

OECD/G20 Inclusive Framework on BEPS

Progress report July 2020 – September 2021





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1. Overview

Since its inception in 2016, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (OECD/G20 Inclusive Framework) has steadily delivered on its mandate, and is now comprised of 140 countries and jurisdictions¹. The Base Erosion and Profit Shifting (BEPS) initiative launched in the aftermath of the 2008 global financial crisis catalysed a paradigm shift in international tax, which has become even more critical in the context of the onset of the COVID-19 global pandemic. As countries spent heavily to support households, businesses and domestic economies in response to the crisis, the importance of ensuring fairness of the tax system and having sound fiscal revenues to draw upon was forcefully underscored. As public finances are ever more strained due to COVID-19, the public's tolerance for tax avoidance by multinational companies is nil, making the BEPS initiative even more important today than ever.

Although implementation of the BEPS package², which began in 2015, has dramatically changed the international tax landscape and improved the fairness of tax systems, one of the key BEPS issues identified under BEPS Action 1, “*Addressing the tax challenges arising from the digital economy*”,³ remained unresolved and has been the top priority of the OECD/G20 Inclusive Framework over the past few years.

In a major step forward on 1st July 2021, 130 Inclusive Framework members, representing more than 90% of global GDP, joined the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (July Statement)⁴ paving the way for a new framework for international tax reform. Since then, four additional Inclusive Framework members have joined the July Statement. The OECD/G20 Inclusive Framework aim, by October, to swiftly address the remaining issues and finalise the design elements

of this new framework together with a detailed plan for the implementation of the two pillars. Agreement on the July Statement was achieved despite the practical challenges posed by the pandemic and is based on the two-pillar approach first established in the January 2019 policy note⁵ where it was agreed that Pillar One would establish new rules on where tax should be paid (“nexus” rules) and a new way of sharing taxing rights among countries and jurisdictions (“profit allocation” rules), and Pillar Two would introduce a global minimum tax to help countries and jurisdictions around the world ensure that multinationals pay a minimum level of tax at a globally agreed effective tax rate. Building on the 2019 policy note, in October 2020, the OECD/G20 Inclusive Framework published detailed reports on the blueprints for both pillars^{6,7} which informed the development of the July Statement.

While the OECD/G20 Inclusive Framework's work on the tax challenges arising from digitalisation dominated its work programme over the last year, steady progress was also made on other aspects of the fight against base erosion and profit shifting. The 2015 BEPS package contained 14 other action items in addition to Action 1 “*Addressing the Tax Challenges of the Digital Economy*”. Taken in their entirety, the 15 Actions sought to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.

Five years have passed since implementation of the BEPS package began, and notable progress has been achieved under Actions 5, 6, 13 and 14, which comprise the four BEPS minimum standards. Hundreds of peer reviews have been conducted by and of the OECD/G20 Inclusive Framework members and almost all work on BEPS implementation has been carried out in a virtual-only

1. Togo joined in September 2021.

2. <https://www.oecd.org/ctp/beps-2015-final-reports.htm>.

3. <https://www.oecd.org/tax/beps/beps-actions/action1/>.

4. OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy* – July 2021, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2021.pdf>

5. OECD (2019), *Addressing the Tax Challenges of the Digitalisation of the Economy* – Policy Note, G20/OECD Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/policy-note-beps-inclusive-framework-addressing-tax-challenges-digitalisation.pdf>.

6. OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS, G20/OECD Base Erosion and Profit Shifting Project*, OECD Publishing, Paris, <https://doi.org/10.1787/beba0634-en>.

7. OECD (2020), *Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS, G20/OECD Base Erosion and Profit Shifting Project*, OECD Publishing, Paris, <https://doi.org/10.1787/abb4c3d1-en>.

format since the onset of the COVID-19 crisis, testament to the unprecedented co-operation and collaboration in international tax matters that the OECD/G20 Inclusive Framework represents. As envisioned in the BEPS package, the minimum standards are being reviewed by the OECD/G20 Inclusive Framework to see whether improvements or changes should be made. This work is currently underway and the achievements to date illustrate the substantial progress made under each minimum standard:

- **Action 5** on Harmful Tax Practices – Since the beginning of the BEPS Action 5 peer reviews, the Forum on Harmful Tax Practices (FHTP) has reviewed over 300 preferential regimes to ensure that there are no harmful features associated with the activities they are intended to attract, and virtually all harmful preferential regimes have been amended or abolished. Over 36 000 exchanges on tax rulings between governments have taken place to date, with peer reviews on tax rulings covering 124 jurisdictions. Furthermore, the substance legislation⁸ of 12 no tax or only nominal tax jurisdictions has also been reviewed and in March 2021 these jurisdictions began their first tax information exchanges under the FHTP standard on substantial activities.⁹
- **Action 6** on Tax Treaty Abuse – In April 2021, the third peer review report¹⁰ on the implementation of the Action 6 minimum standard on preventing treaty shopping was released and reveals that a large majority of members of the OECD/G20 Inclusive Framework are translating their commitment on preventing treaty shopping into tangible action and modifying their tax treaty network to comply with

the Action 6 minimum standard. Treaty shopping typically involves the attempt by a person to access indirectly the benefits of a tax treaty between two jurisdictions without being a resident of either of those jurisdictions. To address this issue, all members of the OECD/G20 Inclusive Framework have committed to the implementation of the Action 6 minimum standard and the participation in annual peer reviews to monitor such implementation. Most OECD/G20 Inclusive Framework members are relying on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) to implement Action 6. To date, the MLI covers 97 jurisdictions and effectively modified over 650 treaties concluded among the 68 jurisdictions which have ratified, accepted or approved it. The MLI will modify an additional 1 100 treaties once all signatories have ratified it. Existing tax treaties are also being amended via bilateral negotiations to conform with the Action 6 standard.

- **Action 13** on Country-by-Country (CbC) reporting – More than 2 700 bilateral relationships for CbC report exchanges are now in place, which are helping to increase tax transparency and facilitate BEPS risks assessments. Over 100 jurisdictions have already introduced legislation to impose a filing obligation on Multinational Enterprise (MNE) groups, covering almost all MNEs with consolidated group revenue at or above the EUR 750 million threshold. Furthermore, around 1 750 recommendations have been made, which jurisdictions are working to address in advance of the next Action 13 peer review report, which is planned to be released in October 2021.
- **Action 14** on Mutual Agreement Procedure – 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 total, 82 stage 1 peer review reports and 45 stage 1 + stage 2 peer monitoring reports have now been finalised. As a result of the peer review, there has been a significant increase in the number of resolved MAP cases in almost all jurisdictions under review, and access to MAP has been expanded and streamlined.

8. The global standard relating to substance aims to ensure that mobile business income cannot be parked in a zero tax jurisdiction without the core business functions having been undertaken by the same business entity, or in the same location. This is reviewed in order to ensure that substantial activities must be performed in respect of the same types of mobile business activities, regardless of whether they take place in a preferential regime or in a no or only nominal tax jurisdiction.

9. Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, United Arab Emirates.

10. <https://www.oecd.org/tax/beps/prevention-of-tax-treaty-abuse-third-peer-review-report-on-treaty-shopping-d6cecb8-en.htm>.

In addition to the positive outcomes highlighted above as a result of the implementation of the four BEPS minimum standards, progress on other BEPS actions has been made as well, as demonstrated under Chapter 3 of this report. On Action 1, as mentioned above, the July Statement agreed by 134 members of the OECD/G20 Inclusive Framework on a two-pillar solution to the tax challenges arising from the digitalisation of the economy represents a major step forward with work now underway to finalise remaining issues and a detailed implementation plan to be delivered by October. On the indirect tax aspects, countries and jurisdictions continue to implement the International VAT/GST Guidelines, with nearly 80 jurisdictions having now implemented or enacted legislation to implement these guidelines to ensure the proper collection of VAT on the continuously growing volumes of e-commerce sales. A Regional VAT Digital Toolkit providing detailed practical implementation guidance for Latin American and Caribbean countries was released in June 2021 and two more Regional Toolkits are on the way: one for the Asia-Pacific region and another for Africa. Under Actions 8-10, a monitoring process regarding the recommended approach for hard-to-value intangibles (HTVI) was initiated, resulting in the publication of information on the state of implementation of the HTVI approach in 55 jurisdictions in December 2020. Under Action 11, annual Corporate Tax Statistics continue to be published, which informs the study of corporate tax policy and has already begun to improve the quality and expand the

range of data available for the analysis of BEPS. The July 2021 edition contains data from 38 jurisdictions of the 65 jurisdictions that had implemented CbC Reporting or had voluntary parent filing for the 2017 fiscal year, and will cover around 6 000 CbC reports.

All of these accomplishments have been achieved in the face of the ongoing COVID-19 crisis. Although rising vaccination rates offer hope, the world is far from declaring victory over the pandemic. Developing countries in particular have been disproportionately hard-hit by the crisis, and public revenues have been strained as a result. In addition to the wide-ranging policy advice and information developed by the OECD working with certain OECD/G20 Inclusive Framework members as outlined under Chapter 4 below, developing countries have also benefited from targeted technical assistance. A rapid shift to remote engagement since March 2020 has enabled significant support to be maintained to 26 developing countries in bilateral capacity building programmes. Bilateral support has continued to achieve concrete results, with 13 countries passing the necessary legislation and regulations for BEPS implementation. Despite the pandemic, the fight against base erosion and profit shifting continues for both developing and developed countries. Just as fighting COVID-19 requires a global response in order to be truly effective, the same holds true in the fight against tax avoidance and, as this report makes clear, the 140 members of the OECD/G20 Inclusive Framework have risen to meet this challenge.

2. Implementation of BEPS Minimum Standards



Implementation of the four BEPS minimum standards has continued apace, despite the complications posed by the COVID-19 crisis. The year 2021 marks a full five years since the implementation of the four BEPS minimum standards began, and it is clear that the BEPS project has resulted in tangible progress, irrefutably moving the needle in the direction of a world less susceptible to tax avoidance. Thanks to the efforts made by all OECD/G20 Inclusive Framework countries and jurisdictions to comply with the requirements imposed by the BEPS minimum standards, there is more coherence and transparency, and taxation is better aligned with substance. The minimum standards were designed to be re-evaluated five years down the road. That point has been reached and a rigorous, methodical approach is being taken by the members of the Inclusive Framework for each minimum standard to see whether adjustments to the standards need to be made. The fight against BEPS is never static. The 2020 reviews of the BEPS minimum standards recognise this, and the minimum standards will be adapted appropriately by members of the OECD/G20 Inclusive Framework.

2.1 ACTION 5 – COMBATTING HARMFUL TAX REGIMES

2.1.1 Preferential regimes and exchanges on tax rulings

The OECD Forum on Harmful Tax Practices (FHTP) has continued to review preferential tax regimes while conducting the annual peer review of the transparency framework on the exchange of information on rulings

under Action 5 of the BEPS minimum standards. At the same time, members of the OECD/G20 Inclusive Framework and jurisdictions of relevance¹¹ have continued to work on implementing changes required by the FHTP as part of its review of preferential tax regimes and its review of the substantial activities requirement for no tax or only nominal tax jurisdictions.

- Since the beginning of the BEPS Action 5 peer reviews, the FHTP has reviewed over 300 preferential regimes and the substance legislation of 12 no tax or only nominal tax jurisdictions.¹² In addition, over 35 000 exchanges on tax rulings between governments have taken place to date, with peer reviews on tax rulings covering 124 jurisdictions. These reviews have helped bolster transparency as tax administrations continue to receive more information on tax rulings pertaining to their taxpayers' tax arrangements, including multinational enterprises, to identify and act to address any potential BEPS risk.
- In December 2020, the FHTP published the 2019 peer review reports on the exchange of information on tax rulings. Key findings are included in Box 1.

2.1.2 Substance requirements in no or only nominal tax jurisdictions

With respect to no or only nominal tax jurisdictions, in March 2021, 12 such jurisdictions began their first tax information exchanges under the FHTP standard

11. Non-members deemed as "jurisdictions of relevance" by members of the G20/OECD Inclusive Framework.

12. Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, United Arab Emirates.

Box 1. Key findings from FHTP peer review

- The latest peer review results released in December 2020 show that almost **20 000 tax rulings** in the scope of the transparency framework had been issued by the jurisdictions being reviewed. This is the cumulative figure, including certain past rulings issued since 2010. Over 2 000 tax rulings in scope of the transparency framework were issued in 2019 by the 124 jurisdictions reviewed.
- The latest peer reviews concluded in December 2020 have identified a total of over **36 000 tax ruling exchanges**, with approximately 7 000 exchanges undertaken during 2019, 9 000 exchanges undertaken during 2018, 14 000 exchanges undertaken during 2017 and 6 000 exchanges during 2016.
- **51 jurisdictions did not receive any recommendations for improvement**, as they have met all the terms of reference. A further 29 jurisdictions received only one recommendation.
- **110 recommendations for improvement** have been made for the year 2019, 52 of which pertain to confidentiality of information.



on substantial activities. The standard ensures that multinational enterprises can no longer use a low tax jurisdiction to shift mobile business income and reduce their tax liabilities without the core business functions being carried out from that jurisdiction and that the countries and jurisdictions where the parent entities and beneficial owners are tax resident get access through regular exchanges of information. These new annual exchanges cover information on the identity, activities and ownership chain of entities established in no or only nominal tax jurisdictions that are either non-compliant with substance requirements or engage in intellectual property or other high-risk activities. The exchanges will enable receiving tax administrations to conduct risk assessments and to apply their controlled foreign company rules, transfer pricing and other anti-base erosion and profit shifting provisions. The FHTP has also commenced its annual monitoring of the compliance of the 12 no or only nominal tax jurisdictions with the FHTP standard.

2.1.3 Updated terms of reference and methodology for the peer reviews on the transparency framework

In February 2021, the OECD/G20 Inclusive Framework released the Terms of Reference and Methodology¹³ for peer reviews on the Action 5 standard for the exchange of information on tax rulings (the “transparency framework”) for the years 2021-2025. This approach builds on the approach used for the peer review over the period 2017-2020. The updated Terms of Reference are broken down into four aspects that capture the key elements of the transparency framework: 1) information gathering process 2) exchange of information 3) confidentiality of information received and 4) statistics. The updated methodology sets out the procedural mechanics by which jurisdictions will complete the peer review, including the process for collecting the relevant data, the preparation and approval of reports, the outputs of the review and the follow up process. The renewed Terms of Reference and the updated methodology seek to focus on changes to ruling

13. <https://www.oecd.org/tax/beps/beps-action-5-harmful-tax-practices-peer-review-transparency-framework.pdf>.

practices and newly identified risks, in order to ensure a lean and efficient annual peer review process.

2.1.4 Next steps

The FHTP will continue its work in reviewing preferential regimes, as well as the transparency framework peer reviews, with new results expected to be published in December 2021. By that time, the FHTP will also complete the first annual monitoring of the compliance of the 12 no or only nominal tax jurisdictions with the FHTP standard and its effective operation in practice.

2.2 ACTION 6 – PREVENTION OF TAX TREATY ABUSE AND COUNTERING TREATY SHOPPING

2.2.1 Progress to date

In April 2021, the third peer review report¹⁴ on the implementation of the Action 6 minimum standard on treaty shopping was released and it reveals that a large majority of members of the OECD/G20 Inclusive Framework are translating their commitment on treaty shopping into tangible action and modifying their tax treaty network to comply with the Action 6 minimum standard. Action 6 of the BEPS project identified treaty abuse, and in particular treaty shopping, as one of the principal sources of BEPS concerns. Treaty shopping typically involves the attempt by a person to access indirectly the benefits of a tax treaty between two jurisdictions without being a resident of either of those jurisdictions. To address this issue, all members of the OECD/G20 Inclusive Framework have committed to the implementation of the Action 6 minimum standard and the participation in annual peer reviews to monitor such implementation.

The third and most recent peer review report includes the aggregate results of the latest peer review and data on tax treaties concluded by each of the 137 jurisdictions that were members of the OECD/G20 Inclusive Framework on 30 June 2020. The data compiled for the third peer review clearly demonstrate that the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) has been the tool used by the

overwhelming majority of jurisdictions that have begun implementing the Action 6 minimum standard. As a result, the MLI has started to impact the tax treaties of jurisdictions that have ratified it.

2.2.2 The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)

As of 1 October 2021, the MLI covers 97 jurisdictions and has effectively modified over 650 treaties concluded among the 68 jurisdictions that have ratified, accepted or approved it. The MLI will modify an additional 1 100 treaties once all signatories have ratified it.

Over the past year, Bahrain, Lesotho and Namibia signed the MLI and about 20 Signatories¹⁵ deposited their instruments of ratification. The OECD Secretariat has been providing ongoing technical assistance to jurisdictions in preparation for signature and ratification of the MLI, as well as their implementation of the MLI. The Secretariat has provided technical assistance to jurisdictions developing synthesised texts and to Parties wishing to expand the coverage of the MLI in respect of their treaty network after ratification. New tools were also developed, and existing ones improved, to assist stakeholders in the application of the provisions of the MLI. In particular, the Secretariat published arbitration profiles¹⁶ of jurisdictions applying Part VI on arbitration of the MLI, and developed new template notifications for Parties wishing to expand their list of covered tax agreements or to adopt further provisions subsequent to ratification. The first e-learning module on the MLI was also made available to all government officials on the background, general concepts and mechanics of the MLI.

The Conference of the Parties to the MLI held its second and third meetings on 19 November 2020 and 23 April 2021. After adopting its Rules of Procedure on 19 November 2020, the Conference of the Parties launched its substantive work and started to discuss interpretation and implementation questions. Four opinions of the Conference of the Parties on questions of interpretation of the MLI have already been adopted

14. <https://www.oecd.org/tax/beps/prevention-of-tax-treaty-abuse-third-peer-review-report-on-treaty-shopping-d6cecb8-en.htm>.

15. Albania, Barbados, Bosnia & Herzegovina, Burkina Faso, Chile, Costa Rica, Croatia, the Czech Republic, Egypt, Estonia, Germany, Greece, Hungary, Jordan, Kazakhstan, Korea, Malaysia, Oman, Pakistan and Panama.

16. <https://www.oecd.org/tax/treaties/oecd-publishes-30-country-profiles-applying-arbitration-under-the-multilateral-beps-convention.htm>.



Box 2. Key facts on the Multilateral Instrument

- The MLI covers 97 jurisdictions, of which 68 have ratified.
- The MLI is in effect for over 650 treaties and will modify an additional 1 100 treaties once all signatories have ratified it.
- The principal purpose test (PPT) will be included in all of those 1 100 modified agreements (Action 6).
- 33 covered jurisdictions have adopted Part VI of the MLI (mandatory binding arbitration), modifying about 250 covered tax agreements that will include the MLI mandatory binding arbitration provisions.

and published, and a number of additional questions are currently under consideration.

The entry into effect of the provisions of the MLI, as well as the sustained engagement of Signatories and Parties to the MLI in the Conference of the Parties to the MLI, underlines the strong political commitment to a multilateral approach to fighting BEPS and translating commitments into concrete measures.

2.2.3 2020 Review of the Action 6 peer review methodology

As part of the 2020 review of the Action 6 peer review methodology, revised peer review documents were released in April 2021¹⁷, which have formed the basis on which the Action 6 minimum standard peer review processes are undertaken from 2021 onwards. Until the third annual peer review (2020), the conduct of the annual peer reviews and how they were carried out in practice, had been governed by the “2017 Peer Review Documents”¹⁸, which specified that the process (the “methodology”) would be reviewed in 2020.

On 17 February 2021, the OECD/G20 Inclusive Framework approved the revised Action 6 peer review documents.

The main change in the methodology envisaged for the 2021 review and beyond is the creation of a framework through which assistance would be given to an OECD/G20 Inclusive Framework jurisdiction that has non-compliant treaties with members of the OECD/G20 Inclusive Framework that could, on its own assessment, create treaty-shopping opportunities and for which the jurisdiction has not yet taken steps to bring such treaties into compliance with the minimum standard. The assistance would include a recommendation to formulate a plan, if one was not already in existence. The revised peer review documents also stipulate that a jurisdiction that is using the MLI to implement the minimum standard would be recommended to complete the steps to have it take effect for its treaties. Although some changes were made to the Action 6 peer review methodology, changes to the other sections of the 2017 peer review documents were mostly confirming in nature. These changes to the review methodology are intended to accelerate full implementation of Action 6.

2.2.4 Next steps

The fourth yearly peer review process was launched in April 2021. The fourth yearly peer review process covers the status of the treaty networks of the 139 Inclusive

17. <https://www.oecd.org/tax/beps/beps-action-6-preventing-the-granting-of-treaty-benefits-in-inappropriate-circumstances-revised-peer-review-documents.pdf>.

18. <https://www.oecd.org/tax/treaties/beps-action-6-preventing-the-granting-of-treaty-benefits-in-inappropriate-circumstance-peer-review-documents.pdf>.

Framework members as of 31 May 2021. It reveals a steady increase in implementation levels compared to previous years. The report on the fourth yearly peer review will be discussed by Working Party 1 at its meeting in September 2021, before being sent to the Inclusive Framework for approval at its first meeting in 2022.

2.3 ACTION 13 – COUNTRY-BY-COUNTRY REPORTING

2.3.1 Progress to date

In September 2020, the OECD/G20 Inclusive Framework released the third phase of peer reviews under the Action 13 minimum standard regarding country-by-country (CbC) reporting. The implementation of the CbC reporting requirements contained in the 2015 Action 13 Report was subject to peer review for all OECD/G20 Inclusive Framework members in order to ensure timely and accurate implementation. The peer review process under this framework has to date focussed on three key elements of the minimum standard: 1) the domestic legal and administrative framework 2) the exchange of information framework and 3) the confidentiality and appropriate use of CbC reports.

As the September 2020 report makes clear, implementation of CbC reporting is well underway and

tangible progress has been made on multiple fronts. The results from the third phase of the Action 13 peer reviews demonstrate that coverage was expanded and the numbers of exchanges increased. The report covers 131 jurisdictions and found that, in total, 76 jurisdictions have multilateral or bilateral competent authority agreements in place.

The first exchanges of CbC reports began in June 2018 and more than 2 700 bilateral relationships for CbC exchanges are now in place. Over 100 jurisdictions have already introduced legislation to impose a filing obligation on MNE groups, covering almost all MNEs with consolidated group revenue at or above the EUR 750 million threshold. Furthermore, around 1 750 recommendations have been made, which jurisdictions are working to address in advance of the next Action 13 peer review report, which is planned to be released in October 2021.

Confidentiality and appropriate use of the CbCR information have both been priorities within the work on Action 13, and the third phase of peer reviews found that of the jurisdictions reviewed, 78 have undergone an assessment by the Global Forum on Transparency and Exchange of Information for Tax Purposes concerning



confidentiality and data safeguards in the context of implementing the AEOI standard. Furthermore, the report found that 82 jurisdictions have provided sufficiently detailed information to enable the OECD/G20 Inclusive Framework to obtain assurance that measures are in place to ensure the appropriate use of CbC reports.

In October 2020, the OECD/G20 Inclusive Framework released a new methodology for the peer reviews of BEPS Action 13 minimum standard. This comes one year after the OECD/G20 Inclusive Framework extended the mandate for these peer reviews beyond the original 2020 date. The updated methodology forms the basis on which the continuing annual BEPS Action 13 peer review process will be undertaken. The updated methodology sets out the procedural mechanism by which jurisdictions will complete the peer review from 2020 onwards. The updated documents include a process for collecting the relevant data, the preparation and approval of reports, the outputs of the review and the follow up process.

2.3.2 Support for the effective use of CbC reports

Once jurisdictions have introduced a requirement for the filing of CbC reports, it is essential that they also have processes in place to ensure CbC reports are used effectively in conducting a high level assessment of transfer pricing and other BEPS-related risks. Since 2017, the OECD has supported this through the release of the *CbC Reporting: Handbook on Effective Tax Risk Assessment*, through workshops to gather and discuss tax administrations' practices and experience in the use of CbC reports and, in February 2021, by the release of a CbC reporting Tax Risk Evaluation and Assessment Tool (TREAT).

The TREAT supports tax administrations in using CbC reports through the production of standard and bespoke tables and charts. These materials provide an overview of an MNE group's structure and activities; information on potential errors in an MNE group's CbC report; and on jurisdictions where an MNE group may pose a potential BEPS risk, or where no risk is found and the MNE group may be de-selected from further review.

2.3.3 2020 Action 13 review

The BEPS Action 13 Final Report included a mandate for a review of the minimum standard by the end of 2020, work on which commenced in late 2018. A public consultation document, including an analysis of 15 issues related to the scope of CbC reporting and the content of CbC reports was released in February 2020 and an online public consultation meeting, which included around 270 business and civil society participants, was held in May 2020. Key input from commentators participating in the public consultation is summarised in the box below.

2.3.4 Next steps

The fourth annual peer review of the implementation of CbC reporting is currently underway, and the outcomes of this review will be released in October 2021. Work on the 2020 review of BEPS Action 13 is ongoing.

2.4 ACTION 14 – MUTUAL AGREEMENT PROCEDURES (MAP)

2.4.1 Progress to date

Action 14 seeks to improve the resolution of tax-related disputes between jurisdictions. OECD/G20 Inclusive Framework jurisdictions have committed to have their compliance with the Action 14 minimum standard

Box 3. Key input from the public consultation on the 2020 review of BEPS Action 13

- Business cautioned against significant changes based on limited experience, given the first CbC reports were only exchanged in 2018.
- There was some business support for practical changes, including applying the consolidated group revenue threshold over more than one year, a periodic re-basing of non-EUR denominated thresholds to improve consistency between countries and including tax identification numbers (TINs) or address information in the CbC reporting template.
- Non-business commentators strongly supported greater transparency, a reduced revenue threshold, an additional column for employee payroll costs in Table 1 and a reconciliation of financial data in Table 1 to an MNE's consolidated financial statements.

reviewed and monitored by their peers through a robust peer review process that seeks to increase efficiencies and improve the timeliness of disputes where taxation is not in accordance with the tax treaties. Steady progress has been made since the peer reviews' inception, and the final batch of stage 1 peer review reports (ten batches in total) has already been completed.

In February 2021, the results from this final stage 1 batch were published for Aruba, Bahrain, Barbados, Gibraltar, Greenland, Kazakhstan, Oman, Qatar, Saint Kitts and Nevis, Thailand, Trinidad and Tobago, United Arab Emirates and Viet Nam. The peer review reports contained almost 340 targeted recommendations that will be followed up in stage 2 of the peer review process. The publication of the final batch of stage 1 reports bring the total Action 14 recommendations made to 1 750, about 66% of which relate to deficiencies in tax treaties with respect to the MAP article. Around 34% of the recommendations relate to MAP practices and policies that are not in line with the minimum standard. Furthermore, there are almost 400 recommendations for jurisdictions to continue practices that were already in line with the minimum standard.

The Action 14 minimum standard has had a greater impact on MAP and tax certainty more broadly, and many countries and jurisdictions are working to address deficiencies identified in their respective reports. For example:

- The peer review process has spurred changes regarding the structure and organisation of competent authorities to streamline their processes for better resolving MAP cases in a timely manner.
- Over the years, there has been an increase in the number of MAP cases initiated. This may be straining competent authority resources even more, and many competent authorities are tracking this concerning trend with a view to advocating for more resources to handle the increased number of disputes.
- There has been a significant increase in the number of closed cases in almost all jurisdictions under review. This is likely the result of an increase in

resources or of a more efficient use of resources by competent authorities due to (or in anticipation of) the peer review process.

- The number of Inclusive Framework [MAP profiles](#) published on the OECD website continues to increase, and now covers over 100 jurisdictions. This central repository of easily accessible information for taxpayers will facilitate the use of MAP.
- An increasing number of jurisdictions have introduced or updated comprehensive MAP guidance to provide taxpayers with clear rules and guidelines on MAP.
- Access to MAP is now granted for transfer pricing cases even where the treaty does not contain Article 9(2) of the OECD Model Tax Convention, especially in those jurisdictions that did not provide access to MAP in such cases in the past.

Progress also continues to be made on stage 2 of the Action 14 peer review reports, whereby the recommendations made in stage 1 reports are followed up. In May 2021, the fifth batch of stage 2 peer review reports was published. These reports evaluate the progress made by eight jurisdictions¹⁹ in implementing the recommendations made in their stage 1 reports and take into account developments that occurred in the period 1 May 2018 – 31 October 2019, while also building on the MAP statistics for 2016 - 2018. For the 45 jurisdictions reviewed so far in stage 2, many have improved their performance with respect to the prevention of disputes, the availability of and access to MAP, the resolution of MAP cases and the implementation of MAP agreements.

In total, 82 stage 1 peer review reports and 45 stage 1 + stage 2 peer monitoring reports have now been finalised. Reports will continue to be published in accordance with the Action 14 peer review assessment schedule shown in Figure 2.

2.4.2 2020 Action 14 review

In November 2020, as part of the ongoing work of the OECD/G20 Inclusive Framework, the OECD Secretariat invited public comments on the public consultation document “BEPS Action 14: Making Dispute Resolution

19. Estonia, Greece, Hungary, Iceland, Romania, Slovak Republic, Slovenia and Turkey.

Figure 1. Action 14 assessment schedule for Stage 1 Peer Reviews and Stage 2 Peer Monitoring

	1st batch	2nd batch	3rd batch	4th batch	5th batch	6th batch	7th batch	8th batch	9th batch	10th batch
Launch of stage 1 peer review	7 December 2016	7 March 2017	7 July 2017	29 December 2017	10 April 2018	31 August 2018	31 December 2018	27 March 2019	30 August 2019	20 December 2019
Launch of stage 2 peer monitoring	September 2018	October 2018	February 2019	August 2019	October 2019	May 2020	August 2020	December 2020	May 2021	October 2021
	Belgium	Austria	Czech Rep.	Australia	Estonia	Argentina	Brazil	Brunei	Andorra	Aruba
	Canada	France	Denmark	Ireland	Greece	Chile	Bulgaria	Curaçao	Bahamas	Bahrain
	Netherlands	Germany	Finland	Israel	Iceland	Colombia	China	Guernsey	Bermuda	Barbados
	Switzerland	Italy	Korea	Japan	Hungary	Croatia	Hong Kong (China)	Isle of Man	British Virgin Islands	Gibraltar
	United Kingdom	Liechtenstein	Norway	Malta	Romania	India	Indonesia	Jersey	Cayman Islands	Greenland
	United States	Luxembourg	Poland	Mexico	Slovak Rep.	Latvia	Russia	Monaco	Faroe Islands	Kazakhstan
		Sweden	Singapore	New Zealand	Slovenia	Lithuania	Saudi Arabia	San Marino	Macau (China)	Oman
			Spain	Portugal	Turkey	South Africa		Serbia	Morocco	Qatar
									Tunisia	St Kitts & Nevis
										Thailand
										Trinidad & Tobago
										United Arab Emirates
										Vietnam

Peer reviews for the following jurisdictions have been deferred: Albania, Antigua and Barbuda, Angola, Anguilla, Armenia, Belize, Benin, Bosnia and Herzegovina, Botswana, Burkina Faso, Cabo Verde, Cameroon, Congo, Cook Islands, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Djibouti, Dominica, Dominican Republic, Egypt, Eswatini, Gabon, Georgia, Grenada, Haiti, Honduras, Jamaica, Jordan, Kenya, Liberia, Malaysia, Maldives, Mauritius, Mongolia, Montenegro, Montserrat, Namibia, Republic of North Macedonia, Nigeria, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Seychelles, Sierra Leone, Sri Lanka, Turks & Caicos Islands, Ukraine, Uruguay, Zambia

For more information: <http://oe.cd/bepsaction14>

Mechanisms More Effective – 2020 Review.”²⁰ In response to this call for input, the OECD/G20 Inclusive Framework received over 200 pages from nearly 30 contributors. On 1 February 2021, a virtual public consultation meeting was held, which focussed on the key questions identified in the public consultation document and those raised by stakeholders in their written submissions as part of the consultation process. Box 4 outlines the key themes that were identified from the stakeholder input received as part of the consultation process.

Based on the stakeholder input received, the existing proposals for the 2020 Action 14 Review were enhanced

and discussions on these proposals are ongoing through joint meetings of the FTA MAP Forum and Working Party 1.

2.4.3 Next steps

The publication of stage 2 peer review reports will continue in batches in accordance with the Action 14 peer review assessment schedule. The sixth batch of stage 2 reports has been finalised and is due to be released in October 2021. In addition, discussions on the 2020 Action 14 Review are ongoing and any agreed changes are expected to be implemented once the stage 2 peer reviews are completed.

20. <https://www.oecd.org/tax/beps/public-consultation-document-beps-action-14-2020-review-november-2020.pdf>.

Box 4. 2020 Action 14 Review: Key themes from the public consultation responses

- Strong support for work on dispute resolution and prevention under Action 14.
- Support for measures prior to MAP including APAs, training of the audit function and co-ordination between MAP and audit functions.
- Continuing issues in relation to access to MAP, although improvements were noted in respect of availability of MAP, leading to strong support for further measures on access to MAP.
- Support for improvements in effective and timely resolution and implementation of MAP as timeliness was still noted to be a concern.
- Support for mandatory, binding arbitration for more tax certainty.

3. Progress on other BEPS Actions

While implementation of the four BEPS Minimum Standards continues to transform the international tax architecture, progress on other BEPS related work streams also continues. Although not minimum standards, the other BEPS Actions remain important for countries and jurisdictions seeking to comprehensively address base erosion and profit shifting. BEPS Action 1 contained a work stream relating to VAT/GST, which has continued to bear fruit, and further progress has been made on addressing Hard to Value Intangibles as well. Finally, the publication of corporate tax statistics, which contains anonymised and aggregated CbC reporting data, continues to enhance transparency for the public and tax administrations alike.

3.1 ACTION 1 – TAX CHALLENGES ARISING FROM DIGITALISATION

Although implementation of the BEPS package²¹, which began in 2015, has dramatically changed the international tax landscape and improved the fairness of tax systems, one of the key BEPS issues identified under BEPS Action 1, “Addressing the tax challenges of the digital economy²²”, remained unresolved and has been the top priority of the OECD/G20 Inclusive Framework over the last year.

Despite the practical challenges posed by the COVID-19 pandemic, significant progress on BEPS Action 1 was made by the OECD/G20 Inclusive Framework, based on the two-pillar approach first established in the January 2019 policy note²³ where it was agreed that Pillar One would establish new rules on where tax should be paid (“nexus” rules) and a new way of sharing taxing rights among countries (“profit allocation” rules), and Pillar Two would introduce a global minimum tax to help countries around the world ensure that multinationals pay a minimum level of tax at a globally agreed effective tax rate. In October 2020, the OECD/G20 Inclusive Framework published detailed reports on the blueprints for both pillars^{24, 25} which were the subject of public consultation in January 2021, as well as a Cover Statement²⁶, which highlighted the progress made, remaining political and technical issues as well as the goal of bringing the process to a successful conclusion by mid-2021. Negotiations that had been previously stalled were rebooted by a new proposal for comprehensive, quantitative scope under Pillar One while also calling for a robust minimum tax under Pillar Two.

21. <https://www.oecd.org/ctp/beps-2015-final-reports.htm>.

22. <https://www.oecd.org/tax/beps/beps-actions/action1/>.

23. OECD (2019), Addressing the Tax Challenges of the Digitalisation of the Economy – Policy Note, G20/OECD Inclusive Framework on BEPS, OECD, Paris, www.oecd.org/tax/beps/policy-note-beps-inclusive-frameworkaddressing-tax-challenges-digitalisation.pdf.

24. OECD (2020), Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS, G20/OECD Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/beba0634-en>.

25. OECD (2020), Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint: Inclusive Framework on BEPS, G20/OECD Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/abb4c3d1-en>.

26. Cover Statement by the G20/OECD Inclusive Framework on the Reports on the Blueprints of Pillar One and Pillar Two, as approved by the G20/OECD Inclusive Framework at its meeting on 8-9 October 2020, www.oecd.org/tax/beps/cover-statement-by-the-oecd-g20-inclusive-framework-on-beps-on-the-reports-on-the-blueprints-of-pillar-one-and-pillar-two-october-2020.pdf

On 1st July 2021, 130 member countries and jurisdictions, representing more than 90% of global GDP, joined the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy²⁷ establishing an historic new framework for international tax reform. Since then, four additional Inclusive Framework members have joined the July Statement. The remaining elements of the framework, including a detailed implementation plan to develop model legislation, guidance and a multilateral treaty, will be finalised in October 2021. As the Statement provides for fundamental changes to international corporate taxation that may have an impact on other BEPS Actions, the work on these streams will have to be closely coordinated going forward.

3.2 VAT CHALLENGES OF THE DIGITAL ECONOMY

The OECD's standards and guidance on the application of value added taxes (VAT; also known as Good and Services

Taxes; GST) to digital trade have continued to influence VAT reform in countries worldwide. These core VAT standards and principles were included in the 2015 Final Report on BEPS Action 1 "Addressing the Tax Challenges of the Digital Economy" and in the International VAT/GST Guidelines. They were subsequently complemented with detailed technical guidance to support their effective and consistent implementation, including on mechanisms for the collection of VAT from foreign online vendors, on the VAT treatment of electronic marketplaces and other digital platforms, and on the collection of VAT on imports of low-value goods from online sales. Currently, 78 jurisdictions have implemented or have enacted legislation to implement these standards to ensure the proper collection of VAT on the continuously growing volumes of e-commerce sales.

In April 2021, the OECD released a new report on "The impact of the growth of the sharing and gig economy

27. OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy* – July 2021, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2021.pdf>



on VAT/GST policy and administration". This report sets out the core components of a comprehensive VAT strategy for tax authorities in response to sharing and gig economy growth. It highlights the central role that digital platforms can play in collecting the VAT on sharing and gig economy activities and in providing information to tax authorities to support an effective policy response.

The OECD is developing Regional VAT Digital Toolkits to assist developing countries and emerging economies with the implementation of VAT reform to address the challenges of digital trade. The VAT Digital Toolkit for Latin America and the Caribbean Region was released in June 2021. This Toolkit has been developed by the OECD in close partnership with the World Bank Group (WBG), the InterAmerican Development Bank (IDB) and the InterAmerican Centre of Tax Administrations (CIAT). VAT Digital Toolkits for the Asia Pacific Region (with the WBG and the Asian Development Bank) and for Africa (with WBG and the African Tax Administration Forum (ATAF)) are also being developed.

3.3 ACTIONS 8-10 – HARD-TO-VALUE INTANGIBLES

3.3.1 Implementation of the Hard-to-Value Intangibles (HTVI) approach

The objective of the 2015 BEPS Report on Actions 8, 9 and 10 was to ensure that the profits of MNEs better align with economic activity and value creation. This work resulted in expanded guidance in Chapter VI of the *OECD Transfer Pricing Guidelines* on an approach that protects tax administrations from the negative effects of information asymmetry by ensuring appropriate pricing of Hard-to-Value Intangibles (HTVI). In 2018, additional guidance addressed to tax administrations on the application of the approach to HTVI was also incorporated into the Guidelines as an annex to Chapter VI.

Under the general mandate in the 2015 BEPS Report on Actions 8, 9 and 10, a monitoring process specifically for the application of the HTVI approach by jurisdictions was agreed. The first phase of this process was launched in 2019 and it has gathered information from 40 jurisdictions on their legislation and practices



related to the HTVI approach. This information was publicly released on the OECD website in December 2020.

Together with the information contained in the transfer pricing country profiles, currently there is information on the state of implementation of the HTVI approach in 55 jurisdictions. This information provides tax administrations, taxpayers and other stakeholders with a better understanding of the extent to which the HTVI approach is being adopted and applied in practice by jurisdictions around the world. This has the potential to increase tax certainty by reducing misunderstandings and disputes between governments, as well as with taxpayers.

To date, the HTVI approach can be applied by tax administrations in almost half of the jurisdictions for which information is available. While some of these jurisdictions have adopted specific domestic legislation governing the transfer pricing aspects of transactions involving HTVI, most of them can apply directly the HTVI approach as described in the *OECD Transfer Pricing Guidelines*. However, a significant number of jurisdictions have not yet adopted the HTVI approach that would

apply the general transfer pricing rules to determine the pricing of controlled transactions involving HTVI. Further work in the context of the monitoring process could be helpful to understand the reasons why these jurisdictions have not yet adopted the HTVI approach.

Finally, the second phase of the monitoring process was launched in December 2020, focusing on the practical application of the HTVI approach from the perspective of both taxpayers and tax administrations. Jurisdictions and business, through BIAC, have been invited to share their experiences in relation to the use of the HTVI approach in particular cases. The information obtained in this second phase will be discussed and evaluated by Working Party 6 of the Committee on Fiscal Affairs.

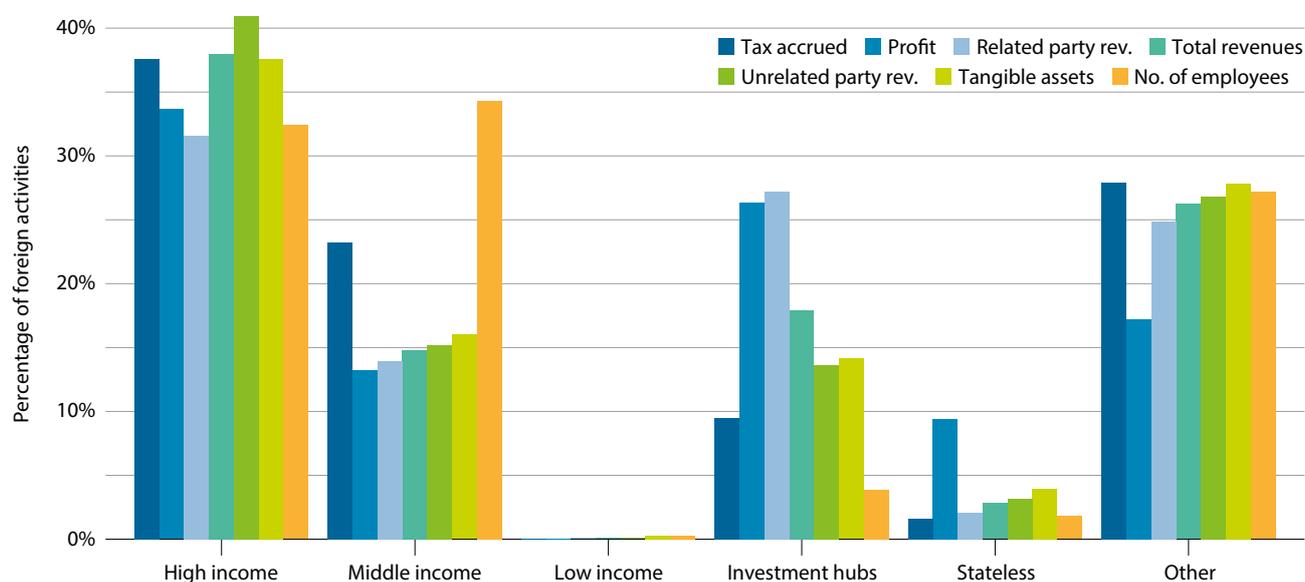
3.4 ACTION 11: CORPORATE TAX STATISTICS AND AGGREGATED AND ANONYMISED COUNTRY-BY-COUNTRY REPORTING DATA

3.4.1 Implementation of BEPS Action 11

The annual delivery of the *Corporate Tax Statistics* database, which was first launched in January 2019, is a significant step towards Action 11 implementation.



Figure 2. Foreign MNEs' activities in each jurisdiction group, as a percentage of total foreign MNEs' activities



Note: Each variable sums to 100% across the six jurisdiction groups. The profit variable could include intracompany dividends, and other amounts that are generally not part of taxable profits, in several instances, and therefore be upward biased. The bars represent jurisdiction groups' shares of different variables (e.g. profit in group x/total profits booked in foreign jurisdictions*100) across all jurisdictions included in the CbCR sample. "Other" reflects aggregate geographic groupings.

Source: OECD (2021), "Jurisdiction groups' shares of foreign MNEs' activities", in *Corporate Tax Statistics*, Third Edition, www.oecd.org/tax/tax-policy/corporate-tax-statistics-third-edition.pdf.

This new database is intended to assist in the study of corporate tax policy and has already begun to improve the quality and expand the range of data available for the analysis of BEPS. The first edition of the database contains information on over 100 jurisdictions, and several main categories of data: corporate tax revenues, corporate tax rates, and tax incentives related to innovation.

The second edition of the database, released in July 2020, contains the first aggregated and anonymised statistics prepared from data collected on CbC reports, information on interest limitation rules and CFC rules, and all of the indicators presented in the first release. In total, there were 58 OECD/G20 Inclusive Framework members that had implemented CbC Reporting or had voluntary parent filing for the 2016 fiscal year, and it is estimated that around 35 of those member jurisdictions received sufficient numbers of CbC reports to provide aggregated and anonymised statistics. Of those 35 jurisdictions, 26 jurisdictions provided aggregated and anonymised statistics to the OECD for the first edition covering around 4 100 CbC reports overall.

The third edition of *Corporate Tax Statistics*, released in July 2021, contains data from 38 jurisdictions of the 65 jurisdictions that had implemented CbC reporting or had voluntary parent filing for the 2017 fiscal year, and covers around 6 000 CbC reports. If all countries and jurisdictions receiving CbC reports²⁸ were to submit their data, the dataset would cover around 6 070 CbC reports. This means that the coverage of the aggregated and anonymised statistics is close to comprehensive of the total CbC reports being filed.

As the statistics were prepared from CbC reports filed for the 2016 and 2017 fiscal years, it is worth noting that this period still pre-dates much of the implementation of the BEPS Actions. Nevertheless, the data point to some interesting patterns of where MNE activity is located and the relationship between that activity, the reporting of profits, and the tax paid (see Figure 2).

The third edition of *Corporate Tax Statistics*²⁹ has also continued the coverage of corporate tax revenues and rates, and also includes new indicators on tax incentives related to innovation.

28. This includes those jurisdictions that receive too few CbC Reports to submit aggregated statistics without breaching confidentiality restrictions.

29. <https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-third-edition.pdf>

4. Response to COVID-19

The ongoing pandemic continues to pose sustained challenges to the global economy as well as to households and businesses. The COVID-19 crisis has forced the world to adapt in myriad ways and targeted fiscal policy continues to be one of the most effective means to blunt the negative effects of the crisis on households, businesses and on the global economy. The OECD/G20 Inclusive Framework members have responded with a panoply of information relevant to governments, the private sector and individuals, all of which have been impacted by the pandemic. As the section below demonstrates, the OECD/G20 Inclusive Framework has been on the front lines of offering practical information relating to fiscal policy, transfer pricing, tax treaties and administration, as well as assistance to developing countries, which are disproportionately impacted by the COVID-19 crisis.

4.1 TAX AND FISCAL POLICY IN RESPONSE TO THE COVID-19 CRISIS

After the onset of the COVID-19 crisis, the OECD was one of the first organisations to provide a comprehensive stocktake of tax and fiscal policy measures that governments were taking to combat the immediate consequences of the pandemic. In April 2020, in response to the G20 Action Plan and under a request from Saudi Arabia's G20 Presidency, the OECD published a report on "Tax and Fiscal Policy in Response to the Coronavirus Crisis"³⁰, which was presented during the virtual meeting of the G20 Finance Ministers and Central Bank Governors on 15 April 2020.³¹ With the participation of OECD/G20 Inclusive Framework members, the report compiled more than 700 tax measures taken by governments to help businesses stay afloat, support households and preserve employment. The report discussed how tax and fiscal policy could cushion the economic impact of containment and mitigation policies and subsequently support the recovery.

In response to a request from Italy's G20 Presidency, the OECD provided an updated report to G20 Finance Ministers and Central Bank Governors in April 2021. Similar to the previous year, the April 2021 report³² provides an overview of the tax measures introduced during the COVID-19 crisis across almost 70 jurisdictions since the outbreak of the pandemic. The report covers all OECD and G20 countries, as well as 21 additional members of the OECD/G20 Inclusive Framework that responded to a questionnaire that was circulated in January 2021. The report examines how tax policy responses have varied across countries and evolved since April 2020, and also offers guidance as to how tax policy responses could be adapted to address the short-term challenges countries face. In particular, it identifies several guiding principles on how countries could improve the targeting of emergency relief and implement recovery-oriented tax measures as they emerge from the pandemic. The report also outlines work that the OECD will be undertaking in the future to help countries and jurisdictions reassess their tax and spending policies in the post-crisis environment.

30. <https://www.oecd.org/ctp/tax-policy/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience.htm>

31. <https://www.oecd.org/ctp/tax-policy/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience.htm>.

32. See Annex A: <https://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-finance-ministers-april-2021.pdf>.

Table 1. Typology of tax measures introduced in response to the COVID-19 crisis

	Relief	Recovery-oriented stimulus	Tax increases
Objectives of policies	<ul style="list-style-type: none"> ● Cushion the economic and social impacts of virus containment policies 	<ul style="list-style-type: none"> ● Stimulate aggregate demand and investment 	<ul style="list-style-type: none"> ● Finance part of the government response to the crisis
Main types of tax measures	<ul style="list-style-type: none"> ● Tax deferrals ● Tax filing extensions ● Accelerated tax refunds ● Loss-carry back provisions ● Temporary tax waivers ● Temporary tax rate reductions 	<ul style="list-style-type: none"> ● Tax incentives for investment ● Reduced corporate or other business taxes ● Tax incentives for employment ● Temporary VAT rate reductions ● Lower property transaction taxes 	<ul style="list-style-type: none"> ● Increases in top personal income tax rates ● Health excise tax increases ● Environmental tax increases ● Property tax increases ● Business tax increases

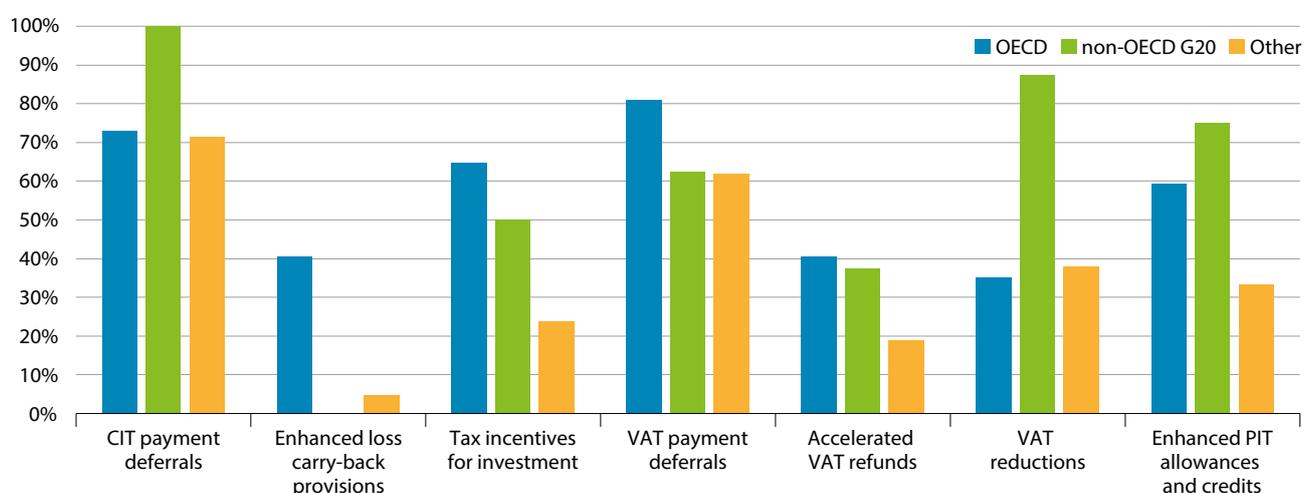
Source: 2021 OECD Tax Policy Reform Questionnaire. OECD (2021), *Tax Policy Reforms 2021: Special Edition on Tax Policy during the COVID-19 Pandemic*, <https://doi.org/10.1787/427d2616-en>.

The 2021 report highlights a number of key tax policy trends in governments' responses to the pandemic. Firstly, many of the tax measures introduced in the initial stages of the crisis have been prolonged, with some being more targeted towards households and businesses most affected by the crisis, especially where governments have moved away from broad-based lockdowns. Secondly, tax packages have had an increasing focus on recovery-oriented stimulus measures to supplement crisis relief provisions. These recovery-oriented tax measures include corporate tax incentives for investment as well as reduced VAT rates targeted at hard-hit sectors. In most countries and jurisdictions, these stimulus measures have co-existed with a continuation of relief measures. Thirdly, a growing number of countries and jurisdictions

have introduced or announced new tax increases in the second half of 2020 and early 2021. Increases in fuel excise duties and carbon taxes were the most common tax increases reported by countries, representing a continuation of pre-crisis trends, but the tax increases on top-income earners and high-wealth owners mark a departure from such pre-crisis trends. However, despite these common trends, there have been notable differences across regions and countries regarding the scope and form of tax packages, reflecting variation in the prevalence and timing of the virus, countries' fiscal space and their ability to rely on central bank support, and the architecture of countries' tax systems, the size of their informal sector and governments' administrative capacities, amongst other factors.

Figure 3. Most common tax measures across groups of countries

Shares of countries reporting tax measures in each group



Note: The three groups of countries consist of 37 OECD countries, eight non-OECD G20 countries and 21 other countries and jurisdictions that are members of the OECD/G20 Inclusive Framework.

Source: 2021 OECD Tax Policy Reform Questionnaire. OECD (2021), *Tax Policy Reforms 2021: Special Edition on Tax Policy during the COVID-19 Pandemic*, <https://doi.org/10.1787/427d2616-en>.

The guidance provided to policymakers centres on avoiding the premature withdrawal of relief, increasing targeting to severely affected businesses and households, and how recovery-orientated tax measures can be most effective. In particular, the 2021 report highlights the importance of ensuring policy changes are carefully timed to avoid spikes in tax burdens, bring spending and investment decisions forward and are targeted at the areas where equity needs and fiscal multipliers are likely to be highest. Furthermore, it recommends that recovery-oriented tax stimulus is supportive of labour market recovery and business recapitalisation, aligned with longer-term environmental, health and social objectives and accounts for the uneven impact of the crisis, and is tailored to countries' specific needs, means and capabilities.

4.2 TAX TREATIES AND THE IMPACT OF THE COVID-19 CRISIS

At the outset of the pandemic, the OECD was quick to not only produce the *Tax and Fiscal Policy in Response to the COVID-19 crisis* report, but also released timely guidance from the secretariat in April 2020 on the impact of the pandemic on tax treaties. Unprecedented public health measures such as travel restrictions and curtailment of business operations led to certain tax-related complications arising for both taxpayers and tax administrations under the existing language of tax treaties. For example, depending on where the employee was located during COVID-19 restrictions, new taxing rights over the employee's income could arise in other jurisdictions. Those new taxing rights could then reduce or displace existing taxing rights and require refunds of tax withheld at source.

In light of these exceptional circumstances, in April 2020 the OECD secretariat issued guidance³³ on how international tax treaty rules could be applied in these and other circumstances that had arisen as a result of the pandemic. In January 2021, an updated note was published which revisits the guidance issued in April 2020. The updated guidance reflects the OECD Secretariat's views, together with additional examples of State practice with its publication supported by Working Party 1 in its OECD/G20 Inclusive Framework setting,

and outlines the applications of the existing rules and the OECD commentary on concerns related to the creation of permanent establishments; the application of "tie-breaker" rules to dual residents; and the tax treaty treatment of income from employment.

Furthermore, the updated version of the guidance considers additional fact patterns not addressed in detail in April 2020 and examines whether the analysis and the conclusions outlined in the first report continue to apply where the circumstances persist for a significant period. The January 2021 update is intended to provide more certainty to taxpayers during this exceptional period, and illustrates how some countries have addressed the impact of COVID-19 on the tax situations of individuals and employers.

4.3 GUIDANCE ON THE TRANSFER PRICING IMPLICATIONS OF THE COVID-19 PANDEMIC

The uniqueness of economic conditions brought about by COVID-19 has led to practical challenges for taxpayers and tax administrations in applying and administering the arm's length principle and transfer pricing rules. For taxpayers, these challenges increase uncertainty. For tax administrations, transfer pricing reviews and audits are resource intensive. For both, the risk and costs associated with disputes are high.

To address these problems, throughout the course of 2020 a number of tax administrations published domestic guidance on some of the transfer pricing implications of COVID-19. While this was an important first step in facilitating taxpayer compliance and delivering greater tax certainty, the multi-sided nature of transfer pricing means that commonly agreed approaches are needed for tax administrations to effectively enhance tax certainty for businesses operating across borders.

Recognising this issue, the OECD/G20 Inclusive Framework worked quickly to develop, approve and publish *Guidance on the Transfer Pricing Implications of the COVID-19 Pandemic*³⁴ in December 2020. This Guidance, which represents the consensus view of the 137 members of the OECD/G20 Inclusive Framework at the

33. <https://www.oecd.org/coronavirus/policy-responses/updated-guidance-on-tax-treaties-and-the-impact-of-the-covid-19-pandemic-df42be07/>

34. <https://www.oecd.org/coronavirus/policy-responses/guidance-on-the-transfer-pricing-implications-of-the-covid-19-pandemic-731a59b0/>

time, provides much needed clarification and support for taxpayers and tax administrations as they evaluate the application of transfer pricing rules for the period impacted by COVID-19.

The Guidance provides clarifying comment on, and illustrations of, the practical application of the arm's length principle in four priority areas, identified in consultation with Business at the OECD (BIAC): (i) comparability analysis; (ii) losses and the allocation of COVID-19 specific costs; (iii) government assistance programmes; and (iv) advance pricing agreements.

The availability of third party information is at the heart of the application of transfer pricing rules. While the pandemic has exacerbated the limitations of available data, the Guidance provides pragmatic approaches to address information shortcomings on comparables, such as how budgeted financial information can be used to determine arm's length outcomes or when loss-making comparables can be considered in benchmarking analyses.

Many businesses have been impacted in different ways, with some hit hard by the pandemic and as a result will have incurred losses, an inevitable consequence of the significant downturn in global GDP. For these businesses, it is important that they consider whether their transfer pricing policies effectively allocate such losses and COVID-19 specific costs between entities and whether this is appropriate given their facts and circumstances. The Guidance address these issues, including the important question of the circumstances in which entities operating under limited risk arrangements might incur losses.

The pandemic has also led to the unprecedented growth of government assistance programmes, leading to questions around the factors that should be evaluated to determine whether receiving government assistance may affect transfer prices. The Guidance identifies factors to be considered by a business when determining whether the receipt of government assistance by one party should affect the transfer prices of controlled transactions.

The final area covered in the Guidance is advance pricing agreements (APAs), which remain one of the

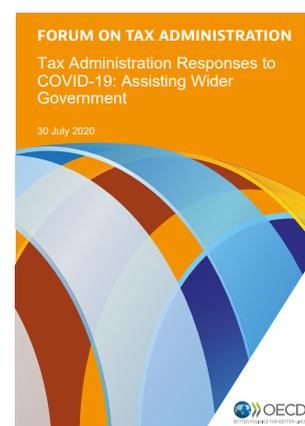
key instruments to enhance tax certainty regarding transfer pricing. In that spirit, the Guidance encourages taxpayers and tax administrations to adopt a flexible and collaborative approach given the current economic conditions.

The *Guidance on the Transfer Pricing Implications of the COVID-19 Pandemic* is an important part of the OECD/G20 Inclusive Framework on BEPS's commitment to improve tax certainty, which remains at the top of the OECD's agenda, and to create a more stable international tax system.

4.4. TAX ADMINISTRATION IN THE TIME OF COVID-19

4.4.1 Tax administration responses to COVID-19: Assisting wider government

As the COVID-19 crisis continues to unfold, tax administrations around the globe are taking on new responsibilities to support wider government actions to help address the impacts of the COVID-19 pandemic. These responsibilities often go beyond the functions normally provided by tax administrations and can present a number of challenges as well as opportunities for the future. In July 2020, *Tax Administration Responses to COVID-19: Assisting Wider Government*³⁵ was published, prepared by the OECD's Forum on Tax Administration in collaboration with the FTA's Enterprise Risk Management Community of Interest, both of which count numerous OECD/G20 Inclusive Framework countries among their membership. The report sets out some of the considerations that tax administrations may wish to take into account when dealing with these new responsibilities triggered by COVID-19 in light of input provided by tax administrations, including through virtual meetings, surveys and bilateral discussions. The report also highlights the opportunities to build on lessons learned to improve the resilience and agility of tax administrations for the future.



35. <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-responses-to-covid-19-assisting-wider-government.htm/>.

4.4.2 Tax administration: Digital resilience in the COVID-19 environment

During the COVID-19 crisis, many tax administrations had to close offices and move to almost full or partial remote working. For many tax administrations, these operational challenges coincided with the peak filing season and an increase in the administration of benefits to certain eligible taxpayers affected by COVID-19. This had an impact on normal operations, as some tax administrations have not been able to carry out business as usual in all areas, including difficulties in dealing with paper communications and forms, physical audits, taxpayer contact and some aspects of systems maintenance.

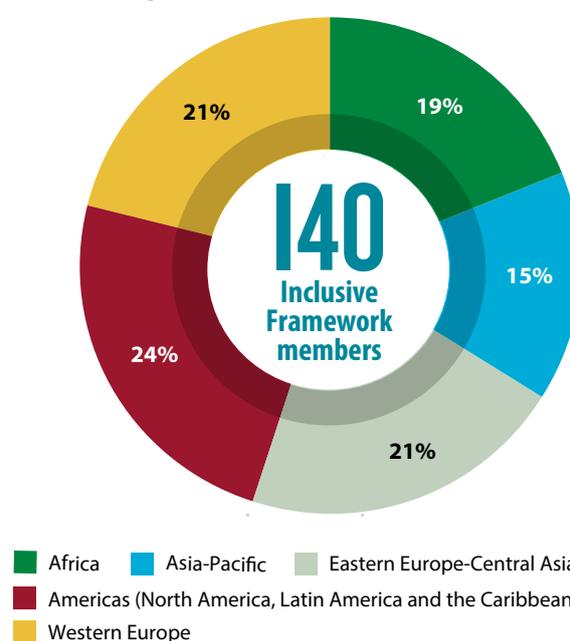


In April 2021 the OECD Forum on Tax Administration Secretariat, in collaboration with the FTA Enterprise Risk Management Community of Interest, published *Tax Administration: Digital Resilience in the COVID-19 Environment*.³⁶ This document is intended to provide a pulse check on the impact of digitalisation of tax administration in dealing with the COVID-19 crisis as well as to stimulate thinking as to where changes to existing digitalisation strategies might be considered in order to enhance resilience to future shocks. The report focuses in particular on taxpayer services, compliance risk management, remote working, IT systems and providing support for wider government.

4.5 TAX AND DEVELOPMENT

Despite the impact of COVID-19, the Inclusive Framework continues to benefit developing countries, which account for almost half of its 140 members. Induction programmes and bespoke technical assistance continue to be provided to help countries to identify and implement what they consider to be priority BEPS measures, support the peer review processes relating to the BEPS minimum standards, and support countries and jurisdictions to effectively participate in the ongoing standard-setting process. So far,

Figure 4. OECD/G20 Inclusive Framework membership



43 BEPS induction programmes for new Inclusive Framework members have been launched including four in 2020. A rapid shift to remote engagement since March 2020 has enabled significant support to be maintained to 26 developing countries in bilateral capacity building programmes. Bilateral support has continued to achieve concrete results, with 13 countries passing the necessary legislation and regulations for BEPS implementation.

The majority (75%+) of Tax Inspectors Without Borders (TIWB) programmes, delivered under the joint OECD and United Nations Development Programme (UNDP) initiative, have continued operating throughout the pandemic. The TIWB Secretariat developed and disseminated guidance to both experts and Host Administrations to support the secure transmission of confidential information. To date, 42 TIWB programmes have been completed and 40 programmes are currently underway. In early 2021, TIWB has reached the USD 1 billion milestone of additional tax revenues raised from overall tax assessments in excess of USD 2.37 billion (at the end of 2020)³⁷. This includes work with ATAF and the WBG on anonymised cases. The initiative continues to provide an impressive return on investment – around USD 70 for every USD 1 invested.

36. <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-digital-resilience-in-the-covid-19-environment.htm>

37. TIWB reports on the amount of the additional tax to pay by audited taxpayers (i.e. tax assessed) and the tax actually collected by revenue administration from the same audit cases.

The OECD has scaled up its capacity building work in the extractive sector, helping 27 developing countries tackle BEPS in the extractive industries. The sector underpins economic growth and employment in many developing countries but continues to under-deliver in terms of tax revenues due to BEPS, poorly drafted investment agreements, inadequate laws and weak governance. Despite the constraints of the pandemic, the increased engagement has been possible thanks to the strong partnerships with the Intergovernmental Forum on Mining, Metals and Sustainable Development (IGF) and with ATAF in Africa. Remarkable success stories of capacity building work in the extractive sector include Zambia Revenue Authority's victory in the Supreme Court against a mining company in May 2020³⁸ and the issuance of the Mongolian Tax Administration's first transfer pricing tax assessment for USD 228 million in late 2020³⁹.

Significant progress was made on two toolkits delivered by the Platform for Collaboration on Tax (PCT)⁴⁰. The Toolkit on Transfer Pricing Documentation⁴¹ was published in January 2021 and the Toolkit on Treaty Negotiation⁴² in March 2021. These toolkits provide practical implementation guidance on BEPS and other international tax issues of particular relevance to developing countries. The PCT is a joint effort launched in April 2016 by the

International Monetary Fund (IMF), the OECD, the UN and the WBG. The PCT is designed to intensify the co-operation between these international organisations on tax issues. Its work is even more vital than ever as countries seek to rebuild finances following the COVID-19 crisis.

In recognition of the importance of tax to development, the G20 mandated the OECD to prepare a report on progress made through developing country participation at the OECD/G20 Inclusive Framework. This report, to be published in October 2021, will identify possible areas where domestic resource mobilisation efforts could be further supported. The mandate was explicitly given in the G20 Finance Ministers and Central Bank Governors communiqué following their meeting on 7 April 2021. During the preparation of this report, developing countries are being consulted broadly in order to seek their views and a round of regional consultations open to country representatives from geographically diverse regions (Africa, Americas and the Caribbean, Asia-Pacific, Europe/Mid-East, Central Asia, and Latin America) was held from end-May to mid-June 2021. These meetings were organised in collaboration with regional tax organisations and regional development banks and will also further facilitate developing country participation in the efforts to address the tax challenges of digitalisation.

38. <http://www.oecd.org/tax/global/building-capacity-to-prevent-profit-shifting-by-large-companies-in-zambia.pdf>.

39. <https://www.oecd.org/tax/mongolian-tax-administration-partners-with-international-organisations-and-issues-first-transfer-pricing-tax-assessment-for-usd-228-million.htm>.

40. <https://www.tax-platform.org/>.

41. <https://www.oecd.org/tax/practical-toolkit-to-support-the-successful-implementation-by-developing-countries-of-effective-transfer-pricing-documentation-requirements.htm>.

42. <https://www.oecd.org/tax/treaties/toolkit-on-tax-treaty-negotiations.htm>.



Annexes

Annex A – Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy

1 July 2021

This document sets out the Statement which has been discussed in the OECD/G20 Inclusive Framework on BEPS. 134 member jurisdictions have agreed to it as of 31 August 2021. It is noted that not all Inclusive Framework members have joined as of today.

INTRODUCTION

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (IF) has agreed a two-pillar solution to address the tax challenges arising from the digitalisation of the economy. The agreed key components of each Pillar are described in the following paragraphs.

A detailed implementation plan together with remaining issues will be finalised by October 2021.

PILLAR ONE

Scope

In-scope companies are the multinational enterprises (MNEs) with global turnover above 20 billion euros and profitability above 10% (i.e. profit before tax/revenue) with the turnover threshold to be reduced to 10 billion euros, contingent on successful implementation including of tax certainty on Amount A, with the relevant review beginning 7 years after the agreement comes into force, and the review being completed in no more than one year.

Extractives and Regulated Financial Services are excluded.

Nexus

There will be a new special purpose nexus rule permitting allocation of Amount A to a market jurisdiction when the in-scope MNE derives at least 1 million euros in revenue from that jurisdiction. For smaller jurisdictions with GDP lower than 40 billion euros, the nexus will be set at 250 000 euros.

The special purpose nexus rule applies solely to determine whether a jurisdiction qualifies for the Amount A allocation.

Compliance costs (incl. on tracing small amounts of sales) will be limited to a minimum.

Quantum

For in-scope MNEs, between 20-30% of residual profit defined as profit in excess of 10% of revenue will be allocated to market jurisdictions with nexus using a revenue-based allocation key.

Revenue sourcing

Revenue will be sourced to the end market jurisdictions where goods or services are used or consumed. To facilitate the application of this principle, detailed source rules for specific categories of transactions will be developed. In applying the sourcing rules, an MNE must use a reliable method based on the MNE's specific facts and circumstances.

Tax base determination

The relevant measure of profit or loss of the in-scope MNE will be determined by reference to financial accounting income, with a small number of adjustments.

Losses will be carried forward.

Segmentation

Segmentation will occur only in exceptional circumstances where, based on the segments disclosed in the financial accounts, a segment meets the scope rules.

Marketing and distribution profits safe harbour

Where the residual profits of an in-scope MNE are already taxed in a market jurisdiction, a marketing and distribution profits safe harbour will cap the residual profits allocated to the market jurisdiction through Amount A. Further work on the design of the safe harbour will be undertaken, including to take into account the comprehensive scope.

Elimination of double taxation

Double taxation of profit allocated to market jurisdictions will be relieved using either the exemption or credit method.

The entity (or entities) that will bear the tax liability will be drawn from those that earn residual profit.

Tax certainty

In-scope MNEs will benefit from dispute prevention and resolution mechanisms, which will avoid double taxation for Amount A, including all issues related to Amount A (e.g. transfer pricing and business profits disputes), in a mandatory and binding manner. Disputes on whether issues may relate to Amount A will be solved in a mandatory and binding manner, without delaying the substantive dispute prevention and resolution mechanism.

Consideration will be given to an elective binding dispute resolution mechanism for issues related to Amount A for developing economies that are eligible for deferral of their BEPS Action 14 peer review and have no or low levels of MAP disputes.

Amount B

The application of the arm's length principle to in-country baseline marketing and distribution activities will be simplified and streamlined, with a particular focus on the needs of low capacity countries. This work will be completed by the end of 2022.

Administration

The tax compliance will be streamlined (including filing obligations) and allow MNEs to manage the process through a single entity.

Unilateral measures

This package will provide for appropriate coordination between the application of the new international tax rules and the removal of all Digital Service Taxes and other relevant similar measures on all companies.

Implementation

The multilateral instrument through which Amount A is implemented will be developed and opened for signature in 2022, with Amount A coming into effect in 2023.

PILLAR TWO

Overall design

Pillar Two consists of:

- two interlocking domestic rules (together the Global anti-Base Erosion Rules (GloBE) rules): (i) an Income Inclusion Rule (IIR), which imposes top-up tax on a parent entity in respect of the low taxed income of a constituent entity; and (ii) an Undertaxed Payment Rule (UTPR), which denies deductions or requires an equivalent adjustment to the extent the low tax income of a constituent entity is not subject to tax under an IIR; and
- a treaty-based rule (the Subject to Tax Rule (STTR)) that allows source jurisdictions to impose limited source taxation on certain related party payments subject to tax below a minimum rate. The STTR will be creditable as a covered tax under the GloBE rules.

Rule status

The GloBE rules will have the status of a common approach.

This means that IF members:

- are not required to adopt the GloBE rules, but, if they choose to do so, they will implement and administer the rules in a way that is consistent with the outcomes provided for under Pillar Two, including in light of model rules and guidance agreed to by the IF;
- accept the application of the GloBE rules applied by other IF members including agreement as to rule order and the application of any agreed safe harbours.

Scope

The GloBE rules will apply to MNEs that meet the 750 million euros threshold as determined under BEPS Action 13 (country-by-country reporting). Countries are free to apply the IIR to MNEs headquartered in their country even if they do not meet the threshold.

Government entities, international organisations, non-profit organisations, pension funds or investment funds that are Ultimate Parent Entities (UPE) of an MNE Group or any holding vehicles used by such entities, organisations or funds are not subject to the GloBE rules.

Rule design

The IIR allocates top-up tax based on a top-down approach subject to a split-ownership rule for shareholdings below 80%.

The UTPR allocates top-up tax from low-tax constituent entities including those located in the UPE jurisdiction under a methodology to be agreed.

ETR calculation

The GloBE rules will operate to impose a top-up tax using an effective tax rate test that is calculated on a jurisdictional basis and that uses a common definition of covered taxes and a tax base determined by reference to financial accounting income (with agreed adjustments consistent with the tax policy objectives of Pillar Two and mechanisms to address timing differences).

In respect of existing distribution tax systems, there will be no top-up tax liability if earnings are distributed within 3 to 4 years and taxed at or above the minimum level.

Minimum rate

The minimum tax rate used for purposes of the IIR and UTPR will be at least 15%.

Carve-outs

The GloBE rules will provide for a formulaic substance carve-out that will exclude an amount of income that is at least 5% (in the transition period of 5 years, at least 7.5%) of the carrying value of tangible assets and payroll.

The GloBE rules will also provide for a *de minimis* exclusion.

Other exclusions

The GloBE rules also provide for an exclusion for international shipping income using the definition of such income under the OECD Model Tax Convention.

Simplifications

To ensure that the administration of the GloBE rules are as targeted as possible and to avoid compliance and administrative costs that are disproportionate to the policy objectives, the implementation framework will include safe harbours and/or other mechanisms.

GILTI co-existence

It is agreed that Pillar Two will apply a minimum rate on a jurisdictional basis. In that context, consideration will be given to the conditions under which the US GILTI regime will co-exist with the GloBE rules, to ensure a level playing field.

Subject to tax rule (STTR)

IF members recognise that the STTR is an integral part of achieving a consensus on Pillar Two for developing countries.¹ IF members that apply nominal corporate income tax rates below the STTR minimum rate to interest, royalties and a defined set of other payments would implement the STTR into their bilateral treaties with developing IF members when requested to do so.

The taxing right will be limited to the difference between the minimum rate and the tax rate on the payment.

The minimum rate for the STTR will be from 7.5% to 9%.

Implementation

IF members will agree and release an implementation plan. This will contemplate that Pillar Two should be brought into law in 2022, to be effective in 2023.

The implementation plan will include:

- GloBE Model rules with proper mechanisms to facilitate over time the coordination of the GloBE rules that have been implemented by IF members, including the possible development of a multilateral instrument for that purpose.
- An STTR model provision together with a multilateral instrument to facilitate its adoption.
- Transitional rules, including the possibility of a deferred implementation of the UTPR.

1. For this purpose, developing countries are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of USD 12 535 or less in 2019.

Next steps

The agreement reached above indicates the ambition of the IF members for a robust global minimum tax with a limited impact on MNEs carrying out real economic activities with substance. It acknowledges that there is a direct link between the global minimum effective tax rate and the carve-outs and includes a commitment to continue discussions in order to take a final decision on these design elements within the agreed framework by October. Excluding MNEs in the initial phase of their international activity from the application of the global minimum tax will also be explored.

FURTHER READING

Overview of the OECD's work on BEPS:
www.oecd.org/tax/beps

OECD (2021), *Tax Co-operation for Development: Progress report in the COVID-19 era*, OECD, Paris. <https://www.oecd.org/tax/tax-global/tax-co-operation-for-development-progress-report-on-2020.pdf>

OECD (2021), *Corporate Tax Statistics: Third Edition*, OECD, Paris. <http://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm>

OECD (2019), *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris. <https://oe.cd/beps-programme-of-work-tax-challenges-digitalised-economy>

OECD (2015), *Base Erosion and Profit Shifting, 2015 Final Reports*, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/23132612>

This document was approved by the OECD/G20 Inclusive Framework on BEPS in September 2021 and prepared for publication by the OECD Secretariat.

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This is the fifth annual progress report of the OECD/G20 Inclusive Framework on BEPS. The report describes the progress made to deliver on the mandate of the OECD/G20 Inclusive Framework, covering the period from July 2020 through September 2021, while also taking stock of progress made since BEPS implementation began. The report contains an overview and three sections of substantive content. Chapter 2 focuses on the implementation of BEPS Minimum Standards. Chapter 3 describes the progress made on other BEPS Actions. Chapter 4 describes the responses to COVID-19, with a particular focus on developing countries. These are followed by an Annex containing the July Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy.



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