

# OECD SECRETARY-GENERAL REPORT TO G20 FINANCE MINISTERS

Chengdu  
People's Republic of China  
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# G20





# **OECD SECRETARY-GENERAL REPORT TO G20 FINANCE MINISTERS**

**CHENGDU, PEOPLE'S REPUBLIC OF CHINA**

**23-24 JULY 2016**

This report consists of two parts. Part I is a report by the OECD Secretary-General regarding (A) the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project; (B) Tax transparency; (C) Tax policy tools to support sustainable and inclusive growth; and (D) Tax and development. Part II is an updated Progress Report to the G20 by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

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## Introduction

Since my last report in April for your meeting in Washington D.C., some key milestones have been met on the G20 tax agenda, and also with the G20 Tax Policy Symposium in Chengdu, a new significant tax pillar emerges in the G20, focusing on enhancing inclusive, pro-growth tax policy.

The G20/OECD BEPS Project remains a priority for tax policy-makers, tax administrations and practitioners around the globe. Responding to your call, we have ensured an even more inclusive approach to tackling BEPS, with the establishment of the G20/OECD Inclusive Framework on BEPS, which held its first meeting on 30 June – 1 July. Already 39 new BEPS members joined the existing 46 OECD members and accession countries as well as G20 members in the Project on an equal footing. An additional 19 jurisdictions participated in the inaugural meeting in Kyoto and are likely to join the framework in the coming months. Together these countries and jurisdictions discussed an ambitious work plan that will drive the implementation and monitoring process, as well as ongoing standard-setting, taking into account the needs and constraints of the developing countries' involved.

Further progress has also been made on our transparency agenda. We now have almost 100 countries and jurisdictions participating in the multilateral Convention on Mutual Administrative Assistance in Tax Matters, with three new countries having signed in June and with Panama just having formally requested to be invited to sign the Convention. OECD and G20 members have also worked together to deliver on your request in April to establish objective criteria to identify non-cooperative jurisdictions with respect to tax matters. The three criteria set out in this report with corresponding benchmarks concern the implementation of the information exchange on request and automatic exchange standards, as well as the need to join the multilateral Convention for Mutual Administrative Assistance for Tax Matters or ensure a sufficiently broad exchange network for both exchange of information on request (EOIR) and automatic exchange of financial account information (AEOI). It is now with the G20 to decide on the next steps to take forward this work. Other elements of the tax transparency agenda continue also to progress, with implementation to be significantly assisted by the recent endorsement of a Common Transmission System for the secure exchange of tax information by the OECD's Forum on Tax Administration.

The G20 Tax Policy Symposium to be hosted in Chengdu by China in cooperation with Germany, and supported by the OECD, will provide a unique opportunity for a Ministerial-level discussion on how tax policy can be used to achieve our broader objective of strong, sustainable and balanced growth. Considering issues such as certainty in the business environment, drivers of innovation and reduction in inequalities, this discussion will allow Ministers to identify where deeper analysis will help us to expand the policy options available. The OECD stands ready to assist the G20 to move this agenda forward.

With our partners in the Platform for Collaboration on Tax, this month we will deliver a report on the effective implementation of capacity development programmes as requested in February. With tax systems a critical element of enhancing domestic resource mobilisation, making sure the assistance provided is impactful, effective and aligned with country-led objectives, is as central as ever to achieving the Sustainable Development Goals.



**OECD SECRETARY-GENERAL TAX REPORT  
TO THE G20 FINANCE MINISTERS**

**PART I**

**OECD/G20 Base Erosion & Profit Shifting Project**

**Tax Transparency**

**Tax Policy**

**Tax and Development**

## A. The OECD/G20 Base Erosion and Profit Shifting Project

### The establishment of the new inclusive framework on BEPS

In Antalya, when endorsing the BEPS package, G20 leaders asked the OECD to develop a mechanism to improve the inclusivity of the BEPS Project.

In February at the G20 Finance Ministers meeting in Shanghai, I proposed to you to open the decision making body on tax matters at the OECD, the Committee on Fiscal Affairs, to interested and committed countries and jurisdictions to work together on BEPS issues on an equal footing. This proposal was welcomed, and since then efforts have been underway to develop such a framework.

I am glad to report that the meeting of the Committee of Fiscal Affairs (CFA), in its new, inclusive format for BEPS issues, was successfully held in Kyoto, Japan on 30 June – 1 July. In addition to the 46 OECD members, OECD accession countries and G20 members, 39 additional countries and jurisdictions have now joined the G20/OECD Inclusive Framework on BEPS, committed to the BEPS package and participating on an equal footing. **This brings the numbers of members in the BEPS Project to 85, with a further 19 countries and jurisdictions that attended the inaugural meeting in Kyoto, and are likely to join the Inclusive Framework by year end (see Annex 1 on page 15 for the list of Members of the G20/OECD Inclusive Framework on BEPS).**

The meeting of the Inclusive Framework was very fruitful with the adoption of a programme of work aiming at establishing terms of reference and methodologies for the peer review of the 4 BEPS minimum standards by their next plenary meeting in January, so that the review of progress on implementation can begin as quickly as possible. At the meeting, many developing countries took the opportunity to identify their own specific concerns, and ask for assistance to address them that took into account their specific environments.

The IMF, the UN, the World Bank as well as a number of regional tax organisations (CIAT, ATAF, CREDAF, IOTA, CATA) presented their tax programmes, highlighting how they can support the effective functioning of the Inclusive Framework and support countries in implementing the BEPS package.

As of now, all of the technical subsidiary bodies on BEPS issues in the CFA are open to BEPS members. The role of these bodies will be to develop the monitoring processes, undertake the reviews on implementation of the standards and elaborate further standards to address BEPS as necessary. The next meeting of the Inclusive Framework will be held in Paris in January.

It is key that countries and jurisdictions of relevance for BEPS purposes join the Inclusive Framework. Developing countries are welcome to join to benefit from the new rules, and participate in the monitoring and development of standard-setting on BEPS issues going forward on an equal footing.

### Progress on implementation

In addition to the establishment of the G20/OECD Inclusive Framework on BEPS, progress towards the implementation of the BEPS package has already gotten underway.



Over 50 countries have now taken concrete steps to implement Country by Country Reporting, and in June, the OECD issued further guidance which will support the current transitional period as countries bring these new requirements into force across the globe.

Also in June, the European Union adopted a Directive on Anti-Tax Avoidance which provides for the implementation of measures relating to Action 2 (Hybrid Mismatches), Action 3 (Strengthen CFC rules), and Action 4 (Interest deductions) of the BEPS package. This latest step adds to the measures already adopted through EU directives to put in place the automatic exchange of tax rulings (Action 5) and Country-by-Country Reporting (Action 13).

Tax treaty-related BEPS actions are being incorporated in the Multilateral Instrument (MLI) on BEPS implementation which 96 countries are currently negotiating. A fourth round of negotiations was held in May in Paris with the next round to be held in September. Major progress has been made and we expect the text of the MLI to be initialled, at the latest, in November in both official languages (French and English). This would allow the opening of the instrument for signature before year end, as per your mandate. **To achieve this, your ongoing political support and guidance will be needed so that delegates remain focused on the need to find solutions to the remaining technical issues.**

The MLI will allow countries to meet the BEPS minimum standard aiming to put an end to treaty shopping (Action 6). It will also provide the possibility for countries to address the issue of hybrid mismatches, the updated definition of the 'permanent establishment' concept, other forms of treaty abuses with specific treaty rules, as well as improving dispute resolution processes. On that last issue, an optional provision that provides for mandatory binding arbitration will be incorporated in the text of the Convention.

Given the breadth of countries participating in the negotiation, more than 2 000 bilateral tax treaties could be amended if these countries sign the Convention once the instrument is finalised. A signing ceremony for countries, including all G20 members, will be organised in the first half of 2017.

## B. Tax Transparency

### Update on AEOI implementation

Since the April meeting of the G20, further progress has been achieved in terms of commitments to, and implementation of, the tax transparency standards for EOIR and AEOI.

**I am glad to report that, now, all countries and jurisdictions which had been asked to commit to AEOI have done so, with Bahrain, Lebanon, Nauru, Panama, and Vanuatu being the latest to make that commitment.**

In addition to this very significant progress, Lebanon as well as Egypt and Paraguay have decided to join the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), bringing its membership to 135. The Dominican Republic, Jamaica, Nauru and Uruguay signed the multilateral Convention on Mutual Administrative Assistance in Tax Matters in June, bringing to 98 the number of participating countries and jurisdictions. Finally, I am pleased to report that I have just received a letter from Panama's Vice President and Foreign Minister formally requesting for Panama to be invited to sign the multilateral Convention which, upon ratification, will enable them to better implement their commitments to exchange of information on request as well as to automatic exchange of financial account information.

So far, 83 countries and jurisdictions have signed the multilateral competent authority agreement for AEOI (CRS MCAA). The CRS MCAA is a framework agreement where bilateral exchange relationships are activated via a process of notifications. In September, we will start to publish the bilateral exchange relationships actually established under the CRS MCAA, and which will be updated on an ongoing basis.

### Tax Administrations working together to drive implementation

In May, Tax Commissioners from more than 40 countries met in Beijing at the invitation of Wang Jun, Commissioner of China's State Administration of Taxation. The Forum on Tax Administration (FTA), which gathers Commissioners from all OECD and G20 countries, focussed at this meeting on issues relating to BEPS implementation and transparency<sup>1</sup>.

In particular, **the Commissioners committed to successful implementation of automatic exchange of financial account information, and agreed a number of actions including a Common Transmission System designed to allow the exchange of tax information in a secure environment. This System will be critical for countries in terms of implementing their commitment to AEOI, as well as other tax information exchange such as Country-by-Country Reports.** At the request of the FTA, the OECD is selecting a service provider to build and run this secure, encrypted common system for bilateral exchanges, which will be in place for the first exchanges under the Common Reporting Standard in September 2017.

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<sup>1</sup> FTA Communique 2016: <https://www.oecd.org/tax/forum-on-tax-administration/meetings/fta-communique-2016.pdf>

## Objective Criteria for identifying non-cooperative jurisdictions

At your meeting in April, Ministers strongly reaffirmed the importance of effective and widespread implementation of the internationally agreed standards on tax transparency and asked the OECD to work with all G20 members:

*... to establish objective criteria ... to identify non-cooperative jurisdictions with respect to tax transparency.*

At the meeting of the CFA in June, OECD and G20 members discussed this issue, leading to agreement on criteria as follows:

- Jurisdictions would be assessed against three objective criteria: implementation of the Exchange of Information on Request (EOIR) standard, the implementation of the Automatic Exchange of Information (AEOI) standard and joining the multilateral Convention on Mutual Administrative Assistance in Tax Matters (multilateral Convention);
- Benchmarks for a first assessment against the above criteria would be: i) a “Largely Compliant” rating with respect to the EOIR standard; ii) a commitment to implement the AEOI standard, with first exchanges in 2018 (with respect to the year 2017) at the latest; and iii) participation in the multilateral Convention or a sufficiently broad exchange network permitting both EOIR and AEOI. Those benchmarks would be adjusted over time according to an agreed plan as implementation of the standards progresses;
- **In order for a jurisdiction to be considered cooperative with respect to international tax transparency, it would, for the first assessment, need to meet the benchmarks of at least two of the three above-mentioned criteria. However, where a jurisdiction is determined by the Global Forum peer review process to be “non-compliant”, or is blocked from moving past Phase 1, or where it was previously blocked from moving past Phase 1 and has not yet received an overall rating under the Phase 2 process, it will be considered a non-cooperative jurisdiction notwithstanding that it may have met the benchmarks of two of the three criteria.**
- All Global Forum member jurisdictions except developing countries without financial centres would be assessed on their compliance with the transparency standards, as well as non-member jurisdictions that are identified by the Global Forum as relevant for purposes of its work.
- The Global Forum is developing a process that will allow jurisdictions which receive a Partially Compliant or Non-Compliant rating in 2016, to have progress recognised on a provisional basis by June 2017, pending the conclusion of a full peer review under the second round of reviews.
- **A list based on this approach could be established for the G20 Summit in July 2017.**

## C. Tax Policy and Economic Growth

In February, the Chinese Presidency of the G20 proposed a high-level G20 Tax Policy Symposium to be hosted together with Germany and with the support of the OECD just prior to your meeting of Finance Ministers in Chengdu. **The Symposium, to be held on 23 July, will focus on the use of tax policy to drive innovation and support inclusive growth, as well as to enhance tax certainty to promote investment and trade.**

In the first session of the Symposium, discussions will focus on how tax policy can promote greater innovation and more inclusive economic growth. Tax policy design can play an important role in supporting economic growth, which generates opportunities for all segments of the population. In this session, Ministers will be able to draw upon their practical experience and identify where further research could usefully extend our understanding of the range of tax policy options that can support innovation-driven and inclusive growth.

The importance of tax certainty in facilitating trade and investment will also be considered at the Symposium, focusing specifically on how to improve the design and implementation of tax policies to provide greater tax certainty. In a policy environment where there are constant changes, including changes to business models and how value is created in the modern economy, policy-makers require a better understanding of the sources of tax uncertainty, its effect on investment and its impact on productivity.

**This is an extremely important agenda which could lay the groundwork for deeper analysis of these issues through the G20 to consider how tax policy can make an even larger contribution to the G20's broader objective of achieving strong, sustainable and balanced growth.**

## D. Tax and Development

As announced in April, the international organisations' Platform for Collaboration on Tax has prepared a report on the effective implementation of capacity development programmes. That report will be presented by the international organisations in the lead-up to your meeting in Chengdu, and has been prepared in consultation with interested stakeholders through a public feedback process.

**The key findings of the report highlight the need for assistance to be part of, and support, a country-led process in a supportive political environment.** Areas where development partners can do more include: supporting the development of policy and management skills (e.g. through mentoring, twinning, etc.); improving coordination both across and between governments and institutions; improving the tools available to help diagnose the risks in existing tax systems (and possible solutions); and, ensuring the regional and international systems work effectively for developing countries. All these can enable countries to set out, and realise, their vision for tax system reforms in the medium and longer-term that will help achieve the Sustainable Development Goals.

The partners in the Platform also recently had a chance to present the Platform's programme of work at the meeting of the G20/OECD Inclusive Framework on BEPS in Kyoto. This included an update on the toolkits being developed on:

- Report on good practices in transparency and governance of **tax incentives** in low income countries, recognising the need to balance investment and public revenue priorities. This was delivered in 2015;
- Tools to address the issue of a lack of access to **comparable information needed for transfer pricing purposes**, with supplementary work targeting the issue of mineral pricing;
- Report on the issues arising from the **indirect transfer of assets**, to identify policy options to tackle abusive cases, with particular references to developing countries;
- Toolkit to support the implementation by developing countries of **transfer pricing documentation requirements**;
- Toolkit aimed at strengthening capacity for **effective tax treaty negotiations**;
- Toolkit to support countries seeking to implement rules to **address base eroding payments** between MNE affiliates, in particular with respect to payments of interest, royalties, management and service fees;
- Toolkit on the development of rules to counter **artificial profit shifting through supply chain restructuring**; and,
- Toolkit for **assessing BEPS risks**, focusing on high-risk or significant industry sectors.



**Annex 1**  
**List of Members of the G20/OECD Inclusive Framework on BEPS**  
***(as of 15 July 2016)***

- |                                      |                      |
|--------------------------------------|----------------------|
| 1. Angola                            | 44. Italy            |
| 2. Argentina                         | 45. Jamaica          |
| 3. Aruba                             | 46. Japan            |
| 4. Australia                         | 47. Jersey           |
| 5. Austria                           | 48. Kenya            |
| 6. Bangladesh                        | 49. Korea            |
| 7. Belgium                           | 50. Latvia           |
| 8. Benin                             | 51. Liberia          |
| 9. Brazil                            | 52. Liechtenstein    |
| 10. Brunei Darussalam                | 53. Lithuania        |
| 11. Bulgaria                         | 54. Luxembourg       |
| 12. Burkina Faso                     | 55. Malta            |
| 13. Cameroon                         | 56. Mexico           |
| 14. Canada                           | 57. Monaco           |
| 15. Chile                            | 58. Netherlands      |
| 16. China (People's Republic of)     | 59. New Zealand      |
| 17. Colombia                         | 60. Nigeria          |
| 18. Congo                            | 61. Norway           |
| 19. Costa Rica                       | 62. Pakistan         |
| 20. Croatia                          | 63. Papua New Guinea |
| 21. Curaçao                          | 64. Paraguay         |
| 22. Czech Republic                   | 65. Poland           |
| 23. Denmark                          | 66. Portugal         |
| 24. Democratic Republic of the Congo | 67. Romania          |
| 25. Egypt                            | 68. Russia           |
| 26. Eritrea                          | 69. San Marino       |
| 27. Estonia                          | 70. Saudi Arabia     |
| 28. Finland                          | 71. Senegal          |
| 29. France                           | 72. Seychelles       |
| 30. Gabon                            | 73. Sierra Leone     |
| 31. Georgia                          | 74. Singapore        |
| 32. Germany                          | 75. Slovak Republic  |
| 33. Greece                           | 76. Slovenia         |
| 34. Guernsey                         | 77. South Africa     |
| 35. Haiti                            | 78. Spain            |
| 36. Hong Kong (China)                | 79. Sri Lanka        |
| 37. Hungary                          | 80. Sweden           |
| 38. Iceland                          | 81. Switzerland      |
| 39. India                            | 82. Turkey           |
| 40. Indonesia                        | 83. United Kingdom   |
| 41. Ireland                          | 84. United States    |
| 42. Isle of Man                      | 85. Uruguay          |
| 43. Israel                           |                      |





**OECD SECRETARY-GENERAL TAX REPORT  
TO THE G20 FINANCE MINISTERS**

**PART II**

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



## Executive Summary

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the world's leading multilateral body within which work in the area of transparency and exchange of information for tax purposes is carried out by its 135 member jurisdictions, the European Union and 15 observer international organisations.

In response to the G20 Finance Ministers and Central Bank Governors' call for further specific improvements in global tax transparency after its meeting in April this year, the Global Forum has again accelerated the pace of its work with remarkable results.

Most importantly five more countries (Bahrain, Lebanon, Nauru, Panama and Vanuatu) have committed to implement the new international standard on automatic exchange of information, *i.e.*, the Common Reporting Standard developed by the OECD and G20 countries in 2014 and subsequently endorsed by the Global Forum members (the AEOI Standard). In addition more and more countries are joining the multilateral Convention on Mutual Administrative Assistance in Tax Matters. The number of participating jurisdictions in the Convention has now reached 98.

Significant progress has also been made in designing a process to allow jurisdictions with unsatisfactory ratings to have their progress recognised by July 2017, which should be in place immediately following the Global Forum's plenary meeting in November.

Initial proposals on improving the implementation of the international standards on transparency, including in relation to beneficial ownership, are also under discussion and will be ready to be presented to the G20 Finance Ministers and Central Bank Governors in October.

Alongside this, the Global Forum continues to deliver on its ongoing work programme completing peer reviews of the implementation of the exchange of information on request standard (the EOIR Standard), monitoring the implementation of the automatic exchange of information standard and delivering technical assistance and support to all members with the aim of ensuring that developing country members in particular are not left behind. With another 28 reviews to be completed by October this year, the first round of reviews will come to a close.

Work is ongoing amongst Global Forum members to implement their commitments to the AEOI Standard. The Global Forum is closely monitoring the delivery of these commitments and providing support as necessary, but more effort is required by some jurisdictions to meet the 2018 timetable for delivering on their commitments.

## Introduction

The Global Forum is the world's leading multilateral body within which work in the area of transparency and exchange of information for tax purposes is carried out by its 135 member jurisdictions, the European Union and 15 observer international organisations.

Since the last G20 Finance Ministers and Central Bank Governors' meeting in April 2016, the Global Forum's membership continues to grow with another three developing countries – Egypt, Lebanon and Paraguay – joining. Developing countries now comprise more than half of its membership

The significance and relevance of the work of the Global Forum in promoting and assessing tax transparency was highlighted once again with the leak in April of information from the Panamanian law firm Mossack Fonseca, which was the biggest data leak in tax history. While the data leak highlighted the continuing problems of international tax evasion, the good news is that there is also evidence that the steps that the global community has been taking to address these problems are working. The figures show that the number of offshore companies formed by the law firm in question had been in decline for some years and that the number of bearer share companies it was forming had fallen to almost zero. All of the jurisdictions which were used to create bearer share companies have either immobilised or eliminated bearer shares entirely, including Panama, which immobilised them in 2015.

What this shows is that the Global Forum is on the right track. The work is not finished but huge progress has been made in improving international tax transparency. The international standards of transparency and information exchange have been developed and refined over the last five years through the work of the Global Forum and are now accepted all around the world. The problem now is not a lack of standards or not knowing what to do. What is needed is to make sure that the standards are implemented and enforced globally. And countries should be encouraged to make effective use of the tools that are available to combat international tax evasion.

In this context, the additional steps proposed by G20 Finance Ministers at their meeting on 15 April 2016 maintain the direction of change but have already increased its momentum. Specifically related to the work of the Global Forum, calls were made to:

- All relevant countries including all financial centres and jurisdictions to commit to the AEOI standard with exchanges beginning in 2017 or 2018 and sign the Multilateral Convention;
- All countries and jurisdictions to upgrade their Global Forum rating to a satisfactory level by 2017 G20 Summit (July 2017); and
- The Global Forum and the FATF to make initial proposals by October 2016 on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information and its international exchange.

While continuing its reviews and the monitoring and assessments of the implementation of the exchange of information standards (on request and automatic), and delivering increasing levels of technical assistance to its developing country members, the Global Forum is working on each of these calls. Part 1 of this progress report outlines the steps taken to address each of the calls made by the G20. Part 2 elaborates on each of the three main work streams of the Global Forum's regular programme which continues strongly – exchange of information on request (EOIR), automatic exchange of information (AEOI) and technical assistance.

## Part1: Answering the Call

### Five more jurisdictions commit to the international AEOI Standard and to automatically exchange information by 2018

Since the last meeting of the G20 Finance Ministers the number of jurisdictions committed to implement the AEOI Standard and to exchange information in 2017 or 2018 has grown. Immediately following the call made for all relevant countries to commit to the AEOI standard, the Global Forum engaged intensively with jurisdictions that had previously been asked to commit but had not done so. In response, Bahrain, Nauru, Panama and Vanuatu all committed to implement the AEOI Standard and to exchange information by 2018. In addition, Lebanon was invited to make a similar commitment and it agreed to do so. It also became a member of the Global Forum. The Global Forum warmly welcomes these commitments, which bring the total number of jurisdictions committed to implement the AEOI Standard and to exchange in 2017 or 2018 to 101.

#### THE AEOI STANDARD: STATUS OF COMMITMENTS TO THE COMMON REPORTING STANDARD\*

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

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

## **More countries sign the multilateral Convention on Mutual Administrative Assistance in Tax Matters**

The multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Convention), which has always provided for automatic exchange of information, has taken on increasing importance due to the widespread commitments to the AEOI Standard. In 2015, the G20 Finance Ministers asked the Global Forum to report on progress made by its members in signing the Convention and in their Communiqué of 15 April 2016, they called on all relevant countries and jurisdictions to sign the Convention.

Progress has been made both by jurisdictions committed to the AEOI standard and developing countries that see a strong value-added in signing the Convention rather than negotiating bilateral agreements. The number of participating jurisdictions in the Convention has now reached 98, including 3 non-Global Forum members. The Convention is already in force in 75 of these jurisdictions. Since the last G20 Minister of Finance meeting in April, the Dominican Republic, Jamaica, Nauru and Uruguay have signed the Convention and Barbados, Brazil, Chile, Nauru, Niue and Uganda have deposited their instruments of ratification, and the Convention has entered into force with respect to Bulgaria and Singapore.

To date, two jurisdictions committed to 2017 exchanges have not yet signed the Convention and one has not ratified it yet. Regarding the jurisdictions committed to 2018 exchanges, more work is required as 20 of them have not signed the Convention and among the 26 jurisdictions, which have signed the Convention, 6 have not yet ratified it. The OECD and Global Forum Secretariats work jointly to assist members in this regard. A full list of jurisdictions participating in the Convention is available in Annex 1.

Given that the Convention provides the ideal instrument to swiftly implement the AEOI Standard, a multilateral competent authority agreement was developed to be used in conjunction with the Convention, containing the details of the automatic exchanges to take place and ensuring they are in accordance with the requirements of the AEOI Standard. A total of 83 committed jurisdictions have already signed this Multilateral Competent Authority Agreement.

## **Improving Ratings by July 2017**

The first round of peer reviews of the implementation of the EOIR Standard is to be completed soon and the full results will be available by October 2016. The Global Forum has always been quick to recognise progress made by its members in implementing the EOIR Standard by means of a system of supplementary reviews. However, as the second round of reviews is being launched in 2016 that employs a strengthened standard (now including rules on beneficial ownership), there is no possibility under the existing methodology for jurisdictions that do not have a satisfactory rating to demonstrate progress through a supplementary review in time for the 2017 G20 Summit.

Consequently, the Global Forum is developing a special procedure that will enable it to evaluate, on a provisional basis, whether a jurisdiction has made sufficient progress in implementing the existing EOIR Standard to be eligible for an upgrade in its ratings. This will not be a full review leading to a new rating, but jurisdictions that are able to demonstrate progress will then be scheduled for a review as soon as possible. This will encourage jurisdictions to make progress and allow reporting to

the G20 leaders in July 2017. This process is expected to be in place immediately following the Global Forum's plenary meeting.

### **Initial proposals on improving the implementation of the international standards on transparency, including in relation to beneficial ownership**

The request of G20 Finance Ministers and Central Bank Governors for initial proposals by its October 2016 meeting on improving the implementation of the international standards on transparency, including in relation to beneficial ownership information, came at a key point in the Global Forum's review process. The Terms of Reference in relation to EOIR have recently been updated, with the inclusion of the Financial Action Task Force's (FATF) definition of beneficial ownership. Peer reviews in relation to the new Terms of Reference are about to commence. Further, the Global Forum is currently designing an assessment process in relation to the AEOI Standard, which also incorporates the FATF beneficial ownership standard, to be carried out immediately and in advance of the comprehensive reviews.

Aside from ensuring effective implementation of transparency standards through peer reviews, including in relation to beneficial ownership, improvements in implementation can also be facilitated through the provision of technical assistance. By emphasising implementation of the beneficial ownership standard, and in helping members prepare for the new round of reviews, it offers an opportunity for the Global Forum to play its part in ensuring the effective implementation of the FATF Standard on beneficial ownership.

The Global Forum will also continue to explore other ways to assist with the request of the G20 Finance Ministers, including working closely with FATF on an ongoing basis, and report back to the G20 Finance Ministers in October. Already, the Global Forum participated as a special guest at the FATF plenary in June in Busan where the FATF agreed to begin joint technical discussions to respond to the request made.

## Part 2: Ongoing Work

### Exchange of Information on Request (EOIR)

The G20's strong support for the implementation of the EOIR Standard has been a key element of the Global Forum's success. Work on these reviews continues unabated. The Global Forum is quickly coming to the completion of the first round of reviews for all of its member jurisdictions and relevant non-members. The table below shows the on-going reviews, which all should be finalised and published in 2016:

#### Ongoing reviews

Jurisdiction	Type of Review	Jurisdiction	Type of Review
Albania	Phase 2	Marshall Islands	Phase 2
Azerbaijan	Phase 2	Morocco	Phase 2
Barbados	Phase 2 Supplementary	Nauru	Phase 1 Supplementary
Brunei Darussalam	Phase 2	Pakistan	Phase 2
Bulgaria	Phase 1 and 2 Combined	Panama	Phase 2
Burkina Faso	Phase 2	Peru	Phase 1
Cameroon	Phase 2	Romania	Phase 2
Dominica	Phase 2	Saint Lucia	Phase 2 Supplementary
Dominican Rep.	Phase 2	Senegal	Phase 2
Gabon	Phase 2	Switzerland	Phase 2
Israel	Phase 2 Supplementary	Uganda	Phase 2
Lebanon	Phase 1 Supplementary	Ukraine	Phase 1
Lesotho	Phase 2	United Arab Emirates	Phase 2
Liberia	Phase 1 Supplementary	Vanuatu	Phase 1 Supplementary

The Global Forum has finalised Phase 1 reviews of 122 jurisdictions and assigned compliance ratings for a total of 94 jurisdictions after completion of their Phase 2 reviews. The overall ratings show that 22 jurisdictions are rated "Compliant", 60 jurisdictions "Largely Compliant", 12 "Partially Compliant" (see Annex 2). By the time of the Global Forum plenary meeting in November 2016, compliance ratings for all jurisdictions except those that have joined the Global Forum recently will have been finalised and published.

### Automatic Exchange of Information (AEOI)

The effective global implementation of the AEOI Standard is the second pillar of the Global Forum's work and is a key priority for 2016 and 2017.

Delivering the benefits the AEOI Standard has to offer relies on all jurisdictions implementing the standard in accordance with the timelines to which they have committed. This requires jurisdictions to dedicate the necessary resources to turn the political commitments into a practical reality. The Global Forum is closely monitoring the delivery of all of the important elements of the AEOI Standard, both legal and operational, as well as assessing the key areas to ensure they are being implemented effectively. This is in advance of conducting comprehensive peer reviews to ensure the effective implementation of the AEOI Standard by all.



Almost all of the jurisdictions committed to start exchanging information in 2017 have now adopted the legal and regulatory framework required to ensure that financial institutions collect the necessary data in the manner prescribed by the AEOI Standard. Collection of data by financial institutions in these jurisdictions has already started. The information will be reported to their tax authorities, who will then exchange the data next year. Moreover, almost all of these jurisdictions already have the necessary international instruments in place to provide the legal basis for the exchanges (see Annex 1 below on the Convention). The Global Forum is reaching out to the last few jurisdictions to offer assistance in putting in place the domestic and international regulatory framework essential for delivery of the commitments made.

At this stage, the jurisdictions committed to start exchanging information in September 2018 are engaged in putting in place the relevant frameworks for timely implementation. Some of them do not yet have the necessary domestic legal and regulatory frameworks in place. There is also much work to do to put in place the necessary international legal framework to ensure the exchanges can take place. The Global Forum is closely monitoring the situation, providing support as necessary. Throughout the remainder of the year, a critical period for the successful delivery of the commitments made to exchange information in 2018, the Global Forum will continue to report on state of play to the G20 in increasing detail.

The Global Forum is also conducting assessments of the key areas to implement the AEOI Standard to ensure jurisdictions are implementing it effectively. Given the critical need to ensure that the information exchanged is kept confidential and properly safeguarded, the first area to be assessed has been the legal and operational frameworks to keep data confidential and safe in each implementing jurisdiction. All committed jurisdictions will be assessed by the end of 2016, with assessments in relation to 66 jurisdictions having already been completed.

In advance of the comprehensive reviews, emphasis will also be placed on the accuracy of implementing domestic legislation in each jurisdiction and the network of international legal agreements in place with appropriate and interested partners. The aim is to ensure that all of the necessary data is collected by financial institutions and exchanges take place from the outset. Finally, the Global Forum is putting in place the necessary legal and governance structures to manage the operation of the Common Transmission System currently being developed to transmit the information between exchange partners.

### **Technical assistance**

Technical assistance activities continued to intensify throughout 2016 due to members' commitment to the AEOI Standard. The addition of five new committed jurisdictions since the last report means that demand for support will continue to grow. The Global Forum is determined to assist all of these jurisdictions in meeting their commitments and has already taken steps to support those that have recently committed as the timelines for these jurisdictions is short and intensive efforts will be required.

Demand for technical assistance on EOIR remains high, especially from developing countries and new members, and it is expected that this will continue to rise as the next round of reviews is launched in the third quarter of 2016. As previously reported an induction programme has been put

in place for new members and programmes are already underway in Papua New Guinea, Cote d'Ivoire and Armenia.

Jurisdictions have started to request assistance on designing measures to ensure the availability of beneficial ownership information. Assistance has already been provided to some members in this regard. It is foreseen that more assistance of this nature will be required over the next three years to help jurisdictions ensure the availability of beneficial ownership information for tax purposes.

It is expected that technical assistance requests will also increase in the light of the G20 Finance Ministers and Central Bank Governors call for countries to upgrade their Global Forum ratings to a satisfactory level by July 2017 as countries with unsatisfactory ratings will seek support to achieve satisfactory results quickly.

## Annex 1: Jurisdictions participating in the Convention on Mutual Administrative Assistance in Tax Matters

TABLE OF JURISDICTIONS PARTICIPATING IN THE CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX MATTERS *		
	Jurisdictions	Current status regarding the Convention
75	Albania, Anguilla <sup>(1)</sup> , Argentina, Aruba <sup>(2)</sup> , Australia, Austria, Azerbaijan, Belgium, Belize, Bermuda <sup>(1)</sup> , British Virgin Islands <sup>(1)</sup> , Bulgaria, Cameroon, Canada, Cayman Islands <sup>(1)</sup> , China (People's Republic of), Colombia, Costa Rica, Croatia, Curaçao <sup>(3)</sup> , Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands <sup>(4)(6)</sup> , Finland, France, Georgia, Germany, Ghana, Gibraltar <sup>(1)</sup> , Greece, Greenland <sup>(4)(6)</sup> , Guernsey <sup>(1)</sup> , Hungary, Iceland, India, Indonesia, Ireland, Isle of Man <sup>(1)</sup> , Italy, Japan, Jersey <sup>(1)</sup> , Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Moldova <sup>(6)</sup> , Montserrat <sup>(1)</sup> , Netherlands, New Zealand, Nigeria, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Saudi Arabia, Seychelles, Singapore, Sint Maarten <sup>(5)</sup> , Slovak Republic, Slovenia, South Africa, Spain, Sweden, Tunisia, Turks and Caicos Islands <sup>(1)</sup> , Ukraine, United Kingdom.	Convention entered into force
6	Barbados, Brazil, Chile, Nauru, Niue, Uganda.	Instrument of ratification, acceptance or approval deposited
17	Andorra, Dominican Republic, El Salvador, Gabon, Guatemala, Israel, Jamaica, Kenya, Liechtenstein, Monaco, Morocco, Philippines, Senegal, Switzerland, Turkey, United States, Uruguay.	Protocol/amended Convention signed

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

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

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

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

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

<sup>(5)</sup> Extension by the Kingdom of the Netherlands. Sint Maarten used to be a constituent of the "Netherlands Antilles", to which the original Convention applied as from 1 February 1997.

<sup>(6)</sup> Jurisdictions which are not Global Forum members.

## Annex 2: The results of peer reviews

JURISDICTION RATINGS FOLLOWING A PHASE 2 REVIEW	
Australia, Belgium, Canada, China (People’s Republic of), Colombia, Denmark, Finland, France, Iceland, India, Ireland, Isle of Man, Japan, Korea, Lithuania, Mexico, New Zealand, Norway, Slovenia, South Africa, Spain, Sweden	Compliant
Argentina, Aruba, Austria, Bahamas, Bahrain, Belize, Bermuda, Botswana, Brazil, British Virgin Islands, Cayman Islands, Chile, Cook Islands, Cyprus, Czech Republic, El Salvador, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Germany, Ghana, Gibraltar, Greece, Grenada, Guernsey, Hong Kong (China), Hungary, Italy, Jamaica, Jersey, Kenya, Latvia, Liechtenstein, Luxembourg, Macao (China), Malaysia, Malta, Mauritania, Mauritius, Monaco, Montserrat, Netherlands, Nigeria, Niue, Philippines, Poland, Portugal, Qatar, Russia, San Marino, Singapore, Slovak Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saudi Arabia, Seychelles, Turks and Caicos Islands, United Kingdom, United States, Uruguay	Largely compliant
Andorra, Anguilla, Antigua and Barbuda, Barbados*, Costa Rica Curaçao, Indonesia, Israel*, Saint Lucia*, Samoa, Sint Maarten, Turkey	Partially compliant
JURISDICTIONS NOT YET RATED BECAUSE THEY CANNOT MOVE TO PHASE 2	
Federated States of Micronesia, Guatemala, Kazakhstan, Lebanon*, Liberia*, Nauru*, Trinidad and Tobago, Vanuatu*	Jurisdictions not moving to Phase 2

\* The jurisdiction is undergoing a Supplementary review.