



2024 Progress Report on Tax Co-operation for the 21st Century

OECD REPORT FOR THE G7 FINANCE MINISTERS AND
CENTRAL BANK GOVERNORS

May 2024, Italy

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Foreword

As international tax standards continue to develop, in the area of corporate income tax and beyond, tax administrations have developed collaborative, digitally enabled and more real time approaches to the administration of common rules. This increase in international tax co-operation continues to advance in line with development of multilateral solutions such as those developed as part of the Two Pillar Solution. A co-operative approach to tax administration has the potential to maximise the benefits from these multilateral solutions which in turn can contribute to investment and growth.

This OECD report on Tax Co-operation for the 21st Century has been prepared at the request of Italy, as president of the G7. The report builds on those prepared previously for the G7 in 2022 and 2023. The principles of tax co-operation set out in those reports have become even more important in light of the implementation of the Global Minimum Tax, which took effect from the beginning of this year. The Global Minimum Tax is now in effect in over 30 jurisdictions, and an increasing number of other jurisdictions have announced their intention to implement the GloBE rules within the next year. The decision of these jurisdictions to adopt a common set of co-ordinated rules at the same time offers a unique opportunity to consolidate the work that is being done in fostering and deepening tax cooperation in order to realise the vision of tax co-operation laid down in the previous G7 reports. Accordingly, at the request of G7 Presidency, this report sets out a vision for co-operation amongst tax administrations under the Global Minimum Tax as well as looking at recent developments in the exchange of information between tax administrations and addresses the implications of these developments for developing countries.

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Abbreviations and acronyms

APA	Advance Pricing Agreement
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
CARF	Crypto-Asset Reporting Framework
CbCR	Country-by-Country Reporting
CRS	Common Reporting Standard
FTA	Forum on Tax Administration
G20	Group of 20
G7	Group of 7
GIR	GloBE Information Return
GloBE	Global Anti-Base Erosion Rules
ICAP	International Compliance Assurance Programme
IMF	International Monetary Fund
MAP	Mutual Agreement Procedure
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
PCT	Platform for Collaboration on Tax
QCAA	Qualified Competent Authority Agreement
UNDP	United Nations Development Programme
UPE	Ultimate Parent Entity
VAT	Value Added Tax
WBG	World Bank Group

Executive summary

In 2022 the German G7 Presidency requested a report from the OECD that looked at the significant changes to the international tax architecture over the last decade, and considered how those changes might impact on the future of international tax cooperation.

In response to this request, the OECD Secretary-General submitted a report on Tax Co-operation for the 21st Century to the G7 Finance Ministers and Central Bank Governors in May 2022. This Tax Co-operation Report described how international collaboration in the administration of increasingly co-ordinated international tax rules could be enhanced, streamlined, and digitally enabled. The Tax Co-operation Report made a number of observations on the increasing trend towards tax administration being based on real-time information and compliance by design principles and noted how developing countries could best take advantage of these advances in the international tax rule design and practice.

In their May 2022 Petersberg Communiqué the G7 Finance Ministers and Central Bank Governors welcomed the Tax Co-operation Report and asked the OECD to continue its work in supporting the work in tax co-operation and to report back on further developments. Taking forward this mandate, Japan, as President of the G7 in 2023, invited the OECD to prepare a follow-up report, outlining progress and new areas of tax co-operation. The 2023 Progress Report on Tax Co-operation for the 21st Century was provided to the G7 in May 2023.

The 2023 Progress Report examined the ways that the principles set out in the Tax Co-operation Report were being incorporated by the members of the OECD/G20 Inclusive Framework on BEPS. The focus of the 2023 Progress Report was on Amount A and the Global Minimum Tax rules. It also showed how the principles of the Tax Co-operation Report beyond corporate income tax were being translated into action, such as with technology-based solutions for effectively collecting and using information for personal income tax purposes. It also noted the work being done in the area of capacity building to ensure developing countries were able to benefit from the advances in the international tax architecture over the last decade.

Building on this work, and in light of the implementation of the Global Minimum Tax with effect from the beginning of 2024, Italy, as President of the G7 in 2024, invited the OECD to prepare a further follow-up report, to continue to advance the objectives set out in the Tax Co-operation Report with a focus on implications for the implementation of the Global Minimum Tax.

This Report is divided into three chapters. Chapter 1 sets out the advances being made in implementing the vision for co-operation amongst tax administrations with a specific focus on the Global Minimum Tax (Pillar Two of the Two-Pillar Solution). Chapter 2 sets out areas of tax co-operation beyond the corporate tax system looking at recent developments in the exchange of information between tax administration as well as other transparency initiatives with respect to taxation of individuals. Finally, Chapter 3 addresses the implications of these developments in the international tax system for developing countries with respect to both direct and indirect taxes as well as digitalisation of tax administration.

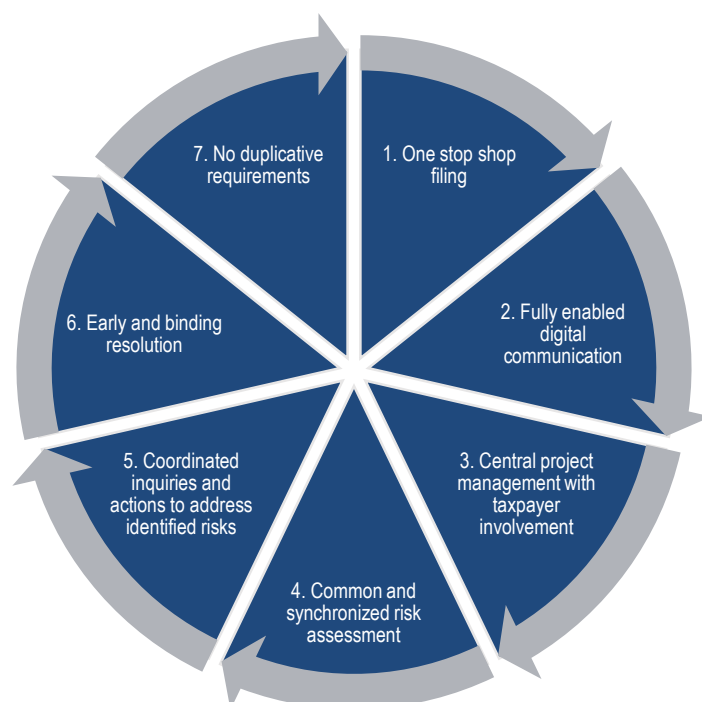
1 Corporate tax landscape

1.1. Introduction

1. The Tax Co-operation for the 21st Century report (“the Tax Co-operation Report”) (OECD, 2022) noted that one of the opportunities that arises from having common international tax rules is that tax administrations can work collaboratively to correctly and consistently apply those rules based on common information and documentation. This collaborative approach gives rise to reduced burdens for both administrations and greater certainty for taxpayers and, in doing so, can improve the opportunities for greater cross-border investment. To achieve this common mission, the Tax Co-operation Report set out seven principles which collectively comprise a vision for a simple, collaborative, and digital administration of common international tax rules (see Figure 1).

2. These seven principles were set out in a sequence that tracked the various compliance and administration steps in applying international tax rules: starting with information collection and filing and moving through the steps undertaken by the tax administration in the assessment of risks through to audit and the resolution of any disputes. The final principle identified in the Tax Co-operation Report is to identify opportunities to leverage the insights gained under the previous steps to consider opportunities to simplify the rules themselves, by removing duplicative requirements. The 2023 Progress Report described how these principles were particularly relevant to the rules developed as part of the Two Pillar Solution as the most recent example of a common set of international tax rules.

Box 1: Summary: the seven principles of the Tax Co-operation Report



Source: OECD

- Facilitating '**one stop shop filing**' seeks to reduce compliance burdens on taxpayers by both standardising the information reporting required as well as providing a single filing location, replacing multiple different and overlapping reporting requirements and filing procedures.
- Enabling '**fully enabled digital communication**' seeks to phase out paper-based filing systems towards fully-digital filing and tax compliance procedures in both domestic and international contexts.
- Ensuring '**central project management with taxpayer involvement**' takes a project management approach, supported by a governance framework, so that participating tax administrations can work with clearly defined and commonly agreed goals and objectives, working with the taxpayer as an active participant.
- Performing '**common and synchronised risk assessment**' assists tax administrations to streamline and coordinate risk assessment and allow taxpayers with an opportunity to co-ordinate their strategies to address the risk.
- Coordinating '**inquiries and actions to address identified risks**' seeks to rationalise the follow-up actions (such as additional information requests) of tax administrations after having decided to take further actions.
- Considering '**early and binding resolution**' recognises that the early resolution of disputes saves both tax administrations and taxpayers resources (including as a result of double taxation being imposed until the dispute between tax administrations is resolved).
- Ensuring '**no duplicative requirements**' seeks to limit duplicative rules and measures which complicate the international tax architecture and increase compliance burdens without adding to the integrity or efficiency of the tax system.

3. The implementation of the Global Minimum Tax is well underway and the rules are already in force in more than 30 jurisdictions, with many more in different stages of their legislative process. With the first GloBE Information Returns being due for filing in 2026, jurisdictions are now putting in place the systems and resources required to administer the new regime. With the application of the UTPR from the beginning of next year, the Global Minimum Tax is expected to cover almost 90% of in-scope MNE profit. The implementation of the Global Minimum Tax is an unprecedented change in the international taxation of MNE Groups, which will be subject to common minimum tax rules, using a common tax base and minimum effective rate, for the first time.¹ Given that the Global Minimum Tax is now a reality, the focus now turns to tax administrations and the opportunities for embedding the application of the principles of the Tax Co-operation Report in the administration of the GloBE rules.

4. The starting point for an MNE in calculating its GloBE tax liability is the information it uses in the preparation of the group consolidated financial statements. While the standards and systems used in consolidated financial reporting will vary, all in-scope MNEs face a common compliance challenge in identifying the relevant data points to be taken from their existing systems and making the necessary adjustments to bring them into line with the GloBE requirements. As the GloBE rules are being implemented around the world at the same time, there is now a unique opportunity for MNEs and tax administrations to work together to develop pragmatic solutions to these challenges that simplify GloBE compliance and provide certainty for MNEs while ensuring consistent and co-ordinated outcomes under the GloBE rules. While there may continue to be a discussion on simplifications in Administrative Guidance or the exploration of further Safe Harbours, there are also practical steps that can be taken at the tax administration level to deliver simpler compliance solutions while facilitating a more efficient and effective administration of the rules.

5. As noted in the 2023 Progress Report, some of this work in embedding the principles of tax co-operation into the administration of the GloBE rules has already begun. As described in Box 2 below, the first two principles of the Tax Co-operation Report (one stop shop filing and digital communication) have been incorporated into the information filing and exchange requirements through the development of an XML Schema based on a common GloBE Information Return (GIR).

Box 2: Principles of the Tax Co-operation Report already embedded into the Global Minimum Tax

One stop shop filing: One stop shop filing builds on two foundations: having standardised filing requirements and using centralised filing mechanisms.

- **Standardised filing requirements**
The 2023 Progress Report illustrated how a standardised information return for the application of the GloBE Rules, known as the GloBE Information Return ('GIR'), would give effect to the "one stop shop principle", by ensuring that MNE Groups are subject to the same reporting requirements in all the jurisdictions where they operate. The GIR was published by the Inclusive Framework on BEPS in July 2023 [OECD, 2023] and contains the information needed by a tax administration to perform risk assessment and evaluate the correctness of a taxpayer's minimum tax liability. The GloBE Information Return (GIR) contains the information on the tax calculations made by the MNE Group to determine their Top-up Tax liability or to justify the absence of such a liability. The return is divided into two parts. The first part is a general section that sets out information about the MNE Group as a whole and includes a summary table that provides a high-level overview of the application of the GloBE Rules in respect of every jurisdiction where the MNE Group is operating. The second part of the GIR the MNE provides for a standard template where the MNE provides more detailed information on its effective tax rate and top-up tax calculations for each jurisdiction except for those where the application of safe harbours and exclusions allow for more limited disclosure.
- **Central filing followed by exchange of information**
The design of the Global Minimum Tax provides for a single, centralised filing of the GIR. The rules require each Constituent Entity of the MNE Group to file a GIR with the tax administration of the jurisdiction where it is located (local filing). This local filing obligation, however, is switched-off when the Ultimate Parent Entity or a Designated Filing Entity files the GIR with their tax administration, and there is a Qualifying Competent Authority Agreement (QCAA) in effect to automatically exchange the GIR with the other relevant jurisdictions. This balances the need to ensure all jurisdictions have access to the information they need to administer the minimum tax owed in their jurisdiction, while minimising administrative burdens where possible. The GIR is designed to operate as a single comprehensive information return that sets out all the necessary information a tax administration needs to perform an appropriate risk assessment and to evaluate the correctness of a Constituent Entity (CE)'s Top-up Tax liability in every jurisdiction. However the agreed rule-order embedded into the design of the GloBE rules means that a jurisdiction that implements the GloBE rules into its domestic law may not have taxing rights over an MNE in respect of all the jurisdictions where that MNE operates. This means that all the information on the GIR that is provided by the MNE on a jurisdictional basis may not be relevant to all implementing jurisdictions.

Accordingly, the GIR incorporates a dissemination approach that limits the provision of the jurisdiction specific information to those implementing jurisdictions that have taxing rights in respect of those jurisdictions.

To operationalise the central filing and exchange of GIRs, the Inclusive Framework has developed a Multilateral Competent Authority Agreement that is expected to be finalised and published in the first half of 2024. Interested jurisdictions will then be able to join this agreement through signature and activate bilateral exchange relationships with those jurisdictions with which they wish to automatically exchange GIR information, in time for the first filings and exchanges of GIR information in 2026. When the central filing and exchange of the GIRs becomes operative, the actual information transmission between jurisdictions will be facilitated by the OECD's Common Transmission System.

Fully-enabled digital communication: The 2023 Progress Report anticipated the importance of an XML schema that would allow the filing and exchange of the GIR to take place in a fully digital and streamlined manner facilitated by the OECD's Common Transmission System. The Inclusive Framework on BEPS has been developing a dedicated XML schema and User Guide that is expected to be finalised and published in mid-2024. The paperless filing of the GIR will reduce the compliance burden on MNE Groups and streamline the identification of omissions and clerical mistakes through automated validation checks. Having the information in digital form, in turn, will allow tax authorities to leverage analytics software and risk assessment technology.

6. Building on this initial work, this Chapter focusses on the opportunities for implementing the other principles of the Tax Co-operation Report with a focus on systems based and collaborative approaches to risk assessment and audit (principles 3-5) and options for dispute resolution (principle 6) and the removal of duplicative requirements (principle 7).

1.2. Applying Principles of Tax Co-operation in the administration of the GloBE rules

7. As noted in the section above, the Inclusive Framework has already developed a standardised GloBE Information Return (GIR) which MNEs will use to provide the information on its GloBE calculations for each jurisdiction. This GIR may be filed centrally and the relevant information on the GIR exchanged with other implementing jurisdictions in accordance with an agreed dissemination approach, ensuring that each jurisdiction gets the information it needs to perform an appropriate risk assessment and to evaluate the correctness of an MNE's Top-up Tax liability in that jurisdiction.

8. Having a standard information template in the GIR, based on common rule design, and exchanging information under the Convention on Mutual Administrative Assistance in Tax Matters in a shared digital format (XML schema) as set out under a Multilateral Competent Authority Agreement provides the foundation for realising the vision of common and coordinated administration of the rules. Building on this foundation, tax administrations could explore how to adapt their existing experience in the area of tax control frameworks to the new challenges raised by the Global Minimum Tax and consider the development of common risk assessment filters that could improve the efficiency, transparency, and integrity of GloBE outcomes. Those approaches, which are not mutually exclusive, are discussed in turn.

Exploring tax control frameworks and systems-based approaches

9. In 2016 the Forum on Tax Administration issued a report on Tax Control Frameworks and their role in Co-operative Compliance (OECD, 2016). That Report concluded that when an MNE participating in a cooperative compliance programme has an effective and robust tax control framework in place this can significantly reduce the need for reviews and audits of the MNE's tax returns. This is because the tax administration can rely on the information on the return and any uncertain or other problematic tax positions taken in that return will be identified through the tax control framework and brought to its attention under the cooperative compliance programme.

10. A similar approach in respect of a tax control framework could be applied in the context of the global minimum tax. Under the GloBE rules, MNEs are required to populate the GIR with data which will be sourced from their internal reporting systems, including the systems used to prepare the consolidated

financial statements for the MNE Group. While some of the data points will be new and many of the adjustments required to comply with the GloBE Rules will be manual, it is generally expected that an MNE will collect and process this information centrally, in line with its current consolidation processes and to ensure consistent outcomes under the GloBE rules in all the jurisdictions it operates. In cases where the MNE Group relies upon a standardised reporting system and process to populate elements of its GloBE Information Return with respect to multiple jurisdictions, a systems-based risk assessment on the system and process used for one jurisdiction can be expected to be substantially relevant to the risk assessment undertaken for another jurisdiction that uses the same systems and process. For example, if an MNE group used the same internal system to calculate its substance-based income exclusion in all the jurisdictions where it operates, then a systems-based risk assessment could provide significant efficiency benefits for both the tax administrations and the taxpayer in calculating the effect of the substance-based carve-out.

11. If the reporting system and process is brought within a tax control framework that allows the tax administration to rely on the underlying data and adjustments that have been made, an overall systems approach could then potentially be appropriate to verify the correctness of the GIR for every jurisdiction where the same system is used. To the extent the GloBE calculations can be converted into an explicit standardised set of procedures to extract and adjust the underlying accounting data, then auditing the procedure and reviewing the governance framework for the manual interventions could substantially reduce the need for reviewing the data on the GIR itself.

12. Taking this one step further, if the MNE Group applies the same set of procedures in each jurisdiction then one core process audit may suffice in respect of the GloBE calculations in each jurisdiction and for all tax administrations involved in the application of the GloBE Rules in respect of the same MNE (or, indeed, other MNEs that use the same process).

13. Several practical and design issues would need to be considered for this vision to be achieved. These include consistency in the implementation and administration of the rules (which is tested through the Peer Review process), guidance on the development of a tax control framework for GloBE and ensuring that tax administrations have the relevant technical skills (including experts not only in the underlying substantive tax and accounting rules, but also in systems, data management and programming to apply a systems audit of an algorithm), and a process for allowing taxpayers to participate in the design of the systems based audit approach.

Coordinated risk assessment and inquiries

14. Whereas the preceding section dealt with ways tax administrations can have confidence in using a systems approach as outlined in a tax control framework, this section focusses on the opportunities for greater standardisation in the approaches tax administrations might take to compliance activity with respect to the information filed by the taxpayer, especially in the GIR.

15. The Global Minimum Tax rules have been designed to be as mechanical as possible, drawing on existing common accounting rules and statements, and using formulaic approaches where appropriate. However, compliance with the rules will still require elements of judgement, and where tax administrations may need to further analyse compliance to address possible risks.

16. The coordinated rule order and safe harbours under the Global Minimum Tax means that in many cases, MNE Groups will only deal with a limited number of jurisdictions' tax administrations with respect to the application of the rules to the profits located in a jurisdiction. This structure significantly reduces the extent to which disputes are likely to arise. Nevertheless, collaborative processes for risk assessment and inquiries can improve the efficiency and efficacy of the assessment (especially compared to the alternative under which uncoordinated audits lead to disputes with taxpayers or other jurisdictions) and provide comfort that tax administrations are applying the rules consistently to ensure a level playing field for both Inclusive Framework members and MNEs.

17. Further work could be done to identify the potential synergies from developing common and co-ordinated approaches to risk assessment and audit of the GloBE rules. Guidance could be developed to support tax administrations in identifying, from the GIR or other available data, fact patterns and scenarios that could indicate that a risk of non-compliance with the Global Minimum Tax is present, or alternatively is not present. This would allow tax administration resources to focus on taxpayers where agreed risk indicators are present and de-select other taxpayers from further enquiries. Where risk indicators are present, this guidance could also include common approaches to determine whether an adjustment is required, such as common follow-up questions and additional sources of data that could be required.

18. This work could build on work such as the Country-by-Country Reporting Handbook on Effective Risk Assessment, and Transfer Pricing Tax Risk Overviews (TROves) developed as part of the FTA Comparative Risk Assessment (CoRA) initiative. This work has brought together the experience of a wide range of tax administrations to compile guidance on specific indicators and fact patterns that are regarded as high risk, and guidance on the data sources used to detect those risks. By itself, similar guidance could benefit tax administrations and taxpayers by standardising the approaches taken to risk assess and audit a MNE's application of the Global Minimum Tax.

19. When looking at opportunities to develop a common approach to risk assessment, jurisdictions may also draw on their experiences from multilateral risk assessment through processes such as the International Compliance Assurance Programme (ICAP, see further below). In ICAP tax administrations work together to risk assess a Group using common documentation, with coordinated questions submitted to the Group by a single tax administration (the lead tax administration). If a Group is found not to be low risk and further enquiries are needed, this could be further coordinated using agreed guidance to direct those enquiries. Further work could consider these different approaches and how they could work within the context of the Global Minimum Tax.

Summary of the International Compliance Assurance Programme (ICAP)

ICAP is a voluntary programme for a multilateral coordinated risk assessment of an MNE's key international tax risks, with 23 tax administrations currently participating. To date, ICAP has focused on five core areas of international tax risk (tangible goods, intangibles, services, financing transactions, and permanent establishments), however the flexibility of ICAP enables it to extend to any international tax risk to which the participating tax administration are party. ICAP offers practical experience in managing joint risk assessment processes between multiple tax administrations and a taxpayer. For example, ICAP allows for centralised project management with substantial taxpayer involvement. Furthermore, ICAP also seeks to maximise the extent to which the tax administrations rely upon common documentation packages and communicate with the taxpayer in a coordinated fashion through a single contact point (a lead tax administration). Both of these mechanisms facilitate an efficient approach to risk assessment which allows both tax administrators and taxpayers to focus on areas of risk and to limit the compliance and administration resources dedicated to low-risk issues.

ICAP involves three distinct stages:

- Stage 1, the Selection stage, involves the taxpayer submitting certain documents that already exist within the business to the tax administration in the jurisdiction in which they are headquartered, during which a decision is made between the taxpayer and tax administrations as to the scope of the risk assessment and the final list of participating tax administrations.
- In Stage 2, the Risk Assessment stage, the taxpayer submits some further documentation to the covered tax administrations, and each tax administration conducts an independent risk assessment, benefiting from the availability of harmonious documentation and coordinated communication with the taxpayer, through the lead tax administration. Typically, there will be at least one multilateral meeting with all tax administrations and the taxpayer.
- In Stage 3, the Outcomes stage, each tax administration provides an outcome letter to the taxpayer, setting out the transactions which were deemed to be low risk, and a statement that the tax administration may not envision dedicating any further resources to the low-risk transactions for the covered periods, and potentially a roll forward period. The outcome letter contains all other relevant facts and caveats concerning the risk assessment.

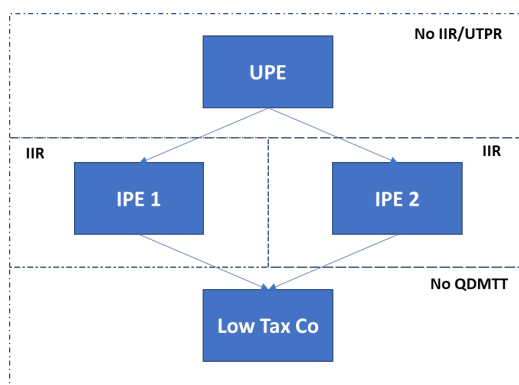
ICAP is not a substitute for other compliance interventions, such as APAs and audit. Rather, the use of ICAP in conjunction with other tax certainty tools to cover a taxpayer's full suite of transactions is designed to achieve greater resource efficiency and ensure that each programme is used for the transactions for which it is most appropriate.

1.3. Binding dispute resolution

20. The GloBE rules follow an agreed rule order based on a top-down approach that is intended to limit the need for co-ordination among tax administrations when applying the rules. In many cases, this means that the GloBE rules will only be administered by a limited number of tax administrations with respect to profits booked in a jurisdiction. Nevertheless, there could be situations where the MNE is subject to the Global Minimum Tax in more than one jurisdiction in respect of the same low-tax outcome. In such circumstances, there is a risk that different tax authorities may take a different approach to the calculation of the Global Minimum Tax in respect of the same low tax jurisdiction the MNE Group. This could create uncertainties in applying and administering the Global Minimum Tax as illustrated in the example set out in box below.

Box 3: Example of overlapping Global Minimum Taxes

It is possible that two intermediate parent entities are subject to overlapping taxes with respect to the same low-tax subsidiary. The GloBE Rules generally apply the Income Inclusion Rule at the level of the Ultimate Parent Entity of the MNE Group. In such case, only a single jurisdiction will apply the IIR with respect to low-taxed entities. However, if the UPE Jurisdiction does not have an IIR, the GloBE Rules will apply the IIR to any intermediate parent entities. If the MNE Group had holding companies located in two different jurisdictions both of which had adopted the IIR, then two jurisdictions could apply the IIR with respect to the same low-taxed entity.



As long as the two Intermediate Parent Entity Jurisdictions apply the GloBE Rules consistently, there will be no double taxation or double non-taxation with respect to Low Tax Co. Each jurisdiction would apply the IIR with respect to the Ownership Interest that its Constituent Entity held in Low Tax Co. However, if the two Intermediate Parent Entity jurisdictions took a different view on the meaning of Ownership Interest, it is possible that collectively IPE1 and IPE2 were subject to either more than (double taxation) or less than (double non-taxation) 100% of the Global Minimum Top-up Tax amount referable to Low Tax Co.

21. Inconsistency in the application of the agreed minimum tax rules has the potential to create uncertainty for businesses (e.g., with respect to their filing positions) and could result in double or under taxation from the application of the Global Minimum Tax rules in those two (or more) jurisdictions. To ensure that the Global Minimum Tax rules are applied in a consistent and coordinated manner and to ensure consistent outcomes for MNE Groups as envisaged, such issues should be resolved in a transparent, efficient, and fair manner when they arise.

22. There are several elements to be considered in the design of a dispute resolution process for the Global Minimum Tax.

- a. **Scope** – A dispute resolution mechanism would need to clearly define the circumstances when an inconsistency in the application of the rules gave rise to a dispute that was eligible to be brought within the dispute resolution procedure. There may be circumstances in which a difference in interpretation would not result in a dispute within the scope of the dispute resolution process. Different types of disputes may also require different procedures.
- b. **Procedure** – When considering the design of a dispute resolution mechanism for GloBE it will be necessary to develop a procedure for resolving the dispute (or potential dispute) on an

effective and timely basis. Questions arise as to how, who and when can a dispute resolution procedure be initiated, which tax administrations can be involved, the authority of the tax administrations to resolve the dispute (and on what legal basis), the outcome of a dispute resolution procedure, the implementation of the outcome, and in some cases the possibility of arbitration. The process would also need to address the interaction between the proposed dispute resolution mechanism and domestic law, including any additional remedies available to taxpayers.

- c. **Implementation** – As indicated above, a dispute resolution mechanism requires a legal basis. Conceptually, this could be based on one or more of a multilateral instrument, a model bilateral instrument or, where feasible, through domestic law based on common template. Many external stakeholders have voiced support for a multilateral instrument on the basis that it would provide greater legal certainty.

1.4. Duplicative measures

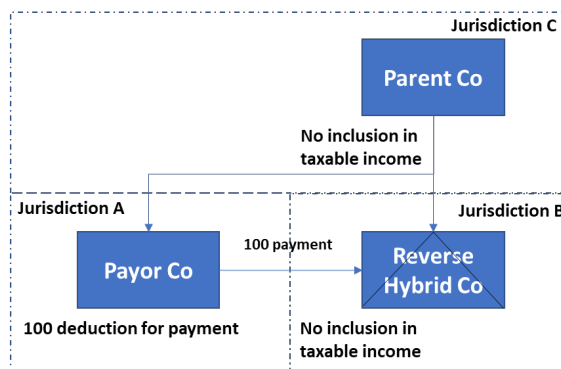
23. The final principle of the vision for Tax Cooperation for the 21st Century with respect to corporate income tax contemplates that there could be an opportunity to eliminate duplicative rules and measures which are targeted at issues already addressed by other measures in the international tax system. The removal of duplicative measures is intended to reduce compliance burdens on both taxpayers and tax administrations and has the potential to remove tax obstacles for investment as well as create opportunities to focus on supporting economic growth.

24. The adoption of the Global Minimum Tax offers an opportunity for revisiting rules that may target similar risks and to consider their expected impact in light of the introduction of GloBE. The Global Minimum Tax is expected to reduce profit shifting and tax competition. At the same time, many jurisdictions have existing measures either stemming from the BEPS Action Plan or their own domestically developed rules to address similar cross-border concerns. Some of these measures may become partially duplicative as the Global Minimum Tax addresses the relevant policy concerns which motivated the adoption of these measures in the first place. The relevant set of measures that countries might have in place include both substantive and reporting rules. A re-evaluation of the corporate tax system against the backdrop of the implementation of the Global Minimum Tax and new policies for growth would consider whether there is scope for streamlining existing duplicative rules that target the same policy concerns.

25. Each jurisdiction will have different rules and may be affected differently by the Global Minimum Tax. Areas that could benefit from further exploration could include aspects of the anti-hybrid rules. The anti-hybrid rules were developed under BEPS Action 2 and were designed to target tax avoidance structures that exploit arbitrage opportunities between tax rules in different jurisdictions. Certain aspects of the anti-hybrid rules might overlap with the operation of the Global Minimum Tax. An example, in respect of reverse-hybrids, is set out in the box below. Where both the anti-hybrids rule and the Global Minimum Tax rule apply, questions may arise as to the intended interaction and the compliance burden associated with the need to neutralise such hybrids while also applying the GloBE Rules in both jurisdictions that are implicated in the hybrid transaction. However, there are also differences in the design of the hybrid and GloBE rules, such as the types of taxpayers to which they apply, the application of nominal tax rates as opposed to effective tax rates, a focus on specific transactions rather than pools of profit, and different mechanisms aimed to protect the rights of a source jurisdiction. Such issues may require further analysis to consider the extent of duplication and overlap in both policy and practice. Other rules specifically designed to target avoidance behaviour could also be seen as having some overlap with the Global Minimum Tax and may warrant further consideration.

Box 4: Example – Reverse Hybrid Rule Example

The BEPS Action 2 Report contained a 'Reverse Hybrid Rule' which would prevent a double non-taxation outcome arising from a reverse hybrid entity. The rule would apply where income was taxable neither in the jurisdiction where an entity was established, nor in the hands of the investor. In such cases, absent the Reverse Hybrid Rule, there could be a 'deduction/non-inclusion' outcome such that the income was not taxed anywhere. The Reverse Hybrid Rule would 'neutralise' the hybrid mismatch by denying a deduction to an entity making a payment (the payor) to the reverse hybrid entity. This would give rise to additional taxation in the payor jurisdiction (at the relevant statutory rate) and prevent a double non-taxation outcome with respect to the income.



In the above example, the 100 payment from Payor Co to Reverse Hybrid Co is not included in the taxable income of Parent Co or Reverse Hybrid Co. Accordingly, Jurisdiction A would apply the Reverse Hybrid Rule to deny Payor Co the 100 deduction for the payment to Reverse Hybrid Co. If Jurisdiction A had a tax rate of 20%, this would produce an additional tax of 20 for Payor Co.

Under the Global Minimum Tax, all income is subject to the minimum tax even if it is not taxed under any jurisdiction's domestic tax regime. All income is allocated to a Constituent Entity and each Constituent Entity is allocated to a jurisdiction (or is considered a Stateless Entity). The multinational is subject to at least 15% minimum tax in each jurisdiction in which it operates and at least 15% minimum tax is also applied to Stateless Entities. As a result, the relevant income will be subject to at least 15% tax even if it is not recognised in the taxable income of any jurisdiction under the domestic income tax applicable in those jurisdictions. Applied to the above example, a minimum 15% tax would be applied with respect to the MNE Group's operations in Jurisdiction B. Accordingly, there may be up to 15 in additional Top-up Tax payable with respect to Jurisdiction B under the Global Minimum Tax.

The Global Minimum Tax ensures that payments to reverse hybrid entities will be taxed, even in the absence of the Reverse Hybrid Rule. However, the rule only applies with respect to in-scope MNE Groups. The Reverse Hybrid Rule also applies to multinationals which are out of scope for the Global Minimum Tax. Furthermore, the outcomes of the two set of rules are not identical. The Global Minimum Tax ensures a tax of at least 15% while the Reverse Hybrid Rule would impose additional tax at the rate of the payor jurisdiction. However, despite these differences, both the Reverse Hybrid Rule and the Global Minimum Tax may have a similar practical effect in significantly reducing the use of reverse hybrid entities to as a tax avoidance strategy.

Consideration could be given as to the interaction between the Reverse Hybrid Rule and the Global Minimum Tax and whether any amendments or clarifications could be required. For example, the Reverse Hybrid Rule applies only where there is a 'deduction/non-inclusion outcome'. Further consideration could be given as to the appropriate test for a taxable 'inclusion' under the Reverse Hybrid Rule in light of the Global Minimum Tax.

26. When looking at the existing international tax framework further thought could be given to the work of the Forum for Harmful Tax Practices and its interaction with the implementation of the Global Minimum Tax. The Forum for Harmful Tax Practices reviews corporate tax regimes which attract profits to the jurisdiction by offering preferential tax treatment that results in low taxation outcomes to ensure they are not harmful in accordance with the BEPS Action 5 Minimum Standard. For in-scope MNEs, such preferential tax regimes may no longer be effective in producing below-minimum tax outcomes for the jurisdiction as a whole. As a result, consideration is being given as to whether adjustments to the scope of work of the FHTP are to be made in light of the implementation of the Global Minimum Tax.

27. Similarly, the Inclusive Framework could address possible duplicative reporting requirements, or look to streamline overlapping reporting requirements. Mandatory reporting regimes, which require taxpayers to disclose certain information with respect to potentially aggressive or abusive tax planning schemes, may also offer a further opportunity for re-evaluation. These disclosure regimes were introduced to provide information to tax administrations which can be used for risk assessment and the consideration

of potential avoidance behaviour. Domestic mandatory disclosure rules among jurisdictions that introduced them vary especially with respect to the extent of the hallmarks used. In those jurisdictions that use a wide spectrum of hallmarks that pertain to specific transaction, some of these hallmarks might eventually prove to be obsolete as transactions resulting in tax benefits would no longer be undertaken after a widespread implementation of the Global Minimum Tax. For example, hallmarks that require disclosure of payments to certain low tax jurisdictions may become unnecessary, or the scope of such rules could be revised in light of the Global Minimum Tax to target different outcomes. In other words, where a tax risk has been effectively addressed by a substantive change to the tax rules, then rules requiring disclosure of certain transactions may be an unnecessary cost for both taxpayers and tax administrations. Accordingly, certain aspects of the scope of mandatory disclosure rules could be revisited as part of a revaluation of a jurisdiction's tax system in light of the Global Minimum Tax.

28. A few jurisdictions are already taking steps towards revaluating their own domestic corporate tax system and measures in place. For example, the United Kingdom has announced the repeal of its 'Offshore Receipts in Intangible Property' (ORIP) regime (see box below). Furthermore, Italy has revised its Controlled Foreign Company rules as part of the introduction of the Global Minimum Tax and Germany has lowered its trigger rate for the application of its CFC rules.

Box 5: Example – Removal of the 'ORIP' regime in the United Kingdom

Prior to the Global Minimum Tax, the United Kingdom had a regime to address 'Offshore Receipts in respect of Intangible Property' (ORIP). The regime had the policy objective of imposing tax on multinational groups that generated significant income from intangible property through UK sales but had arrangements in place such that the income was received in offshore jurisdictions where it was taxed at low effective rates or not at all. The measure was stated to have a policy objective of reducing opportunities for large multinationals to gain an unfair competitive advantage by holding their IP in low tax offshore jurisdictions.

In 2023, the UK government announced the repeal of the ORIP regime with effect from 31 December 2024 alongside the introduction of the Global Minimum Tax Undertaxed Profits Rule (UTPR) which was expected to more comprehensively discourage the multinational tax-planning arrangements that the ORIP regime sought to counter.

1.5. Conclusion

29. The first implementations of the GloBE Model Rules came into force at the beginning of 2024. The period before the first GloBE Information Returns are due in mid-2026 offers a unique opportunity to consider implementation of the remaining principles of the Tax Co-operation Report into an effective tax administration framework for the Global Minimum Tax. Work on these principles could involve:

- a. working collaboratively with taxpayers through cooperative compliance programmes to develop tax control frameworks which would allow tax administrations to explore a systems-based risk assessment for GloBE compliance;
- b. taking advantage of a common set of rules to develop a coordinated approach to risk assessment based on common risk filters that will improve administrative efficiency, effectiveness and transparency;
- c. exploring a dispute resolution mechanism to provide tax certainty to taxpayers and administrations.

Further work is needed with respect to each of these aspects drawing upon tax administrations' experiences with cooperative compliance, tax control frameworks, collaborative risk assessment under programmes such as ICAP, and existing international dispute resolution and prevention process. While any insights from this prior work will need to be adapted to the new and different context, such insights will be valuable in applying the principles of the Tax Cooperation Report to the Global Minimum Tax.

30. Finally, further consideration should be given as to the interaction between the Global Minimum Tax and existing tax measures which are targeting BEPS activities. Amendments to such measures could be considered to ensure consistency, increase efficiency, and further support economic growth.

Potential areas of consideration for the future

Continue work to consider the vision set out in the Tax Co-operation Report within the administrative framework applicable to the Two-Pillar Solution, and more broadly better incorporate its goals into the administration of all multilaterally agreed common tax rules.

Explore possibilities for tax administrations to collaborate through the Forum of Tax Administration to explore how the principles of cooperative compliance and coordinated risk assessment can be incorporated into the administration of the Global Minimum Tax.

Continue further work on mechanisms for resolving disputes in connection with the Global Minimum Tax, including through the development of a multilateral convention, to maximise consistency and certainty and minimise costs.

Explore the interaction between the Global Minimum Tax rules and other BEPS measures, including whether there are any duplicative requirements which may be able to be modified or eliminated in light of jurisdictions' implementation of the introduction of the GloBE Model Rules.

2 Beyond corporate tax

2.1. Introduction

31. The Tax Co-operation Report considered changes in the economy, such as the increasing mobility of capital and labour, and how that drove greater international tax cooperation on exchange of information. It also looked at the ways that exchange of information architecture could evolve by leveraging advances in technology which could, for example, facilitate compliance by design and reduced burdens on taxpayers. Chapter 2 of that Report looked at recent developments in relation to the exchange of information with respect to individuals. It also described the emerging trends, evolving from periodic, bulk, backward-looking access to information towards more targeted, direct, and real-time access to data.

32. The 2023 Progress Report noted advances being made in accessing relevant information, including the Crypto-Asset Reporting Framework (CARF) and the effective use of information from the Automatic Exchange of Financial Account Information including the move to more inter-connected, real time information flows, drawing on the principles in the Forum on Tax Administration's Tax Administration 3.0. This chapter provides updates on the most recent progress being made in these areas.

2.2. Ensuring the availability of information to tax administrations

33. Since the 2023 Progress Report, efforts have continued to ensure the availability of high-quality information to tax administrations, through the automatic exchange of information.

2.2.1. Finalisation and implementation of the Crypto-Asset Reporting Framework (CARF)

34. The 2023 Progress Report noted the efforts underway to address the risks that emerge from a lack of transparency on Crypto-Assets. Since then, the Global Forum on Transparency and Exchange of Information for Tax Purposes has continued its work to ensure the widespread implementation of the CARF by relevant jurisdictions. This includes the development of a framework to identify relevant jurisdictions as well as an appropriate and coordinated timeline, where the ambition of a significant number of jurisdictions to start exchanges in 2027 was evident (while noting that the need to explore the provision of some limited flexibility around this date was also identified). Significant emphasis has also been placed on raising awareness and disseminating information concerning the CARF to interested jurisdictions by hosting educational events for jurisdictions and sharing guidance. The next steps are to finalise the Global Forum's commitment process in relation to the CARF by the Global Forum's 2024 Plenary, at which point the next steps will also be outlined to deliver CARF exchanges. This will provide tax administrations with a new detailed and rich information source with respect to an area that currently has very limited transparency for them to utilise and ensure that the correct taxes are paid.

2.2.2. Ensuring effective implementation of the Common Reporting Standard (CRS)

35. Efforts continue to ensure that the information being exchanged pursuant to the CRS is of high quality, and able to be used effectively to detect and address offshore tax evasion. Last year, the Global Forum launched its second round of effectiveness reviews in relation to the CRS. After having reviewed the completeness of the CRS legal frameworks and having completed initial desk-based reviews as to the effectiveness of the implementation of the CRS in practice, the Global Forum is now carrying out deeper peer reviews to ensure that the required information is being exchanged properly and that it is complete and accurate. This second round of CRS effectiveness peer reviews is due to be completed and published in 2025, for all 99 jurisdictions that committed to commence exchanges in 2017 or 2018. Reviews of the jurisdictions committed to commence exchanges from later years will follow. These peer reviews should ensure that Financial Institutions are properly implementing the CRS and that tax administrations receive high quality information under the CRS for them to utilise to ensure that the correct taxes are paid.

2.2.3. Beneficial ownership

36. While these developments will ensure that the tax transparency architecture for financial assets remains effective and fit for purpose, work has also started on possible approaches for enhancing tax transparency with respect to income held through non-financial assets, in particular real estate. In this connection, the report delivered by the OECD to the G20 Finance Ministers in July 2023 sets out possible structural solutions that step away from annual exchange of information between tax authorities and build on the trend of digitalising ownership registers to move to a model whereby tax authorities proceed with the real-time or fast sharing of information in data repositories, including real estate registers and beneficial owner registers of legal entities and legal arrangements.

37. In this respect, work is now advancing to collect information from jurisdictions on their current practices related to the collection and exchange of information on foreign-held real estate, which will be used to design a roadmap on how enhanced transparency on foreign-held real estate can be delivered by interested jurisdictions on an incremental basis. The combination of greater visibility on ownership of, and income derived from real estate, together with the advances in exchange on financial accounts and crypto-assets, provides opportunities for more effective and efficient taxation of income, as more information will be directly available to tax administrations, rather than pursuing an after-the-fact, time consuming audit or investigation in many cases.

2.2.4. Real time information flows

38. The Forum on Tax Administration has also recognised the value of moving towards more real-time models of information flows. The integrated data vision explored in the OECD Forum on Tax Administration 3.0 report (OECD, 2020) is that by designing the data collection, reporting and exchange elements into the processes of taxpayers and businesses, with the data moving automatically through machine-to-machine based processes, including potentially in real-time, tax compliance can increasingly be designed in. Taking this forward, in October 2023, the FTA Plenary in Singapore approved a series of collaborative projects between tax administration and stakeholders from the business and academic communities to help progress the Tax Administration 3.0 vision. Two of these projects focus on the practical considerations raised by making data exchange between tax administrations or between tax administrations and business more automated and closer to taxable events. Two further projects are considering the strategic issues raised by digital transformation and how Artificial Intelligence can be used ethically by tax administrations.

2.3. Conclusion

39. Progress continues to be made on advancing the availability of information for tax administrations, and to progress toward real-time, technology-based solutions for greater and faster information exchange.

40. The OECD stands ready to advance work on additional international tax cooperation measures, including on continued exchange of information.

Potential areas of consideration for the future

Beyond corporate income tax:

Continue to advance the Forum on Tax Administration's Tax Administration 3.0, by sharing best practice and technical expertise on real-time information exchange.

Support the work to explore enhanced transparency on real estate and beneficial ownership.

3 Implications for developing countries

3.1. Introduction

41. The importance of tax co-operation for developing countries remains at the forefront of the international tax agenda, and a priority for the G7 (see, for example, OECD, 2023). The Tax Co-operation Report emphasised the importance of efficient and effective tax administration for domestic resource mobilisation. It noted the role of new tools such as the Two Pillar Solution, VAT, and information exchange as part of the policy changes that are relevant to developing countries and emphasised the importance of capacity building to ensure full participation by developing countries in those benefits. In particular, the Global Minimum Tax offers opportunities for domestic resource mobilisation, and for implementing jurisdictions to rely on a common compliance framework. As such, work is ongoing to assist with implementation of the Global Minimum Tax, and in other areas.

3.2. Developing countries and the Global Minimum Tax

42. The Global Minimum Tax provides for a coordinated system of taxation intended to ensure large MNE groups pay a minimum level of tax on the income arising in each jurisdiction where they operate. A minimum level of tax limits tax competition based on low rates which, in turn, reduces the tax incentive for profit shifting. Developing countries may benefit from these changes to the wider international corporate tax environment even before or sometimes without adopting the rules themselves.

43. Profit shifting by large multinational enterprises has presented a significant challenge to developing countries. Developing countries lose substantial revenue to base erosion and profits shifting activities of such multinationals, with some studies suggesting they were more exposed to profit-shifting than developed countries (Cobham, 2018). Prior to the development of the Global Minimum Tax, large, developed jurisdictions had developed sophisticated rules which attempted to address tax avoidance. However, such rules were frequently both complicated and difficult for lower capacity jurisdictions to administer. As a result, developing countries were often limited with respect to the unilateral domestic actions which could be effectively taken to ensure the integrity of their tax base.

44. The Global Minimum Tax helps to address profit shifting by reducing effective tax rate differentials between jurisdictions. Prior to the Global Minimum Tax, a multinational that successfully engaged in profit shifting could shift profit from a developing country to a jurisdiction where it may pay low or no corporate income tax. The adoption of the Global Minimum Tax ensures that regardless of the jurisdiction in which the profit is booked, the income in that jurisdiction will be subject to a minimum tax of 15%. This substantially reduces the incentive for multinationals to engage in profit shifting as there is far less of a benefit to doing so. The OECD's Economic Impact Assessment estimates that approximately one third of the revenue gains from the Global Minimum Tax will arise due to reduced profit shifting (OECD, 2024).

45. The Global Minimum Tax also benefits developing countries due to the impact it has on tax competition. Many countries, including developing countries, have been caught in a ‘race to the bottom’ with respect to corporate taxation. For developing countries, which tend to have high statutory tax rates, the race to the bottom has resulted in strong pressure to offer tax incentives to attract foreign investment. Often these incentives have been wasteful and offered poor value for money. A recent OECD study found that 90% of a sample of developing countries had a tax incentive that allowed MNEs to pay no corporate tax at all (OECD, 2022). This competitive dynamic prevents jurisdictions from raising tax revenues from MNE affiliates operating in their jurisdictions.

46. The adoption of the Global Minimum Tax puts multilaterally agreed limits on tax competition. This means that regardless of where the multinational locates the investment, it will be subject to a minimum level of taxation. Accordingly, a ‘floor’ has been imposed on tax competition which removes the pressure to provide tax rates below the minimum in the absence of economic activity. This does not mean that developing countries are not able to offer tax incentives. Responding to the views expressed by some developing countries, the Global Minimum Tax contains a Substance-based Income Exclusion which means that the Global Minimum Tax will not apply to a formulaic return on the employees and tangible assets located in the jurisdiction. Accordingly, developing countries should still have scope to use tax incentives to attract foreign direct investment that results in real tangible assets and jobs in their jurisdiction. However, where tax incentives offer poor value for money in terms of the tax revenue lost relative to investment and jobs generated, the multilaterally agreed floor will protect domestic tax bases from excessive tax competition. This should provide incentives for developing countries to shift their use of tax incentives towards those that offer better value for money (OECD, 2022), (World Bank, 2022).

47. In addition to the wider system benefits outlined above, the Global Minimum Tax provides developing countries with a tool to raise revenue by changing their domestic tax law: the Domestic Minimum Top-Up Tax (DMTT). In essence, adopting a DMTT allows a developing country to ensure that it is collecting the minimum tax with respect to income arising in its jurisdiction. The Global Minimum Tax gives priority to the location where the relevant profits are located. Accordingly, by adopting a DMTT developing countries can receive the minimum tax revenue arising in their jurisdiction without harming their competitive position as a location for investment. In fact, some studies have suggested that reduced competitive pressure for investment from low-tax jurisdictions could lead to more investment in high-tax jurisdictions due to the implementation of the minimum tax (Keen, Liu, & Pallan, 2023).

48. While many developing countries have high statutory tax rates, the provision of various tax concessions and incentives means that there are significant amounts of low tax income in developing countries. Recent OECD estimates (OECD, 2024) note that approximately 53% of all global low tax profit is in jurisdictions with an average effective (not statutory) tax rate above 15%. Furthermore, approximately one-fifth of all profit located in low- and middle-income countries is taxed at a rate below 15%.

49. Accordingly, the OECD estimates (OECD, 2024) that there are substantial low-taxed revenues in developing countries. With full adoption, the Global Minimum Tax is expected to raise corporate tax revenues by between 3.6 and 7.8% in developing economies. Overall, adoption of the Global Minimum Tax is expected to raise between USD 155 and 192 billion in additional corporate tax revenues per year – an increase of 6.5 to 8.1% of global corporate income tax revenues. One third of these revenue gains are estimated to come from a reduction in global corporate profit shifting, and two thirds from direct top-up taxation.

50. At the same time, enacting a DMTT is not the only policy option available to developing countries. Developing jurisdictions may also choose to revisit their tax incentives or otherwise modify their domestic corporate income tax regimes in light of the Global Minimum Tax. These policy options are not limited to otherwise raising tax rates to the minimum level. The IMF has also noted the potential for the Global Minimum Tax to encourage jurisdictions to raise domestic taxes above the minimum tax rate which could raise global corporate income tax revenues by an additional 8.1% (IMF, 2023).

3.2.1. Capacity Building Support on the Global Minimum Tax

51. The 2023 Progress Report discussed in detail several capacity building initiatives for developing countries with respect to the Global Minimum Tax. This included OECD pilot programmes in addition to cooperative work conducted through the Platform for Collaboration on Tax (“PCT”), which is a joint effort of the IMF, OECD, the WBG, and the United Nations. These programmes are summarised in the box below.

Box 6: Examples of Capacity Building Support Programmes

- **OECD bespoke bilateral assistance:** The OECD Secretariat established a series of pilot programmes aimed at helping developing countries proactively consider their policy choices under the Global Minimum Tax. Nine developing countries are participating: Egypt, Georgia, Jamaica, Malaysia, Namibia, Nigeria, Peru, Senegal, and Thailand. The programmes aim to both support developing countries to implement the Global Minimum Tax, including a DMTT where they wish to do so; and to analyse the impact of the GloBE Rules on their tax revenues and their tax incentive regimes. The OECD Secretariat is also engaging bilaterally with other interested jurisdictions, working with other international partners where possible.
- **OECD regional outreach events:** The OECD Secretariat has delivered, in collaboration with regional partners, a round of regional consultations with a focus on the Two-Pillar Solution. Two in-person events for Asia and the Pacific region, and Europe took place in 2023 in partnership with five regional partners. In 2024, two regional consultations were conducted for Latin America and the Caribbean, and for Francophone African countries. In addition, the OECD Secretariat has organised several regional workshops that focus on the implementation on the Global Minimum Tax, sometimes with a specific focus on the implementation of a DMTT and drafting of legislation. Five in-depth workshops were held between May and October 2023.
- **Tax Inspectors Without Borders (TIWB):** TIWB offers programmes to developing countries to build capacity with respect to the Global Minimum Tax. These programmes offer advice and analytical services as well as providing support in the field to ministries of finance and tax administrations through TIWB experts. Each project is based upon bespoke terms of engagement set bilaterally to accommodate the specific circumstances of the relevant jurisdiction. TIWB is a joint OECD/UN Development Programme initiative.

3.2.2. Guidance on the implementation of the Global Minimum Tax

52. In addition to pilot programmes and other directly provided capacity building support, there are a wide range of materials which have been released to support developing countries with respect to the Global Minimum Tax.

- a. **OECD Economic Impact Assessments:** The OECD released a global updated assessment in January 2024 (OECD, 2024). In addition, the OECD Secretariat has bilaterally shared jurisdiction-specific estimates with the members of the Inclusive Framework. The estimates included direct revenue gains from the QDMTT, IIR and UTPR mechanisms, as well as additional gains due to a reduction in profit-shifting behaviour by firms. Since then, the Secretariat has engaged bilaterally with a number of jurisdictions on their request to provide technical assistance in understanding and validating the revenue estimates using their own jurisdictional data. The OECD Secretariat has also been engaging bilaterally with jurisdictions to assist them in arriving at their own impact assessment of the Global Minimum Tax on their tax system, and in particular on any CIT tax incentives they may have in place.
- b. **OECD E-learning material:** Webinars, e-learning modules and live Q&A sessions have been provided by OECD’s Global Relations Programme on Taxation. A dedicated GloBE e-learning module has been released on the Knowledge Sharing Platform for Tax Administrations (KSP_{TA}), which is a global online resource developed and maintained by the Canada Revenue Agency for sharing knowledge and expertise between tax administration. Additional material will continue to be developed to reflect the demand for more courses and to cover new material agreed by the Inclusive Framework.
- c. **OECD FTA Pillar Knowledge Sharing Network:** The OECD’s Forum on Tax Administration (FTA) has established a Pillar Knowledge Sharing Network (PKSN) led by the United Kingdom’s

tax administration, and hosted on the KSP_{TA}, to help developing countries learn about the implementation of Pillar One and Pillar Two from others. The aim of the PKSN is to facilitate ‘quick answers to quick questions’, and high-level conversations between different tax administrations about how they have approached administrative issues relating to the implementation of the Pillars, focussing initially on issues related to the Global Minimum Tax. It also facilitates virtual presentations from country representatives on several technical topics, followed by an open discussion.

- d. **OECD Handbook:** The “Minimum Tax Implementation Handbook (Pillar Two)” (Implementation Handbook) (OECD, 2023) was published in 2023. The Implementation Handbook provides an overview of the key provisions of the Global Minimum Tax and sets out relevant considerations in assessing implementation options. The considerations include assessing the revenue gains, the implications on jurisdictions’ current corporate tax system and the reform options with introducing the IIR, UTPR and/or the DMTT. The Handbook also includes further reflections on the different legislative techniques for implementing the rules.
- e. **OECD Papers:** The OECD has released a paper addressing the impact of the Global Minimum Tax on offering tax incentives (OECD, 2022).
- f. **ATAF Domestic Minimum Top-up Tax Suggested Approaches:** The African Tax Administration Forum has released Suggested Approaches to Drafting Domestic Minimum Top-up Tax (DMTT) Legislation. These provide draft legislation to support developing countries to adopt a domestic minimum top-up tax to collect the Global Minimum Tax revenue with respect to profits located in their jurisdiction.
- g. **IISD Guide for Developing Countries:** The International Institute for Sustainable Development has released a Guide for Developing Countries on How to Understand and Adapt to the Global Minimum Tax. The Guide examines a range of possible policy responses and provides an assessment method to understand Global Minimum Tax’s likely impact at the country level. It also addresses possible barriers to reform.
- h. **IMF Papers:** The IMF have released several papers addressing the impact of the Global Minimum Tax on developing countries including ‘Deciphering the GloBE in a Low-Tax Jurisdiction’ (IMF, Deciphering the GloBE in a Low-Tax Jurisdiction, 2024), ‘Efficient Economic Rent Taxation under a Global Minimum Corporate Tax’ (IMF, 2024) and ‘International Corporate Tax Reform’ (IMF, 2023).
- i. **Platform for Collaboration on Tax (PCT):** The PCT has committed to updating the Toolkit Options for Low Income Countries’ Effective and Efficient Use of Tax Incentives for Investment, first published in 2015, to reflect the impact of Pillar Two.
- j. **WBG Report:** The WBG released ‘The Global Minimum Tax: from agreement to implementation’ Report in 2022 (World Bank, 2022). This report evaluates the key policy considerations and provides a framework for evaluation of the implementation options. It also makes implementation recommendations.

3.3. Broader digitalisation challenges for developing countries

53. There are broader digitalisation challenges for developing countries beyond the Global Minimum Tax (and others that are relevant beyond the present theme of digitalisation – see, for example, the 2023 Report to the G7 Finance Ministers and Central Bank Governors on International Tax and Africa (OECD, 2023). These include the work being done to give effect to the Subject to Tax Rule, the ongoing work in

the digitalisation of tax administrations and the implementation of the policy framework for addressing the VAT challenges of the digital economy.

3.3.1. Subject to Tax Rule

54. The Subject to Tax Rule (STTR) is an integral part of Pillar Two of the Two-Pillar Solution. This rule is especially important for developing country Inclusive Framework members. Its design has been significantly shaped by developing countries participating in the Inclusive Framework. The STTR is a treaty-based rule that allows developing countries to impose additional taxation on certain intra-group payments, including all intra-group services, in instances where these payments are subject to a nominal corporate income tax rate below 9% in a treaty-partner jurisdiction.

55. Members of the Inclusive Framework that apply corporate income tax rates below 9% to covered payments have committed to include the STTR in treaties with developing countries if requested to do so. More than 70 members of the Inclusive Framework are 'developing' for this purpose and the STTR could be requested in more than 1,000 treaties. The Inclusive Framework agreed a process to facilitate the implementation of the STTR, ensuring that developing countries have all the information needed to formulate a request.

56. The Inclusive Framework has also adopted the text of a multilateral instrument to assist the swift and efficient implementation of the STTR. The OECD has been, and will continue to, support governments in the process of its signature and ratification. The first signing ceremony will be held in the second half of 2024.

3.3.2. The digitalisation of tax administration

57. The update of tax administration for the digital age will be vital for the delivery of improved services for taxpayers, and increased revenues for governments. The opportunity for developing countries to 'leapfrog' from legacy systems to modern technology-based systems is significant, offering new ways for increasing revenue and expanding the tax base, more efficient use of resources, as well as enabling the completion of more risk assessments, using more sophisticated tools. These issues were explored in the OECD 2021 report *Supporting the Digitalisation of Developing Country Tax Administrations* (OECD, 2021[20]).

58. Digitalisation also creates the opportunity to take advantage of advances in tax co-operation, such as electronic invoicing and more efficient third-party reporting, paving the way toward more efficient and connected systems. However, there are many challenges associated with the digitalisation of administration, including having the experts needed to provide capacity building.

59. The FTA continues to increase its engagement and collaboration with regional tax organisations and other international organisations to ensure that developing countries can share their perspective on moving from the digitalisation of tax administration to more fundamental digital transformation. To support this, the FTA has created a Digital Transformation Maturity Model, which allows jurisdictions to measure and compare their current maturity as well as to consider possible future reforms, as well as hands-on assistance through the Tax Inspectors Without Borders program. In addition, the OECD has developed the web-based Inventory of Tax Technology Initiatives both to provide a global picture of the use of new technology tools as well as provide more detailed information through country case-studies to help inform country strategies. Through these programmes the exchange of knowledge and skills between advanced and advancing administrations is being facilitated.

3.3.3. VAT on e-commerce and digital trade

60. As outlined in the 2023 Report, VAT is often the main source of revenues for developing countries (on average in 2021, representing 30% of total tax take in Latin America and the Caribbean, 26% in Asia-Pacific, and 28% in Africa) (OECD, 2023).

61. The OECD has delivered a comprehensive and internationally agreed policy framework for addressing the VAT challenges of the digital economy based on the International VAT/GST Guidelines (OECD, 2017) and subsequent detailed implementation guidance. This framework has already been implemented in over 100 jurisdictions. As outlined in the 2023 Report, three regional VAT Digital Toolkits have been developed in partnership with the WBG and regional organisations including CIAT, IDB, ADB and ATAF. The OECD also provided targeted technical assistance in 2023 to individual jurisdictions on the implementation and administration of reform to address the VAT challenges of e-commerce. Comprehensive bespoke technical assistance was provided Botswana (in partnership with ATAF), Egypt, Fiji, Georgia, Jamaica (in partnership with the WBG) and Peru. Supported by this technical assistance, notably Egypt reformed its VAT to apply to international supplies of digital services with effect from June 2023. Ad-hoc technical assistance on specific components of VAT reform was provided to a further eight jurisdictions during the year. In addition, comprehensive workshops with developing economies on the implementation and administration of VAT were held, including (online) workshops in Botswana, Honduras, and Jamaica and with a high-level Brazilian delegation in Paris.

62. VAT remains a crucial source of revenues for developing countries and it remains important that capacity building and technical assistance continue to be provided to ensure that VAT can be successfully administered with respect to digital businesses and e-commerce.

3.4. Conclusion

63. Ensuring that developing countries are well placed to take advantage of the changes in the international tax architecture remains a core focus for a wide range of organisations, as a way to enhance domestic resource mobilisation. This includes ensuring that developing countries can make the most of the opportunities afforded by the Global Minimum Tax, as well as in other core areas such as VAT and tax administration. This should be done through the provision of capacity building, as well as ensuring that the priorities of developing countries are better reflected in the Inclusive Framework's agenda. Significant progress has been made in delivering capacity building and improving the participation of developing countries in the Inclusive Framework, and these efforts will continue for years to come, with the support of international partners.

Conclusions and next steps

Developing countries:

Work with international and regional organisations for delivery of capacity building, including on the Global Minimum Tax and beyond.

Champion dialogue on identifying and promoting policies that support domestic resource mobilisation, based on the needs and priorities of developing countries.

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2024 Progress Report on Tax Co-operation for the 21st Century

OECD REPORT FOR THE G7 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS, MAY 2024, ITALY

This report reflects on the implications of the evolving international tax policy landscape for international tax co-operation, and provides an update on the 2022 Report “*Tax Co-operation for the 21st Century*” and the 2023 Progress Report. The principles of tax co-operation set out in those reports have become even more important in light of the implementation of the Global Minimum Tax, which took effect from the beginning of this year. This report sets out the advances being made in implementing the vision for co-operation amongst tax administrations with a specific focus on the Global Minimum Tax. It also sets out areas of tax co-operation beyond the corporate tax system looking at recent developments in the exchange of information between tax administration as well as other transparency initiatives with respect to taxation of individuals. Finally, it addresses the implications of these developments in the international tax system for developing countries with respect to both direct and indirect taxes as well as the digitalisation of tax administration.

This report was prepared by the OECD to inform the discussions at the May 2024 meeting of G7 Finance Ministers and Central Bank Governors, at the request of the G7 Italian Presidency.



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