

The G20 Research Group  
at Trinity College at the Munk School of Global Affairs and Public Policy  
in the University of Toronto  
presents the

## **2018 G20 Buenos Aires Summit Final Compliance Report**

2 December 2018 to 10 May 2019

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“The University of Toronto ... produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit ... I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what.”

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

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## 16. Financial Regulation: International Taxation

“We will continue our work for a globally fair, sustainable, and modern international tax system based, in particular on tax treaties and transfer pricing rules.”

*Buenos Aires Leaders’ Declaration*

### Assessment

Country	No Compliance	Partial Compliance	Full Compliance
Argentina			+1
Australia			+1
Brazil			+1
Canada		0	
China			+1
France			+1
Germany			+1
India			+1
Indonesia			+1
Italy			+1
Japan			+1
Korea		0	
Mexico	-1		
Russia		0	
Saudi Arabia			+1
South Africa		0	
Turkey		0	
United Kingdom			+1
United States		0	
European Union			+1
Average Score		+0.60	

### Background

On 19 July 2013, the Organisation for Economic Co-operation and Development (OECD) issued the Action Plan on Base Erosion and Profit Shifting (BEPS).<sup>3596</sup> On 6 September 2013, at the St. Petersburg Summit, the G20 leaders committed to automatic exchange of information as the new global standard and fully supported the OECD’s work.<sup>3597</sup> Implementation details of the BEPS Action Plan developed thereafter constitute the BEPS package with 15 actions that equip governments with the domestic and international instruments needed to tackle BEPS.<sup>3598</sup> Countries were provided a tool to ensure that profits are taxed where economic activities generating the profits are performed and where value is created. The BEPS package also gives businesses greater certainty by reducing disputes over the application of international tax rules and standardizing compliance requirements. To expand the coverage of measures to tackle BEPS, the inclusive framework was developed, bringing together 124 countries and jurisdictions to collaborate on the implementation of

<sup>3596</sup> Action Plan on Base Erosion and Profit Shifting, OECD (Paris). Access Date: 17 December 2018.

<http://www.oecd.org/tax/beps/action-plan-on-base-erosion-and-profit-shifting-9789264202719-en.htm>

<sup>3597</sup> St. Petersburg G20 Leaders’ Declaration. Access Date: 17 December 2018. <http://en.g20russia.ru/load/782795034>

<sup>3598</sup> BEPS Actions, OECD (Paris). Access Date: 17 December 2018. <http://www.oecd.org/tax/beps/beps-actions.htm>

the OECD/G20 BEPS package.<sup>3599</sup> Commitments to address BEPS were reiterated at all subsequent G20 summits.

Apart from BEPS, G20 is constantly focused on other aspects of international taxation. For instance, at the Buenos Aires Summit G20 Leaders mentioned the automatic exchange of financial account information in tax matters, the Convention on Mutual Administrative Assistance in Tax Matters, as well as measures to enhance tax certainty and build tax capacity in developing countries.<sup>3600</sup>

### Commitment Features

This commitment requires G20 members to continue their work for a globally fair, sustainable, and modern international tax system. Examples may include implementation of different measures to address BEPS (including BEPS Actions 8-10 and 13 directly related to transfer pricing, as mentioned in the commitment), expanding financial information exchange relationships (including through tax treaties mentioned in the commitment), maintaining support for developing countries in their tax capacity building efforts, and participation in the multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Due to the possibility of negative spillovers from national actions and the globalized nature of this commitment, cooperation between countries is key. Thus, compliance with this commitment necessitates strong relationships within G20, and between G20 members and the rest of the world. The G20 members must act as international actors through bilateral agreements, as members of international organizations, or as signatories of multilateral treaties. Full compliance requires member's work towards a globally fair, sustainable and modern international tax system both at national and international levels. Actions at only one of the levels are counted as partial compliance. If the G20 member has not taken any actions to move towards a globally fair, sustainable, and modern international tax system, it receives a score of -1.

### Scoring Guidelines

-1	G20 member does not take any actions to move towards a globally fair, sustainable, and modern international tax system.
0	G20 member takes actions to move towards a globally fair, sustainable, and modern international tax system EITHER through national initiatives OR as an international actor.
+1	G20 member takes actions to move towards a globally fair, sustainable, and modern international tax system BOTH through national initiatives AND as an international actor.

### Argentina: +1

Argentina has fully complied with the commitment on international taxation.

On 4 December 2018, Argentinian authorities adopted several laws with tax provisions.<sup>3601</sup> According to the Law, companies engaged in television and radio broadcasting, newspaper editing, and other similar activities can use a portion of social security contributions as VAT credits. Other amendments include a VAT exemption for construction activities related to community housing and a reduction of VAT rate applicable to soy and soy by-products from 21 per cent to 10.5 per cent.

<sup>3599</sup> About the Inclusive Framework on BEPS, OECD (Paris). Access Date: 17 December 2018.

<http://www.oecd.org/tax/beps/beps-about.htm>

<sup>3600</sup> G20 Leaders' declaration. Building consensus for fair and sustainable development, CIIR RANEPa (Buenos Aires) 3 December 2018. Access date: 27 May 2019.

[https://www.ranepa.ru/images/media/g20/2018buenosaires/buenos\\_aires\\_leaders\\_declaration.pdf](https://www.ranepa.ru/images/media/g20/2018buenosaires/buenos_aires_leaders_declaration.pdf)

<sup>3601</sup> Argentina enacts several laws with tax provisions, Ernst&Young (Buenos Aires) 5 December 2018. Access Date: 25 April 2019. <https://taxinsights.ey.com/archive/archive-news/argentina-enacts-several-laws-with-tax-provisions.aspx>.

On 4 January 2019, the Argentine Executive Power enacted the bill with the new Tax Treaty for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital between Argentina and the United Arab Emirates, which is based on the Organisation for Economic Co-operation and Development Model Convention.<sup>3602</sup> According to the Treaty, general domestic withholding rates on payments of interest will be reduced from 35 per cent to 12 per cent, royalties from 21 per cent / 28 per cent / 31.5 per cent to 10 per cent, dividends from 13 per cent (when applicable) to 10 per cent and capital gains upon disposal of shares and other participation interests from 15 per cent to 10 per cent on the net gain, if the participation interest is at least 25 per cent.

On 23 January 2019, Argentina's Tax Authority issued General Resolution No. 4,400, which establishes the procedure for paying temporary duties on exported services. The payment can be done through the tax authorities' website application – "Sistema de Cuentas Tributarias."<sup>3603</sup>

On 7 February 2019, Argentina published, in the Official Gazette, General Resolution No. 4419 (GR 4419), which establishes the procedure for registering and processing imports of goods under related-party agreements containing price review clauses. The procedure in GR 4419 only applies when third-party operators mediate the import transactions between the related parties.<sup>3604</sup>

On 3 April 2019, the Argentine Executive Power sent a draft bill on a promotional regime for the knowledge-based economy to Congress. If enacted, the promotional regime would be in force from 1 January 2020 to 31 December 2029.<sup>3605</sup> The regime aims to promote knowledge-based and digital activities, such as software development, nanotechnology, artificial intelligence, robotics, internet of things, etc. Eligible companies would receive the following benefits: a 15 per cent income tax rate; the possibility of crediting foreign income taxes against Argentine income taxes due on Argentine-sourced income; an exemption from VAT withholdings and reverse withholdings; tax stability; a reduction in Social Security contributions for each employee that is duly registered and others.<sup>3606</sup>

Argentina has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

Thus, it is given a score of +1.

*Analyst: Elizaveta Safonkina*

### **Australia: +1**

Australia has fully complied with the commitment on international taxation.

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<sup>3602</sup> Argentina enacts bill to approve tax treaty with the United Arab Emirates, Ernst&Young (Buenos Aires) 11 January 2019. Access Date: 25 April 2019. <https://taxinsights.ey.com/archive/archive-news/argentina-enacts-bill-to-approve-tax-treaty-with-the-united-arab-emirates.aspx>.

<sup>3603</sup> Argentina establishes procedure to pay temporary duties on exports of services, Ernst&Young (Buenos Aires) 6 February 2019. Access Date: 25 April 2019. <https://taxinsights.ey.com/archive/archive-news/argentina-establishes-procedure-to-pay-temporary-duties.aspx>.

<sup>3604</sup> Argentina issues procedure for registering and processing imports under related-party agreements containing price review clauses, Ernst&Young (Buenos Aires) 26 February 2019. Access Date: 25 April 2019. <https://taxinsights.ey.com/archive/archive-news/argentina-issues-procedure-for-registering-and-processing-imports.aspx>.

<sup>3605</sup> Argentina's Executive Power proposes bill to promote knowledge-based economy, Ernst&Young (Buenos Aires) 24 April 2019. Access Date: 26 April 2019. <https://taxinsights.ey.com/archive/archive-news/argentina%E2%80%99s-executive-power-proposes-bill-to-promote.aspx>.

<sup>3606</sup> Argentina's Executive Power proposes bill to promote knowledge-based economy, Ernst&Young (Buenos Aires) 24 April 2019. Access Date: 26 April 2019. <https://taxinsights.ey.com/archive/archive-news/argentina%E2%80%99s-executive-power-proposes-bill-to-promote.aspx>.

On 17 January 2019 it was announced that most of Australia's Double Taxation Agreements (DTAs) were amended under the Multilateral Instrument. This initiative arose under the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) project and is likely to impact most international groups with activities in Australia. Australia's DTAs have become more aligned with the BEPS-proofing OECD effort. The new rules appear as modifications or addendums to the existing DTA, depending on the content of each DTA.<sup>3607</sup>

On 24 August 2018, the Hybrid Mismatch rules developed by OECD received royal assent as contained in Schedule 1 and 2 of Treasury Laws Amendment (Tax Integrity and Other Measures No. 2) Act 2018. The Hybrid Mismatch rules aim to prevent multinational companies from gaining an unfair competitive advantage by avoiding income tax or obtaining double tax benefits through hybrid mismatch arrangements. The Treasury Laws Amendment Act also contains the following sections: Other effects of foreign income tax deductions, Strengthening the integrity of the film producer offset Income tax and withholding exemptions for the ICC World 20 and Deductible gift recipients.<sup>3608</sup>

On 15 February 2018 Draft practical compliance guideline (PCG) 2018/D9 OECD hybrid mismatch rules – concept of structured arrangement was released. It contains practical guidance to assist taxpayers assessing the risk of the newly legislated hybrid mismatch rules applying to their circumstances, in particular in relation to the concept of “structured arrangement” in section 832-210 of the Income Tax Assessment Act.<sup>3609</sup>

On 28 March 2019, Australia and Israel signed the first ever double tax treaty between the two countries, and concurrently signed an accompanying Protocol.<sup>3610</sup> The Australian Treasurer also indicated that the new treaty includes OECD / G20 BEPS recommendations, demonstrating the Australian Government's commitment to tackling international tax avoidance. The purpose of the Treaty is to eliminate double taxation with respect to taxes on income, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance.<sup>3611</sup> Amongst other benefits, the Treaty gives greater certainty to Israeli and Australian individuals and companies alike, who may be working in the other country or have business operations there, as to how to resolve conflicts and inconsistencies between Israeli and Australian rules on important matters including tax residency and taxable presence (permanent establishment).<sup>3612</sup>

Australia has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

Thus, it is given a score of +1.

*Analyst: Anna Kotlyarova*

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<sup>3607</sup> Australian Double Tax Agreement changes 1 January 2019, Accru (Sydney) 17 January 2019. Access date: 31 March 2019. <https://www.accru.com/2019/01/double-tax-agreement-changes-1-january-2019/>

<sup>3608</sup> Implementation of the OECD hybrid mismatch rules, Australian Taxation Office (Canberra) 24 August 2018. Access date: 31 March 2019. <https://www.ato.gov.au/General/New-legislation/In-detail/Other-topics/International/Implementation-of-the-OECD-hybrid-mismatch-rules/>

<sup>3609</sup> Practical Compliance Guideline, Australian Taxation Office (Canberra) 15 February 2018. Access date: 31 March 2019. <https://www.ato.gov.au/law/view/document?DocID=DPC/PCG2018D9/NAT/ATO>

<sup>3610</sup> Australia and Israel: double tax treaty, Deloitte (Sydney) 11 April 2019. Access date: 1 May 2019. <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/tax/deloitte-au-tax-highlights-110419.pdf>

<sup>3611</sup> Australia and Israel: double tax treaty, Deloitte (Sydney) 11 April 2019. Access date: 1 May 2019. <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/tax/deloitte-au-tax-highlights-110419.pdf>

<sup>3612</sup> Australia and Israel: double tax treaty, Deloitte (Sydney) 11 April 2019. Access date: 1 May 2019. <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/tax/deloitte-au-tax-highlights-110419.pdf>

**Brazil: +1**

Brazil has fully complied with the commitment on international taxation.

On 11 December 2018, the Special Committee on Tax Reform in Brazil's Lower House approved Congressman Luiz Carlos Hauly's proposed indirect tax reform. This proposal would significantly change the system of indirect taxes in Brazil.<sup>3613</sup> The proposal would: replace the ISS (municipal service tax), ICMS (state VAT), PIS and COFINS (Social Security Contributions on Sales), IPI (federal excise tax) and some other taxes with a single federal VAT with only a few exceptions and special regimes. It would centralize the tax levy; distribute VAT revenues to states and cities based on their contribution to the tax base.<sup>3614</sup>

On 29 January 2019, The Department of Federal Revenue of Brazil (RFB) published Normative Instruction (NI) RFB 1.870/19, clarifying the transfer pricing rules and their application as established by NI RFB 1.312/12. NI RFB 1.870/19 is effective for calendar year 2019 and thereafter.<sup>3615</sup> NI RFB 1.312/12 clarified the analysis regarding the relationship of the parties involved in a transaction to which the PIC method applies using external comparable information. NI RFB 1.870/19 clarified that, when using the PIC method, taxpayers may use as a comparable transaction the purchase and sales transactions with third parties performed by any company of the same group and located in any jurisdiction, as long as the third party is not located in a country considered as a tax haven or privileged tax jurisdiction.<sup>3616</sup>

On 21 February 2019, Brazil published Legislative Decree No. 08, under which the Amendment Protocol to the Brazil-Denmark Double Tax Treaty is approved. The Amendment Protocol replaces Article 23 (Methods for Elimination of Double Taxation) to allow both countries to apply the ordinary tax credit method to eliminate double taxation.<sup>3617</sup> (action 5,6)

On 25 April 2019, the RFB has issued Normative Instruction (NI) 1880/2019, modifying NIs 1415/2013, 1600/2015 and 1781/2017, which cover the special customs regimes applicable to the oil and gas industry (i.e., Repetro, Repetro-Sped and Temporary Admission).<sup>3618</sup>

Brazil has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

Thus, it is given a score of +1.

*Analyst: Polina Petrova*

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<sup>3613</sup> Brazil: Special Committee of Lower House approves proposed indirect tax reform, Ernst & Young (Brasilia) 10 January 2019. Access Date: 15 February 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--brazil---special-committee-of-lower-house-approves-proposed-indirect-tax-reform>

<sup>3614</sup> Brazil: Special Committee of Lower House approves proposed indirect tax reform, Ernst & Young (Brasilia) 10 January 2019. Access Date: 15 February 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--brazil---special-committee-of-lower-house-approves-proposed-indirect-tax-reform>

<sup>3615</sup> Brazil modifies transfer pricing rules, Ernst & Young (Brasilia) 18 February 2019. Access Date : 15 February 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--brazil-modifies-transfer-pricing-rules>

<sup>3616</sup> Brazil modifies transfer pricing rules, Ernst & Young (Brasilia) 18 February 2019. Access Date : 15 February 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--brazil-modifies-transfer-pricing-rules>

<sup>3617</sup> Brazil publishes decree approving Amendment Protocol to Brazil-Denmark Double Tax Treaty, Ernst & Young (Brasilia) 28 February 2019. Access Date: 2 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--brazil-publishes-decree-approving-amendment-protocol-to-brazil-denmark-double-tax-treaty>

<sup>3618</sup> Brazilian Federal Revenue changes procedures applicable to special customs regimes for oil and gas industry, Ernst & Young (Brasilia) 25 April 2019. Access Date: 2 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--brazilian-federal-revenue-changes-procedures-applicable-to-special-customs-regimes-for-oil-and-gas-industry>

**Canada: 0**

Canada has partially complied with the commitment on international taxation.

On 28 January 2019, Canada’s Revenue Agency confirmed in a recent technical interpretation (2017-071330117) that Canadian withholding tax can apply to the accrued (but unpaid) interest on a debt owed by a Canadian resident to a non-resident when the debt is assumed by another entity and such an assumption constitutes a “novation” of the debt obligation for purposes of the applicable commercial law.<sup>3619</sup> This is because a novation would generally involve the creditor accepting all obligations under the original debt as being satisfied and discharged by the substitution of the assumed debt. Such obligations would include the obligation to pay accrued and unpaid interest under the original debt which could constitute such interest being considered to have been paid or credited by the Canadian resident debtor to the non-resident creditor for purposes of the non-resident withholding tax provisions of the Income Tax Act (Canada).<sup>3620</sup>

Canada has taken actions to move towards a globally fair, sustainable, and modern international tax system through national initiatives, but no action on an international level were registered.

Thus, it is given a score of 0.

*Analyst: Uliana Koptykh*

**China +1**

China has fully complied with the commitment on international taxation.

On 2 December 2019, the agreement between the People’s Republic of China and the Argentine Republic for the elimination of double taxation was signed. The agreement is aimed at the elimination of double taxation with respect to taxes on income and on capital without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this Agreement for the indirect benefit of residents of third states).<sup>3621</sup>

On 1 April 2019, Wang Jun, commissioner of the State Taxation Administration and Clare Fearnley, New Zealand’s Ambassador to China signed a new version of “Agreement between the People’s Republic of China and New Zealand for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.” The new agreement is a revised version of the 1986 agreement further reducing the tax burden of taxpayers investing in the either country.<sup>3622</sup>

On 20 April 2019, the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) was established on the first Belt and Road Tax Administration Cooperation Forum

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<sup>3619</sup> Canada: Canada confirms withholding tax can apply to the assumption of accrued interest, International Tax Review (London) 28 January 2019. Access date: 4 April 2019.

<https://www.internationaltaxreview.com/Article/3855827/Canada-Country-Briefing/Canada-Canada-confirms-withholding-tax-can-apply-to-the-assumption-of-accrued-interest.html>

<sup>3620</sup> Canada: Canada confirms withholding tax can apply to the assumption of accrued interest, International Tax Review (London) 28 January 2019. Access date: 4 April 2019.

<https://www.internationaltaxreview.com/Article/3855827/Canada-Country-Briefing/Canada-Canada-confirms-withholding-tax-can-apply-to-the-assumption-of-accrued-interest.html>

<sup>3621</sup> Agreement between People’s Republic of China and the Argentine Republic for the elimination of double taxation with respect to taxes on income and on capital without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance, State Taxation Administration (Beijing) 2 December 2018. Access date: 10 April 2019. <http://www.chinatax.gov.cn/eng/n2367756/c3942033/part/3942047.pdf>

<sup>3622</sup> China and New Zealand sign new agreement on tax, State Taxation Administration (Beijing) 1 April 2019. Access date: 10 April 2019. <http://www.chinatax.gov.cn/eng/n2367726/c4198711/content.html>

hosted by the State Taxation Administration.<sup>3623</sup>The mechanism is aimed at eliminating tax barriers, jointly enhancing tax governance capacity and further strengthening tax cooperation. Furthermore, the Belt and Road tax administration cooperation action plan was formulated. The plan set steps to strengthen the rule of law in taxation and create a fair and equitable environment; increase the efficiency of tax dispute resolution; promote capacity-building in tax administration; promote tax compliance through digital tax administration.<sup>3624</sup>

China has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor. Thus, it is given a score of +1.

*Analyst: Yekaterina Litvintseva*

### **France: +1**

France has fully complied with the commitment on international taxation.

On 17 December 2018, Gérald Darmanin announces the elimination of penalties of EUR 15 minimum in case of payment of taxes by check.<sup>3625</sup>

On 20 December 2018, the French finance law for 2019, which contains measures proposed as part of a global corporate tax reform, was approved by the parliament, and then declared by the Constitutional Court to be in conformity with the French constitution.<sup>3626</sup>

On 14 March 2019, Gérald Darmanin presents seven initiatives for a new relationship of trust between companies and Tax Administration (tax support, tax partnership, verification of compliance with tax laws by a trusted third party).<sup>3627</sup>

On 4 April 2019, U.S. Secretary of State Mike Pompeo and his French counterpart Jean-Yves Le Drian had a meeting on a digital services tax. Secretary Pompeo urged France not to approve a digital services tax, which would negatively impact large U.S. technology firms and the French citizens who use them.<sup>3628</sup>

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<sup>3623</sup> First Belt and Road tax administration cooperation forum closes, State Taxation Administration (Beijing) 20 April 2019. Access date: 23 April 2019. <http://www.chinatax.gov.cn/eng/n2367726/c4298639/content.html>

<sup>3624</sup> First Belt and Road tax administration cooperation forum closes, State Taxation Administration (Beijing) 20 April 2019. Access date: 23 April 2019. <http://www.chinatax.gov.cn/eng/n2367726/c4298639/content.html>

<sup>3625</sup> Gérald Darmanin annonce la suppression des pénalités de 15 euros minimum en cas de paiement des impôts par chèque, Le portail de l'Économie, des Finances, de l'Action et des Comptes publics (Paris) 7 December 2018. Access date: 1 April 2019. [https://minefi.hosting.augure.com/Augure\\_Minefi/r/ContenuEnLigne/Download?id=E60720DB-31A2-4808-BE93-73FDF1C296C0&filename=511.pdf](https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=E60720DB-31A2-4808-BE93-73FDF1C296C0&filename=511.pdf)

<sup>3626</sup> Finance law for 2019 implements ATAD 1 measures, changes tax consolidation rules, Deloitte (Paris) 29 December 2019. Access date: 1 April 2019. <https://www.taxathand.com/article/10852/France/2018/Finance-law-for-2019-implements-ATAD-1-measures-changes-tax-consolidation-rules>

<sup>3627</sup> Gérald Darmanin présente sept initiatives pour une nouvelle relation de confiance entre les entreprises et l'administration fiscale, Le portail de l'Économie, des Finances, de l'Action et des Comptes publics (Paris) 14 March 2019. Access date: 1 April 2019. [https://minefi.hosting.augure.com/Augure\\_Minefi/r/ContenuEnLigne/Download?id=EF8FFCC3-93F8-4AA3-9291-DA04A626FFFA&filename=639.pdf](https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=EF8FFCC3-93F8-4AA3-9291-DA04A626FFFA&filename=639.pdf)

<sup>3628</sup> Pompeo urges France not to approve digital services tax, Reuters (Paris) 4 April 2019. Access date: 30 April 2019. <https://www.reuters.com/article/us-usa-france-tax/pompeo-urges-france-not-to-approve-digital-services-tax-idUSKCN1RG1TZ>

On 24 April 2019, the French Ministry of Economy and Finance April 24 issued guidance on income tax declarations for entrepreneurs based on an entrepreneur's legal status and the chosen tax regime.<sup>3629</sup>

On 24 April 2019, the French General Directorate of Public Finance April 24 updated the administrative doctrine on the tax credit for credit institutions and financial companies that provide zero-rated home loans to first-time buyers.<sup>3630</sup>

France has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor. Thus, it is given a score of +1.

*Analyst: Dariya Myasnikova*

### **Germany: +1**

Germany has fully complied with the commitment on international taxation.

On 6 December 2018, the German Ministry of Finance issued a circular with an administrative guidance allowing German taxpayers to justify deviations from the arm's length principle under certain circumstances. The circular helped bring German legislation in line with the European Union's norms on transfer pricing.<sup>3631</sup>

On 27 March 2019, German finance minister Olaf Scholz and State Secretary for Finance at the Dutch Ministry of Finance Menno Snel signed a joint statement reaffirming the two countries' commitment to combating tax avoidance by agreeing and implementing the Organisation for Economic Co-operation and Development and EU standards on base erosion and profit shifting.<sup>3632</sup>

In 2019, Germany continued the implementation of projects to support developing countries in their tax capacity building efforts. These include: a ten-years project "Good Financial Governance" worth EUR47 million implemented in several African countries, with one of the objectives to foster effective tax administrations, provide appropriate training for tax officials and establish a dialogue with tax academics;<sup>3633</sup> a project worth EUR12 million to support efforts by the Ukrainian Ministry of Finance and the State Fiscal Service of Ukraine to modernize tax legislation and tax

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<sup>3629</sup> France MOF Issues Guidance on Income Tax Declaration for Entrepreneurs, Bloomberg Tax (London) 29 April 2019. Access date: 30 April 2019. <https://news.bloombergtax.com/daily-tax-report-international/france-mof-issues-guidance-on-income-tax-declaration-for-entrepreneurs>

<sup>3630</sup> France Tax Agency Updates Administrative Doctrine on Tax Credit for Providers of Zero-Rated Home Loans, Bloomberg Tax (London) 29 April 2019. Access date: 30 April 2019. <https://news.bloombergtax.com/daily-tax-report-international/france-tax-agency-updates-administrative-doctrine-on-tax-credit-for-providers-of-zero-rated-home-loans>

<sup>3631</sup> Commercial justification for a transaction concluded on non-arm's-length terms – ECJ judgement of 31 May 2018 in Case C-382/16, German Federal Ministry of Finance (Berlin) 6 December 2018. Access Date: 15 April 2019. [https://www.bundesfinanzministerium.de/Content/EN/Downloads/Commercial-justification-for-a-transaction-concluded-on-non-arms-length-terms.pdf?\\_\\_blob=publicationFile&v=1](https://www.bundesfinanzministerium.de/Content/EN/Downloads/Commercial-justification-for-a-transaction-concluded-on-non-arms-length-terms.pdf?__blob=publicationFile&v=1).

<sup>3632</sup> Germany and Netherlands reaffirm their commitment to combating tax avoidance, German Federal Ministry of Finance (Berlin) 27 March 2019. Access Date: 15 April 2019. <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Taxation/Articles/2019-03-27-NLD-GER-statement.html>.

<sup>3633</sup> Good Financial Governance II, German Agency for International Cooperation (Berlin). Access Date: 15 April 2019. <https://www.giz.de/projektdateien/exportDetail.action?documentId=201220292&infotypeSource=projects>.

administration;<sup>3634</sup> and a EUR7 million project to make tax administration in Nepal more transparent, effective and service-oriented.<sup>3635</sup>

Germany has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

Thus, it is given a score of +1.

*Analyst: Andrey Shelepov*

### **India: +1**

India has fully complied with the commitment on international taxation.

On 18 December 2018, the Indian Tax Administration through a notification, prescribed that the due dates for “secondary filing” would be 12 months from the end of the reporting accounting year of the multinational enterprises group. However, for all reporting accounting years up to 28 February 2018, the due date has been extended to 31 March 2019.<sup>3636</sup>

On 15 March 2019, the governments of India and the US finalized an agreement for the automatic exchange of country-by-country reports.<sup>3637</sup>

On 2 April 2019, the Indian Union Cabinet approved India’s signing of the multilateral instrument to implement the tax treaty measures in the Organisation for Economic Co-operation and Development/G20 base erosion profit shifting action plan. A signing ceremony will be held in Paris this June.<sup>3638</sup>

India has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

Thus, it is given a score of +1.

*Analyst: Polina Shtanko*

### **Indonesia: +1**

Indonesia has fully complied with the commitment on international taxation.

On 23 January 2019, a new regulation from Indonesia’s tax authority came into effect, having clarified certain inconsistencies between the requirements of various transfer pricing reporting regulations; in particular, the regulation notes that for submission with the annual tax return it is only

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<sup>3634</sup> Support to the reform of public finances II. Good Financial Governance, German Agency for International Cooperation (Berlin). Access Date: 15 April 2019.

<https://www.giz.de/projektdaten/exportDetail.action?documentId=201322965&infotypeSource=projects>.

<sup>3635</sup> Support to the tax administration, German Agency for International Cooperation (Berlin). Access Date: 15 April 2019. <https://www.giz.de/projektdaten/exportDetail.action?documentId=201620434&infotypeSource=projects>.

<sup>3636</sup> Indian Tax Administration announces due date for secondary filing under Country-by-Country Reporting regulations 18 December, Ernst&Young (Delhi). Access date: 9 January 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--indian-tax-administration-announces-due-date-for-secondary-filing-under-country-by-country-reporting-regulations>

<sup>3637</sup> India, US reach agreement on country-by-country reporting for multinational groups, Multinational Tax and Transfer pricing news (Hillsdale) 15 march 2019. Access date: 6 May 2019. <https://mnetax.com/india-us-agree-to-withdraw-local-cbc-filing-requirement-for-multinational-groups-32949>

<sup>3638</sup> India: India Confirms Intent To Sign BEPS Multilateral Instrument Curbing Tax Avoidance, Mondaq (New York) 2 April 2019. Access date: 6 may 2019. <http://www.mondaq.com/india/x/793844/tax+authorities/Pledging+Of+Shares+Do+Lenders+Need+To+Rethink+Their+Strategy>

required to provide a summary form confirming the content of the Master file and Local file, as well as the date as at when these files are available, and a receipt of either the country-by-country report notification and/or report itself, as well as the “working papers”; previously it was required to provide a package of transfer pricing documentation consisting of Master file, Local file and Country-by-Country report.<sup>3639</sup>

On 7 February 2019, a Mutual Legal Assistance agreement to carry out investigations of alleged tax fraud between Indonesia and Switzerland was announced; it was also mentioned that from September 2019 Indonesia and Switzerland would start automatic exchange of tax information.<sup>3640</sup>

On 28 February 2019, it was reported that the tax treaty between Indonesia and Belarus, covering the issues of double-taxation and cooperation between the two countries on combating tax evasion, took effect.<sup>3641</sup>

Indonesia has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor. Thus, it is given a score of +1.

*Analyst: Pavel Doronin*

### **Italy: +1**

Italy has fully complied with the commitment on international taxation.

On 31 January 2019, in light of the European Union proposal, in the Budget Law for 2019 Italy introduced the Italian Digital Services Tax which replaced the previous tax provisions introduced last year. The EU digital services tax proposal aims to address the digital revolution which requires a new approach to tax law principles, the current corporate income tax rules becoming inadequate to address the digital business.<sup>3642</sup>

On 12 March 2019, Italy signed agreements aimed at elimination of double taxation with Jamaica and Colombia.<sup>3643</sup>

On 16 March 2019, the foreign ministers of Uruguay and Italy signed two pacts, aimed at the abolition of double taxation between the two countries and the promotion of investments for small and medium enterprises.<sup>3644</sup>

On 23 March 2019, Economy and Finance Minister Giovanni Tria signed with China’s Foreign Minister Wang Yi the new agreement between Italy and China aimed at elimination double taxation.<sup>3645</sup>

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<sup>3639</sup> New Regulation Issued by Tax Authority in Indonesia, Duff and Phelps (New York) 2 March 2019. Access date: 15 April 2019. [https://www.duffandphelps.com/insights/publications/transfer-pricing/new-regulation-issued-by-tax-authority-in-indonesia?utm\\_source=Mondaq&utm\\_medium=syndication&utm\\_campaign=View-Original](https://www.duffandphelps.com/insights/publications/transfer-pricing/new-regulation-issued-by-tax-authority-in-indonesia?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original)

<sup>3640</sup> MLA agreement with Switzerland will assist tax fraud investigations: Official, The Jakarta Post (Jakarta) 7 February 2019. Access date: 15 April 2019. <https://www.thejakartapost.com/news/2019/02/07/mla-agreement-with-switzerland-will-assist-tax-fraud-investigations-official.html>

<sup>3641</sup> OPINION: RI-Belarus Tax Treaty & Eastern European Market, Ekonomi (Jakarta) 28 February 2019. Access date: 15 April 2019. <https://ekonomi.bisnis.com/read/20190228/259/894494/opini-tax-treaty-ri-belarus-pasar-eropa-timur>

<sup>3642</sup> INSIGHT: New Italian Web Tax and the EU Directive, Bloomberg (London) 31 January 2019. Access date: 30 March 2019. <https://www.bna.com/insight-new-italian-n57982095814/>

<sup>3643</sup> Scambio libero con Giamaica e Colombia, accordi col cinema bulgaro: la strana politica estera del governo, Tnews (Rome) 12 March 2019. Access date: 30 March 2019. [https://notizie.tiscali.it/politica/articoli/accordi\\_internazionali\\_governo/](https://notizie.tiscali.it/politica/articoli/accordi_internazionali_governo/)

<sup>3644</sup> Uruguay-Italia: due accordi di cooperazione giudiziaria, Ministero della giustizia (Rome) 16 March 2019. Access date: 30 March 2019. <https://www.gnewsonline.it/due-accordi-di-cooperazione-giudiziaria-tra-uruguay-e-italia/>

Italy has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor. Thus, it is given a score of +1.

*Analyst: Svetlana Kochetkova*

### **Japan: +1**

Japan has fully complied with the commitment on international taxation.

On 14 December 2018, proposals for tax reform in Japan to be further discussed in 2019 were published, including a number of important items aimed at implementing the Base Erosion and Profit Shifting (BEPS) Action Plan, including<sup>3646</sup>:

- With respect to Action 4 (Interest deduction) – to expand the scope of the earnings stripping rules to all loans, including third-party loans, and to lower the earnings stripping threshold from 50 per cent to 20 per cent;
- With respect to transfer pricing rules – (1) to provide a definition of “intangibles” according to the BEPS final reports as “something which is not a physical asset or a financial asset and whose use or transfer would be compensated had it occurred in a transaction between independent parties in comparable circumstances,” (2) to add the discounted cash flow method suggested by the BEPS final report to the list of transfer pricing methods, (3) allow tax authorities to assess and determine the transfer price of “specified intangibles” based on the best method taking into consideration ex-post outcomes derived from the transferred hard-to-value intangibles.

On 13 January 2019, it was reported by Japan’s Ministry of Finance that the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting would operate from 1 April 2019 to amend the existing tax treaty between Japan and Singapore.<sup>3647</sup>

On 11 February 2019, it was reported by Japan’s Ministry of Finance that the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting would operate from 1 May 2019 to amend the existing tax treaty between Japan and Ireland.<sup>3648</sup>

Japan has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor. Thus, it is given a score of +1.

*Analyst: Pavel Doronin*

### **Korea: 0**

Korea has partially complied with the commitment on international taxation.

On 24 December 2018, Korea enacted the 2019 tax reform bill. The 2019 Tax Reform Bill includes provisions in line with the Organisation for Economic Co-operation and Development Base Erosion

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<sup>3645</sup> Italia-Cina. Firmati accordi per 2,5 miliardi di euro, Avvenire.it (Rome) 23 March 2019. Access date: 30 March 2019. <https://www.avvenire.it/attualita/pagine/via-della-seta-gli-accordi-firmati-tra-xi-cina-e-l-italia>

<sup>3646</sup> Japan’s 2019 tax reform proposal restricts interest deduction, updates transfer pricing rules, MNE Tax (New York) 19 December 2018. Access date: 15 April 2019. <https://mnetax.com/japans-2019-tax-reform-proposal-restricts-interest-deduction-updates-transfer-pricing-rules-31586>

<sup>3647</sup> MLI amends Japan, Singapore tax treaty, MNE Tax (New York) 13 January 2019. Access date: 15 April 2019. <https://mnetax.com/japan-singapore-tax-treaty-amended-by-mli-31862>

<sup>3648</sup> Japan-Ireland tax treaty to be modified by MLI, MNE Tax 11 (New York) February 2019. Access date: 15 April 2019. <https://mnetax.com/japan-ireland-tax-treaty-to-be-modified-by-mli-32316>

and Profit Sharing (BEPS) Action 7 (Preventing the artificial avoidance of Permanent Establishment Status) among other measures.<sup>3649</sup>

Korea has taken actions to move towards a globally fair, sustainable, and modern international tax system through national initiatives, but no action on an international level were registered. Thus, it is given a score of 0.

*Analyst: Alexander Ignatov*

### **Mexico: -1**

Mexico has not complied with the commitment on international taxation.

Mexico has not taken actions to move towards a globally fair, sustainable, and modern international tax system neither through national initiatives nor as an international actor. Thus, it is given a score of -1.

*Analyst: Nadezhda Kamenkovich*

### **Russia: 0**

Russia has partially complied with the commitment on international taxation.

On 4 December 2018, the Multilateral Agreement authorities on the automatic exchange of information on financial accounts was signed.<sup>3650</sup>

On 4 February 2019, Commission on legislative activity of Russian Government approved a draft law on ratification of the Organisation for Economic Co-operation and Development action plan on base erosion and profit shifting.<sup>3651</sup>

Russia has taken actions to move towards a globally fair, sustainable, and modern international tax system both through as an international actor. Thus, it is given a score of 0.

*Analyst: Anna Piekalnits*

### **Saudi Arabia: +1**

Saudi Arabia has fully complied with the commitment on international taxation.

On 10 December 2018, Saudi Arabia's General Authority of Zakat and Tax (GAZT) published draft transfer pricing bylaws (TP bylaws) for public consultation.<sup>3652</sup> The TP bylaws follow international standards, including the arm's-length principle and documentation standards set out in the Organisation for Economic Co-operation and Development's (OECD) Transfer Pricing Guidelines. As per the GAZT website, "the TP bylaws are applicable to persons considered taxpayers in Saudi Arabia under the corporate Income Tax Law.<sup>3653</sup> Generally, this includes – without limitation –

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<sup>3649</sup> Korea enacts 2019 tax reform bill, Ernst&Young (Seoul) 24 December 2019. Access date: 2 April 2019.

<https://www.ey.com/gl/en/services/tax/international-tax/alert--korea-enacts-2019-tax-reform-bill>

<sup>3650</sup> Order of the Federal Tax Service of Russia № MMB-7-17 / 784 @ «On approval of the List of States (territories) with which the automatic exchange of financial information is carried out», Consultant (Moscow) 4 December 2018. Access Date: 15 January 2019. [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_314333/](http://www.consultant.ru/document/cons_doc_LAW_314333/).

<sup>3651</sup> The law drafting commission approved a draft law on ratification of the OECD multilateral Convention in order to counter the erosion of the tax base and withdraw profits from taxation, Russian Government (Moscow) 4 February 2019. Access date: 23 May 2019. [http://government.ru/dep\\_news/35644/](http://government.ru/dep_news/35644/)

<sup>3652</sup> KSA introduces Transfer Pricing Regulation, KPMG (Riyadh) 31 December 2018. Access date: 6 May 2019.

<https://home.kpmg/content/dam/kpmg/sa/pdf/2019/KSA%20introduces%20Transfer%20Pricing%20Regulations.pdf>

<sup>3653</sup> KSA introduces Transfer Pricing Regulation, KPMG (Riyadh) 31 December 2018. Access date: 6 May 2019.

<https://home.kpmg/content/dam/kpmg/sa/pdf/2019/KSA%20introduces%20Transfer%20Pricing%20Regulations.pdf>

multinational enterprise groups (MNE Groups), one or many members of which are deemed a taxable person in Saudi Arabia.” The TP bylaws introduce new compliance requirements for fiscal years ending on or after 31 December 2018, including the submission of a Controlled Transaction Disclosure Form – due within 120 days from the end of the fiscal year end and filed as part of the annual income tax declaration.<sup>3654</sup> Additionally, the TP bylaws introduce transfer pricing documentation and country-by-country reporting requirements that are broadly aligned with the OECD’s Base Erosion and Profit Shifting (BEPS) Action 13 Final Report.<sup>3655</sup> On 15 February 2019, the abovementioned bylaws were presented in a final document.<sup>3656</sup>

On 1 March 2019, Saudi Arabia published the Double Tax Treaty with the United Arab Emirates. The treaty covers several tax exemptions and tax reductions namely reduced tax rate on royalty payments, tax exemption on interest and service fees.<sup>3657</sup> The necessary implementation proceedings had been completed by both sides by 07 April 2019 meaning the agreement has come into force.<sup>3658</sup>

Saudi Arabia has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

Thus, it is given a score of +1.

*Analyst: Alexander Ignator*

### **South Africa: 0**

South Africa has partially complied with the commitment on international taxation.

On 20 February 2019, the South African Minister of Finance presented the Budget for 2019/20 before Parliament.<sup>3659</sup> Among others, the Budget proposes the following: (i) a special interest deduction relating to debt-financed acquisitions of controlling shares in an operating company; (ii) the introduction of additional robust measures in the controlled foreign company rules to address the circumvention of the anti-diversionary rules; and (iii) the review of the definition of permanent establishment in domestic legislation in line with South Africa’s positions under the base erosion and profit shifting multilateral instrument.<sup>3660</sup>

South Africa has taken actions to move towards a globally fair, sustainable, and modern international tax system through national initiatives, but no action on an international level were registered.

Thus, it is given a score of 0.

*Analyst: Arseniy Zakharov*

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<sup>3654</sup> KSA introduces Transfer Pricing Regulation, KPMG (Riyadh) 31 December 2018. Access date: 6 May 2019. <https://home.kpmg/content/dam/kpmg/sa/pdf/2019/KSA%20introduces%20Transfer%20Pricing%20Regulations.pdf>

<sup>3655</sup> Saudi Arabia’s tax authority releases draft transfer pricing bylaws, Ernst&Young (Riyadh) 10 December 2018. Access date: 6 May 2019. URL: <https://www.ey.com/gl/en/services/tax/international-tax/alert--saudi-arabias-tax-authority-releases-draft-transfer-pricing-bylaws>

<sup>3656</sup> KSA introduces Transfer Pricing Regulation, KPMG (Riyadh) 31 December 2018. Access date: 6 May 2019. <https://home.kpmg/content/dam/kpmg/sa/pdf/2019/KSA%20introduces%20Transfer%20Pricing%20Regulations.pdf>

<sup>3657</sup> KSA Cabinet approves Double Tax Treaty with the UAE. Access date: 6 May 2019. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2019/ksa-uae-double-tax-treaty-march-2019.html>

<sup>3658</sup> UAE, Saudi Arabia agreement on avoidance of double taxation comes into effect, Emirates News Agency (Abu Dhabi) 1 March 2019. Access date: 6 May 2019. <http://wam.ae/en/details/1395302753727>

<sup>3659</sup> The Latest on BEPS – 25 March 2019, Ernst&Young (Riyadh) 25 March 2019. Access date: 6 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---25-march-2019>

<sup>3660</sup> The Latest on BEPS – 25 March 2019, Ernst&Young (Riyadh) 25 March 2019. Access date: 6 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---25-march-2019>

### **Turkey: 0**

Turkey has partially complied with the commitment on international taxation.

On 28 December 2018 Turkey's President approved the bilateral agreements on automatic exchange of information between Turkey and Latvia, and Turkey and Norway, which came about as Turkey's first bilateral agreements on automatic exchange of information.<sup>3661</sup>

Turkey has taken actions to move towards a globally fair, sustainable, and modern international tax system through national initiatives, but no action on an international level were registered.

Thus, Turkey is given a score of 0.

*Analyst: Pavel Doronin*

### **United Kingdom: +1**

The United Kingdom has fully complied with the commitment on international taxation.

On 6 December 2018, Her Majesty's Revenue and Customs published the synthesized text of the 2006 UK-Poland Double Taxation Convention, displaying the modifications made to the treaty by the Multilateral instrument (MLI).<sup>3662</sup> The synthesized text reflects the agreement reached between the relevant tax authorities of both UK and Poland on how the treaty should be impacted by the MLI. The provisions of the MLI entered into force for Poland on 1 July 2018 and on 1 October 2018 for the UK.<sup>3663</sup> The provisions of the MLI will have effect with respect to the UK-Poland Double Taxation Convention on 1 January 2019 for taxes withheld at source in both jurisdictions, (ii) 1 April 2019 with respect to all other taxes levied by Poland and for corporation tax in the UK, and (iii) 6 April 2019 for income tax and capital gains tax in the UK.<sup>3664</sup>

On 13 March 2019, new policy paper "No Safe Havens 2019" was issued. It outlines Her Majesty's Revenue and Customs strategy in fighting against tax avoidance. This strategy establishes new objectives, reflecting the UK's substantial progress in tackling offshore non-compliance. Additionally, it says that the UK will continue to champion greater international cooperation to tackle offshore non-compliance.<sup>3665</sup>

On 19 February 2019, New programme of UK support to help improve tax systems in developing countries was announced. The development assistance will help tackle tax evasion and avoidance, build effective tax systems to fund public services and provide British experts.<sup>3666</sup>

The United Kingdom has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor.

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<sup>3661</sup> The Latest on BEPS – 25 March 2019, Ernst&Young (Ankara) 25 March 2019. Access date: 6 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---25-march-2019>

<sup>3662</sup> The Latest on BEPS – 17 December 2018, Ernst&Young (London) 17 December 2018. Access date: 6 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---17-december-2018>

<sup>3663</sup> The Latest on BEPS – 17 December 2018, Ernst&Young (London) 17 December 2018. Access date: 6 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---17-december-2018>

<sup>3664</sup> The Latest on BEPS – 17 December 2018, Ernst&Young (London) 17 December 2018. Access date: 6 May 2019. <https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---17-december-2018>

<sup>3665</sup> No Safe Havens 2019, UK Government (London) 13 March 2019. Access date: 21 June 2019. <https://www.gov.uk/government/publications/no-safe-havens-2019>

<sup>3666</sup> New UK support to help improve tax systems in developing countries, UK Government (London) 19 February 2019. Access date: 21 June 2019. <https://www.gov.uk/government/news/new-uk-support-to-help-improve-tax-systems-in-developing-countries>

Thus, it is given a score of +1.

*Analyst: Mariya Kalugina*

### **United States: 0**

United States has partially complied with the commitment on international taxation.

On 11 December 2018, the Internal Revenue Service added Hungary to the list of countries with which the United States has signed a Competent Authority Agreement for the automatic exchange of country-by-country (CbC) reports.<sup>3667</sup>

On 13 December 2018, the Competent Authority of the United States and the Competent Authority of the Federal Republic of Germany signed a new Joint Statement on the implementation of the spontaneous exchange of CbC reports for 2017 fiscal years. The new Joint Statement covers CbC reports with respect to fiscal years of multinational enterprise groups commencing on or after 1 January 2017 and before 1 January 2018. Also, the two countries are currently negotiating a Competent Authority Agreement to allow for the automatic exchange of CbC reports.<sup>3668</sup>

On 15 March 2019, the governments of India and the United States finalized an agreement for the automatic exchange CbC reports.<sup>3669</sup>

The United States has taken actions to move towards a globally fair, sustainable, and modern international tax system through national initiatives, but no action on an international level were registered. Thus, it is given a score of 0.

*Analyst: Dmitriy Lukanin*

### **European Union: +1**

The European Union has fully complied with the commitment on international taxation.

On 19 December 2016, the European Commission issued a final report on the study on comparable data used for transfer pricing in the EU. The report stated that improving the transfer pricing regulations and practices was a priority for policy makers across the Organisation for Economic Co-operation and Development, G20 and EU countries. The European Commission addressed this issue as part of its overall Action Plan on Base Erosion and Profit Shifting (BEPS) for fair and efficient corporate taxation in the EU. In this context, the European Commission saw a strong need to assess the state of play and improve the knowledge of good practices on terms and conditions under which intra-group prices are set up.<sup>3670</sup>

On 19 December 2016, the European Commission issued a final report on the study on the application of economic valuation techniques for determining transfer prices of cross border transactions between members of multinational enterprise groups in the European Union. This

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<sup>3667</sup> Global Tax Alert, Ernst&Young (New York) 17 December 2018. Access date: 6 May 2019. [https://www.ey.com/Publication/vwLUAssets/The\\_Latest\\_on\\_BEPS\\_-\\_17\\_December\\_2018/\\$FILE/2018G\\_012417-18Gbl\\_The%20Latest%20on%20BEPS%20-%2017%20December%202018.pdf](https://www.ey.com/Publication/vwLUAssets/The_Latest_on_BEPS_-_17_December_2018/$FILE/2018G_012417-18Gbl_The%20Latest%20on%20BEPS%20-%2017%20December%202018.pdf)

<sup>3668</sup> Global Tax Alert, Ernst&Young (New York) 17 December 2018. Access date: 6 May 2019. [https://www.ey.com/Publication/vwLUAssets/The\\_Latest\\_on\\_BEPS\\_-\\_17\\_December\\_2018/\\$FILE/2018G\\_012417-18Gbl\\_The%20Latest%20on%20BEPS%20-%2017%20December%202018.pdf](https://www.ey.com/Publication/vwLUAssets/The_Latest_on_BEPS_-_17_December_2018/$FILE/2018G_012417-18Gbl_The%20Latest%20on%20BEPS%20-%2017%20December%202018.pdf)

<sup>3669</sup> India, US reach agreement on country-by-country reporting for multinational groups, Multinational Tax and Transfer pricing rules (New York) 15 March 2019. Access date: 6 May 2019. <https://mnetax.com/india-us-agree-to-withdraw-local-cbc-filing-requirement-for-multinational-groups-32949>.

<sup>3670</sup> Study on comparable data used for transfer pricing in the EU, European Commission (Brussels) 19 December 2016. Access date: 12 February 2019. <https://publications.europa.eu/en/publication-detail/-/publication/d16d2635-c685-11e6-a6db-01aa75ed71a1>.

document provided a view on how valuation techniques could practically and most efficiently be used for transfer pricing purposes in the European Union.<sup>3671</sup>

On 19 October 2018, the EU Joint Transfer Pricing Forum issued a report stating its coordinated approach to transfer pricing controls within the EU. In this report the EU Joint Transfer Pricing Forum established the best practices by issuing various recommendations for both taxpayers and tax administrations, and encourages closer cooperation in the field of transfer pricing controls.<sup>3672</sup>

On 7 March 2019, the meeting of the EU Joint Transfer Pricing Forum was held, which adopted a report on the application of the profit split method within the EU. This method was one of the five transfer pricing methods delineated in Chapter II of the OECD Transfer Pricing Guidelines. The report clarified key concepts, under which conditions to use the method and how to split the profit.<sup>3673</sup>

On 17 April 2019, the European Parliament adopted at first reading a legislative resolution on the proposal for a regulation of the European Parliament and of the Council establishing the 'Fiscalis' programme for cooperation in the field of taxation. The Programme had the general objectives of supporting tax authorities and taxation to enhance the functioning of the single market, of fostering Union competitiveness and fair competition in the Union, of protecting the financial and economic interests of the Union and its Member States, including protecting those interests from tax fraud, tax evasion and tax avoidance, and of improving tax collection.<sup>3674</sup>

On 19 December 2018, the Directorate-General for Taxation and Customs Union issued its Management Plan 2019. One of the main goals mentioned in the plan for 2019 was international tax cooperation. In 2019, the EU would continue to encourage third countries to adhere to international tax good governance standards.<sup>3675</sup>

On 29-31 March 2019, a high-level EU mission visited the Kingdom of Eswatini. On taxes issues the EU reminded the 3 benchmarks the Kingdom of Eswatini had committed with the EU to comply by end 2019: 1) to be member of the Global Forum on Transparency and Exchange of Information for Tax Purposes; 2) to commit to sign and ratify the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters and 3) to join the Inclusive Framework on BEPS or commit to the minimum standard and to communicate the timeline for doing so. The EU underlined the political importance to comply with these benchmarks, to continue benefiting from EIB assistance and to attract foreign direct investment.<sup>3676</sup>

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<sup>3671</sup> Study on the application of economic valuation techniques for determining transfer prices of cross border transactions between members of multinational enterprise groups in the EU, European Commission (Brussels) 19 December 2016. Access date: 12 February 2019. <https://publications.europa.eu/en/publication-detail/-/publication/e7dbd290-c682-11e6-a6db-01aa75ed71a1>.

<sup>3672</sup> EU Joint Transfer Pricing Forum – a coordinated approach to transfer pricing controls within the EU, European Commission (Brussels) 19 October 2018. Access date: 12 February 2019. [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/jtpf\\_report\\_on\\_a\\_coordinated\\_approach\\_to\\_transfer\\_pricing\\_controls\\_within\\_the\\_eu\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/jtpf_report_on_a_coordinated_approach_to_transfer_pricing_controls_within_the_eu_en.pdf).

<sup>3673</sup> EU Joint Transfer Pricing Forum: The Application of the Profit Split Method within the EU, European Commission (Brussels) 7 March 2019. Access date: 29 April 2019. [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/report\\_on\\_the\\_application\\_of\\_the\\_profit\\_split\\_method\\_within\\_the\\_eu\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/report_on_the_application_of_the_profit_split_method_within_the_eu_en.pdf).

<sup>3674</sup> European Parliament: Fiscal Programme for Cooperation in the Field of Taxation, European Parliament (Brussels) 17 April 2019. Access date: 29 April 2019. [http://www.europarl.europa.eu/doceo/document/TA-8-2019-0404\\_EN.pdf](http://www.europarl.europa.eu/doceo/document/TA-8-2019-0404_EN.pdf).

<sup>3675</sup> DG TAXUD Management Plan 2019, European Commission (Brussels) 19 December 2018. Access date: 13 February 2019. [https://ec.europa.eu/info/sites/info/files/management-plan-taxud-2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/management-plan-taxud-2019_en.pdf).

<sup>3676</sup> High Level EU Mission Visits Eswatini, European External Action Service (Brussels) 1 April 2019. Access date: 29 April 2019. [https://eeas.europa.eu/headquarters/headquarters-homepage/60437/high-level-eu-mission-visits-eswatini\\_fr](https://eeas.europa.eu/headquarters/headquarters-homepage/60437/high-level-eu-mission-visits-eswatini_fr).

European Union has taken actions to move towards a globally fair, sustainable, and modern international tax system both through national initiatives and as an international actor. Thus, it is given a score of +1.

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