

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

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G20 



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This report contains two parts. Part I is a report on the activities and achievements of the OECD's tax agenda, and is made of two subparts: looking back at significant achievements and looking ahead at the further progress needed, in particular through the Inclusive Framework on BEPS. Part II is a Progress Report to the G20 by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

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# **PART I**

**OECD SECRETARY-GENERAL REPORT  
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Over the past decade the international community, with the support of the G20, has made enormous strides in redefining the international tax landscape. The tax principles underpinning the global financial system have moved from opacity and incongruity to transparency and coherence; from countries working on their own to enforce a patchwork of rules towards a model of co-ordinated efficiency. The era of bank secrecy is over. A new standard of automatic exchange of information has been agreed by over 100 jurisdictions. The Base Erosion and Profit Shifting (BEPS) Project has set the tone for international tax rules that are fair and ensure that tax is paid where value is created. New rules and changing standards have led to a vital discussion on tax certainty so that we take into account their impact on investment and innovation.

While tax sovereignty is a core feature of national identity, the scale of interconnectedness and cross-border activity means that when governments act alone, this sovereignty may be only nominal. Unilateral action can never provide a complete solution. Through the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework) with its 113 members and the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) with its 149 members, the international community has built a new institutional framework that reconciles the concept of tax sovereignty with multilateralism, establishing a blueprint for policy-making in a globalised world.

The key challenge for the coming years is to nurture this new institutional framework and to leverage its full potential by maintaining the multilateral dynamic that has been the driver of its considerable achievements. **In spite of past successes there are emerging tensions which may damage the unprecedented level of co-operation and, however difficult these emerging topics may be, it is more important than ever that G20 countries work together for their own benefit and for the benefit of the world.**

## 1. Looking back: significant achievements in 2017

The past year saw considerable progress on a number of fronts in international taxation as the international community moved from policy-making to implementation. On BEPS, tax transparency and our work with developing countries, 2017 saw countries bring policy to life.

### a) BEPS implementation

The implementation of the BEPS Project is underway. Since the adoption of the BEPS package in 2015 and the establishment of the Inclusive Framework in 2016, countries are taking action on many fronts, including on BEPS actions that go beyond the 4 minimum standards. For example, the international provisions of the recent tax reform in the US include measures that not only implement BEPS actions on interest deductibility and anti-hybrid rules, but also impose a minimum tax on certain foreign income. Ensuring implementation and a global level-playing field is vital to making sure the era of double-non taxation is truly over and the peer review processes of the four BEPS minimum standards have started. In-depth evaluations have been completed to assess the implementation of **BEPS Action 5**, covering both the exchange of tax ruling information (with over **11000 rulings already identified and now being exchanged**) and the identification of harmful preferential regimes (with over **160 regimes already reviewed, many of which have already been amended, and over 90 which are now in the process of being amended or abolished**); on **BEPS Action 13**, on the implementation of Country-by-Country reporting (CbC reporting) obligations –

over **60 jurisdictions already have a comprehensive domestic legal framework for CbC reporting in place, with around 55 jurisdictions requiring or permitting the filing of CbC reports in 2016**, including the headquarter jurisdictions of substantially all MNE groups above the EUR 750 million revenue threshold and over **1400 exchange relationships activated**; and on **BEPS Action 14** dealing with the improvement of mutual agreement procedures (MAP), 21 jurisdictions have already been subject to peer reviews, 8 are currently underway, and 43 more have been scheduled through December 2019. Furthermore, jurisdictions began reporting their MAP statistics under the MAP Statistics Reporting Framework and the statistics for the year 2016 have already been published.

Important steps were reached in June 2017 and in January 2018, on the occasion of the first and second signing ceremonies of the **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS**, also known as the “BEPS multilateral instrument”. This instrument embodies the very essence of multilateralism. With **78 jurisdictions having signed to date, it already covers over 1 200 bilateral tax treaties** that will be updated to implement several of the BEPS measures. To enter into force, the BEPS multilateral instrument needs to be ratified by five jurisdictions. With Austria, the Isle of Man, Jersey and Poland, only one more ratification is needed for it to become hard law. More jurisdictions are expected to sign and ratify the instrument in the coming months, with an overall objective to modify up to 2 500 existing bilateral agreements.

BEPS Action 6 requires jurisdictions to prevent the granting of treaty benefits in inappropriate circumstances, which can be implemented by participating in the BEPS multilateral instrument or through bilateral treaties. As many jurisdictions will only ratify the BEPS multilateral instrument or bilateral treaties implementing the minimum standard in 2018, the review of the implementation of the minimum standard on treaty-shopping will only begin in 2018. The terms of reference and methodology for these reviews have already been agreed.

In the meanwhile, the membership of the Inclusive Framework continues to grow, with 113 members working on an equal footing to develop guidance and monitor the implementation of the BEPS package. Following the release of the first [Inclusive Framework on BEPS’s Progress Report](#) in July 2017, a new overall update on the work on BEPS will be presented to G20 Finance Ministers and Central Bank Governors in July 2018.

## **b) Tax transparency**

The work of tax transparency has been at the heart of the OECD’s role in the international tax area. With its peer reviews of the standard for exchange of information on request (EOIR) and its monitoring of the implementation of the standard for automatic exchange of financial account information (AEOI), the Global Forum has played a crucial role in establishing and maintaining a level playing field and in ensuring that the voices of all relevant jurisdictions are heard.

A key milestone was reached in 2017 with the completion of the 1<sup>st</sup> round of peer reviews of the exchange of information on request (EOIR) standard. Following a call by the G20 in 2009 to establish a rigorous and in-depth peer review process to ensure a rapid implementation of the EOIR standard, the Global Forum finalised detailed reviews with overall ratings for over 100 jurisdictions. Never had such a thorough and impactful assessment been done and great progress has been achieved in eliminating the problems of bank secrecy, bearer shares, inadequate accounting rules, and porous exchange of information networks.

The identification of non-cooperative jurisdictions for tax transparency purposes was another important step – a process that prompted virtually all jurisdictions that had still not attained a satisfactory level of implementation to make the progress necessary through a special ‘fast track’ process for those jurisdictions to show the improvements they had made.

In 2014, the G20 called for the implementation of a new standard for AEOI – possibly the most forward-thinking transparency initiative ever conceived. In 2017, that ambitious vision became a reality, with **information effectively transmitted between 45 jurisdictions committed to begin such AEOI exchanges in September 2017.**<sup>1</sup> This was also made possible through the OECD-procured Common Transmission System (CTS) - the first global bilateral exchange system – delivered on time and on budget, on the ground evidence of the benefits of working together to develop common solutions.

### **c) Tax and development**

Not only have the rules to fight against tax evasion and avoidance changed dramatically, but the scope of their application has also expanded. With close to 160 jurisdictions in one or both of the Inclusive Framework and the Global Forum, the playing field is now truly global. A significant share of these members are developing countries, rightly demanding the benefits of this new tax environment and the support they need to implement and to shape the standards.

The G20 has consistently called for support to build capacity in developing countries and the OECD has worked hard to achieve this goal, through a comprehensive menu of induction programs for new members, regional training events, twinning programmes and bespoke training.

The joint **OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative** continues to support countries in building tax audit capacity. TIWB programmes are helping developing countries gain the skills they need to properly administer their domestic tax laws – and the benefits are already impressive with over **328 million euros collected. The number of TIWB programmes continues to increase, with 27 current programmes and 7 upcoming in 23 countries** across all regions. In particular, the goal is to multiply the “South-South” projects following the experience of the Kenya-Botswana TIWB programme. Other support activities in 2017 to strengthen developing country tax capacity have included mentoring, thematic work on extractive industries and ongoing capacity building programmes including on transfer pricing in 27 developing countries.

In addition, the **establishment of Academies for tax crime investigation** is strengthening the capability of officials to detect and tackle tax and other financial crimes. By the end of 2017, **over 330 officials from close to 70 countries had been trained** through the International Academy for Tax Crime Investigation in Ostia, Italy. The recent launch at the 2017 G20 Africa Partnership conference of the first pilots for the Africa Academy Programmes for Tax and Financial Crime Investigation in Nairobi, Kenya, will strengthen the capacity of tax and financial crime investigators in tackling illicit

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<sup>1</sup> There were a few postponements in some Caribbean jurisdictions due to the devastation caused by the hurricanes in the summer 2017. The jurisdictions impacted nevertheless committed to transmit the data as soon as possible.

financial flows. Building on these successful experiences, a Latin America Academy is in the works for 2018.

## 2. Looking ahead: Advancing the multilateral dynamic

We must, however, not allow success to breed complacency. The “Paradise Papers” leaks show that we need to remain vigilant and active in achieving the goal of full transparency for tax purposes. The Global Forum’s reviews of beneficial ownership have already resulted in important recommendations for improvement. The full implementation of AEOI must still be achieved and its effectiveness assured. The digitalisation of the economy poses important challenges to the international tax architecture.

The multilateral process takes time – to be successful the many views need to be understood and reconciled – but there is great pressure on governments to act quickly in response to many of these challenges. Real concerns have arisen in response to recent actions taken by individual countries. **When countries act alone the dangers of conflict, complexity, increased uncertainty – and with these the risk of double taxation – increase. Unilateral action is a challenge to the collective dynamic** – the disconnect between national interest and international compatibility can quickly become magnified, and these rifts become an excuse for countries to take defensive positions. This is a costly prospect. You must remember the precious value in global consensus, as it is the only currency with which to obtain truly durable, long-term solutions.

The updates that follow describe the key issues that the OECD is working on, in co-operation with the G20 members, and through the Inclusive Framework and Global Forum. The leadership of the G20 is needed to keep this global community together, to ensure that all nations work through the co-operative institutions that you have developed and to advance the precious multilateral dynamic that you have built.

### a) Tax challenges of the digitalisation of the economy

The challenges of the digitalisation of the economy were identified as one of the main focuses of the Base Erosion and Profit Shifting (BEPS) Action Plan leading to the [2015 BEPS Action 1 Report](#). In March 2017, the G20 Finance Ministers mandated the OECD, through the Inclusive Framework on BEPS, to deliver an interim report on the implications of digitalisation for taxation by April 2018. This report, [Tax Challenges Arising from Digitalisation – Interim Report 2018](#) (the Interim Report) has now been agreed by the more than 110 members of the Inclusive Framework.

The Interim Report provides an in-depth analysis of the main features frequently observed in certain highly digitalised business models and value creation in the digitalised age, as well as the potential implications for the existing international tax framework. It describes the complexities of the issues involved, the positions that different countries have in regard to these features and their implications, and which drive their approach to possible solutions. These different approaches towards a long term solution range from those countries that consider no action is needed, to those that consider there is a need for action that would take into account user contributions, through to others who consider that any changes should apply to the economy more broadly.

Members agreed to undertake a coherent and concurrent review of the “nexus” and “profit allocation” rules - fundamental concepts relating to the allocation of taxing rights between

jurisdictions and the determination of the relevant share of the multinational enterprise's profits that will be subject to taxation in a given jurisdiction. They will work towards a consensus-based solution, noting that at present, there are divergent views on how the issue should be approached. It was agreed that the Inclusive Framework would carry out this work with the goal of producing a final report in 2020, with an update to the G20 in 2019. The Inclusive Framework's Task Force on the Digital Economy will meet next in July 2018.

In addition, the Interim Report discusses interim measures that some countries have indicated they would implement, believing that there is a strong imperative to act quickly. In particular, the Interim Report considers an interim measure in the form of an excise tax on the supply of certain e-services within their jurisdiction that would apply to the gross consideration paid for the supply of such e-services. There is no consensus on the need for, or merits of, interim measures, with a number of countries opposed to such measures on the basis that they will give rise to risks and adverse consequences. The Interim Report describes, however, the framework of design considerations, identified by countries in favour of introducing interim measures, which should be taken into account when considering introducing such measures.

The Interim Report also takes stock of progress made in the implementation of the BEPS package, which is curtailing opportunities for double non-taxation. Country-level implementation of the wide-ranging BEPS package is already having an impact, with evidence emerging that some multinationals have already changed their tax arrangements to better align with their business operations. The measures are already delivering increased revenues for governments, for example over 3 billion euros in the European Union alone as a result of the implementation of the new International VAT/GST Guidelines. Also, the impact of widespread implementation of the BEPS package, including recent EU directives as well as some aspects of the US tax reform should result in neutralising the very low effective tax rates of some companies. Nonetheless, BEPS measures do not necessarily resolve the question of how rights to tax are shared between jurisdictions, which is part of the long term issue.

Finally, the Interim Report identifies new areas of work that will be undertaken without delay. Given the availability of big data, international cooperation among tax administrations should be enhanced, in particular, as regards the information on the users of online platforms as part of the gig and sharing economies, to ensure taxes are paid when they are due. The Forum on Tax Administration, working with the Inclusive Framework, will develop practical tools and cooperation in the area of tax administration and will also examine the tax consequences of new technologies (e.g., crypto-currencies and blockchain distributed ledger technology).

An update on this work will be provided in 2019, as the Inclusive Framework works towards a consensus-based solution by 2020.

### *Background*

As part of the OECD/G20 BEPS Project, and in the context of Action 1, the Task Force on the Digital Economy (TFDE) considered the tax challenges raised by the digital economy. The 2015 BEPS Action 1 report noted that the digital economy is characterised by an unparalleled reliance on intangibles, the massive use of data (notably personal data), and the widespread adoption of multi-sided business models. Further, it found that it would be difficult, if not impossible, to ring-fence the

digital economy. The report went on to highlight the ways in which digitalisation had exacerbated BEPS issues, but also noted that the measures proposed under the other BEPS Actions were likely to have a significant impact in this regard.

The report also noted that beyond BEPS, digitalisation raised a series of broader tax challenges, which it identified as data, nexus and characterisation. These challenges chiefly relate to the question of how taxing rights on income generated from cross-border activities in the digital age should be allocated among countries. While identifying a number of options to address these concerns, none were ultimately recommended. After the release of the OECD/G20 BEPS package it was agreed by countries to renew the mandate of the TFDE and continue to monitor developments in respect of digitalisation with a further report to be delivered by 2020 and with an interim report to be produced by the end of 2018.

In March 2017, the G20 Finance Ministers called on the TFDE to bring forward the delivery of its interim report, so that it would be finalised by no later than April 2018 – a request that was reiterated by the G20 Leaders at their July 2017 Hamburg Summit.

#### *Digitalisation, Business Models and Value Creation*

A robust understanding of how digitalisation is changing the way businesses operate and how they create value is fundamental to ensuring that the tax system responds to these challenges. In particular, looking at new and changing business models in the context of digitalisation, the report describes the main features of digital markets and how these shape value creation. The Interim Report also identifies three characteristics that are frequently observed in certain highly digitalised business models: scale without mass, heavy reliance on intangible assets, and the role of data and user participation, including network effects. It was noted, however, that countries have different views on whether, and to what extent, these features represent a contribution to value creation by the enterprise.

#### *BEPS Implementation and relevant tax policy developments*

Implementation of the BEPS measures is well underway in most countries. This is having an impact. As mentioned, over 3 billion euros in the EU alone has been collected as a result of the implementation of the new International VAT/GST Guidelines. On the corporate income tax front, significant recent reforms have been passed to implement the BEPS package. For instance several EU directives have been enacted. One measure of the US tax reform in particular (known as GILTI) is likely to raise the overall effective tax rate of US MNEs on their offshore income above a single digit.

Also, a significant number of multinational enterprises (MNEs) have taken pro-active measures to realign their tax arrangements with their real economic activity, either by reconsidering their transfer pricing positions or by relocating and on-shoring valuable assets, such as intangibles. With the exchange of Country-by-Country reports beginning in 2018 for the 2016 tax year, further evidence of the impact of the BEPS measures is anticipated in the coming years.

In recent years, we have also seen the introduction by some countries of a range of uncoordinated and unilateral measures, which appear to reflect a discontent among some countries with the outcomes produced by certain aspects of the current international tax system.

### *Towards a Global, Consensus-Based Solution*

There is general acknowledgement that the digital transformation continues to be an ongoing process and that there is a need to monitor how these changes may be impacting value creation. The broader tax challenges of digitalisation raise very complex technical questions. Members of the Inclusive Framework have different views on the question of whether, and to what extent, the features identified as being frequently observed in certain highly digitalised business models should result in changes to the international tax rules. In particular, with respect to data and user participation, there are different views on whether, and to what extent, they should be considered as contributing to a firm's value creation, and therefore, what impact they may have on the international tax rules.

The different perspectives on these issues among the 113 members of the Inclusive Framework can generally be described as falling into three groups. The first group considers that the reliance on data and user participation may lead to misalignments between the location in which profits are taxed and the location in which value is created. However, the view of this group of countries is that these challenges are confined to certain business models and they do not believe that these factors undermine the principles underpinning the existing international tax framework. Consequently, they do not see the case for wide-ranging change.

A second group of countries take the view that the ongoing digital transformation of the economy, and more generally trends associated with globalisation, present challenges to the continued effectiveness of the existing international tax framework for business profits. Importantly, for this group of countries, these challenges are not exclusive or specific to highly digitalised business models.

Finally, there is a third group of countries that consider that the BEPS package has largely addressed the concerns of double non-taxation, although these countries also highlight that it is still too early to fully assess the impact of all the BEPS measures. These countries are generally satisfied with the existing tax system and do not currently see the need for any significant reform of the international tax rules.

Acknowledging these divergences, members agreed to undertake a coherent and concurrent review of the "nexus" and "profit allocation" rules - two fundamental concepts relating to how taxing rights are allocated between jurisdictions and how profits are allocated to the different activities carried out by multinational enterprises, and seek a consensus-based solution. While it is a challenging objective, the Inclusive Framework will work towards a consensus-based solution by 2020.

### *Interim Measures to Address the Tax Challenges Arising from Digitalisation*

Developing, agreeing and implementing a global, consensus-based solution will take time, and, in some countries, there are pressing calls for governments to take more immediate action to address the tax challenges arising from digitalisation. There is no consensus on the need for, or the merit of, interim measures with some countries opposing them. The risks and adverse consequences that these countries believe would arise as a result of such measures include negative impacts on investment, innovation and growth, the possibility of over-taxation, distortive impacts on production

and increasing the economic incidence of tax on consumers and businesses, and increased compliance and administration costs.

The countries considering interim measures recognise these challenges, but consider there is a fiscal and political imperative to act, pending a global solution which may take time to develop, agree and implement. They take the view that there is a sound conceptual basis for an interim measure, that value is being generated within their jurisdiction that would otherwise go untaxed challenging the fairness, sustainability and public acceptability of the system. They think the challenges need to be weighed against the policy challenges of not acting in the interim and consider that at least some of the possible adverse consequences can be mitigated through the design of the measure.

The report therefore reflects the framework of design considerations, identified by countries in favour of introducing interim measures, which should be taken into account when considering introducing such measures. This framework takes into account some constraints, including that any such measures should be in compliance with existing international obligations, temporary, targeted and balanced, minimise over-taxation, as well as designed to limit the compliance costs and not to inhibit innovation. The Interim Report considers an interim measure in the form of an excise tax on the supply of certain e-services within their jurisdiction that would apply to the gross consideration paid for the supply of such e-services.

#### *Beyond the International Tax Rules: the impact of digitalisation on tax policy and tax administration*

Digitalisation is offering new opportunities as well as some challenges to tax policy and administration beyond the international tax system. These include the growth of the gig and sharing economy and how this is affecting tax compliance and revenues as a result of the rise of non-standard work. At the same time, technologies like blockchain give rise to both new, secure methods of record-keeping while also facilitating crypto-currencies which pose risks to the gains made on tax transparency in the last decade. Some work is already underway to better understand and address these developments, but further work is required to ensure that governments can harness the opportunities these changes bring while ensuring the ongoing effectiveness of the tax system. It will also be important to give specific consideration to how advances can be implemented in developing countries to take into account their particular circumstances.

#### *Next Steps*

The interim report is a key milestone to developing a durable, long-term solution to the tax challenges posed by the digitalisation of the economy. To accomplish this, further work will need to be carried out on the analysis of the value contribution of certain characteristics of highly digitalised business models as well as digitalisation more broadly. To inform that debate, technical solutions would also be explored to test the feasibility of different options with respect to the profit allocation and nexus rules. This process will include gathering input from a broader group of stakeholders including business, civil society and academia.

An update on this work will be provided in 2019, as members work towards a consensus-based solution by 2020. Throughout, it will be important to continue to monitor the latest developments: from the evolution of new technologies and rapidly-evolving business models, to the adoption and impact of countries' legislative proposals that aim to address these challenges. Ongoing political

support is essential to building consensus and achieving progress on these complex issues. The TFDE will hold its next meeting in July 2018.

## **b) Moving ahead with the tax transparency agenda**

There have been dramatic improvements in tax transparency over the past decade. However, challenges still remain. High profile leaks, such as the release of the “Paradise Papers”, underscore the widespread use of offshore structures to hide beneficial ownership of assets and income. The rapid and widespread adoption of AEOI through the implementation of the OECD’s Common Reporting Standard (CRS) is limiting taxpayers' ability to hide their income and assets offshore. However, the experience of a number of tax administrations and the information disclosed through the OECD's CRS disclosure initiative show that a number of advisers and service providers are actively marketing schemes designed to circumvent the CRS reporting requirements.

In light of these ongoing challenges, G7 Finance Ministers, in the Bari Declaration issued on 13 May 2017, called on the OECD to start "discussing possible ways to address arrangements designed to circumvent reporting under the CRS or aimed at providing beneficial owners with the shelter of non-transparent structures" and encouraged the G20 to endorse this work.

**The OECD has delivered. The release of a new report *Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures* sets out model mandatory disclosure rules** that target promoters and service providers involved in arrangements designed to circumvent reporting under the Common Reporting Standard or aimed at providing beneficial owners with the shelter of non-transparent structures.

In addition, there is ongoing work at the OECD to identify, analyse and address schemes that purport to avoid reporting under the CRS. As part of this work, **the OECD recently released a [consultation paper](#) on ways to address the misuse of residence** and citizenship by investment schemes, to circumvent the CRS.

As the first exchanges under the CRS approached, **close to 85 billion euros in additional tax revenue was identified as a result of voluntary compliance mechanisms and offshore investigations**. With exchanges commenced in September 2017, and as further progress is made in the implementation of the standards, the Global Forum is doing further work to evaluate the scale of the changes and impact generated by the progress achieved in the past decade, in particular that associated with AEOI. A report on this work will follow over the course of 2018. The outcomes of this evaluation will assist policy makers and tax administrations in understanding the value of tax transparency and the need to ensure a rapid and continued implementation of the standards.

## **C) Tax certainty**

Tax rules should not only be fair and transparent, but also inclusive, clear and consistent in their application. Having certainty in tax matters is important to preserve the integrity and credibility of the tax system, and also to ensure that overly complex or obscure tax rules do not impede economic innovation and investment. In response to a call from the G20 Leaders in 2016, the OECD and IMF Secretariats produced a comprehensive report delivered to the G20 Finance Ministers in March 2017

that identified the sources of tax uncertainty and the various tools that taxpayers and governments could use to reduce it.

**The OECD is taking forward this work with concrete action to improve tax certainty.** On the request of the G20, a follow-up report is currently being drafted and will provide an update on progress being made to enhance tax certainty, including through:

- **Understanding how tax certainty affects developing countries.** One specific follow-up action from the Tax Certainty report was to consult with developing countries on their particular concerns around tax certainty and whether the specific tools identified to enhance tax certainty should have the same application in developing countries, having regard to their enforcement capabilities and implementation capacity. A consultative seminar, sponsored by Germany, was held in Dar es Salaam, Tanzania on 25-27 October 2017. In total, participants from 21 African countries were consulted and exchanged views on this important issue. A second workshop will be held on 26-29 March 2018 in Singapore.
- **The International Compliance Assurance Programme (ICAP)** is aimed at providing MNE groups willing to engage actively and in a fully transparent manner with increased tax certainty, through the use of Country-by-Country reports and other information for multilateral risk assessment purposes. By co-ordinating conversations between a MNE group and several tax administrations simultaneously, ICAP should also ensure a more efficient use of resources both for taxpayers and tax administrations and, in the longer term, fewer disputes. A pilot for ICAP, which includes eight Forum on Tax Administration members (Australia, Canada, Italy, Japan, the Netherlands, Spain, the United Kingdom and the United States), was launched in Washington D.C. in January 2018. A multilateral assessment of specific international tax risks posed by each MNE group in the pilot will commence during the first half of 2018 and is expected to be completed within a target timeframe of 12 months.
- The OECD's Forum on Tax Administration is carrying out two projects on **Joint Audit and Compliance Risk Assessment** as part of the wider set of work on enhancing tax certainty and improving compliance effectiveness. The aim of the project on risk assessment is to enhance mutual understanding between tax administrations of the different risk factors used by different countries. This may lead to greater convergence between countries over time as well as increase auditors' understanding of the wider international picture. The project on joint audits will examine the experience of tax administrations to date on the use of joint audits and whether and where improvements can be made to make them easier to undertake and to obtain the benefits sought by administrations and MNEs.
- The **Treaty Relief and Compliance Enhancement (TRACE)** project will standardise the system for claiming withholding tax relief at source on portfolio investments through a self-contained set of agreements and forms to be used by any country that wants to implement the so-called Authorised Intermediary ("AI") system. It removes the administrative barriers that currently affect the ability of portfolio investors, including investors making use of pooled investment vehicles, to effectively claim the reduced rates of withholding tax to which they are entitled pursuant to tax treaties or to domestic law of the country of investment. Moreover, it minimises administrative costs for all stakeholders and enhances

the ability of both source and residence countries to ensure proper compliance with tax obligations.

- **Improving the effectiveness and timeliness of dispute resolution mechanisms** is the aim of Action 14 of the BEPS Action Plan and is also part of the continuous efforts to enhance tax certainty. The members of the Inclusive Framework committed to have their compliance with the implementation of the minimum standard peer reviewed (with the possibility for deferral for certain developing countries), to provide a MAP profile and to provide MAP statistics. The reporting of MAP statistics provides a tangible measure of the effects of the collective implementation of some elements of the Action 14 minimum standard and now includes data from over 65 jurisdictions. Statistics for 2016 have been reported and analysed and peer reviews for 14 countries have so far been published. MAP profiles for 76 countries have been published on the OECD website, with almost 30 more forthcoming.

#### **d) Tax and development**

This era of unprecedented international co-operation on tax creates new opportunities for the enhanced participation of developing countries in international tax policy discussions and institutions, but also new challenges to fully realizing the benefits. Ensuring that all economies have a voice in this important dialogue is key to maintaining the collective momentum needed to achieve durable results.

The Platform for Collaboration on Tax (PCT), established in 2016 by the IMF, the OECD, the UN and the WBG to improve the co-ordination of their capacity building activities on tax, works to support developing countries including through the development of BEPS-related toolkits to address key priorities identified by these countries. The next toolkit on indirect transfer of assets will be delivered by mid-2018.

**On 14-16 February 2018, the PCT held its first Global Conference on Taxation and the Sustainable Development Goals (SDGs) at the UN headquarters in New York**, reaffirming the common objectives of the four partner international organisations in relation to the tax agenda, including: how to mobilise domestic resources for development; tax policies to support sustainable economic growth, investment and trade; the social dimensions of taxation (income and gender inequality, human development); as well as capacity development and international tax co-operation. The three-day conference brought together ministers and deputy ministers of finance, tax authorities, and senior representatives from civil society, private sector, academia, regional and global organisations to set out a forward agenda on how taxation can help deliver the SDGs by 2030. The Conference Statement can be found in Annex A to Part I.

The OECD's Forum on Tax Administration (FTA) Capacity Building Network, set up in 2016, is also working effectively to help co-ordinate peer-to-peer support between tax administrations. The FTA will also increasingly work with the PCT on tax development issues, in particular on the use of technology in improving tax capacity.

#### **e) Objective criteria for tax transparency purposes**

**More stringent criteria are needed to identify non-cooperative jurisdictions.** Where the results reported from the Global Forum show persistent, unsatisfactory results, then it is incumbent upon

the international community – represented by the G20 and more broadly – to identify such failures and encourage rapid implementation. Where jurisdictions fail to implement the agreed standards of tax transparency to a satisfactory degree, this is a threat to the level playing field.

**In 2016, at the request of the G20, the OECD developed objective criteria to identify non-cooperative jurisdictions** for tax transparency purposes, comprising commitment to AEOI, implementation of the EOIR standard and signature of the OECD/Council of Europe multilateral Convention on Mutual Administrative Assistance in Tax Matters. **This exercise had great impact, incentivising jurisdictions to move ahead, but as circumstances change, updated criteria are necessary to encourage further progress.** The challenge is to ensure that this mechanism evolves to reflect the current situation and also that it is still a lever for progress. Without a credible mechanism jurisdictions may not respond positively.

**There are a number of material changes to the transparency landscape that would need to be taken into account** for any adjustment to the criteria, including the implementation of automatic exchange of information and the publication of results from the Global Forum's second round of EOIR reviews. In addition, it is important to acknowledge that the scope of tax co-operation has expanded, and the implementation of the BEPS actions entails another level of commitment to progress. Whether these or other factors should be incorporated into an updated criterion will have to be carefully considered.

**An update on the criteria will be presented for your meeting in Buenos Aires on 21-22 July 2018.**

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# ANNEX A – CONFERENCE STATEMENT OF THE PLATFORM FOR COLLABORATION ON TAX

## Platform for Collaboration on Tax

### First Global Conference on Taxation and SDGs

#### Conference Statement

*February 16, 2018*

#### **The Platform and its role**

The Sustainable Development Goals (SDGs) set ambitious targets for all countries, to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind. Achieving these goals requires enormous financial resources. The Addis Ababa Action Agenda recognizes that much of the increased public financing to reach these goals will have to be generated domestically. Taxation has a key role to play in financing the SDGs. At the same time, an era of unprecedented international co-operation on tax is underway with the implementation of Automatic Exchange of Information, the Base Erosion and Profit Shifting project, and the strengthening of the United Nations Committee of Experts on International Cooperation in Tax Matters—all creating new opportunities for the enhanced participation of developing countries in international tax policy discussions and institutions, but also new challenges to fully realizing the benefits of international co-operation on tax.

It is in this context that the Platform for Collaboration on Tax was formed. The Platform Partners, International Monetary Fund (IMF), Organization for Economic Co-operation and Development (OECD), United Nations (UN) and the World Bank (WB), have each worked for many decades to support their member countries to effectively mobilize tax revenues – from the most economically advanced to the poorest. In this new era of increased international co-operation, however, there are opportunities for deeper collaborative work through the Platform. The partner organizations bring together their own mandates and expertise, and their convening power to engage in and stimulate research, and together through the Platform lead the debate and action on the broad role of taxation in achieving the SDGs.

Subject to resource availability, the Platform intends to undertake or continue work in a range of areas, including:

#### ***1. Strengthening international tax co-operation***

As the international tax environment is changing rapidly, there is a high demand for action by the Platform, which is well placed to facilitate feedback between standard setting, capacity building and technical assistance in the sphere of international tax.

To respond to this demand, Partners will further increase co-ordination and co-operation at the global and country levels. Guidance for developing countries (e.g., through the various Toolkits that the Platform has produced, and continues to work on, to help developing countries in high

priority areas of international taxation) will provide a basis for some of this work. The Platform will also support developing countries to analyze and articulate their views on important international tax issues which will feed back into the international forums and standard setting processes.

## **2. *Building Institutions through Medium Term Revenue Strategies***

In their 2016 report “*Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries,*” the Platform Partners advocated for “Medium Term Revenue Strategies” (MTRS) - a new approach to support countries in reforming their tax systems. These are intended to facilitate a country driven process to develop multi-year, holistic and realistic plans for revenue policy, legal and administrative reforms consistent with the countries’ development goals, and to enhance the ability of their tax systems to achieve strong, robust growth and wider social objectives. They are envisaged as part of the country’s institution building process, as broad stakeholder engagement in MTRS development can help shape the relationship between citizens and their governments. This approach is in the initial stages of its implementation, with the Platform playing a significant role in a first wave of countries in 2018. Aiming to reach the full potential of this approach, Partners will foster an inclusive process of collaboration and information sharing, as well as encourage stronger leadership from the country governments, and broad societal engagement.

## **3. *Promoting partnerships and stakeholder engagement***

SDG 17 emphasizes the importance of partnerships and international support in realizing the SDGs, including in tax. The Platform is just one form of partnership that is needed to make progress on this goal at the global and country level. As this conference has demonstrated, achieving the SDG’s requires actions from all stakeholders. The Platform’s success depends on its ability to foster wider relationships, including through convening governments, regional tax organizations, civil society and the business sector.

This conference is the beginning of a process of regular, structured dialogue with the full range of stakeholders.

The following box includes a list of immediate and concrete actions related to the above three areas, which additional resources permitting, the Platform intends to undertake or continue:

#### **PLATFORM ACTIONS TO TAKE THE TAX AGENDA FORWARD**

- On a regular basis, working with others including the Addis Tax Initiative, we will help to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters.
- We will integrate, and aim for the highest possible standards of transparency in the provision of information about our capacity development activities in developing countries through the Platform website.
- On international tax we will scale-up our joint work to support developing countries to address tax transparency and base erosion and profit shifting, including on treaties.
- Working together with other stakeholders, we will seek to provide coherent and consistent international tax policy advice.
- We will complete the Platform Toolkits to help countries address challenges in international taxation, and launch an expanded outreach program to support the development and use of the Toolkits. We will respond to additional concerns raised by countries with analytical work, recommendations and guidance.
- We will provide, in mid-2018, an update to the G20 on tax certainty and developing countries.
- We will analyze and report on the spillovers and opportunities from changes in the international tax environment on and for developing countries.
- We will work together to support the development of country-led MTRSs, including through the involvement of bilateral partners, and report on outcomes. We will align our support according to the plans set out by governments.
- We will help developing countries access the knowledge, experience and good practices in tax administration, starting with the use of technology, working with the Forum on Tax Administration, regional tax organizations and other partners.
- We will support the participation of developing countries in tax policy discussions at international fora.
- We will launch a multi-year *Tax and SDGs Program*, that will include components on taxation and health, education, gender, inequality, environment, and infrastructure.
- We will establish a regular dialogue between the Platform and stakeholders—most importantly developing country governments.
- We will review current practice, and provide guidance and recommendations, on the tax treatment of ODA funded goods and services.
- To help deliver this agenda we will seek to secure donor funding for the expanded work program, supported by a strengthened Platform Secretariat.

#### **Taxation and the SDGs**

As this conference has shown, tax structures affect society and the economy in many ways beyond a narrow financing focus: equality, in its many dimensions, impacting investment and growth; empowerment of women; sustainability of the environment; extraction of natural resources; and many other concerns central to the achievement of the SDGs. While the Platform Partners already

work on all these topics, through analysis, standard setting, and technical assistance to member countries, there is scope for further work.

### **Delivering the Platform's Agenda**

This conference has offered the opportunity for stakeholders to suggest other topics on which the Platform could work and other ways in which it could foster co-operation. Taking these suggestions into account, the Platform will produce a forward agenda of the issues raised by this conference, and identify areas where further work is possible, either by the Platform, or by Platform Partners individually or in collaboration with others.

These proposed actions could make a significant contribution that would reflect the important role of taxation in achieving the SDGs. These actions can only be delivered if resources are made available. We gratefully acknowledge the contributions from the Governments of Luxembourg, Switzerland, and the United Kingdom, and the commitment from the Government of Japan. Taking the Platform to the next level of ambition will require a new injection of resources, not least to increase the capacity of its Secretariat.

The Platform looks forward to working with all stakeholders to deliver this agenda, through continued support to country-led MTRs, information sharing, on-the-ground co-operation, enhanced dialogue with stakeholders, further focus and guidance on international tax challenges and initiatives that will ensure a greater participation of developing countries in international tax policy discussions and institutions.

## **PART II**

**GLOBAL FORUM ON TRANSPARENCY AND  
EXCHANGE OF INFORMATION FOR TAX PURPOSES  
PROGRESS REPORT TO THE G20 FINANCE MINISTERS**



## Executive Summary

Several landmark milestones in the implementation of the internationally agreed standards on tax transparency and exchange of information have been reached in the past few months, equipping tax authorities with new effective means of tackling tax evasion and further advancing global cooperation.

After maintaining an intense focus for several years to ensure delivery of the widespread commitments to the new OECD/G20 standard in the automatic exchange of financial account information (the AEOI Standard), the first exchanges took place in September 2017 among nearly 50 jurisdictions. This was a momentous occasion, with tax authorities currently utilising this new tool which significantly strengthens their enforcement capacity. The next tranche of over 50 jurisdictions are now finalising their preparatory work with a view to commencing exchanges in September 2018. While most jurisdictions are on track and have successfully met the implementation targets, some are experiencing delays: these jurisdictions are being closely monitored and offered assistance. Full and timely implementation will remain a core priority for the Global Forum over the coming months and further reports on the delivery of the commitments will be provided.

As the evidence of the benefits delivered through AEOI continue to emerge, the interest of developing countries in this powerful anti-evasion instrument is growing. At its plenary meeting, which took place on 15-17 November 2017 in Yaoundé (Cameroon), the Global Forum adopted the Plan of Action for Developing Country Participation in AEOI which draws a pathway for developing countries by offering a structured step-by-step approach to implementing the standard. Recognising that significant resources are required to support developing countries' efforts through the provision of technical assistance, the Global Forum plenary called on international development agencies, governments and other potential donors to support this vital agenda. With more than a dozen developing countries already receiving assistance under the step-by-step approach, this call for support is now also addressed to the G20 countries.

In July 2017, the Global Forum reported to the G20 Leaders that the first round of the Global Forum's reviews of tax transparency and exchange of information on request (the EOIR Standard) was completed. Only one jurisdiction remained rated as "Non-Complaint" following a provisional upgrade of 14 others under a Fast-Track procedure which was designed to allow jurisdictions with less than satisfactory ratings to demonstrate their progress. Since then, the first 16 reports have been published in the new (second) round of EOIR peer reviews and a further 29 reviews are underway. The reviews of the jurisdictions which received a provisional rating under the Fast-Track procedure will be launched by September 2018. The enhanced requirements of the EOIR Standard, which now include the availability of and access to beneficial ownership information, have already proven to create a challenge. The Global Forum has strongly urged its members to address this issue, as well as any other potential deficiencies or outstanding recommendations from the previous round of EOIR reviews, as early as possible.

The demand for Global Forum's technical assistance has surged due to rapidly growing membership, increasing requests for support with respect to beneficial ownership and AEOI-related assistance. The Yaoundé Declaration (2017), which calls for further progress on tax transparency and exchange of information in Africa, has now been signed by 6 countries (i.e. Cameroon, Benin, Ghana, Liberia,

Togo and Uganda) and endorsed by France and the United Kingdom. This creates a momentum for closer engagement with African countries and regional organisations.

Many barriers which undermined tax transparency and prevented an effective exchange of information for tax purposes have now been removed. However, the challenges which still lie ahead should not be underestimated. In 2018, the Global Forum will focus on ensuring the full and timely delivery of the commitments to commence exchanges under the AEOI Standard in 2018, carrying out assessments of the key modules of its implementation around the world, developing the framework for the full peer reviews of the effectiveness of AEOI implementation, and facilitating the participation of developing country members in this new standard. Consistent progress by all members in meeting the enhanced EOIR Standard, in particular concerning the availability of and access to beneficial ownership information, will also remain at the centre of Global Forum's work. Capacity-building support to developing countries is incorporated at every level and will continue to expand. To better inform all stakeholders, a renewed effort is being put in the impact assessment work to evaluate the consequences of the increased tax transparency.

This report provides an account of the key milestones and outlines next steps.

## Introduction

The past few months have been marked by a historic transformation in the field of tax transparency and exchange of information.<sup>2</sup> The first exchanges under the AEOI Standard have commenced and many more jurisdictions will follow suit shortly. These exchanges have changed the landscape in which taxpayers, financial institutions and tax authorities in nearly 50 jurisdictions operate. The enhanced requirements of the EOIR Standard in the second round of peer reviews have reinforced the global pressure on the opacity of ownership structures. The availability of beneficial ownership information is expected to improve as this work unfolds, and the EOIR peer review process will allow consistent and objective tracking of the global progress.

In addition to successfully achieving these critical milestones, the Global Forum membership continues to expand. Since the last G20 Leaders' meeting in July 2017, seven jurisdictions have joined the Global Forum (i.e. Cambodia, Greenland, Haiti, Madagascar, Mongolia, Rwanda and Serbia), bringing its membership to 149. More and more jurisdictions choose to engage in intergovernmental cooperation which relies upon the principles of universality of the EOI standards, the inclusivity and equality of partnership, and the availability of assistance to bridge differences in capacities. Multilateral instruments greatly facilitate this cooperation. Since the Global Forum's last report to G20 Leaders, 6 jurisdictions have signed the multilateral Convention on Mutual Administrative Assistance in Tax Matters (the multilateral Convention). Overall, as of 28 February 2018, the number of jurisdictions participating in the Convention has reached 117 (see **Appendix 1**).

## Automatic Exchange of Information

Following a continued and intense focus since the commitments were made at the end of 2014, including making the necessary amendments to domestic laws, concluding the networks of international exchange agreements and putting in place the operational systems required, the “early adopters” commenced the first exchanges under the AEOI Standard in September 2017 (see Table 1 “The Status of AEOI Commitments”). This was a major success which took global tax transparency to the new level. Information sharing began as scheduled through the Common Transmission System (CTS) with only a few delays which were primarily attributed to the devastation caused by hurricanes in several Caribbean jurisdictions.



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<sup>2</sup> The Global Forum Annual Report 2017 <<http://www.oecd.org/tax/transparency/global-forum-annual-report-2017.pdf>>.

**Table 1. The Status of AEOI Commitments\***

JURISDICTIONS UNDERTAKING FIRST EXCHANGES IN 2017 (49)
Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus**, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, United Kingdom
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (53)
Andorra, Antigua and Barbuda, Aruba, Australia, Austria, Azerbaijan***, The Bahamas, Bahrain, Barbados, Belize, Brazil, Brunei Darussalam, Canada, Chile, China, Cook Islands, Costa Rica, Curacao, Dominica, Ghana***, Greenland, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Kuwait, Lebanon, Macau (China), Malaysia, Marshall Islands, Mauritius, Monaco, Nauru, New Zealand, Niue, Pakistan***, Panama, Qatar, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Vanuatu

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

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

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

\*\*\* Developing countries that do not host a financial centre were not asked to commit to 2018 but these jurisdictions have done so voluntarily.

Over 50 other jurisdictions are due to begin exchanges in September 2018 and the preparatory work is ongoing. In November 2017, the Global Forum published its first public report on the status of AEOI Implementation<sup>3</sup> and it continues to follow and support developments very closely. The committed jurisdictions have already made significant progress and the large majority are fully on track (see Table 2 “AEOI Implementation Update”). There are, however, a few that are lagging behind and are facing delays to deliver on the commitments made. The Global Forum calls on these jurisdictions to put their best efforts in speeding up the process of implementation. A full and timely delivery of the AEOI commitments will remain at centre stage throughout 2018, and all the jurisdictions committed to commence exchanges in 2018 should complete the implementation process without delay.

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<sup>3</sup> Automatic Exchange of Information: Implementation Report 2017:  
<<http://www.oecd.org/tax/transparency/reporting-on-the-implementation-of-the-AEOI-standard.pdf>>.

**Table 2. AEOI Implementation Update**

<p>For all jurisdictions committed to exchange by 2018*</p> <p><i>The domestic and international legal frameworks</i></p> <ul style="list-style-type: none"> <li>• 94% of the jurisdictions have the necessary domestic legal framework in place to ensure Financial Institutions collect and report the information.</li> <li>• Data collection covers 90% of all potential partners, showing widespread coverage of the scope of information Financial Institutions are required to collect, with some – albeit limited – gaps.</li> <li>• 86% of the jurisdictions have put in place the full international legal framework to actually exchange the information.</li> </ul> <p><i>Activating and operationalising exchanges</i></p> <ul style="list-style-type: none"> <li>• Activation of the international agreements, which is done on a bilateral basis, is underway. Although there is still some time, 59% of the possible exchange relationships have already been activated and more are due shortly.</li> <li>• 91% of the jurisdictions have already signed on to the CTS ready for the transmission of the information, with the others due to follow shortly.</li> </ul>	
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\* Excludes the developing countries without financial centres (Azerbaijan, Ghana and Pakistan) which were not asked to commit to 2018 but have done so voluntarily.

Even in advance of exchanges taking place, the Global Forum is assessing the quality of the implementation to identify early any significant gaps so they can be quickly addressed, safeguarding the effectiveness of the AEOI Standard from the start. Under this “Staged Approach” – designed to monitor, assess and support the delivery of all the key milestones – assessments are being conducted of the confidentiality standards in place, the completeness of the domestic legislative frameworks for the collection of the information and the networks of international agreements being put in place (see Table 3 “The Progress of Reviews under the ‘Staged Approach’”).

**Table 3. The Progress of Reviews under the “Staged Approach”**

1) <i>Legislative assessments:</i> (i) legislative framework, and (ii) lists of non-reporting Financial Institutions and excluded accounts	(i) The domestic legislative frameworks of half of the jurisdictions committed to the AEOI Standard have been assessed (51), and (ii) Over 120 Financial Institutions and financial products excluded by the jurisdictions have also been assessed to ensure their exclusion is in line with the AEOI Standard.
2) <i>Monitoring of international framework</i>	Ongoing.
3) <i>Expert confidentiality assessments</i>	98% completed, with assistance offered where gaps are identified.

The domestic legislative frameworks of around half of all the jurisdictions implementing the AEOI Standard have already been assessed by peers. Around 250 recommendations have been made to address the gaps identified and many of them have now been successfully addressed. The

jurisdictions have welcomed this process which ensures the effective and consistent implementation of detailed domestic requirements.

Each jurisdiction which committed to exchanging information under the AEOI Standard has also undergone a preliminary confidentiality and data safeguard assessment. If deficiencies were identified, the jurisdictions have been required to put in place an action plan to ensure that the required standard is met before the jurisdictions are able to receive information. The Global Forum provides assistance to support swift improvement.

Once exchanges are underway it will be possible to review the effectiveness of the AEOI Standard in practice. The work on developing the detailed Terms of Reference and Methodology for these reviews, which are due to commence in 2020, is underway. The framework is scheduled to be presented for approval by the upcoming plenary of the Global Forum which will take place in November 2018 in Uruguay, and will then be tested and refined in 2019.

With a successful kick-off by the “early adopters” and emerging evidence of the AEOI effectiveness, developing countries are demonstrating a growing interest in implementing the AEOI Standard. Following Ghana and Albania, which declared their intention to implement AEOI in 2014, five new voluntary commitments have been made in 2017 by Azerbaijan, Maldives, Nigeria, Pakistan and Peru (see Table 4 “Intended Date of AEOI Implementation by Developing Country Members without Financial Centres”).

To streamline the commitment process and capacity-building assistance, at its 2017 plenary, the Global Forum adopted the Plan of Action for Developing Countries Participation in AEOI.<sup>4</sup> The step-by-step approach embedded in this plan of action builds upon the experience gained by the Global Forum in the past three years. All jurisdictions are covered under this approach and progress is delivered through tailored assistance which fully accounts for different capacities.

The implementation by developing countries is gaining speed: 12 preliminary capacity assessments and 6 pilot projects are ongoing (namely Albania and Italy; Georgia and Germany; Ghana and the United Kingdom; Morocco and France; Pakistan and the United Kingdom; and the Philippines and Australia). The pilot project between Colombia and Spain came to a successful conclusion with Colombia exchanging information under the CRS in September 2017. More countries are expected to engage in the near future.



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<sup>4</sup> The Plan of Action for Developing Countries Participation in AEOI:  
<<http://www.oecd.org/tax/transparency/plan-of-action-AEOI-and-developing-countries.pdf>>.

**Table 4. Intended Date of AEOI Implementation by Developing Country Members without Financial Centres**

JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (3)
Azerbaijan, Ghana, Pakistan
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2019/2020 (4)
Albania (2020)*, Maldives (2020), Nigeria (2019), Peru (2020)
DEVELOPING COUNTRIES HAVING NOT YET SET THE DATE FOR FIRST AUTOMATIC EXCHANGE (42)
Armenia, Benin, Botswana, Burkina Faso, Cambodia, Cameroon, Chad, Côte d'Ivoire, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Guatemala, Guyana, Haiti, Jamaica, Kazakhstan, Kenya, Lesotho, Liberia, Madagascar, Mauritania, Moldova, Mongolia, Morocco, Niger, Papua New Guinea, Paraguay, Philippines, Rwanda, Senegal, Serbia, Tanzania, Thailand, Togo, Tunisia, Uganda, Ukraine

\* Albania had initially committed voluntarily to first AEOI exchanges in 2018 and then delayed the date to 2020.

Two main concerns may impede the progress. Firstly, significant resources are required to carry out this work. Fully recognising this challenge, the Global Forum plenary called on international development agencies, governments and other potential donors to support this vital agenda. As the implementation of the Plan of Action gears up, this call for support is also addressed to the G20 countries. Secondly, the implementation of AEOI by developing countries requires intense and ongoing political focus. All developing countries and regional partners are called on to support the anti-evasion agenda and advocate for this new tool of revenue mobilisation.

## Exchange of Information on Request

In 2017, the Global Forum finalised the first round of the EOIR peer reviews by taking into account the outcomes of the Fast-Track procedure which allowed the Global Forum to evaluate, on a provisional basis, whether a jurisdiction made sufficient progress such that it was likely that the jurisdiction's overall rating would be upgraded if evaluated against the 2010 Terms of Reference. In total, 119 jurisdictions have been rated: 18% of them have achieved a rating of "Compliant" (22), while a large majority of 75% was rated "Largely Compliant" (77) or "Provisionally Largely Compliant" (13) and therefore received recommendations towards improving their implementation of the EOIR Standard. The remaining 7% had serious deficiencies in implementation and were rated as "Partially Compliant" (5), "Provisionally Partially Compliant" (1) or "Non-Compliant" (1).

The second round of EOIR peer reviews, which was launched in July 2016, is based upon enhanced Terms of Reference, including the requirement to have access to beneficial ownership information which strengthens the fight against anonymous shell companies and the use of legal arrangements to conceal ownership identity. The first 16 reports have now been adopted by the Global Forum, of which 6 ratings are "Compliant", 8 "Largely Compliant" and 2 "Partially Compliant" (see Table 5 "EOIR Peer Review Ratings in the Second Round" and Table 6 "Overall Ratings Following Peer Reviews against the EOIR Standard"). A further 29 reviews are ongoing (the Schedule of EOIR Peer Reviews can be found in **Appendix 2**).

**Table 5. EOIR Peer Review Ratings in the Second Round (as of 28 February 2018)**

	Jurisdiction	A1	A2	A3	B1	B2	C1	C2	C3	C4	C5	Overall Rating
1	Australia	PC	C	LC	C	C	C	C	C	C	C	LC
2	Bermuda	PC	LC	C	C	C	C	C	LC	C	C	LC
3	Canada	PC	LC	C	C	C	C	C	C	C	C	LC
4	Cayman Islands	LC	LC	C	LC	C	C	C	C	C	C	LC
5	Curaçao	PC	LC	C	PC	LC	LC	C	C	C	PC	PC
6	Denmark	PC	C	PC	C	C	C	C	C	C	C	LC
7	Germany	LC	C	C	C	C	C	C	C	C	LC	LC
8	India	LC	C	C	C	C	C	C	C	C	LC	LC
9	Ireland	C	C	C	C	C	C	C	C	C	C	C
10	Isle of Man	LC	C	C	C	C	C	C	C	C	C	C
11	Italy	C	C	C	C	C	C	C	C	C	LC	C
12	Jamaica	NC	LC	PC	C	C	C	C	C	C	C	PC
13	Jersey	C	C	C	C	C	C	C	C	C	C	C
14	Mauritius	LC	C	C	C	C	C	C	C	C	C	C
15	Norway	LC	C	C	C	C	C	C	C	C	C	C
16	Qatar	C	C	C	C	C	C	C	C	C	PC	LC
	Compliant (C)	A1: Legal and Beneficial Ownership Information, A2: Accounting Records, A3: Bank Information B1: Access Powers, B2: Rights and Safeguards in Domestic Laws C1: EOI instruments, C2: Network of Agreements, C3: Confidentiality, C4: Rights and Safeguards Protected by Treaties, C5: Timely EOI										
	Largely Compliant (LC)											
	Partially Compliant (PC)											
	Non-Compliant (NC)											

**Table 6. Overall Ratings Following Peer Reviews against the EOIR Standard (as of 28 February 2018)**

Ratings based on First round of reviews	Ratings based on Second round of reviews	Overall rating
Belgium, China (People's Republic of), Colombia, Finland, France, Iceland, Japan, Korea, Lithuania, Mexico, New Zealand, Slovenia, South Africa, Spain, Sweden	Ireland, Isle of Man, Italy, Jersey, Mauritius, Norway	Compliant
Albania, Argentina, Aruba, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belize, Botswana, Brazil, British Virgin Islands, Brunei Darussalam, Bulgaria, Burkina Faso, Cameroon, Chile, Cook Islands, Cyprus, Czech Republic, El Salvador, Estonia, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Ghana, Gibraltar, Greece, Grenada, Guernsey, Hong Kong (China), Hungary, Israel, Kenya, Latvia, Lesotho, Liechtenstein, Luxembourg, Macao (China), Malaysia, Malta, Mauritania, Monaco, Montserrat, Morocco, Netherlands, Nigeria, Niue, Pakistan, Philippines, Poland, Portugal, Romania, Russia, San Marino, Senegal, Singapore, Slovak Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Seychelles, Switzerland, Turks and Caicos Islands, Uganda, United Kingdom, United States, Uruguay	Australia, Bermuda, Canada, Cayman Islands, Denmark, India, Germany, Qatar	Largely Compliant
Andorra, Antigua and Barbuda, Costa Rica, Dominica, Dominican Republic, Guatemala, Federated States of Micronesia, Lebanon, Nauru, Panama, Samoa, United Arab Emirates, Vanuatu		Provisionally* Largely Compliant
Anguilla, Indonesia, Sint Maarten, Turkey	Curaçao, Jamaica	Partially Compliant
Marshall Islands		Provisionally* Partially Compliant
Trinidad and Tobago**		Non-Compliant

\* These jurisdictions have been reviewed under the Fast-Track review procedure and assigned a provisional overall rating. They will undergo a full review under the strengthened 2016 Terms of Reference to be launched in 2018 – see **Appendix 2**.

\*\* This jurisdiction applied for the Fast-Track review, but the progress it demonstrated was not sufficient to justify an upgrade of its rating beyond Non-Compliant.

While all reviewed jurisdictions have made progress on many fronts, certain areas have proved to be more challenging, impacting some ratings adversely. This has been primarily driven by the new enhanced requirements, in particular beneficial ownership. Nearly 80 recommendations have already been made in the second round reports, some of them being un-addressed recommendations from the first round of reviews. All 16 jurisdictions reviewed so far have signed the multilateral Convention and thus have a wide network of EOI agreements in place, including all relevant partners. The number of requests is increasing and the timeliness of responses is generally improving. On the basis of these preliminary observations, the Global Forum has welcomed the progress made and strongly urged its members to address any potential deficiencies – most critically with respect to beneficial ownership – or outstanding issues from the previous round of EOIR reviews as early as possible.

To ensure a level playing field, in particular on the regional level, the Global Forum continues scrutinising non-members to prevent jurisdictions from gaining a competitive advantage over their peers by not participating in exchange of information networks. At the last plenary, the Global Forum members agreed that Bosnia and Herzegovina, Montenegro and Serbia are of relevance for EOIR purposes. Serbia has since joined the Global Forum and the dialogue with Bosnia and Herzegovina and Montenegro is ongoing.

## Technical Assistance

The demand for Global Forum's technical assistance has surged in the past few months, driven by several contributing factors.

The membership continues to expand rapidly with 7 jurisdictions joining since the last G20 Leaders' meeting in July 2017. New members are typically developing countries which require capacity-building assistance and are therefore offered a three-year induction programme upon joining to support their effective implementation of EOI standards. There are more than 20 ongoing or soon to be launched induction programmes, i.e. Armenia, Benin, Cambodia, Chad, Côte d'Ivoire, Djibouti, Ecuador, Egypt, Guyana, Haiti, Lebanon, Madagascar, Maldives, Moldova, Mongolia, Niger, Papua New Guinea, Paraguay, Rwanda, Serbia, Tanzania, Thailand and Togo. In addition, substantial ad hoc assistance has been provided to the members which had to address recommendations made in the first round of EOIR peer reviews, including the "fast-track" jurisdictions with provisional ratings, to help them prepare for their second round reviews.

In view of growing concerns with respect to the beneficial ownership requirement incorporated in the EOIR peer reviews, the Global Forum has also intensified its assistance in this field, both for its existing and new members. Four capacity-building seminars have been organised in cooperation with our local and international partners, such as the Asian Development Bank, the World Bank, the African Tax Administration Forum and the Inter-American Development Bank, in Uganda, the Philippines, Mexico and South Africa. These events were attended by around 200 participants from nearly 60 jurisdictions. As part of its Africa Initiative, a gap analysis of the beneficial ownership framework has been carried out by the Global Forum in several African countries and will be expanded to other regions. Legislative support in drafting beneficial ownership requirements have been provided to more than a dozen jurisdictions across the world.

Another important focus of assistance work has been on the implementation of the AEOI Standard. This work includes help in drafting AEOI laws, local consultations with financial institutions and expert support related to information security management, in order to ensure confidentiality of the information received by jurisdictions. The first AEOI seminar specifically addressing the needs developing countries took place in Georgia recently and more high- and technical-level events are planned.

The Global Forum's Africa Initiative entered into the next three-year phase in which – in addition to EOIR – it will now focus on providing support and assistance to implement AEOI. The Yaoundé Declaration, which was made at the ministerial meeting alongside the Global Forum plenary in Cameroon, called on all African countries to fully benefit from the most recent improvements in global tax transparency.<sup>5</sup> The Declaration has now been signed by 6 African jurisdictions (i.e. Cameroon, Benin, Ghana, Liberia, Togo and Uganda) and endorsed by France and the United Kingdom. It remains open to new signatories and provides evidence of a growing push from African countries to take ownership of the fight against tax evasion which constitutes a large component of illicit financial flows.

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<sup>5</sup> The Yaoundé Declaration (2017) <<http://www.oecd.org/tax/transparency/yaounde-declaration.pdf>>.

## Next Steps

This year of 2018 brings new challenges and targets.

The Global Forum will focus on the full, timely and quality delivery of the AEOI commitments, the development of the framework for the full AEOI peer reviews and the progress in the implementation of the AEOI Standard by developing country members. With respect to EOIR, consistent progress by all members in meeting the enhanced EOIR Standard, in particular in what concerns the availability of and access to beneficial ownership information, will remain at the centre of Global Forum's work. The reviews of the jurisdictions which were assigned a provisional rating in 2017 will be launched by September 2018. Capacity-building support to new and existing members in the effective implementation of the EOI standards is incorporated at every level and will continue to expand.

As the automatic exchange of financial account information approached, close to 85 billion euros in additional tax revenue have been identified as a result of voluntary compliance mechanisms and offshore investigations. With first exchanges having commenced in September 2017, and as further progress is made in the effective implementation of the tax transparency and exchange of information standards, the Global Forum is working to evaluate the scale of the changes and impact generated by the progress achieved in the past decade, in particular that associated with AEOI. A report on this work will follow over the course of 2018. The outcomes of this evaluation will assist policy makers and tax administrations in understanding the value of tax transparency and the need to ensure a rapid and continued implementation of the standards.

## Appendix 1

### Jurisdictions participating in the Convention on Mutual Administrative Assistance in Tax Matters\*

	Jurisdictions	Current status regarding the Convention
100	Albania, Andorra, Anguilla <sup>(1)</sup> , Argentina, Aruba <sup>(2)</sup> , Australia, Austria, Azerbaijan, Barbados, Belgium, Belize, Bermuda <sup>(1)</sup> , Brazil, British Virgin Islands <sup>(1)</sup> , Bulgaria, Cameroon, Canada, Cayman Islands <sup>(1)</sup> , Chile, China (People's Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao <sup>(3)</sup> , Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands <sup>(4)</sup> , Finland, France, Georgia, Germany, Ghana, Gibraltar <sup>(1)</sup> , Greece, Greenland <sup>(4)</sup> , Guatemala, Guernsey <sup>(1)</sup> , Hungary, Iceland, India, Indonesia, Ireland, Isle of Man <sup>(1)</sup> , Israel, Italy, Japan, Jersey <sup>(1)</sup> , Kazakhstan, Korea, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Montserrat <sup>(1)</sup> , Nauru, Netherlands, New Zealand, Nigeria, Niue, Norway, Pakistan, Panama, Poland, Portugal, Romania, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Seychelles, Singapore, Sint Maarten <sup>(4)</sup> , Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turks and Caicos Islands <sup>(1)</sup> , Uganda, Ukraine, United Kingdom, Uruguay, United States <sup>(5)</sup>	Convention entered into force
17	Armenia, The Bahamas, Bahrain, Brunei Darussalam, Burkina Faso, Dominican Republic, El Salvador, Gabon, Jamaica, Kenya, Kuwait, Morocco, Peru, Philippines, Qatar, Turkey, United Arab Emirates	Protocol/amended Convention signed

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

<sup>(1)</sup> Extension by the United Kingdom.

<sup>(2)</sup> Extension by the Kingdom of the Netherlands.

<sup>(3)</sup> Extension by the Kingdom of the Netherlands. Curaçao and Sint Maarten used to be constituents of the "Netherlands Antilles", to which the original Convention applied as from 1 February 1997.

<sup>(4)</sup> Extension by the Kingdom of Denmark.

<sup>(5)</sup> The United States have signed and ratified the original Convention which has been in force since the 1st April 1995. The Amending Protocol was signed the 27 May 2010 but is awaiting ratification.

## Appendix 2

### The Schedule of EOIR Peer Reviews

2016		2017				2018			
2 <sup>nd</sup> half		1 <sup>st</sup> half		2 <sup>nd</sup> half		1 <sup>st</sup> half		2 <sup>nd</sup> half	
Australia	Canada	Isle of Man	United States	Japan	Aruba	Liechtenstein	Botswana	Marshall Islands	Switzerland
Bermuda	Curaçao	Italy	San Marino	Philippines	Indonesia	Austria	Saudi Arabia	Panama	Brunei Darussalam
Cayman Islands	Denmark	Belgium	New Zealand	Singapore	Netherlands	Luxembourg	Seychelles	Peru	Ukraine
Ireland	Germany	France	Estonia	United Kingdom	Saint Kitts and Nevis	Brazil	Malaysia	United Arab Emirates	Barbados
Mauritius	India	Ghana	Guernsey		Bahrain	Hong Kong, China	Spain	Samoa	
Norway	Jamaica	Monaco	Hungary		Kazakhstan	Macao, China	Croatia	Liberia	
	Jersey	The Bahamas	Jamaica (supplementary)		Former Yugoslav Republic of Macedonia		Turks and Caicos Islands	Tunisia	
	Qatar						Guatemala	Andorra	
							Nauru	Costa Rica	
							Lebanon	Dominican Republic	
							Vanuatu		
							Fed. States of Micronesia		
							Trinidad and Tobago		
							Anguilla		

2019				2020				2021
1 <sup>st</sup> half		2 <sup>nd</sup> half		1 <sup>st</sup> half		2 <sup>nd</sup> half		1 <sup>st</sup> half
Tanzania	Cyprus	Cook Islands	South Africa	Poland	Slovenia	El Salvador	Pakistan	Cambodia
Côte d'Ivoire	Gibraltar	Czech Republic	Israel	Turkey	Lithuania	Mauritania	Senegal	Haiti
Niger	Greece	Grenada	Sint Maarten	Portugal	Kenya	Morocco	Uganda	Madagascar
Uruguay	Korea	Malta	Argentina	Niue	Colombia	Albania	Lesotho	Rwanda
Chile	Mexico	Russian Federation	Belize	Finland	Georgia	Burkina Faso	Azerbaijan	
China (People's Republic of)	Montserrat	Slovak Republic	Saint Vincent and the Grenadines	Sweden	Nigeria	Cameroon	Romania	
Papua New Guinea	Bulgaria	Saint Lucia	Kuwait	Iceland	Latvia	Gabon	Benin	
Togo	Faroe Islands	Armenia	Moldova	Guyana	Chad	Maldives	Djibouti	
British Virgin Islands	Antigua and Barbuda	Egypt	Greenland	Paraguay	Thailand	Ecuador		
		Dominica						

Reports have been adopted and published by the Global Forum; see <[http://www.oecd-ilibrary.org/taxation/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-peer-reviews\\_2219469x](http://www.oecd-ilibrary.org/taxation/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-peer-reviews_2219469x)>.

Peer reviews which have already been launched or will be launched by the end of March 2018.