



OECD TAX TALKS

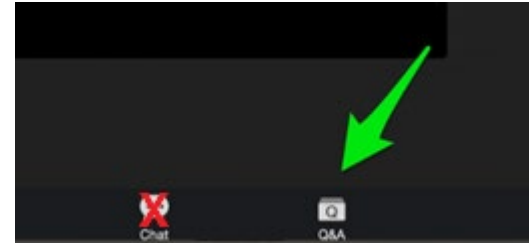
CENTRE FOR TAX POLICY
AND ADMINISTRATION

22 July 2020
15:30 – 16:30 (CEST)



Housekeeping

- Chat function disabled for security purposes
- Submit questions via Q&A function
- Webinar is being recorded and will be made available within 24 hours
- Join the conversation on social media by using #OECDtaxtalks



INTRODUCTION

Speakers



- **Pascal Saint-Amans**
Director of the OECD Centre for Tax Policy and Administration



- **Grace Perez-Navarro**
Deputy Director of the OECD Centre for Tax Policy and Administration



- **David Bradbury**
Head of the Tax Policy and Statistics Division



- **Ben Dickinson**
Head of the Global Relations and Development Division



- **Åsa Johansson**
Head of the Structural Policies Surveillance Division (OECD Economics Department)



- **Achim Pross**
Head of the International Co-operation and Tax Administration Division

Topics

- I. Outcomes of G20 Finance Ministers' Meeting and recent developments
- II. Update on tax and digitalisation
- III. Corporate tax statistics
- IV. Update on tax and development
- V. Forthcoming publications
- VI. Questions and Answers



I. OUTCOMES OF THE G20 FINANCE MINISTERS' MEETING AND RECENT DEVELOPMENTS

Reading July 2020 G20 Finance Ministers' Meeting Communiqué (1)

“10. We will continue our cooperation for a globally fair, sustainable, and modern international tax system.”



“We acknowledge that the COVID-19 pandemic has impacted the work of addressing the tax challenges arising from the digitalization of the economy.”

Reading July 2020 G20 Finance Ministers' Meeting Communiqué (2)

- “We stress the importance of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) to continue advancing the work on a global and consensus-based solution with **a report on the blueprints for each pillar to be submitted to our next meeting in October 2020**”.
- “We **remain committed to further progress on both pillars** to overcome remaining differences and **reaffirm our commitment to reach a global and consensus-based solution this year.**”



Reading July 2020 G20 Finance Ministers' Meeting Communiqué (3)

“We welcome the progress made on implementing the internationally agreed tax transparency standards and the **progress made on the established automatic exchange of information**,

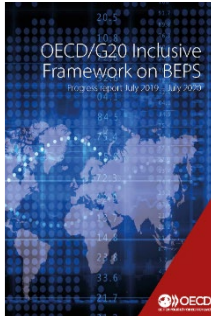
as well as its advancement, marked by the **agreement on the model reporting rules for digital platforms for interested countries.**”

AEOI Figures for 2019

- **Almost 100 jurisdictions** have exchanged automatically
- **84 million** financial accounts exchanged in 2019 (47 million in 2018)
- Total assets of **EUR 10 trillion** in 2019 (EUR 4.9 trillion in 2018)

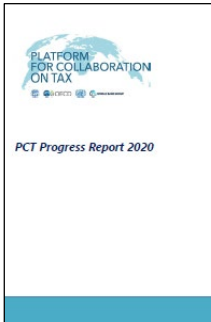


Reading July 2020 G20 Finance Ministers' Meeting Communiqué (4)



“We welcome the annual BEPS Progress Report of the G20/OECD Inclusive Framework on BEPS.”

Report: <https://bit.ly/beps-if-report-2020>



“We also welcome the Progress Report of the Platform for Collaboration on Tax and continue our support to developing countries in strengthening their tax capacity to build sustainable tax revenue bases.”

Report: <https://bit.ly/38KJvRs>

Other developments

EU Commission Package, 15 July 2020

- 25-measure **Action Plan** for a “fair and simple taxation supporting the recovery strategy”
- Proposal to revise the **directive on administrative cooperation (DAC 7)** – similar to the OECD new Model Reporting Rules on the Sharing and Gig Economy
- A **review of progress made in enhancing tax good governance in the EU** (Code of Conduct, list, etc)

Judgment in Cases T-778/16, Ireland v Commission, and T-892/16, **Apple Sales International** and **Apple Operations Europe** v Commission



II. UPDATE ON THE TAX AND DIGITALISATION PROJECT

State of Play

All Inclusive Framework members are committed to delivering a consensus-based solution and good progress is being made on both pillars

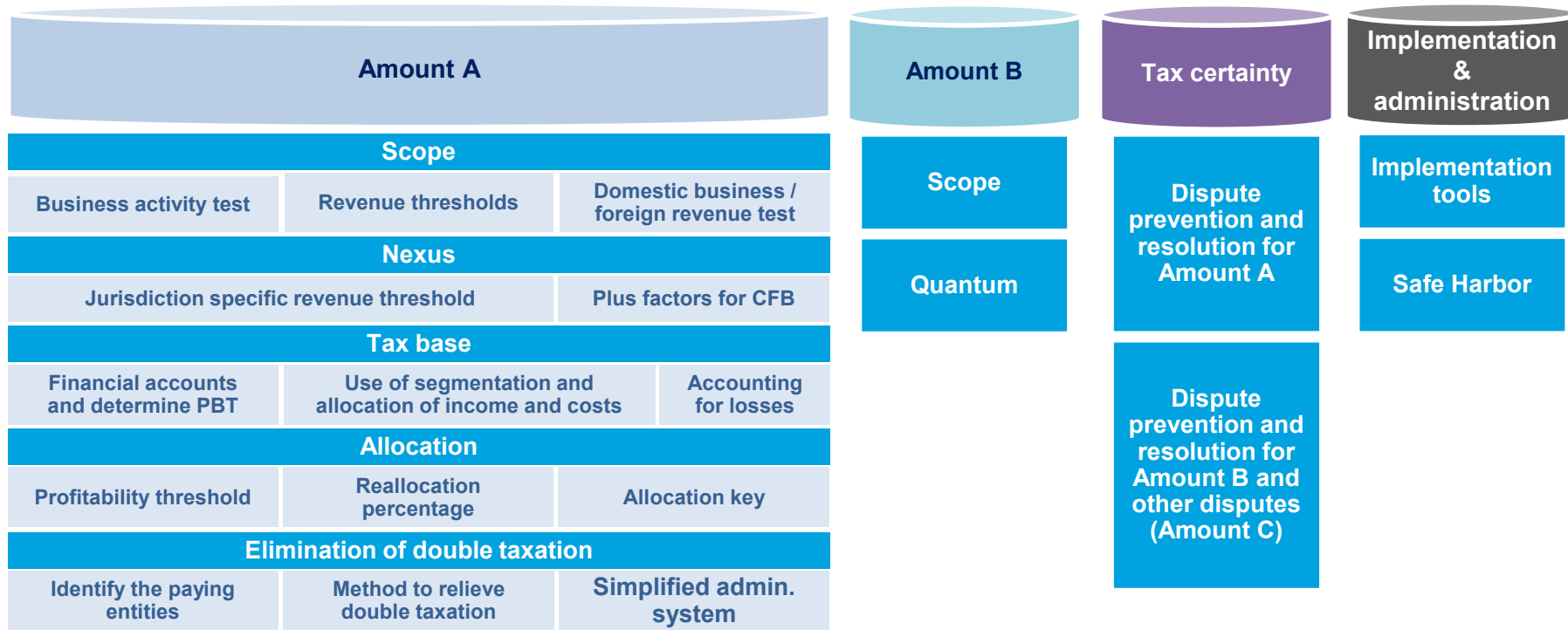
- Despite COVID-19, development of the technical aspects of both pillars is well underway
- Reports on the blueprints for each pillar are being finalised for Inclusive Framework comment over coming weeks
- Report on impact assessment also being prepared
- All 3 reports to be discussed/ finalised at Inclusive Framework meeting in early October 2020



UPDATE ON PILLAR ONE

Pillar One – Unified approach

Building blocks agreed in January 2020



Status of work – Amount A

Progress on technical work for all the building blocks

- Detailed chapters in the report on the blueprint

Areas of work with significant progress

- e.g. Taxable base, revenue sourcing, recognition of losses

Areas of work with pending questions left for political decision

- e.g. Scope, quantum

Consideration of simplification measures

- e.g. Scope, nexus, business line segmentation and elimination of double taxation



Status of Work – Amount B & Tax certainty

Amount B

- Arm's length principle (ALP) with a fixed rate
- Consideration of broad scope vs. small scope and level of tax certainty

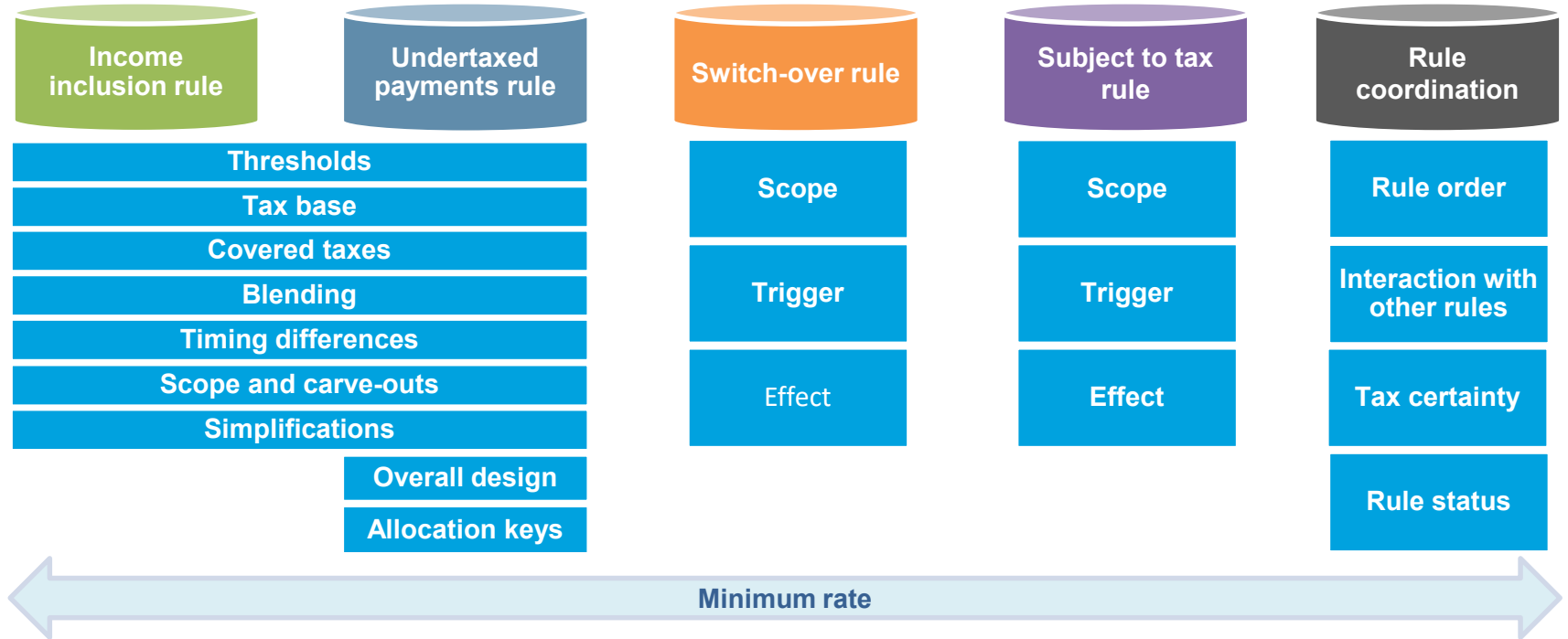
Tax certainty

- **Dispute prevention and resolution (Amount A)**
 - Framework for a mandatory and binding dispute prevention, based on a two-stage panel process
- **Dispute prevention and resolution (Amounts B/C)**
 - Dispute prevention measures and ways to improve current MAP framework
 - Features of new mandatory and binding dispute resolution mechanism
- **Open issue:** scope of Amount C



UPDATE ON PILLAR TWO

Pillar 2 – GloBE proposal



ECONOMIC ANALYSIS AND IMPACT ASSESSMENT

Overall impact on global tax revenues would be significant

The combined effect of Pillars 1 and 2 would lead to a significant increase in global tax revenues

- Overall, estimated global net tax revenue gain up to **4% of global CIT revenues** or **USD 100 billion annually**, depending on reform design and parameters
- Pillar 1 involves a **significant change to the way taxing rights are allocated**, while Pillar 2 would yield a **significant increase in corporate income tax revenue** globally
- MNEs in **digital-oriented and intangible-intensive sectors** could be significantly impacted by both pillars
- The **COVID-19 crisis** may negatively impact the overall revenue gains at least in the short and medium term. It may also intensify the trend towards digitalisation and increase the importance of ADS in Pillar 1



Small effects on investment costs, with the potential for improved tax certainty

Overall the proposals are likely to have modest effects on global investment

- Impact on **effective tax rates** is generally modest
- **Many firms will be unaffected by the proposals**, which target firms with high levels of profitability whose investment decisions are less sensitive to taxation
- Both pillars would reduce **the dispersion of effective tax rates** and reduce profit-shifting incentives of MNEs

The failure to achieve a consensus-based solution would lead to a proliferation of unilateral measures, more uncertainty and trade disputes



NEXT STEPS

Next steps and timeline

8-9 October 2020
Inclusive
Framework
meeting

**21-22 November
2020**

G20 Leaders
summit

**15-16 October
2020**
G20 Finance
Ministers meeting

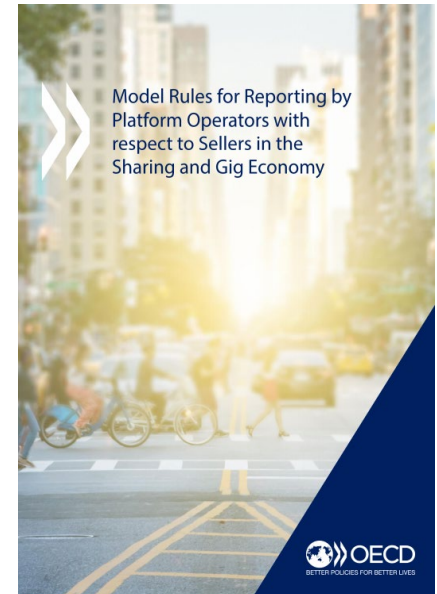
December 2020
G20 Italian
Presidency



NEW MODEL REPORTING RULES ON THE SHARING AND GIG ECONOMY

The sharing and gig economy

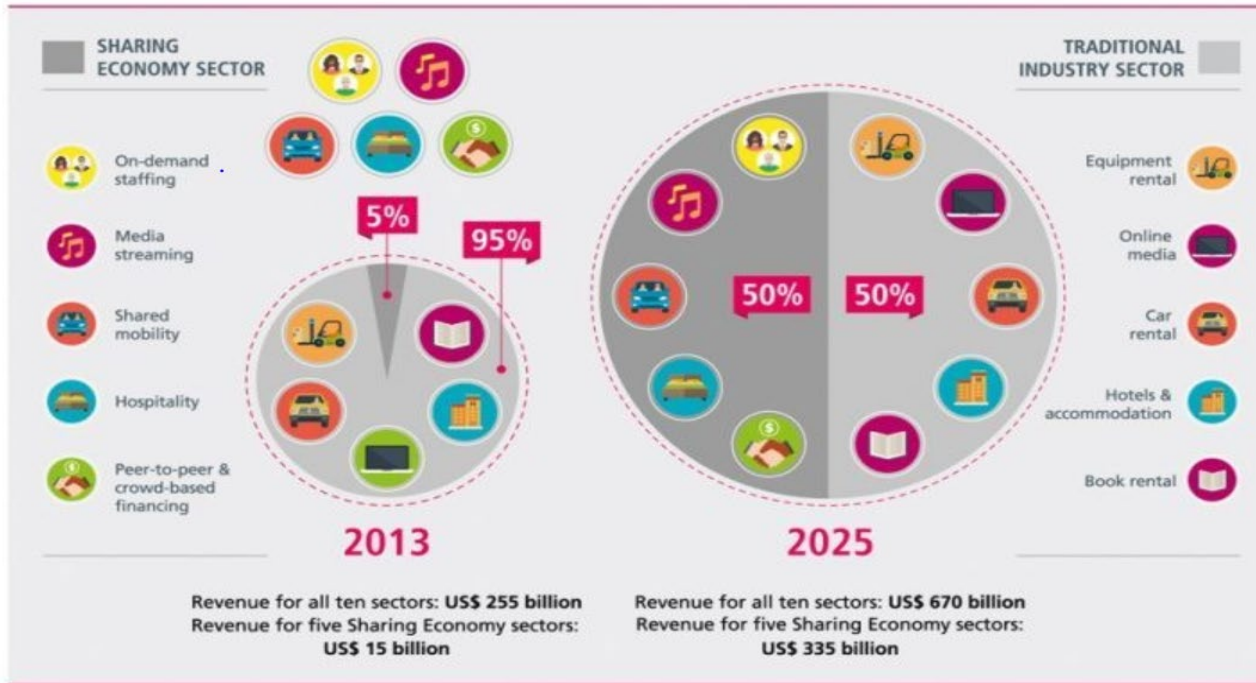
- **Sharing economy:** peer-to-peer (P2P) based activity of acquiring, providing, or **sharing access to goods and services that is often facilitated by a community-based online platform.**
- **Gig economy:** instead of being paid a regular salary, **workers are paid for each 'gig' they do**, such as a car journey, food delivery or a cleaning job. Typically, workers in the gig economy find jobs by registering on websites or apps.



Report: <https://bit.ly/38jUi4U>

The sharing and gig economy

SHARING ECONOMY SECTOR AND TRADITIONAL RENTAL SECTOR PROJECTED REVENUE OPPORTUNITY



Source: PWC—The Sharing Economy



Scope of the Model Rules

Rental of
immovable
property

Personal Services

Clerical and professional (e.g. hospitality, tutoring,
translation)

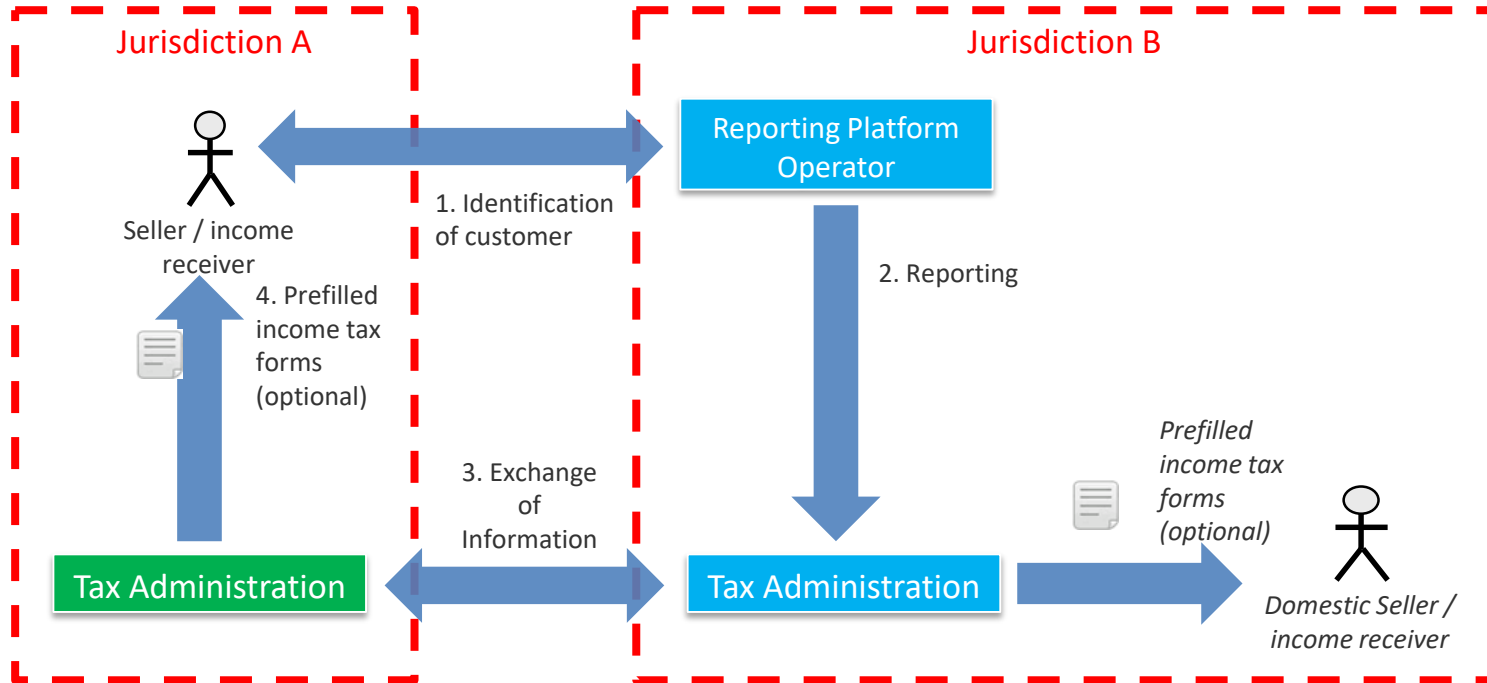
Delivery (e.g. food)

Household

Transportation



The reporting and exchange framework



What's in it for different stakeholders?

**Moving tax
administration into
the 21st century**

Compliance, use of data

**Benefits for market
jurisdictions**

Global, timely access to
data, equality

**Benefits for host
jurisdictions**

Exchange with partners

**Benefits for
business**

One standard reporting
regime

**Benefits for
taxpayers**

Compliance, certainty,
service



III. CORPORATE TAX STATISTICS WITH NEW COUNTRY-BY- COUNTRY REPORT DATA

Corporate Tax Statistics database

Second edition

Dataset	Jurisdictions
Corporate Income Tax Revenues	101
Corporate Income Tax Statutory Rates	109
Forward-Looking Effective Tax Rates	73
R&D Tax Incentives	40
IP Regimes	38
Anonymised & Aggregated CbCR data NEW	26
Controlled Foreign Company Rules NEW	49
Interest Limitation Rules NEW	67



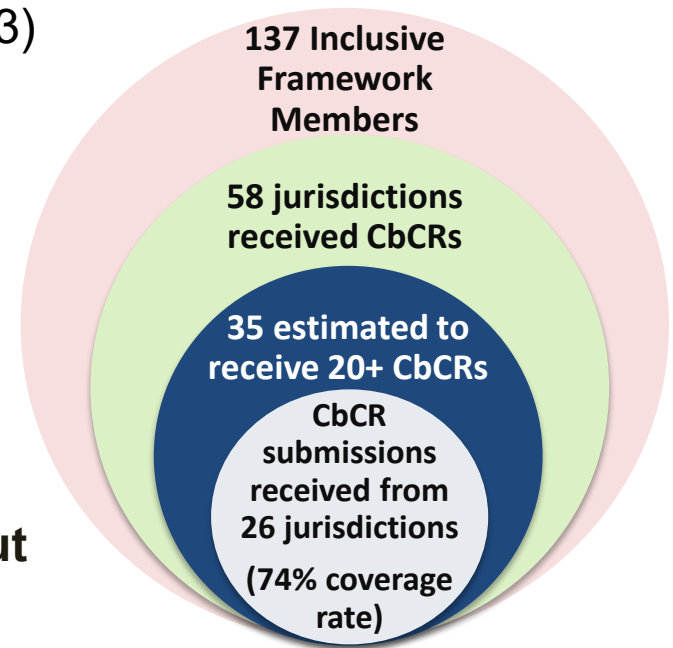
Overview: Country-by-Country Reports (CbCRs)

- **A high level risk assessment tool (Action 13)**
- **Important new source of statistical data (Action 11)**

- **There are data limitations**

Disclaimer: www.oecd.org/tax/tax-policy/anonymised-and-aggregated-cbcr-statistics-disclaimer.pdf

- **Improvement of data quality over time**
- **Some initial insights on BEPS possible, but too early to draw definitive conclusions**



What can we learn from CbCR?

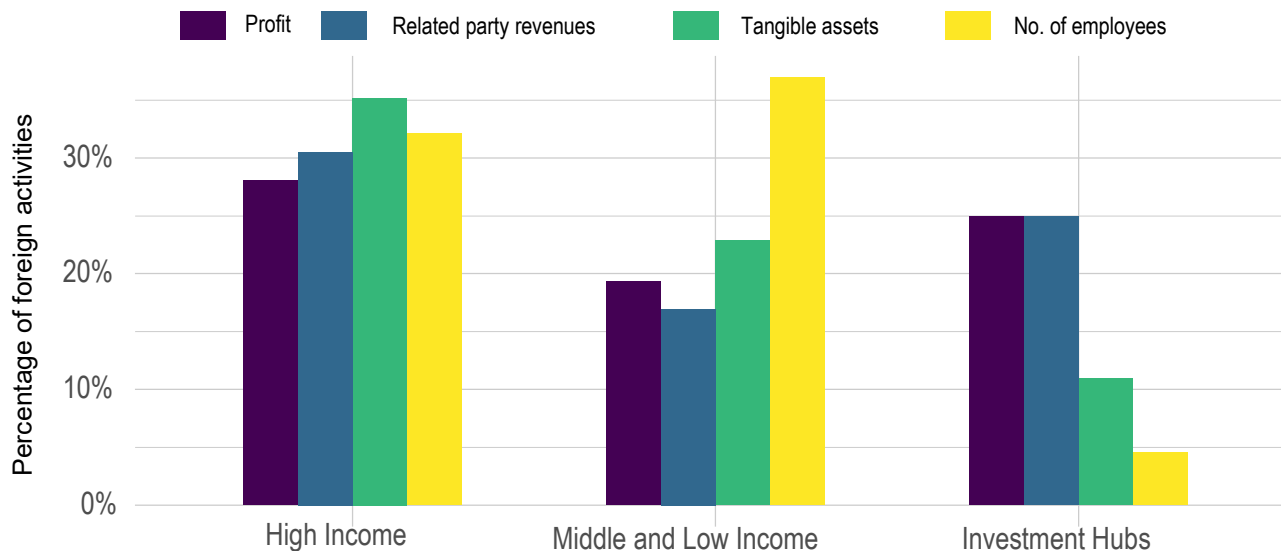
Key insights from CbCR data

- The data is indicative of a **misalignment between the location where profits are reported and the location where economic activities occur**
- **Revenues per employee tend to be higher where statutory CIT rates are zero and for investment hubs**
- On average, **the share of related party revenues in total revenues is higher in investment hubs**
- The composition of **business activity differs across jurisdiction groups**



Potential misalignment between location of profits and where economic activities occur

Distribution of foreign MNEs' activities across jurisdiction groups

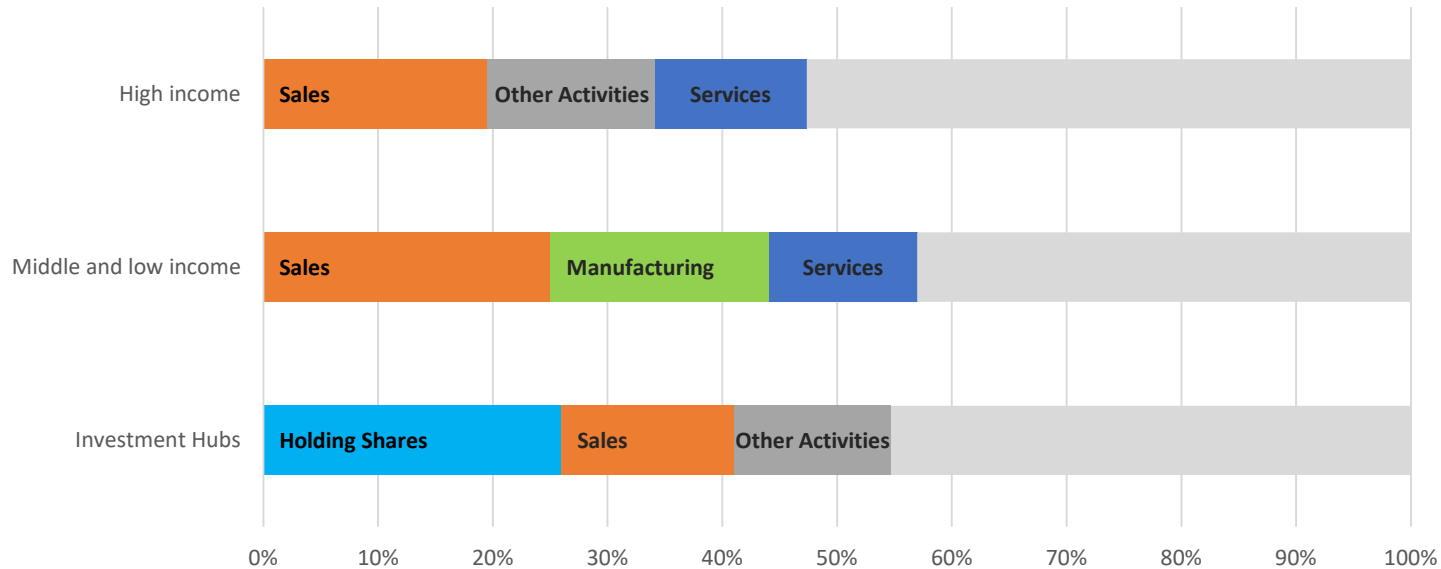


Note: Further details available in the Corporate Tax Statistics report: <https://oe.cd/corporate-tax-stats>



The composition of business activity differs across jurisdiction groups

Top three business activities performed in jurisdiction groups



Note: Further details available in the Corporate Tax Statistics report: <https://oe.cd/corporate-tax-stats>



IV. WORK ON TAX AND DEVELOPMENT

Tax Co-operation for Development

Progress Report



The report covers how developing countries engaged in 2019 with the OECD's work on tax matters

- Inclusive approach to BEPS and Exchange of information
- Further demand for OECD tools and expertise (tax policy, statistics, health, environment, tax and crime)
- COVID-19 era amplifying calls for change

Report: <https://bit.ly/2C3t1HX>

TAX INSPECTORS WITHOUT BORDERS

A learning-by-doing approach to tax audit assistance

- Revenue Gains:
 - Tax assessments of over **USD 1.7 billion**
 - Increased tax revenues of **USD 532 million**
- Expansion in programmes
 - **77** programmes (completed and ongoing) in **43** jurisdictions
 - Increased South-South partnerships – **13** programmes
 - Pilot programme for broader capacity building on **combatting tax crimes**
- Business continuity during COVID-19
- Expansion of the TIWB Model in new tax areas: AEOI, Tax Treaty Negotiation, Joint Audits

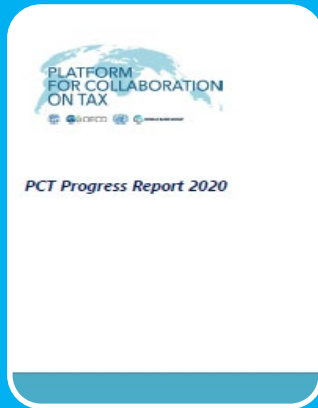


The Platform for Collaboration on Tax



Launched in April 2016 by IMF, OECD, UN and WBG to intensify the co-operation on international tax issues

2019-2020 Progress report



- **Launch of PCT website:** <https://www.tax-platform.org/>
- **Progress on the toolkits-** Release of 'Toolkit on Taxation of offshore Indirect Transfers' in June 2020
- **Support the Medium Term Revenue Strategy (MTRS) -** 23 countries are engaged in discussing, designing or implementing an MTRS



V. FORTHCOMING

Coming soon

July 2020

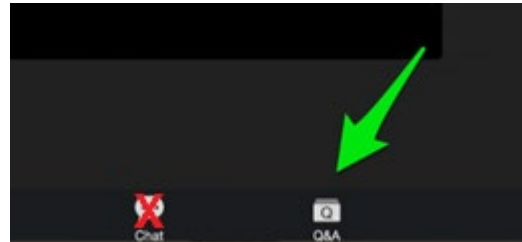
- **Revenue Statistics in Asian and Pacific Economies 2020 + webinar**
- **Platform for Collaboration on Tax webinar: Toolkit on the Taxation of Offshore Indirect Transfers**
- **BEPS Action 14 MAP Peer Review Reports (Stage 1, Batch 9)**
- **Toolkit for Becoming a Party to the Convention on Mutual Administrative Assistance in Tax Matters**
- **Tax Administration: Assisting wider government COVID-19 support**



VI. Q&A

Questions?

- Please submit your questions using the Q&A function at the bottom of your screen



THANK YOU