

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

G20 Brazil, February 2024



G20 

# **OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors**

G20 Brazil, February 2024



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## Introduction

It is my great pleasure to report to you ahead of your first meeting under the Brazilian G20 Presidency. Tax policy and tax administration efforts can help to move the dial in the fight against extreme poverty and hunger, while addressing rising inequality and closing the funding gaps on the Sustainable Development Goals (SDGs). Thanks to the leadership of the G20, stronger international tax cooperation in recent years has delivered significant additional revenues and other important benefits for governments around the world.

- **Since the G20 led global efforts to crack down on bank secrecy in 2009, EUR 126 billion in additional tax revenues have been assessed or collected** among the members of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum).
- **The BEPS Project has successfully addressed various tax planning strategies used by multinational enterprises (MNEs) that exploit gaps and mismatches in tax rules to avoid paying tax.** The OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) continues to implement the 15 BEPS Actions to tackle tax avoidance, improve the coherence of international tax rules, ensure a more transparent tax environment and address the tax challenges arising from the digitalisation of the economy.
- **The implementation of the Inclusive Framework’s landmark Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (Two-Pillar Solution), agreed on 8 October 2021, is well advanced.** The Pillar Two global minimum tax, which represents the most significant globally coordinated effort to address profit shifting ever agreed, is already being (or will be implemented) by over 35 jurisdictions taking effect in 2024. It will substantially reduce low-taxed profit globally by about 80% (from an estimated 36% of all profit globally to about 7%). Moreover, the Inclusive Framework is now working towards finalising the text of the Multilateral Convention to Implement Amount A of Pillar One (MLC) by the end of March with a view to holding a signing ceremony by the end of June 2024. Amount A is set to allocate taxing rights on around USD 200 billion profit per year and raise USD 17-32 billion by reallocating taxing rights from investment hubs to market jurisdictions.

Since you last met in October 2023, two new countries have joined the Inclusive Framework, bringing its total membership to 145 countries and jurisdictions<sup>1</sup> and three new countries have joined the Global Forum, bringing its total membership to 171 countries and jurisdictions<sup>2</sup> – demonstrating the international community’s ongoing commitment to supporting these bodies as important platforms for international tax cooperation.

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<sup>1</sup> [The Philippines](#) and [Kuwait](#) joined the Inclusive Framework on 10 and 15 November 2023 respectively.

<sup>2</sup> [Zambia](#) joined on 17 January 2024, the [Democratic Republic of the Congo](#) joined on 1 December 2023 and [Fiji](#) joined on 16 November 2023.

## Two-Pillar International Tax Package

**On 18 January 2024, the OECD provided an update on its ongoing work to assess the economic impact of the Two-Pillar Solution, including new estimates of the revenue impacts of implementing Pillar Two.** These estimates are based on updated data and incorporate many recently agreed design features of Pillar Two, many of which have not been accounted for in other studies. This latest analysis shows that the increased effective tax rates and reduced profit shifting globally from the new global minimum tax will mean increased tax revenues of between USD 155-192 billion globally each year (based on data across the 2017-2020 period), which represents an increase of between 6.5-8.1% of global corporate income tax (CIT) revenues. It is estimated that around two-thirds of these revenue gains will be collected directly from the global minimum tax, while around one-third will arise indirectly through reduced profit-shifting.

The Pillar Two global minimum tax sets a multilaterally agreed limit on tax competition, with a global minimum **effective corporate tax rate of 15%**, putting a floor under tax competition and protecting country tax bases.

**Our estimates show that even based on those countries currently implementing or taking steps to implement the global minimum tax (e.g. such as publishing legislation) a substantial share of large MNEs will be in-scope by the end of 2024:** Because of the interlocking nature of the rules, it is not necessary for all jurisdictions to implement the tax for it to become effective across the globe, and not all countries need to implement the minimum tax for it to be effective in putting minimum taxation in place. As the minimum tax is a common approach, different countries can implement in different ways, through an Income Inclusion Rule (IIR), Qualified Domestic Minimum Top-up Taxes (QDMTT), Undertaxed Profits Rule (UTPR) or tax reform more broadly. Even jurisdictions that do not plan to implement the rules have agreed to respect their application by other jurisdictions. Even jurisdictions that do not plan to implement the rules have agreed to respect their application by other jurisdictions. As a result, around 60% of in-scope firms will be covered through the IIR alone by the end of 2024, with more through local QDMTTs or other minimum taxes such as Global Intangible Low-Taxed Income (GILTI), and 90% by 2025 when the UTPR comes into effect.

OECD analysis shows that **90% of large MNEs will be in-scope** of the global minimum tax by 2025, based on the number of countries that have implemented or taken steps to implement the minimum tax.

**The global minimum tax presents an opportunity for significant tax revenue gains across all jurisdictions, not just those historically considered to be low-tax.** New OECD analysis suggest that there is substantial low-taxed profit outside of jurisdictions with low statutory and average tax rates, due to tax incentives, such as tax holidays or patent boxes. The new OECD work estimates that about half (53%) of all low-taxed profit globally is located in high-tax jurisdictions; those with an average effective tax rate above 15%. Almost one-fifth of all profit located in developing countries (low and lower middle-income countries) is taxed at an ETR below 15%. As a result of this, all countries can gain from adapting to the GMT. The baseline scenario in the OECD analysis finds that revenue gains are of a similar order of magnitude across most income

groups, with gains of between 5.1% and 8% of CIT for developed economies and 3.6%-7.8% for developing economies. However, revenue gains will depend on implementation decisions of jurisdictions; jurisdictions not implementing the rules will forego revenues that would otherwise accrue to them.

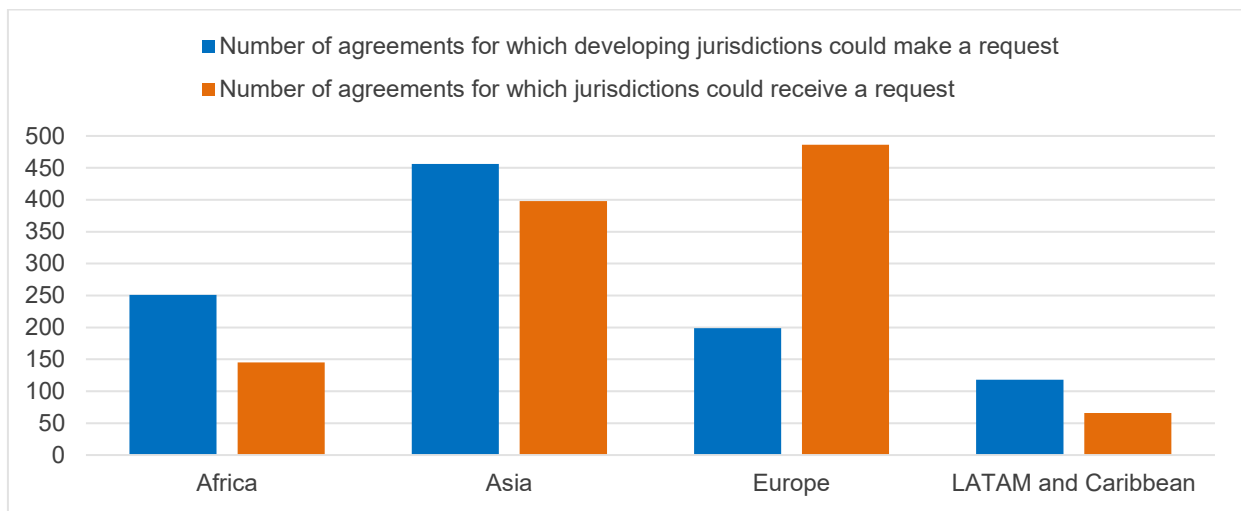
**Overall, the minimum tax will reduce effective tax rate differentials between jurisdictions;** improve the allocation of capital and support growth and productivity by increasing the importance of non-tax factors, such as education and infrastructure, on the investment decisions of MNEs; and substantially reduce low-taxed profit globally. The average differential between investment hubs and other jurisdictions is estimated to fall by about 50%.

**Subject-to-Tax Rule**

**Pillar Two includes a second component beyond the global minimum tax: the subject-to-tax rule (STTR).** The STTR will enable developing countries to tax certain intra-group payments, in instances where these payments are subject to a nominal corporate income tax rate below 9%. The Multilateral Instrument to implement the STTR (STTR MLI) was agreed by the Inclusive Framework last year and was opened for signature on 2 October 2023.

The STTR allows source jurisdictions – those in which covered income arises – to impose a tax where they otherwise would be unable to do so under the provisions of bilateral tax treaties.

The STTR MLI protects the rights of developing countries to ensure MNEs pay a minimum level of tax on a broad range of cross-border intra-group payments, including for services. More than 70 developing Inclusive Framework members are entitled to request inclusion of the STTR in their treaties with Inclusive Framework Members that apply corporate income tax rates below 9% to covered payments.

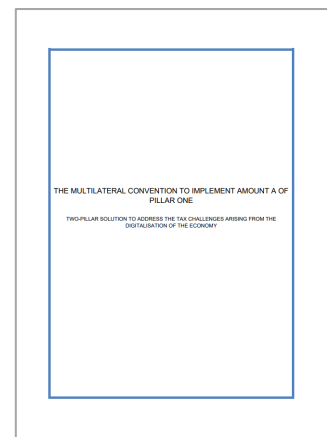


STTR MLI

**Pillar One**

Since you last met, the Inclusive Framework released a Statement updating the timeline to finalise the text of the MLC to implement the coordinated reallocation of taxing rights over the profits of the world's largest and most profitable companies (Amount A of Pillar One). The Statement, released on 18 December 2023, expresses the continued and strong commitment of Inclusive Framework delegates to resolve the outstanding issues, achieve a consensus-based solution and finalise the text of the MLC as swiftly as possible.<sup>3</sup> It recognises the continuing work to resolve the remaining differences, including with respect to the standstill on new Digital Service Taxes and other relevant similar measures.

At the end of last year, two Inclusive Framework members also held public consultations on the MLC text: the U.S. Department of the Treasury sought



<sup>3</sup> See Update to Pillar One timeline by the OECD/G20 Inclusive Framework on BEPS, 18 December 2023, [here](#)

public input on the MLC text until on 11 December 2023<sup>4</sup>; and Finland's Ministry of Finance ran a public consultation until 4 December 2023.<sup>5</sup> The Inclusive Framework is now working towards finalising the MLC text by the end of March with a view of holding a signing ceremony by the end of June 2024.

## **Amount B**

In its Statement of October 2021, the Inclusive Framework agreed to simplify and streamline the application of the arm's length principle to in-country baseline marketing and distribution activities, with a particular focus on the needs of low-capacity jurisdictions. For more than two years, Inclusive Framework members have worked on an equal footing to ensure that Amount B delivers meaningful simplification considering, in particular, the challenges faced by low-capacity jurisdictions.

I am pleased to report that the Inclusive Framework has now approved the final Amount B report and agreed to its release in February,<sup>6</sup> in line with the July 2023 Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.<sup>7</sup> This Amount B guidance has also been incorporated into the OECD Transfer Pricing Guidelines.<sup>8</sup>

This will be of particular benefit to low-capacity countries, with a number of them reporting that between 30-70% of their transfer pricing disputes relate to baseline marketing and distribution activities. The changes to the OECD Transfer Pricing Guidelines agreed in this report will provide jurisdictions with the option of applying straightforward bright-line rules to these activities, allowing them to secure revenue and preserve valuable tax administration resources while providing additional certainty to multinational enterprises.

The inclusion of the Amount B guidance into the OECD Transfer Pricing Guidelines is accompanied by conforming changes to the Commentary on Article 25 of the OECD Model Tax Convention.<sup>9</sup> The conforming changes signpost specific language relating to tax certainty and the elimination of double taxation included in the report on Amount B and are intended to ensure optionality is preserved in all dispute resolution mechanisms for non-adopting jurisdictions. In particular, the amendments to the Commentary on Article 25 direct States and taxpayers to have regard to and follow specific directions within the report on Amount B where relevant to issues being considered under mutual agreement and MAP arbitration procedures.

Further work on the interdependence of Amount B and Amount A under Pillar One will be undertaken prior to the signing and entry into force of the MLC and I look forward to reporting back to you on those developments over the coming months.

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<sup>4</sup> See [here](#) for details of the U.S. Treasury consultation

<sup>5</sup> See [here](#) for details of the Finland Ministry of Finance consultation

<sup>6</sup> OECD (2024), *Pillar One - Amount B: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/21ea168b-en>.

<sup>7</sup> OECD (2023), *Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 11 July 2023*, OECD, Paris, <https://www.oecd.org/tax/beps/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.htm>.

<sup>8</sup> OECD (2022), *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/0e655865-en>.

<sup>9</sup> OECD (2017), *Model Tax Convention on Income and on Capital: Condensed Version 2017*, OECD Publishing, Paris, [https://doi.org/10.1787/mtc\\_cond-2017-en](https://doi.org/10.1787/mtc_cond-2017-en).



## BEPS Project implementation

While the Two-Pillar Solution has remained the top priority of the Inclusive Framework, steady progress continues to be made on the implementation of the BEPS Actions, in particular the four minimum standards.<sup>10</sup>

### **Implementation of the Minimum Standards**

#### *Action 5 on Harmful Tax Practices*

Action 5 ensures that preferential tax regimes and no or only nominal tax jurisdictions do not lead to harmful tax competition and requires tax administrations to exchange information on tax rulings that can give rise to BEPS risks.

- Since the launch of Action 5, The Forum on Harmful Tax Practices (FHTP) has reviewed over 320 preferential regimes and the substance legislation of 12 no tax or only nominal tax jurisdictions. Peer review assessments are carried out annually on 131 jurisdictions in relation to the compulsory spontaneous exchange of information on tax rulings under Action 5.
- The latest results, released since your last meeting, show that 100 jurisdictions are fully in line with the BEPS Action 5 minimum standard, with another 31 jurisdictions that have been reviewed receiving a total of 58 recommendations to improve their legal or operational framework to identify the relevant tax rulings and exchange information.
- Over 54 000 exchanges of information have taken place to date in respect of the over 24 000 tax rulings that have been identified as part of Action 5.<sup>11</sup>

#### *Action 6 on Tax Treaty Abuse*

Action 6 addresses treaty shopping through treaty provisions whose adoption forms part of a minimum standard that members of the BEPS Inclusive Framework have agreed to implement.

- Most Inclusive Framework members rely on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (BEPS MLI) to implement Action 6. The BEPS MLI has been signed by 102 jurisdictions, and it now covers over 1 900 tax treaties.
- The annual Action 6 peer review shows that, as of 1 January 2024, the Action 6 minimum standard will have been implemented – or will be in course of being implemented – in 90% of the tax treaties concluded between Inclusive Framework members.

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<sup>10</sup> OECD (2020), Tax Challenges Arising from Digitalisation – Economic Impact Assessment: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project.

<sup>11</sup> For further information on the latest results released on 13 December 2023, see: <https://www.oecd.org/tax/beps/countering-harmful-tax-practices-over-54-000-exchanges-on-tax-rulings-carried-out-among-more-than-130-jurisdictions-under-the-beps-action-5-standard.htm>

### *Action 13 on Country-by-Country (CbC) reporting*

As a result of Action 13, tax administrations are receiving information on foreign MNE Groups which was not previously available, enabling them to better understand the structure of a group's business and enhancing their risk assessment capacity.

- Tangible progress continues to be made on this minimum standard with over 110 jurisdictions having now introduced CbC reporting legislation.
- More than 3 300 bilateral relationships for CbC exchanges are now in place between 89 jurisdictions and 136 jurisdictions are covered in the annual peer review process.
- Training on CbC reporting using an online risk assessment tool has been delivered to over 1800 tax officials.

### *Action 14 on Mutual Agreement Procedure*

Action 14 seeks to improve the resolution of tax-related disputes between jurisdictions through 21 elements and 12 best practices which assess a jurisdiction's legal and administrative framework.

- Under BEPS Action 14, jurisdictions have committed to improving the resolution of tax-related disputes between jurisdictions. As the need for tax certainty increases, this minimum standard is critical to ensuring that tax disputes are resolved in a timely, effective and efficient manner.
- In January 2023, the Inclusive Framework agreed a new Assessment Methodology for continuing the Action 14 peer review process and the review is now progressing in accordance with the Action 14 peer review assessment schedule.
- To date, more than 1 750 recommendations have been made under BEPS Action 14. There are an increasing number of Inclusive Framework MAP profiles, which now cover over 100 jurisdictions.
- On 14 November 2023, the OECD released the latest mutual agreement procedure (MAP) statistics, covering a record 133 jurisdictions and practically all MAP cases worldwide, at the annual OECD Tax Certainty Day.<sup>12</sup> New data show that around 73% of the MAPs being concluded are resolving the relevant issue both for transfer pricing and other cases, so outcomes are now quite positive with MAP cases.

## **Inequality and progressivity of tax systems**

**Recent evidence points to high and rising inequalities.** The latest data from OECD countries shows that the wealthiest 10% own over half (52%) of total net household wealth and the wealthiest 1% own close to 20% of total household wealth.<sup>13</sup> This data also shows that the share of wealth held by the top 10% has increased in the last decade in two-thirds of OECD countries with available data. Likewise, the latest World Inequality Report shows an increase in global wealth inequality as the share of household wealth of the top 0.001% rose from 3.5% in 1995 to 6.5% in 2021.

**In this context, there have been increasing calls for action on tax and inequality, including at the global level.** Indeed, taxation is a key instrument – along with other policy tools – that governments have at their disposal to address inequalities. As many countries are looking for additional revenue sources to

<sup>12</sup> <https://www.oecd.org/tax/beps/oecd-releases-information-and-statistics-on-mutual-agreement-procedures.htm>

<sup>13</sup> OECD Wealth Distribution Database, average for 28 OECD countries with available data.

meet their long-term public spending needs, particularly those arising from population ageing and climate change, ensuring that everyone contributes their fair share will become even more important. More generally, strengthening the role of tax systems in addressing inequalities would support progress towards meeting the UN Sustainable Development Goals (SDGs) 1 (end of poverty) and 10 (reduction of inequality) and builds on longstanding work on exchange of information led by the G20 which has helped to ensure that offshore wealth, held largely by those with high income and wealth, does not escape taxation.

### ***Tax policy and inequality***

**In recent years, the OECD has produced several studies on tax design for inclusive growth**, i.e. tax policies supporting growth that benefits the population at large. This work sought to put more emphasis on the implications of tax policies for equity and inclusiveness.<sup>14</sup> Several papers have focused more specifically on tax and gender issues, looking at the impact of tax systems on women's incentives to participate in labour markets,<sup>15</sup> and more recently on ways that tax systems can increase participation in the formal economy, in particular through the adoption of presumptive (i.e. simplified) tax regimes.<sup>16</sup>

OECD analysis shows there is room to enhance the effectiveness of taxes on capital to raise more revenue and reduce income and wealth gaps.

**The OECD has also carried out significant work on taxes on capital income and capital gains.** Recent reports have focused on the taxation of household savings,<sup>17</sup> net wealth taxes,<sup>18</sup> inheritance taxes<sup>19</sup> and the taxation of housing<sup>20</sup> in OECD countries. In 2023, the OECD also released a paper looking at the differential tax treatment of labour and capital income.<sup>21</sup> Overall, OECD analysis suggests that there is considerable scope to enhance the design and effectiveness of taxes on capital to raise more revenue and reduce inequality, especially in light of the progress made on international tax transparency. In 2024, the OECD will also release two papers that take a closer look at the taxation of capital gains and closely-held businesses.

**Further work is needed in this space.** Our work has highlighted the need for continued analysis of domestic tax policies to inform governments in their reform efforts. In particular, further analysis could

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<sup>14</sup> Brys, B., et al. (2016), "Tax Design for Inclusive Economic Growth", OECD Taxation Working Papers, No. 26, OECD Publishing, Paris, <https://doi.org/10.1787/5jlv74gk0g7-en>.

<sup>15</sup> Thomas, A. and P. O'Reilly (2016), "The Impact of Tax and Benefit Systems on the Workforce Participation Incentives of Women", OECD Taxation Working Papers, No. 29, OECD Publishing, Paris, <https://doi.org/10.1787/d950acfc-en>.

<sup>16</sup> Mas-Montserrat, M., et al. (2023), "The design of presumptive tax regimes", OECD Taxation Working Papers, No. 59, OECD Publishing, Paris, <https://doi.org/10.1787/141239bb-en>.

<sup>17</sup> OECD (2018), Taxation of Household Savings, OECD Tax Policy Studies, No. 25, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264289536-en>

<sup>18</sup> OECD (2018), The Role and Design of Net Wealth Taxes in the OECD, OECD Tax Policy Studies, No. 26, OECD Publishing, Paris, <https://doi.org/10.1787/9789264290303-en>.

<sup>19</sup> OECD (2021), Inheritance Taxation in OECD Countries, OECD Tax Policy Studies, No. 28, OECD Publishing, Paris, <https://doi.org/10.1787/e2879a7d-en>.

<sup>20</sup> OECD (2022), Housing Taxation in OECD Countries, OECD Tax Policy Studies, No. 29, OECD Publishing, Paris, <https://doi.org/10.1787/03dfe007-en>.

<sup>21</sup> Hourani, D., et al. (2023), "The taxation of labour vs. capital income: A focus on high earners", OECD Taxation Working Papers, No. 65, OECD Publishing, Paris, <https://doi.org/10.1787/04f8d936-en>.

weigh the pros and cons and potential trade-offs of different tax policy approaches to reducing inequalities across a range of different country contexts. Work may also be needed to identify the specific challenges involved in taxing high-net worth individuals, particularly in a globalised economy.

These challenges include the remaining gaps in international tax transparency as well as threats of rising personal tax competition between countries, which can only be effectively addressed through enhanced international cooperation. Overall, further work is needed to better understand the variety of tax policies and instruments that may be used to address inequalities, how inequality-reducing objectives can be combined with other policy goals, and whether there are ways in which stronger international coordination could enhance the ability of governments to address inequalities through their tax systems.

### **Tax administration**

**In addition to tax policy measures, effective tax administration can both enhance revenue collection and reduce burdens on individuals and businesses and play a major role in domestic resource mobilisation globally.** For example, in 2022 tax administrations accounting for more than 90% of global GDP reported around EUR 2.5 trillion in outstanding arrears, of which EUR 710 billion was judged collectable.<sup>22</sup> Jurisdiction-level data shows that many jurisdictions have billions of euros of uncollected amounts.

**To support tax administrations with managing tax arrears, the OECD Forum on Tax Administration (FTA) has established a Tax Debt Management Network (TDMN),** one of a large number of groups bringing together subject matter experts from across tax administration functions. As part of its work, the TDMN produces a Debt Management Compendium of innovative working practices as well as a Tax Debt Management Maturity Model<sup>23</sup> which allows tax administrations globally to compare their own maturity to that of their peers and to identify potential areas for improvement and capacity building assistance.

The FTA brings together Commissioners and tax administration officials from 53 tax administrations from all regions of the world to enhance the effectiveness, efficiency and resiliency of tax administration.

**The FTA is also taking forward collaborative work with business stakeholders and academics on the digital transformation of tax administrations.** The move to e-services, e-filing, and e-payments has already significantly reduced burdens for taxpayers and helped to support voluntary compliance. As set out in the FTA's vision for future tax administration (Tax Administration 3.0), new technology tools and the rapid digitalisation of the broader economy now offer more substantive opportunities for eliminating burdens for taxpayers in more areas and helping to bring taxpayers in from the informal economy (and thus supporting growth), as well as simultaneously reducing tax gaps.<sup>24</sup>

## **Tax and development**

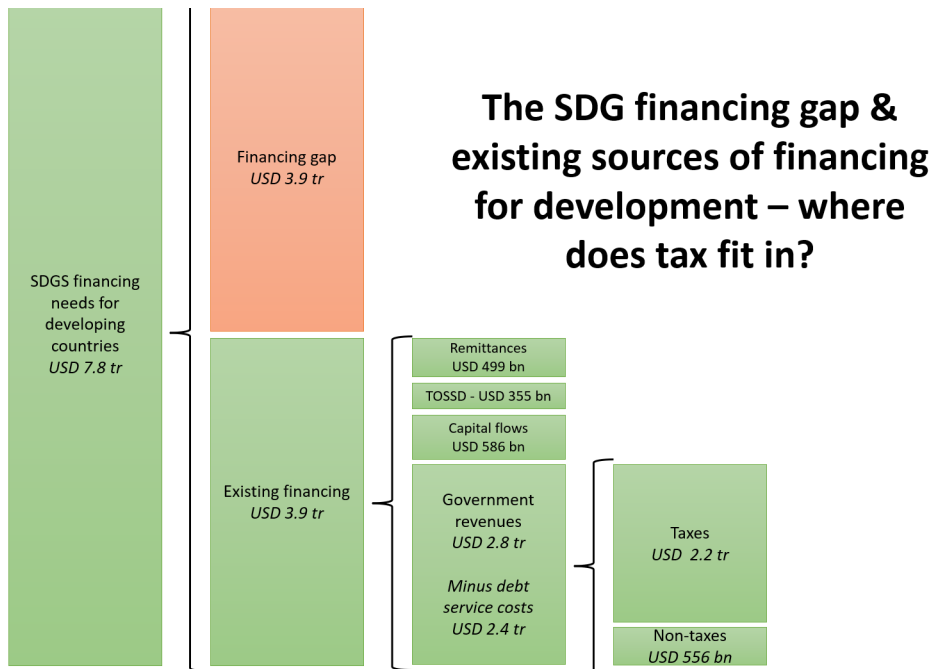
**For the past three years, the OECD has provided you with *Reports and Roadmaps on Developing Countries and International Tax*,** taking stock of developing countries' progress on international tax and

<sup>22</sup> OECD (2023), Tax Administration 2023: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, <https://doi.org/10.1787/900b6382-en>.

<sup>23</sup> <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-debt-management-maturity-model.htm>

<sup>24</sup> <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-3-0-the-digital-transformation-of-tax-administration.htm>

engagement in the Inclusive Framework and building on calls by G20 leaders to further strengthen the tax and development agenda.<sup>25</sup> This reporting has shown that the BEPS Project has presented an important opportunity for countries to implement reforms across their corporate tax bases over the longer term, including the reform of tax incentives, and that an increasing number of developing countries are continuing to advance in applying internationally agreed rules and standards. Supporting developing countries to participate in international tax rule-making and implementation of international tax standards is a priority for the Inclusive Framework, and contributes to domestic resource mobilisation and the realisation of the SDGs.<sup>26</sup>



Sources: [Global Outlook on Financing for Sustainable Development 2023](#), based on figures for ODA-eligible countries excluding China; remittances are based on KNOMAD (2022) [Remittance inflows \(database\)](#). Capital flows are from IMF, [Balance of payments \(database\)](#); data on composition of government revenues taken from IMF (2022), [World Economic Outlook - April 2022 edition \(database\)](#). Note: TOSSD refers to 'total official support for sustainable development.'

**Developing countries continue to make progress in implementing the BEPS Actions and do so beyond the minimum standards.** Progress on the minimum standards on harmful tax practices (BEPS Action 5) and tax treaty abuse (BEPS Action 6) is steady. Developing countries are increasingly active on MAP (BEPS Action 14) where a simplified peer review process started as of January 2023, mainly targeted

<sup>25</sup> See OECD (2023), G20/OECD Roadmap on Developing Countries and International Taxation Update 2023: OECD Report to the G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, <https://doi.org/10.1787/4fc33451-en>; OECD (2022), G20/OECD Roadmap on Developing Countries and International Taxation: OECD report for the G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, <https://doi.org/10.1787/cf46900c-en>; OECD (2021), Developing Countries and the OECD/G20 Inclusive Framework on BEPS: OECD Report for the G20 Finance Ministers and Central Bank Governors, October 2021, Italy, OECD, Paris, <https://www.oecd.org/tax/beps/developingcountries-and-the-oecd-g20-inclusive-framework-on-beps.htm>

<sup>26</sup> See: <https://www.oecd.org/tax/global/tax-co-operation-for-development-progress-report-on-2022.pdf>

to developing countries with the aim of assisting them in setting up a more robust MAP programme for future MAP cases. Recognising that the implementation of the CbC standard can be challenging for developing countries but also conscious of the benefits that it can bring, the *Roadmap on Developing Countries and International Taxation Update 2023*<sup>27</sup> has set indicative targets of ten additional developing countries getting access to CbC reports by the end of 2024 and ten more by September 2025 and September 2026, assuming sufficient resources for capacity building are made available. Capacity building to support the implementation of CbC reporting by developing countries is a high priority.

Tax Rulings	Tax Statistics	Tax Treaties	Permanent Establishment
<ul style="list-style-type: none"> <li>• 48 out of the 71 developing country* members of the Inclusive Framework received information on tax rulings under Action 5 at least once in the period 2017-2021.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Tax Statistics under Action 11 covers 168 countries including all 71 developing country members of the Inclusive Framework*.</li> </ul>	<ul style="list-style-type: none"> <li>• 42 out of 102 Signatories or Parties to the BEPS MLI are developing countries*, of which 28 have ratified.</li> </ul>	<ul style="list-style-type: none"> <li>• 36 out of 68 BEPS MLI signatories or parties that have adopted some of the PE changes under Action 7 are developing countries*.</li> </ul>

\*Developing countries as listed at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2024-25-flows.pdf>

**Capacity building remains a key priority**, particularly for the Two-Pillar Solution where the OECD is developing a comprehensive action plan to support implementation, including more technical assistance for developing countries and coordination with international and regional partners. In particular, the **Platform for Collaboration on Tax (PCT)** collaborates on capacity building, including through the joint publication of technical toolkits and shared data, and fosters enhanced dialogue among its principals: the OECD; the United Nations; the International Monetary Fund; and the World Bank Group. The PCT has discussed the comprehensive action plan and has also agreed to update its toolkit on tax incentives to reflect the implementation of the global minimum tax.

**The Global Relations Programme on Taxation (GRP)** continues to expand its portfolio of live and self-paced training activities and tools available in multiple languages. In 2023, the GRP delivered several events and tools to assist tax officials and policymakers in implementing the Two-Pillar Solution. Recorded webinars were accompanied by live, interactive Q&A sessions and live workshops focusing on Global Anti-Base Erosion (GloBE) Rules, tax incentives and the Subject to Tax Rule (STTR). In addition, the first e-learning module on the GloBE Rules was launched in July 2023.

**The Tax Inspectors Without Borders (TIWB)** initiative of the OECD and the United Nations Development Programme (UNDP) deploys experts to developing country tax administrations to provide practical, hands-

<sup>27</sup> OECD (2023), G20/OECD Roadmap on Developing Countries and International Taxation Update 2023: OECD Report to the G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, <https://doi.org/10.1787/4fc33451-en>

on assistance on current audit cases and related international tax issues. Since its launch in 2015, TIWB has generated over USD 2 billion in tax revenues and USD 6 billion in tax assessments in developing countries. The focus of its work has also expanded. The TIWB Governing Board recently approved an expansion of the work programme to include the practical implementation and use of CbC reporting data, the audit of VAT on digital trade (TIWB-VAT), tax crime investigation and the implementation of the global minimum tax (TIWB-GMT).

## Tax and crime

**Building capacity to combat tax crimes continues to be an OECD priority.** The OECD Task Force on Tax Crimes and Other Crimes supports this effort through the delivery of guidance and practical tools, in addition to two core capacity building programmes. Recently celebrating its 10<sup>th</sup> anniversary, the **OECD Academy for Tax and Financial Crime Investigation** has to date delivered intensive training to over 3000 tax and other law enforcement authorities from 167 jurisdictions. In 2023 the Academy added two new training programmes to its curriculum focussed on large case management and on bribery and corruption. In addition, the **criminal investigation arm of the TIWB programme** now offers real-time support to developing jurisdictions on criminal tax investigations in combination with bespoke capacity building measures to enhance investigations and case resolution.

## Work on indirect tax: Optimising VAT/GST treatment of international digital trade

**The OECD VAT/GST standards and guidance provide a globally coordinated solution to the VAT/GST challenges of international digital trade.** In response to a call from governments for a globally coordinated solution, the OECD has delivered a set of internationally agreed standards and recommended approaches with a particular focus on collecting VAT/GST on digital trade. These include the International VAT/GST Guidelines<sup>28</sup> as well as a series of implementation guidance.<sup>29</sup>

**To date, close to 100 jurisdictions (including many developing economies) have implemented reforms based on the OECD VAT/GST standards and guidance and over 30 jurisdictions are considering implementation.** Implementation of the standards allows economies to secure crucial VAT/GST revenues and to ensure a level playing field between e-commerce and traditional businesses, without stifling innovation and economic growth. In the recent example of Thailand, nearly USD 203 million was raised in the first 13 months of implementation. While most of these reforms have been aimed at the collection of VAT/GST on online sales of services and digital products, countries are now increasingly considering further reform to ensure that VAT/GST is also collected effectively on online sales of low-value imported goods, based on OECD standards and guidance.

**To further support interested developing economies, the OECD developed regional VAT Digital Toolkits in partnership with the World Bank Group (WBG) and regional organisations.** These toolkits provide step-by-step guidance for the design and the implementation of the recommended framework for the collection of VAT/GST on digital trade, taking account of specific regional circumstances and

<sup>28</sup> OECD (2017), International VAT/GST Guidelines, OECD Publishing, Paris, <https://doi.org/10.1787/9789264271401-en>.

<sup>29</sup> The Impact of the Growth of the Sharing and Gig Economy on VAT/GST Policy and Administration, OECD Publishing, Paris, OECD (2021), <https://doi.org/10.1787/51825505-en>; The Role of Digital Platforms in the Collection of VAT/GST on Online Sales, OECD Publishing, Paris, OECD (2019), <https://doi.org/10.1787/e0e2dd2d-en>; Mechanisms for the Effective Collection of VAT/GST: Where the supplier is not located in the jurisdiction of taxation, OECD (2017), <https://www.oecd.org/tax/consumption/mechanisms-for-the-effective-collection-of-vat-gst.htm>.

challenges. They include a VAT Digital Toolkit for Africa<sup>30</sup> released in 2023 with the support of the African Tax Administration Forum (ATAF) as well as similar toolkits for Latin America and the Caribbean (2021)<sup>31</sup> with the support of the Inter American Center for Tax Administrations (CIAT), the Inter-American Development Bank (IDB) and the Asia-Pacific (2022)<sup>32</sup>, with the support of the Asian Development Bank (ADB).

**The OECD work to assist developing economies with the implementation of digital VAT/GST reforms based on the recommended approaches continues at a strong pace.** To date, close to 25 jurisdictions have received targeted assistance while there are ongoing programmes providing full technical assistance to 6 jurisdictions. Additionally, multilateral assistance has been extended to more than 180 participant jurisdictions through 44 global and regional workshops and events since 2020.

**Enhancing tax administrations' capacity to tackle VAT fraud and non-compliance in digital trade, particularly by non-resident suppliers is a key focus of ongoing OECD work.** This involves analysis on VAT/GST fraud and non-compliance risks in digital trade and effective strategies for their timely detection and treatment, including opportunities and approaches to facilitate the use of the existing legal bases for the international administrative co-operation to support VAT/GST compliance risk management.

## Global Forum on Transparency and Exchange of Information for Tax Purposes

**The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) has had a significant expansion in its membership, welcoming six new members since February 2023.** This brings the total to 171 members, with a large majority of them being developing jurisdictions. This growth is supported by a robust program of capacity building, outreach, and regional initiatives. Concurrently, the Global Forum addresses the multifaceted challenges of achieving global implementation of the two standards of exchange of information on request (EOIR) and automatic exchange of financial account information (AEOI). This is accomplished through thorough peer review and monitoring processes. More recently, the Global Forum has worked on the implementation of the newly established Crypto-Asset Reporting Framework (CARF).

### ***Ensuring widespread implementation of the EOI Standards***

**Steady progress in the peer review activities related to AEOI and EOIR Standards was reached in 2023** (see the Global Forum's 2023 Annual Report<sup>33</sup>). Concurrently, the Forum actively pursues the widespread implementation of the newly established Crypto-Asset Reporting Framework (CARF) Standard.

#### *Crypto-Asset Reporting Framework (CARF)*

**Following the G20 Leaders' declaration from September 2023, the Global Forum established the CARF Group to develop proposals to ensure the widespread implementation of the CARF.** It is open

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<sup>30</sup> ATAF/OECD/WBG (2023), VAT Digital Toolkit for Africa, <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-africa.htm>.

<sup>31</sup> CIAT/IDB/OECD/WBG (2021), VAT Digital Toolkit for Latin America and the Caribbean, <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-latin-america-and-the-caribbean.htm>.

<sup>32</sup> ADB/OECD/WBG (2022), VAT Digital Toolkit for Asia-Pacific, <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-asia-pacific.htm>.

<sup>33</sup> <https://www.oecd.org/tax/transparency/documents/global-forum-annual-report-2023.pdf>



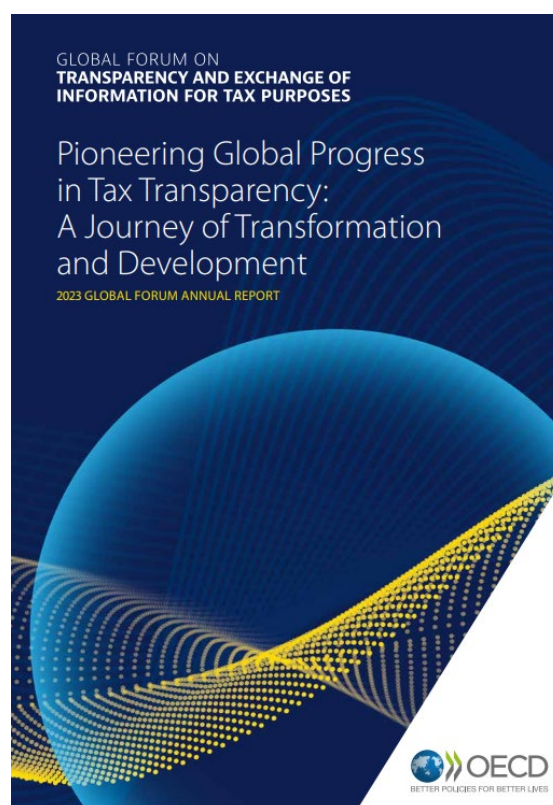
to all interested Global Forum members and currently has 47 participating jurisdictions. The CARF Group has begun technical discussions on various topics related to the development of a commitment and monitoring process to ensure the widespread implementation of the CARF. This includes a framework to identify relevant jurisdictions and an appropriate and coordinated implementation timeline, with the ambition of a significant number of jurisdictions to start exchanges under the CARF in 2027.

### *Automatic Exchange of Information and the amended Common Reporting Standard*

**At present, 125 jurisdictions have committed to implement the AEOI Standard by a specific date and 108 of them have already commenced such exchanges.** In 2022, information on over 123 million financial accounts, with a total value of over EUR 12 trillion, was exchanged automatically. This represents a considerable wealth of information that allows jurisdictions to match the data received against their own databases and investigate offshore tax evasion.

**In December 2023, the Global Forum published new peer reviews, including new reports on the legal frameworks in place and initial assessments of the effectiveness in practice for jurisdictions that started automatic exchanges more recently, and several reassessments where jurisdictions have amended their legal frameworks.** Overall, the results of the peer reviews show high levels of compliance with the requirements with 94% of jurisdictions having legal frameworks fully or substantially in accordance with the requirements and 64% being on track with respect to effectiveness of their implementation in practice.

**Last year, the Global Forum commenced a 3-year second round of peer reviews of the effectiveness of the implementation of the AEOI Standard in practice.** This process provides for a deeper assessment, including onsite visits, to meet relevant governmental and financial sector stakeholders, due to be completed in 2025. Finally, the Global Forum, through the dedicated peer review group on AEOI, is conducting discussions on how a strengthened AEOI Standard, with the finalisation of the amended Common Reporting Standard, could be implemented on a widespread basis.



### *Confidentiality and data safeguards*

**The protection of the confidentiality and the proper safeguarding of the sensitive information exchanged are critical to the AEOI standard.** The Global Forum therefore continues to implement its programme of confidentiality and data safeguards assessments to maintain assurance that the data exchanged is protected by participating tax administrations. Over 60% of the post-exchange assessments of the jurisdictions that initiated exchanges in 2017-18 have been completed, with the remainder to be completed by 2025. Pre- and post-exchange assessments of more recently committed jurisdictions are continuing to provide the same level of assurance. The results of the assessments are not published due to their confidential nature.

### *Exchange of Information on Request*

**Exchange of information on request (EOIR) has long been the foundation of the international architecture for transparency and exchange of information for tax purposes and is the most widely used form of exchange.** Its relevance has further increased since the move to the AEOI standard.

**In 2023, 25 new reports were adopted and published.** For four jurisdictions, the review was phased, because they have limited EOIR experience. All these jurisdictions have a satisfactory legal and regulatory framework, the practical implementation of which will be assessed in a second phase in a few years. Seventeen jurisdictions were subject to a full assessment, covering both their legal and regulatory framework, as well as its implementation. Further, four jurisdictions that had made progress since their previous assessment underwent a re-assessment, which led to the upgrade of the overall rating for three of them (and of some individual ratings for the fourth one). The compliance of jurisdictions with the standard continues to be satisfactory in most cases, including for recent members of the Global Forum that have been reviewed for the first time this year, but they expect progress to be made to reach full compliance.

**In total, 106 out of 171 jurisdictions have already been reviewed under the second round of EOIR peer reviews and have received an overall rating.** As of November 2023, 88% of jurisdictions have been rated either “Compliant” or “Largely Compliant”, which demonstrates a growing maturity of this standard. In addition, 19 jurisdictions have received an assessment in respect of the compliance of their legal framework with the EOIR Standard. The recommendations given through the peer review process have effectively driven changes. Under the follow-up process, as enhanced in 2021, the Global Forum monitors implementation of recommendations issued in the EOIR peer review reports, as well as assesses the peer input provided by Global Forum members on the compliance with the EOIR standard by their peers and EOIR partners. While most of the peer input has been positive and reflective of satisfactory bilateral relationships, the enhanced follow-up process is starting to show promising results in timely identification of issues with some jurisdictions already being invited to report further on the issues identified from the peer input in subsequent follow-up.

### ***Supporting all members in their implementation of the EOI Standards through capacity building and outreach***

**Since 2011, the Global Forum has been supporting its members in implementation of the EOI Standards through the capacity building and outreach programme.** Concurrently, the Global Forum recognises the importance of EOI tools for domestic revenue mobilisation.

**Over EUR 41 billion of additional revenue have been identified by developing countries since 2009,** through offshore tax investigation, including through the effective use of the exchange of information on request (EOIR) standard, voluntary disclosure programmes implemented prior to the first exchanges under the automatic exchange of financial account information (AEOI) standard, and the effective use of AEOI data. In 2022 alone, African, Asian and Latin American jurisdictions respectively identified EUR 76.6 million, EUR 3.9 billion and EUR 708 million through EOI.

**In 2023, assistance was provided to 91 jurisdictions in various forms and training was offered to over 7 200 officials.** This ambitious programme was possible thanks to the support from donors, international organisations and regional partners.

### **The Capacity Building flagship programmes continue to expand and yield results:**

- The *Train the Trainer* programme has already trained over 6 000 tax officers in EOIR since 2021 in 65 jurisdictions in Africa, Asia, Latin America, Central and Eastern Europe and Middle East
- The second edition of *Women Leaders in Tax Transparency*, the initiative designed to promote female leadership in tax transparency and EOI, was completed by 24 women representing tax administrations from developing jurisdictions. The new 2024 edition has just been launched earlier this year.

- Under the Information Security Management Network, 230 officials from 76 jurisdictions share experience and best practices in this critical area of EOIR.

**The Global Forum continues to support the progress made under the regional initiatives in Africa,<sup>34</sup> Asia,<sup>35</sup> Latin America<sup>36</sup> and the Pacific.<sup>37</sup>**

### Key figures

- So far, **108 jurisdictions** have exchanged information under the AEOI Standard. Information on over **123 million financial accounts** was exchanged automatically in 2022, covering total assets of almost **EUR 12 trillion**.
- More than **130 jurisdictions** have reported engaging in EOIR in 2022. Over **26 600 requests** for information were sent last year to support ongoing tax investigations.
- In 2023, **89 jurisdictions** benefitted from bilateral technical assistance, of which 33% are located in Africa, 30% in Latin America and the Caribbean, 25% Asia-Pacific, 12% in other regions.
- More than **EUR 126 billion of addition revenues** (tax, interests, penalties) have been identified so far thanks to voluntary disclosure programmes and offshore tax investigations, **including over EUR 41 billion by developing countries**.

### **Staying fit for purpose to best address upcoming challenges**

*Ensuring that future monitoring and peer review processes are fit for purpose*

**In October 2023, the Global Forum agreed on the future monitoring and peer review processes along three axes** of: enhanced monitoring; in-depth reviews; and thematic reviews for overseeing the implementation of the Global Forum standards.

**For the more mature EOIR standard, the new processes will start applying from 1 January 2025 for jurisdictions that have completed their second round of EOIR peer review.** The new processes will be applied equally to the AEOI standard in due course, when Global Forum members are comfortable with the level of confidence obtained on the implementation of the AEOI standard. The Global Forum may also apply these processes similarly to any other standard that the Global Forum is mandated to monitor and review.

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<sup>34</sup> OECD (2023), *Tax Transparency in Africa 2023: Africa Initiative Progress Report*, available at [www.oecd.org/tax/transparency/documents/tax-transparency-in-africa-2023.pdf](http://www.oecd.org/tax/transparency/documents/tax-transparency-in-africa-2023.pdf)

<sup>35</sup> OECD (2023), *Tax Transparency in Asia 2023: Asia Initiative Progress Report*, available at <https://www.oecd.org/tax/transparency/documents/tax-transparency-in-asia-2023.htm>

<sup>36</sup> OECD (2023), *Tax Transparency in Latin America 2023: Punta del Este Declaration Progress Report*, available at [www.oecd.org/tax/transparency/documents/Tax-Transparency-in-Latin-America-2022.pdf](http://www.oecd.org/tax/transparency/documents/Tax-Transparency-in-Latin-America-2022.pdf)

<sup>37</sup> <https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/pacific-initiative.htm>



Official picture of the 16th Global Forum Plenary meeting, 29 November-1 December 2024, Lisbon, Portugal

# OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors

## G20 Brazil, February 2024

This report provides an update on international tax reform, including developments at the OECD/G20 Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes. It provides updates on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, implementation of the BEPS minimum standards, tax transparency and OECD work on tax and inequality, tax and development, tax and crime and indirect tax. This report was prepared by the OECD ahead of the first meeting of G20 Finance Ministers and Central Bank Governors held under the Brazilian G20 Presidency from 28-29 February 2024, in São Paulo, Brazil.



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