operation is a vital component of development, providing tools, standards and support to effectively tax globalised economies. The AAAA included a commitment to scale up international tax co-operation, taking into account the different needs and capacities of all countries, with an emphasis on inclusive co-operation and dialogue among national tax authorities on international tax matters.[2] The OECD plays an important role in international tax co-operation, building tax capacity in developing countries through their membership and participation in OECD bodies and through technical assistance programmes that deliver much needed support on key tax issues.

The OECD plays a leading role in international tax co-operation and in setting global standards on issues such as tax transparency, transfer pricing and corporate tax avoidance. A central part of that role has been the OECD's longstanding engagement with non-members – and, in particular, with developing countries – on tax matters. Since the 1990s, the Global Relations Programme on Taxation has worked to build the capacities of tax officials throughout the world. The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) was established in 2009 to ensure the global implementation of international standards on tax transparency and today has more than 160 members. To tackle the problems associated with tax avoidance by MNEs, the OECD, working with G20 countries, launched the Base Erosion and Profit Shifting (BEPS) Project in 2013. Then, to ensure the timely and effective implementation of the results of the BEPS Project, the OECD and G20 in 2016 established the Inclusive Framework, which now has more than 140 members working on an equal footing.

Wide engagement with developing countries ensures that the OECD's work on taxation reflects a broad spectrum of interests and delivers on the Addis Ababa Action Agenda on Financing for Development (AAAA) commitment to scale up international co-operation in tax matters. Non-OECD economies make up a majority of members of the Global Forum and of the Inclusive Framework, where all members work together to address the toughest tax challenges and to support domestic resource mobilisation to meet the Sustainable Development Goals.

This report highlights the work of the OECD to assist developing countries to improve their tax systems, especially in the arena of international taxation. Even as countries recover from the economic impacts of the pandemic, they continue to face a challenging international economic context, with additional pressures on their tax capacities and fiscal resources. The OECD stands ready to help developing countries with the collaboration of its many development partners. The report covers the full range of assistance that the OECD provides to developing countries on tax issues:

1. Addis Ababa Action Agenda of the Third International Conference on Financing for Development (July 2015), available at: https://sdgs.un.org/sites/default/files/publications/2051AAAA_Outcome.pdf.

2. See paragraphs 27-29 of the AAAA.

- Helping developing countries counter corporate tax avoidance;
- Helping developing countries combat illicit financial flows;
- Helping developing countries reach the Sustainable Development Goals; and
- Looking ahead to 2023 and beyond.

OECD AND GLOBAL FORUM TAX AND DEVELOPMENT WORK IN 2022, IN NUMBERS

2+ billion USD	**of additional revenues raised through Tax Inspectors Without Borders assistance programmes (TIWB)** (cumulative total as of December 2022)
30+ billion EUR	**of additional revenues have been identified by developing countries since 2009, through exchange of information and related programmes**
33 000+ officials	**reached by OECD training on international tax matters**
2 400+ requests for information	**sent by developing countries to support ongoing tax investigations**
100+ developing countries	**received assistance on international tax issues**
86 developing countries	**participated in courses of the International Academy for Tax and Financial Crime Investigation**
33 developing countries	**participated in the Inventory of Tax Technology Initiatives**
26 developing countries	**included in *Tax Policy Reforms 2022***
24 developing countries	**included in *Pricing Greenhouse Gas Emissions***
21 donors	**provided information to the Transparency Hub on the Taxation of Official Development Assistance**
21 developing countries	**passed legislation and/or regulations to implement international standards on Exchange of Information**
19 developing countries	**using the Digital Transformation Maturity Model**
16 developing countries	**supported on an ad hoc basis to implement Value-Added Tax (VAT) on e-commerce**
15 courses	**run by the Academy for Tax and Financial Crime Investigation** (a record number)
14 new TIWB programmes	**launched**
10 tax incentives pilots	**launched**
10 countries	**drafted or implemented legislation and/or regulations to implement BEPS Actions**
10 African countries	**are now committed to implementing Automatic Exchange of Information**
5 developing countries	**received 'Deep-Dive' bilateral assistance for taxing extractives**

Source: OECD Secretariat.

Countering corporate tax avoidance

A core part of the OECD's work in international taxation is helping countries protect their corporate tax bases from base erosion and profit shifting (BEPS). Developing countries bear a disproportionate amount of the costs of BEPS as they tend to rely more heavily on corporate income taxes to finance their development needs than more advanced economies. Supporting developing countries in their implementation of the BEPS Package is therefore a key component of domestic resource mobilisation and a priority of the OECD's work on tax and development.

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (the Inclusive Framework) was established in 2016, in part to ensure that developing countries have a voice in the implementation of the BEPS Package, a comprehensive set of measures developed to tackle tax avoidance, improve the coherence of international tax rules, ensure a more transparent tax environment and address the tax challenges of the digitalisation of the economy.[1]

In October 2021, 137 members of the Inclusive Framework agreed a Statement on a Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy (the "Statement").[2] The work throughout 2022 aimed to transform this political agreement into the rules and instruments necessary for its implementation. Developing countries make up a large proportion of Inclusive Framework members and have had a decisive impact on both the negotiations leading to the Statement and on the development of the technical provisions to give it effect. Consequently, they have much to gain from the successful implementation of the Two-Pillar Solution. The Statement promised bespoke technical assistance through all phases of implementation of the Two-Pillar Solution, and this was a high priority for the OECD in 2022.

The progress made by developing countries in implementing the BEPS Package as well as their engagement in the work on the Two-Pillar Solution has also been a high priority for the G20. In 2020, the OECD Secretary-General reported on the progress made since the establishment of the Inclusive Framework with several recommendations for improvement. In 2022, a follow-up report to the G20 included a roadmap for how G20 countries could further assist efforts to ensure the participation of developing countries in the work on BEPS (see Box 1). This report highlighted the importance of continuing support to developing countries in implementing all relevant BEPS Actions.

1. For more information on the BEPS Project, see https://www.oecd.org/tax/beps/.
2. See 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.htm.

BOX 1. G20 Roadmap on Developing Countries and International Taxation

In October 2022, the OECD delivered a *Roadmap on Developing Countries and International Taxation* to G20 Finance Ministers and Central Bank Governors. The Roadmap outlined the continued progress made by developing countries in benefitting from the new international tax rules and their participation in the rules' ongoing evolution. It also set out how the G20 and other stakeholders could provide sustained further support to developing countries to make the best use of the international tax system and converge on the design and implementation of global tax rules. The key priorities identified in the Roadmap are to:

- Support developing countries in assessing the benefits of implementing the remaining BEPS Actions, and provide assistance accordingly;
- Facilitate faster progress in securing developing country access to Country-by-Country (CbC) reports;
- Put in place the resources and expertise to provide the additional capacity building needed to implement the Two-Pillar Solution, with an immediate priority to address the interaction between the Pillar Two Global Anti-Base Erosion (GloBE) Rules and domestic tax incentives;
- Commission further work to assess opportunities for tax policy to support the achievement of the Sustainable Development Goals (SDGs); and
- Commission further work on how the G20 can collaborate with all jurisdictions, especially developing countries, to support the digitalisation of tax administration.

Note: The focus of this report was on developing countries that are neither financial centres nor OECD/G20 members.

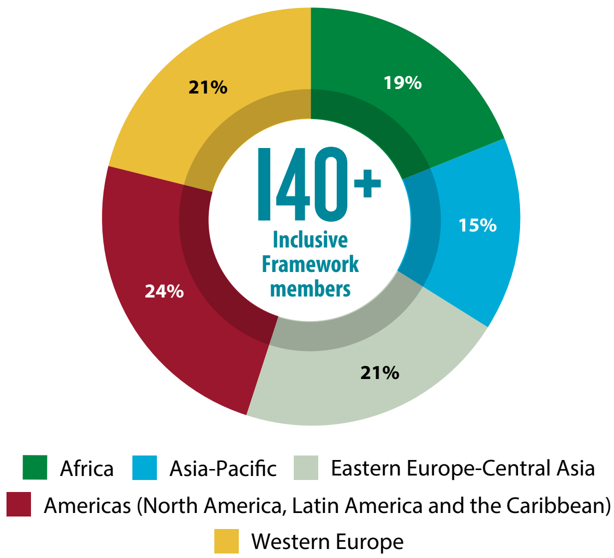
Source: OECD (2022), *G20/OECD Roadmap on Developing Countries and International Taxation: OECD report for the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, https://doi.org/10.1787/cf46900c-en.

ENGAGEMENT IN THE OECD/G20 INCLUSIVE FRAMEWORK ON BEPS

The Inclusive Framework has more than 140 members, of which 70 are developing countries. The Inclusive Framework added one new member in 2022, welcoming Azerbaijan on 16 December. Its membership reflects strong regional balance (see Figure 1) and all members participate on an equal footing, including in the ongoing work to finalise and implement the Two-Pillar Solution.

Two Co-Chairs lead the Inclusive Framework, one of whom is chosen from a developing country. Marlene Nembhard-Parker, Deputy Commissioner of the Tax Administration Jamaica, was selected to fill this position in March 2022. As Co-Chair of the Inclusive Framework, she is also Co-Chair of the Steering Group, which guides the work of the Inclusive Framework. The Steering Group has 25 members, of which 12 were from developing countries in 2022.[3]

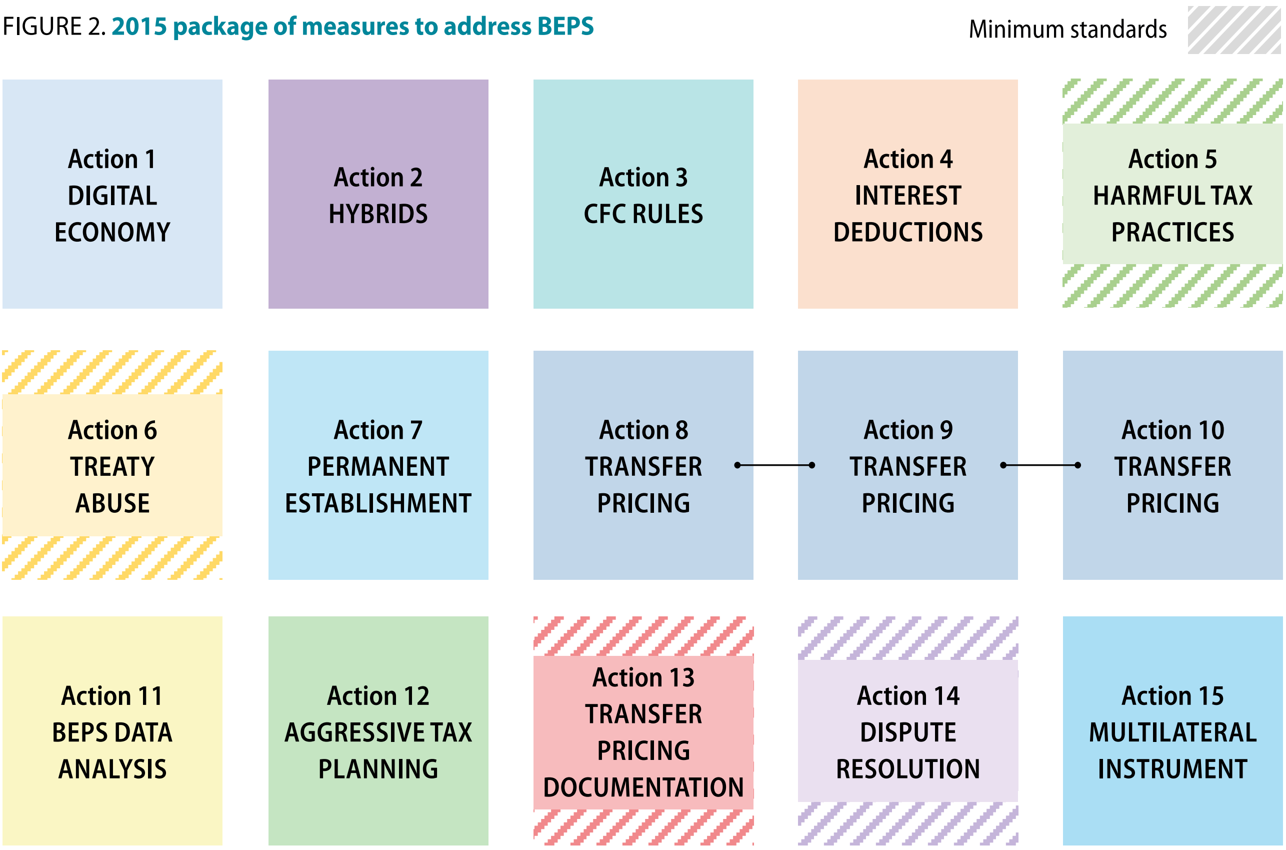
FIGURE 1. **Members of the Inclusive Framework regional balance** (as of 31 December 2022)



3. The composition of the Steering Group changed in 2023: Belize and Mongolia are no longer members of the Steering Group, and Indonesia became a member.

Developing countries continued to actively participate in the meetings of the Inclusive Framework in 2022, including in the plenary Inclusive Framework meeting in October 2022 and the technical workshops held in advance of that meeting (where their representation reflected their overall share of the Inclusive Framework membership). Developing country participation in meetings of subsidiary bodies of the Committee on Fiscal Affairs in their Inclusive Framework format also increased in 2022.

FIGURE 2. **2015 package of measures to address BEPS**



BEPS IMPLEMENTATION

The comprehensive package of measures developed under the 15 BEPS Actions (the "BEPS Package") supports governments in addressing base erosion and profit shifting. All members of the Inclusive Framework, including developing countries, are in the process of implementing the BEPS Package. As illustrated in Box 2, developing countries continue to make progress in implementing the BEPS minimum standards.

Developing countries continue to face significant challenges in meeting the Country-by-Country (CbC) reporting requirements and only a few of them are currently able to receive CbC reports from abroad.

To ensure that developing countries benefit from the Inclusive Framework, more work is required to make CbC reporting more accessible to developing countries, while also protecting the confidentiality of sensitive information. Capacity building and technical assistance efforts on CbC reporting will be a major focus in 2023 and beyond to reduce barriers to implementation. This will be particularly important in connection with putting in place legal mechanisms to receive CbC reports from abroad, as well as measures to ensure the appropriate and effective use of CbC reporting information once received.

BOX 2. **Progress in implementing the BEPS Minimum Standards**

Minimum standard	Progress in implementation in 2022
Action 5 – Harmful tax practices 65 developing countries reviewed	To ensure that their tax incentives regimes do not harm other jurisdictions under the Action 5 minimum standard: • 2 developing countries abolished preferential regimes considered to have harmful features. • 4 developing countries amended at least one potentially harmful regime.
Action 6 – Prevention of treaty abuse 67 developing countries reviewed	To protect their tax bases from treaty abuse using the tools developed under Action 6: • 5 developing countries have no further steps to undertake. • 7 developing countries had recommendations from 2021 removed. • In 2022, 4 additional developing countries signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) (bringing to 40 the number of developing countries who have signed the MLI) and 7 completed ratification procedures to bring it into force (bringing to 22 the number of developing countries to have done so).
Action 13 – Country-by-Country reporting 63 developing countries reviewed	Progress in implementing the Action 13 CbC reporting minimum standard includes the following: • Of 15 developing countries with a domestic legal framework for CbC reporting in place, 9 developing countries had no recommendations, and 7 developing countries had recommendations removed. • 33 developing countries have signed and 24 have ratified the Convention on Mutual Administrative Assistance in Tax Matters (MAAC). • 11 developing countries have signed the CbC Multilateral Competent Authority Agreement, 5 have activated relationships and 3 have activated relationships on a reciprocal basis. • 3 developing countries have passed the confidentiality assessment on a reciprocal basis. • 3 developing countries have been assessed as having controls in place to ensure the appropriate use of CbC reports.
Action 14 – Mutual agreement procedure 6 developing countries reviewed	While all Inclusive Framework members must implement the Action 14 minimum standard, most developing countries do not have significant mutual agreement procedure case inventories and have had their peer reviews deferred. Of the 6 developing countries reviewed: • 5 had at least one recommendation removed. • Most addressed deficiencies identified in Stage 1, but still have recommendations in place.

Source: https://www.oecd.org/tax/beps/beps-actions/ (**Action 5**: https://www.oecd.org/tax/beps/harmful-tax-practices-2021-peer-review-reports-on-the-exchange-of-information-on-tax-rulings-4034ce42-en.htm; **Action 6**: https://www.oecd.org/tax/beps/prevention-of-tax-treaty-abuse-fourth-peer-review-report-on-treaty-shopping-3dc05e6a-en.htm; **Action 13**: https://www.oecd.org/tax/beps/country-by-country-reporting-compilation-of-2022-peer-review-reports-5ea2ba65-en.htm; **Action 14**: https://www.oecd.org/tax/beps/beps-actions/action14/).

ADDRESSING THE TAX CHALLENGES ARISING FROM THE DIGITALISATION OF THE ECONOMY: THE TWO-PILLAR SOLUTION

The Two-Pillar Solution will ensure the existing international tax rules are fit for purpose in a 21st century economy:

- **Pillar One** provides for a reallocation of taxing rights over a portion of the profits of the world's largest and most profitable MNEs based on the location of their customers or users (Amount A). It additionally simplifies 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 (Amount B).
- **Pillar Two** provides for a global minimum corporate tax of 15% for large MNEs (the Global Anti-Base Erosion or GloBE Rules) and for a treaty-based rule that addresses risks to source jurisdictions from intragroup payments that take advantage of low nominal tax rates in the State of residence of the payee (the Subject-to-Tax Rule or STTR).

BOX 3. **Key design features of the Two-Pillar Solution for developing countries**

Pillar One	Pillar Two
Under current rules, MNEs often don't pay tax in markets where their users and customers are located. Amount A will allow countries to tax the largest and most profitable MNEs based on the revenue they generate from the users and customers located in a country. Taxing rights with respect to more than USD 200 billion of profits will be re-allocated.	Multinational Enterprise (MNE) profit shifting to low-tax jurisdictions has a disproportionate impact on developing country tax bases. The GloBE Rules will ensure that MNEs pay a minimum 15% tax, generating approximately USD 220 billion of additional tax revenue annually.
The Pillar One reallocation of taxing rights excludes profits from extractive industries, ensuring that these profits will remain taxed in the countries where mining or extraction activity takes place, a key point for developing countries.	The GloBE Rules provide for a so-called "Qualified Domestic Minimum Top-Up Tax" (QDMTT) intended to ensure that source countries can collect any additional revenues first, before they are taxed in the MNE's parent entity jurisdiction.
Many developing countries struggle to protect their tax bases from the transfer pricing practices of MNEs. Amount B will simplify transfer pricing rules, taking into account the needs of low-capacity countries.	Developing countries have often agreed in their tax treaties to reduce taxes on certain base-eroding payments on the basis that the payment is taxable in the payee's country of residence. The Subject-to-Tax Rule guarantees that developing countries can tax such payments if they are not so taxed.

Source: OECD Secretariat.

Developing countries continue to play an instrumental role in the development of the Two-Pillar Solution. The terms of the Statement on a Two-Pillar Solution as well as the design of the provisions currently being negotiated for its implementation reflect a range of concerns raised by developing countries (see Box 3).

The Inclusive Framework made significant progress on Pillar One in 2022, with most of the building blocks of Amount A stabilised following extensive negotiation and public consultation. Work continues on the remaining items, with a view to agreeing and opening for signature a multilateral convention to give effect to Amount A in 2023. A public consultation on Amount B was launched on 22 December 2022 and ran until 25 January 2023.

The Pillar Two GloBE Rules have already been agreed by the Inclusive Framework and a number of countries and the European Union are working actively to bring them into effect. Work continues on an Implementation Framework – including safe harbours, administrative guidance and a standardised information return – to support the coherent and consistent application of the GloBE Rules. It is expected that these rules will start to take effect for tax years beginning after 31 December 2023 in a number of jurisdictions. Work on the STTR is also progressing with the objective of finalising it in 2023. The Economic Impact Assessment (EIA) of the Two-Pillar Solution[4] was updated to reflect recent design changes and shows increased revenues under both Pillars compared to previous estimates. The EIA aims to ensure that all members of the Inclusive Framework are fully informed of the impacts of the Two-Pillar Solution. The updated analysis was prepared in 2022 and published on 18 January 2023 (see Box 4). Work will continue in 2023 to further refine the EIA.

Supporting developing country participation in the development of the Two-Pillar Solution

The Statement on the Two-Pillar Solution promised bespoke support for developing countries through all phases of implementation. The finalisation of the rules and instruments necessary to give the Two-Pillar Solution legal effect has involved an intense schedule of working party meetings and the negotiation and drafting of a large number of documents. Because developing country administrations often have a small number of qualified staff to follow these meetings and contribute to the discussions, a priority for capacity building work in 2022 was to support the active participation of developing country delegates in this process, including through:

4. See https://oe.cd/eia.

- ***Ad hoc* bilateral discussions** with delegates to ensure they understand what is at stake;
- **Development of training materials** to explain the various components of the Two-Pillar Solution (see the section of this report on the Global Relations Programme in Taxation);
- **A series of regional consultations** in collaboration with regional tax organisations; and
- **Technical and strategic briefing sessions** for developing country members of both the Steering Group and the Inclusive Framework as a whole.

BOX 4. **Economic Impact Assessment**

An updated Economic Impact Assessment (EIA) was published in January 2023 to reflect the significant design changes to the Two-Pillar Solution since the first EIA (released in October 2020).

For the minimum tax under Pillar Two, the estimated USD 220 billion in revenue gains represents a significant increase over the previous OECD estimate of USD 150 billion. This stems from an increase in low-taxed profit globally, along with improved and updated modelling.

For Pillar One, the profits with respect to which new taxing rights are allocated have risen to USD 200 billion, from a previous OECD estimate of USD 125 billion, reflecting the increase in the profits of the largest and most profitable MNEs in recent years. The analysis shows that about 50% of the profits under Pillar One come from large "digital" companies (such as electronics manufacturers or Internet companies), with the remainder coming from other non-digital sectors such as pharmaceuticals.

The analysis finds that the gains from Pillar One would be shared widely, with low-, middle- and high-income jurisdictions all gaining revenues. Investment hubs would lose revenues on average, surrendering more taxing rights than they are allocated. Low- and middle-income jurisdictions would gain most as a share of existing corporate income tax revenues as they are allocated new taxing rights but tend not to give up any existing taxing rights.

While some of the final technical details of the Two-Pillar Solution are still being negotiated, the analysis shows that recently-agreed design changes to both Pillars benefit developing countries.

Source: OECD Secretariat.

Regional consultations were a key part of the outreach strategy leading up to the agreement of the Statement on the Two-Pillar Solution in 2021 and continued in 2022. Three rounds of regional consultations on BEPS were held in 2022 (in the Asia-Pacific region, Latin America and the Caribbean, Europe, and Francophone and Anglophone Africa). These regional consultations included a total of 14 events organised in partnership with nine regional tax organisations and in three languages. These events reached both Inclusive Framework members and jurisdictions that are not yet members, updating participants on the latest work on the Two-Pillar Solution and providing participants with an opportunity to share regional perspectives and a forum to consult on plans for technical assistance and capacity building.

Tax incentives and Pillar Two

The rapid implementation of the GloBE Rules by countries around the world raises a critical tax policy issue for developing countries in respect of the tax incentives they offer. Wherever tax incentives drive an MNE's effective tax rate (ETR) in a jurisdiction below 15%, the MNE would potentially be subject to Top-up Taxes under the GloBE Rules (a core component of Pillar Two). These rules will therefore have an impact on the effectiveness of tax incentives, the design of which will require careful reassessment. The OECD produced a report for G20 Finance Ministers and Central Bank Governors in October 2022 *Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax Incentives after the GloBE Rules* (see Box 5) to support policymakers in reassessing their tax incentives.

In 2022 the OECD Secretariat launched a Pilot Programme on Tax Incentives and Pillar Two (the "Pilot Programme"). The Pilot Programme aims to help developing countries understand how the GloBE Rules work and to identify tax incentives that will either be at risk of Top-up Taxes under the GloBE Rules or that will no longer be effective for large MNEs in the new international tax environment.

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BOX 5. *Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax Incentives after the GloBE Rules*

Pillar Two places multilaterally agreed limits on tax competition, easing the pressure on jurisdictions to offer tax incentives and presenting a unique opportunity for tax incentive reform. The report *Tax Incentives and the Global Minimum Corporate Tax* provides an overview of how developing countries may wish to proceed with such reforms.

The report highlights the immediate imperative to avoid granting new incentives (including via investment agreements or stabilisation clauses) without considering how Pillar Two may affect them.

The report describes existing practices and how different types of incentives will be affected by Pillar Two, illustrating how countries can continue to make some use of tax incentives, if desired, as part of their fiscal policy. Reform will be a particular priority in those jurisdictions that rely heavily on income-based incentives with few associated conditions and where incentives are associated with little tangible investment or employment but significant profits.

The report emphasises the potential for Qualified Domestic Minimum Top-Up Taxes (QDMTTs) which can act as a safety net to prevent losing revenues that would be paid elsewhere. QDMTTs should not, however, be treated as a substitute for in-depth reform of tax incentives that may cease to be effective in a Pillar Two environment.

Source: 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.

Assistance to the pilot countries[5] is tailored to their specific circumstances and includes a stocktake of tax incentives and MNE activity in a jurisdiction, leading to an analysis of tax incentive design from a GloBE perspective. Where data is available, the analysis can include an assessment of the economic impact of jurisdictions' current rules and proposals for policy actions. The Pilot Programme can also assist in drafting legislation to implement the GloBE Rules and/or to reform existing tax incentives. The Pilot Programme is carried out in collaboration with regional and international partner organisations and is expected to last at least two years. It will be expanded to include more jurisdictions in the near future.

Preparatory work to provide further support to developing countries on the GloBE Rules also started in 2022. The TIWB Governing Board agreed to explore a role for TIWB in the implementation of the Two-Pillar Solution and to expand the United Nations Development Programme (UNDP) Roster of Experts to work on tax incentives from 2023. The Platform for Collaboration on Tax also agreed to update the 2015 Toolkit *Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment*[6] to reflect the impact of Pillar Two. The continued development of the OECD Investment Tax Incentives Database[7] (funded primarily through earmarked funding from the Swiss Agency for Development and Cooperation) will provide valuable data to understand and analyse the impact of Pillar Two on tax incentives. Other development partners are also working to support Pillar Two implementation. In December 2022 the African Tax Administration Forum (ATAF) published the *ATAF Suggested Approach to Drafting Domestic Minimum Top-Up Tax Legislation*[8] to help African countries that decide to implement a Domestic Minimum Top-Up Tax to ensure that such taxes are sufficiently aligned with the Pillar Two rules to be deemed QDMTTs by the Inclusive Framework.

BILATERAL TRANSFER PRICING AND INTERNATIONAL TAX CAPACITY BUILDING

Bilateral transfer pricing and international tax capacity building programmes are a core part of the OECD's tax and development work. Since 2012, these onsite programmes have provided developing countries with assistance to strengthen and update their legislative frameworks, to build technical capacities and to better design the organisational structures of their international audit teams. In many cases these programmes are

5. Egypt, Georgia, Indonesia, Jamaica, Malaysia, Namibia, Nigeria, Peru, Senegal and Thailand.

6. See https://www.tax-platform.org/sites/pct/files/publications/100756-Tax-incentives-Main-report-options-PUBLIC_0.pdf.

7. See https://www.oecd.org/investment/investment-policy/oecd-investment-tax-incentives-database-2022-update-brochure.pdf.

8. See https://events.ataftax.org/index.php?page=documents&func=view&document_id=191#.

delivered in partnership, most frequently in Africa where there were 15 joint OECD/ATAF programmes in 2022. Bilateral programmes also increasingly run together with TIWB programmes, or in resource-rich countries with the Deep-Dive programmes run with the Inter-Governmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF).

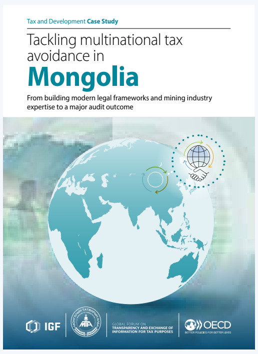
The easing of COVID-19 travel restrictions allowed physical missions to many countries to resume in 2022. While remote working enabled work to continue throughout the pandemic, the benefits of in-person engagement were emphasised with the return to physical missions, which reinvigorated work in several countries. Virtual engagement continues, however, with hybrid working the preferred model for the coming years. In this environment, the bilateral capacity building programme continues to evolve. After initial interventions that may focus on building basic skills and putting in place essential legislation and regulations, support can become more specialised to address key challenges and risks. There was a growing trend in 2022 for the programme to address BEPS and transfer pricing challenges in specific sectors, including extractives, telecommunications, and agribusiness.

The bilateral support programme resulted in a number of countries drafting or passing legislation and regulations for BEPS implementation, with ten countries taking such measures in 2022.[9] The *Tax and Development Case Studies*[10] provide additional detail on bilateral capacity building programmes at the country level. There are now seven OECD tax and development case studies, with two published in 2022 (see Box 6).

9. In 2022, new legislation and regulations were drafted and/or implemented in: Burkina Faso; Brazil; Cameroon; Costa Rica; Kenya; Kazakhstan; Togo; Tunisia; Ukraine; and Zambia.

10. See https://www.oecd.org/tax/tax-global/tax-and-development-case-studies.htm.

BOX 6. **Tax and development case studies – Mongolia and Peru**



Mongolia

The bilateral capacity building programme with Mongolia has been notable in producing results in a comparatively short time. Support began in 2018 to revise Mongolia's international tax law framework and implement key BEPS Actions, with the new legislative framework coming into force in 2020. In addition, Mongolia established a transfer pricing division in its General Department of Taxation in 2019. Together with intensive capacity building delivered collaboratively by the OECD, IGF, TIWB, Global Forum and the Asian Development Bank (ADB), Mongolia issued its first transfer pricing assessment (for approximately USD 228 million) as part of a comprehensive audit of a large multinational mining company. The assessment also resulted in a denial of approximately USD 1.5 billion in carried forward losses.

While this was a remarkable outcome within just a few years, the Mongolia programme continues to evolve to reflect remaining challenges. Additional TIWB programmes have been established to support improvements to the legislative regime and the tax administration's use of legislative changes (such as use of CbC reports for improved risk analysis).

Peru

Support has been provided to Peru over a much longer period, with the first activities beginning in 2013. Since then, the OECD, together with the World Bank, has supported Peru in the process of adjusting its transfer pricing regime to international standards. As a result, Peru is one of the leading developing countries in implementing the BEPS Actions, and notably is one of the few developing countries that is not a financial centre or G20/OECD member to have completed the requirements for receiving CbC reports.

The impact of Peru's improved legal and administrative capacity on transfer pricing has been seen through increased tax revenues, with over USD 340 million in tax adjustments in two years.

Source: OECD Tax and Development Case Studies (https://www.oecd.org/tax/tax-global/tax-and-development-case-studies.htm).

BOX 7. **Ukraine tax capacity country programme**

In the wake of the Russian war of aggression, Ukraine asked the OECD for support in adapting its tax system to address the challenges of the conflict and to prepare for post-conflict international economic integration. The Ukraine Tax Capacity Programme builds on and intensifies the existing bilateral support programmes on both BEPS and EOI to confront these new challenges. The new programme is primarily funded by Norway with additional funding from Switzerland and is expected to run for three years. It features five components:

- ***BEPS implementation*** (building on the existing programme).
- ***Timely tax compliance for MNEs in Ukraine.*** This component will help to ensure that MNEs operating in Ukraine pay taxes due on time notwithstanding the current hostilities and disruptions facing both the tax administration and MNEs.
- ***Tax implications for displaced populations.*** This component focuses on the tax compliance issues raised by the involuntary displacement of the Ukrainian people caused by the war.
- ***Enhancing capacities in tackling tax crimes and offences.*** This component supports Ukraine's capacity to tackle tax and crime cases resulting from current investigations and the illegal transfer of capital and financial resources out of Ukraine.
- ***Exchange of Information.*** This component supports Ukraine in implementing the EOIR and AEOI standards, including information security management, which are crucial to fight tax evasion and other forms of illicit financial flows.

Source: OECD Secretariat.

Measuring the impacts of BEPS and transfer pricing reforms is challenging, but some countries are providing evidence. For example, in 2022 Ukraine undertook an analysis of taxpayer data that sought to monitor the impact of the first stage of its transfer pricing reforms. Based on its assessment, these reforms resulted in 520 companies making voluntary adjustments and an increase of the tax base by USD 410 million in 2020-2021. The trend continued to some degree in 2022, with more than 80 companies making voluntary adjustments of USD 70 million. The impact of the Russian war of aggression that began in 2022 will likely affect this trend and has created a number of additional tax challenges in Ukraine. In response to a request for help to address these challenges, the OECD established a dedicated in-depth country programme (see Box 7).

BEPS IN THE EXTRACTIVE SECTOR

Resource-rich countries continue to require tailored technical assistance to support the effective taxation of natural resources. The OECD, together with partners, has established a three-pronged approach to providing technical assistance comprising guidance, regional training, and comprehensive bilateral "Deep-Dive" programmes.

Mining provides a significant contribution to the economies of many developing countries and cross-border transactions in mineral products between related parties pose significant BEPS risks. Guidance in the form of a new toolkit on mineral pricing, developed with IGF, was released for public consultation in May 2023. The toolkit addresses transfer pricing for mineral sales, covering risks in different parts of the mining value chain and including a framework to accurately price minerals.

High demand endures for regional training on key BEPS and international tax risks in the extractives sector. In partnership with IGF and regional tax partners (ATAF, the Inter-American Center of Tax Administrations (CIAT) and the ADB, the OECD offers a training course on international taxation issues in the extractive sector. Following the launch of regional virtual training in 2021, further regional training (including some in-person events) was delivered with partners in 2022, and follow-up trainings on specific topics started in December 2022.

The resumption of travel reinvigorated Deep-Dive programmes, demonstrating the added value from in-country missions (supplemented as appropriate with virtual trainings) to build capacity and develop relationships. Deep-Dive programmes provide comprehensive support and complement TIWB programmes in some countries, addressing the full range of legal, administrative, and organisational challenges faced by resource rich countries. In 2022, five countries were supported through the OECD/IGF Deep-Dive programme; existing programmes in Guinea, Mongolia, Papua New Guinea, and Zambia (with ATAF) continued, and a new programme began in Ecuador.

TAX INSPECTORS WITHOUT BORDERS

Established in 2015, Tax Inspectors Without Borders (TIWB) is a joint initiative of the OECD and the United Nations Development Programme (UNDP) that facilitates the transfer of tax audit knowledge and skills to developing country tax administrations using a practical "learning by doing" approach. Experienced tax auditors from tax administrations providing expertise to a TIWB programme (TIWB Partner Administrations) work on tax audit cases and international tax issues alongside local tax officials from a tax administration hosting a TIWB programme (Host Administration). TIWB support is mainly geared toward transfer pricing issues but is expanding into other areas, including criminal tax investigations and the effective use of Automatic Exchange of Information (AEOI). Fourteen new TIWB programmes were launched in 2022.

Together with its international partners, TIWB helped Host Administrations collect a cumulative total of over USD 2 billion in supplementary revenues as of December 2022. These revenues stem from additional tax assessments of USD 5 billion notified to taxpayers.

TIWB programmes continue to diversify, with new audit support programmes in 2022 covering mining, telecommunications, banking and insurance. In addition, TIWB expanded into new areas, including Advance Pricing Arrangements (APAs), criminal tax investigations and the Digitalisation of Tax Administrations. The Maldives case study (see Box 8) illustrates the benefits to host countries from this diversification.

The network of TIWB Partner Administrations continues to grow. In 2022 *Receita Federal do Brazil*, the Australian Tax Office and the Italian *Guardia di Finanza* all joined as new Partner Administrations and will deploy experts to Angola, Maldives, and Costa Rica, respectively. Currently 23 Partner Administrations provide experts to TIWB, covering more than 80% of ongoing programmes and eleven of the fourteen new programmes in 2022.[11]

A new TIWB expert e-learning module was developed in 2022 to prepare experts ahead of programme deployment.

11. The three other new programmes in 2022 were supported by a roster expert and experts from ATAF.

BOX 8. **TIWB – Maldives case study**

The Maldives Inland Revenue Authority (MIRA) concluded its initial TIWB programme in July 2022 after receiving support from the Financial Directorate of the Slovak Republic. This was MIRA's first effort in developing transfer pricing expertise, with MIRA officials benefitting from TIWB expert guidance in risk profiling, changes to draft transfer pricing regulations, transfer pricing documentation and general audit processes. A few months into the programme, co-operation with MIRA senior managers led to the creation of a separate tax administration unit for transfer pricing audits. The unit currently consists of ten tax auditors and one head of unit, all trained under the TIWB programme. MIRA also launched a new audit programme focused on strategic cases in the tourism industry. MIRA is currently receiving TIWB support on six audit cases and, to date, TIWB assistance has helped MIRA collect an additional USD 1.7 million in tax. MIRA has also requested assistance in its fight against illicit financial flows (IFFs). With a new TIWB programme on criminal tax investigations, MIRA will self-assess and train officials to strengthen investigation techniques and foster inter-agency co-ordination.

Source: TIWB Secretariat.

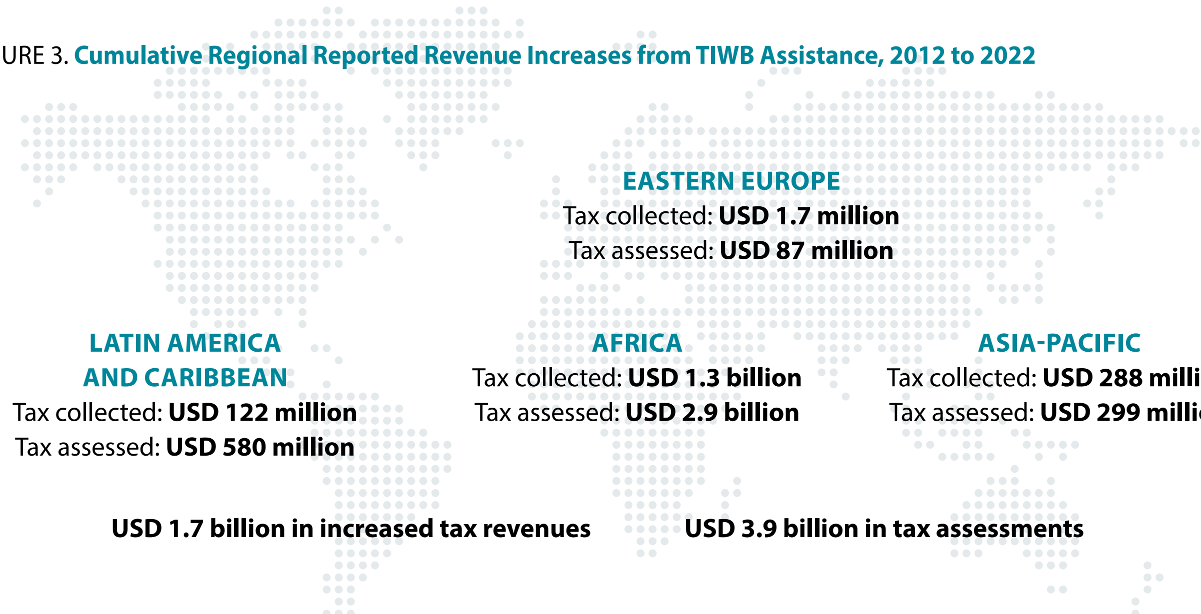
The interactive module provides insights and best practices from experienced TIWB experts, highlighting the key milestones of TIWB programmes, the main challenges and risks related to programme deployment, and monitoring and evaluation tools. The module also includes a section on interpersonal skills needed for sustainable knowledge-sharing.

TIWB launched its first mentorship programme in June 2022. Three mentees were deployed to assist two lead experts from the South African Revenue Service (SARS) to support the Ghana Revenue Authority (GRA) with a new programme on audits in the extractive industries. Through its mentorship programmes, TIWB hopes to respond to the growing need for highly trained, specialised experts to deliver TIWB programmes.

Further information on TIWB is available in the TIWB annual report.[12]

12. OECD/UNDP (2022), *Tax Inspectors Without Borders – Annual Report 2022*, OECD, Paris, http://www.tiwb.org/resources/reports-case-studies/tax-inspectors-without-borders-annual-report-2022.htm.

FIGURE 3. **Cumulative Regional Reported Revenue Increases from TIWB Assistance, 2012 to 2022**



Note: These reflect the results obtained on TIWB programmes from 2012 to June 2022.
All reported revenues are generated through the collective work of TIWB with ATAF, IGF and WBG.

Source: TIWB Secretariat.

Combatting illicit financial flows

As part of its objective to promote just, peaceful and inclusive societies, SDG 16 includes as a target the significant reduction of illicit financial flows (IFFs), which pose a major threat to many developing and emerging economies by undermining domestic resource mobilisation efforts. IFFs erode the public revenues that countries need to invest in their social and economic development, and their impacts are felt more strongly by jurisdictions with relatively narrow tax bases and constrained tax administration capacity. IFFs can also erode a country's investment base and public confidence in the integrity of the tax system.

The OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) contribute to the fight against IFFs through the work on tax transparency and tax and crime. Tax transparency ensures that critical information, such as legal and beneficial ownership information, is available and that tax administrations have access to the information they need to enforce the tax laws even when taxpayers attempt to hide their assets in foreign jurisdictions. The tax and crime work provides governments with the tools they need to investigate tax crimes and other financial crimes and to prevent, detect and prosecute criminals, and to recover the proceeds of illicit activities.

THE GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

The Global Forum promotes the effective implementation of the international standards on transparency and exchange of information (EOI) for tax purposes through monitoring implementation of the standards, conducting peer reviews, developing tools and assisting its members to implement and benefit from the standards effectively. More than half of the 168 member jurisdictions of the Global Forum are developing economies. Since 2011, capacity building has been a core component of its work. By facilitating global cooperation in the implementation of the transparency and EOI on request (EOIR) standard and the automatic exchange of financial account information (AEOI) standard, the Global Forum assists jurisdictions around the world in fighting tax evasion and avoidance, tackling IFFs and securing the integrity of their tax systems.

Over the past two years, the implementation of the COVID-19 Action Plan ensured that Global Forum members continued to receive support through a proactive and flexible approach. While the pandemic stabilised in many regions in 2022, its long-term consequences and ongoing political changes present new challenges for Global Forum members. A hybrid approach to Global Forum activities through desk-based support and videoconferencing facilitated the provision of technical assistance to all requesting jurisdictions in 2022. Complementary alternatives to in-person support – such as toolkits, e-learning modules and virtual trainings and meetings – demonstrated positive aspects, including their capacity to reach larger audiences. The Secretariat also continues to develop innovative new programmes to build capacity across member jurisdictions such as the Train the Trainer and the Women Leaders in Tax Transparency programmes.

The strategy to ensure the greatest impact for developing jurisdictions has three mutually reinforcing components: (i) raising awareness of decision-makers and senior officials; (ii) building knowledge and skills through the integration of knowledge tools into capacity building work; and (iii) supporting the implementation and use of EOI through a proactive modular approach.

The ultimate objective of the Global Forum's capacity building programme is to ensure that developing economies reap the benefits of tax transparency to mobilise sustainable resources. Over EUR 30 billion of additional revenue have been identified by developing countries since 2009 through offshore tax investigations, including through the effective use of the EOIR standard, voluntary disclosure programmes implemented in the context of AEOI, and the effective use of AEOI data.

Progress in the tax transparency agenda includes the following achievements[1]:

- The 97 jurisdictions that benefitted from Global Forum Secretariat assistance in 2022 included a record 76 developing countries, the highest number since the 2011 launch of the capacity building programme (see Figure 4).
- To date, 47 developing jurisdictions have committed to implement AEOI by a specific date (including eight developing jurisdictions that committed to AEOI following the 2021 launch of the new strategy to unleash the potential of AEOI for developing countries[2]). Thirty-four developing countries have already started automatic exchanges of Common Reporting Standard (CRS) data.
- The Global Forum's capacity building programme reached over 10 400 officials.

FIGURE 4. **Number of jurisdictions supported by the Secretariat in 2022, by region**

1. OECD (2023), *New Horizons in Capacity Building for Tax Transparency, 2023 Global Forum Capacity Building Report*, https://www.oecd.org/tax/transparency/documents/2023-Global-Forum-Capacity-Building-Report.pdf.
2. OECD (2021), *Unleashing the potential of automatic exchange of information for developing countries, 2021 Strategy*; https://www.oecd.org/tax/transparency/documents/aeoi-strategy-developing-countries.pdf.

BOX 9. **Women Leaders in Tax Transparency**

The Women Leaders in Tax Transparency programme is an initiative to promote female leadership in tax transparency. The programme seeks to build a network of women championing tax transparency in the administrations of developing country Global Forum members, promoting higher female representation at international events on tax transparency and diverse views across decision-making spheres.

The 2022 pilot programme included 22 female tax officials from developing countries. Over nine months, the programme held six sessions delivered by experienced women in the tax transparency field that covered topics including:

- Key concepts and effective implementation of tax transparency standards;
- Use of EOI tools and practical aspects of EOI, including organisation, confidentiality, and the role of tax auditors and third parties;
- Transfer of EOI knowledge and skills to modernise and standardise revenue mobilisation processes;
- Mentorship with female leaders working in tax administrations; and
- Leadership training.

The Women Leaders in Tax Transparency network will expand in coming years, with the aim of empowering women in the development and discussion of the tax transparency agenda and the implementation of the EOI standards.

Source: Global Forum Secretariat, https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/women-leaders-in-tax-transparency.htm.

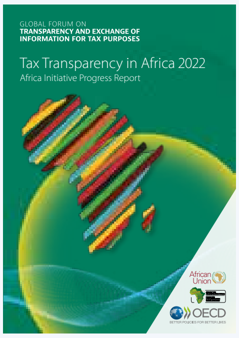
- Women comprised 56% of the participants in training activities and seminars. To further advance efforts to improve gender balance across tax administrations, international events and decision-making spheres, the Global Forum launched the pilot edition of the Women Leaders in Tax Transparency programme[3] (see Box 9).
- Developing countries sent at least 2 400 requests for information (an increase of 20%) and those participating in AEOI received information on over 32 million financial accounts with a total value of EUR 2.4 trillion.

Establishing and maintaining high-level political engagement on tax transparency is vital, as the overriding obstacle to implementing the EOI standards is often of a political nature rather than a technical one. High-level meetings with ministers, heads of tax administration and senior officials of member jurisdictions and development partners are therefore a critical element of the Global Forum's capacity building strategy. Over 90 high-level meetings were held in 2022, further advancing the transparency agenda, with significant developments in multiple jurisdictions. The Global Forum continued to focus on regional initiatives in 2022, which allowed capacity building and technical support to be tailored to specific local challenges and circumstances, while also increasing the ownership and involvement of regional organisations and national tax authorities.

3. See https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/women-leaders-in-tax-transparency.htm.

BOX 10. Global Forum regional initiatives in 2022

AFRICA INITIATIVE

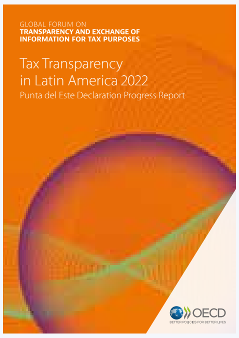


African countries' commitment to the tax transparency agenda was documented in the report *Tax Transparency in Africa 2022*[1], a joint publication of the Global Forum, the African Union Commission, and the African Tax Administration Forum (ATAF). The report reflects the significant progress made by 38 countries in the implementation of the tax transparency standards, including the growth in the number of requests for information sent by African countries, the increase in the number of bilateral exchanges and the wider use of EOI tools in cross-border tax investigations by African tax administrations. Since 2009, African countries have identified over EUR 1.2 billion of additional revenues (tax, interest, and penalties) through EOI, offshore tax investigations and voluntary disclosure programmes. African members of the Global Forum also continued their work on the implementation of cross-border assistance in tax collection.

ASIA INITIATIVE

Announced at the 2021 Global Forum plenary, the Asia Initiative took significant steps in its first year, implementing a governance structure and approving an ambitious work programme. Building on the success of other regional initiatives, the Asia Initiative promotes transparency and EOI, contributing to a sustainable post-pandemic recovery and stronger co-operation to address tax evasion and IFFs in the region. The Bali Declaration, signed in July 2022, calls for the enhancement of the use of tax transparency for sustainable Domestic Resource Mobilisation (DRM) in the region and has been endorsed by 17 Asian countries. The report *Tax Transparency in Asia 2023*[3] reflects the progress achieved in the region and describes the critical role the Asia Initiative can play to advance transparency and the exchange of information for tax purposes in Asia in the years to come.

LATIN AMERICA INITIATIVE



Progress by the Latin America Initiative in advancing the tax transparency agenda and EOI standards in the region was highlighted in the report *Tax Transparency in Latin America 2022*[2]. From 2020 to 2021, EOI requests sent by Latin American countries increased by 103%. Moreover, since 2009, countries in the region have identified at least EUR 25.7 billion of additional revenues through EOI, offshore tax investigations and voluntary disclosure programmes. In 2022 members of the Initiative approved a landmark framework for the use of information exchanged through tax treaty channels for non-tax purposes in Latin America, advancing the implementation of a key objective of the Punta Del Este Declaration and recognising the importance of a whole-of-government approach to tackling serious financial crimes beyond tax evasion. Three Latin America countries (Argentina, Costa Rica and Paraguay) also signed a pilot project to implement this framework with the assistance of the Global Forum Secretariat.

PACIFIC INITIATIVE

The Pacific Initiative[4] continued its strategy to build awareness and capacities on international tax issues including tax transparency, with a view to addressing specific challenges faced by Pacific Island jurisdictions. In 2022, the Global Forum and other partners of the Pacific Initiative delivered regional tax transparency workshops attended by 155 participants from 15 jurisdictions. These workshops aimed to assist jurisdictions in fighting tax evasion and with domestic resource mobilisation.

Source: Global Forum Secretariat.

1. OECD (2022), *Tax Transparency in Africa 2022, Africa Initiative Progress Report*, available at https://www.oecd.org/tax/transparency/documents/tax-transparency-in-africa-2022.pdf.
2. Global Forum Secretariat / OECD (2022), *Tax Transparency in Latin America 2022, Punta del Este Declaration Progress Report*, available at https://www.oecd.org/tax/transparency/documents/Tax-Transparency-in-Latin-America-2022.pdf.
3. OECD (2023), *Tax Transparency in Asia 2023: Asia Initiative Progress Report*, OECD, Paris, available at: https://www.oecd.org/tax/transparency/documents/tax-transparency-in-asia-2023.pdf.
4. See https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/pacific-initiative.htm.

BOX 11. Training on Exchange of Information

The Global Forum offers a range of training activities and tools to build capacity and foster effective EOI:

- In 2022 the Global Forum launched the second edition of its flagship Train the Trainer programme, which aims to provide local experts with EOI knowledge that can be easily, rapidly and sustainably shared in national tax administrations. Encouraged by the success of the programme's 2021 cohort, the programme was launched in 2022 in three regions (Africa, Asia, and Latin America) and attended by 68 participants. Members of the 2021 and 2022 cohorts themselves trained 2 600 officials in their home countries in 2022.
- In 2022, over 4 500 officials from 156 member and 20 non-member jurisdictions participated in training events on various topics related to tax transparency and administrative co-operation, including: 28 remote trainings,1 hybrid training and 10 on-site events (19 regional events and 20 country-specific trainings).
- Since 2019, e-learning courses[1] have been an integral part of Global Forum capacity building activities. The seven Global Forum e-learning courses allow participants to progress at their own pace and can be accessed at any time, free of charge, by officials from member jurisdictions. The courses have been taken by over 8 300 officials (+3 200 in 2022).
- The development of toolkits and other guidance tools remains a key Global Forum capacity building activity. In 2022, the Secretariat contributed to the CIAT Manual for the Control of International Tax Planning, released eight guidance tools, and completed translations of a number of Global Forum toolkits and publications.
- Launched in 2021, the Information Security Management (ISM) network provides a platform to share resources, best practices and experiences to improve confidentiality and data safeguards frameworks. The ISM network currently has 145 nominated representatives from 58 jurisdictions, including 27 developing countries.

1 Global Forum e-learning courses are available at https://www.oecd.org/tax/transparency/resources/global-forum-e-learning.htm.

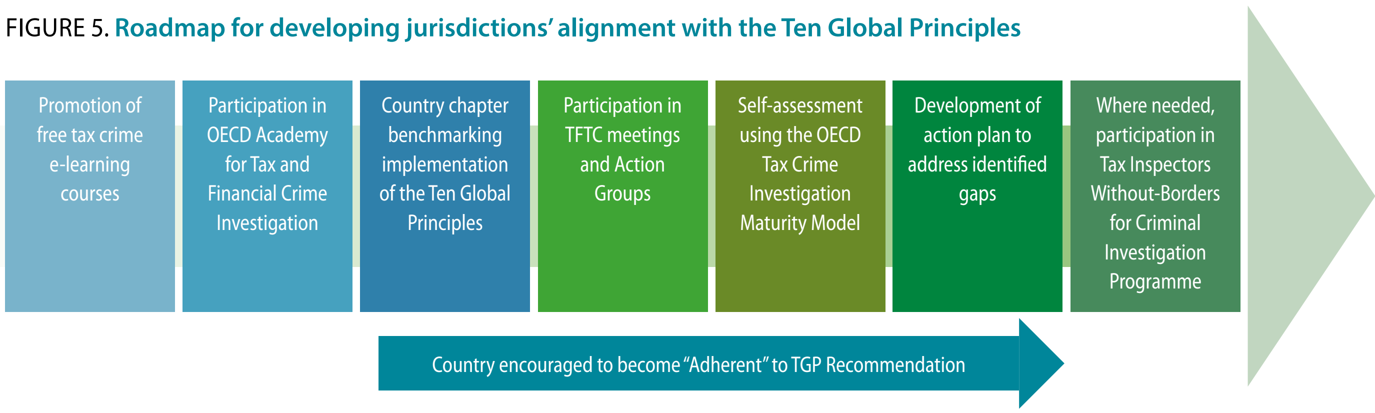
TAX AND CRIME

In June 2022, the OECD Council approved a Recommendation on the Ten Global Principles for Fighting Tax Crime[4] (the TGP Recommendation). This marks a new era for the OECD's fight against IFFs. The TGP Recommendation is the first comprehensive global standard to combat tax crimes, setting out, at a high level, the ten essential legal, institutional, administrative and operational frameworks to effectively prevent, detect, investigate and prosecute tax crimes, and to recover their proceeds. With this standard in place, the Task Force on Tax and Crime (TFTC) has a renewed mandate to support developing countries' implementation of the Ten Global Principles (TGPs).[5] For this purpose, the Secretariat developed a roadmap that starts with an introduction to the standard and progresses to targeted bilateral and multilateral capacity building.

4. See https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0469.

5. The TGP Recommendation is open to Adherents from both OECD and non-OECD countries.

FIGURE 5. Roadmap for developing jurisdictions' alignment with the Ten Global Principles



OECD International Academy for Tax Crime Investigation

The OECD International Academy for Tax Crime Investigation (the Academy) – launched in 2013 and hosted by the Guardia di Finanza in Ostia, Italy – enhances the capacity of law enforcement authorities in developing countries to combat tax and other financial crimes. The Academy delivered a record 15 courses in 2022, comprising 13 virtual courses and 2 on-site courses. This included the delivery of the first Francophone pilot course. A total of 86 developing countries participated in Academy training in 2022, bringing to 104 the total number of developing countries that have participated since the founding of the Academy. The Academy will adopt a hybrid model in 2023, with the planned delivery of 7 virtual courses and 9 on-site courses across its four centres (Africa [Nairobi], Asia-Pacific [Tokyo], International [Ostia] and Latin America [Buenos Aires]). A pilot programme in New Delhi is also planned for 2023, reflecting the G20's prioritisation of combatting tax crimes and other IFFs under the Indian Presidency.

Following a successful launch in Africa, the Academy will expand the Train the Trainer programme to Asia-Pacific and Latin America. The Academy now has 15 expert instructors from developing jurisdictions as part of its faculty, with this number expected to rise following the delivery of more Train the Trainer workshops.

The Academy curriculum continues to provide a combination of broad and specialised courses, including general courses on conducting and managing financial crime investigations as well as more specialised courses on asset recovery, the cash economy, the challenges of money laundering and crypto-assets, investigative techniques for the effective use of banking information and VAT/GST fraud investigations. In addition to tax crime investigators, prosecutors and agents from Financial Intelligence Units (FIUs), Academy courses are also open to authorities responsible for law enforcement action against corruption, money laundering and other financial crimes, helping to build an effective whole-of-government response to IFFs.

Benchmarking developing jurisdictions against the Ten Global Principles for Fighting Tax Crime

The TGP Recommendation is supported by a more detailed guide that draws on the knowledge and experience of government agencies around the world. This guidance document includes a compendium of country chapters in which jurisdictions benchmark their tax crime frameworks against the TGPs. The benchmarking exercise is an important first step in identifying gaps in jurisdictions' tax crime frameworks and ensures that developing jurisdictions will both influence and apply tax crime standards, protecting their status as global standards. To date, 31 jurisdictions have completed the benchmarking exercise, including 9 developing jurisdictions.

TIWB criminal investigation (TIWB-CI) programmes

TIWB-CI uses the TIWB approach of pairing a developing country Host Administration with a TIWB Partner Administration with more advanced tax crime frameworks to provide targeted technical assistance to support implementation of the TGPs. To date, ten jurisdictions have received assistance from TIWB-CI Programmes, which typically run for 18-24 months. Armenia was the first country to complete the programme, finalising its Phase 3 assessment in 2022. In September 2022, Eswatini joined the programme with SARS as its Partner Administration and is currently working on its Phase 1 Action Plan.

In addition to familiarising countries with the TGPs and the benefits of the whole-of-government approach, TIWB-CI also demonstrates the value of assistance in key areas such as the development of risk assessment frameworks.

FIGURE 6. **TIWB-CI Programme update as of December 2022**

Phase 1 Maturity Model Assessment and Action Plan	**Phase 2** Implementation of the systemic gaps identified in the Action Plan and resolution of complex cases through real-time assistance	**Phase 3** Evaluation and Impact Assessment	**Programme complete**
Eswatini	Colombia, Costa Rica, Honduras, Kenya, Maldives, Pakistan, Tunisia and Uganda		Armenia

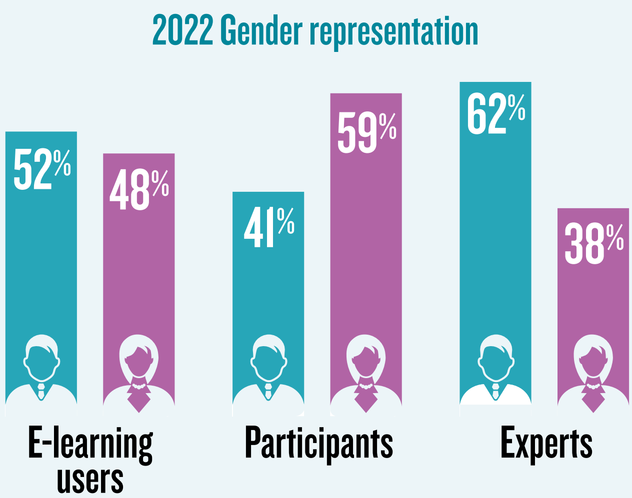
GLOBAL RELATIONS PROGRAMME ON TAXATION

Established in 1992, the OECD's Global Relations Programme on Taxation (GRP) celebrated its 30th anniversary in 2022. Since its beginnings, it has been the main conduit for OECD non-member countries to engage with the OECD's Committee on Fiscal Affairs (CFA) and its work through policy dialogue events and training for tax officials on a broad range of topics related to international taxation.

After an accelerated transition to a fully virtual programme in 2021 due to the COVID-19 pandemic, the lifting of travel restrictions allowed a progressive return to in-person events in 2022. Simultaneously, the GRP continued the expansion of its virtual learning ecosystem, comprising both live training events and self-paced tools in multiple languages (which as of 2022 include Arabic). GRP activities and tools in 2022 focused in particular on contributing to the implementation of the Two-Pillar Solution.

LIVE (VIRTUAL AND IN-PERSON) TRAINING

In 2022, more than 5200 officials[6] from over 155 jurisdictions participated in the 38 live training events organised by the GRP. These events were delivered in eight different languages on a wide variety of tax topics, such as tax treaties, transfer pricing, exchange of information, VAT on international trade, BEPS and the Two-Pillar Solution. These live training events were jointly organised with the six OECD Multilateral Tax Centres (MTCs) in Austria, China, Hungary, Korea, Mexico and Türkiye, as well as with regional tax organisations and partner countries.



6. Statistics are based on participation in each live training event; if tax officials participated in more than one event, they were separately counted as participants for each event.

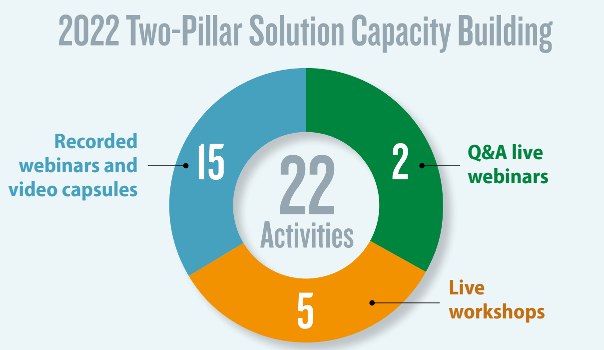
SELF-PACED ONLINE TOOLS

Live events were complemented by self-paced online tools: the GRP produced 17 recorded webinars and video capsules and launched three new e-learning modules in 2022. In 2022 alone, GRP self-paced tools were used by more than 14 000-officials from 205 jurisdictions. The GRP uses the KSPTA[7], a global online platform designed to promote sharing of tax knowledge among tax administrations, to disseminate its online tools and e-learning courses. In addition, eight tax administrations[8] host the e-learning modules on their national e-learning platforms.

TRAINING ON THE TWO-PILLAR SOLUTION

The GRP delivered a range of different events and tools in 2022 to ensure that tax officials have the information they need to understand and implement of the Two-Pillar Solution. These included:

- A comprehensive set of recorded webinars[9];
- Live, interactive Q&A sessions; and
- The live workshop series *Tax challenges and opportunities arising from digitalisation*, which covered the key building blocks of Pillar One and the practical steps to apply the Pillar Two GloBE Rules, as well as technical training on topics relating to VAT on cross-border digital services and the digitalisation of tax administration.



GRP is providing these tools in 8 languages

Arabic, English, French, Mandarin, Portuguese, Russian, Spanish and Turkish

ADVISORY GROUP FOR GLOBAL DIALOGUE ON TAX MATTERS

On 8 April 2022, more than 100 representatives from governments and international organisations across the world held the first virtual meeting of the Advisory Group for Global Dialogue on Tax Matters (the Advisory Group) under its new mandate. At this virtual meeting, the Advisory Group discussed avenues for strengthening its contribution to the development, delivery and monitoring of bilateral and multilateral tax programmes offered by the OECD's Centre for Tax Policy and Administration. The Advisory Group also reflected on its key role in supporting developing countries by incorporating their perspectives in the work of the Committee on Fiscal Affairs (CFA), including in its Inclusive Framework format, on the development of standards, best practices, and guidance in international tax matters.

7. https://ksp-ta.org/ (registration required).
8. El Salvador, Guatemala, Honduras, Kenya, Malaysia, South Africa, Spain, and Uganda.
9. For a full overview of the webinars available on the Two-Pillar Solution, please refer to https://www.oecd.org/tax/tax-global/training-two-pillar-solution.htm.

Taxation in support of the Sustainable Development Goals

While the Two-Pillar Solution represents an important step to effective taxation of MNEs, the additional revenues needed to finance the Sustainable Development Goals cannot be expected to come solely from the reform of international corporate income taxation. Reaching these revenue objectives will require closing the gap between current revenues and tax capacity – the maximum taxation possible in a country given its macroeconomic, demographic and institutional characteristics – which will only be possible with a range of different tax policy and revenue administration reforms.

Developing countries must confront a number of significant economic, social, health, environmental and security challenges to reach the SDGs. To ensure that no one is left behind, SDG 17 calls for revitalising the global partnership for sustainable development. It also includes as an explicit target the strengthening of domestic resource mobilisation (DRM), including through international support to developing countries to improve domestic capacity for tax and other revenue collection. All of the OECD's work on tax can be leveraged by developing countries to meet this target. In addition, DRM is supported through the SDG 16 (Peace, Justice and Strong Institutions) target of reducing illicit financial flows (covered in Section 2).

While government revenues continue to provide the bulk of financing for development[1], developing countries collect much less tax as a percentage of GDP than OECD member countries and, as shown in Figure 7, the largest differences are in personal income taxes, social security contributions and VAT. Further options for reform in tax policy and revenue administration beyond corporate income tax are thus needed.

This section provides an update on some of the OECD's tax and development activities that have an impact on progress towards achieving and financing the SDGs. Some of these impacts are direct – for example, work on environmental tax, carbon pricing, and tax and health policies. Other impacts are indirect and support broader improvements in tax policy and tax administration that contribute to efficiencies for taxpayers, a healthy investment climate and higher tax morale, all of which contribute to increased revenues that can be used to finance the SDGs.

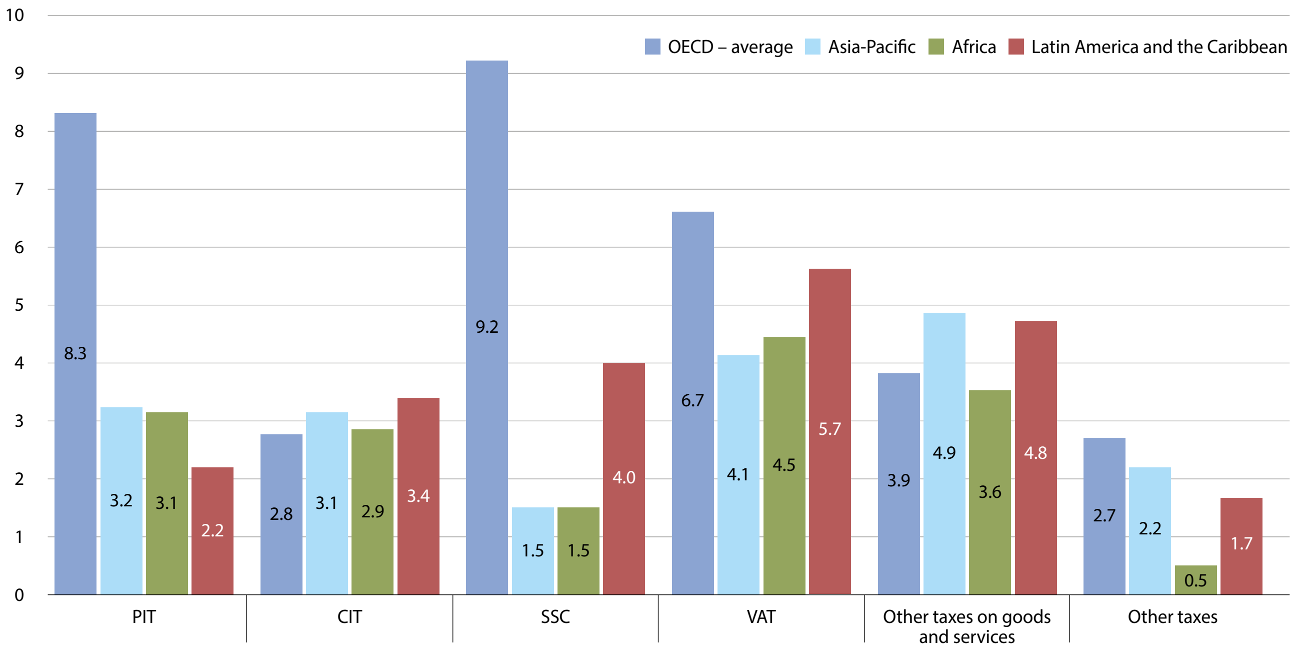
TAX REFORM

Tax policy reform can make an important contribution to meeting the SDGs. The OECD continued to broaden its tax policy offering to developing countries in 2022, supporting developing countries in areas such as health, informality, social protection and illicit financial flows. This support was complemented by further expanding the coverage of developing countries in the annual *Tax Policy Reforms*[2] publication.

1. See OECD (2022), *Global Outlook on Financing for Sustainable Development 2023: No Sustainability Without Equity*, OECD Publishing, Paris, https://doi.org/10.1787/fcbe6ce9-en.

2. See https://www.oecd.org/tax/tax-policy-reforms-26173433.htm.

FIGURE 7. **Contributions of different tax revenues as % of GDP**



Source: OECD Revenue Statistics, https://www.oecd.org/tax/revenue-statistics-2522770x.htm.

In 2022, *Tax Policy Reforms* included 71 jurisdictions, of which 26 were developing countries. To complement this global analysis, the *Tax Policy Reforms in Low- and Middle-Income Countries*[3] policy brief on tax policy reforms in these 26 developing countries was published in December 2022. The main findings from this more detailed analysis are presented in Box 12.

SOCIAL PROTECTION

Access to (at least) basic levels of social protection is a human right. Reaching these basic floors is part of the SDGs, notably SDG 1 (No Poverty) and SDG 10 (Reduced Inequality). Many developing countries currently have inadequate social protection systems – in terms

3. See https://www.oecd.org/tax/tax-policy/tax-policy-reforms-in-low-and-middle-income-countries-policy-brief.pdf.

BOX 12. **Key messages from *Tax Policy Reforms in Low- and Middle-Income Countries***

Tax Policy Reforms in Low- and Middle-Income Countries describes newly introduced tax measures and the context in which they were implemented in 26 countries*, with a view to informing tax policy discussions and supporting the assessment and design of future tax reforms. Building on the more detailed *Tax Policy Reforms* publication series, the policy brief identifies differences and similarities in these tax policy measures, comparing country groups (based on income) and illustrating the factors that determined differences in the tax policy measures introduced. Foremost amongst these factors were the persistence of the COVID-19 pandemic and the extent of countries' fiscal space to respond to the pandemic's economic impacts. Fundamental differences in national economies and the design and use of tax systems, including the capacity of tax administrations, also played important roles. The OECD plans to develop this work further in collaboration with Inclusive Framework member countries.

Source: OECD (2022), *Tax Policy Reforms in Low- and Middle-Income Countries: Policy brief*, OECD, Paris, https://www.oecd.org/tax/tax-policy/tax-policy-reforms-in-low-and-middle-income-countries-policy-brief.pdf.

* Albania, Argentina, Armenia, Bosnia and Herzegovina, Brazil, Bulgaria, Cabo Verde, Colombia, the Cook Islands, Costa Rica, Georgia, Honduras, Kenya, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Peru, Senegal, South Africa, Togo, Tunisia, Türkiye, Ukraine and Viet Nam.

BOX 13. **Social Protection Tax Revenue (SPTR) Framework**

A country's social protection financing gap can only be closed through a series of concrete measures that will vary depending on country-specific challenges and opportunities and over time. The size and characteristics of the informal economy are at the centre of the analysis underlying these measures, which should aim to broaden tax bases, tap into new tax resources and avoid domestic and international tax leakages. The required tax reforms should also be aligned with inclusive and sustainable economic growth.

The SPTR Framework aims at analysing the tax revenue potential of a wide range of policy, legal and administrative tax measures and consists of four modules: a compilation of tax policy and tax administration measures; a comparative assessment of these measures; indicators that help to gauge the revenue potential and suitability of different policy options; and country-specific revenue estimates.

The Framework is embedded within a rich dataset that covers the 115 countries of the OECD *Global Revenue Statistics database*, classified by region and income group. Over time, the variables in the dataset will be complemented by country-specific information that is not readily available for a large number of developing countries but that will be collected as part of country-specific projects.

The next phase of the project will apply the SPTR Framework to a wide range of developing countries following the four modules, leading to country-specific recommendations. This work will allow the framework to be further improved, strengthening the tax reforms that can be used to finance social protection around the world.

Source: Adapted from OECD (2022), *Tax Policy Reforms 2022: OECD and Selected Partner Economies*, OECD Publishing, Paris, https://doi.org/10.1787/067c593d-en.

of benefit levels, quality of services and population coverage – and will have to increase expenditure significantly to achieve basic universal coverage. The revenues to do so will be raised primarily through the tax system. To provide guidance to low- and middle-income countries on how they can raise more tax revenues to finance social protection, the OECD developed the Social Protection Tax Revenue (SPTR) Framework (see Box 13). The STPR Framework has been presented and discussed with a range of international organisations and countries, leading to dialogue on potential collaboration in future years.

ILLICIT FINANCIAL FLOWS

As noted above in the discussion of combatting illicit financial flows (IFFs), SDG 16 (Peace, Justice and Strong Institutions) includes as a target the significant reduction of IFFs, which undermine DRM efforts in many developing and emerging economies.

In April 2022, the report *Assessing Tax Compliance and Illicit Financial Flows in South Africa*[4] was published in co-operation with South Africa and ATAF, using microdata from the Common Reporting Standard (CRS) and South Africa's voluntary disclosure programmes. The report quantifies the scale of non-tax compliant assets held abroad by South Africans, shedding new light on taxpayer responses to global and domestic tax transparency initiatives. The report finds that IFFs are a significant challenge to South Africa, estimating that between USD 3.5-5 billion in IFFs leaves the country each year (about 11.5% of South Africa's GDP). It also highlights evidence that the expansion of EOI has produced significant behavioural responses. Most notable was the spike in applications to the voluntary disclosure programme immediately prior to AEOI implementation. The report has fostered increased interest in whole-of-government approaches to IFFs. This work has also fed into the work of the UNCTAD Task Force on measuring IFFs under the SDGs.

4. OECD (2022), *Assessing Tax Compliance and Illicit Financial Flows in South Africa*, OECD Publishing, Paris, https://doi.org/10.1787/e8c9ff5b-en.

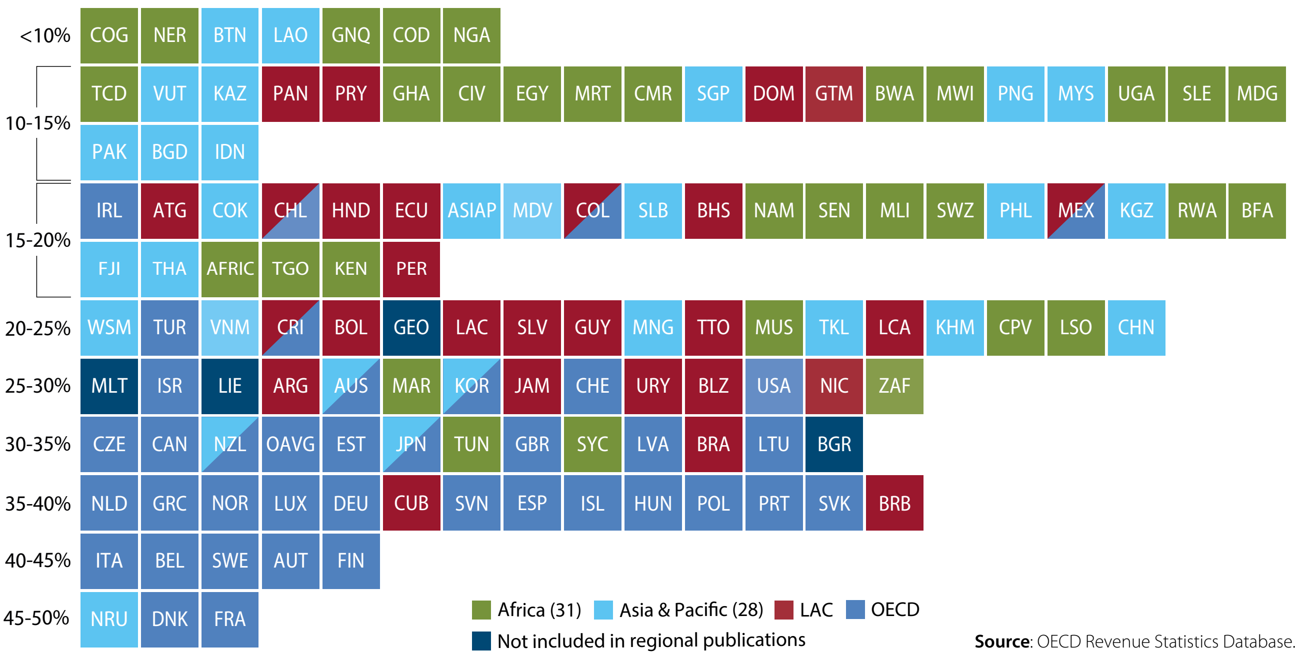
REVENUE STATISTICS

The production and analysis of revenue statistics provides developing countries with an important tool to reinforce domestic resource mobilisation. Revenue statistics support the global partnership for sustainable development in line with SDG 17 (Partnership for the Goals), allowing progress and international commitments to be monitored.

In 2022, the OECD collaborated with partner organisations and national administrations through the *Global Revenue Statistics* initiative to produce detailed, comparable data on tax revenues for 120 economies, with six additional developing countries as compared to 2021 (Bangladesh, Cambodia, Georgia, Kyrgyzstan, Pakistan, and Sierra Leone). *Revenue Statistics* data and analysis are widely disseminated by the OECD and partner organisations, resulting in widespread and increasing use by governments, academia and research organisations, and media.

The 2022 *Global Revenue Statistics* initiative produced and published harmonised tax revenue data for 87 economies in Africa, Asia-Pacific and Latin America and the Caribbean, three European non-OECD countries as well as in 38 OECD countries.[5] The 2022 edition of *Revenue Statistics in Asia and the Pacific*[6] included four additional countries, for a total of 28 economies. The rapid expansion of country coverage in the Asia-Pacific region in recent years allowed calculation of the regional average tax-to-GDP ratio and tax mix for the first time in 2021. The 2022 edition of *Revenue Statistics in Latin America and the Caribbean*[7] included 27 countries. Data from these two publications, from the *Revenue Statistics in Africa 2022* publication[8] (31 countries in 2022) and from the *Revenue Statistics 2022*[9] publication fed into the *Global Revenue Statistics Database*[10], the world's largest publicly available source of reliable, detailed and comparable data on public revenues. At the end of

FIGURE 8. **Variation of tax-to-GDP ratios in 2020 across economies and regions**



Source: OECD Revenue Statistics Database.

5. Eight OECD countries are also included in regional publications: Chile, Colombia, Costa Rica and Mexico in *Revenue Statistics in Latin America and the Caribbean 2022*; Australia, Japan, Korea and New Zealand in *Revenue Statistics in Asia and the Pacific* 2022.

6. See https://www.oecd.org/tax/tax-policy/revenue-statistics-in-asia-and-the-pacific-5902c320-en.htm.

7. See http://www.oecd.org/tax/tax-policy/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm.

8. *Revenue Statistics in Africa* is funded by an earmarked grant from the European Union.

9. OECD (2022), *Revenue Statistics 2022: The Impact of COVID-19 on OECD Tax Revenues*, OECD Publishing, Paris, https://doi.org/10.1787/8a691b03-en.

10. See https://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm.

2022, this database covered 120 economies across the globe, enabling intra-region and cross-region analysis of revenue trends on a consistent basis. *Revenue Statistics* data on corporate income taxes also informed the annual *Corporate Tax Statistics Database*[11] (4th edition launched on 17 November 2022), covering a total of 160 countries and jurisdictions.

TAX AND ENVIRONMENT

SDG 13 (Climate Action) calls on countries to take urgent action to combat climate change and its impacts. Improving the tax policy tools that can help turn the ambition on climate into action was a key focus of work in 2022.

The Inclusive Forum on Carbon Mitigation Approaches (IFCMA)[12] was announced in June 2022 and held its inaugural meeting on 9-10 February 2023. The IFCMA aims to foster multilateral dialogue and facilitate access to data and analysis to support better understanding of the combined effect of diverse policy approaches. The IFCMA brings together for the first time three key policy communities – climate, tax, and structural economic policy – with all countries participating on an equal footing. The IFCMA will undertake technical and objective analyses of the effectiveness of different climate change mitigation policies across countries at all stages of development. The IFCMA will not be a standard-setting body but will support the existing United Nations Framework Convention on Climate Change (UNFCCC) process through a rigorous assessment of cross-country and country-level mitigation policies and their impacts. The work of the IFCMA will be carried out in close coordination with other relevant international organisations (United Nations (UN), International Monetary Fund (IMF), World Bank and International Energy Agency (IEA)) to exploit synergies and avoid duplication.

Through its work on carbon pricing, energy taxation and fossil fuel subsidy reform, the OECD helps developing countries to identify priorities for reform. For example, the report *Pricing Greenhouse Gas Emissions: Turning Climate Targets into Climate Action*[13] provides comparative data to assist governments in estimating the revenue potential of various reform options and quantifying their potential contributions to domestic resource mobilisation. The report takes a broader approach than traditional work on carbon pricing – which typically focuses on measures such as carbon taxes and emissions trading systems that are rarely used in developing countries – by also taking into account carbon price signals provided by fossil fuel taxes and subsidies. This work provides evidence that carbon price reform need not be administratively complex and that there can be relatively simple starting points (such as phasing out fossil fuel subsidies while better aligning pre-existing fuel taxes with the carbon content of fossil fuels).

The Platform for Collaboration on Tax (PCT) has also prioritised work on tax and climate. A dedicated PCT working group of Climate and Tax Experts prepared the draft paper "Carbon pricing metrics: Analysing existing tools and databases of PCT partners" to showcase the carbon pricing metrics of the PCT Partners (OECD, UN, World Bank Group and IMF). It offers a framework to facilitate comparison and provide consistent guidance on carbon pricing. Publication of the paper is planned in 2023.

In the context of the 2022 global energy crisis, work on tax and the environment shifted from encouraging countries to pursue climate positive tax and subsidy reforms to making the case for better targeting support measures to protect fiscal space and avoid pushing up energy prices further. Government support to shield households and firms from the impacts of rising

11. See https://www.oecd.org/tax/beps/corporate-tax-statistics-database.htm.

12. See https://www.oecd.org/climate-change/inclusive-forum-on-carbon-mitigation-approaches/.

13. OECD (2022), *Pricing Greenhouse Gas Emissions: Turning Climate Targets into Climate Action*, OECD Series on Carbon Pricing and Energy Taxation, OECD Publishing, Paris, https://doi.org/10.1787/e9778969-en.

energy prices, often by cutting taxes on energy use in an attempt to limit escalating prices, had pronounced effects on market prices and can indirectly affect the efficacy of carbon prices in steering consumers and producers towards low-carbon choices. Against this background, the OECD organised a virtual event as part of the November 2022 27th United Nations Climate Change conference (COP27) to discuss the lessons that could be learned from these recent policy responses.

DIGITALISATION OF TAX ADMINISTRATION

Digitalisation can play a vital role in enabling and facilitating progress across all the SDGs and is an explicit focus of SDG 9 (Industry, Innovation and Infrastructure) on digital innovation and effective digital infrastructure. Digitalisation of tax administration provides clear benefits by both improving taxpayer services and increasing revenues; an effective digitalised tax administration is a key piece of infrastructure to support 21st century economies. Tax administrations across the globe are therefore building innovative digital solutions to meet current challenges and deliver tax systems that support the SDGs.

In 2022, activities on the digitalisation of tax administration aimed to support developing countries in utilising recently developed tools. The report *Supporting the Digitalisation of Developing Country Tax Administrations*[14] and the *Digital Transformation Maturity Model*[15] (DTMM) were both launched in 2021. Follow-up work in 2022 focussed on outreach and assisting countries with the use of these products, often in collaboration with regional and other international organisations as well as members of the Forum on Tax Administration. A total of nine workshops and webinars were delivered over the course of 2022.

A growing number of developing countries are making use of the DTMM: a further 13 developing countries shared their results from the DTMM, bringing the total to 19 (representing over one-third of the countries that have completed the self-assessment). An e-learning course developed in 2022 to support use of the DTMM as a self-assessment tool will be launched in 2023.

Pilot programmes commenced in 2022 for TIWB Digitalisation of Tax Administrations. Three pilot programmes currently cover a range of different questions related to digitalisation:

BOX 14. Inventory of Tax Technology Initiatives (ITTI)

In 2022 developing countries actively participated in the Inventory of Tax Technology Initiatives (ITTI). The ITTI gathers information on technology tools and digitalisation solutions implemented by tax administrations. It seeks to fill the information gap on the extent and progress of digitalisation of tax administrations, assist administrations in their consideration of possible domestic reforms, and identify where collaboration might be useful. In addition to providing a snapshot of the administrations that have adopted particular technology tools or approaches, the inventory uses case studies provided by participating tax administrations to provide a more in-depth look at particular implementation solutions. The ITTI was prepared with the assistance of the International Survey on Revenue Administration (ISORA) Partners (CIAT, IMF, Inter-European Organisation of Tax Administrations (IOTA), and OECD), ADB, ATAF, Cercle de Réflexion et d'Échange des Dirigeants des Administrations Fiscales (CREDAF), Commonwealth Association of Tax Administrators (CATA) and Study Group on Asian Tax Administration and Research (SGATAR). To date, 33 developing countries have provided information for the ITTI, which can be accessed via the Forum on Tax Administration website.[1]

Source: OECD Secretariat.

1. https://www.oecd.org/tax/forum-on-tax-administration/tax-technology-tools-and-digital-solutions/.

14. See https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/supporting-the-digitalisation-of-developing-country-tax-administrations.htm.

15. See https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/digital-transformation-maturity-model.htm.

- The Chilean tax administration is assisting the Malaysian tax administration with strategic decisions related to the introduction of online invoicing;
- The UK tax administration is discussing strategy and governance of digitalisation with the Kenyan tax administration; and
- The Swedish tax administration is offering guidance to the tax administration of Sierra Leone to facilitate digital maturity self-assessment based on the DTMM.

In addition to these three ongoing pilots, the Netherlands tax administration will be working with the Georgian tax administration on its digital strategy, starting in early 2023.

TAX MORALE AND TAXPAYER EDUCATION

The rights and duties between citizen and State that constitute the social contract are an integral part of SDG 16 (Peace, Justice and Strong Institutions), with its focus on effective, accountable and inclusive institutions. They are also key to tax morale, the motivation to participate in the tax system and comply voluntarily.

Tax Morale II: Building Trust Between Tax Administrations and Large Businesses[16] was launched in September 2022. Combining data from surveys of MNEs and tax administration officials with the outcomes of a series of roundtables between business and tax administrations, *Tax Morale II* provides new empirical data on tax administrations' perceptions of large business behaviour, as well as a range of options for tax administrations and businesses to build trust (a key driver a tax morale). Business at OECD (BIAC) responded to the findings in the report by updating its *Best Practices for engaging with tax administrations in developing countries*[17] (originally developed in 2012) and has indicated that it is keen to explore with the OECD and others how to improve business accountability for compliance with these best practices.

There is continuing interest in work on taxpayer education. Following the 2021 publication of the second edition of *Building Tax Culture, Compliance and Citizenship*[18] there have been a number of requests to present the typology and guidance featured in the report. The OECD will continue to disseminate the lessons from this work, including by integrating them into the tax morale stocktake to be piloted in 2023.

16. OECD (2022), *Tax Morale II: Building Trust between Tax Administrations and Large Businesses*, OECD Publishing, Paris, https://doi.org/10.1787/7587f25c-en.

17. See https://www.businessatoecd.org/blog/statement-of-best-practices-for-engaging-with-tax-administrations-in-developing-countries.

18. See https://www.oecd.org/tax/building-tax-culture-compliance-and-citizenship-second-edition-18585eb1-en.htm.

Next steps for 2023

The ongoing work on the Two-Pillar Solution to address the tax challenges of the digitalisation and globalisation of the economy continues to dominate the agenda in 2023. Maintaining (and expanding) the coalition of 139 jurisdictions that endorsed the Two-Pillar Solution, finalising the rules and commencing implementation will require a substantial effort. Developing countries have made clear the necessity for support in all stages.

Building on work completed in 2022, the OECD is working on the following priorities in 2023:

- Continue to support developing countries, in response to their needs, in the three phases of implementation of the Two-Pillar Solution:
  - Continued support in the drafting and negotiation of the final rules;
  - Assistance in the legal implementation of both Pillars; and
  - Support for the practical application of both Pillars.
- Implement the *G20 Roadmap on Developing Countries and International Taxation* and support India in the development and implementation of its G20 tax and development priorities.
- Finalise the Africa regional toolkit on VAT on e-commerce and continue to expand technical assistance on VAT.
- Continue to scale-up TIWB, with a minimum of 17 new programmes (of which at least three South-South), establish TIWB support for the practical implementation of the Two-Pillar Solution, and complete the pilots of TIWB for Digitalisation of Tax Administrations.
- Continue support for developing country implementation of the EOI standards.
- Continue to assist developing countries in the effective use of EOI mechanisms and other forms of administrative cooperation to fight tax evasion and IFFs.
- Continue to expand developing country inclusion in OECD tax databases and related analysis and use more in-person events in 2023 to disseminate results, promote knowledge sharing and build capacity in the production and use of tax and non-tax revenue data.
- Support developing countries interested in participating in the Inclusive Forum on Carbon Mitigation Approaches.
- Assist developing country administrations' use of Forum on Tax Administration products related to digitalisation, including *Supporting the Digitalisation of Developing Country Tax Administrations*, the *Digital Transformation Maturity Model*, the *Analytics Maturity Model* and the *Inventory of Tax Technology Initiatives*.
- Expand Global Relations Programme activities and tools across different formats, content, and languages, increasing the number of in-person events in 2023, complementing other live and self-paced training with in-deptwh, interactive sessions to address the most complex issues.
- Continue to ensure the OECD is an active participant in international dialogue on tax and development.
- Continue to stimulate international dialogue on tax morale.

Countries and organisations supporting the tax and development activities featured in this report

Financial contributions provided by

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Partner organisations

African Development Bank, African Tax Administration Forum, African Union Commission, Asian Development Bank, Centro Interamericano de Administraciones Tributarias, Cercle de réflexion et d'échange des dirigeants des administrations fiscales, European Union, Inter-American Development Bank, International Monetary Fund, Intra-European Organisation of Tax Administrations, OECD Development Centre, The Pacific Community, Pacific Islands Tax Administrators Association, United Nations, United Nations Economic Commission for Latin America and the Caribbean, World Bank Group, World Customs Organization

Tax capacity building is a key priority for the OECD and a significant part of our work programme, highlighting the OECD commitment to international tax co-operation. Through their contributions to domestic resource mobilisation and the realisation of the sustainable development goals, OECD capacity building activities have a concrete impact in a global economic context in which developing countries face multiple challenges. This report highlights the work of the OECD to assist developing countries to improve their tax systems, covering the full range of assistance on tax policy and administration issues to counter corporate tax avoidance, combat illicit financial flows and achieve the SDGs.

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