



RANEP
THE RUSSIAN PRESIDENTIAL ACADEMY
OF NATIONAL ECONOMY
AND PUBLIC ADMINISTRATION



2021 G20 Rome Summit Interim Compliance Report

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From 1 November 2021 to 22 June 2022

16 September 2022

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

We encourage readers to send comments to

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6. International Taxation: Base Erosion and Profit Shifting

“We call on the OECD/G20 Inclusive Framework on BEPS [Base Erosion and Profit Shifting] to swiftly develop the model rules and multilateral instruments as agreed in the Detailed Implementation Plan, with a view to ensure that the new rules will come into effect at global level in 2023.”

G20 Rome Leaders’ Declaration

Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina	-1		
Australia		0	
Brazil	-1		
Canada		0	
China		0	
France		0	
Germany		0	
India		0	
Indonesia		0	
Italy		0	
Japan	-1		
Korea		0	
Mexico	-1		
Russia	-1		
Saudi Arabia		0	
South Africa		0	
Turkey		0	
United Kingdom		0	
United States		0	
European Union		0	
Average		-0.25 (38%)	

Background

International taxation has been on the G20 agenda since Finance Ministers and Central Bank Governors met for the first time in Berlin, Germany in 1999.⁷⁰² Transparency and international standards were the main focus for many years, which led into efforts to tackle base erosion and profit shifting (BEPS).

On 19 July 2013, the Organisation for Economic Co-operation and Development (OECD) published the Action Plan on BEPS, which provided 15 action points to tackle weaknesses in the existing international taxation principles.⁷⁰³ The plan set up an international framework to combat tax avoidance by multinational enterprises (MNEs) using BEPS tools. Base erosion is the practice of reducing the taxable base. Profit shifting refers to shifting taxable profits from high-tax countries to low-tax countries. The BEPS Action Plan constitutes 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. On the international level, the action plan aims to mitigate tax code loopholes and country-to-country inconsistencies to ensure corporations cannot shift profits from a country with a high corporate tax rate to

⁷⁰² G20 Finance Ministers and Central Bank Governors, G20 Information Centre (Toronto) 16 December 1999. Access Date: 21 January 2022. <http://www.g20.utoronto.ca/1999/1999communique.pdf>

⁷⁰³ BEPS Actions, OECD (Paris) n.d. Access Date: 22 January 2022. <https://www.oecd.org/tax/beps/beps-actions/>

countries with a low tax rate. The BEPS package also gives businesses greater certainty by reducing disputes over the application of international tax rules and by standardizing compliance requirements.

On 6 September 2013, at the St. Petersburg Summit, the G20 leaders fully welcomed “the establishment of the G20/OECD BEPS project” and “the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS).”⁷⁰⁴ G20 leaders and Finance Ministers encouraged all interested countries to participate and aims to expand the coverage of measures to tackle BEPS. The plan brings together 137 countries and jurisdictions to collaborate on implementing its recommendations.

At the 2014 Brisbane Summit, G20 leaders welcomed the progress made on the G20/OECD BEPS Action Plan and “committed to finalising this work in 2015, including transparency of taxpayer-specific rulings found to constitute harmful tax practices.”⁷⁰⁵

On 5 October 2015, the OECD and the G20 “published final reports along with an explanatory statement outlining consensus recommendations that had been reached as part of the BEPS project.”⁷⁰⁶

At the 2015 Antalya Summit, G20 leaders endorsed the measures of the G20/OECD BEPS project. G20 leader stated that “To monitor the implementation of the BEPS project globally, we call on the OECD to develop an inclusive framework by early 2016 with the involvement of interested non-G20 countries and jurisdictions which commit to implement the BEPS project, including developing economies, on an equal footing.”⁷⁰⁷

At the 2016 Hangzhou Summit, G20 leaders reaffirmed their support for international tax cooperation and a globally fair and modern international tax system.⁷⁰⁸ They welcomed the establishment of the G20/OECD Inclusive Framework on BEPS and its first meeting, in Kyoto, Japan. G20 leaders called on all relevant and interested countries and jurisdictions to commit to the BEPS package and join the framework.

At the 2017 Hamburg Summit, G20 leaders reiterated their commitment to the implementation of the BEPS package.⁷⁰⁹

On 20 March 2018, G20 Finance Ministers and Central Bank Governors met prior to the G20 Buenos Aires Summit. The ministers and governors committed to continue working towards a globally fair and modern international tax system, including implementing BEPS, recognizing the importance of addressing the impacts of the digitalisation of the economy. They stated “we welcome the OECD interim report analyzing the impact of the digitalisation of the economy on the international tax system. We are committed to work together to seek a consensus-based solution by 2020, with an update in 2019.”⁷¹⁰

⁷⁰⁴ G20 Leaders’ Declaration, G20 Information Centre (Toronto) 6 September 2013. Access Date: 21 January 2022.

<http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>

⁷⁰⁵ G20 Leaders’ Communique, G20 Information Centre (Toronto) 16 November 2014. Access Date: 21 January 2022.

<http://www.g20.utoronto.ca/2014/2014-1116-communique.html>

⁷⁰⁶ BEPS Actions, Deloitte (London) n.d. Access Date: 21 January 2022.

<https://www2.deloitte.com/global/en/pages/tax/articles/beps-actions.html>

⁷⁰⁷ G20 Leaders’ Communique, G20 Information Centre (Toronto) 16 November 2015. Access Date: 21 January 2022.

<http://www.g20.utoronto.ca/2015/151116-communique.html>

⁷⁰⁸ G20 Leaders’ Communique: Hangzhou Summit, G20 Information Centre (Toronto) 5 September 2016. Access Date: 21 January 2022. <http://www.g20.utoronto.ca/2016/160905-communique.html>

⁷⁰⁹ G20 Leaders’ Declaration: Shaping an Interconnected World, G20 Information Centre (Toronto) 8 July 2017. Access Date: 22 January 2022. <http://www.g20.utoronto.ca/2017/2017-G20-leaders-declaration.html>

⁷¹⁰ Communiqué, G20 Information Centre (Toronto) 20 March 2018. Access Date: 21 January 2022.

http://www.g20.utoronto.ca/2018/2018-03-30-g20_finance_communique-en.html

On 29 June 2019, in Osaka, Japan, G20 leaders reaffirmed the importance of the worldwide implementation of the BEPS package and enhanced tax certainty.⁷¹¹ They recognized the progress on addressing the tax challenges arising from digitalization and endorsed the work program that consists of a two-pillar approach.

On 21 November 2020, G20 leaders welcomed the public release of Reports on the Blueprints for Pillar 1 and Pillar 2 constructed by the OECD/G20 Inclusive Framework on BEPS.⁷¹² G20 leaders 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.

On 8 October 2021, the OECD released a statement reflecting the agreement reached by 136 out of the 140 Inclusive Framework member jurisdictions on core design features of the two pillars of the BEPS 2.0 project.⁷¹³ The BEPS 2.0 project sets out additional tasks and the timeline for the new rules to come into effect. In the communiqué issued on 13 October 2021, Washington, the G20 Finance Ministers endorsed the agreement.

On 31 October 2021, Rome, Italy, the G20 Rome Leaders' declaration issued embraced the agreement reached regarding global tax changes addressed in the OECD/G20 Inclusive Framework on BEPS in connection with the BEPS 2.0 project. The G20 leaders recognized the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy and in the Detailed Implementation Plan as "a historic achievement." The declaration called for swift action as contemplated in the implementation plan included in the agreement, with the aim of "identifying developing countries' progress made through their participation in the OECD/G20 Inclusive Framework on BEPS and possible areas where domestic resource mobilisation efforts could be further supported." The declaration called for the new rules set out in the Statement to come into effect globally in 2023.⁷¹⁴

Commitment Features

The present commitment is situated in the following paragraph of the G20 Rome Leaders' Declaration on International Taxation:

"The final political agreement as set out in the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy and in the Detailed Implementation Plan, released by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on 8 October, is a historic achievement through which we will establish a more stable and fairer international tax system. We call on the OECD/G20 Inclusive Framework on BEPS to swiftly develop the model rules and multilateral instruments as agreed in the Detailed Implementation Plan, with a view to ensure that the new rules will come into effect at global level in 2023. We note the OECD report on Developing Countries and the OECD/G20 Inclusive Framework on BEPS identifying developing countries' progress made through their participation in the OECD/G20 Inclusive Framework on BEPS and possible areas where domestic resource mobilisation efforts could be further supported."⁷¹⁵

⁷¹¹ G20 Osaka Leaders' Declaration, G20 Information Centre (Toronto) 29 June 2019. Access Date: 21 January 2022. <http://www.g20.utoronto.ca/2019/2019-g20-osaka-leaders-declaration.html>

⁷¹² Leaders' Declaration, G20 Information Centre (Toronto) 21 November 2020. Access Date: 21 January 2022. <http://www.g20.utoronto.ca/2020/2020-g20-leaders-declaration-1121.html>

⁷¹³ Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 8 October 2021, OECD (Paris) 8 October 2021. Access Date: 21 January 2022. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.htm>

⁷¹⁴ G20 Rome Leaders' Declaration, G20 Information Centre (Toronto) 31 October 2021. Access Date: 21 January 2022. <http://www.g20.utoronto.ca/2021/211031-declaration.html>

⁷¹⁵ G20 Rome Leaders' Declaration, G20 Information Centre (Toronto) 31 October 2021. Access Date: 7 December 2021. <http://www.g20.utoronto.ca/2021/211031-declaration.html>

To define the key terms in this commitment, “call on” generally means “to promote or motion others to associate with the mentioned requirement”⁷¹⁶ and “the OECD/G20 Inclusive Framework on BEPS” is a forum of 141 countries and jurisdictions (as of December 2021), including all G20 members, that have been collaborating since 2016 to improve international tax rules, to promote a more transparent tax environment and to implement the 15 actions to tackle tax avoidance.⁷¹⁷ It is often referred to simply as the “Inclusive Framework” or “IF.” Since the G20 is a member of the IF, to “call on” is understood to mean both to promote the commitment and to motion other IF members to take action.

“Swiftly” means “quickly” or “immediately,”⁷¹⁸ and it should be interpreted that the commitment requires short-term initiatives that will be implemented in the present or near future. As such, prolonged and/or delayed efforts should not count towards this commitment. “Develop” is defined as “creating or producing especially by deliberate effort over time,”⁷¹⁹ which means only new initiatives that advance the commitment should be counted.

“With a view” means with “the aim or intention of”⁷²⁰ and “to ensure” means “to make something certain to happen.”⁷²¹ In this commitment, “new rules” refers to the model rules explained above. To “come into effect” means “to become operative”⁷²² and “at a global level,” is understood to mean “in relation to the entire world,”⁷²³ but in the context of the commitment, it means a majority of IF members. The depth or the strength of the action required to demonstrate compliance is qualified by the phrase “swiftly develop.” This is interpreted to mean the G20 leaders must take new initiatives that will be accomplished within the short timeline proposed in the Detailed Implementation Plan.

“Model rules and multilateral instruments of the Detailed Implementation Plan” refers to the Annex to the “Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy,” published on 8 October 2021 and agreed by 136 IF members in total as of 8 December 2021.⁷²⁴ The Annex describes the steps needed to implement the two-pillar solution described in the body of the Statement, as well as a timeline with key milestones for the members of the Inclusive Framework (IF). It also notes that technical assistance for all aspects of implementation will be available to developing countries.

Pillar One of the Detailed Implementation Plan is broken down into Amount A (“the removal of all Digital Service Taxes and other relevant similar measures on all companies”) and Amount B, which is yet to be finalized.⁷²⁵ Amount A will be implemented through a Multilateral Convention (MLC) and Amount B will be

⁷¹⁶ Compliance Coding Manual for International Institutional Commitments, Global Governance Program (Toronto) 12 November 2020. Access Date: 8 December 2021. http://www.g7.utoronto.ca/compliance/Compliance_Coding_Manual_2020.pdf

⁷¹⁷ What is BEPS?, Organisation for Economic Co-operation and Development (Paris) n.d. Access Date: 8 December 2021 <https://www.oecd.org/tax/beps/about/>

⁷¹⁸ Swiftly, Cambridge English Dictionary (Cambridge) n.d. Access Date: 8 December 2021. <https://dictionary.cambridge.org/dictionary/english/swiftly>

⁷¹⁹ Develop, Merriam-Webster English Dictionary (Springfield) n.d. Access Date: 8 December 2021. <https://www.merriam-webster.com/dictionary/develop>

⁷²⁰ With a view to, Collins English Dictionary (Glasgow) n.d. Access Date: 8 December 2021. <https://www.collinsdictionary.com/dictionary/english/with-a-view-to>

⁷²¹ Ensure, Cambridge English Dictionary (Cambridge) n.d. Access Date: 8 December 2021. <https://dictionary.cambridge.org/dictionary/english/ensure>

⁷²² Come into effect, Cambridge English Dictionary (Cambridge) n.d. Access Date: 8 December 2021. <https://dictionary.cambridge.org/dictionary/english-danish/come-into-effect>

⁷²³ On a global scale, Merriam-Webster English Dictionary (Springfield) n.d. Access Date: 8 December 2021. <https://www.merriam-webster.com/dictionary/on%20a%20global%20scale>

⁷²⁴ Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development (Paris) 8 October 2021. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

⁷²⁵ Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development (Paris) 8 October 2021. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

finalized by Working Party 6 and the Forum on Tax Administration's (FTA) Mutual Agreement Procedure (MAP) Forum by the end of 2022. The Multilateral Convention will be developed with three main focuses: rules for determining and allocating Amount A and eliminating double taxation; removing all Digital Services Taxes and other relevant similar measures with respect to all companies; and rules for domestic legislation.

Under Pillar One, the MLC should be entered into force and effect in 2023.⁷²⁶ However, the text of the MLC and its Explanatory Statement aims to be concluded by early 2022, so that by mid-2022 the MLC will be open to signature. Once signed, it is expected that the signatories will ratify the MLC as quickly as possible to be prepared to implement it in 2023. The second focus on removing Digital Services Taxes should be finalized as part of the adoption of the MLC in mid-2022. The third focus on model rules for domestic legislation should be developed by early 2022. If a G20 member needs to change their domestic laws, they will be required to follow the new model rules, but not all G20 members may need to make changes. Nonetheless, the model rules should be developed by early 2022. All G20 members are part of the Task Force on Digital Economy that has been mandated to develop these aspects of the MLC for early and mid-2022 and 2023, and the FTA MAP forum that has been mandated to finalize the work on Amount B by end of 2022.

Pillar Two of the Detailed Implementation Plan is on model rules to give effect to the Global Anti-Base Erosion (GloBE) rules, to be developed by the end of November 2021. "These model rules will define the scope and set out the mechanics of the GloBE rules. They will include the rules for determining the [Effective Tax Rate] on a jurisdictional basis and the relevant exclusions, such as the formulaic substance based carve-out. The model rules will also cover administrative provisions that address an MNE's filing obligations and the use of any administrative safe harbours. The model rules will further include transition rules. The model rules are supplemented by commentary that explains the purpose and operation of the rules and addresses the need for a switch-over rule in certain treaties and in circumstances that otherwise commit the contracting parties to the use of the exemption method."⁷²⁷

The model rules to give effect to the Subject to Tax Rule (STTR) aimed to be developed by end of November 2021 and a multilateral instrument to facilitate the implementation of the STTR aims to be developed by mid-2022.⁷²⁸ Latest by end of 2022, an implementation framework should be developed for the coordinated implementation of the GloBE rules.

Based on the two pillars of the Detailed Implementation Plan, G20 members have to meet several deadlines for both model rules and multilateral instruments. If G20 members do not meet those deadlines, it cannot be considered full compliance. The deadlines are as follows:

- End of November 2021: model rules for GloBE and for STTR
- Early-2022: MLC and Explanatory Statement
- Early-2022: develop model rules for domestic legislation
- Mid-2022: multilateral instrument to facilitate STTR implementation

⁷²⁶ Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development (Paris) 8 October 2021. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

⁷²⁷ Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development (Paris) 8 October 2021. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

⁷²⁸ Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development (Paris) 8 October 2021. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

- Mid-2022: adoption and signing of the MLC, including finalized measures for removing Digital Services Taxes and other similar measures
- End of 2022: implementation framework for coordinated implementation of GloBE rules
- End of 2022: finalized Amount B
- 2023: MLC enters into force

The compliance cycle ends before the end of 2022, as the next summit in Bali will be held at the end of October 2022. As such, G20 members will only be required to meet the deadlines that are before the Bali Summit for full compliance, but the requirements for the end of 2022 should be well underway. Furthermore, early 2022 will be considered as January-April 2022 and mid-2022 will be considered as May-August 2022. End of 2022 can be any time before 31 December 2022.

Full compliance, or a score of +1, is assigned to G20 members that actively and substantially contribute to the development of the model rules and sign on to all proposed multilateral instruments specified above. Developing the model rules and multilateral instruments, as well as signing the MLC and multilateral instruments by the deadlines are required. If G20 members complete the required actions but not by the specified deadlines, it would be considered partial compliance. Furthermore, if a G20 member addresses some but not all the required actions of the Detailed Implementation Plan, it would still be considered partial compliance. Any actions taken that are less than meeting all the deadlines before the Bali Summit is considered partial compliance.

Non-compliance, or a score of -1, is assigned to G20 members that did not take action to develop the model rules specified in the Detailed Implementation Plan and did not sign the multilateral instruments referred in this commitment.

Scoring Guidelines

-1	G20 member has NOT taken measures to develop the model rules OR multilateral instruments as agreed in the Detailed Implementation Plan.
0	G20 member has taken SOME measures to swiftly develop the model rules AND multilateral instruments as agreed in the Detailed Implementation Plan.
+1	G20 member has taken measures to swiftly develop ALL the model rules and multilateral instruments as agreed in the Detailed Implementation Plan and met the deadlines, with a view to ensure that the new rules will come into effect at global level in 2023.

*Compliance Director: Sonja Dobson
Lead Analyst: Angela Liu*

Argentina: -1

Argentina 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.

Argentina has not taken action to draft a model treaty provision to give effect to Subject to Tax Rules (STTR) as well as the supplemental commentary that explains the purpose and operation of the STTR. Argentina has also not developed model rules for the Global Anti-Base Erosion Rules and developed model rules for domestic legislation. Therefore, Argentina has not fulfilled Pillar 2 of the Detailed Implementation Plan.

Thus, Argentina receives a score of -1 .⁷²⁹

Analyst: Wong Yin Chi Jade

Australia: 0

Australia 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.

On 6 December 2021, Second Commissioner of Australian Taxation Office (ATO) Jeremy Hirschhorn reported in a keynote speech that ATO is focusing on establishing Action 1.⁷³⁰ For Pillar One, the current focus is on the development of the text of the Multilateral Convention and model rules for domestic legislation by early next year. For Pillar Two, the current focus is on the development of the model rules and supporting commentary which set out the mechanics of the Global anti-Base Erosion (GloBE) rules and the model treaty provision to give effect to the Subject To Tax Rule (STTR). For the inclusive framework, ATO is collaborating with the Forum on Tax Administration on implementation and administrative issues.

Australia has engaged in soft actions reaffirming their commitment towards the OECD/G20 Inclusive Framework. However, the government has not taken tangible steps to develop model rules or multilateral instruments. Australia has failed to fully satisfy Pillar Two of the Inclusive Framework, as it did not develop model rules for GloBE and STTR by the desired deadline of November 2021.

Thus, Australia receives a score of 0.

Analyst: Eva Li

Brazil: -1

Brazil 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.

Brazil failed to provide model rules to define the scope and mechanisms for the Global anti-Base Erosion rules and the model treaty provision to give effect to the Subject to Tax Rule by the deadline of November 2021. It has not taken any significant actions towards meeting this commitment

Thus, Brazil receives a score of -1 .⁷³¹

Analyst: Frederico Hideo Mugninda Rodrigues

Canada: 0

Canada 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).

⁷²⁹ This score of non-compliance was reached after visiting the following websites: <http://www.argentina.gob.ar>, <http://argentina.gob.ar/economia>, <http://www.cancilleeria.gob.ar/>, <https://taxnews.ey.com/news/2022-0070-argentinas-tax-authority-launches-the-comprehensive-system-for-monitoring-payments-abroad-for-services>, <https://home.kpmg/xx/en/home/insights/2022/01/flash-alert-2022-006.html>

⁷³⁰ The ATO supporting a business-led recovery, Australian Taxation Office (Canberra) 6 December 2021. Access Date: 12 February 2022. <https://www.ato.gov.au/Media-centre/Speeches/Other/The-ATO-supporting-a-business-led-recovery/>

⁷³¹ This Score of non-compliance was determined after searching the following websites: <https://www.gov.br/economia/pt-br>, <https://www.gov.br/mre/pt-br>, <http://www.brazil.gov.br/>

On 16 December 2021, Prime Minister Justin Trudeau published a letter to Minister of Finance Chrystia Freeland outlining the government's plans for 2022.⁷³² One of Canada's goals was continuing to work with global partners to bring the OECD Inclusive Framework into effect to improve international taxation on the world's largest corporations. However, Prime Minister Trudeau noted that Canada will be "moving ahead with legislation to implement a Digital Services Tax (DSTs)," which though would come into effect by 2024, it would be payable on revenues earned as early as 1 January 2022, if the treaty does not come into force. Despite verbal commitment to the OECD Inclusive Framework, Canada's plans to move forward with a separate DST was against the proposed policy of the interim period until Pillar One of the OECD Inclusive Framework comes into force.

On 29 April 2022, the Department of Finance drafted new legislation proposal aimed to quell cross-border tax avoidance arrangements.⁷³³ The legislation would be consistent with the Action 2 Report of the OECD/G20 Inclusive Framework on "Neutralizing the Effects of Hybrid Mismatch Arrangements." Chapters 1 and 2 of the Action 2 Report would apply as of 1 July 2022 while the remaining recommendations will be addressed at a later date.

Canada has partially complied with the commitment to further progress on both of the G20/OECD Inclusive Framework on BEPS. Canada has failed to act in accordance with the interim plans of Pillar One of the OECD Inclusive Framework by legislating a separate DST. Canada has also failed to fully satisfy Pillar Two of the Inclusive Framework, as it did not develop model rules for Global anti-Base Erosion and STTR by the desired deadline of November 2021.

Thus, Canada receives a score of 0.

Analyst: Chiara Barsanti

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).

On 15 December 2021, the Customs Tariff Commission of the State Council announced a plan to grant zero preferential tax rate treatment to 98 per cent of imported goods from least-developed countries that have established diplomatic ties with China.⁷³⁴ The Commission published a comprehensive document listing each of the goods benefitted by this policy. The specific timeline and logistics of this policy were to be established later.⁷³⁵

On 31 December 2021, the Ministry of Finance and the State Administration of Taxation declared a deadline extension for preferential tax policies for subsidies, including those for foreign individuals, until 31 December 2023.⁷³⁶ The government also announced that all sole proprietorships and partnerships with equity investments will be subject to audits for reporting purposes as of 1 January 2022.

⁷³² Deputy Prime Minister and Minister of Finance Mandate Letter (Ottawa) 16 December 2021. Access Date: 2 February 2021. <https://pm.gc.ca/en/mandate-letters/2021/12/16/deputy-prime-minister-and-minister-finance-mandate-letter>

⁷³³ Government of Canada releases draft legislative proposals to address "hybrid mismatch arrangement" tax avoidance schemes (Ottawa) 29 April 2022. Access Date: 7 May 2022. <https://www.canada.ca/en/department-finance/news/2022/04/government-of-canada-releases-draft-legislative-proposals-to-address-hybrid-mismatch-arrangement-tax-avoidance-schemes.html>

⁷³⁴ Ministry of Finance of the People's Republic of China (Beijing) 15 December 2021. Translation provided by Google Translate. Access Date: 12 February 2022. http://gss.mof.gov.cn/gzdt/zhengcefabu/202112/t20211215_3775102.htm

⁷³⁵ Announcement of the Tariff Commission of the State Council on the Zero Tariff Treatment for 98% of Tax Items of Least Developed Countries, Ministry of Finance of the People's Republic of China (Beijing) 15 December 2021. Translation provided by Google Translate. Access Date: 12 February 2022. http://gss.mof.gov.cn/gzdt/zhengcefabu/202112/t20211215_3775102.htm

⁷³⁶ Announcement on the continuation of preferential policies on personal income tax such as foreign personal allowance, Ministry of Finance of the People's Republic of China (Beijing) 31 December 2021. Translation provided by Google Translate. Access Date: 12 February 2022. http://szs.mof.gov.cn/zhengcefabu/202112/t20211231_3780374.htm

On 7 January 2022, the General Office of the Ministry of Finance issued a notice and specific data specifications for its initiative to promote electronic reporting of non-tax income.⁷³⁷ The Office posted relevant files online to be used in issuing letters for invoicing, write-off, and source control purposes.

On 24 February 2022, the Ministry of Finance and the State Administration of Taxation released information on the continuation of the implementation of preferential tax policies for commodity reserves.⁷³⁸ Specifically, the government created exemptions from stamp duties for businesses with commodity reserves within their treasuries, including soybeans, oil, cotton, sugar, and meat.

On 25 May 2022, China deposited its instruments of approval for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.⁷³⁹ The Convention will enter into force on 1 September 2022.

China has partially complied with its commitment to further progress on both of the G20/OECD Inclusive Framework on BEPS. China has implemented new policies directed towards strengthening financial market infrastructure, implementing measures to improve transparency and regulatory oversight. Although these measures somewhat contribute to meeting the commitment, they are not directly targeted at the goals of the Detailed Implementation Plan.

Thus, China receives a score of 0.

Analyst: Raḡa Akbari

France: 0

France 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 9 November 2021, the Ministry of Finance announced the signing of a new treaty between France and Belgium to address the avoidance of double taxation of income and wealth taxes.⁷⁴⁰ This new treaty and the protocols were published on 16 November 2021 and provided an update of the current treaty which was in place since 10 March 1964. The updated treaty better aligns the protocols and principles with the international principles established by the OECD and includes provisions to ensure the implementation of anti-BEPS measures. The treaty will enter into force on 1 January 2023 following the ratification process being completed by both countries.

On 13 December 2021, through the Appeals Court in Paris, France lowered a penalty placed on the Union Bank of Switzerland for aiding tax evasion of wealthy individuals in France.⁷⁴¹ The court upheld that the bank was guilty of promoting illegal banking services and money laundering.

⁷³⁷ Relevant business specifications for the issuance of the electronic General Contribution for Non-tax Income Notification of technical standards (trial), Ministry of Finance of the People's Republic of China (Beijing) 7 January 2022. Translation provided by Google Translate. Access Date: 12 February 2022. http://gks.mof.gov.cn/guizhangzhidu/202201/t20220105_3780823.htm

⁷³⁸ Ministry of Finance of the People's Republic of China (Beijing) 24 February 2022. Access Date: 15 May 2022. http://szs.mof.gov.cn/zhengcefabu/202202/t20220224_3790152.htm

⁷³⁹ China deposits an instrument for the approval of the Multilateral BEPS Convention, OECD (Paris) 25 May 2022. Access Date: 19 June 2022. <https://www.oecd.org/tax/beps/china-deposits-an-instrument-for-the-approval-of-the-multilateral-beps-convention.htm>

⁷⁴⁰ Signing of a new treaty for the avoidance of double taxation by Belgium and France. Bruno Cardoen et al. EY Law Article (Location Unknown). 18 November 2021. Access Date: 10 February 2022. <https://www.eylaw.be/2021/11/18/signing-of-a-new-treaty-for-the-avoidance-of-double-taxation-by-belgium-and-france/>

⁷⁴¹ French court slashes UBS tax evasion fine to 1.8 bln euros. Tangi Salaüm (Location unknown). 13 December 2021. Access Date: 10 February 2022. <https://www.reuters.com/business/paris-appeals-court-cuts-fine-against-ubs-tax-evasion-case-2021-12-13/>

On 31 December 2021, the 2022 French Finance Law (Law No. 2021-1900) was published in the French Official Gazette.⁷⁴² It details new tax measures pertaining to multinational corporations with entities that have interest ownership in France. One updated tax measure lowers the regular corporate income tax rate for all companies to 25 per cent, with a reduced rate benefit for certain small and medium enterprises.

On 7 February 2022, France published the revised text of a tax treaty with Chile in accordance with the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).⁷⁴³ Applicable parts of the MLI on the previous France-Chile 2004 treaty include: taxes withheld at source on amounts paid or credited to non-residents, tax levies by France and tax levies by Chile.

On 18 March 2022, France moved to delay implementation of the OECD/Global anti-Base Erosion Rules, originally agreed upon in December 2021.⁷⁴⁴ Measures agreed upon include the 15 per cent global minimum corporation tax on multinational enterprises and other measures to ensure corporations pay income taxes in jurisdictions where they have a customer base but not necessarily a fixed address. France put forward a proposed compromise text at the Economic and Financial Affairs Council meeting on 15 March 2022.

On 2 May 2022, it was reported that on 4 February 2022, France and Denmark concluded an agreement to avoid double taxation.⁷⁴⁵ At this time, the agreement is not yet active since the legislative process must be completed. Specifically, France must have a parliamentary vote on approval before ratification. The treaty covers income taxes only, not wealth tax nor donations and inheritances. Furthermore, there are provisions for French firms – partnerships or entities, with residence in France.

France has taken some actions to comply with its commitment to support actions and cooperation with regards to avoidance of double taxation and taxation of multinational corporations, and bilateral treaty developments. However, no action regarding the OECD was implemented, and the government scandal takes away from the progress made by the country in specific tax treaties and tax reform leadership.

Thus, France receives a score of 0.

Analyst: Samantha Tozzi

Germany: 0

Germany 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 16 January 2022, Minister of Finance Christian Lindner expressed his intentions to implement the 15 per cent global minimum tax.⁷⁴⁶ He stated that the ministry wants to introduce regulations on 1 January 2023 and will do so by presenting the draft law promptly.

⁷⁴² French 2022 Finance Law Includes Tax Measures Affecting MNEs, Patrick Donsimoni (Geneva) 28 January 2022. Access Date: 10 February 2022. <https://mnetax.com/french-2022-finance-law-includes-tax-measures-affecting-mnes-46688>

⁷⁴³ France Publishes Synthesized Text of Tax Treaty with Chile as Impacted by the BEPS MLI (Location unknown) 7 February 2022. Access Date: 10 February 2022. <https://www.orbitax.com/news/archive.php/France-Publishes-Synthesized-T-48993>

⁷⁴⁴ France seeks 12 month delay to new 15% global tax regime. Mark Battersby (Location unknown). 18 March 2022. Access Date: 9 May 2022. <https://www.internationalinvestment.net/news/4046702/france-seeks-delay-global-tax-regime>

⁷⁴⁵ New double tax treaty signed between France and Denmark...finally. Ecovis global (Location unknown). 2 May 2022. Access Date: 9 May 2022. <https://www.ecovis.com/global/new-double-tax-treaty-signed-between-france-and-denmark/>

⁷⁴⁶ Finance Minister Linder wants to introduce minimum tax quickly, WirtschaftsWoche (Düsseldorf) 16 January 2022. Translation provided by Google Translate. Access Date: 9 February 2022. <https://www.wiwo.de/politik/deutschland/15-prozent-fuer-grossunternehmen-finanzminister-lindner-will-mindeststeuer-rasch-einfuehren/27975364.html>

On 18 January 2022, Minister Lindner reaffirmed that the introduction of the global minimum effective tax is a priority for the German government in a press conference following the Economic and Financial Affairs Council meeting.⁷⁴⁷

On 2 May 2022, Chancellor Olaf Scholz met with Indian Prime Minister Narendra Modi to discuss about the reformation of WTO and the negotiations between the European Union and India regarding “a Free Trade Agreement, an Investment Protection Agreement and Agreement on Geographical Indications.”⁷⁴⁸ Both parties expressed their support for the two pillar OECD solution on BEPS and their commitment to quickly amend the double tax avoidance agreement accordingly.

Germany has partially complied with its commitment to further progress on both of the G20 OECD and Development Inclusive Framework on BEPS. Germany has publicly supported and set an expected date for regulations regarding the minimum rate, supporting Pillar 2 of the G20/OECD Inclusive Framework on BEPS. No action, however, has been implemented within the monitoring period. Germany has failed to meet the November 2021 deadline to develop model rules for the Subject to Tax Rule and Global anti-Base Erosion rules.

Thus, Germany receives a score of 0.

Analyst: Brinda Batra

India: 0

India 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 1 February 2022, a joint statement between India and the United States regarding the issue of a two per cent equalisation levy, also known as “Google Tax,” imposed by the country on e-commerce operators, would be finalized by applying the framework under the Unilateral Measures Compromise.⁷⁴⁹ The agreement would include the aspects of withdrawal of equalization levy, credit of excess equalization levy paid, year in which credit becomes available and the credit carried forward.

On 2 May 2022, Prime Minister Narendra Modi met with German Chancellor Olaf Scholz to discuss about the reformation of the World Trade Organization and the negotiations between the European Union and India regarding “a Free Trade Agreement, an Investment Protection Agreement and Agreement on Geographical Indications.”⁷⁵⁰ Both parties expressed their support for the two pillar OECD solution on BEPS and their commitment to quickly amend the double tax avoidance agreement accordingly.

India has shown a partial commitment in accomplishing the guidelines and goals set forth both by the G20/OECD and the Inclusive Framework, regarding International Taxation and BEPS. However, no action regarding the OECD was implemented.

Thus, India receives a score of 0.

Analyst: Amardeep Singh

⁷⁴⁷ Press Statement by Christian Lindner after the ECOFIN Council meeting in January, Federal Ministry of Finance (Berlin) 18 January 2022. Access Date: 9 February 2022. <https://www.bundesfinanzministerium.de/Content/EN/Video/2022/2022-01-18-press-conference-ecofin/2022-01-18-press-conference-ecofin.html>

⁷⁴⁸ India, Germany Commit to Reform WTO, The Economic Times (Berlin) 3 May 2022. Access Date: 12 May 2022. <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-germany-commit-to-reform-wto/articleshow/91268427.cms>

⁷⁴⁹ India and USA agree on a transitional approach on Equalisation Levy 2020 (New Delhi) 24 November 2021 Access Date: 12 June 2022. <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1774692>

⁷⁵⁰ India, Germany Commit to Reform WTO, The Economic Times (Berlin) 3 May 2022. Access Date: 12 May 2022. <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-germany-commit-to-reform-wto/articleshow/91268427.cms>

Indonesia: 0

Indonesia 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 1 December 2021, the government of Indonesia made available a tax exemption for dividend income that was announced in the Omnibus Law of November 2020.⁷⁵¹ This rule makes dividend income 100 per cent tax exempt as long as the amount is reinvested in Indonesia.

On 10 December 2021, the government approved legislation to overhaul the tax code in various ways.⁷⁵² Among these changes, financial institutions were allowed to begin deducting bad debts for tax purposes. Furthermore, the value added tax rate was set to be increased to 11 per cent as of 1 April 2022. The legislation also set in motion the implementation of a carbon tax in phases.

On 23 December 2021, the Ministry of Finance issued guidance on the details of the Voluntary Disclosure Program (VDP) established under the tax harmonisation law of November 2021.⁷⁵³ The VDP establishes the regulations surrounding the repatriation of assets and details the process through which a taxpayer may disclose relevant investments.

On 1 January 2022, the Director General of Taxes issued a notice that an agreed-upon Tax Treaty with the UAE would come into effect for all income incurred from 1 January 2022 onwards.⁷⁵⁴ The new treaty replaced a prior treaty from 1995, introducing changes in tax treatment for dividends, interest, fees for technical service, capital gains, and more.

Indonesia has partially complied with its commitment for the Development of an Inclusive Framework regarding International Taxation, and BEPS though missing the deadline for model rule for Global anti-Base Erosion and for Subject to Tax Rule. However, no action regarding OECD was implemented.

Thus, Indonesia receives a score of 0.

Analyst: Raza Akbari

Italy: 0

Italy 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 2021, the Italian Tax Authorities launched a public consultation on a draft circular concerning the hybrid mismatch rules.⁷⁵⁵ The Draft Circular outlines examples and interpretations on the provisions

⁷⁵¹ Undang - Undang Republik Indonesia Nomor 11 Tahun 2020 Tentang Cipta Kerja, Ministry of the State Secretariat of the Republic of Indonesia (Jakarta) 3 November 2020. Access Date: 12 February 2022.

https://www.setneg.go.id/view/index/undang_undang_republik_indonesia_nomor_11_tahun_2020_tentang_cipta_kerja
⁷⁵² Law No. 7: Harmonization of Tax Regulations, Jaringan Dokumentasi dan Informasi Hukum Nasional (Jakarta) 7 November 2021. Access Date: 12 February 2022.

<https://jdih.setneg.go.id/viewpdfperaturan/Salinan%20UU%20Nomor%207%20Tahun%202021.pdf>

⁷⁵³ 196/PMK.03/2021: Tata Cara Pelaksanaan Program Pengungkapan Sukarela Wajib Pajak, Ministry of Finance Regulation Information Network (Jakarta) 23 December 2021. Access Date: 12 February 2022.

<https://jdih.kemenkeu.go.id/download/2cb15937-2e26-4c58-88d1-11a38ee57201/196~PMK.03~2021Per.pdf>

⁷⁵⁴ SURAT EDARAN NOMOR SE-57/PJ/2021, Director General of Taxes of Indonesia (Jakarta) 1 January 2022. Access Date: 15 May 2022. <https://perpajakan-id.ddtc.co.id/sumber-hukum/peraturan-pusat/surat-edaran-direktur-jenderal-pajak-se-57pj2021>

⁷⁵⁵ Italy issues draft guidance on hybrid mismatches, Ernst Young (London) 23 November 2021. Access Date: 14 February 2022. https://www.ey.com/en_gl/tax-alerts/italy-issues-draft-guidance-on-hybrid-mismatches

governed by decree 142/2018 which implemented the European Union Anti-Tax Avoidance directive in domestic law.

On 31 December 2021, the Italian Tax authorities issued a ruling on the Value-Added Tax (VAT) regime with respect to its applicability to the assignment of non-performing loans (NPLs).⁷⁵⁶ The regime now helps to focus on the determination of the taxable base for VAT purposes relating to transactions.

From taking action to engage in public consultation on a draft circular for hybrid mismatch rules to implementing an NPL adjustment to their current VAT regime, Italy has made strides thus far to improve its taxation of multinational corporations. Nevertheless, Italy has not complied with its commitment for the Development of an Inclusive Framework regarding International Taxation, and BEPS.

Thus, Italy receives a score of 0.

Analyst: Julian Lam

Japan: -1

Japan 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.

Japan has not met the November 2021 deadline to develop model rules for Subject to Tax Rule and the Global anti-Base Erosion rules. Moreover, Japan has failed to remove all of its Digital Sales Taxes, which goes against the measures established by the Detailed Implementation Plan for Amount A of Pillar One.⁷⁵⁷

Thus, Japan receives a score of -1.

Analyst: Julian Lam

Korea: 0

Korea 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 9 February 2022, the Industry Ministry held talks with the OECD to urge further discussion on a global tax deal to prevent exporters from shouldering an excessive economic burden.⁷⁵⁸ The delegation stressed the need to address technical issues of contention regarding the global minimum corporate tax and their impacts on domestic exporters.

Korea has taken some action to comply with its commitment for the Development of an Inclusive Framework regarding International Taxation, and BEPS. Nevertheless, Korea has not met the November 2021 deadline to develop model rules for Subject to Tax Rule and the Global anti-Base Erosion rules.

Thus, Korea receives a score of 0.

Analyst: Julian Lam

⁷⁵⁶ VAT regime applicable to the assignment of NPLs, Hogan Lovells (London) 5 January 2022. Access Date: 14 February 2022. <https://www.jdsupra.com/legalnews/vat-regime-applicable-to-the-assignment-6433736/>

⁷⁵⁷ Cross-border supplies of electronic services, Japanese Government (Tokyo) May 2015. Access Date: 12 February 2022. https://www.nta.go.jp/english/taxes/consumption_tax/04.htm

⁷⁵⁸ S. Korea Asks OECD Chief For More Discussions On Digital Tax Deal, The Korea Herald (Seoul) 9 February 2022. Access Date: 14 February 2022. <http://www.koreaherald.com/view.php?ud=20220209000643>

Mexico: -1

Mexico 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.

On 1 January 2022, Mexico introduced “Aprovechamiento,” a new tax of two per cent to delivery apps of goods, merchandise and food at Mexico City.⁷⁵⁹ Mexico has also subjected any paid act, entertainment, fun, movie or theatre playing, broadcasted digitally in Mexico city to a 8 per cent tax.⁷⁶⁰ This directly contradicts Pillar 1 of the Detailed Implementation Plan, where a Multilateral Convention should be developed with the aim of removing all Digital Services Taxes and other relevant similar measures with respect to all companies.

Mexico has not taken action to draft a model treaty provision to give effect to Subject to Tax Rules (STTR) as well as the supplemental commentary that explains the purpose and operation of the STTR. Mexico has also not developed model rules for the Global Anti-Base Erosion Rules and developed model rules for domestic legislation. Therefore, Mexico has not fulfilled Pillar Two of the Detailed Implementation Plan.

Thus, Mexico receives a score of -1.⁷⁶¹

Analyst: Wong Yin Chi Jade

Russia: -1

Russia 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 Russia on Pillar 1 and Pillar 2 of the G20/OECD Inclusive Framework on BEPS were discovered within the monitoring period.

Thus, Russia receives a score of -1.⁷⁶²

Analyst: Anabit Hakobyan

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).

⁷⁵⁹ Mexico: Mexico City – Tax reform 2022, Baker Mckenzie, Access Date: February 14, 2022, <https://insightplus.bakermckenzie.com/bm/tax/mexico-tax-reform-2022>

⁷⁶⁰ Mexico: Mexico City – Tax reform 2022, Baker Mckenzie, Access Date: February 14, 2022, <https://insightplus.bakermckenzie.com/bm/tax/mexico-tax-reform-2022>

⁷⁶¹ This score of non-compliance was reached after visiting the following websites:

https://www.banxico.org.mx/AplBusquedasBM2/bgenwww_en.jsp,

<https://www.gob.mx/busqueda?utf8=%E2%9C%93#gsc.tab=0&gsc.q=subject%20to%20tax%20rule&gsc.sort=>,

[https://www.scjn.gob.mx/gw/#/sistema-de-](https://www.scjn.gob.mx/gw/#/sistema-de-consulta/sitios?q=(%22GloBE%20%22~21%20)&subquery=_datasource:%22SitiosWeb%22&page=1&size=10&sort=date,desc)

[consulta/sitios?q=\(%22GloBE%20%22~21%20\)&subquery=_datasource:%22SitiosWeb%22&page=1&size=10&sort=date,desc,](https://mnetax.com/mexicos-2022-income-tax-law-takes-effect-incorporates-notable-transfer-pricing-changes-46778)

[https://mnetax.com/mexicos-2022-income-tax-law-takes-effect-incorporates-notable-transfer-pricing-changes-46778,](https://mnetax.com/mexicos-2022-income-tax-law-takes-effect-incorporates-notable-transfer-pricing-changes-46778)

<https://www.gob.mx/sre>

⁷⁶² This score of non-compliance was determined after searching the following websites: The Russian Government

<http://government.ru/en/search/?q=tax&dt.till=15.06.2022&dt.since=7.05.2012&sort=new&type=>;

Ministry of Economic Development of the Russian Federation <http://old.economy.gov.ru/en/home> ; Ministry of Finance of the Russian Federation

<http://www.minfin.ru/en/> ; Ministry of Industry and Trade of the Russian Federation <http://minpromtorg.gov.ru/en>

The strategies devised for bringing both pillars to effect were related to three main domains – the removal of Zakat, broadening of the Corporate Income Tax, and the base amendment of Corporate Income Tax rate.⁷⁶³

On 13 January 2020, Saudi Arabia deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) with the OECD Secretary-General.⁷⁶⁴ This was brought into effect on 1 May 2020 at which point 14 Saudi Arabian double tax treaties were amended.

In May 2020, the General Authority of Zakat and Tax released the second edition of Transfer Pricing Guidelines aimed at providing more information for OECD compliant approaches for international taxation.⁷⁶⁵

On 28 May 2021, the Zakat, Tax and Customs Authority published official guidelines and standards regarding the implementation of e-invoicing, which remained in effect till 4 December 2021.⁷⁶⁶

Saudi Arabia has shown a partial commitment for achieving the guidelines defined by the G20/OECD and the Inclusive Framework, regarding International Taxation, and BEPS. Information regarding the term limits, fiscal plans, implementation steps, tax rates, surrounding Pillar 1 and Pillar 2 was limited, and no action regarding OECD was implemented.

Thus, Saudi Arabia receives a score of 0.

Analyst: Amardeep Singh

South Africa: 0

South Africa 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 10 December 2022, the South African Revenue Service published a high-level model and draft legislation framework for the introduction of an advance pricing agreement (APA) program that aims to enhance the efficiency of the OECD/G20's BEPS Project and the OECD's Inclusive Framework, especially regarding the OECD Model Tax Convention on Income and Capital and the United Nations equivalent.⁷⁶⁷ According to the OECD, an APA is an “arrangement that determines, in advance of controlled transactions, an appropriate set of criteria ... for the determination of the transfer pricing for those transactions over a fixed period of time.”⁷⁶⁸ Advance pricing agreements would be implemented to avoid disputes and create an environment of tax certainty that investors look for before they invest.

On 23 March 2022, the South African Cabinet approved the submission of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) to parliament for

⁷⁶³ Pillar Two and the GCC: Important Consequences for Tax Havens and Exemptions for Nationals (France) 25 December 2021. Access Date: 5 January 2022. <https://www.ccifranceuae.com/actualites/n/news/pillar-two-and-the-gcc-important-consequences-for-tax-havens-and-exemptions-for-nationals.html>

⁷⁶⁴ Saudi Arabia: MLI enters into force on 1 May 2020 (EY, Saudi Arabia) 30 April 2020. Access Date: 5 January 2022 https://www.ey.com/en_gl/tax-alerts/saudi-arabia-mli-enters-into-force-on-1-may-2020

⁷⁶⁵ KSA releases second edition of Transfer Pricing guidelines (Deloitte, Saudi Arabia) 25 August 2020. Access Date: 21 January 2022 <https://www2.deloitte.com/ae/en/pages/tax/articles/saudi-arabia-releases-2nd-edition-transfer-pricing-guidelines.html>

⁷⁶⁶ Tax Alert: ZATCA releases official e-invoicing guidelines and standards (KPMG, Saudi Arabia) 01 June 2021. Access Date: 21 January 2022 <https://assets.kpmg/content/dam/kpmg/sa/pdf/2021/tax-alert-zatca-releases-official-e-invoicing-guidelines-updated.pdf>

⁷⁶⁷ Proposed Model for Establishing an Advance Pricing Agreement Programme in South Africa and i Release of Draft Legislation (Pretoria) 10 December 2022 Access Date: 12 June 2022. <https://www.sars.gov.za/wp-content/uploads/Legal/DiscPapers/LPrep-DP-2021-02-Proposed-Model-for-Establishing-APA-Programme-in-SA-and-Release-of-Draft-Legislation.pdf>

⁷⁶⁸ Discussion Paper on Advance Pricing Agreements (Pretoria) 10 December 2022 Access Date: 12 June 2022. <https://www.sars.gov.za/wp-content/uploads/Legal/DiscPapers/LPrep-DP-2020-02-Discussion-Paper-on-Advance-Pricing-Agreements.pdf>

ratification. If the internal ratification process is completed, and the MLI comes into force for its covered agreements (tax treaties), it would enhance the swift implementation of the tax treaty-related measures arising from the G20/OECD BEPS project, without the need to renegotiate each double tax treaty.

South Africa has partially complied with its commitment to further progress on both G20/OECD and Development Inclusive Framework on BEPS. It has proposed frameworks that once implemented would advance the goals set out in OECD and BEPS.

Thus, South Africa receives a score of 0.

Analyst: Brinda Batra

Turkey: 0

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

On 22 November 2021, Turkey and the United States released a statement reinforcing their commitment to not impose unilateral taxation Digital Service Taxes in compliance with the Detailed Implementation Plan specifications for Pillar One of the Two-Pillar Solution.⁷⁶⁹

Turkey has not taken any other meaningful actions related to Pillars One and Two of the G20/OECD Inclusive Framework on BEPS within the researched period and has missed the November 2021 deadline to develop the model rules for the Subject to Tax Rule and the Global anti-Base Erosion rules.

Thus, receives a score of 0.⁷⁷⁰

Analyst: Anabit Hakobyan

United Kingdom: 0

The United Kingdom 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 30 November 2021, the United Kingdom announced a review of tax administration for large businesses. Stakeholder feedback included securing upfront certainty on tax treatment, in particular for the BEPS project.⁷⁷¹ In response, the government will invest to enable Her Majesty's Revenue and Customs (HMRC) to develop a programme of new "Guidelines for Compliance," which will provide practical guidance and greater transparency.

On 11 January 2022, Her Majesty's Treasury and HMRC launched a public consultation seeking views on the implementation of Pillar Two, which aims to ensure multinational enterprises operating within the United

⁷⁶⁹ Joint Statement from the United States and Turkey Regarding a Compromise on a Transitional Approach to Existing Unilateral Measures During the Interim Period Before Pillar 1 Is in Effect (Washington) 22 November 2021. Access Date: 6 February 2022. <https://home.treasury.gov/news/press-releases/jy0500>

⁷⁷⁰ This score of partial compliance was determined after searching the following websites: Republic of Turkey Ministry of Foreign Affairs: <https://www.mfa.gov.tr/default.en.mfa>, Republic of Turkey Ministry of Treasury and Finance <https://en.hmb.gov.tr/kategori/public-finance/sayfa/1>

⁷⁷¹ Review of tax administration for large businesses, GOV.UK (London) 30 November 2021. Access Date: 13 February 2022. <https://www.gov.uk/government/publications/review-of-tax-administration-for-large-businesses/review-of-tax-administration-for-large-businesses>

Kingdom pay a minimum effective tax rate of 15 per cent.⁷⁷² The consultation includes a number of issues, including accounting matters, charging mechanisms, reporting procedures and potential safe harbors.

The United Kingdom has addressed how Pillar Two rules should be launched by the specified deadline of early 2022. However, the government has not addressed the reallocation of tax rights or development of model rules under Pillar One by the deadline, and no action regarding OECD was implemented.

Thus, the United Kingdom receives a score of 0.

Analyst: Eva Li

United States: 0

The United States 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 19 November 2021, the House of Representatives passed the Build Back Better Act (BBBA).⁷⁷³ The BBBA intends to prevent corporations from exporting jobs and profits overseas by implementing a global minimum tax, in line with the G20/OECD Inclusive Framework. The estimated offset of the policy is USD350 billion. If made into law, the BBBA will establish international taxation rules that satisfy Pillar Two of the OECD Inclusive Framework.⁷⁷⁴

On 22 November 2021, the US and Turkey released a joint statement regarding the treatment of Digital Services Taxes (DSTs) during the interim period prior to the implementation of Pillar One of the G20/OECD Inclusive Framework.⁷⁷⁵ The US promised to remove the suspended additional duties on imported goods from Turkey that had been previously adopted in the DST Section 301 investigation. This decision marks a step towards multilateral commitment to Pillar One.⁷⁷⁶

On 24 November 2021, the Department of the Treasury released a statement regarding the transition from existing Indian equalisation levy to the new multilateral solution agreed upon by the OECD Inclusive Framework.⁷⁷⁷ In return, the US promised to remove the currently suspended additional duties on imported goods from India that had been adopted in the DST Section 301 investigation. The agreement marks a further step to establishing appropriate DSTs during the interim period prior to the implementation of Pillar One.

⁷⁷² OECD Pillar 2 - Consultation on Implementation, GOV.UK (London) 11 January 2022. Access Date: 13 February 2022.

<https://www.gov.uk/government/consultations/oecd-pillar-2-consultation-on-implementation>

⁷⁷³ House Narrowly Passes Biden's Social Safety Net and Climate Bill (New York City) 19 November 2021.

<https://www.nytimes.com/2021/11/19/us/politics/house-passes-reconciliation-bill.html>

⁷⁷⁴ Build Back Better Framework (Washington D.C) 28 October 2021. Access Date: 2 February 2022.

<https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/28/build-back-better-framework/>

⁷⁷⁵ Joint Statement from the United States and Turkey Regarding a Compromise on a Transitional Approach to Existing Unilateral Measures During the Interim Period Before Pillar 1 Is in Effect (Washington D.C) 22 November 2021. Access Date: 6 February 2022. <https://home.treasury.gov/news/press-releases/jy0500>

⁷⁷⁶ USTR Welcomes Agreement with Turkey on Digital Services Taxes (Washington D.C) 22 November 2021. Access Date: 6 February 2022. <https://ustr.gov/index.php/about-us/policy-offices/press-office/press-releases/2021/november/ustr-welcomes-agreement-turkey-digital-services-taxes>

⁷⁷⁷ USTR Welcomes Agreement with India on Digital Services Taxes (Washington D.C) 24 November 2021. Access Date: 6 February 2022. <https://ustr.gov/index.php/about-us/policy-offices/press-office/press-releases/2021/november/ustr-welcomes-agreement-india-digital-services-taxes>

On 15 December 2021, Trade Representative Adam Hodge released a statement in response to Canada's announcement to continue pursuing a unilateral DST which will discriminate against American companies.⁷⁷⁸ Hodge noted that Canada's proposed DST would cause retroactive tax liabilities that are not in line with the OECD's Pillar One Inclusive Framework. The statement reinforces the US's commitment to working towards Pillar One.

On 16 December 2021, the Congressional Research Service updated its report on Issues in International Corporate Taxation.⁷⁷⁹ It discussed the variety of proposals put further by the Congress and President Joe Biden to strengthen international tax rules in relation to foreign-source income. Notably, President Biden's budget proposals would increase the corporate tax rate to 28 per cent and impose a 15 per cent minimum tax on companies with more than USD2 billion in income. Senate Finance Committee Chair Ron Wyden, D-Ore., Senator Sherrod Brown, D-Ohio and Senator Mark Warner, D-Va., proposed a higher-tier tax on base erosion payments. These proposals intend to satisfy Pillar Two of the OECD Inclusive Framework.

On 18 February 2022, the Department of the Treasury released a statement on the G20 Finance Ministers and Central Bank Governors meeting in Jakarta, Indonesia.⁷⁸⁰ Section 4 reaffirmed their commitment to the OECD/G20 Inclusive Framework on BEPS with the promise of developing model rules and multilateral tools to achieve the project goals.

On 28 March 2022, President Joe Biden announced changes to international tax rules in line with Pillar 2 GloBE rules of the OECD/G20 BEPS project.⁷⁸¹ It would enact a 15 per cent minimum undertaxed profits rule and a 15 per cent qualified domestic minimum top-up tax.

The United States has taken some measures to swiftly develop the model rules and multilateral instruments as agreed in the Detailed Implementation Plan. However, the United States has failed to fully satisfy Pillar Two of the Inclusive Framework because it did not develop model rules for the Subject to Tax Rule and the Global anti-Base Erosion rules by the November 2021 deadline.

Thus, the United States receives a score of 0.

Analyst: Chiara Barsanti

European Union: 0

The European Union 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 10 December 2021, the European Union and the OECD decided to extend the program "Improving Domestic Resource Mobilization through the Establishment of an Efficient Tax System and Enhanced Tax

⁷⁷⁸ Statement by USTR Spokesperson Adam Hodge on Canada's Digital Services Tax As Described in Canada's Notice of Ways and Means Motion to Introduce an Act to Implement a Digital Services Tax (Washington D.C) 15 December 2021. Access Date: 6 February 2022. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/december/statement-ustr-spokesperson-adam-hodge-canadas-digital-services-tax-described-canadas-notice-ways>

⁷⁷⁹ Issues in International Corporate Taxation: The 2017 Revision (P.L 115-97) (Washington D.C) 16 December 2021. Access Date: 2 February 2022. <https://sgp.fas.org/crs/misc/R45186.pdf>

⁷⁸⁰ G20 Finance Ministers and Central Bank Governors Meeting Communiqué (Washington D.C) 18 February 2022. Access Date: 7 May 2022. <https://home.treasury.gov/news/press-releases/jy0601>

⁷⁸¹ The Biden Administration Proposes Changes to the U.S. International Tax Rules (New York) 22 April 2022. Access Date: 7 May 2022. https://www.proskauertaxtalks.com/2022/04/the-biden-administration-proposes-changes-to-the-u-s-international-tax-rules/#_ftn1

Transparency” with Tunisia.⁷⁸² This program will also be expanded to include two new key areas, including the implementation of Pillar One and Pillar Two.

On 22 December 2021, the EU presented an initiative to fight the misuse of shell entities for improper tax purposes.⁷⁸³ Once approved, the proposal would come into effect on 1 January 2024. The proposal will make use of new monitoring and reporting requirements, establish transparency, and allow national taxation authorities to identify these problem firms. This serves to fight against tax avoidance and evasion and support fair taxation.

On 22 December 2021, the EU proposed a Directive to set the minimum tax rate for multinational enterprises (MNEs).⁷⁸⁴ The proposal follows the international agreement of 137 countries that has a set principle of a 15 per cent tax rate to be applied within the European Union.

On 22 March 2022, Council Directive EU/2018/822 of 25 May 2018 was amended to form DAC6, a regime that governs tax disclosure and reporting requirements.⁷⁸⁵ A 6-month deferral of the deadline was taken by most EU member states due to COVID-19 complications. DAC6 “covers the mandatory disclosure and automatic exchange of information among EU states in the field of taxation related to reportable cross-border arrangements.”⁷⁸⁶

On 28 April 2022, the EPP Group and European Parliament called for the “most reluctant states, such as Poland” to stop blocking the EU plan for the implementation of a minimum corporate tax rate. This would aid in ending aggressive tax planning, fair tax taxation of MNEs, and overall implementation of the OECD global agreement.

The European Union has somewhat complied with its commitment to the BEPS framework.

Thus, the European Union receives a score of 0.

Analyst: Samantha Tozzi

⁷⁸² Tunisia, OECD and EU strengthen tax co-operation to improve domestic resource mobilisation in Tunisia, OECD (Paris) 10 December 2021. Access Date: 19 June 2022. <https://www.oecd.org/tax/beps/tunisia-oecd-and-eu-strengthen-tax-cooperation-to-improve-domestic-resource-mobilisation-in-tunisia.htm>

⁷⁸³ Fair Taxation: Commission proposes to end the misuse of shell entities for tax purposes within the EU, Press Release (Brussels) 22 December 2021. Access Date: 11 February 2022. https://ec.europa.eu/commission/presscorner/detail/en/ip_21_7027

⁷⁸⁴ Fair Taxation: Commission proposes swift transposition of the international agreement on minimum taxation of multinationals, Press Release (Brussels) 22 December 2021. Access Date: 11 February 2022. https://ec.europa.eu/commission/presscorner/detail/en/IP_21_7028.

⁷⁸⁵ DAC6: EU’s New Mandatory Disclosure Regime. Bloomberg Tax (Location unknown) 22 March 2022. Access Date: 6 May 2022. <https://pro.bloombergtax.com/brief/complying-with-dac6/>

⁷⁸⁶ DAC6: EU’s New Mandatory Disclosure Regime. Bloomberg Tax (Location unknown) 22 March 2022. Access Date: 6 May 2022. <https://pro.bloombergtax.com/brief/complying-with-dac6/>