



## 2019 G20 Osaka Summit Final Compliance Report

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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*

## Contents

Preface .....	3
Research Teams .....	4
Introduction and Summary .....	5
Commitment Breakdown .....	5
Selection of Commitments .....	5
Final Compliance Scores .....	6
Final Compliance by Member .....	6
Final Compliance by Commitment .....	6
Table 1: 2019 G20 Osaka Summit Commitments Selected for Compliance Monitoring .....	7
Table 2: 2019 G20 Osaka Summit Final Compliance Scores .....	9
Table 3: 2019 G20 Osaka Summit Final Compliance by Member .....	10
Table 4: 2019 G20 Osaka Summit Final Compliance by Commitment .....	10
Table 5: G20 Compliance by Member, 2008–2019 .....	11
Conclusions .....	12
Future Research and Reports .....	12
Considerations and Limitations .....	12
Appendix: General Considerations .....	13
1. Macroeconomics: Inclusive Growth .....	14
2. Macroeconomics: Exchange Rates .....	122
3. Trade: Open Markets .....	131
4. Trade: Reform of the World Trade Organization .....	152
5. Infrastructure: Quality Infrastructure Investment .....	207
6. Digital Economy: Frameworks .....	327
7. International Taxation: Digitalization .....	348
8. Crime and Corruption: Cyber Resilience .....	364
9. Terrorism: Internet Security .....	389
10. Labour and Employment: Opportunities for Youth .....	428
11. Gender: Education and Training .....	452
12. Gender: Labour Market .....	493
13. Development: Energy .....	538
14. Development: Investment in Human Capital .....	559
15. Health: Ageing Populations .....	643
16. Health: Public Health Preparedness .....	717
17. Environment: Marine Plastic Litter and Microplastics .....	752
18. Climate Change: Financing for Sustainable Development .....	781
19. Climate Change: Innovation .....	803

## 7. International Taxation: Digitalization

“We will redouble our efforts for a consensus-based solution [on addressing the tax challenges arising from digitalization] with a final report by 2020.”

*G20 Osaka Leaders’ Declaration*

### Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia	-1		
Brazil			+1
Canada		0	
China		0	
France			+1
Germany			+1
India			+1
Indonesia		0	
Italy			+1
Japan			+1
Korea	-1		
Mexico		0	
Russia			+1
Saudi Arabia		0	
South Africa		0	
Turkey		0	
United Kingdom			+1
United States	-1		
European Union			+1
Average		+0.30 (65%)	

### 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>2471</sup> On 6 September 2013, at the St. Petersburg Summit, the G20 leaders fully endorsed “the ambitious and comprehensive Action Plan — originated in the OECD — aimed at addressing base erosion and profit shifting with mechanism to enrich the Plan as appropriate,” welcomed “the establishment of the G20/OECD BEPS project” and encouraged all interested countries to participate.<sup>2472</sup> Implementation details of the BEPS Action Plan developed thereafter constitute the BEPS package with 15 actions that equip governments with the necessary domestic and international instruments to ensure that profits are taxed where economic activities that generate the profits are performed and where value is created.<sup>2473</sup> The BEPS package also gives businesses greater certainty by reducing disputes over the application of international tax rules and by standardizing compliance requirements. The OECD/G20 Inclusive Framework on

<sup>2471</sup> Action Plan on Base Erosion and Profit Shifting, Organisation for Economic Co-operation and Development, 19 July 2013. <https://www.oecd.org/tax/beps/action-plan-on-base-erosion-and-profit-shifting-9789264202719-en.htm>

<sup>2472</sup> G20 Leaders’ Declaration St. Petersburg, G20 Information Centre (Toronto), 6 September 2013. Access Date: 4 April 2020. <http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>

<sup>2473</sup> BEPS Actions, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. <https://www.oecd.org/tax/beps/beps-actions/>

BEPS was established to expand the coverage of measures to tackle BEPS and brings together 137 countries and jurisdictions to collaborate on implementing its recommendations.<sup>2474</sup> Commitments to address BEPS have been reiterated at all subsequent G20 summits since St. Petersburg.

### Commitment Features

This commitment refers to BEPS Action 1 “Tax Challenges Arising from Digitalisation.” It is currently the top priority for the OECD/G20 Inclusive Framework. In May 2019, the Inclusive Framework issued the Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy.<sup>2475</sup> It explores technical design implementation issues that must be refined to develop a comprehensive and consensus-based solution, and includes proposals for the two challenges facing international income tax in the digital economy: changing the allocation of taxing rights through a coherent and concurrent review of the profit allocation and nexus rules (Pillar 1) and remaining BEPS issues and minimum taxation (Pillar 2).<sup>2476</sup> Given the focus of the commitment on developing “a consensus-based solution” and achieving a final report in 2020, compliance requires G20 member contribute to the discussions on the tax challenges of digitalization through, inter alia, participation in OECD public consultations.<sup>2477</sup>

The commitment also requires taking domestic measures to address the challenges of BEPS in line with recommendations on Action 1 that have already been finalized by the OECD. This refers specifically to the area of value-added taxes and goods and services taxes (VAT/GST). Relevant recommendations have been integrated into the 2016 International VAT Guidelines.<sup>2478</sup> Further guidance for implementation was provided by the 2017 report on Mechanisms for the Effective Collection of VAT/GST Where the Supplier Is Not Located in the Jurisdiction of Taxation<sup>2479</sup> and the 2019 report on The Role of Digital Platforms in the Collection of VAT/GST on Online Sales.<sup>2480</sup>

This assessment covers G20 members’ actions taken between 30 June 2019 and 10 October 2020.

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<sup>2474</sup> OECD/G20 Inclusive Framework on BEPS, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. <https://www.oecd.org/tax/beps/flyer-inclusive-framework-on-beps.pdf>

<sup>2475</sup> Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development, 31 May 2019. <https://www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm>

<sup>2476</sup> Action 1 Tax Challenges Arising from Digitalisation, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. <https://www.oecd.org/tax/beps/beps-actions/action1/>

<sup>2477</sup> Planned stakeholder input in OECD tax matters, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. <https://www.oecd.org/tax/planned-stakeholder-input-in-oecd-tax-matters.htm>

<sup>2478</sup> International VAT/GST Guidelines, Organisation for Economic Co-operation and Development, 12 April 2017. <https://www.oecd.org/ctp/international-vat-gst-guidelines-9789264271401-en.htm>

<sup>2479</sup> Mechanisms for the Effective Collection of VAT/GST: Where the Supplier Is Not Located in the Jurisdiction of Taxation, Organisation for Economic Co-operation and Development, 2017. <http://www.oecd.org/tax/tax-policy/mechanisms-for-the-effective-collection-of-vat-gst.pdf>

<sup>2480</sup> The Role of Digital Platforms in the Collection of VAT/GST on Online Sales, Organisation for Economic Co-operation and Development, 20 June 2019. <https://www.oecd.org/tax/beps/the-role-of-digital-platforms-in-the-collection-of-vat-gst-on-online-sales-e0e2dd2d-en.htm>

**Scoring Guidelines**

-1	G20 member does not address tax challenges arising from digitalization by not contributing to the final report on Pillars 1 and 2 or by implementing any BEPS Action 1 VAT/GST recommendations.
0	G20 member addresses tax challenges arising from digitalization by contributing to the final report on Pillars 1 and 2 OR by implementing any BEPS Action 1 VAT/GST recommendations.
+1	G20 member addresses tax challenges arising from digitalization by both contributing to the final report on Pillars 1 and 2 AND by implementing any BEPS Action 1 VAT/GST recommendations.

*Centre for International Institutions Research*

**Argentina: 0**

Argentina has partially complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 30 September 2019, Argentina implemented a new system to electronically register sales, purchase, assignments, exports and imports of goods and services, locations and benefits, called the “Digital VAT Book.” Taxpayers are obliged to electronically register their operations through this regime.<sup>2481</sup>

On 13 November 2019, Argentina issued the initiative on withholding value-added tax (VAT) on e-commerce goods and services purchased by consumers from foreign providers. It withholds an amount equivalent to VAT where a payment provider facilitates the payment. As well as VAT, there is an income tax withholding requirement. The new law requires credit and debit card holders, and well as banks making electronic transfers, to split the VAT element when the vendor is not a taxable person in Argentina. This brings non-residents into the tax system for goods, services and electronic services.<sup>2482</sup>

Argentina has taken no actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2. However, several VAT measures were implemented in accordance with BEPS Action 1 VAT/GST recommendations during the compliance period.

Thus, it receives a score of 0.

*Analyst: Irina Popova*

**Australia: -1**

Australia has failed to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 20 March 2019 the Australian government announced that following a consultation process, it would focus on pursuing a long-term consensus solution at the Organisation for Economic Co-operation and Development (OECD), noting overwhelming stakeholder support for this option and that many stakeholders: “raised significant concerns about the potential impact of an Australian interim measure across a wide range of Australian businesses and consumers, including discouraging

<sup>2481</sup> Resolución General AFIP N° 4597/2019, Boletín Oficial (Buenos Aires) 1 October 2019. Access date: 20 May 2020. [http://biblioteca.afip.gob.ar/dcp/REAG01004597\\_2019\\_09\\_30](http://biblioteca.afip.gob.ar/dcp/REAG01004597_2019_09_30)

<sup>2482</sup> Argentina confirms e-commerce Withholding VAT, Avalara 13 November 2019. Access date: 20 May 2020. <https://www.avalara.com/vatlive/en/vat-news/argentina-confirms-e-commerce-withholding-vat.html>

innovation and competition, adversely affecting start-ups and low-margin businesses, and the potential for double taxation.<sup>2483</sup>

No legislative changes reflecting the recommendations of the BEPS Action 1 in Australia have been registered during the monitoring period.

Australia did not make any progress in addressing tax challenges arising from digitalization.

Therefore, it receives a score of -1.<sup>2484</sup>

*Analyst: Andrei Sakbarov*

### **Brazil: +1**

Brazil has fully complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 10 July 2019, the Senate proposed a bill to amend the tax regime in Brazil. According to this bill, consumption taxes would be replaced with one single tax on consumption of goods and services, following the international standards of value-added tax. This tax would be originally set at a uniform reference rate for each federative entity, to be applied indistinctly to all transactions involving tangible or intangible assets. The final tax burden is expected to reach the initial rate of 25 per cent after a 10-year term of transition. Two concerns related to the tax reform are being voiced by digital economy companies. The first is that they would have to cope with a significant tax hike if the 25 per cent is confirmed. In return, the reform seeks to increase security for investors and provide transparency to consumers, who will bear the tax burden. Another worry relates to the criteria and mechanisms for identifying the jurisdiction of consumption. It is difficult to implement the destination principle with respect to services and intangibles, because they cannot be subject to border controls in the same way as goods. The rules should ensure there is clarity and certainty for both business and tax administrations and that compliance is kept as simple as possible with minimal costs involved.<sup>2485</sup>

On 27-28 May 2020, BRICS tax authorities meeting was held in a format of a video conference. As part of the discussion on taxation of the digital economy, the parties touched upon the distribution of residual (non-routine) profits of international groups of companies and taxation of revenues from electronic services. BRICS experts expressed their views on the prospects and potential perimeter of a mandatory mechanism for the prevention and resolution of tax disputes that may arise in the case of the so-called Unified Approach — a multilateral global project on taxation of profits of digital companies, developed under the auspices of the OECD.<sup>2486</sup>

On 18 August 2020, the bill, which envisions a tax called the Social Contribution on Digital Services (Contribuição Social sobre Serviços Digitais) was submitted. The tax would be levied on gross income derived from digital services provided by large technology companies. The proposed legislation defines digital services as the provision of any type of data digitally and including

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<sup>2483</sup> France's Digital Services Tax, Parliament of Australia 9 August 2020. Access date: 2 October 2020.  
[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2019/August/Digital\\_Services\\_Taxation](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2019/August/Digital_Services_Taxation)

<sup>2484</sup> Websites of the Australian Taxation Office, national government, tax analysts as well as open sources were searched.

<sup>2485</sup> Proposta De Emenda À Constituição nº 110 de 2019, Brazilian Senate 10 July 2019/ Access date: 20 May 2020.  
<https://www12.senado.leg.br/ecidania/visualizacaomateria?id=137699>

<sup>2486</sup> The Russian Federal Tax Service held consultations with experts from tax administrations of BRICS countries, Federal Tax Service of Russia 29 May 2020. Access date: 1 June 2020.  
[https://www.nalog.ru/rn77/about\\_fts/inttax/9809930/](https://www.nalog.ru/rn77/about_fts/inttax/9809930/)

electronic files, applications, software, music, video, texts, games and related items, and the availability of electronic apps that may allow the transfer of any digital content between users.<sup>2487</sup>

Brazil has taken part in BRICS discussion of digital economy taxation. Also several value-added tax (VAT) measures were implemented in accordance with BEPS Action 1 recommendations during the compliance period.

Thus, it receives a score of +1.

*Analyst: Irina Popova*

### **Canada: 0**

Canada has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 22 October 2019, the government indicated its intent to introduce a 3 per cent digital services tax on the income of certain sectors of the digital economy, which would replicate the one proposed by France. The tax would only apply to targeted advertising services and digital intermediation services where the worldwide revenues of the business are at least USD1 billion and Canadian revenues are more than USD40 million.<sup>2488</sup>

On 9 December 2019, Finance Minister Bill Morneau said that Canada will move forward with its plan to tax large, international digital companies. Morneau also said Canada will work with the Organisation for Economic Co-operation and Development and other countries as it develops its proposed tax to ensure there are no loopholes.<sup>2489</sup>

However, no subsequent legislative changes reflecting the recommendations of the BEPS Action 1 have been registered during the monitoring period.

No legislative changes reflecting the recommendations of the BEPS Action 1 have been registered during the monitoring period.

Canada did not make any progress in addressing tax challenges arising from digitalization inside the country. However, Canada supports OECD process and actively participates in it.

Thus, it receives a score of 0.

*Analyst: Andrei Sakharov*

### **China: 0**

China has partially complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting.

On 27-28 May 2020, BRICS tax authorities meeting was held in a format of a video conference. As part of the discussion on taxation of the digital economy, the parties touched upon the distribution of residual (non-routine) profits of international groups of companies and taxation of revenues from electronic services. BRICS experts expressed their views on the prospects and potential perimeter of a

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<sup>2487</sup> New Brazil digital services tax law under discussion, MNE Tax 26 August 2020. Access date: 1 October 2020. <https://mnetax.com/new-brazil-bill-for-digital-services-taxation-under-discussion-39900>

<sup>2488</sup> Taxation of the digitalized economy, KPMG (Amstelveen) 20 December 2019. Access Date: 18 May 2020. <https://tax.kpmg.us/content/dam/tax/en/pdfs/2019/digitalized-economy-taxation-developments-summary.pdf>.

<sup>2489</sup> UPDATE 1-Canada to move ahead with digital services tax plan -finance minister, Reuters 9 December 2020. Access date: 10 November 2020. <https://www.reuters.com/article/canada-politics-update-idUSL1N28J0R9>

mandatory mechanism for the prevention and resolution of tax disputes that may arise in the case of the so-called Unified Approach, a multilateral global project on taxation of profits of digital companies, developed under the auspices of the OECD.<sup>2490</sup>

On 11 September 2020, the European Commission and the Vice Premier of China Liu He held the first High Level Dialogue on digital-related issues. The parties discussed the topics of AI technologies development and digital taxation.<sup>2491</sup>

China has not taken any internal measures to address challenges of taxation of digital economy but discussed the issue on international level.

Thus, China receives a score of 0.

*Analyst: Alexander Ignatov*

### **France: +1**

France has fully complied with the commitment on taxation of digital economy regarding base erosion and profit shifting.

On 11 July 2019, France's Senate approved the introduction of a digital services tax. It is retroactively applicable as from 1 January 2019. A 3 per cent tax applies on gross revenues deriving from the provision of a digital interface (i.e., intermediation services), and targeted advertising and transmission of data collected about users for advertising purposes.<sup>2492</sup>

On 21 January 2020, EU finance ministers had an exchange of views on tax challenges arising from digitalisation. They took stock of the progress achieved in the context of the Organisation for Economic Co-operation and Development (OECD), both on the reallocation of profits of digitalized businesses (Pillar 1) and on the general reform of international corporate taxation (Pillar 2). The debate confirmed that an international solution on digital taxation was the best way forward, as it would prevent fragmentation and unilateral measures. The ministers acknowledged that the OECD was working against a tight deadline to reach a global consensus by the end of 2020, and many highlighted the importance of making good use of the current political momentum. The presidency concluded that it would continue attending international meetings on this issue. It will organise technical discussions in the council in order to prepare, as far as possible, negotiations taking place at the OECD and address member states' concerns.<sup>2493</sup>

On 30 March 2020, the French Tax Authority issued draft guidance on the scope and computation of the new digital services tax and the related compliance issues. Services subject to the tax include targeted online advertising, including the sale of user data; and online digital intermediation services

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<sup>2490</sup> The Russian Federal Tax Service held consultations with experts from tax administrations of BRICS countries, Federal Tax Service of Russia 29 May 2020. Access date: 1 June 2020.

[https://www.nalog.ru/rn77/about\\_fts/inttax/9809930/](https://www.nalog.ru/rn77/about_fts/inttax/9809930/)

<sup>2491</sup> EU-China: Commission and China hold first High-level Digital Dialogue. The European String 11 September 2020. Access date: 28 September 2020. <https://europeanstring.com/2020/09/11/eu-china-commission-and-china-hold-first-high-level-digital-dialogue/>

<sup>2492</sup> INSIGHT: France's Digital Services Tax Goes Ahead, Bloomberg Tax 29 July 2019. Access date: 20 May 2020. <https://news.bloombergtax.com/daily-tax-report-international/insight-frances-digital-services-tax-goes-ahead-1>

<sup>2493</sup> Economic and Financial Affairs Council, 21 January 2020, Council of the European Union (Brussels) 21 Access date: 28 January 2020. <https://www.consilium.europa.eu/en/meetings/ecofin/2020/01/21/>

such as platforms and marketplaces. Each category has its own set of rules in terms of territoriality and computation of the ratio of French-deemed services (the French presence ratio).<sup>2494</sup>

France has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 VAT/GST recommendations.

Thus, it is awarded a score of +1 for full compliance.

*Analyst: Andrey Shelepov*

### **Germany: +1**

Germany has fully complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 7 October 2019, the Ministry of Finance published Guidance Letters 2019/858190, 2019/0858465 and 2019/0858488 explaining the value-added tax (VAT) obligations for online marketplace facilitators. The Ministry of Finance reminds marketplace facilitators that they can be held liable under certain conditions for the unpaid VAT resulting from the delivery of items from entrepreneurs legally justified on the marketplace provided by them.<sup>2495</sup>

On 25 October 2019, the upper house of the German parliament accepted for consideration a bill to reduce bureaucratic burden for taxpayers. Among other things, the measure would exempt new businesses from monthly VAT invoicing obligations in the year of formation and the following year between 1 January 2021 and 31 December 2026. The bill would further increase the VAT registration threshold for domestic companies.<sup>2496</sup>

On 21 January 2020, EU finance ministers had an exchange of views on tax challenges arising from digitalisation. They took stock of the progress achieved in the context of the Organisation for Economic Co-operation and Development (OECD), both on the reallocation of profits of digitalized businesses (Pillar 1) and on the general reform of international corporate taxation (Pillar 2). The debate confirmed that an international solution on digital taxation was the best way forward, as it would prevent fragmentation and unilateral measures. The ministers acknowledged that the OECD was working against a tight deadline to reach a global consensus by the end of 2020, and many highlighted the importance of making good use of the current political momentum. The presidency concluded that it would continue attending international meetings on this issue. It will organise technical discussions in the council in order to prepare, as far as possible, negotiations taking place at the OECD and address member states' concerns.<sup>2497</sup>

Germany has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 recommendations.

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<sup>2494</sup> France issues comprehensive draft guidance on digital services tax, the Society of Trust and Estate Practitioners (London) 16 April 2020. Access date: 15 May 2020. <https://www.step.org/news/france-issues-comprehensive-draft-guidance-digital-services-tax>

<sup>2495</sup> Inside Indirect Tax, KPMG (Washington) December 2019. Access date: 20 May 2020.

<https://tax.kpmg.us/content/dam/tax/en/taxwatch/pdfs/2019/inside-indirect-tax-december-2019.pdf>

<sup>2496</sup> Inside Indirect Tax, KPMG (Washington) December 2019. Access date: 20 May 2020.

<https://tax.kpmg.us/content/dam/tax/en/taxwatch/pdfs/2019/inside-indirect-tax-december-2019.pdf>

<sup>2497</sup> Economic and Financial Affairs Council, 21 January 2020, Council of the European Union (Brussels) 21 Access date: 28 January 2020. <https://www.consilium.europa.eu/en/meetings/ecofin/2020/01/21/>

Thus, it is awarded a score of +1 for full compliance.

*Analyst: Andrey Shelepon*

### **India: +1**

India has fully complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 1 April 2020, so-called equalization levy was introduced in India. This approach to taxation of digital economy is one of the three options included into the possible ways to reform digital taxation according to the Organisation for Economic Co-operation and Development (OECD). The tax is 2 per cent and it is imposed on 1) online sale of goods owned by the e-commerce operator, 2) online provision of services provided by the ecommerce operator, 3) online sale of goods or provision of goods facilitated by the e-commerce operator (i.e., when the operator provides a platform for others to supply goods or provide services), 4) any combination of the above.<sup>2498</sup>

On 1 April 2020, the Finance Act for 2020 was released and it provided for: 1) a deferral of the definition of significant economic presence to 1 April 2022, with the expectation that the OECD will soon reach a consensus and provide an updated workplan for the digital economy; 2) the expansion of source rules to include income from advertisements that target Indian customers, income from the sale of data collected from India, and income from sale of goods and services using such data collected from India, which will take effect from 1 April 2021, although for attribution in relation to significant economic presence, the amendment will take effect from 1 April 2022.<sup>2499</sup>

On 27-28 May 2020, BRICS tax authorities meeting was held in a format of a video conference. As part of the discussion on taxation of the digital economy, the parties touched upon the distribution of residual (non-routine) profits of international groups of companies and taxation of revenues from electronic services. BRICS experts expressed their views on the prospects and potential perimeter of a mandatory mechanism for the prevention and resolution of tax disputes that may arise in the case of the so-called Unified Approach, a multilateral global project on taxation of profits of digital companies, developed under the auspices of the OECD.<sup>2500</sup>

India has implemented several domestic measures to address the tax challenges of the digitalization of the economy and actively participates in the OECD process.

Thus, it receives a score of +1.

*Analyst: Irina Popova*

### **Indonesia: 0**

Indonesia has partially complied to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 19-20 November 2019, tax officials and stakeholders from the Asia Pacific countries (including representatives of Indonesia) convened for a regional meeting on tax and digitalization co-hosted by

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<sup>2498</sup> India Issues Notification that New Digital Services Equalization Levy in Force, Orbitax (San Francisco). Access date: 15 May 2020. <https://www.orbitax.com/news/archive.php/India-Issues-Notification-that-18553>

<sup>2499</sup> Indian Finance Bill 2020, Government of India (Delhi) 1 April 2020. Access date: 15 May 2020. [https://www.indiabudget.gov.in/doc/Finance\\_Bill.pdf](https://www.indiabudget.gov.in/doc/Finance_Bill.pdf)

<sup>2500</sup> The Russian Federal Tax Service held consultations with experts from tax administrations of BRICS countries, Federal Tax Service of Russia 29 May 2020. Access date: 1 June 2020. [https://www.nalog.ru/rn77/about\\_fts/inttax/9809930/](https://www.nalog.ru/rn77/about_fts/inttax/9809930/)

the Asian Development Bank in collaboration with the Organisation for Economic Co-operation and Development (OECD) in the Philippines; the final statement of the meeting supports the application of simplification measures throughout the consideration of both the Pillar 1 and Pillar 2 proposals, as well as measures which promote certainty, and highlights the importance of inclusiveness in the process of international standard setting, of the prevention and resolution of double taxation and taxation disputes more generally.<sup>2501</sup>

In October-December 2019, as reported by OECD, Indonesia's officials and stakeholders provided per OECD's requests comments on the Secretariat's proposal for a "Unified Approach" under Pillar One<sup>2502</sup>, and on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two.<sup>2503</sup>

Indonesia actively participates in the OECD-led process on taxation of digital economy, but no domestic measures were registered yet.

Thus, it receives a score of 0.

*Analyst: Pavel Doronin*

### **Italy: +1**

Italy has fully complied to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 20 September 2019, the Italian Tax Agency, hosted a conference to discuss the challenges arising from taxation of the digital economy, the 2020 future BEPS project revision and on the European Union action plan on telematic collection of value-added tax. The conference favoured the exchange of opinions and the sharing of experiences among national officers and experts serving by the Organisation for Economic Co-operation and Development (OECD) and the European Commission.<sup>2504</sup>

On 27 December 2020, the Budget Law 2020 was published in the Official Gazette.<sup>2505</sup> According to the law, from 1 January 2020 a 3 per cent digital services tax (DST) is applied in Italy on gross revenue from advertising on a digital interface, multilateral digital interface that allows users to buy or sell goods and services, the transmission of user data generated from using a digital interface. The DST is applied to both resident and non-resident companies with total revenue in the prior year of at least EUR750 million and total revenue from digital services supplied in Italy of at least EUR5.5 million.<sup>2506</sup> If an agreement is implemented within the OECD, the Italian Digital Services Tax will be repealed and replaced with the international measures.

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<sup>2501</sup> Tax officials and stakeholders from Asia-Pacific meet in the Philippines to discuss proposals to address the tax challenges of the digitalisation of the economy, OECD 22 November 2019. Access date: 21 March 2020. <https://www.oecd.org/tax/beps/tax-officials-and-stakeholders-from-asia-pacific-philippines-to-discuss-proposals-to-address-tax-challenges-digitalisation-of-the-economy.htm>

<sup>2502</sup> Public comments received on the Secretariat Proposal for a "Unified Approach" under Pillar One, OECD 15 November 2019. Access date: 21 March 2020. <https://www.oecd.org/tax/beps/public-comments-received-on-the-secretariat-proposal-for-a-unified-approach-under-pillar-one.htm>

<sup>2503</sup> Public comments received on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two, OECD 3 December 2019. Access date: 21 March 2020. <https://www.oecd.org/tax/beps/public-comments-received-on-the-global-anti-base-erosion-globe-proposal-under-pillar-two.htm>

<sup>2504</sup> Diritto tributario transnazionale: momenti di riflessione sui progressi, Fisco Oggi 20 September 2019. Access date: 20 August 2020. <https://www.fiscooggi.it/rubrica/attualita/articolo/diritto-tributario-transnazionale-momenti-riflessione-sui-progressi>

<sup>2505</sup> LEGGE 27 dicembre 2019, n. 160, the Official Gazette (Roma) 27 December 2019. Access Date 18 May 2020. <https://www.gazzettaufficiale.it/eli/id/2019/12/30/19G00165/sg>.

<sup>2506</sup> Taxation of the digitalized economy, KPMG (Amstelveen) 20 December 2019. Access Date: 18 May 2020. <https://tax.kpmg.us/content/dam/tax/en/pdfs/2019/digitalized-economy-taxation-developments-summary.pdf>.

Italy addressed tax challenges arising from digitalization by introducing a nationally levied tax.

Thus, it is awarded a score of +1 for full compliance.

*Analyst: Andrei Sakharov*

### **Japan: +1**

Japan has fully complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 19-20 November 2019, tax officials and stakeholders from the Asia Pacific countries (including representatives of Japan) convened for a regional meeting on tax and digitalization co-hosted by the Asian Development Bank in collaboration with the Organisation for Economic Co-operation and Development (OECD) in the Philippines; the final statement of the meeting supports the application of simplification measures throughout the consideration of both the Pillar 1 and Pillar 2 proposals, as well as measures which promote certainty, and highlights the importance of inclusiveness in the process of international standard setting, of the prevention and resolution of double taxation and taxation disputes more generally.<sup>2507</sup>

In October-December 2019, as reported by OECD, Japan's officials and stakeholders provided per OECD's requests comments on the Secretariat's proposal for a "Unified Approach" under Pillar One<sup>2508</sup>, and on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two.<sup>2509</sup>

On 12 December 2019, Japan's ruling coalition issued the document outlining the coalition's view on the OECD-led international efforts to update the international tax rules to address the digitalization of the economy and has asked the Japanese government to follow these principles in international negotiations.<sup>2510</sup> In particular, the document calls the Japanese government to play a leading role in building global consensus around new international tax rules and emphasizes that:

1. The objective of the negotiations should be to create a stable and predictable investment environment for companies, which means the solution must be agreed on timely, while uncoordinated unilateral tax measures will increase uncertainties for cross-border expansion of businesses and suppress legitimate business activities;
2. Any solution addressing digitalization of the economy should create a level playing field among businesses and contribute to maintaining and improving the international competitiveness of Japanese companies;
3. Any new rules should be reasonable and clearly defined to prevent unexpected effects on businesses;

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<sup>2507</sup> Tax officials and stakeholders from Asia-Pacific meet in the Philippines to discuss proposals to address the tax challenges of the digitalisation of the economy, OECD 22 November 2019. Access date: 23 March 2020. <https://www.oecd.org/tax/beps/tax-officials-and-stakeholders-from-asia-pacific-philippines-to-discuss-proposals-to-address-tax-challenges-digitalisation-of-the-economy.htm>

<sup>2508</sup> Public comments received on the Secretariat Proposal for a "Unified Approach" under Pillar One, OECD 15 November 2019. Access date: 23 March 2020. <https://www.oecd.org/tax/beps/public-comments-received-on-the-secretariat-proposal-for-a-unified-approach-under-pillar-one.htm>

<sup>2509</sup> Public comments received on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two, OECD 3 December 2019. Access date: 23 March 2020. <https://www.oecd.org/tax/beps/public-comments-received-on-the-global-anti-base-erosion-globe-proposal-under-pillar-two.htm>

<sup>2510</sup> Japan stakes out position in OECD-led international tax negotiations, MNE Tax 28 January 2020. Access date: 23 March 2020. <https://mnetax.com/japan-stakes-out-position-in-oecd-led-international-tax-negotiations-37476>

4. Any new rules should avoid excessive administrative burden on taxpayers and avoid double taxation, with a strong dispute prevention and resolution mechanisms;
5. The international tax update should address the corporate tax competition problem arising from the fact that the shift of profits related to intangible assets to tax havens has become increasingly easier, while small businesses and individuals do not have access to the same cross-border tax planning opportunities.

Japan has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 recommendations.

Thus, it receives a score of +1.

*Analyst: Pavel Doronin*

#### **Korea: -1**

Korea has not complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

On 16 December 2019, the government announced the expansion of taxation on electronic services provided by foreign providers. The Finance Ministry plans to set up a task force to study the digital tax on advertising by global internet companies and draft relevant tax measures.<sup>2511</sup>

On 20 January 2020, the government announced its intention to impose a 20 per cent tax on cryptocurrencies. The ordering to review taxation plan had been given to the Ministry of Economy and Finance.<sup>2512</sup>

Korea demonstrates its intention to tackle the issues of taxation arising from digitalization in accordance with the BEPS Action 1. However, no specific action has been fully implemented to the moment.<sup>2513</sup>

Thus, Korea receives a score of -1.

*Analyst: Alexander Ignatov*

#### **Mexico: 0**

Mexico has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 31 October 2019, Mexico's Congress approved a tax legislative package for 2020, which includes amendments to the value-added tax (VAT) law among others. Concerning VAT, the legislation includes measures that aim to increase the efficiency of VAT collection, and clarify that revenue from certain digital or e-commerce services provided to Mexican residents from abroad, by entities not having an establishment in Mexico, will be subject to VAT in Mexico. In such situations, the test will be whether the recipient of the services is a resident of Mexico. The new measures add a set of registration and reporting obligations for foreigners providing these types of services, as well as rules

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<sup>2511</sup> Taxation of the digitalized economy, KPMG 20 December 2019. Access date: 18 May 2020.

<https://tax.kpmg.us/content/dam/tax/en/pdfs/2019/digitalized-economy-taxation-developments-summary.pdf>

<sup>2512</sup> S. Korea considering imposing 20% tax on cryptocurrencies, the Korea Herald (Seoul) 20 January 2020. Access date: 18 May 2020. <http://www.koreaherald.com/view.php?ud=20200120000204&np=61&mp=7>

<sup>2513</sup> Websites of Korean government, tax authority, OECD as well as open sources were searched.

for calculating VAT derived from the digital operations. Additionally, the concept of digital intermediation services (that is, services conducted by third parties) is added to the VAT law.<sup>2514</sup>

Mexico has taken measures to address the tax challenges of digitalization described in BEPS Action 1 recommendations. However, no facts of Russia's actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the Organisation for Economic Co-operation and Development have been registered during the compliance period.

Thus, it receives a score of 0.

*Analyst: Irina Popova*

### **Russia: +1**

Russia has fully complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 30 September 2019, the Russian Ministry of Finance published the General Guidelines for Budget, Tax and Customs Tariff Policy for 2020 and the Planning Period of 2021 and 2022. The Guidelines propose a number of tax initiatives to promote a competitive environment and stable fiscal conditions. These include changes in tax law, including the introduction of a tax on digital corporations aimed to ensure that to ensure that their profits are taxed in the jurisdiction of their consumers' location.<sup>2515</sup>

On 27-28 May 2020, BRICS tax authorities meeting was held in a format of a video conference. As part of the discussion on taxation of the digital economy, the parties touched upon the distribution of residual (non-routine) profits of international groups of companies and taxation of revenues from electronic services. BRICS experts expressed their views on the prospects and potential perimeter of a mandatory mechanism for the prevention and resolution of tax disputes that may arise in the case of the so-called Unified Approach, a multilateral global project on taxation of profits of digital companies, developed under the auspices of the OECD.<sup>2516</sup>

Russia has taken part in BRICS discussion of digital economy taxation. Also several VAT measures were implemented in accordance with BEPS Action 1 recommendations during the compliance period.

Thus, it receives a score of +1.

*Analyst: Andrey Shelepov*

### **Saudi Arabia: 0**

Saudi Arabia has partly complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

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<sup>2514</sup> Mexico: Tax reform 2020, VAT on services provided from digital platforms, KPMG (Washington) 5 November 2019. Access date: 20 May 2020. <https://home.kpmg/us/en/home/insights/2019/11/tnf-mexico-tax-reform-2020-vat-services-digital-platforms.html>

<sup>2515</sup> General Guidelines for Budget, Tax and Customs Tariff Policy for 2020 and the Planning Period of 2021 and 2022, Ministry of Finance of Russia 30 September 2019. Access Date: 15 May 2020. [https://www.minfin.ru/common/upload/library/2019/10/main/ONBNiITP\\_2020-2022.pdf](https://www.minfin.ru/common/upload/library/2019/10/main/ONBNiITP_2020-2022.pdf).

<sup>2516</sup> The Russian Federal Tax Service held consultations with experts from tax administrations of BRICS countries, Federal Tax Service of Russia 29 May 2020. Access date: 1 June 2020. [https://www.nalog.ru/rn77/about\\_fts/inttax/9809930/](https://www.nalog.ru/rn77/about_fts/inttax/9809930/)

As of October 2020, Saudi Arabia is an associate of the Organisation for Economic Co-operation and Development Steering Group of the Inclusive Framework on BEPS.<sup>2517</sup>

On 30 June 2020, Saudi General Authority of Zakat and Tax issued the guidelines on taxation of digital economy. Through this guideline, Saudi Government aims to provide additional clarification on the application of value-added tax in the context of Digital Economy.<sup>2518</sup>

Saudi Arabia has taken measures to address the tax challenges of digitalization described in BEPS Action 1 recommendations. However, no facts of Russia's actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the Organisation for Economic Co-operation and Development have been registered during the compliance period.

Thus, Saudi Arabia receives a score of 0.

*Analyst: Alexander Ignatov*

### **South Africa: 0**

South Africa has partly complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

On 12 March 2020, South Africa participated in African Union Policy Dialogue on the Taxation of the Digital Economy. The Policy Dialogue is being held on the backdrop of the new proposals by the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework to develop a global consensus-based solution to the tax challenges arising out of the digitalisation of the economy. South Africa was presented on the session dedicated to taxing rights and digitalisation of the economy and their Implications for Africa.<sup>2519</sup>

On 27-28 May 2020, BRICS tax authorities meeting was held in a format of a video conference. As part of the discussion on taxation of the digital economy, the parties touched upon the distribution of residual (non-routine) profits of international groups of companies and taxation of revenues from electronic services. BRICS experts expressed their views on the prospects and potential perimeter of a mandatory mechanism for the prevention and resolution of tax disputes that may arise in the case of the so-called Unified Approach, a multilateral global project on taxation of profits of digital companies, developed under the auspices of the OECD.<sup>2520</sup>

On 27 August 2020, South African Ministry of Finance issued a statement following the fourth African Tax Administration Forum High-level Tax Policy Dialogue. This includes that South Africa has opted not to introduce any unilateral measures to deal with the direct tax treatment of the challenges of the

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<sup>2517</sup> Composition of the Steering Group of the Inclusive Framework on BEPS, Organisation for Economic Co-operation and Development, January 2020. Access Date: 24 September 2020.

<sup>2518</sup> Digital Economy, General Authority of Zakat and Tax 30 June 2020. Access date: 2 October 2020.  
<https://gazt.gov.sa/en/HelpCenter/guidelines/Documents/Digital%20Economy.pdf>

<sup>2519</sup> AFRICAN UNION POLICY DIALOGUE ON THE TAXATION OF THE DIGITAL ECONOMY, African Union 12 March 2020. Access date: 2 October 2020. [https://au.int/sites/default/files/newsevents/workingdocuments/38223-wd-draft\\_concept\\_note\\_on\\_taxation\\_of\\_the\\_digital\\_economy-22012020.pdf](https://au.int/sites/default/files/newsevents/workingdocuments/38223-wd-draft_concept_note_on_taxation_of_the_digital_economy-22012020.pdf)

<sup>2520</sup> The Russian Federal Tax Service held consultations with experts from tax administrations of BRICS countries, Federal Tax Service of Russia 29 May 2020. Access date: 1 June 2020.  
[https://www.nalog.ru/rn77/about\\_fts/inttax/9809930/](https://www.nalog.ru/rn77/about_fts/inttax/9809930/)

digital economy, for now, but rather will wait for multilateral consensus or solutions to be published in the final report on tax challenges arising from digitalization, which is due in 2020.<sup>2521</sup>

South Africa has not introduced any internal measures, but participated in international process on digital economy taxation.

Thus, South Africa receives a score of 0.

*Analyst: Alexander Ignatov*

### **Turkey: 0**

Turkey has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 1 March 2020, the Law on Digital Service Tax and Amendment of Certain Laws and the Decree Law entered into force in Turkey. The digital service tax includes as follows:

- All kinds of advertisement services provided to users in digital platform,
- Digital services provided any audible, visual or digital content and such content to be listened, watched or recorded via electronic devices,
- Providing and operating digital interface which allows users to interact with others, including for the delivery of goods or services between users.<sup>2522</sup>

The digital service tax in Turkey is 7.5 per cent.<sup>2523</sup>

Turkey has taken measures to address the tax challenges of digitalization described in BEPS Action 1 recommendations. However, no facts of Turkey's actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the Organisation for Economic Co-operation and Development have been registered during the compliance period.

Thus, it receives a score of 0.

*Analyst: Pavel Doronin*

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

The United Kingdom has fully complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

In July 2019, the UK government reaffirmed its strong support to the Organisation for Economic Co-operation and Development (OECD) process and welcomed the steps to hold public consultations on BEPS Action 1 and the agreement to a without prejudice program of work to take forward a detailed

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<sup>2521</sup> South Africa Issues Statement on Taxation in the Digitalised Economy, Orbitax 2020. Access date: 2 october 2020. <https://www.orbitax.com/news/archive.php/South-Africa-Issues-Statement--43378>

<sup>2522</sup> Turkey: Digital Service Tax Enters into Force On 1 March 2020 11 February 2020. Access date: 21 March 2020. <https://www.mondaq.com/turkey/Tax/892420/Digital-Service-Tax-Enters-Into-Force-On-1-March-2020>

<sup>2523</sup> Turkey: Digital Service Tax Enters into Force On 1 March 2020 11 February 2020. Access date: 21 March 2020. <https://www.mondaq.com/turkey/Tax/892420/Digital-Service-Tax-Enters-Into-Force-On-1-March-2020>

examination of the different proposals for reform. The government also published some criteria for the agreement to be reached within the OECD, so it takes into account the UK's interests.<sup>2524</sup>

On 1 April 2020, the UK introduced the digital services tax. The new 2 per cent tax is imposed on the revenues of search engines, social media services and online marketplaces which derive value from UK users. The tax originates from the OECD BEPS project, specifically, Action 1. If an agreement is reached within the OECD, the UK Digital Services Tax will be repealed and replaced with the international measures. At present, the UK government plans to review the tax again in 2025.<sup>2525</sup>

The UK has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 recommendations for value added tax and goods and services tax.

Thus, it receives a score of +1.

*Analyst: Andrey Shelepov*

### **United States: -1**

The United States has failed to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 12 June 2020, the United States Treasury Secretary Steven T. Mnuchin in a letter addressed to the finance ministers of France, Italy, Spain, and the United Kingdom, wrote that the United States is calling upon the Organisation for Economic Co-operation and Development (OECD) to “pause discussions of Pillar 1,” and that the United States remains opposed to the idea of imposition of gross basis digital services taxes.<sup>2526</sup>

The United States did not make any progress in addressing tax challenges arising from digitalization.<sup>2527</sup>

Thus, it receives a score of -1.

*Analyst: Andrei Sakharov*

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

The European Union has fully complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

On 28 October 2019, the Presidency of the European Union invited the Economic and Financial Affairs Council to discuss the state of play at the EU level as well as the way forward in light of the dynamic nature of the work of the Organisation for Economic Co-operation and Development (OECD). The council was invited to examine initial findings on EU law compatibility of the solutions discussed at OECD level, building on the work done by the Commission on this, work on

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<sup>2524</sup> Digital Services Tax: response to the consultation, HM Treasury July 2019. Access Date: 3 April 2020. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/816389/DST\\_response\\_document\\_web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816389/DST_response_document_web.pdf).

<sup>2525</sup> Introduction of the Digital Services Tax, UK Government 11 March 2020. Access Date: 3 April 2020. <https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax>.

<sup>2526</sup> Letter by Steven T. Mnuchin, US Department of Treasury (Washington) 12 June 2020. Access date: 27 September 2020. <https://assets.kpmg/content/dam/kpmg/us/pdf/2020/06/tnf-mnuchin-oecd-jun19-2020.PDF>.

<sup>2527</sup> Websites of Internal Revenue Service, US government, OECD, Consulting firms (E&Y, KPMG, Deloitte) as well as open sources were used.

impact analyses should continue as a priority and to that end member states should cooperate with the European Commission to the extent possible.<sup>2528</sup>

On 6 December 2019, the European Commission's Directorate General for Taxation and Customs organized an event on "VAT in the Digital Age" in Brussels, Belgium. This event brought together stakeholders working in the field of value-added tax (VAT) to reflect on the opportunities and challenges that new technologies bring in the area of VAT. In particular, the potential of using advanced technologies such as blockchain in the VAT area will be discussed. The seminar also provided a chance to share recent experiences from EU member states on how they use digital solutions for VAT reporting, collecting and fraud detection.<sup>2529</sup>

On 18 December 2019, the European Parliament issued resolution on fair taxation in a digitalised and globalised economy: BEPS 2.0. In the resolution it called on each member state and the European Commission to make their positions publicly known on the OECD Secretariat's proposals for Pillar 1 and Pillar 2, called on the European Commission and the member states to agree on a joint, ambitious EU position for the OECD negotiations and called on the European Commission and the Council to prepare the legal base for incorporating the outcome of an international deal into EU law and to present a legislative proposal as soon as possible.<sup>2530</sup>

On 21 January 2020, finance ministers had an exchange of views on tax challenges arising from digitalisation. They took stock of the progress achieved in the context of the OECD, both on the reallocation of profits of digitalized businesses (Pillar 1) and on the general reform of international corporate taxation (Pillar 2). The debate confirmed that an international solution on digital taxation was the best way forward, as it would prevent fragmentation and unilateral measures. Ministers acknowledged that the OECD was working against a tight deadline to reach a global consensus by the end of 2020, and many highlighted the importance of making good use of the current political momentum. The presidency concluded that it would continue attending international meetings on this issue. It will organise technical discussions in the council in order to prepare, as far as possible, negotiations taking place at the OECD and address member states' concerns.<sup>2531</sup>

The EU has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 recommendations.

Thus, it receives a score of +1.

*Analyst: Irina Popova*

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<sup>2528</sup> Note from Presidency Permanent Representatives Committee/Council, Council of the European Union (Brussels) 28 October 2019. Access date: 19 May 2020. <https://data.consilium.europa.eu/doc/document/ST-13405-2019-INIT/en/pdf>

<sup>2529</sup> VAT in the Digital Age, European Commission (Brussels) 6 December. Access date: 19 May 2020. [https://ec.europa.eu/taxation\\_customs/events/vat-digital-age\\_en](https://ec.europa.eu/taxation_customs/events/vat-digital-age_en)

<sup>2530</sup> European Parliament resolution of 18 December 2019 on fair taxation in a digitalised and globalised economy: BEPS 2.0, European Parliament (Strasbourg) 18 December 2019. Access date: 19 May 2020. [https://www.europarl.europa.eu/doceo/document/TA-9-2019-0102\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2019-0102_EN.html)

<sup>2531</sup> Economic and Financial Affairs Council, 21 January 2020, Council of the European Union (Brussels) 21 Access date: 19 May 2020. <https://www.consilium.europa.eu/en/meetings/ecofin/2020/01/21/>