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

#OECDtaxtalks
I. OUTCOMES OF THE G20 FINANCE MINISTERS’ MEETING AND RECENT DEVELOPMENTS
“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.”
• “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.”
“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)
“We welcome the annual BEPS Progress Report of the G20/OECD Inclusive Framework on BEPS.”


“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.”

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

#### Amount A

<table>
<thead>
<tr>
<th>Scope</th>
<th>Nexus</th>
<th>Tax base</th>
<th>Allocation</th>
<th>Elimination of double taxation</th>
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<td>Business activity test</td>
<td>Revenue thresholds</td>
<td>Domestic business / foreign revenue test</td>
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<td>Jurisdiction specific revenue threshold</td>
<td>Plus factors for CFB</td>
<td>Financial accounts and determine PBT</td>
<td>Use of segmentation and allocation of income and costs</td>
<td>Accounting for losses</td>
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<td>Tax base</td>
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<td>Reallocation percentage</td>
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<td>Profitability threshold</td>
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<td>Identify the paying entities</td>
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<td>Method to relieve double taxation</td>
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<td>Simplified admin. system</td>
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#### Amount B

<table>
<thead>
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<th>Scope</th>
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<tr>
<td>Dispute prevention and resolution for Amount A</td>
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<tr>
<td>Dispute prevention and resolution for Amount B and other disputes (Amount C)</td>
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#### Tax certainty

<table>
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<tr>
<th>Scope</th>
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<tr>
<td>Safe Harbor</td>
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#### Implementation & administration

<table>
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<th>Implementation tools</th>
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<tr>
<td>Simplified admin. system</td>
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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
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

- Income inclusion rule
  - Thresholds
  - Tax base
  - Covered taxes
  - Blending
  - Timing differences
  - Scope and carve-outs
  - Simplifications
  - Overall design
  - Allocation keys

- Undertaxed payments rule

- Switch-over rule
  - Scope
  - Trigger
  - Effect

- Subject to tax rule
  - Scope
  - Trigger
  - Effect

- Rule coordination
  - Rule order
  - Interaction with other rules
  - Tax certainty
  - Rule status

Minimum rate
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 and timeline

8-9 October 2020
Inclusive Framework meeting

15-16 October 2020
G20 Finance Ministers meeting

21-22 November 2020
G20 Leaders summit

December 2020
G20 Italian Presidency

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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.

The sharing and gig economy
Scope of the Model Rules

Personal Services

- Clerical and professional (e.g. hospitality, tutoring, translation)
- Delivery (e.g. food)
- Household
- Transportation

Rental of immovable property

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The reporting and exchange framework

Jurisdiction A

1. Identification of customer
2. Reporting
3. Exchange of Information
4. Prefilled income tax forms (optional)

Tax Administration

Reporting Platform Operator

Jurisdiction B

2. Reporting
3. Prefilled income tax forms (optional)
4. Domestic Seller / income receiver

Tax Administration

Seller / income receiver

Prefilled income tax forms (optional)
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

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<thead>
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<td>Corporate Income Tax Statutory Rates</td>
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<td>Forward-Looking Effective Tax Rates</td>
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<td>Anonymised &amp; Aggregated CbCR data</td>
<td>NEW 26</td>
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<tr>
<td>Controlled Foreign Company Rules</td>
<td>NEW 49</td>
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<tr>
<td>Interest Limitation Rules</td>
<td>NEW 67</td>
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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
- 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

- **Profit**
- **Related party revenues**
- **Tangible assets**
- **No. of employees**

**High Income**
- Profit: 30%
- Related party revenues: 25%
- Tangible assets: 30%
- No. of employees: 25%

**Middle and Low Income**
- Profit: 20%
- Related party revenues: 15%
- Tangible assets: 20%
- No. of employees: 15%

**Investment Hubs**
- Profit: 10%
- Related party revenues: 10%
- Tangible assets: 5%
- No. of employees: 5%

**Note:** Further details available in the Corporate Tax Statistics report: [https://oe.cd/corporate-tax-stats](https://oe.cd/corporate-tax-stats)
The composition of business activity differs across jurisdiction groups

Top three business activities performed in jurisdiction groups

- **High income**
  - Sales
  - Other Activities
  - Services

- **Middle and low income**
  - Sales
  - Manufacturing
  - Services

- **Investment Hubs**
  - Holding Shares
  - Sales
  - Other Activities

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

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

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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