



#OECDtaxtalks

# OECD TAX TALKS

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CENTRE FOR TAX POLICY  
AND ADMINISTRATION

Live stream: <http://oe.cd/taxtalks>

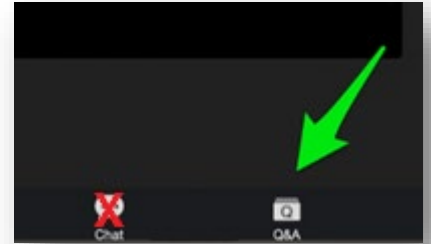
12 October 2020  
15:00 – 16:00 (CEST)



# Housekeeping

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- Chat function disabled for security reasons
- Submit questions via Q&A Zoom function
- For OECD TV viewers, please e-mail questions to: [ctp.contact@oecd.org](mailto:ctp.contact@oecd.org)
- Webinar is being recorded and replay will be made available within 24 hours
- Join the conversation on social media: #OECDtaxtalks



# INTRODUCTION

# Speakers

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- **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



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



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



- **Michelle Harding**  
Head of Tax Data and Statistical Analysis Unit



- **Julien Jarrige**  
G20 tax adviser, OECD Centre for Tax Policy and Administration

# Topics

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## 1. The digital package

- a) Overview
- b) Economic Analysis and Impact Assessment
- c) Pillar One
- d) Pillar Two

## 2. Taxing Virtual Currencies

## 3. Beyond digital

## 4. Forthcoming publications

## 5. Q&A session



# 1. THE DIGITAL PACKAGE

# 1.1. OVERVIEW

# Meeting of the Inclusive Framework

## 8–9 October 2020

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More than **650** delegates from **130** jurisdictions and **13** international organisations met virtually on 8-9 October

They agreed to publicly release a package consisting of:

- Cover Statement
- Report on the Pillar One Blueprint
- Report on the Pillar Two Blueprint
- Public consultation document on both Blueprints





# Background - Timeline

2013

After call from G20 to address aggressive tax planning, the BEPS Action Plan is launched (with digitalisation as key component)

2018

Interim Report is released with further analysis of the broader direct tax challenges, but no agreement on solution

May 2019

Adoption of a Programme of Work (PoW) to develop a solution for each Pillar

July 2020

G20 Finance Ministers calls on Blueprints to be delivered in October 2020

2015

Final BEPS Action Reports are released, including actions on BEPS and VAT, but does not address broader direct tax challenges arising from digitalisation

January 2019

Policy note released, proposing a two-pillar approach as foundation for a consensus-based solution to broader tax challenges

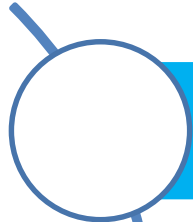
January 2020

Inclusive Framework adopts Outline of a Unified Approach on Pillar One, and a Progress Note on Pillar Two

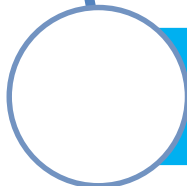


# Some figures

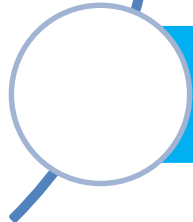
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Almost **70** days of virtual meetings by Working Parties and Steering Group meetings



Around **1300** pages of comments received on Pillar One and Pillar Two Blueprints



More than **200** tools shared with countries to estimate the revenue impact of the proposals for their country

# Status of the package (1)

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Both Pillars are released for public comment

- Written comments requested by 14 December 2020

Impact Assessment made public

- Full details of the methodology included

What is the level of agreement?



# Status of the package (2)



Or **half full**: “the Blueprint nevertheless provides a **solid foundation** for a future agreement” (paragraphs 5 and 7)



The Glass is **half empty**... “Though no agreement has been reached” (Paragraphs 5 and 7)



**A lot of work has been done**  
“The IF is releasing today a package consisting of the Reports on the Blueprints of Pillar One and Pillar Two, which **reflects convergent views on a number of key policy features, principles and parameters of both Pillars**, and identifies remaining political and technical issues where differences of views remain to be bridged, and next steps.”  
(paragraph 4)

# Status of the package (3)

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- *“We approve the Report on the Pillar One Blueprint for public release”* (paragraph 5)
- *“We also approve the Report on the Pillar Two Blueprint for public release”* (paragraph 7)
- *The Blueprints “offer a solid basis for future agreement”* (paragraphs 5 and 7)
- *“We will now focus on **resolving the remaining political and technical issues**”* (paragraph 6)



## Status of the agreement (4)

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9. *“We agree to swiftly address the remaining issues with a view to bringing the process to a successful conclusion by mid-2021 and to resolve technical issues, develop model draft legislation, guidelines, and international rules and processes as necessary to enable jurisdictions to implement a consensus based solution.”*

# Next steps and timeline

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**12 October  
2020**

Launch of  
the public  
consultation

**21-22  
November  
2020**

G20 Leaders  
summit

**January 2021**

Public  
consultation  
meeting



**14 October  
2020**

G20 Finance  
Ministers  
meeting

**14 December 2020**

Public consultation  
comments due



## **1.2 ECONOMIC ANALYSIS AND IMPACT ASSESSMENT**



# Overview of main findings

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Pillar One & Pillar Two could increase global corporate income tax (CIT) revenues by about USD 50-80 billion per year.

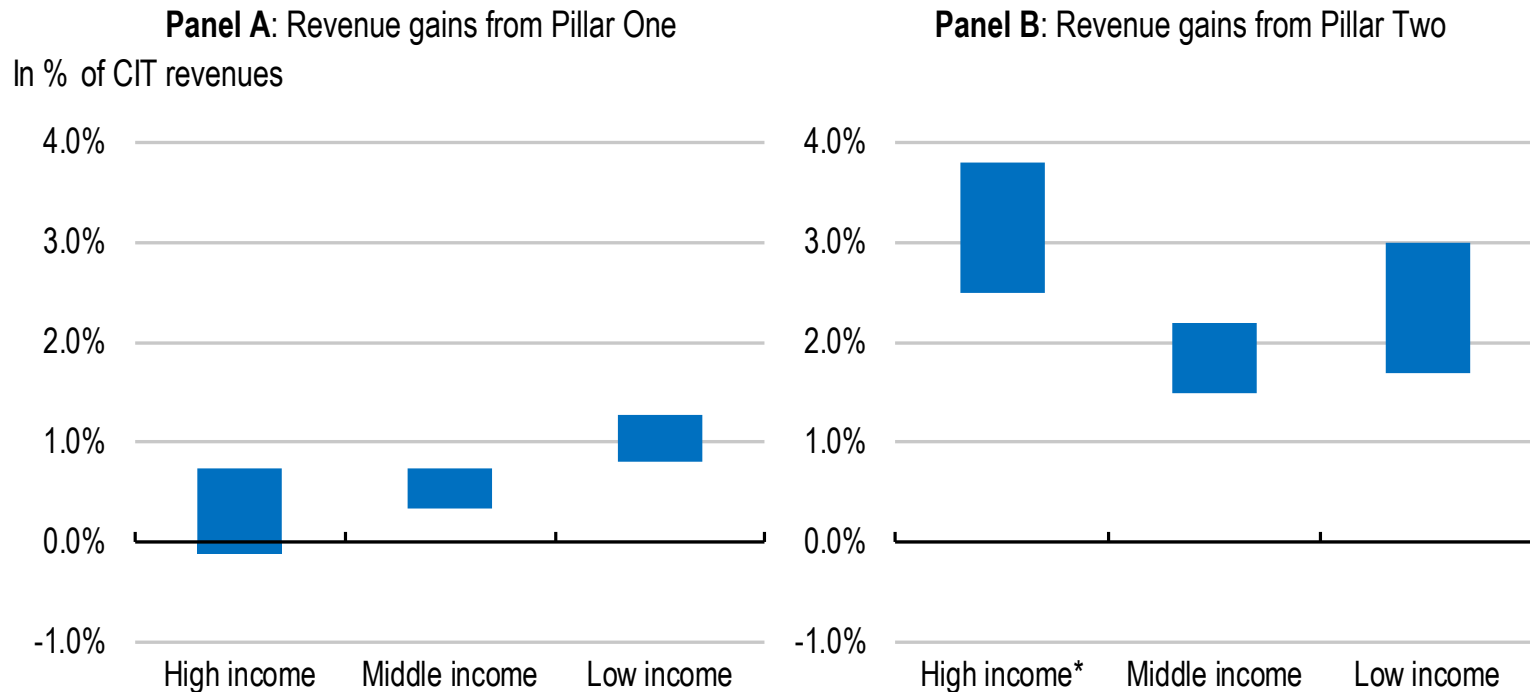
The combined effect of the reforms and the US GILTI could represent USD 60-100 billion per year or up to around 4% of global CIT revenues.

- **The reforms would lead to a more favourable environment for investment and growth** than would likely be the case in the absence of a consensus-based solution.
- **The COVID-19 crisis is likely to accelerate the trend towards the digitalisation of the economy and exacerbate the tax challenges arising from digitalisation** in the absence of an agreement by the Inclusive Framework.



# Estimated tax revenue effects of the proposals

## *By jurisdiction groups*



# Main findings on investment effects

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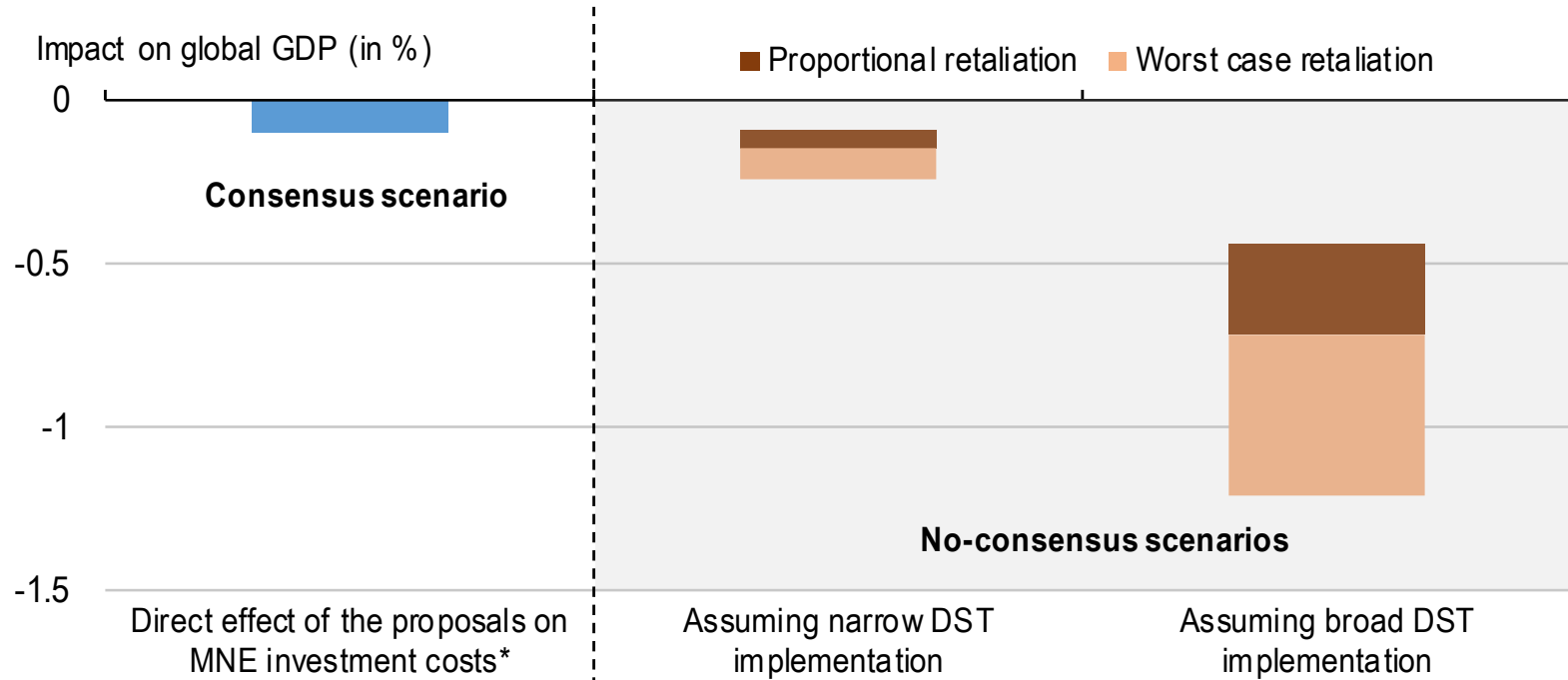
- **Pillar One & Pillar Two would lead to a relatively small increase in the investment costs of MNEs.**
- **The negative effect on global investment would be small,** as the proposals would mostly affect highly profitable MNEs whose investment is less sensitive to taxes.
- **A reduction in tax rate differences across jurisdictions is likely to reduce the incentives for profit shifting** and could improve the allocation of capital.

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



# Estimated effect on global GDP

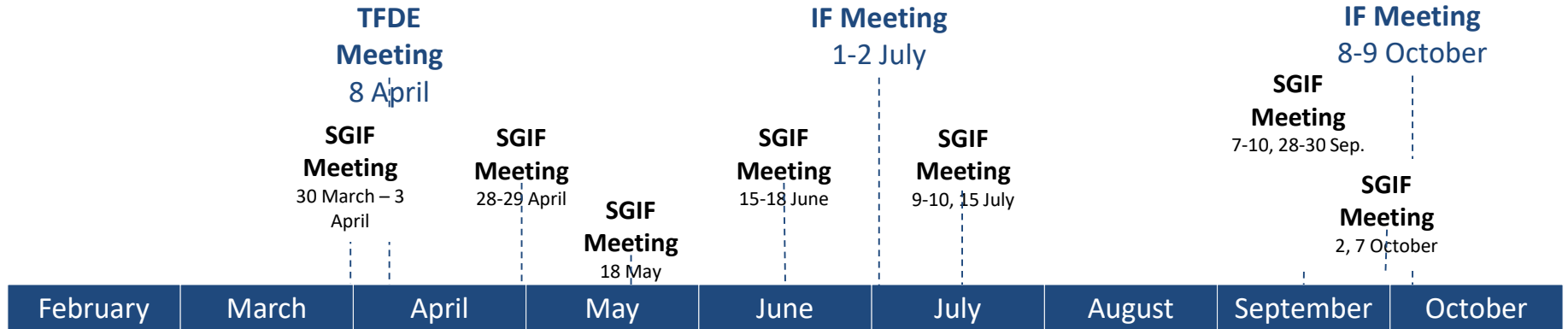
## *Stylised scenarios*



# **1.3 PILLAR ONE STATUS UPDATE: OVERVIEW OF REPORT ON THE PILLAR ONE BLUEPRINT**

# Work in 2020

## *Development of the technical aspects of Pillar One*



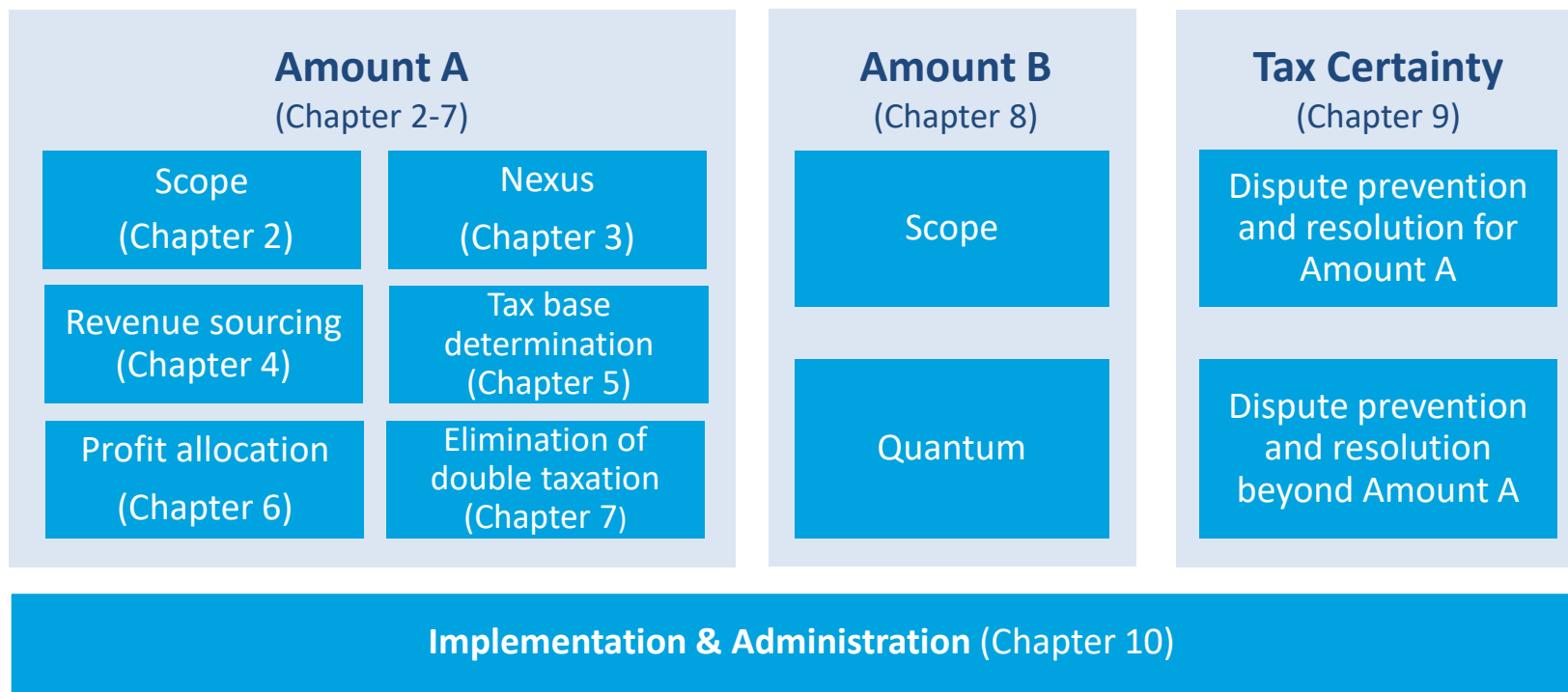
Significant progress on technical work since January 2020:

- More than 20 technical notes distributed
- More than 20 days of WP meetings (WP1, WP6, MAP Forum)



# Pillar One Blueprint

## *Building blocks*



# Pillar One Blueprint

## *Main outcomes*

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Brings together three previously competing proposals into one solution

Identifies key guiding principles

- New taxing right no longer exclusively circumscribed by reference to physical presence
- Net basis taxation and no double taxation
- Improved tax certainty processes
- Removal of unilateral measures
- Achieve least complexity (simplifications)

Recognises open policy issues on key features of the solution  
(e.g. scope; quantum; extent of tax certainty)

Recognises areas where further technical work is required  
(e.g. segmentation; administration)

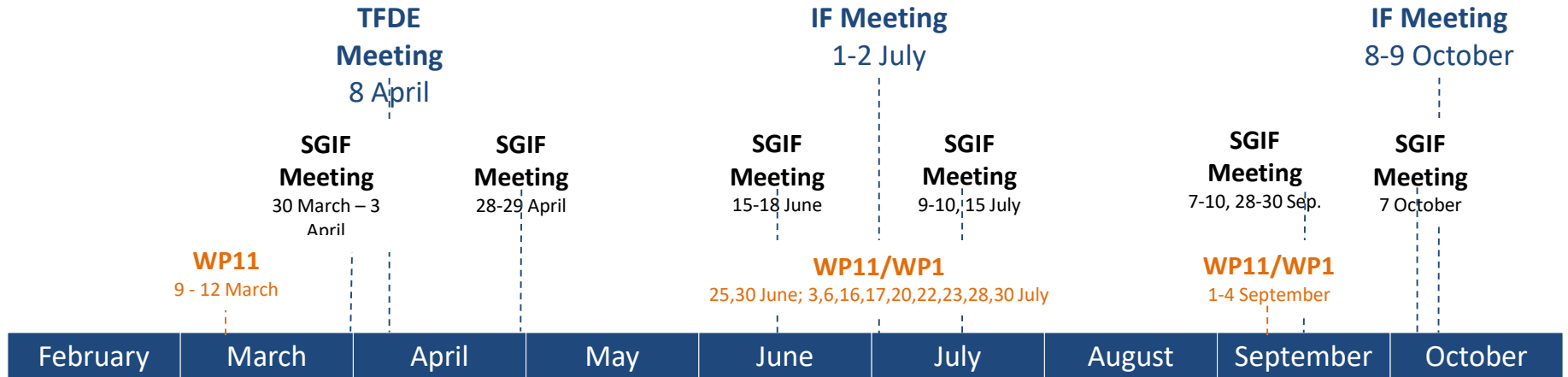




# **1.4 PILLAR TWO STATUS UPDATE: OVERVIEW OF REPORT ON THE PILLAR TWO BLUEPRINT**

# Work in 2020

## *Development of the technical aspects of Pillar Two*



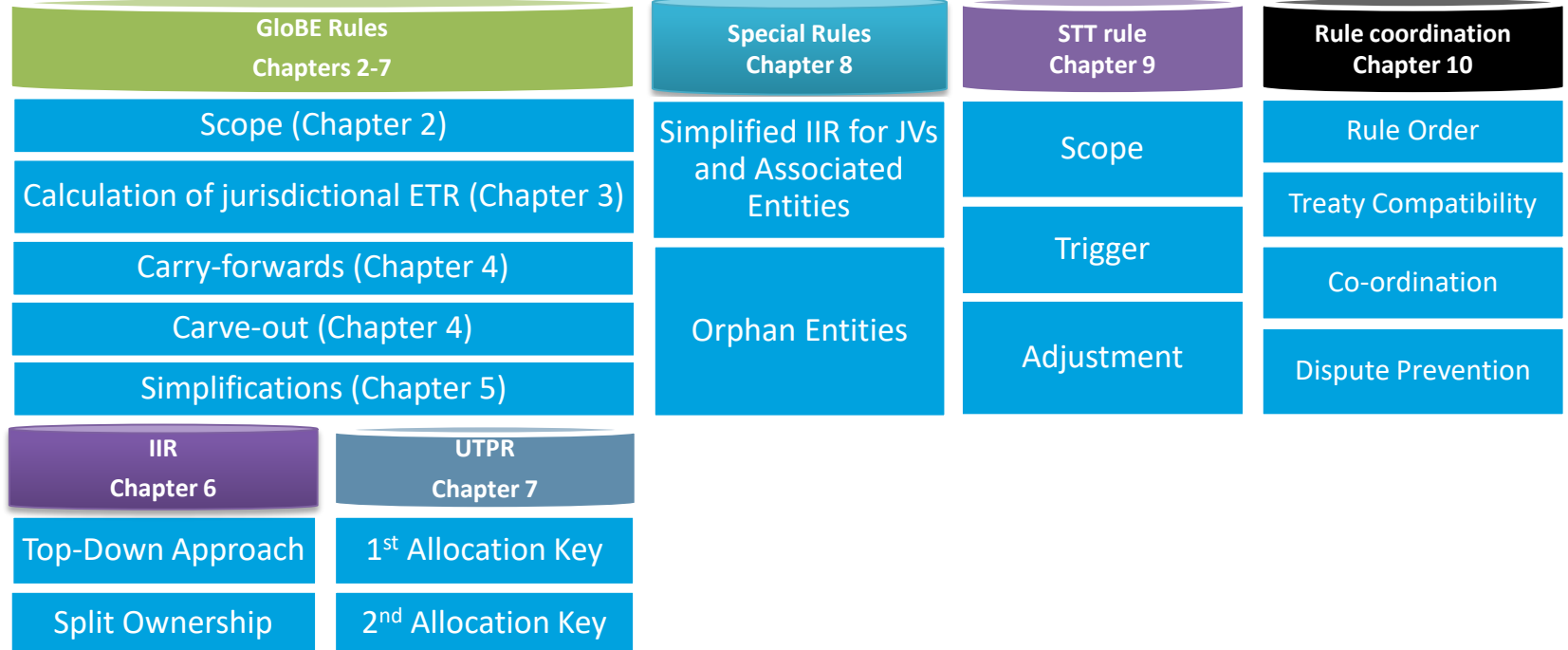
Continuous progress on technical work since January 2020:

- 4 days of in-person meetings and more than 15 virtual WP meetings (WP1, WP11)
- More than 700 pages of delegates' comments



# Pillar Two Blueprint

## Overview



Annex with examples



# Design and compliance simplifications

## Existing Design

- Scope – Threshold, Consolidation Test and Excluded Entities
- Base
  - Use of parent financial accounting standards with no book to book and limited book to tax adjustments
  - Reliance on entity level financial information
  - Simplifications in mechanism to address timing differences / volatility.
- Blending
  - Leveraging Country-by-Country reporting (CbCR) for jurisdictional blending.
- Rule design
  - Preference for bright-line mechanical tests
  - Rule order and co-ordination, including top-down approach
- Subject to tax rule
  - Nominal rate test
  - Limited to certain categories of largely intra-group payments that give rise to BEPS risks

## To be explored further in Public Consultation

- Chapter 5 – Simplifications (e.g. leveraging off CbCR & Tax Administration Guidance)
- Other



# 2. TAXING VIRTUAL CURRENCIES

# Taxing Virtual Currencies

- At stake: market capitalisation of > USD 350 billion
- New report to be presented at the G20
- First comprehensive analysis:
  - Tax treatments under **income, consumption and property taxes**
  - Prepared with **50 jurisdictions**
  - Policy implications of emerging issues: **stablecoins**, Central Bank Digital Currencies, Proof-of-Stake, **decentralised finance**



<https://bit.ly/30MoTW6>

# Taxing Virtual Currencies

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## Findings and considerations for countries on taxing virtual currencies

- **Providing clear, regularly updated guidance** which considers consistency with the treatment of other assets and remains abreast of emerging areas
- **Supporting improved compliance**, including through the consideration of simplified rules on valuation or for small/occasional trades
- **Aligning the tax treatment of virtual currencies** with other policy objectives, particularly regarding use of cash and environmental considerations
- **Developing appropriate guidance** on the tax treatment of emerging technological developments



# 3. BEYOND DIGITAL



# Other deliverables

## BEPS Implementation

- Action 5: **290** tax regimes reviewed
- Action 6: BEPS MLI signed by **94** jurisdictions (53 ratified)
- Action 13: CbCR introduced by **93** jurisdictions
- Action 14: almost **70** jurisdictions reviewed (1500 recommendations)

## Delivering on Tax Transparency

- AEOI: Around **7000** bilateral exchanges in 2020 (+15% compared to 2019)
- Multilateral Convention on Mutual Assistance
  - **141** jurisdictions participating (+ 4 since July 2020)
  - Covering over **8500** EOI relationships

## Tax and Development

- Capacity building & Tax Academies
- Tax Inspectors Without Borders
  - **80** programmes (completed and ongoing) in 45 jurisdictions
- Platform of Collaboration on Tax



# Transfer pricing guidance on COVID-19

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## COVID-19

- Significant business disruption and widespread losses
- Unprecedented government intervention in the economies
- Unique economic conditions

## Transfer pricing challenges

- Exacerbated issues, such as the treatment of government assistance programs
- Practical questions, such as the impact on comparability analysis, on APAs
- Issues relevant for both companies and tax administrations

## Exploring additional guidance

- Broad recognition of these challenges
- Coordinated response important to provide certainty and avoid double taxation
- Issues being discussed at Working Party level
- Objective to issue guidance by the end of 2020



# 4. FORTHCOMING PUBLICATIONS

# Coming soon

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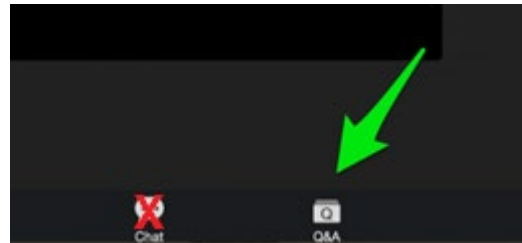
- BEPS Action 14 MAP peer review reports  
(Stage 2, Batch 3)
- BEPS Action 14 public consultation document
- MAP Statistics
- Methodology for the peer review of the BEPS Action 13 minimum standard
- BEPS Action 5 - 2020 results on the review of preferential regimes

# 5. Q&A

# Questions?

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- Please submit your questions using the Q&A function at the bottom of your screen or e-mail [ctp.contact@oecd.org](mailto:ctp.contact@oecd.org)



**THANK YOU**