This report consists of two parts. Part I is a report by the OECD Secretary-General regarding (A) the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project; and (B) Tax transparency through information exchange. Part II is a Progress Report to the G20 by the Global Forum on Transparency and Exchange of Information for Tax Purposes.
This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note by Turkey: The information in this document 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 recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

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Introduction

This progress report on the Base Erosion and Profit Shifting (BEPS) Project and measures to enhance tax transparency through exchange of information, provides a short summary of the key developments since the February 2015 Report to G20 Finance Ministers on the OECD/G20 work on the international tax agenda.

Only 6 months remain until we will deliver the comprehensive set of BEPS measures to G20 Finance Ministers at your meeting in Peru. Important issues relating to transfer pricing remain to be resolved, and strong commitment is needed to ensure we make meaningful progress to improve the dispute resolution mechanisms that address double taxation. Business and civil society continue to make important contributions to our work, and tax officials from all countries involved in the Project, including the developing countries which have recently become more deeply engaged, are working close together to find nuanced solutions that will address BEPS without imposing unnecessary compliance costs.

The Automatic Exchange of Information Standard which was endorsed by G20 Leaders at the Brisbane Summit will quickly become a reality, with 93 jurisdictions committed to implementing the AEOI Standard and undertaking their first exchanges in 2017 and 2018. The OECD with the Global Forum on Transparency and Exchange of Information for Tax Purposes is working closely with governments and financial institutions to provide capacity building support to assist effective implementation. Governments will need to ensure that appropriate resources are dedicated to put in place the necessary legal and technical framework in time to meet their commitments.

As countries prepare for the upcoming adoption of the post-2015 Sustainable Development Goals, tax systems will remain a critical and sustainable force for funding development, as well as the foundation for a strong citizen-State relationship. With broad and direct developing country engagement across the OECD/G20 work on the international tax agenda, the measures developed to address tax evasion and tax avoidance can play a key role in mobilising domestic resources to invest in development objectives.

Strong political leadership on the international tax agenda will be necessary through 2015, to build on the legacy of success established through the OECD/G20 partnership on tax issues over the last six years. With an ambitious timetable for both delivery of the measures to counter-BEPS and implementation of the AEOI Standard, countries must remain focused and fully committed to ensure success.

I look forward to reporting back to you at your meeting in September with the latest developments, before the presentation of the full package of BEPS measures at your October meeting in Peru.

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PART I

OECD SECRETARY-GENERAL INTERIM UPDATE REPORT
TO THE G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

Base erosion and profit shifting (BEPS) and
Tax transparency through information exchange
In September 2013, the G20 Leaders endorsed the ambitious BEPS Action Plan proposed by the OECD. In accordance with this 2-year Plan, the first batch of seven deliverables was presented to and endorsed by the G20 Finance Ministers in September 2014 in Cairns and by the G20 Leaders at their Summit in Brisbane.

The 2014 deliverables consisted of three reports and four instruments, as well as an over-arching Explanatory Statement. In February 2015, we reported to you on the agreement on a mandate to develop the multilateral instrument, on the technical details for the implementation of Country by Country reporting requirements for multinationals, and on how to address a key issue in the area of harmful tax practices, relating to “patent box” regimes.

Countdown to Delivery

In May and September, the 62 countries directly involved in the BEPS Project will meet in the OECD’s Committee on Fiscal Affairs in order to finalise the full package of BEPS deliverables which will be presented to G20 Finance Ministers at your meeting in Peru in early October. The coming six months will therefore involve a continuation of our intensive programme of in-depth liaison with a broad range of stakeholders through discussion documents, public consultations and webcasts, and work with technical experts in governments to develop a comprehensive set of measures that will tackle BEPS when implemented by governments.

The BEPS Project was designed to address the mismatches between national tax systems which have facilitated the shifting of profits away from the location of the underlying value creation. At this critical stage of the Project, it is essential for domestic provisions to tackle BEPS issues which are introduced by governments to be developed with a view to the global measures being agreed. In the absence of such an approach, the likelihood of ongoing proliferation of loopholes and with them, the ability of multinationals to thwart domestic tax policy objectives, is assured, along with reactive unilateral measures and increased disputes and compliance costs for business and for governments.

Reaching consensus on the BEPS deliverables will require the ongoing high-level political support which Finance Ministers and Leaders have provided to the Project since its inception. With the package of BEPS measures delivered to G20 Leaders at the Antalya Summit in November, it will then be time to look ahead to ensure effective implementation and monitoring of the package, which will be critical elements for ensuring long-term success.

Latest developments

Since the report to G20 Finance Ministers in February, progress has continued on the remaining BEPS Actions including the hosting of public consultations on the VAT guidelines for business to consumer transactions (under Action 1), interest deductibility (Action 4), and transfer pricing issues (Actions 8-10), as well as a discussion of the work to prevent treaty abuse (Action 6), and the impact on investment funds where further work is ongoing to ensure the full impact of the proposal is considered.

In March, the European Commission presented their Tax Transparency Package, which is fully in line with the BEPS work, and reflects our long-standing co-operation with the EU on these matters. With the mandate agreed in January to negotiate a multilateral instrument to streamline implementation of tax treaty-related BEPS measures, countries have now been invited to join the ad hoc group on an equal
footing. The last two months have also seen progress to deepen engagement of developing countries on BEPS issues.

**Improving the effectiveness of dispute resolution mechanisms**

There has also been a critical public discussion on the work to improve the dispute resolution mechanism for cross-border tax issues (Action 14). It is recognised that for the BEPS Project to deliver credible solutions which address issues of both double non-taxation and double taxation in the international tax system, **it is critical that the countries engaged in the BEPS Project make meaningful progress to improve the current dispute resolution mechanisms which are available.** Work on this issue will continue over the coming months, and countries are urged to consider how to ensure this important aspect of the BEPS Action Plan continues to progress towards agreement on an effective output in October.

**Engaging developing countries to address their BEPS priority issues**

In line with the strategy to deepen developing country engagement on the BEPS Project announced by the OECD in November, the first meeting of the BEPS decision-making body, the Committee on Fiscal Affairs, with developing country participation took place in January.

In February and March, five regional network meetings took place across the globe and organised by the OECD in close cooperation with the IMF, UN and the World Bank, as well as regional tax organisations. The meetings were hosted in Peru with the Superintendencia Nacional de Anudas y Tributos (SUNAT), in South Africa by the African Tax Administration Forum; in Turkey at the OECD Multilateral Tax Centre; and in Korea at the Korean Tax centre, as well as, for francophone countries, in Gabon, in partnership between the OECD and the Centre de rencontre des administrations fiscales (CREDAF). Focused on BEPS issues, these meetings brought together more than 200 tax policy and administration officials to discuss the technical issues currently under consideration in the BEPS Project as well as the development of toolkits to support implementation of the BEPS measures. A number of countries also highlighted the importance of the balance to be struck between the tax aspect of policies to promote investment, and domestic resource mobilisation needs.

At the end of March, the regional network meetings culminated with the hosting in Paris of the Global Forum on Transfer Pricing as well as a meeting of the Task Force on Tax and Development that brings together delegates from ministries of finance, tax authorities and development agencies, as well as international and regional organisations, civil society, business and labour, to discuss the current international tax agenda from the perspective of how best to enhance development financing and State-building through support to national tax systems. The second round of regional network meetings for 2015 will be held in October and November, focusing on the how best to support the implementation of the BEPS measures and gathering broad developing country input for the development of practical tools.

Our partners are also actively involved with us in the structured dialogue with developing countries on BEPS issues, in accordance with the plan presented to the G20 Leaders in November. In addition to participating in the regional network meetings, the IMF will hold a meeting on 20 April, and on 22 April the UN will hold a special meeting of the Council on international cooperation in tax matters which the OECD will also attend.
The single common global Standard for Automatic Exchange of Information (AEOI) was published in July 2014, and endorsed by G20 Leaders in November. To date, 93 jurisdictions have agreed to implement the AEOI Standard with the first exchanges to take place in 2017 and 2018.

The automatic exchange of information must take place under an appropriate legal framework, and the leading multilateral instrument – the multilateral Convention on Mutual Administrative Assistance in Tax Matters – now has 85 participating jurisdictions, including the recent signature of the Convention by the Seychelles. The Convention has now been ratified by 65 jurisdictions, and the remaining countries are encouraged to bring the Convention into force as quickly as possible to ensure they can access the full network of partners with whom to exchange information. To establish the procedural and technical details of exchanges under the Standard, countries conclude a competent authority agreement, and the multilateral Competent Authority Agreement which was developed by the OECD to complement the Convention, has been signed by 52 jurisdictions so far.

**Progress on AEOI Implementation**

Under the rapid timetable committed to for the first exchanges to take place under the AEOI Standard, countries must now urgently focus on ensuring the legal, technical and administrative framework is in place to ensure that the necessary information can be collected by financial institutions and transmitted to their tax authorities, and that those tax authorities can confidentially receive, sort, and exchange the information.

Financial institutions will require some lead time to ensure readiness for the Common Reporting Standard (CRS) which is part of the AEOI Standard which concerns the information to be collected and transmitted by financial institutions. Timely implementation of the domestic CRS framework will be very important. Key to this process is the close and ongoing consultation with the financial sector throughout the implementation process. Substantial delays in establishing the CRS framework could impact the ability of financial institutions to operate in full compliance with the Standard within the timelines contemplated.

In order to support the rapid implementation of the AEOI Standard, jurisdictions are working closely together within the OECD, the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) and the EU. The OECD is also supporting countries with implementation, establishing an Automatic Exchange portal as a one-stop website setting out all the technical requirements of the Standard, a handbook on implementation and country-specific information useful for financial institutions required to implement the Standard. The OECD working jointly with the Global Forum further provides training sessions at both Foundation and Advanced levels, for officials involved in implementing the standard to attend. The first training sessions have already taken place in Mexico, Germany and Turkey. Business representatives have often been involved in these training sessions and more generally the OECD continues to engage closely with business to ensure any additional guidance is developed where needed.

Pilot projects as envisaged by the Roadmap for developing country participation in implementing the Standard have also been established with developing countries in partnership with OECD/G20 countries under the aegis of the Global Forum, and further details are provided in Part 2 of this report.
Looking ahead

In order to support the necessary work by governments on the implementation of the AEOI Standard, the OECD will remain fully focused on supporting this process, including through the provision of training and guidance, and ongoing consultation with business. Further training events are already planned in conjunction with the Global Forum, in April in San Marino and the Philippines, in June in the British Virgin Islands, and thereafter in the Seychelles, Colombia and Malaysia.

The Global Forum will review effective AEOI implementation in accordance with terms of reference that are currently under development, as described in Part 2 of this report. A further update on progress will be provided in September, along with the final report on possible tougher incentives for those jurisdictions which have failed to meet their commitment to the EOI on Request Standard, building on the interim report published in the February Report to G20 Finance Ministers.
PART II

Global Forum on Transparency and Exchange of Information for Tax Purposes

Progress Report to the G20 Finance Ministers and Central Bank Governors: Update on Effectiveness and On-Going Monitoring
Overview

At their Brisbane meeting in November 2014, the G20 Leaders endorsed the global Common Reporting Standard for the automatic exchange of tax information (the AEOI Standard) on a reciprocal basis, and agreed to begin exchanging information automatically with each other and with other countries by 2017 or end-2018, subject to completing necessary legislative procedures. The leaders welcomed financial centres’ commitments to do the same and called on all other jurisdictions to join G20 countries in implementing the necessary measures. The previous Global Forum report to the G20 Finance Ministers and Central Bank Governors in February 2015 provided an update on the continuing work on the ongoing peer reviews for the standard of exchange of information on request, work being undertaken for monitoring and implementation of the new standard of Automatic exchange of Information and progress on assisting developing countries participate fully in the benefits of tax transparency and international cooperation.

This report provides a short update of the developments occurring in the Global Forum since the last report to the G20 Finance Ministers and Central Bank Governors in February 2015. Work on incorporating beneficial ownership into the Global Forum’s standards has advanced, preparations are underway for monitoring the implementation of the new standard on automatic exchange of information and focus has been on assisting member jurisdictions including developing countries in implementing the new standard.

Exchange of Information on Request

The Global Forum’s peer review process evaluates jurisdictions’ compliance with the international standard of transparency and exchange of information on request. Reviews take place in two phases: Phase 1 reviews examine the legal and regulatory framework; Phase 2 reviews look into the implementation of this framework in practice. Following a Phase 2 review, ratings are assigned which indicate a jurisdiction’s overall compliance with the standards.

As of March 2015, the Global Forum has finalised Phase 1 reviews of 107 jurisdictions and assigned ratings for a total of 77 jurisdictions after completion of their Phase 2 reviews. The overall ratings show that 20 jurisdictions are rated “Compliant”, 43 jurisdictions “Largely Compliant”, 10 jurisdictions “Partially Compliant” and 4 jurisdictions “Non-Compliant”. Table 1 below shows the allocation of overall ratings for jurisdictions for which Phase 2 reviews have been completed. Supplementary reviews, which evaluate changes made by a jurisdiction to address the recommendations made in their reports, and based on a potential improvement in ratings, are ongoing for Austria, British Virgin Islands, Cyprus, and Luxembourg.

It can be noted that some jurisdictions (see Table 1) have not been assigned ratings because their Phase 2 reviews could not take place. At the time of the previous report, there were 12 such jurisdictions that remained blocked from moving to Phase 2 (including one jurisdiction for whom the launch of the Phase 2 review was subject to conditions). Since the previous report, the Supplementary Phase 1 report of Switzerland was completed and published on 16 March 2015 concluding that Switzerland qualifies for a Phase 2 review, which will be launched in the second half of 2015. Further the supplementary review of Marshall Islands is underway. The Global Forum has now formulated a process designed to swiftly
encourage the remaining jurisdictions to respond to the recommendations so that a Phase 2 review can be carried out, failing which a rating of non-compliant may be assigned.

Table 1: Overall ratings for jurisdictions for which Phase 2 has been completed

<table>
<thead>
<tr>
<th>TABLE OF JURISDICTION RATINGS</th>
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<tr>
<td>Australia, Belgium, Canada, China, Denmark, Finland, France, Iceland, India, Ireland, Isle of Man, Japan, Korea, Mexico, New Zealand, Norway, Slovenia, South Africa, Spain, Sweden.</td>
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<tr>
<td>Argentina, Aruba, The Bahamas, Bahrain, Belize, Bermuda, Brazil, Cayman Islands, Chile, Cook Islands, Estonia, Former Yugoslav Republic of Macedonia (FYROM), Germany, Ghana, Gibraltar, Greece, Grenada, Guernsey, Hong Kong (China), Hungary, Italy, Jamaica, Jersey, Macao (China), Malaysia, Malta, Mauritius, Monaco, Montserrat, Netherlands, Philippines, Portugal, Qatar, Russia, San Marino, Singapore, Slovak Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Turks and Caicos Islands, United Kingdom, United States, Uruguay.</td>
</tr>
<tr>
<td>Andorra, Anguilla, Antigua and Barbuda, Austria,* Barbados, Curaçao, Indonesia, Israel, Saint Lucia, Turkey.</td>
</tr>
<tr>
<td>British Virgin Islands,* Cyprus,* Luxembourg,* Seychelles.</td>
</tr>
</tbody>
</table>

Jurisdictions that cannot be rated because they cannot move to Phase 2

| Brunei Darussalam, Marshall Islands,* Dominica, Federated States of Micronesia, Guatemala, Lebanon, Liberia, Panama, Nauru, Trinidad and Tobago, Vanuatu. |

* The jurisdiction is undergoing a Supplementary review.

Preparation of the next round of reviews

In October 2014, the Global Forum agreed the set of issues where changes to the Terms of Reference will be made for purposes of a new round of reviews commencing in 2016, including enhanced requirements regarding the beneficial ownership of legal entities and arrangements, and work is now in progress to refine the detailed proposals, as well as to agree the processes to be followed for the new round.

Automatic Exchange of Information

Rapid progress has been made on getting widespread support for the implementation of the common global standard for automatic exchange of financial account information (AEOI). 90 Global Forum members have already committed themselves to the new AEOI standard in either 2017 or 2018 while 5 jurisdictions have not indicated a timeline or have not yet committed (see Table 2 below).2 The remaining members are developing countries where the Global Forum is committed to providing technical assistance to help them implement the AEOI Standard.

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2 The United States has indicated that it will be undertaking automatic information exchanges pursuant to FATCA from 2015 and has 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.
Table 2: GF member jurisdictions committed to implementing the AEOI Standard

<table>
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<tr>
<th>JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2017</th>
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<tr>
<td>Anguilla, Argentina, Barbados, Belgium, Bermuda, British Virgin Islands, Cayman Islands, Chile, Colombia, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Dominica, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Montserrat, Netherlands, Niue, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Trinidad and Tobago, Turks and Caicos Islands, United Kingdom, Uruguay</td>
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<tr>
<th>JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018</th>
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<tr>
<td>Albania, Andorra, Antigua and Barbuda, Aruba, Australia, Austria, The Bahamas, Belize, Brazil, Brunei Darussalam, Canada, China, Costa Rica, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Marshall Islands, Macao (China), Malaysia, Monaco, New Zealand, Qatar, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Turkey, United Arab Emirates</td>
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<th>JURISDICTIONS THAT HAVE NOT INDICATED A TIMELINE OR THAT HAVE NOT YET COMMITTED</th>
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<tr>
<td>Bahrain, Cook Islands, Nauru, Panama, Vanuatu</td>
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The Global Forum is working to develop a comprehensive process to monitor and review the implementation of the AEOI Standard, on an ongoing basis, while at the same time assisting jurisdictions to implement all the key elements in a timely way.

One of the key requirements of this work is that data and information that is exchanged is kept confidential and appropriately protected from improper disclosure. It would be very difficult for every committed jurisdiction to bilaterally review these measures in every other jurisdiction which would be a potential partner, considering the resources and timeline involved. In order to facilitate the confidentiality and data protection review process, and to facilitate the work of committed jurisdictions the Global Forum intends to commence in the near future a multilateral assessment mechanism covering the requirements for confidentiality and data safeguards as contained in the AEOI Standard.

*Competent Authority meeting*

Exchange of information in practice relies on the professionals who actually perform the many tasks necessary to make international cooperation in tax matters a reality. These are the Competent Authorities who meet annually to refresh their knowledge and renew their connections with colleagues around the globe. The 2015 meeting of Competent Authorities will focus on their changing role as they respond to the fast-paced developments in the tax arena. The meeting will have two main themes: (i) what Competent Authorities need to do to prepare for the next round of Global Forum reviews and in particular, how the updated standards affect their work; and (ii) how to address some of the key challenges that Competent Authorities are facing to implement the new standard on AEOI, such as setting up an AEOI function, coordinated internal organisation and well-functioning, secure IT systems.

*Developing countries*

The Global Forum engages in a range of initiatives to support its developing country member jurisdictions in effectively implementing the international standards, and ensuring that exchanges between members’ tax authorities are efficient and of high quality. These activities have been intensified greatly in 2015 due to Global Forum members’ commitment to the AEOI Standard and the need to ensure that developing
countries can participate in and benefit from the Standard, as well as in connection with the recently launched Africa Initiative which aims at increasing engagement with African countries.

In its response to the 2014 Roadmap on AEOI for Developing Countries, the G20 leaders indicated their support for pilot projects to be undertaken between developing and G20/developed country partners, which would be facilitated by the Global Forum, working with the World Bank Group and other international and regional organisations. To date, six developing countries (Albania, Colombia Morocco, Pakistan, the Philippines, and Uganda) have indicated interest in participating in pilot projects. Work has already commenced on three of these projects. The first projects will be undertaken with Albania and Colombia, collaborating with Italy and Spain respectively as pilot partners. The Philippines (with Australia as pilot partner) is next in line. On-site visits for the purpose of undertaking feasibility studies and developing implementation plans took place in these cases in March and April 2015. France will partner Morocco and work is likely to commence soon on this project. The proposed projects with Pakistan and Uganda are still being evaluated and developed country partners have yet to be identified.

The Global Forum continues to progress the Africa Initiative which is a three-year programme designed to unlock the potential for transparency and exchange of information in Africa. The programme is a joint effort of individual African members of the Global Forum, ATAF, CREDAC, the OECD, and the World Bank Group. Three countries have now become “First Mover” countries within the Africa Initiative: Burkina Faso, Ghana and Kenya. Each of these countries has committed to meeting certain targets to ensure effective exchange of information by December 2015 and each will play a leadership role in progressing the initiative. In addition, four Africa Initiative events are planned to date: three Last Mile seminars aimed at auditors (in Ghana and Kenya in May and in Cameroon in July) and a non-government organisations (NGO) Roundtable in Kenya in May.

Next Steps

The Global Forum continues to make significant progress in its peer review process for exchange of information on request. The first round of reviews is well on its way to completion with an estimated further 37 peer reviews completed, ratings assigned to a further 20 jurisdictions and the remaining reviews launched to cover almost all Global Forum members. A number of supplementary reviews will be completed to assess the progress made by jurisdictions. The mechanism that has been put in place to incentivise improvements for jurisdictions that still cannot move to Phase 2 is expected to swiftly encourage these jurisdictions to make significant improvements.

A new Schedule for the second round of reviews is being drawn up and the detailed drafting of revised Terms of Reference will also be completed in preparation for this new round. In continuing with the review process with improved Terms of Reference, the Global Forum aims to ensure that momentum towards the greatly improved international cooperation in tax matters is maintained.

Major progress has already been made on AEOI over the last few months, with most jurisdictions other than developing countries that are not financial centres having committed to implement the AEOI Standard. Work is underway to assist the effective implementation of the standard through training events and pilot projects. The Global Forum is also working to design an effective peer review mechanism for monitoring the implementation of the AEOI Standard, and in particular, in the short term to evaluate confidentiality and data safeguards.

Enhanced engagement with developing countries will ensure that they can fully participate in and benefit from an enhanced transparent tax environment. For this purpose the Global Forum has put in place an ambitious technical assistance plan comprising one on one assistance, pilot projects, and 6 training
seminars across the world. The Africa Initiative is expected to give a major boost to African jurisdictions in their efforts to enhance transparency and information exchange in the region.