



RANEPA
THE RUSSIAN PRESIDENTIAL ACADEMY
OF NATIONAL ECONOMY
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2020 G20 Riyadh Summit Interim Compliance Report

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Feedback, as always, is welcome and is kept anonymous.

We encourage readers to send comments to

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7. International Taxation: BEPS

“We remain committed to further progress on both pillars and urge the G20/OECD Inclusive Framework on BEPS to address the remaining issues with a view to reaching a global and consensus-based solution by mid-2021.”

G20 Riyadh Leaders’ Declaration

Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia	-1		
Brazil			+1
Canada			+1
China		0	
France			+1
Germany			+1
India	-1		
Indonesia			+1
Italy			+1
Japan			+1
Korea			+1
Mexico		0	
Russia		0	
Saudi Arabia		0	
South Africa	-1		
Turkey	-1		
United Kingdom			+1
United States			+1
European Union			+1
Average		+0.35 (68%)	

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).¹⁷³⁰ 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.¹⁷³¹ 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.¹⁷³² The BEPS package also gives businesses greater certainty by reducing disputes over the application of international tax

¹⁷³⁰ Action Plan on Base Erosion and Profit Shifting, Organisation for Economic Cooperation and Development (Paris) 19 July 2013. Access Date: 11 January 2021. <https://www.oecd.org/tax/beps/action-plan-on-base-erosion-and-profit-shifting-9789264202719-en.htm>

¹⁷³¹ G20 Leaders’ Declaration St. Petersburg, G20 Information Centre (Toronto) 6 September 2013. Access Date: 11 January 2021. https://www.ranepa.ru/ciir/sfery-issledovanij/gruppa-dvadtsati/dokumenty-gruppy-dvadtsati/sankt-peterburg-2013/Saint_Petersburg_Declaration_ENG.pdf

¹⁷³² BEPS Actions, Organisation for Economic Cooperation and Development (Paris) 2015. Access Date: 11 January 2021. <https://www.oecd.org/tax/beps/beps-actions/>

rules and by standardizing compliance requirements. The OECD/G20 Inclusive Framework on 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.¹⁷³³ Commitments to address BEPS have been reiterated at all subsequent G20 summits since St. Petersburg.

In 2019 in Osaka G20 leaders reaffirmed the importance of the worldwide implementation of the BEPS package and enhanced tax certainty. They welcomed the progress on addressing the tax challenges arising from digitalization and endorsed the work program that consists of a two-pillar approach, developed by the Inclusive Framework on BEPS.

In 2020 in Riyadh summit declaration G20 leaders welcomed the Reports on the Blueprints for Pillar 1 and Pillar 2 approved for public release by the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and committed to further progress on both pillars and urged the G20/OECD Inclusive Framework on BEPS to address the remaining issues with a view to reaching a global and consensus-based solution by mid-2021.

Commitment Features

This commitment refers to BEPS Action 1 Tax Challenges Arising from Digitalisation. It is the top priority for the Organisation for Economic Co-operation and Development (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.¹⁷³⁴ It explores technical design implementation issues that must be refined to develop a comprehensive and consensus-based solution. It includes concrete proposals for the two challenges facing the 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).¹⁷³⁵

We remain committed to further progress on both pillars and urge the G20/OECD Inclusive Framework on BEPS to address the remaining issues with a view to reaching a global and consensus-based solution by mid-2021.

Commitment requires taking actions on both pillars.

Pillar 1- Re-allocation of taxing rights

- Addresses the question of business presence and activities without physical presence;
- Will determine where tax should be paid and on what basis;
- Will determine what portion of profits could or should be taxed in the jurisdictions where customers and/or users are located.

Key elements of Pillar One can be grouped into three components: a new taxing right for market jurisdictions over a share of residual profit calculated at an multinational enterprise group (or segment) level; a fixed return for certain baseline marketing and distribution activities taking place

¹⁷³³ OECD/G20 Inclusive Framework on BEPS, Organisation for Economic Cooperation and Development (Paris) 2015. Access Date: 11 January 2021. <https://www.oecd.org/tax/beps/flyer-inclusive-framework-on-beps.pdf>

¹⁷³⁴ Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy, OECD (Paris) 29 May 2019. Access Date: 11 January 2021. <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.pdf>

¹⁷³⁵ Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy, OECD (Paris) 29 May 2019. Access Date: 11 January 2021. <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.pdf>

physically in a market jurisdiction; and processes to improve tax certainty through effective dispute prevention and resolution mechanisms.¹⁷³⁶

Taking actions on or actively publicly supporting these components is necessary to comply with this part of the commitment.

Pillar 2 – Global anti-base erosion mechanism

- Will help to stop the shifting of profits to low or no tax jurisdiction facilitated by new technologies;
- Will ensure a minimum level of tax is paid by multinational enterprises;
- Levels the playing field between traditional and digital companies;

Pillar Two addresses remaining BEPS challenges and is designed to ensure that large internationally operating businesses pay a minimum level of tax regardless of where they are headquartered or the jurisdictions they operate in. It does so via a number of interlocking rules that seek to (i) ensure minimum taxation while avoiding double taxation or taxation where there is no economic profit, (ii) cope with different tax system designs by jurisdictions as well as different operating models by businesses, (iii) ensure transparency and a level playing field, and (iv) minimise administrative and compliance costs.¹⁷³⁷

Taking actions on or actively publicly supporting these components is necessary to comply with this part of the commitment.

To achieve full compliance G20 member needs to implement actions on both pillars or publicly support OECD process (in case when G20 member does not want to proceed with actions without a consensus solution). If a G20 member takes actions only on one of the pillars, it receives a score of 0. If G20 member does not take any actions and does not support OECD process it receives a score of -1.

Scoring Guidelines

-1	G20 member does not take any actions to further progress on both pillars
0	G20 member takes actions or publicly supports OECD process on Pillar 1 OR Pillar 2
+1	G20 member takes actions or publicly supports OECD process on Pillar 1 AND Pillar 2

Compliance Director: Alexander Ignatov

Lead Analyst: Andrey Shelepov

Argentina: 0

Argentina has partially complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 31 January 2021, Argentina notified the Qatar Government that it had completed the internal requirements for the entry into force of the Tax Treaty for the Avoidance of Double Taxation and

¹⁷³⁶ Tax Challenges Arising from Digitalization – Report on Pillar One Blueprint: Inclusive Framework on BEPS, OECD (Paris) 8-9 October 2020. Access Date: 11 January 2021. https://www.oecd-ilibrary.org/sites/beba0634-en/index.html?itemId=/content/publication/beba0634-en&_csp_=71b32056ea489ac3c26f0ea639f0fb6e&itemIGO=oeecd&itemContentType=book

¹⁷³⁷ Tax Challenges Arising from Digitalization – Report on Pillar Two Blueprint: Inclusive Framework on BEPS, OECD (Paris) 8-9 October 2020. Access Date: 11 January 2021. https://www.oecd-ilibrary.org/sites/abb4c3d1-en/1/2/1/index.html?itemId=/content/publication/abb4c3d1-en&_csp_=e7df02b7273c00f57848cd6d74af0543&itemIGO=oeecd&itemContentType=book#section-d1e494

the Prevention of Fiscal Evasion With Respect to Taxes on Income and on Capital (the Treaty) signed between Argentina and Qatar.¹⁷³⁸

On 17 February 2021, Argentina and the US agreed to exchange country-by-country reports. The information exchanged through the Country-by-Country reporting will be used by the tax authorities to assess certain risks such as erosion of the tax base and risks related to the transfer of profit and, when appropriate, for economic and statistical analysis.¹⁷³⁹

Argentina has taken measures to address one of the pillars of G20/OECD Inclusive Framework on BEPS.

Thus, Argentina receives a score of 0.

Analyst: Irina Popova

Australia: -1

Australia has not complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development Inclusive Framework on Base Erosion and Profit Shifting.

Australia has taken no action and publicly supports only Pillar 1 of the OECD process.

Thus, Australia receives a score of -1.¹⁷⁴⁰

Analyst: Anastasiya Kirillova

Brazil: +1

Brazil has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 25 February 2021, Brazil approved three new treaties for the elimination of double taxation and the prevention of tax evasion and avoidance between Brazil and Switzerland, Singapore and the United Arab Emirates. The Treaties are now pending enactment by the President's sanction. The Treaties' provisions are partially aligned with the standards of OECD and its BEPS action plans.¹⁷⁴¹

On 1 March 2021, Brazil introduced legal act Contribuição sobre Intervenção no Domínio Econômico-Internet (640/2021). It will impose tax at a rate of 3 per cent on gross revenue from: advertising, sponsorship or merchandising, content targeting, collection, distribution or treatment of users' data, incentive or influence for the use of services, payment platform, exploitation or dissemination of images, text, video or sound related to a natural or legal person, entities subject to

¹⁷³⁸ Argentina-Qatar tax treaty enters into force, EY (London) 25 February 2021. Access Date: 11 May 2021. https://www.ey.com/en_gl/tax-alerts/argentina-qatar-tax-treaty-enters-into-force

¹⁷³⁹ Argentina: Exchanges of country-by-country reports, agreement with United States, KPMG (Amstelveen) 17 February 2021. Access Date: 11 May 2021. <https://home.kpmg/us/en/home/insights/2021/02/tnf-argentina-exchanges-cbc-reports-agreement-united-states.html>

¹⁷⁴⁰ This score of non-compliance was determined after searching the following websites: Government of Australia <https://www.australia.gov.au/>; Australia Treasury <https://treasury.gov.au/>; Australian Taxation Office <https://www.ato.gov.au/>; Department of Prime Minister and Cabinet <https://pmc.gov.au/>.

¹⁷⁴¹ Brazilian Senate approves three new treaties for the avoidance of double taxation, EY (London) 8 March 2021. Access Date: 11 May 2021. https://www.ey.com/en_gl/tax-alerts/brazilian-senate-approves-three-new-treaties-for-the-avoidance-of-double-taxation

this tax would be legal entities which, as a consequence of exportation of the listed activities in Brazil, accrued revenue in Brazil or abroad.¹⁷⁴²

Brazil has taken measures to address both pillars of G20/OECD Inclusive Framework on BEPS.

Thus, Brazil receives a score of +1.

Analyst: Irina Popova

Canada: +1

Canada has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development Inclusive Framework on Base Erosion and Profit Shifting.

On 19 April 2020, the Government of Canada presented the Budget 2021.¹⁷⁴³ The budget included an annex, providing detailed information on the proposed Digital Services Tax (DST) and invited input from stakeholders. The proposed tax is intended to ensure that revenue earned by large businesses – foreign or domestic – from engagement with online users in Canada, including through the collection, processing and monetizing of data and content contributions from those users, is subject to Canadian tax. The DST is intended to be interim in nature – it would apply as of 1 January 2022 until an acceptable multilateral approach comes into effect with respect to the implicated businesses.¹⁷⁴⁴

On 5 June 2021, Deputy Prime Minister and Minister of Finance Chrystia Freeland took part in the G7 Finance Ministers' Meeting in London, United Kingdom. The communiqué, signed by all the participants contained strong support for the “efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax.” The G7 ministers and central bank governors also committed to reach an “equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.”¹⁷⁴⁵

Canada took action on Pillar 1 and Pillar 2.

Thus, Canada receives a score of +1.

Analyst: Andrei Sakharov

China: 0

China has partially complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

¹⁷⁴² Brazil: Review of digital services tax proposals, KPMG (Amstelveen) 14 April 2021. Access Date: 11 May 2021. <https://home.kpmg/us/en/home/insights/2021/04/tnf-brazil-review-of-digital-services-tax-proposals.html>

¹⁷⁴³ Government of Canada highlights Budget 2021 investments to create a healthy environment for a healthy economy, Government of Canada (Ottawa) 22 April 2021. Access Date: 15 May 2021. <https://www.canada.ca/en/department-finance/news/2021/04/government-of-canada-highlights-budget-2021-investments-to-create-a-healthy-environment-for-a-healthy-economy.html>.

¹⁷⁴⁴ Annex 7: Consultations on Other Tax Measures: Supplementary Information, Government of Canada (Ottawa) 22 April 2021. Access Date: 15 May 2021 <https://www.budget.gc.ca/2021/report-rapport/anx7-en.html>.

¹⁷⁴⁵ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communication/g7-finance-ministers-and-central-bank-governors-communication>

On 12 March 2021, the 14th Five-Year Plan was announced. According to the plan, China will improve the management services of international taxation. International taxation was chosen as an important area of work of the Chinese government.¹⁷⁴⁶

On 29 March 2021, it was announced that China will adopt a broad range of digitalized measures to regulate tax collections and optimize tax payment services through 2025. The new technologies will also help with real-time verification and monitoring of the invoice issuance process, which will help to prevent tax fraud.¹⁷⁴⁷

China is taking action and publicly supports only Pillar 1 of the OECD process.

Thus, China receives a score of 0.

Analyst: Anastasiya Kirillova

France: +1

France has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 4 December 2020, France resumed collection of its digital services tax. “The 3 per cent digital services tax applies to revenues deemed to have been generated in France by digital companies, wherever they are established, which make annual supplies of taxable services of more than EUR25 million in France and EUR750 million worldwide. The tax applies to advertising revenues from services that rely on data collected from internet users, revenues from the provision of a linking service between internet users and the sale of user data for advertising purposes. However, online sales and the digital provision of digital content for buying or selling are expressly excluded from the tax.”¹⁷⁴⁸

As of March 23, France has implemented a digital service tax.¹⁷⁴⁹

On 5 June 2021, Finance Minister Bruno Le Maire took part in the G7 Finance Ministers’ Meeting in London, United Kingdom. The communique, signed by all the participants contained strong support for the “efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax.” The G7 ministers and central bank governors also committed to reach an “equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.”¹⁷⁵⁰

France has shown progress on the G20/OECD Inclusive Framework on BEPS.

¹⁷⁴⁶ The Fourteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Outline of Long-Term Goals for 2035, Xinhua (Beijing) 13 March 2021. Access Date: 29 March 2021. <http://politics.people.com.cn/n1/2021/0313/c1001-32050444.html>

¹⁷⁴⁷ Digital measures to optimize tax collections, China Daily (Beijing) 30 March 2021. Access Date: 31 March 2021. http://english.www.gov.cn/statecouncil/ministries/202103/30/content_WS60626187c6d0719374afbc03.html

¹⁷⁴⁸ France to resume collection of digital tax, Pinsent Masons (Paris) 4 December 2020. Access Date: 30 April 2021. <https://www.pinsentmasons.com/out-law/news/france-to-resume-collection-of-digital-tax>

¹⁷⁴⁹ What European OECD Countries Are Doing about Digital Services Taxes (Washington DC) 25 March 2021. Access Date: 30 April 2021. <https://taxfoundation.org/digital-tax-europe-2020/>

¹⁷⁵⁰ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communication/g7-finance-ministers-and-central-bank-governors-communication>

Thus, France receives a score of +1.

Analyst: Pavel Doronin

Germany: +1

Germany has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 28 January 2021, Federal Minister of Finance Olaf Scholz took part in the 11th Meeting of the Inclusive Framework on BEPS and made a speech on tax challenges arising from digitalization and the future of international taxation in the framework of the panel discussion.¹⁷⁵¹

On 1 February 2021, Germany made public an answer to the inquiry of several Bundestag deputies concerning, inter alia, its position on taxation in the digital economy. The government expressed its support to the OECD-led process and mentioned it would take further measures concerning digital taxes after the common decision on Pillars 1 and 2 is achieved within the Inclusive Framework.¹⁷⁵²

On 5 June 2021, Finance Minister Olaf Scholz took part in the G7 Finance Ministers' Meeting in London, United Kingdom. The communique, signed by all the participants contained strong support for the "efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax." The G7 ministers and central bank governors also committed to reach an "equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises."¹⁷⁵³

Germany has publicly supported the OECD-led process on Pillar 1 and Pillar 2. Thus, it receives a score of +1.

Analyst: Andrey Shelepov

India: -1

India has failed to comply with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

No information on India's actions on Pillar 1 or Pillar 2 during the monitoring period was found.

Thus, India is awarded a score of -1.¹⁷⁵⁴

Analyst: Anastasiya Kirillova

¹⁷⁵¹ Draft Agenda. 11th Meeting of the Inclusive Framework on BEPS, OECD (Paris) January 2021. Access Date: 5 May 2021. <https://www.oecd.org/tax/beps/agenda-oecd-g20-inclusive-framework-on-beps-meeting-january-2021.pdf>

¹⁷⁵² Drucksache 19/26319, German Bundestag (Berlin) 1 February 2021. Access Date: 5 May 2021. <https://dipbt.bundestag.de/dip21/btd/19/263/1926319.pdf>

¹⁷⁵³ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communication/g7-finance-ministers-and-central-bank-governors-communication>

¹⁷⁵⁴ This score of non-compliance was determined after searching the following websites: Public Information Bureau <https://www.pib.gov.in/indexd.aspx>; National Portal of India <https://www.india.gov.in/>; Government of India Income Tax Department <https://www.incometaxindia.gov.in/pages/default.aspx>; India Ministry of Finance <https://finmin.nic.in/>.

Indonesia: +1

Indonesia has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 24 March 2021, Indonesia issued “Government Regulation in Lieu of Law No. 1 Year 2020 (Perppu-1) followed by the publication of Law No. 2 Year 2020 (Law No. 2) in early 2020, whose agenda also includes the taxation of the digital economy. Along with the implementing Minister of Finance regulation as well as [double taxation] regulation, Indonesia mandates the imposition of [value added tax] on Trading Through Electronic System (PMSE) activities. Income tax obligation will also apply to foreign traders, service providers and/or organisers of PMSE with significant economic presence although implementing regulations have yet to be issued as many are curious to find out how it will line up along the framework prescribed within the BEPS 2.0 blueprints issued by the OECD/G20 Inclusive Framework.”¹⁷⁵⁵

In April 2021, Indonesia “delayed the introduction of an income tax or Electronic Transaction Tax on offshore digital businesses that have a significant economic presence in Indonesia until consensus-based solution is reached.” Indonesia “temporarily applied a 0 per cent [personal income tax] rate for additional income received from government by health sector workers dealing with COVID-19. Indonesia also provided import duty relief for air and marine transportation vehicles.”¹⁷⁵⁶

On 27 and 28 January 2021, the OECD/G20 Inclusive Framework on BEPS held a public meeting to provide an update on its ongoing international tax work. Minister of Finance of Indonesia Sri Mulyani Indrawati “stated that, once countries reach an agreement, Indonesia intends to focus on implementation when it assumes the G20 Presidency in 2022. She also called for the creation of a multilateral convention to easily implement the solution in a coordinated manner.”¹⁷⁵⁷

Indonesia has shown progress on the G20/OECD Inclusive Framework on BEPS.

Thus, Indonesia receives a score of +1.

Analyst: Pavel Doronin

Italy: +1

Italy has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 5 June 2021, Minister of Economy and Finance Daniele Franco took part in the G7 Finance Ministers’ Meeting in London, United Kingdom. The communique, signed by all the participants contained strong support for the “efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to

¹⁷⁵⁵ COVID-19 transforms Indonesia’s digital economy and TP landscape, International Tax Review (London) 24 March 2021. Access Date: 30 April 2021. <https://www.internationaltaxreview.com/article/b1r2w08ycnp7hg/covid-19-transforms-indonesias-digital-economy-and-tp-landscape>

¹⁷⁵⁶ OECD Secretary-General Tax Report to G20 Finance Ministers and Central bank Governors, OECD (Paris) April 2021. Access Date: 30 April 2021. <https://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-finance-ministers-april-2021.pdf>

¹⁷⁵⁷ OECD Inclusive Framework political leaders promote global consensus following OECD’s public consultation on Pillar One and Two Blueprints, EY (London) 1 February 2021. Access Date: 30 April 2021.

<https://taxnews.ey.com/news/2021-0234-oecd-inclusive-framework-political-leaders-promote-global-consensus-following-oecd-public-consultation-on-pillar-one-and-two-blueprints?uAlertID=Sdpercent2FG8rua1oj6percent2FI58EZ2AiApercent3Dpercent3D>

adopt a global minimum tax.” The G7 ministers and central bank governors also committed to reach an “equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.”¹⁷⁵⁸

Italy took action on Pillar 1 and Pillar 2.

Thus, Italy receives a score of +1.

Analyst: Andrei Sakbarov

Japan: +1

Japan fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 5 June 2021, Finance Minister Taro Aso took part in the G7 Finance Ministers’ Meeting in London, United Kingdom. The communique, signed by all the participants contained strong support for the “efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax.” The G7 ministers and central bank governors also committed to reach an “equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.”¹⁷⁵⁹

Japan took action on Pillar 1 and Pillar 2.

Thus, Japan receives a score of +1.

Analyst: Pavel Doronin

Korea: +1

Korea has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 22 and 29 December 2020, Korea enacted the 2021 Tax Reform bill. Amendments to the country’s tax regime imply some changes in regulations concerning the deduction method in the foreign tax credit regime: the carryforward period for excess foreign tax credits is extended from 5 years to 10 years. Also, the reform provides a capital gains tax regime for the disposal of virtual assets: gains delivered from the disposal of virtual assets by a foreign individual or foreign corporation are categorized as “other income” subject to withholding tax at the lesser of 11 per cent of the transfer price or 22 per cent of the net capital gains. All the changes are effective after 1 January 2021.¹⁷⁶⁰

Korea has taken actions on both pillars of the G20/OECD Inclusive Framework on BEPS to address the remaining taxation issues, associated with digital growth.

¹⁷⁵⁸ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communicue/g7-finance-ministers-and-central-bank-governors-communicue>

¹⁷⁵⁹ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communicue/g7-finance-ministers-and-central-bank-governors-communicue>

¹⁷⁶⁰ Korea enacts 2021 tax reform bill, EY Global (London) 21 January 2021. Access Date: 12 May 2021. https://www.ey.com/en_gl/tax-alerts/korea-enacts-2021-tax-reform-bill

Thus, Korea receives a score of +1.

Analyst: Alexander Ignatov

Mexico: 0

Mexico has partially complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 29 December 2020, “the Miscellaneous Tax Resolution for 2021 was published in the Official Gazette. It included measures regarding value added tax (VAT) and digital services. The changes to the VAT rules for digital services include the following. As a result of modifications to the VAT law for 2021, it is clarified that foreign residents (whether individuals or legal entities) providing digital services through an intermediary that collects and withholds 100 per cent of the VAT on the sales or transaction price for the foreign residents, are not required to register in the federal tax registry. The legislative measures repeal a requirement for those providing digital ‘intermediation’ services between third parties to file an update of economic activities. The legislation also includes a rule to the list of requirements to issue the Comprobante Fiscal Digital por Internet by residents in Mexico that provide intermediation services between third parties to suppliers of goods and services residing abroad. In various rules, the concept of individuals who sell goods, provide services, grant accommodation or provide for the ‘temporary use or enjoyment of goods’ through technological platforms is expanded. The legislation modifies the rule for determining the income limit and treating the withholding made by the technological platforms as the final payment. Also, the legislation withdraws a rule that allowed individuals with business activities that obtain income from operations through technological platforms to credit the income tax withholding. There are new rules for individuals with business activities of selling goods or providing services through the internet via technological platforms. Regarding income received directly from purchasers of the goods or services, these individuals (if considering the tax paid as a ‘definitive’ payment) must determine their taxable profit, calculate their income tax, and credit the tax withheld by the technological platforms and make the advanced income tax payment by submitting a return (known in English as the ‘Income tax payment of individuals in technological platforms return’).”¹⁷⁶¹

Mexico has taken actions to address Pillar 1 of the Inclusive framework, but no actions on second pillar were found.

Thus, Mexico receives a score of 0.

Analyst: Irina Popova

Russia: 0

Russia has partially complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 23 November 2020, Russia has issued the Federal Law No. 374-FZ concerning amendments to the Tax Code.¹⁷⁶² As from 1 January 2021, the possibility of securing a zero rate for dividends by means of the look-through approach is no longer an option. The new rules make it even more difficult than before to use existing mechanisms for remitting payments abroad at a low rate of tax,

¹⁷⁶¹ Mexico: Tax legislative changes for 2021 and digital services, KPMG (Amstelveen) 11 January 2021. Access Date: 11 May 2021. <https://home.kpmg/us/en/home/insights/2021/01/tnf-mexico-tax-legislative-changes-2021-digital-services.html>

¹⁷⁶² Federal Law 23 November 2020 N 374-FZ ‘On Amendments to the Tax Code of the Russian Federation and selected law of the Russian Federation, Rossiyskaya Gazeta (Moscow) 26 November 2020. Access Date: 12 May 2021. <https://rg.ru/2020/11/26/nalogi-dok.html>

and in particular the look-through approach. Also, the Federal Law amends the provisions of Article 284.2 that apply to income from the sale or other disposal of shares or ownership interests in foreign entities, but only if the state of residence of those foreign entities is not on the Finance Ministry's list of states and territories that provide preferential tax treatment and/or do not require the disclosure or provision of information on financial operations.¹⁷⁶³

Russia has taken actions on Pillar 2 of the G20/OECD Inclusive Framework on BEPS to address the remaining taxation issues, associated with digital growth, but no action matching Pillar 1 has been found within the monitoring period.

Thus, Russia receives a score of 0.

Analyst: Alexander Ignatov

Saudi Arabia: 0

Saudi Arabia has partially complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 2 March 2021, the General Authority of Zakat and Tax released guidelines about value added tax (VAT) registration and payment for online and e-commerce transactions and activities. The guidelines (available in Arabic) provide that it is mandatory for online enterprises to register for VAT if their annual turnover exceeds SAR375,000 (approximately USD100,000). VAT registration is optional if yearly sales fall between SAR187,500 and SAR375,000. Online stores are defined as any digital platform that is used for e-commerce activities, and includes activities on Instagram, Whatsapp, Facebook, and LinkedIn, among others.¹⁷⁶⁴

Saudi Arabia has shown moderate progress on the G20/OECD Inclusive Framework on BEPS.

Thus, Saudi Arabia receives a score of 0.

Analyst: Pavel Doronin

South Africa: -1

South Africa has not complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

No actions taken by South Africa on Pillar 1 and Pillar 2 of the G20/OECD Inclusive Framework on BEPS were discovered within the monitoring period.

Thus, South Africa receives a score of -1.¹⁷⁶⁵

Analyst: Alexander Ignatov

¹⁷⁶³ Key changes in corporate tax law in 2021, EY (Moscow) 20 January 2021. Access Date: 13 May 2021. https://www.ey.com/en_ru/tax/tax-alert/2021/01/ey-key-changes-in-corporate-tax-law-in-2021-20-january-2021-eng

¹⁷⁶⁴ Saudi Arabia: VAT guidelines for e-commerce, KPMG (Amstelveen) 8 March 2021. Access Date: 30 April 2021. <https://home.kpmg/us/en/home/insights/2021/03/tnf-saudi-arabia-vat-guidelines-e-commerce.html>

¹⁷⁶⁵ This score of non-compliance was determined after searching the following websites: Government of South Africa <https://www.gov.za/>; South African Revenue Service <https://www.sars.gov.za/>; National Treasury <http://www.treasury.gov.za/>; The Presidency <http://www.thepresidency.gov.za/>.

Turkey: –1

Turkey has failed to comply with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

No information on Turkey's actions on Pillar 1 or Pillar 2 during the monitoring period was found.

Thus, Turkey is awarded a score of –1.¹⁷⁶⁶

Analyst: Pavel Doronin

United Kingdom: +1

The United Kingdom has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

From 1 April 2020, the UK government introduced a 2 per cent digital tax on the revenues of search engines, social media services and online marketplaces which derive value from UK users.¹⁷⁶⁷

In December 2020, the UK published the paper “[value added tax] (VAT) and the Sharing Economy: Call for Evidence.” The aim of this call for evidence was to test the government's view of the VAT challenges the Sharing Economy creates. The paper, inter alia, states that the UK government has been closely involved in the OECD-led process on Pillars 1 and 2.¹⁷⁶⁸

On 5 June 2021, Chancellor Rishi Sunak took part in the G7 Finance Ministers' Meeting in London, United Kingdom. The communique, signed by all the participants contained strong support for the “efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax.” The G7 ministers and central bank governors also committed to reach an “equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.”¹⁷⁶⁹

Despite taking its own domestic measures on taxation in the digital economy without waiting for the final OECD process outcomes, the UK has publicly supported OECD process on Pillars 1 and 2.

Thus, the United Kingdom receives a score of +1.

Analyst: Andrey Shelepov

¹⁷⁶⁶ This score of non-compliance was determined after searching the following websites: Presidency of the Republic of Turkey <https://www.tccb.gov.tr/en/>; Ministry of Treasury and Finance <https://en.hmb.gov.tr>; Turkey Revenue Administration <https://www.gib.gov.tr/en>; The Grand National Assembly of Turkey <https://global.tbmm.gov.tr/index.php/EN/yd/>.

¹⁷⁶⁷ Digital Services Tax, UK Government (London) 11 March 2020. Access Date: 5 May 2021.

<https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax>.

¹⁷⁶⁸ VAT and the Sharing Economy: Call for Evidence, HM Treasury (London) December 2020. Access Date: 5 May 2021.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942573/Call_for_Evidence_-_VAT_and_the_Sharing_Economy.pdf.

¹⁷⁶⁹ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communication/g7-finance-ministers-and-central-bank-governors-communication>

United States: +1

The United States has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 5 June 2021, Treasury Secretary Janet Yellen took part in the G7 Finance Ministers' Meeting in London, United Kingdom. The communique, signed by all the participants contained strong support for the “efforts underway through the G20/OECD Inclusive Framework to address the tax challenges arising from globalisation and the digitalisation of the economy and to adopt a global minimum tax.” The G7 ministers and central bank governors also committed to reach an “equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 per cent of profit exceeding a 10 per cent margin for the largest and most profitable multinational enterprises.”¹⁷⁷⁰

The United States took action on Pillar 1 and Pillar 2.

Thus, the United States receives a score of +1.

Analyst: Andrei Sakharov

European Union: +1

The European Union has fully complied with the commitment to further progress on both of the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

On 18 January 2021, the European Commission launched the public consultation on the digital levy. The new initiative proposal is expected to be finalized by mid-2021. The levy will help address the issue of fair taxation related to the digitalization of the economy and, at the same time, is intended to not interfere with the ongoing work at the G20 and OECD level on a reform of the international corporate tax framework.¹⁷⁷¹

Despite taking its own domestic measures on taxation in the digital economy without waiting for the final OECD process outcomes, the EU has highlighted that its own internal proposals should not interfere with the OECD work on Pillar 1 and Pillar 2.

Thus, the European Union receives a score of +1.

Analyst: Andrey Shelepov

¹⁷⁷⁰ G7 Finance Ministers and Central Bank Governors Communiqué, HM Treasury (London) 5 June 2021. Access Date: 18 June 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communiqué/g7-finance-ministers-and-central-bank-governors-communiqué>

¹⁷⁷¹ A fair & competitive digital economy – digital levy, European Commission (Brussels) January 2021. Access Date: 5 May 2021. https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12836-Digital-Levy/public-consultation_ru.