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

## **2017 G20 Hamburg Summit Interim Compliance Report**

8 July 2017 to 9 January/5 March 2018\*

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

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

\* Note: For seven commitments, the assessment period was from 8 July 2017 to 9 January; for the remaining 10 commitments, the assessment period extended to 5 March 2018.

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## 9. Tax Administration: Fair and Modern System

“We will continue our work for a globally fair and modern international tax system.”

*G20 Leaders’ Declaration: Shaping an Interconnected World*

### Assessment

| Country        | No Compliance | Partial Compliance | Full Compliance |
|----------------|---------------|--------------------|-----------------|
| Argentina      |               |                    | +1              |
| Australia      |               |                    | +1              |
| Brazil         |               |                    | +1              |
| Canada         |               |                    | +1              |
| China          |               |                    | +1              |
| France         |               |                    | +1              |
| Germany        |               |                    | +1              |
| India          |               |                    | +1              |
| Indonesia      |               |                    | +1              |
| Italy          |               |                    | +1              |
| Japan          |               |                    | +1              |
| Korea          |               |                    | +1              |
| Mexico         |               |                    | +1              |
| Russia         |               |                    | +1              |
| Saudi Arabia   |               |                    | +1              |
| South Africa   |               | 0                  |                 |
| Turkey         |               | 0                  |                 |
| United Kingdom |               |                    | +1              |
| United States  |               |                    | +1              |
| European Union |               |                    | +1              |
| Average Score  |               | +0.90              |                 |

### Background

At the 2013 G20 St. Petersburg Summit, the G20 recognized for the first time that base erosion and profit shifting (BEPS) had a significant impact on global financial and economic health. BEPS refers to tax avoidance strategies that take advantage of mismatches in the international tax system to artificially shift profits to no-tax or low-tax jurisdictions.<sup>3147</sup> Since BEPS relies on discrepancies in the tax laws of different countries, there is no singular source that can be held responsible for these strategies. Perpetrated mainly by multinational enterprises (MNEs), BEPS is estimated to result in the loss of global tax revenue in the range of USD100–240 billion.<sup>3148</sup> Thus, the Organisation for Economic Cooperation and Development (OECD) and G20 members sought to conduct the most substantial overhaul of international tax laws in a century.<sup>3149</sup>

In 2013, G20 members commissioned the OECD to produce a report on BEPS. The initial report, “Addressing Base Erosion and Profit Shifting,” revealed that a lack of coordination between

<sup>3147</sup> Background Brief: Inclusive Framework on BEPS, OECD (Paris) January 2017. Access Date: October 28 2017. <https://www.oecd.org/ctp/background-brief-inclusive-framework-for-beps-implementation.pdf>.

<sup>3148</sup> Background Brief: Inclusive Framework on BEPS, OECD (Paris) January 2017. Access Date: October 28 2017. <https://www.oecd.org/ctp/background-brief-inclusive-framework-for-beps-implementation.pdf>.

<sup>3149</sup> OECD/G20 Base Erosion and Profit Shifting Projects: 2015 Final Reports, OECD (Paris) 5 October 2015. Access Date: October 29 2017. <https://www.oecd.org/ctp/beps-reports-2015-information-brief.pdf>.

different tax jurisdictions and lack of transparency were the two main drivers of BEPS.<sup>3150</sup> As a result of these findings, the OECD created the Action Plan on Base Erosion and Profit Shifting.<sup>3151</sup> The Action Plan was later developed into a more comprehensive set of reports called the BEPS package.

At the 2015 G20 Antalya Summit, the G20 endorsed the OECD's BEPS package.<sup>3152</sup> The BEPS package consisted of 15 action items and three fundamental pillars: the introduction of coherence in domestic rules affecting cross-border activities, reinforcing substance requirements in international standards and improving transparency, and tax certainty for businesses.<sup>3153</sup> Additionally, the BEPS package set out four minimum standards, revised existing standards, and provided more guidance on best practices. Most notably, the BEPS package included the Common Reporting Standard (CRS), laying down the foundation for automatic exchange of financial information (AEOI) between countries.

On 30 June–1 July 2016, the OECD Committee on Fiscal Affairs (CFA), the OECD's decision-making body for tax issues, held the first meeting on the Inclusive Framework on BEPS.<sup>3154</sup> The Inclusive Framework developed new standards to address any remaining BEPS issues, discussed a monitoring system to review implementation efforts, and provided toolkits to aid developing countries as they sought to implement the BEPS package.<sup>3155</sup>

At the 2016 G20 Hangzhou Summit, G20 members praised the progress made on BEPS and encouraged remaining relevant and interested parties to join the framework on equal footing.<sup>3156</sup> In particular, G20 members called for countries to begin implementing the standard for AEOI and to sign and ratify the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.<sup>3157</sup> Notably, G20 members also asked the OECD to review the progress made by jurisdictions on tax transparency. This report was delivered at the 2017 G20 finance ministers meeting in Baden-Baden, Germany.<sup>3158</sup>

At the 2017 G20 Hamburg Summit, G20 members continued to focus on the implementation of BEPS measures, with the first AEOI scheduled for September 2017. At the time of the Summit, over 100 countries and jurisdictions had become a member of the Inclusive Framework.<sup>3159</sup> The G20 members recognize that meeting AEOI targets is paramount in ensuring the overall success of the

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<sup>3150</sup> OECD/G20 Base Erosion and Profit Shifting Projects: 2015 Final Reports, OECD (Paris) 5 October 2015. Access Date: October 29 2017. <https://www.oecd.org/ctp/beps-reports-2015-information-brief.pdf>.

<sup>3151</sup> OECD/G20 Base Erosion and Profit Shifting Projects: 2015 Final Reports, OECD (Paris) 5 October 2015. Access Date: October 29 2017. <https://www.oecd.org/ctp/beps-reports-2015-information-brief.pdf>.

<sup>3152</sup> OECD and the G20, OECD (Paris) November 2015. Access Date: October 30 2017. <https://www.oecd.org/g20/summits/antalya/>.

<sup>3153</sup> OECD/G20 Base Erosion and Profit Shifting Projects: 2015 Final Reports, OECD (Paris) 5 October 2015. Access Date: October 29 2017. <https://www.oecd.org/ctp/beps-reports-2015-information-brief.pdf>.

<sup>3154</sup> Background Brief : Inclusive Framework on BEPS, OECD (Paris) January 2017. Access Date: October 28 2017. <https://www.oecd.org/ctp/background-brief-inclusive-framework-for-beps-implementation.pdf>.

<sup>3155</sup> Background Brief : Inclusive Framework on BEPS, OECD (Paris) January 2017. Access Date: October 28 2017. <https://www.oecd.org/ctp/background-brief-inclusive-framework-for-beps-implementation.pdf>.

<sup>3156</sup> G20 Leader's Communiqué: Hangzhou Summit, G20 (Hangzhou) 5 September 2016. Access Date: October 31 2016. <http://www.g20.utoronto.ca/2016/160905-communiqu.html>.

<sup>3157</sup> G20 Leader's Communiqué: Hangzhou Summit, G20 (Hangzhou) 5 September 2016. Access Date: October 31 2016. <http://www.g20.utoronto.ca/2016/160905-communiqu.html>.

<sup>3158</sup> OECD Secretary-General Report to G20 Finance Ministers, OECD (Baden-Baden) March 2017. Access Date: October 31 2017. <http://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-finance-ministers-march-2017.pdf>.

<sup>3159</sup> OECD Secretary-General Report to G20 Leaders, OECD (Hamburg) July 2017. Access Date: October 30 2017. <http://www.oecd.org/ctp/oecd-secretary-general-tax-report-g20-leaders-july-2017.pdf>.

implementation of the BEPS package and working towards a globally fair and modern international tax system.

### Commitment Features

The G20 members committed to “continue our work for a globally fair and modern international tax system.” “To continue our work” is understood to mean that compliance with this commitment does not require new initiatives, but to continue to improve, expand, and implement existing projects and action items. Examples of continuing work includes expanding financial information exchange relationships, maintaining support for developing countries in their tax capacity building efforts, continuation of voluntary compliance mechanisms, and continued participation in the multilateral Convention on Mutual Administrative Assistance in Tax Matters.

“Globally fair and modern” is understood as international efforts to improve transparency between tax jurisdictions, close down loopholes, and stop MNEs from not paying taxes through tax treaty shopping and other treaty abuses. These efforts will mainly materialize through the implementation of the BEPS package and other related work. The four minimum standards of the BEPS package prioritize areas that will create negative spillovers if left unaddressed. The minimum standards are made up of four priority action items in the BEPS plan:

- Action 5: countering harmful tax practices with a priority placed on increasing tax transparency through AEOI;
- Action 6: prevention of treaty shopping and other treaty abuses;
- Action 13: development of new rules regarding transfer pricing to enhance transparency for tax administrations;
- Action 14: creating more effective dispute mechanisms.

Other examples of countries’ contributing to a globally fair and modern tax system include: implementation of the BEPS package with a focus on the four minimum standards, implementation of the CRS through AEOI, and the development of defensive measures towards non-compliant tax jurisdictions.

“International tax system” is understood as the relationship between different tax jurisdictions around the world. Due to the possibility of negative spillover from national actions and the globalized nature of this commitment, cooperation between countries is key. Thus, compliance with this commitment necessitates strong relationships between G20 members and the rest of the world. The G20 member must act as an international actor through bilateral agreements, as members of international organizations, or as signatories of multilateral treaties.

To achieve full compliance, G20 members must continue their work for existing efforts towards a globally fair and modern international tax system on a national level and international level.

### Scoring Guidelines

|    |  |
|----|--|
| -1 | Member does not continue their work for a globally fair and modern international tax system through national initiatives OR as an international actor. |
| 0  | Member continues their work for a globally fair and modern international tax system EITHER through national initiatives OR as an international actor.  |
| +1 | Member continues their work for a globally fair and modern international system through national initiatives AND as an international actor.            |

*Compliance Director: Jiyeon Han  
Lead Analyst: Tasnia Khan*

## Argentina: +1

Argentina has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 21 July 2017, Argentina and Brazil signed a protocol amending the convention to avoid double taxation and prevent tax evasion on income taxes.<sup>3160</sup> This established previously non-existent limits on the level of taxation at source in specific categories of income, modified the method to avoid double taxation on the Argentine side and included specific articles to deal with capital taxes.<sup>3161</sup> The protocol is in line with the commitments for the Organization for Economic Cooperation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Project under the G20. It also included a specific article to combat tax evasion and abuse of the agreement.<sup>3162</sup>

On 8 August 2017, Argentina signed a tax agreement with Brazil to amend its existing tax and trade agreements to be more synchronized with the international standards required by the Inclusive Framework.<sup>3163</sup> Some of the treaty amendments included changes to address treaty abuse, Permanent Establishment status and dispute resolution.<sup>3164</sup>

On 14 October 2017, Argentina attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3165</sup>

On 20 September 2017, Argentina published General Resolution 4130-E in the Official Gazette, which addresses Action 13 of the BEPS project, implementing country-by-country (CbC) reporting on transfer and pricing documentation.<sup>3166</sup>

On 27-29 September 2017, as a member of the OECD, Argentina participated in the Forum on Tax Administration meeting in Oslo.<sup>3167</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the BEPS project outcomes, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax

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<sup>3160</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3161</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3162</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3163</sup> Argentina, Brazil agree on key tax treaty changes, Multinational Tax & Transfer Pricing News (Washington, D.C.) 8 August 2017. Access Date: 3 January 2018. <https://mnetax.com/argentina-brazil-agree-key-tax-treaty-changes-22666>.

<sup>3164</sup> Argentina, Brazil agree on key tax treaty changes, Multinational Tax & Transfer Pricing News (Washington, D.C.) 8 August 2017. Access Date: 3 January 2018. <https://mnetax.com/argentina-brazil-agree-key-tax-treaty-changes-22666>.

<sup>3165</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3166</sup> Argentina Includes BEPS Proposals in Draft Tax Reform Bill, Thomson Reuters: Tax and Accounting (Texas) 22 November 2017. Access Date: 2 January 2018. <https://tax.thomsonreuters.com/blog/argentina-includes-beps-proposals-in-draft-tax-reform-bill/>.

<sup>3167</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.htm>.

certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3168</sup>

On 15 November 2017, Argentina issued its draft tax reform bill, which includes a number of BEPS measures such as in Action 4, limiting base erosion involving interest deductions and other payments.<sup>3169</sup> Argentina imposes limits on the application of Action 4 recommendations may have on certain types of entities in the event that the respective creditor has effectively taxed the income in Argentina.<sup>3170</sup>

On 15 November 2017, Argentina issued its draft tax reform bill, addressing Action 7 of the BEPS project by including provisions expanding the definition of a permanent establishment and aligning it with the current international standards within the international framework of the project.<sup>3171</sup>

On 1 December 2017, Argentina released its statement for assuming the presidency of the next G20 summit held in Buenos Aires, where it stated its commitment to continuing to work towards a strong sustainable financial system and improve the fairness of the global tax system.<sup>3172</sup>

On 29 December 2017, Argentina published law 27430 in the official bulletin, with measures that are to be taken under the BEPS package.<sup>3173</sup> Article 217 allows taxpayers to request the conclusion of a “Joint Determination of Prices of International Operations” with the Federal Administration of Public Revenues, which can be used to determine the prices, amounts of consideration or profit margins or international transactions.<sup>3174</sup>

On 29 December 2017, Argentina published law 27430 in the official bulletin, with measures that are to be taken under the BEPS package such as adding a value-added tax on digital services, including the supply and hosting of computer sites, supply of digitized products, remote maintenance and management, web and software services. Sanctions will depend on CbC reporting.<sup>3175</sup>

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<sup>3168</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.htm>.

<sup>3169</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: January 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3170</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: January 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3171</sup> Argentina Includes BEPS Proposals in Draft Tax Reform Bill, Thomson Reuters: Tax and Accounting (Carrollton) 22 November 2017. Access Date: 2 January 2018. <https://tax.thomsonreuters.com/blog/argentina-includes-beps-proposals-in-draft-tax-reform-bill/>.

<sup>3172</sup> Overview of Argentina’s G20 Presidency 2018: Building Consensus for Fair and Sustainable development, G20 (Buenos Aires) 1 December 2017. Access Date: 30 December 2017. <https://www.g20.org/en/overview-argentinass-g20-presidency-2018>.

<sup>3173</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3174</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3175</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

On 29 December 2017, Argentina published law 27430 in the official bulletin.<sup>3176</sup> Article 192 imposes adjustable fines between USD4 200 to USD10 500 on Multinational Enterprises (MNE) that fail to report the authorities the identity of the ultimate parent group of the MNE. Fines will also be subject to a MNE's failure to report the entity that will file the CbC report, indicating if it acts as the ultimate parent entity, surrogate entity or other group entity.<sup>3177</sup>

On 29 December 2017, Argentina published law 27430 in the official bulletin to implement a dispute resolution mechanism in line with the BEPS minimum standards.<sup>3178</sup> Article 207 requests to initiate a mutual agreement procedure that must be filed within three years from the day of the first notification causes or is likely to cause an imposition of tax not in accordance with a double tax agreement concluded by Argentina.<sup>3179</sup>

On 1 January 2018, a tax income treaty signed by Argentina and Mexico came into effect after being signed a year earlier. The double taxation treaty will further connect and harmonize the tax schemes within both countries as in accordance of Action 2 of the BEPS of project.<sup>3180</sup>

Argentina has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Argentina receives a score of +1.

*Analyst: Nasser Haidar*

#### **Australia: +1**

Australia has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 14 October 2017, Australia attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3181</sup>

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development, Australia participated in the Forum on Tax Administration meeting in Oslo.<sup>3182</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective

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<sup>3176</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3177</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3178</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3179</sup> Argentina Enacts Law Clarifying BEPS Measures, Thomson Reuters: Tax and Accounting (Carrollton) 4 January 2018. Access Date: 4 January 2018. <https://tax.thomsonreuters.com/blog/argentina-enacts-law-clarifying-beps-measures/>.

<sup>3180</sup> Mexico to enhance investment opportunities from Argentina and Spain through DTAs, International Tax Review (London) 11 July 2017. Access Date: 30 December 2017. <http://www.internationaltaxreview.com/Article/3732846/Mexico-to-enhance-investment-opportunities-from-Argentina-and-Spain-through-DTAs.html>.

<sup>3181</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3182</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.



implementation of the BEPS project outcomes, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3183</sup>

On 24 November 2017, the Australian government released draft legislation for the implementation of the OECD's hybrid mismatch rules.<sup>3184</sup> "The rules are aimed at eliminating double non-taxation benefits from hybrid mismatch arrangements which exploit differences in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions."<sup>3185</sup> The hybrid mismatch rules "will apply to payments made on or after the day six months following the date of Royal Assent, [therefore] the earliest likely start date will be in the second half of 2018."<sup>3186</sup>

On 23 January 2018, the Australian government participated in the OECD's pilot project, the International Compliance Assurance Program, along with seven other countries.<sup>3187</sup> The program is designed to use country-by-country reports to facilitate open engagement between participating countries.<sup>3188</sup> It aims to facilitate open dialogue between multinational enterprises and tax administrations with the view of improving tax certainty.<sup>3189</sup>

On 8 February 2018, Australia released a draft law for public comment that would use the Multilateral Instrument (MLI) to amend approximately 30 of Australia's treaties.<sup>3190</sup> The MLI would amend Australia's existing tax treaties to address BEPS as laid out in the OECD's BEPS project.<sup>3191</sup>

Australia has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

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<sup>3183</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3184</sup> Global Tax Update December 2017, PwC Australia (London) 1 December 2017. Access Date: 3 January 2018. <https://www.lexology.com/library/detail.aspx?g=76f0a69a-0bcf-4222-886e-c8b5157bb306>.

<sup>3185</sup> Global Tax Update December 2017, PwC Australia (London) 1 December 2017. Access Date: 3 January 2018. <https://www.lexology.com/library/detail.aspx?g=76f0a69a-0bcf-4222-886e-c8b5157bb306>.

<sup>3186</sup> The Latest On BEPS — 4 December 2017, EY (London) 4 December 2017. Access Date: 3 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---4-december-2017>.

<sup>3187</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3188</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3189</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3190</sup> Australia releases draft law adopting BEPS MLI, seeks to amend 30 bilateral tax treaties, MNE Tax (Washington, D.C.) 8 February 2018. Access Date: 17 March 2018. <https://mnetax.com/australia-releases-draft-law-adopting-beps-mli-seeks-amend-30-bilateral-tax-treaties-25969>.

<sup>3191</sup> Australia releases draft law adopting BEPS MLI, seeks to amend 30 bilateral tax treaties, MNE Tax (Washington, D.C.) 8 February 2018. Access Date: 17 March 2018. <https://mnetax.com/australia-releases-draft-law-adopting-beps-mli-seeks-amend-30-bilateral-tax-treaties-25969>.

Thus, Australia receives a score of +1.

*Analyst: Nadia Larocca*

### **Brazil: +1**

Brazil has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 21 July 2017, Brazil and Argentina signed a protocol amending the convention to avoid double taxation and prevent tax evasion on income taxes.<sup>3192</sup> This established previously non-existent limits on the level of taxation at source in specific categories of income, modified the method to avoid double taxation on the Argentine side and included specific articles to deal with capital taxes.<sup>3193</sup> The protocol is in line with the commitments for the Organization for Economic Cooperation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Project under the G20. It also included a specific article to combat tax evasion and abuse of the agreement.<sup>3194</sup>

On 31 July 2017, Brazil passed Executive Decree 9.115, the Convention to Avoid Double Taxation between Brazil and Russia.<sup>3195</sup> It is designed to avoid double taxation and prevent tax evasion with respect to income tax. This agreement makes the thirty-third agreement Brazil has to avoid double taxation and prevent tax evasion.<sup>3196</sup>

On 8 August 2017, Brazil signed a tax agreement with Argentina to amend its existing tax and trade agreements to be more synchronized with the international standards required by the Inclusive Framework.<sup>3197</sup> Some of the treaty amendments include changes to address treaty abuse, permanent establishment status and dispute resolution.<sup>3198</sup>

On 14 October 2017, Brazil attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3199</sup>

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<sup>3192</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3193</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3194</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3195</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3196</sup> Brasil e Argentina assinam protocolo que atualiza acordo para evitar dupla tributação, Ministério da Fazenda (Brasília) 25 July 2017. Access Date: 29 December 2017. <http://www.fazenda.gov.br/noticias/2017/julho/brasil-e-argentina-assinam-protocolo-que-atualiza-acordo-para-evitar-dupla-tributacao>.

<sup>3197</sup> Argentina, Brazil agree on key tax treaty changes, Multinational Tax & Transfer Pricing News (Washington, D.C) 8 August 2017. Access Date: 3 January 2018. <https://mnetax.com/argentina-brazil-agree-key-tax-treaty-changes-22666>.

<sup>3198</sup> Argentina, Brazil agree on key tax treaty changes, Multinational Tax & Transfer Pricing News (Washington, D.C) 8 August 2017. Access Date: 3 January 2018. <https://mnetax.com/argentina-brazil-agree-key-tax-treaty-changes-22666>.

<sup>3199</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

From 15-17 November 2017, Brazil participated in the 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purpose in Yaoundé, Cameroon.<sup>3200</sup> Brazil was among six developed countries committed to helping six developing countries implement Automatic Exchange of Information. Australia is currently partnered with the Philippines to assist with its participation in automatic exchange of information (AEOI).<sup>3201</sup>

On 5 December 2017, Brazil published Federal Decree No. 9219, the Convention to Avoid Double Taxation and Prevent Fiscal Evasion in Taxes Income between Brazil and India.<sup>3202</sup>

On 28 February 2018, the Brazilian government partnered with the OECD to begin a 15-month work programme that addresses gaps in Brazil's current cross border tax practices and the OECD's standards. In particular, the work programme will examine the legal and administrative structure around Brazil's transfer pricing system.<sup>3203</sup> The OECD Secretary-General Angel Gurría stated that "effective transfer pricing rules are critical for avoiding double taxation and ensuring that taxable profits are not artificially shifted away."<sup>3204</sup>

Brazil has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Brazil receives a score of +1.

*Analyst: Sonja Dobson*

#### **Canada: +1**

Canada has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), Canada participated in the Forum on Tax Administration meeting in Oslo.<sup>3205</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the for the OECD Base Erosion and Profit Shifting (BEPS) Project under the G20, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals,

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<sup>3200</sup> 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD (Yaoundé) 9 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/10th-meeting-of-the-global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-15-17-november-2017-in-yaounde-cameroon.htm>.

<sup>3201</sup> Automatic Exchange of Information Implementation Report 2017, OECD (Paris) 17 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/transparency/reporting-on-the-implementation-of-the-AEOI-standard.pdf>.

<sup>3202</sup> Convenção entre Brasil e Índia - Decreto Federal nº 9.219/2017, PwC Brasil (Brasília) 5 December 2017. Access Date: 15 January 2018. <https://www.pwc.com.br/pt/sinopse-legislativa/tributarias/convencao-entre-brasil-india-decreto-federal-9219-2017.html>.

<sup>3203</sup> OECD and Brazil launch project to examine differences in cross-border tax rules, OECD (Paris) 28 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/oecd-and-brazil-launch-project-to-examine-differences-in-cross-border-tax-rules.htm>.

<sup>3204</sup> OECD and Brazil launch project to examine differences in cross-border tax rules, OECD (Paris) 28 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/oecd-and-brazil-launch-project-to-examine-differences-in-cross-border-tax-rules.htm>.

<sup>3205</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beeps/leading-tax-administrations-focused-on-effective-delivery-of-beeps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3206</sup>

On 14 October 2017, Canada attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3207</sup>

On 16 October 2017, Canadian Prime Minister Justin Trudeau announced plans to reform the tax system.<sup>3208</sup> The proposal reduces taxes on small businesses from 10.5 per cent to nine per cent over a two-year period.<sup>3209</sup> The reforms will also seek to close loopholes that allow wealthy Canadians to evade tax by incorporating themselves as businesses.<sup>3210</sup>

On 3 November 2017, the Canadian Revenue Agency (CRA) announced in response to the Paradise Papers, the continuation of prosecutions from the Panama Papers and renewed efforts to collaborate and share tax information to prevent this form of tax evasion.<sup>3211</sup> The CRA press release stated, “this work has delivered significant results and has laid the foundation for future collaborative work, including addressing other data leaks.”<sup>3212</sup>

On 13 December 2017, the Standing Senate Committee on National Finance recommended that the proposed changes to the tax code be withdrawn and instead the government should conduct a thorough review of the tax system “with the goal of reducing complexity, ensuring economic competitiveness, and enhancing overall fairness.”<sup>3213</sup> The committee felt that the government had not adequately analyzed the potential economic and social impact of the proposed reforms, stating that “The government should take greater care in its approach to tax reform, in order to maintain, if not restore, trust in our tax system.”<sup>3214</sup>

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<sup>3206</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3207</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin), 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3208</sup> Liberals pledge to cut small business tax rate to 9% amid backlash over proposed tax reforms, CBC (Ottawa) 16 October 2017. Access Date: 30 January 2017. <http://www.cbc.ca/news/politics/small-business-tax-1.4356229>.

<sup>3209</sup> Liberals pledge to cut small business tax rate to 9% amid backlash over proposed tax reforms, CBC (Ottawa) 16 October 2017. Access Date: 30 January 2017. <http://www.cbc.ca/news/politics/small-business-tax-1.4356229>.

<sup>3210</sup> Liberals pledge to cut small business tax rate to 9% amid backlash over proposed tax reforms, CBC (Ottawa) 16 October 2017. Access Date: 30 January 2017. <http://www.cbc.ca/news/politics/small-business-tax-1.4356229>.

<sup>3211</sup> Statement by the Canada Revenue Agency - Offshore financial structures, Canada Revenue Agency (Ottawa) 3 November 2017. Access Date: 30 January 2017. [https://www.canada.ca/en/revenue-agency/news/2017/11/statement\\_by\\_thecanadarevenueagency-offshorefinancialstructures.html](https://www.canada.ca/en/revenue-agency/news/2017/11/statement_by_thecanadarevenueagency-offshorefinancialstructures.html).

<sup>3212</sup> Statement by the Canada Revenue Agency - Offshore financial structures, Canada Revenue Agency (Ottawa) 3 November 2017. Access Date: 30 January 2017. [https://www.canada.ca/en/revenue-agency/news/2017/11/statement\\_by\\_thecanadarevenueagency-offshorefinancialstructures.html](https://www.canada.ca/en/revenue-agency/news/2017/11/statement_by_thecanadarevenueagency-offshorefinancialstructures.html).

<sup>3213</sup> Fair, Simple, and Competitive Taxation: the Way Forward for Canada, The Standing Senate Committee on National Finance (Ottawa) 13 December 2017. Access Date: 14 January 2018. [https://www.sencanada.ca/content/sen/committee/421/NFFN/Reports/NFFN\\_Tax\\_Planning\\_24th\\_Report\\_e.pdf](https://www.sencanada.ca/content/sen/committee/421/NFFN/Reports/NFFN_Tax_Planning_24th_Report_e.pdf).

<sup>3214</sup> Fair, Simple, and Competitive Taxation: The Way Forward for Canada, The Standing Senate Committee on National Finance (Ottawa) 13 December 2017. Access Date: 14 January 2018. [https://www.sencanada.ca/content/sen/committee/421/NFFN/Reports/NFFN\\_Tax\\_Planning\\_24th\\_Report\\_e.pdf](https://www.sencanada.ca/content/sen/committee/421/NFFN/Reports/NFFN_Tax_Planning_24th_Report_e.pdf).

On 14 December 2017, changes were made to the proposed tax reforms regarding the practice of “income sprinkling,” or distributing wealth to reduce tax burdens.<sup>3215</sup> The changed proposal affected 5,000 fewer corporations under anti-income sprinkling efforts and the finance department stated, “the proposals provide greater certainty that the revised rules will not apply to individuals who make a meaningful contribution to a business.”<sup>3216</sup>

On 23 January 2018, the Canadian government participated in the OECD’s pilot project, the International Compliance Assurance Program (ICAP), along with seven other countries.<sup>3217</sup> The ICAP is designed to use country-by-country reports to facilitate open engagement between participating countries.<sup>3218</sup> It aims to facilitate open dialogue between Multinational Enterprises and tax administrations with the view of improving tax certainty.<sup>3219</sup>

On 31 January 2018, the Canadian government began the ratification process to ratify the OECD’s Multilateral Instrument (MLI).<sup>3220</sup> The MLI will amend up to 75 of Canada’s existing bilateral tax treaties to align with the OECD’s standards on BEPS.<sup>3221</sup>

On 27 February 2018, the Canadian government released its federal budget along with a more detailed plan for tax reforms targeting passive investments inside private corporations.<sup>3222</sup> Companies that make between CAD50,000 and 150,000 from passive investments per year will face a higher tax rate than small businesses on a portion of their income.<sup>3223</sup> Companies that make over CAD150,000

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<sup>3215</sup> Canada Tweaks Business Tax Reform Amid Backlash, Reuters (Ottawa) 14 December 2017. Access Date: 13 January 2018. <https://www.reuters.com/article/us-canada-politics-finmin/canada-tweaks-business-tax-reform-amid-backlash-idUSKBN1E72K2>.

<sup>3216</sup> Canada Tweaks Business Tax Reform Amid Backlash, Reuters (Ottawa) 14 December 2017. Access Date: 13 January 2018. <https://www.reuters.com/article/us-canada-politics-finmin/canada-tweaks-business-tax-reform-amid-backlash-idUSKBN1E72K2>.

<sup>3217</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3218</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3219</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3220</sup> Canada begins ratification process for multilateral tax convention to implement BEPS, Osler (Toronto) 7 February 2018. Access Date: 17 March 2018. [https://www.osler.com/en/resources/regulations/2018/canada-begins-ratification-process-for-multilateral-tax-convention-to-implement-beps?utm\\_source=Mondaq&utm\\_medium=syndication&utm\\_campaign=View-Original](https://www.osler.com/en/resources/regulations/2018/canada-begins-ratification-process-for-multilateral-tax-convention-to-implement-beps?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original).

<sup>3221</sup> Canada begins ratification process for multilateral tax convention to implement BEPS, Osler (Toronto) 7 February 2018. Access Date: 17 March 2018. [https://www.osler.com/en/resources/regulations/2018/canada-begins-ratification-process-for-multilateral-tax-convention-to-implement-beps?utm\\_source=Mondaq&utm\\_medium=syndication&utm\\_campaign=View-Original](https://www.osler.com/en/resources/regulations/2018/canada-begins-ratification-process-for-multilateral-tax-convention-to-implement-beps?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original).

<sup>3222</sup> Federal budget fails to help Canadian businesses stay competitive, critics charge, The Toronto Star (Toronto) 27 February 2018. Access Date: 10 March 2018. <https://www.thestar.com/news/canada/2018/02/27/federal-budget-fails-to-help-canadian-businesses-stay-competitive-critics-charge.html>.

<sup>3223</sup> Federal budget fails to help Canadian businesses stay competitive, critics charge, The Toronto Star (Toronto) 27 February 2018. Access Date: 10 March 2018. <https://www.thestar.com/news/canada/2018/02/27/federal-budget-fails-to-help-canadian-businesses-stay-competitive-critics-charge.html>.

in passive investments will not be eligible for the small business tax rate.<sup>3224</sup> Canadian Finance Minister Bill Morneau stated that “We are changing the rules for 3 per cent of private corporations, because the wealthiest Canadians should not be able to use private corporations to pay less tax than the middle class.”<sup>3225</sup>

Canada has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Canada receives a score of +1.

*Analyst: Kelly Cholwat*

### **China: +1**

China has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 27 July 2017, China signed the BRICS Taxation Cooperation Memorandum at “the meeting of BRICS Heads of Tax Authorities 2017 hosted in China.”<sup>3226</sup> The meeting’s achievements include: building the institutional mechanism for taxation cooperation among BRICS members; meeting challenges together and enhancing awareness of implementing the international taxation results; reaching the consensus on the cooperation of taxation information exchange; making a commitment to elevate the efficiency of consultation procedure; designing the cooperation plan for building the tax administration capability; planning the path to tax policies and coordinated tax administration; making an appeal to increase taxation certainty; and construction of boosting tax experience sharing mechanism.<sup>3227</sup> The meeting’s achievements work towards deepening the taxation cooperation among BRICS members, improve the economic governance of BRICS members, eliminate double taxation and prevent international tax evasion, and tax avoidance.<sup>3228</sup>

On 14 October 2017, China attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3229</sup>

On 26 September 2017, China and Kazakhstan signed a Tax Education and Training Cooperation Memorandum of Understanding and discussed issues of building the multilateral cooperative

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<sup>3224</sup> Federal budget highlights: Twelve things you need to know, The Globe and Mail (Toronto) 27 February 2018. Access Date: 10 March 2018. <https://www.theglobeandmail.com/news/politics/2018-federal-budget-highlights/article38116231/>.

<sup>3225</sup> Federal budget fails to help Canadian businesses stay competitive, critics charge, The Toronto Star (Toronto) 27 February 2018. Access Date: 10 March 2018. <https://www.thestar.com/news/canada/2018/02/27/federal-budget-fails-to-help-canadian-businesses-stay-competitive-critics-charge.html>.

<sup>3226</sup> The Fifth Meeting of BRICS Heads of Tax Authorities Successfully Concluded with Fruitful Results, State Administration of Taxation (Beijing). 30 September 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2749556/content.html>.

<sup>3227</sup> The Fifth Meeting of BRICS Heads of Tax Authorities Successfully Concluded with Fruitful Results, State Administration of Taxation (Beijing). 30 September 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2749556/content.html>.

<sup>3228</sup> The Fifth Meeting of BRICS Heads of Tax Authorities Successfully Concluded with Fruitful Results, State Administration of Taxation (Beijing). 30 September 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2749556/content.html>.

<sup>3229</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

mechanism for tax matters under the Belt and Road Initiative. Additionally, China and Kazakhstan discussed establishing the Tax Sub-Committee of the China-Kazakhstan Cooperation Committee to enhance tax capabilities.<sup>3230</sup> This is in compliance with China's BEPS commitment by continuing work towards revising the taxation on business profits, expanding the extent of reduction of taxation on investment income, introducing measures for prevention of abuse of this Convention, arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforcing the exchange of information concerning tax matters.<sup>3231</sup> It is expected that this Convention will work towards eliminating double taxation and preventing international tax evasion and tax avoidance.<sup>3232</sup>

On 27 September 2017, China and Kenya signed the Double Tax Agreement.<sup>3233</sup> This is in compliance with China's BEPS commitment by revising the taxation on business profits, expanding the extent of reduction of taxation on investment income, introducing measures for prevention of abuse of this Convention, arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforcing the exchange of information concerning tax matters.<sup>3234</sup> It is expected that this Convention would work towards eliminating double taxation and preventing international tax evasion and tax avoidance.<sup>3235</sup>

On 27-29 September 2017, the head of the Chinese delegation as part of the 11th meeting of the Forum on Tax Administration in Norway delivered a speech on "Adopting a Linked and Integrated Approach to Tax Administration Modernization" at the plenary meeting.<sup>3236</sup> The Chinese delegation stated its commitment towards continued integration of global cooperation on tax matters. This is not accompanied by formal action and is a restatement of China's intentions.<sup>3237</sup>

On 14 February 2018, China took part in the first meeting of the Global Conference of the Platform for Collaboration on Tax co-organized by the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the United Nations and the World Bank, aimed at strengthening global collaboration on tax and supporting developing countries in building their tax capacity.<sup>3238</sup>

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<sup>3230</sup> Wang Jun Visits the Committee of State Revenues of the Republic of Kazakhstan. State Administration of Taxation (Beijing) 30 September 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2843632/content.html>.

<sup>3231</sup> Wang Jun Visits the Committee of State Revenues of the Republic of Kazakhstan. State Administration of Taxation (Beijing) 30 September 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2843632/content.html>.

<sup>3232</sup> Wang Jun Visits the Committee of State Revenues of the Republic of Kazakhstan. State Administration of Taxation (Beijing) 30 September 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2843632/content.html>.

<sup>3233</sup> China, Kenya will eliminate double taxation, State Administration of Taxation (Beijing) 10 October 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367751/c2847400/content.html>.

<sup>3234</sup> China, Kenya will eliminate double taxation, State Administration of Taxation (Beijing) 10 October 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367751/c2847400/content.html>.

<sup>3235</sup> China, Kenya will eliminate double taxation, State Administration of Taxation (Beijing) 10 October 2017. Access Date: 15 January 2018. <http://www.chinatax.gov.cn/eng/n2367751/c2847400/content.html>.

<sup>3236</sup> Adopting a Linked and Integrated Approach to Tax Administration, State Administration of Taxation (Beijing) 13 October 2017. Access Date: 9 March 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2856340/content.html>.

<sup>3237</sup> Adopting a Linked and Integrated Approach to Tax Administration, State Administration of Taxation (Beijing) 13 October 2017. Access Date: 9 March 2018. <http://www.chinatax.gov.cn/eng/n2367726/c2856340/content.html>.

<sup>3238</sup> Implement the New Development Philosophy to Boost Sustainable Development, State Administration of Taxation (Beijing) 13 October 2017. Access Date: 9 March 2018. <http://www.chinatax.gov.cn/eng/n2367726/c3320479/content.html>.

China has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, China receives a score of +1.

*Analyst: Martin Cheng Hao Gui*

**France: +1**

France has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 7 August 2017, Finance Minister Bruno Le Maire stated that France is working with Germany and other partners to fix loopholes that have allowed American tech giants such as Google, Apple, Facebook, and Amazon to minimize taxes and increase market share in Europe at the expense of European companies.<sup>3239</sup>

On 6 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), France released two sets of guidance to give greater certainty to tax administrations and multinational enterprises (MNEs) on the implementing the OECD's Base Erosion and Profit Shifting (BEPS) Project, in particular operating the Country-to-Country (CbC) Reporting included in the Inclusive Framework on BEPS Action 13.<sup>3240</sup> The updated guidance on the implementation of CbC Reporting now addresses the definition of revenues, the treatment of MNE groups with a short accounting period, proper usage of the information in CbC reports, and the treatment of the amount of income tax accrued and income tax paid. It includes guidance on the meaning of "appropriate use," the consequences of non-compliance with the appropriate use condition and approaches that may be used by tax administrations to ensure the appropriate use of CbC information.<sup>3241</sup>

On 20 September 2017, as a member of the OECD, France released the updated and new IT-tools and guidance to support the technical implementation of the exchange of tax information under the Common Reporting Standard on CbC Reporting and in relation to tax rulings.<sup>3242</sup>

On 27-29 September 2017, as a member of the OECD, France participated in the Forum on Tax Administration meeting in Oslo.<sup>3243</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the BEPS project outcomes, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax

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<sup>3239</sup> France and Germany Plan Tax Crackdown on US Tech Giants, Bloomberg: Politics (Paris) 7 August 2017. Access Date: 26 February 2018. <https://www.bloomberg.com/news/articles/2017-08-07/france-and-germany-plan-crackdown-on-tax-loopholes-used-by-apple>.

<sup>3240</sup> OECD releases further guidance on Country-by-Country reporting (BEPS Action 13), OECD (Paris) 6 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/oecd-releases-further-guidance-on-country-by-country-reporting-beps-action-13.html>.

<sup>3241</sup> OECD releases further guidance on Country-by-Country reporting (BEPS Action 13), OECD (Paris) 6 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/oecd-releases-further-guidance-on-country-by-country-reporting-beps-action-13.html>.

<sup>3242</sup> OECD releases IT-tools to support exchange of tax information policies, OECD (Paris) 20 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/oecd-releases-it-tools-to-support-exchange-of-tax-information-policies.html>.

<sup>3243</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.



certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3244</sup>

On 9 October 2017, the Minister of the Economy and Finance and Secretary of State for Numérique signed three decrees, reinforcing the obligations of transparency and loyalty that digital platforms must respect. They will ensure that consumers will be able to access clearer, more objective and more transparent information.<sup>3245</sup> By the end of 2017 the platforms that enhance the content, goods or services offered by third parties must specify the search engine optimization and ranking criteria they use, the sites publishing consumer notice must specify if they were checked and according to what methodology, and the seats of collaborative economy and markets websites will provide essential information that can guide consumer choice.<sup>3246</sup> By the end of 2018 the most visited platforms, those with more than five million unique visitors per month, will be required to follow best practices in terms of clarity, transparency and loyalty, which should be available online.<sup>3247</sup>

On 10 October 2017, the French government commissioned three reports sent to Parliament for the implementation of withholding tax.<sup>3248</sup> They are intended to illuminate a transparent and objective reflection of national representation on the reform of levying tax on income and its implementation modalities. The first report concluded on the matter that the reform could not be implemented on 1 January 2018, without “a high risk of failure.”<sup>3249</sup> The second showed that the experiments also made it possible to detect difficulties that had not been previously identified and to design solutions. A third report describes what the alternative solutions operating procedures, implementation timeframes and their implications for taxpayers, revenue payers and the state might be.<sup>3250</sup>

On 11 October 2017, as a member of the OECD, France activated the automatic exchange relationships under the Multilateral Competent Authority Agreement on the Exchange of CbC

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<sup>3244</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3245</sup> Transparence des plateformes numériques : trois décrets renforcent la législation, The Portal of Economy, Finance, Action and Public Accounts (Paris) 9 October 2017. Access Date: 24 November 2017. <https://www.economie.gouv.fr/transparence-plateformes-numeriques-decrets-renforcent-legislation>.

<sup>3246</sup> Transparence des plateformes numériques : trois décrets renforcent la législation, The Portal of Economy, Finance, Action and Public Accounts (Paris) 9 October 2017. Access Date: 24 November 2017. <https://www.economie.gouv.fr/transparence-plateformes-numeriques-decrets-renforcent-legislation>.

<sup>3247</sup> Transparence des plateformes numériques : trois décrets renforcent la législation, The Portal of Economy, Finance, Action and Public Accounts (Paris) 9 October 2017. Access Date: 24 November 2017. <https://www.economie.gouv.fr/transparence-plateformes-numeriques-decrets-renforcent-legislation>.

<sup>3248</sup> Prélèvement à la source : les rapports d'évaluation ont été remis au Parlement, The Portal of Economy, Finance, Action and Public Accounts (Paris) 10 October 2017. Access Date: 24 November 2017. <https://www.economie.gouv.fr/prelevement-a-source-remise-parlement-rapports-evaluation>.

<sup>3249</sup> Prélèvement à la source : les rapports d'évaluation ont été remis au Parlement, The Portal of Economy, Finance, Action and Public Accounts (Paris) 10 October 2017. Access Date: 24 November 2017. <https://www.economie.gouv.fr/prelevement-a-source-remise-parlement-rapports-evaluation>.

<sup>3250</sup> Prélèvement à la source : les rapports d'évaluation ont été remis au Parlement, The Portal of Economy, Finance, Action and Public Accounts (Paris) 10 October 2017. Access Date: 24 November 2017. <https://www.economie.gouv.fr/prelevement-a-source-remise-parlement-rapports-evaluation>.

reports in accordance with the BEPS Action 13 minimum standard. It was another step to further implement CbC Reporting.<sup>3251</sup>

On 14 October 2017, France attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3252</sup>

On 16 October 2017, as a member of the OECD, France dismantled nearly 100 preferential tax regimes as part of the OECD/G20 BEPS standards to improve the international tax framework.<sup>3253</sup> The OECD/G20 BEPS project delivers solutions for governments to close the gaps in existing international rules that allow corporation profits to “disappear” or to be artificially shifted to low or no tax environments, where companies have little or no economic activity.<sup>3254</sup>

On 16 October 2017, as a member of the OECD, France, published the Action 5 Progress Report on Preferential Tax Regimes, including the review of 164 preferential tax regimes offered by Inclusive Framework members against the Action 5 standard. France, as well as the other 101 members of the BEPS Inclusive Framework have committed to ensuring that any regimes offered meet the criteria that have been agreed as part of BEPS Action 5.<sup>3255</sup>

From 15-17 November 2017, France participated in the 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purpose in Yaoundé, Cameroon.<sup>3256</sup> France was among six developed countries committed to helping six developing countries implement Automatic Exchange of Information. France is currently partnered with Morocco to assist with its participation in automatic exchange of information (AEOI).<sup>3257</sup>

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<sup>3251</sup> BEPS Action 13: OECD releases CbC reporting implementation status and exchange relationships between tax administrations, OECD (Paris) 11 October 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/beps-action-13-oecd-releases-cbc-reporting-implementation-status-and-exchange-relationships-between-tax-administrations.html>.

<sup>3252</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3253</sup> Governments rapidly dismantling harmful tax incentives worldwide: BEPS Project driving major changes to international tax rules, OECD (Paris) 16 October 2017 Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/governments-rapidly-dismantling-harmful-tax-incentives-worldwide-beps-project-driving-major-changes-to-international-tax-rules.html>.

<sup>3254</sup> Governments rapidly dismantling harmful tax incentives worldwide: BEPS Project driving major changes to international tax rules, OECD (Paris) 16 October 2017 Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/governments-rapidly-dismantling-harmful-tax-incentives-worldwide-beps-project-driving-major-changes-to-international-tax-rules.html>.

<sup>3255</sup> Governments rapidly dismantling harmful tax incentives worldwide: BEPS Project driving major changes to international tax rules, OECD (Paris) 16 October 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/governments-rapidly-dismantling-harmful-tax-incentives-worldwide-beps-project-driving-major-changes-to-international-tax-rules.html>.

<sup>3256</sup> 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD (Yaoundé) 9 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/10th-meeting-of-the-global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-15-17-november-2017-in-yaounde-cameroon.htm>.

<sup>3257</sup> Automatic Exchange of Information Implementation Report 2017, OECD (Paris) 17 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/transparency/reporting-on-the-implementation-of-the-AEOI-standard.pdf>.

On 30 November 2017, as a member of the OECD, France released additional guidance to give certainty to tax administrations and MNE Groups on the implementation of CbC Reporting.<sup>3258</sup>

On 4 December 2017, the French government published additional comments regarding the potential treatment of CbC reporting requirements of French subsidiaries and branches of foreign multinationals, where the country of residence of the foreign multinational has not yet signed the automatic exchange of information agreement with France.<sup>3259</sup> The French government did report that if certain conditions are met there will be no CbC penalties.<sup>3260</sup>

On 18 December 2017, as a member of the OECD, France released the latest edition of the OECD Model Tax Convention which incorporates significant changes developed under the BEPS project.<sup>3261</sup> This 2017 edition mainly reflects a consolidation of treaty-related measures resulting from the work on the BEPS project under Action 2, Action 6, Action 7 and Action 14.<sup>3262</sup>

On 21 December 2017, as a member of the OECD, France activated the automatic exchange relationship under the Multilateral Competent Authority Agreement on the Exchange of CbC reports.<sup>3263</sup>

On 17 January 2018, the French government presented a bill to the French senate to ratify the Multilateral Instrument.<sup>3264</sup>

France has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, France receives a score of +1.

*Analyst: Sonja Dobson*

### **Germany: +1**

Germany has fully complied with its commitment to continue our work for a globally fair and modern international tax system.

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<sup>3258</sup> OECD releases further guidance for tax administrations and MNE Groups on Country-by-Country reporting (BEPS Action 13), OECD (Paris) 30 November 2017. Access Date: 15 January 2018. <http://www.oecd.org/ctp/beps/oecd-releases-further-guidance-for-tax-administrations-and-mne-groups-on-country-by-country-reporting-november-2017.html>.

<sup>3259</sup> French Country-by-Country Reporting requirements may impact US multinational groups, EY (New York) 12 December 2017. Access Date: 15 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--french-country-by-country-reporting-requirements-may-impact-us-multinational-groups>.

<sup>3260</sup> French Country-by-Country Reporting requirements may impact US multinational groups, EY (New York) 12 December 2017. Access Date: 15 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--french-country-by-country-reporting-requirements-may-impact-us-multinational-groups>.

<sup>3261</sup> Tax treaties: update to OECD Model Tax Convention released, OECD (Paris) 18 December 2017. Access Date: 15 January 2018. <http://www.oecd.org/ctp/beps/tax-treaties-2017-update-to-oecd-model-tax-convention-released.html>.

<sup>3262</sup> Tax treaties: update to OECD Model Tax Convention released, OECD (Paris) 18 December 2017. Access Date: 15 January 2018. <http://www.oecd.org/ctp/beps/tax-treaties-2017-update-to-oecd-model-tax-convention-released.html>.

<sup>3263</sup> BEPS Action 13: Jurisdictions implement final regulations for first filings of CbC Reports, with over 1400 bilateral relationships now in place for the automatic exchange of CbC information, OECD (Paris) 21 December 2017. Access Date: 15 January 2018. <http://www.oecd.org/ctp/beps/beps-action13-jurisdictions-implement-final-regulations-for-first-filings-of-cbc-reports.html>.

<sup>3264</sup> The Latest on BEPS, EY (New York) 12 February 2018. Access Date: 17 March 2018. [http://www.ey.com/Publication/vwLUAssets/The\\_Latest\\_on\\_BEPS\\_-\\_12\\_February\\_2018/\\$FILE/2018G\\_00828-181Gbl\\_The Latest on BEPS - 12 February 2018.pdf](http://www.ey.com/Publication/vwLUAssets/The_Latest_on_BEPS_-_12_February_2018/$FILE/2018G_00828-181Gbl_The Latest on BEPS - 12 February 2018.pdf).

On 7 August 2017, French Finance Minister Bruno Le Maire stated that France is working with Germany and other partners to fix loopholes that have allowed American tech giants such as Google, Apple, Facebook, and Amazon to minimize taxes and increase market share in Europe at the expense of European companies.<sup>3265</sup>

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), Germany participated in the Forum on Tax Administration meeting in Oslo.<sup>3266</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the outcomes of the OECD Base Erosion and Profit Shifting (BEPS) Project, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3267</sup>

On 7 February 2018, Germany's new grand coalition signalled that it is ready to go beyond the BEPS project.<sup>3268</sup> Stating that they hope to ensure "fair taxation." The coalition also agreed to further combating "tax evasion, tax avoidance, unfair tax competition and money laundering efficiently and unbureaucratically on a national, European, and international level" with the new agreement.<sup>3269</sup>

On 5 February 2018, Germany's grand coalition stated it wanted to end misuse of a property tax loophole and strengthen the financial sector after Brexit by making it easier for banks to hire and fire top managers<sup>3270</sup>

On 27 February 2018, Chancellor Angela Merkel repeated the incoming governing coalition's pledge to the wide implementation of BEPS commitments, and the implementation of BEPS measures under the European Union Anti-Tax Avoidance Directive.<sup>3271</sup> This includes "strengthening anti-hybrid rules and introducing new controlled foreign company and interest deduction rules."<sup>3272</sup> Additionally, it was stated that Germany would pursue increased economic cooperation with France

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<sup>3265</sup> France and Germany Plan Tax Crackdown on US Tech Giants, Bloomberg: Politics (Paris) 7 August 2017. Access Date: 26 February 2018. <https://www.bloomberg.com/news/articles/2017-08-07/france-and-germany-plan-crackdown-on-tax-loopholes-used-by-apple>.

<sup>3266</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3267</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3268</sup> Germany's new government signals paradigm shift in international tax policy, MNE Tax (Berlin) 7 February 2018. Access Date: 10 March 2018. <https://mnetax.com/germanys-new-government-signals-paradigm-shift-international-tax-policy-25958>.

<sup>3269</sup> Germany's new government signals paradigm shift in international tax policy, MNE Tax (Berlin) 7 February 2018. Access Date: 10 March 2018. <https://mnetax.com/germanys-new-government-signals-paradigm-shift-international-tax-policy-25958>.

<sup>3270</sup> German would-be coalition partners want to close property tax loophole - paper, Reuters (London) 5 February 2018. Access Date: 26 February 2018. <https://www.reuters.com/article/germany-politics-property-tax/german-would-be-coalition-partners-want-to-close-property-tax-loophole-paper-idUSB4N1NL01S>.

<sup>3271</sup> Merkel Reiterates German Tax Pledge, Tax-News (Brussels) 27 February 2018. Access Date: 13 March 2018. [https://www.tax-news.com/news/Merkel\\_Reiterates\\_German\\_Tax\\_Pledges\\_\\_\\_\\_76434.html](https://www.tax-news.com/news/Merkel_Reiterates_German_Tax_Pledges____76434.html).

<sup>3272</sup> Merkel Reiterates German Tax Pledge, Tax-News (Brussels) 27 February 2018. Access Date: 13 March 2018. [https://www.tax-news.com/news/Merkel\\_Reiterates\\_German\\_Tax\\_Pledges\\_\\_\\_\\_76434.html](https://www.tax-news.com/news/Merkel_Reiterates_German_Tax_Pledges____76434.html).

particularly in regard to corporate taxation, and introducing a common tax base at the EU level coupled with a minimum rate of corporate tax.<sup>3273</sup>

Germany has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Germany receives a score of +1.

*Analyst: Girish Sreevatsan*

### **India: +1**

India has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

Throughout July 2017, the Central Board of Direct Taxes (CBDT) signed nine unilateral advance pricing agreements with Indian taxpayers.<sup>3274</sup> The sectors covered include banking, education, pharmaceutical, oil and gas exploration, and information technology.<sup>3275</sup> The agreements signed in July are part of the Income Tax Act implemented in 2012, which is aimed at specifying methods of pricing and setting the prices of international transactions in advance.<sup>3276</sup>

On 14 October 2017, India attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3277</sup>

On 7 November 2017, India notified the third protocol of three joint double taxation avoidance agreements previously signed with New Zealand.<sup>3278</sup> The agreements established the avoidance of double taxation and the prevention of income tax evasion.<sup>3279</sup>

On 10 November 2017, the Cabinet passed the Avoidance of Double Taxation and the Prevention of Fiscalization Pact between in India and Hong Kong.<sup>3280</sup> The pact intends to expand informational exchange, curb double taxation, and limit the flow of investment between the signatories.<sup>3281</sup>

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<sup>3273</sup> Merkel Reiterates German Tax Pledge, Tax-News (Brussels) 27 February 2018. Access Date: 13 March 2018. [https://www.tax-news.com/news/Merkel\\_Reiterates\\_German\\_Tax\\_Pledges\\_\\_\\_\\_76434.html](https://www.tax-news.com/news/Merkel_Reiterates_German_Tax_Pledges____76434.html).

<sup>3274</sup> Government Enters into 9 Unilateral APAs with Taxpayers in July, The Economic Times (Mumbai) 31 July 2017. Access Date: 25 November 2017. <https://economictimes.indiatimes.com/news/economy/policy/government-enters-into-9-unilateral-apas-with-taxpayers-in-july/articleshow/59847093.cms>.

<sup>3275</sup> Government Enters into 9 Unilateral APAs with Taxpayers in July, The Economic Times (Mumbai) 31 July 2017. Access Date: 25 November 2017. <https://economictimes.indiatimes.com/news/economy/policy/government-enters-into-9-unilateral-apas-with-taxpayers-in-july/articleshow/59847093.cms>.

<sup>3276</sup> Government Enters into 9 Unilateral APAs with Taxpayers in July, The Economic Times (Mumbai) 31 July 2017. Access Date: 25 November 2017. <https://economictimes.indiatimes.com/news/economy/policy/government-enters-into-9-unilateral-apas-with-taxpayers-in-july/articleshow/59847093.cms>.

<sup>3277</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3278</sup> Notification of Third Protocol to the Convention Between Government of India and New Zealand, Central Board of Direct Taxes (New Delhi) 7 November 2017. Access Date: 25 November 2017. [http://www.incometaxindia.gov.in/Lists/Press\\_Releases/Attachments/671/Press-Release-Notification-Third-Protocol-Convention-India-New-Zealand-7-11-2017.pdf](http://www.incometaxindia.gov.in/Lists/Press_Releases/Attachments/671/Press-Release-Notification-Third-Protocol-Convention-India-New-Zealand-7-11-2017.pdf).

<sup>3279</sup> Notification of Third Protocol to the Convention Between Government of India and New Zealand, Central Board of Direct Taxes (New Delhi) 7 November 2017. Access Date: 25 November 2017. [http://www.incometaxindia.gov.in/Lists/Press\\_Releases/Attachments/671/Press-Release-Notification-Third-Protocol-Convention-India-New-Zealand-7-11-2017.pdf](http://www.incometaxindia.gov.in/Lists/Press_Releases/Attachments/671/Press-Release-Notification-Third-Protocol-Convention-India-New-Zealand-7-11-2017.pdf).

On 10 November 2017, the Cabinet approved amending its joint double tax avoidance act with the Kyrgyz Republic.<sup>3282</sup> The aim of the amendment is to broaden informational exchanges between India and the Kyrgyz Republic such that India can use the information obtained from the Kyrgyz Republic for matters of law enforcement.<sup>3283</sup>

On 16 November 2017, India launched the National Anti-Profitteering Authority, which prevents businesses from profiting from the transition to the goods and services tax (GST), which is an indirect tax for the whole country, and to ensure that citizens receive their share of benefits from the GST reductions.<sup>3284</sup>

On 22 November 2017, the Ministry of Finance announced that India would be pursuing direct tax reform.<sup>3285</sup> As a part of the new direct tax program, a new Ministry of Finance task force was created with the mandate to produce a report on their findings regarding the restructuring of the direct tax system.<sup>3286</sup> In addition, they must also propose reforms for the current taxation system.<sup>3287</sup> The Ministry of Finance stated that the goal is to develop a model of direct taxation that follows International standards and addresses the economic needs of the country.<sup>3288</sup>

On 27 November 2017, the CBDT announced that it would accept transfer pricing mutual agreement procedure cases and bilateral advance pricing agreements when any tax treaty fails to include a clause similar to article 9(2) of the OECD Model Tax Commentary.<sup>3289</sup> The CBDT stated that this provision would apply in such cases whereby an Indian enterprise or entity is resident in a country that shares with India a tax treaty, but to whom the tax treaty does not apply. This provision is intended to prevent double taxation in such cases.<sup>3290</sup>

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<sup>3280</sup> Cabinet Okays Double Taxation Avoidance Pact with Hong Kong, The Hindu Business Line (Chennai) 10 November 2017. Access Date: 25 November 2017. <http://www.thehindubusinessline.com/economy/policy/cabinet-approves-dtaa-with-hong-kong/article9953273.ece>.

<sup>3281</sup> Cabinet Okays Double Taxation Avoidance Pact with Hong Kong, The Hindu Business Line (Chennai) 10 November 2017. Access Date: 25 November 2017. <http://www.thehindubusinessline.com/economy/policy/cabinet-approves-dtaa-with-hong-kong/article9953273.ece>.

<sup>3282</sup> Cabinet Okays Double Taxation Avoidance Pact with Hong Kong, The Hindu Business Line (Chennai) 10 November 2017. Access Date: 25 November 2017. <http://www.thehindubusinessline.com/economy/policy/cabinet-approves-dtaa-with-hong-kong/article9953273.ece>.

<sup>3283</sup> Cabinet Okays Double Taxation Avoidance Pact with Hong Kong, The Hindu Business Line (Chennai) 10 November 2017. Access Date: 25 November 2017. <http://www.thehindubusinessline.com/economy/policy/cabinet-approves-dtaa-with-hong-kong/article9953273.ece>.

<sup>3284</sup> Union Cabinet Gives Nod to National Anti-Profitteering Authority Under GST, The Indian Express (Uttar Pradesh) 16 November 2017. Access Date: 25 November 2017. <http://indianexpress.com/article/india/union-cabinet-gives-nod-to-national-anti-profitteering-authority-under-gst-4940259/>.

<sup>3285</sup> India to Study Direct Tax Law Reform Options, Tax-News (Surrey) 24 November 2017. Access Date: 25 November 2017. [https://www.tax-news.com/news/India\\_To\\_Study\\_Direct\\_Tax\\_Law\\_Reform\\_Options\\_\\_\\_75825.html](https://www.tax-news.com/news/India_To_Study_Direct_Tax_Law_Reform_Options___75825.html).

<sup>3286</sup> India to Study Direct Tax Law Reform Options, Tax-News (Surrey) 24 November 2017. Access Date: 25 November 2017. [https://www.tax-news.com/news/India\\_To\\_Study\\_Direct\\_Tax\\_Law\\_Reform\\_Options\\_\\_\\_75825.html](https://www.tax-news.com/news/India_To_Study_Direct_Tax_Law_Reform_Options___75825.html).

<sup>3287</sup> India to Study Direct Tax Law Reform Options, Tax-News (Surrey) 24 November 2017. Access Date: 25 November 2017. [https://www.tax-news.com/news/India\\_To\\_Study\\_Direct\\_Tax\\_Law\\_Reform\\_Options\\_\\_\\_75825.html](https://www.tax-news.com/news/India_To_Study_Direct_Tax_Law_Reform_Options___75825.html).

<sup>3288</sup> India to Study Direct Tax Law Reform Options, Tax-News (Surrey) 24 November 2017. Access Date: 25 November 2017. [https://www.tax-news.com/news/India\\_To\\_Study\\_Direct\\_Tax\\_Law\\_Reform\\_Options\\_\\_\\_75825.html](https://www.tax-news.com/news/India_To_Study_Direct_Tax_Law_Reform_Options___75825.html).

<sup>3289</sup> India to Accept Transfer Pricing APA, MAP Applications Even if Corresponding Adjustment Treaty Provision Absent, MNE Tax (Washington, D.C.) 27 November 2017. Access Date: 27 November 2017. <https://mnetax.com/india-accept-transfer-pricing-apa-map-applications-even-corresponding-adjustment-treaty-provision-absent-24809>.

<sup>3290</sup> India to Accept Transfer Pricing APA, MAP Applications Even if Corresponding Adjustment Treaty Provision Absent, MNE Tax (Washington, D.C.) 27 November 2017. Access Date: 27 November 2017. <https://mnetax.com/india-accept-transfer-pricing-apa-map-applications-even-corresponding-adjustment-treaty-provision-absent-24809>.

On 1 December 2017, the CBDT stated that it entered into two bilateral advance pricing agreements during the month of November 2017.<sup>3291</sup> The agreements were entered in conjunction with the Netherlands and pertain to electronics and technology.<sup>3292</sup>

On 29 December 2017, the CBDT released a statement indicating that they had entered into three advance pricing agreements during the month of December 2017.<sup>3293</sup> The two unilateral agreements pertain to coal and insurance sectors, while the single bilateral agreement was signed in conjunction with the United Kingdom regarding the electronics sector.<sup>3294</sup>

On 6 January 2018, the CBDT announced that it would relax certain provisions relating to the levy of minimum alternate tax in the event that companies have filed and have had admitted by the Adjudicating Authority an application for corporate insolvency resolution.<sup>3295</sup> This is intended to minimize financial hardship faced by qualifying companies by reducing the amount of total loss through a levy.<sup>3296</sup>

On 15 January 2018, the CBDT announced that India had signed an inter-governmental agreement with the United States under the Foreign Account Tax Compliance Act (FACTA) in 2015.<sup>3297</sup> The purpose of the agreement is to enhance transparency and exchange of information between both

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<sup>3291</sup> Indian Advance Pricing Agreement Regime Moves Forward With the Signing of Two APAs by CBDT in November, 2017, The Central Board of Direct Taxes (New Delhi) 1 December 2017. Access Date: 10 January 2018. [http://www.incometaxindia.gov.in/Lists/Press Releases/Attachments/675/Press-Release-Indian-Advance-Pricing-Agreement-regime-moves-forward-1-12-2017.pdf](http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/675/Press-Release-Indian-Advance-Pricing-Agreement-regime-moves-forward-1-12-2017.pdf).

<sup>3292</sup> Indian Advance Pricing Agreement Regime Moves Forward With the Signing of Two APAs by CBDT in November, 2017, The Central Board of Direct Taxes (New Delhi) 1 December 2017. Access Date: 10 January 2018. [http://www.incometaxindia.gov.in/Lists/Press Releases/Attachments/675/Press-Release-Indian-Advance-Pricing-Agreement-regime-moves-forward-1-12-2017.pdf](http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/675/Press-Release-Indian-Advance-Pricing-Agreement-regime-moves-forward-1-12-2017.pdf).

<sup>3293</sup> India Advance Pricing Agreement Regime Moves Forward with the Signing of Three APAs by CBDT in December, 2017, The Central Board of Direct Taxes (New Delhi) 29 December 2017. Access Date: 10 January 2017. <http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/680/Press-Release-Indian-Advance-Pricing-Agreement-29-12-2017.pdf>.

<sup>3294</sup> India Advance Pricing Agreement Regime Moves Forward with the Signing of Three APAs by CBDT in December, 2017, The Central Board of Direct Taxes (New Delhi) 29 December 2017. Access Date: 10 January 2017. <http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/680/Press-Release-Indian-Advance-Pricing-Agreement-29-12-2017.pdf>.

<sup>3295</sup> Relaxation in the Provisions Relating to Levy of Minimum Alternate Tax (MAT) in case of companies against whom an application for corporate insolvency Resolution Process Has been Admitted Under the Insolvency and Bankruptcy Code, 2016, The Central Board of Direct Taxes (New Delhi) 6 January 2018. Access Date: 10 January 2018. [http://www.incometaxindia.gov.in/Lists/Press Releases/Attachments/681/Press-Release-Relaxation-provisions-relating-levy-MAT-8-1-2018.pdf](http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/681/Press-Release-Relaxation-provisions-relating-levy-MAT-8-1-2018.pdf).

<sup>3296</sup> Relaxation in the Provisions Relating to Levy of Minimum Alternate Tax (MAT) in case of companies against whom an application for corporate insolvency Resolution Process Has been Admitted Under the Insolvency and Bankruptcy Code, 2016, The Central Board of Direct Taxes (New Delhi) 6 January 2018. Access Date: 10 January 2018. [http://www.incometaxindia.gov.in/Lists/Press Releases/Attachments/681/Press-Release-Relaxation-provisions-relating-levy-MAT-8-1-2018.pdf](http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/681/Press-Release-Relaxation-provisions-relating-levy-MAT-8-1-2018.pdf).

<sup>3297</sup> Reporting of US Tax Identification Numbers (TINs) for Pre-Existing Accounts by Financial Institutions, The Central Board of Direct Taxes (New Delhi) 15 January 2018. Access Date: 15 January 2018. [http://www.incometaxindia.gov.in/Lists/Press Releases/Attachments/685/Press-Release-Reporting-US-TINs-pre-existing-accounts-Financial-Institutions-15-1-2018.pdf](http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/685/Press-Release-Reporting-US-TINs-pre-existing-accounts-Financial-Institutions-15-1-2018.pdf).

countries by requiring their reporting financial institutions to obtain the tax identity number of each reportable person in possession of a reportable account as of 30 June 2014.<sup>3298</sup>

On 1 February 2018, India released its Union Budget of 2018-2019 which included the Finance Bill of 2018.<sup>3299</sup> The Finance Bill has two key taxation propositions, one of which seeks to impose taxes upon income gathered from Indian consumers from corporations with a significant economic presence within India, regardless of whether or not the corporation resides within the country.<sup>3300</sup> An additional amendment proposed the modification of covered tax agreements to comply with the Multilateral Instrument (MLI) of the Organisation for Economic Co-operation and Development (OECD) under its Base Erosion and Profit Sharing (BEPS) Plan.<sup>3301</sup> This amendment will affect India's tax treaties stipulated by the MLI where India's treaty cosignatories have also opted for BEPS recommendations in Article 12 of the MLI and have ratified the MLI under its domestic laws.<sup>3302</sup>

On 7 February 2018, the Cabinet approved the signing and ratification of a protocol amending a DTAA between India and China.<sup>3303</sup> The protocol updated the existing provisions for exchange of information to comply with current international standards and will incorporate the minimum related standards under the action reports of the BEPS project.<sup>3304</sup>

On 7 February 2018, the CBDT stated that it entered into five unilateral advance pricing agreements and two bilateral advance pricing agreements during the month of January 2018.<sup>3305</sup> The agreements address a variety of economic sectors including information technology, banking, insurance, and

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<sup>3298</sup> Reporting of US Tax Identification Numbers (TINs) for Pre-Existing Accounts by Financial Institutions, The Central Board of Direct Taxes (New Delhi) 15 January 2018. Access Date: 15 January 2018. [http://www.incometaxindia.gov.in/Lists/Press Releases/Attachments/685/Press-Release-Reporting-US-TINs-pre-existing-accounts-Financial-Institutions-15-1-2018.pdf](http://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/685/Press-Release-Reporting-US-TINs-pre-existing-accounts-Financial-Institutions-15-1-2018.pdf).

<sup>3299</sup> India to Sign Protocol to Amend Income Tax Treaty with China, Includes BEPS Measures, Thomson Reuters (Toronto) 22 February 2018. Access Date: 10 March 2018. <https://tax.thomsonreuters.com/blog/india-to-sign-protocol-to-amend-income-tax-treaty-with-china-includes-beps-measures/>.

<sup>3300</sup> Finance Ministry's Move under BEPS Treaty Will Impact Google, Facebook, Amazon, The Hindu Business Line (Chennai) 5 February 2018. Access Date: 10 March 2018. <https://www.thehindubusinessline.com/info-tech/digital-firms-with-big-presence-in-india-will-have-to-pay-taxes-here/article22661713.ece>.

<sup>3301</sup> India to Sign Protocol to Amend Income Tax Treaty with China, Includes BEPS Measures, Thomson Reuters (Toronto) 22 February 2018. Access Date: 10 March 2018. <https://tax.thomsonreuters.com/blog/india-to-sign-protocol-to-amend-income-tax-treaty-with-china-includes-beps-measures/>.

<sup>3302</sup> India to Sign Protocol to Amend Income Tax Treaty with China, Includes BEPS Measures, Thomson Reuters (Toronto) 22 February 2018. Access Date: 10 March 2018. <https://tax.thomsonreuters.com/blog/india-to-sign-protocol-to-amend-income-tax-treaty-with-china-includes-beps-measures/>.

<sup>3303</sup> Cabinet Approves Signing and Ratification of Protocol Amending the Agreement between India and China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, Press Information Bureau — Government of India (New Delhi) 7 February 2018. Access Date: 9 March 2018. <http://pib.nic.in/newsite/printrelease.aspx?relid=176348>.

<sup>3304</sup> Cabinet Approves Signing and Ratification of Protocol Amending the Agreement between India and China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, Press Information Bureau — Government of India (New Delhi) 7 February 2018. Access Date: 9 March 2018. <http://pib.nic.in/newsite/printrelease.aspx?relid=176348>.

<sup>3305</sup> Indian Advance Pricing Agreement regime moves forward with signing of five UAPAs and two BAPAs by CBDT in January, 2018, The Central Board of Direct Taxes (New Delhi) 07 February 2018. Access Date: 2 March 2018. [https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/688/PressRelease\\_Indian\\_Advance\\_Pricing\\_Agreement\\_regime\\_moves\\_forward-2018-7-2-2018.pdf](https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/688/PressRelease_Indian_Advance_Pricing_Agreement_regime_moves_forward-2018-7-2-2018.pdf).



engineering and protects international transactions such as information technology enabled services, payment of royalty, sale of goods, and so on.<sup>3306</sup>

On 17 February 2018, the CBDT disclosed that India and Iran signed a joint double taxation avoidance agreements with the purpose of expanding informational exchange between the signatories, increasing investment between Iran and India, preventing double taxation, and eliminating tax evasion and avoidance.<sup>3307</sup> The agreement meets minimum standards under the BEPS project.<sup>3308</sup>

On 19 February 2018, India revised the double taxation avoidance agreements it had previously signed with Kenya. Several provisions within the agreement were revised and new provisions were also created.<sup>3309</sup> The agreement stipulates a reduction in withholding tax rates from 15 per cent to 10 per cent on dividends, from 15 per cent to 10 per cent on interest, from 20 per cent to 10 per cent on royalties and from 17.5 per cent to 10 per cent on fees for management, professional and technical services.<sup>3310</sup> A new article was added to grant treaty benefits to residents of both countries, prevent treaty abuse by residents of a non-signatory country, and to enforce domestic law in cases of tax avoidance or evasion.<sup>3311</sup> The Article on Exchange of Information was updated to comply with international standards. The Article on Assistance in Collection of Taxes was added to bolster aid between the signatories in the collection of tax revenue claims.<sup>3312</sup>

India has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, India receives a score of +1.

*Analyst: Alyssa Atef*

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<sup>3306</sup> Indian Advance Pricing Agreement regime moves forward with signing of five UAPAs and two BAPAs by CBDT in January, 2018, The Central Board of Direct Taxes (New Delhi) 7 February 2018. Access Date: 2 March 2018. [https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/688/PressRelease\\_Indian\\_Advance\\_Pricing\\_Agreement\\_regime\\_moves\\_forward-2018-7-2-2018.pdf](https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/688/PressRelease_Indian_Advance_Pricing_Agreement_regime_moves_forward-2018-7-2-2018.pdf).

<sup>3307</sup> Signing of DTAA by India and Iran on 17<sup>th</sup> February, 2018, The Central Board of Direct Taxes (New Delhi) 17 February 2017. Access Date: 2 March 2018. <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/690/Press-Release-Signing-DTAA-India-Iran-17-February-2018-19-2-2018.pdf>.

<sup>3308</sup> Signing of DTAA by India and Iran on 17<sup>th</sup> February, 2018, The Central Board of Direct Taxes (New Delhi) 17 February 2017. Access Date: 2 March 2018. <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/690/Press-Release-Signing-DTAA-India-Iran-17-February-2018-19-2-2018.pdf>.

<sup>3309</sup> Revised Double Taxation Avoidance Agreement (DTAA) Between India and Kenya Notified, The Central Board of Direct Taxes (New Delhi) 22 February 2018. Access Date: 2 March 2018. <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/691/Press-Release-Revised-Double-Taxation-Avoidance-Agreement-22-2-2018.pdf>.

<sup>3310</sup> Revised Double Taxation Avoidance Agreement (DTAA) Between India and Kenya Notified, The Central Board of Direct Taxes (New Delhi) 22 February 2018. Access Date: 2 March 2018. <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/691/Press-Release-Revised-Double-Taxation-Avoidance-Agreement-22-2-2018.pdf>.

<sup>3311</sup> Revised Double Taxation Avoidance Agreement (DTAA) Between India and Kenya Notified, The Central Board of Direct Taxes (New Delhi) 22 February 2018. Access Date: 2 March 2018. <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/691/Press-Release-Revised-Double-Taxation-Avoidance-Agreement-22-2-2018.pdf>.

<sup>3312</sup> Revised Double Taxation Avoidance Agreement (DTAA) Between India and Kenya Notified, The Central Board of Direct Taxes (New Delhi) 22 February 2018. Access Date: 2 March 2018. <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/691/Press-Release-Revised-Double-Taxation-Avoidance-Agreement-22-2-2018.pdf>.

## Indonesia: +1

Indonesia has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 26 July 2017, the Indonesian government issued a new controlled foreign company regulation that issues a dividend tax on foreign companies controlled by Indonesians even if the companies are formed in tax heaven countries, forcing many Indonesians to sell their foreign shell companies.<sup>3313</sup>

On 27 July 2017, Parliament passed a regulation that gives the tax office access to information on accounts held at financial institutions, including banks and insurance companies. The tax office then shares the information with other tax authorities in compliance to Automatic Exchange of Information.<sup>3314</sup>

On 14 October 2017, Indonesia attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3315</sup>

On 27-29 September 2017, Indonesia attended the 11th Meeting of the Organisation for Economic Co-operation and Development (OECD) Forum on Tax Administration in Oslo, Norway.<sup>3316</sup> The forum focused on supporting the international tax regime, improving compliance, and the future of international tax administration.<sup>3317</sup>

On 29 December 2017, the Director General of Taxation Regulation No. 29/PJ/2017 (PER-29) came into effect to make Indonesian Country-by-Country reporting requirements more compliant with OECD standards.<sup>3318</sup>

Indonesia has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Indonesia receives a score of +1.

*Analyst: Collin Xia*

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<sup>3313</sup> New regulation forces Indonesians to sell their foreign shell companies, The Jakarta Post (Jakarta) 2 October 2017. Access Date: 7 January 2018. <http://www.thejakartapost.com/news/2017/10/02/new-regulation-forces-indonesians-to-sell-their-foreign-shell-companies.html>.

<sup>3314</sup> Indonesia passes law giving tax office access to financial data, Reuters (London) 27 July 2017. Access Date: 26 November 2017. <https://www.reuters.com/article/indonesia-tax-banks/indonesia-passes-law-giving-tax-office-access-to-financial-data-idUSJ9N1G1017>.

<sup>3315</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3316</sup> Communiqué of the 11th Meeting of the OECD Forum on Tax Administration (FTA), OECD (Oslo) 29 September 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/forum-on-tax-administration/events/forum-on-tax-administration-communique-2017.pdf>.

<sup>3317</sup> Communiqué of the 11th Meeting of the OECD Forum on Tax Administration (FTA), OECD (Oslo) 29 September 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/forum-on-tax-administration/events/forum-on-tax-administration-communique-2017.pdf>.

<sup>3318</sup> Indonesia releases implementing regulations on Country-by-Country Reporting, Ernst & Young Global Limited (London) 24 January 2018. Access Date: 7 March 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--indonesia-releases-implementing-regulations-on-country-by-country-reporting>.

**Italy: +1**

Italy has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 27 September 2017, Italy and the United States signed a bilateral competent authority agreement.<sup>3319</sup> The agreement provides automatic exchange of country-by-country reports between the Italian and American tax authorities enabling Italian subsidiaries of American multinational groups from publishing separate country-by-country reports.<sup>3320</sup>

On 27-29 September 2017, Italian representatives attended the 11th plenary meeting of the Organisation for Economic Cooperation and Development (OECD) Forum on Tax Administration.<sup>3321</sup> The plenary focused on supporting the international tax agenda, improving compliance, and looking to the future of tax administration.<sup>3322</sup>

On 14 October 2017, Italy attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3323</sup>

On 31 October 2017, the new format for the Italian tax return contained a new section to give the Italian revenue agency the basic information to comply with Country-by-Country (CbC) reports.<sup>3324</sup>

From 15-17 November 2017, Italy participated in the 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purpose in Yaoundé, Cameroon.<sup>3325</sup> Italy was among six developed countries committed to helping six developing countries implement Automatic Exchange of Information. Italy is currently partnered with Albania to assist with its participation in automatic exchange of information (AEOI).<sup>3326</sup>

On 17 November 2017, the OECD's Global Forum on Transparency and Exchange of Information rated Italy as compliant to the international standard on transparency and exchange of information

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<sup>3319</sup> Execution of the Italy-USA CAA on the Automatic Exchange of Country-by-Country Reports, KPMG (Amstelveen) 3 November 2017. Access Date: 26 November 2017. [http://kdocs.kpmg.it/marketing/KSA/0311\\_Execution\\_of\\_the\\_Italy-USA\\_CAA\\_on\\_the\\_Automatic\\_Exchange\\_of\\_Country-by-Country\\_Reports.pdf](http://kdocs.kpmg.it/marketing/KSA/0311_Execution_of_the_Italy-USA_CAA_on_the_Automatic_Exchange_of_Country-by-Country_Reports.pdf).

<sup>3320</sup> Execution of the Italy-USA CAA on the Automatic Exchange of Country-by-Country Reports, KPMG (Amstelveen) 3 November 2017. Access Date: 26 November 2017. [http://kdocs.kpmg.it/marketing/KSA/0311\\_Execution\\_of\\_the\\_Italy-USA\\_CAA\\_on\\_the\\_Automatic\\_Exchange\\_of\\_Country-by-Country\\_Reports.pdf](http://kdocs.kpmg.it/marketing/KSA/0311_Execution_of_the_Italy-USA_CAA_on_the_Automatic_Exchange_of_Country-by-Country_Reports.pdf).

<sup>3321</sup> Communiqué of the 11th Meeting of the OECD Forum on Tax Administration (FTA), OECD (Oslo) 29 September 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/forum-on-tax-administration/events/forum-on-tax-administration-communique-2017.pdf>.

<sup>3322</sup> Communiqué of the 11th Meeting of the OECD Forum on Tax Administration (FTA), OECD (Oslo) 29 September 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/forum-on-tax-administration/events/forum-on-tax-administration-communique-2017.pdf>.

<sup>3323</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3324</sup> Italy, first round of CbCR implementation takes place, International Tax Review (London) 26 October 2017. Access Date 26 November 2017. <http://www.internationaltaxreview.com/Article/3762399/Italy-Country-Briefing/Italy-First-round-of-CbCR-implementation-takes-place.html>.

<sup>3325</sup> 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD (Yaoundé) 9 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/10th-meeting-of-the-global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-15-17-november-2017-in-yaounde-cameroon.htm>.

<sup>3326</sup> Automatic Exchange of Information Implementation Report 2017, OECD (Paris) 17 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/transparency/reporting-on-the-implementation-of-the-AEOI-standard.pdf>.

upon request for tax purposes.<sup>3327</sup> Italy has robust regulatory measures, an “extensive network of exchange of information partners covering 146 jurisdictions,” and is “heavily involved in exchange of information practice.”<sup>3328</sup>

On 28 November 2017, the Italian tax agency issued guidance no.275956 that created guidelines for implementing country-by-country reporting of firms in Italy.<sup>3329</sup> The guideline states that “companies and entities of a multinational enterprise group with consolidated turnover of EUR750 million or more per year starting from 1 January 2015” are required to submit a country-by-country report.<sup>3330</sup> The guideline details the information that must be included in the report, and requires entities to file the report in both English and Italian, to be submitted electronically by each entity’s respective deadline.<sup>3331</sup>

On 28 November 2017, a decree by the Italian government provided amendments to the Italian Patent Box regime.<sup>3332</sup> The purpose of the amendments is to align the Italian Patent box regime with the OECD nexus approach recommended in Action 5 in the Base Erosion and Profit Sharing (BEPS) Plan.<sup>3333</sup>

On 11 December 2017, Fabrizia Lapecorella, Director of the Finance Department, announced that professionals are required to report tax evasion schemes that they built as well as its beneficiaries to the tax authorities.<sup>3334</sup>

On 15 December 2017, the second batch of OECD peer review reports on the implementation of the BEPS Minimum Standards under Action 14 were released. The report concluded that Italy met most of the components of Action 14 Minimum Standards.<sup>3335</sup>

On 23 December 2017, Parliament approved the 2018 Budget Law with a new “Tax on digital transactions,” which includes a new definition of permanent establishment more in line with OECD BEPS Action 7.<sup>3336</sup>

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<sup>3327</sup> Details of the second round peer review reports, OECD (Paris) 17 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/transparency/second-round-global-forum-peer-review-reports-november-2017.htm>.

<sup>3328</sup> Details of the second round peer review reports, OECD (Paris) 17 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/transparency/second-round-global-forum-peer-review-reports-november-2017.htm>.

<sup>3329</sup> Italy: Implementing guidelines for country-by-country reports, KPMG (Amstelveen) 1 December 2017. Access Date: 7 January 2018. <https://home.kpmg.com/xx/en/home/insights/2017/12/tnf-italy-implementing-guidelines-for-country-by-country-reports.html>.

<sup>3330</sup> Italy: Implementing guidelines for country-by-country reports, KPMG (Amstelveen) 1 December 2017. Access Date: 7 January 2018. <https://home.kpmg.com/xx/en/home/insights/2017/12/tnf-italy-implementing-guidelines-for-country-by-country-reports.html>.

<sup>3331</sup> Italy: Implementing guidelines for country-by-country reports, KPMG (Amstelveen) 1 December 2017. Access Date: 7 January 2018. <https://home.kpmg.com/xx/en/home/insights/2017/12/tnf-italy-implementing-guidelines-for-country-by-country-reports.html>.

<sup>3332</sup> The Latest on BEPS, Ernst & Young Global Limited (London) 2 January 2018. Access Date: 7 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---2-january-2018>.

<sup>3333</sup> The Latest on BEPS, Ernst & Young Global Limited (London) 2 January 2018. Access Date: 7 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---2-january-2018>.

<sup>3334</sup> Fisco: professionisti obbligati a denunciar evasion, Milano Finanza (Milan) 13 December 2017. Access Date: 7 January 2018. <https://www.milanofinanza.it/news/fisco-professionisti-obbligati-a-denunciar-evasioni-italia-oggi-201712130900001470>.

<sup>3335</sup> The Latest on BEPS, Ernst & Young Global Limited (London) 2 January 2018. Access Date: 7 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---2-january-2018>.

On 23 January 2018, Italy participated in the International Compliance Assurance Programme pilot (ICAP) led by the OECD Forum on Tax Administration.<sup>3337</sup> The ICAP is a voluntary program that will use Country-by-Country reports and other tax document to allow multinational enterprises and tax administrations to engage in transparent discussion on tax risks. The ICAP is a step towards multilateral approach to tax administration.<sup>3338</sup>

On 21 February 2018, the Ministry of Economy and Finance launched a public consultation on the application of domestic transfer pricing provisions.<sup>3339</sup> Its purpose is to clarify possible “controversial interpretations during a tax audit,” in order to comply with the OECD standards.<sup>3340</sup>

Italy has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Italy receives a score of +1.

*Analyst: Collin Xia*

### **Japan: +1**

Japan has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 26 July 2017, Japan announced that the “Convention between Japan and the Republic of Slovenia for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance” will enter into force.<sup>3341</sup> This convention revises the taxation on business profits, expands the extent of reduction of taxation on investment income, introduces measures for prevention of abuse of this Convention and arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforces the exchange of information concerning tax matters between the two countries.<sup>3342</sup>

On 30 August 2017, Japan and Estonia signed the “Convention between Japan and the Republic of Estonia for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention

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<sup>3336</sup> Italy enacts Web Tax and new PE definition, Ernst & Young Global Limited (London) 29 December 2017. Access Date: 7 March 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--italy-enacts-web-tax-and-new-pe-definition>.

<sup>3337</sup> OECD launches International Compliance Assurance Programme Pilot, Ernst & Young Global Limited (London) 26 January 2018. Access Date: 7 March 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--oecd-launches-international-compliance-assurance-programme-pilot>.

<sup>3338</sup> OECD launches International Compliance Assurance Programme Pilot, Ernst & Young Global Limited (London) 26 January 2018. Access Date: 7 March 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--oecd-launches-international-compliance-assurance-programme-pilot>.

<sup>3339</sup> Italy launches public consultation regarding implementation measures for transfer pricing provisions, Ernst & Young Global Limited (London) 2 March 2018. Access Date: 7 March 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--italy-launches-public-consultation-regarding-implementation-measures-for-transfer-pricing-provisions>.

<sup>3340</sup> Italy launches public consultation regarding implementation measures for transfer pricing provisions, Ernst & Young Global Limited (London) 2 March 2018. Access Date: 7 March 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--italy-launches-public-consultation-regarding-implementation-measures-for-transfer-pricing-provisions>.

<sup>3341</sup> Tax Convention with Slovenia will Enter into Force, Ministry of Finance (Tokyo) 26 July 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170726si.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170726si.htm).

<sup>3342</sup> Tax Convention with Slovenia will Enter into Force, Ministry of Finance (Tokyo) 26 July 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170726si.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170726si.htm).

of Tax Evasion and Avoidance.”<sup>3343</sup> This convention revises the taxation on business profits, expands the extent of reduction of taxation on investment income, introduces measures for prevention of abuse of this convention and arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforces the exchange of information concerning tax matters between the two countries.<sup>3344</sup>

On 1 September 2017, Japan released a “Guidance for Taxpayers on the Mutual Agreement Procedure (Q&A)” to provide guidance to taxpayers required by the recommendation of the for the Organization for Economic Cooperation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Project under the G20.<sup>3345</sup>

On 7 September 2017, Japan and Russia signed the “Convention between the Government of Japan and the Government of the Russian Federation for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.”<sup>3346</sup> This convention revises the taxation on business profits, expands the extent of reduction of taxation on investment income, introduces measures for prevention of abuse of this Convention and arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforces the exchange of information concerning tax matters between the two countries.<sup>3347</sup>

On 27-29 September 2017, as a member of the OECD, Japan participated in the Forum on Tax Administration meeting in Oslo.<sup>3348</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the BEPS project outcomes, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3349</sup>

On 11 October 2017, Japan and Denmark signed the “Convention between Japan and the Kingdom of Denmark for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.”<sup>3350</sup> This Convention revises the taxation on business profits, expands the extent of reduction of taxation on investment income, introduces measures for prevention of abuse of this Convention and arbitration proceedings in mutual agreement procedures

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<sup>3343</sup> Tax Convention with Estonia was Signed, Ministry of Finance (Tokyo) 30 August 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170830ee.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170830ee.htm).

<sup>3344</sup> Tax Convention with Estonia was Signed, Ministry of Finance (Tokyo) 30 August 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170830ee.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170830ee.htm).

<sup>3345</sup> Guidance for Taxpayers on the Mutual Agreement Procedure (Q&A), National Tax Agency (Tokyo) September 2017. Access Date: 25 November 2017. [http://www.nta.go.jp/foreign\\_language/03.pdf](http://www.nta.go.jp/foreign_language/03.pdf).

<sup>3346</sup> New Tax Convention with Russia was Signed, Ministry of Finance (Tokyo) 7 September 2017. Access Date 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170907ru.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170907ru.htm).

<sup>3347</sup> New Tax Convention with Russia was Signed, Ministry of Finance (Tokyo) 7 September 2017. Access Date 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170907ru.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170907ru.htm).

<sup>3348</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beeps/leading-tax-administrations-focused-on-effective-delivery-of-beeps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3349</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beeps/leading-tax-administrations-focused-on-effective-delivery-of-beeps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3350</sup> New Tax Convention with Denmark was Signed, Ministry of Finance (Tokyo) 11 October 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170714lt.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170714lt.htm).

and assistance in the collection of tax claims, and reinforces the exchange of information concerning tax matters between the two countries.<sup>3351</sup>

On 14 October 2017, Japan attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3352</sup>

On 21 December 2017, Japan and the Republic of Colombia agreed on principle to a tax convention which would include provisions for the purposes of clarifying the scope of taxation in the two countries, eliminating international double taxation and, preventing tax evasion and avoidance.<sup>3353</sup>

On 15 January 2018, Japan and Iceland signed the Convention between Japan and Iceland for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance<sup>3354</sup> This convention revises the taxation on business profits, expands the extent of reduction of taxation on investment income, introduces measures for prevention of abuse of this Convention and arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforces the exchange of information concerning tax matters between the two countries.<sup>3355</sup>

On 23 January 2018, the Japanese government participated in the OECD's pilot project, the International Compliance Assurance Program (ICAP) along with seven other countries.<sup>3356</sup> The ICAP is designed to use country-by-country reports to facilitate open engagement between participating countries. It aims to facilitate open dialogue between multinational enterprises and tax administrations with the view of improving tax certainty.<sup>3357</sup>

Japan has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Japan receives a score of +1.

*Analyst: Martin Cheng Hao Gui*

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<sup>3351</sup> New Tax Convention with Denmark was Signed, Ministry of Finance (Tokyo) 11 October 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170714lt.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170714lt.htm).

<sup>3352</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3353</sup> Agreement in Principle on Tax Convention between Japan and the Republic of Colombia, Ministry of Finance (Tokyo) 21 December 2017. Access Date: 15 January 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20171221co.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20171221co.htm).

<sup>3354</sup> Signing of the Tax Convention between Japan and Iceland, Ministry of Foreign Affairs (Tokyo) 16 January 2018. Access Date: 15 January 2018. [http://www.mofa.go.jp/press/release/press4e\\_001867.html](http://www.mofa.go.jp/press/release/press4e_001867.html).

<sup>3355</sup> Signing of the Tax Convention between Japan and Iceland, Ministry of Foreign Affairs (Tokyo) 16 January 2018. Access Date: 15 January 2018. [http://www.mofa.go.jp/press/release/press4e\\_001867.html](http://www.mofa.go.jp/press/release/press4e_001867.html).

<sup>3356</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3357</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

## **Korea: +1**

Korea has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 2 August 2017, the Finance Ministry announced a series of tax rate increases aimed at increasing the rate of taxation for the country's top earners.<sup>3358</sup> Under this proposition, the corporate tax rate will rise from 22 per cent to 25 per cent for corporations who earn 200 billion won or more and the income tax rate will rise from 38 per cent to 40 per cent for taxpayers who earn between KRW300 million (approximately USD276,000) to KRW500 million (approx. USD460,000) and from 40 per cent to 42 per cent for taxpayers who earn 500 million won or more.<sup>3359</sup> Additional tax revenues are estimated to generate 5.5 trillion won (approx. USD4.9 billion) per year and will be allocated for job creation and financial support for small businesses.<sup>3360</sup>

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), Korea participated in the Forum on Tax Administration meeting in Oslo.<sup>3361</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the outcomes of the OECD's Base Erosion and Profit Shifting (BEPS) Plan, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3362</sup>

On 14 October 2017, Deputy Prime Minister Kim Dong-yeon attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3363</sup> The Deputy Prime Minister urged that the G20 should be the leading example of strengthening the global financial safety net.<sup>3364</sup>

On 2 November 2017, Deputy Prime Minister Kim led an Extended Ministerial Meeting on the economy, during which the ministers discussed the government's plan to bolster investment by

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<sup>3358</sup> Tax Revision bill, 2017, 2017 Revision Focuses on Job Creation and Distribution, Ministry of Finance and Strategy (Seoul) 2 August 2017. Access Date: 27 November 2017.

<http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4347>.

<sup>3359</sup> Tax Revision bill, 2017, 2017 Revision Focuses on Job Creation and Distribution, Ministry of Finance and Strategy (Seoul) 2 August 2017. Access Date: 27 November 2017.

<http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4347>.

<sup>3360</sup> Tax Revision bill, 2017, 2017 Revision Focuses on Job Creation and Distribution, Ministry of Finance and Strategy (Seoul) 2 August 2017. Access Date: 27 November 2017.

<http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4347>.

<sup>3361</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3362</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3363</sup> Deputy Prime Minister Kim Attends G20 Finance Ministers Meeting and IMF/WB Annual Meetings, International Finance Bureau - Multilateral Financial Cooperation Division (Seoul) 14 October 2017. Access Date: 27 November 2017. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4380>.

<sup>3364</sup> Deputy Prime Minister Kim Attends G20 Finance Ministers Meeting and IMF/WB Annual Meetings, International Finance Bureau - Multilateral Financial Cooperation Division (Seoul) 14 October 2017. Access Date: 27 November 2017. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4380>.



diversifying tax incentives for start-ups, reintroduce tax exemptions for gains earned through stock options, increase tax exemptions for employee stock ownership, and grant tax incentives for start-up investments.<sup>3365</sup>

On 11 December 2017, Deputy Prime Minister Kim led an extended ministerial meeting on the economy, during which the government reaffirmed its commitment to grow the economy through the implementation of innovative policies that includes policies regarding taxation revision.<sup>3366</sup>

On 29 December 2017, the Economic Policy Bureau released the framework for its 2018 economic policies, which include taxation policies such as introducing tax breaks for small and medium enterprises that increase their rate of hiring, imposing taxes on rental income, revising property taxes, and granting tax incentives for private pension plans.<sup>3367</sup> These policies are intended to promote job creation and create an overall fairer system of national taxation.<sup>3368</sup>

On 8 January 2017, the Tax and Customs Office released a set of revised tax decrees.<sup>3369</sup> The revisions included broadening the angel investment tax incentives from 30 per cent to 100 per cent for income tax deduction, enlarging capital gains tax imposed on large shareholders, expanding tax credit for insurance costs, broadening capital gains taxes on non-resident shareholders, reintroducing the value-added tax return for tourist accommodation expenses, and so on.<sup>3370</sup>

On 7 February 2018, Deputy Prime Minister Kim held a “Growth Through Innovation” meeting, during which he announced that the government will expand research and development (R&D) tax incentives from its current application of 19 services to almost all services. This measure is a part of the Korean government’s plan to grow regulatory innovation and increase their long-term investment in R&D.<sup>3371</sup>

On 8 March 2018, Seng-hee Han, Commissioner of the National Tax Services, promised to exclude start-ups and small companies from tax audits on the condition that they create new jobs and improve the existing tax payment system by implementing a new administrative system based on big data and mobile electronic payment.<sup>3372</sup>

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<sup>3365</sup> Extended Ministerial Meeting on the Economy, Policy Coordination Bureau - General Policy Coordination Division (Seoul) 2 November 2017. Access Date: 27 November 2017.

<http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4386>.

<sup>3366</sup> 2nd Extended Ministerial Meeting on the Economy, Policy Coordination Bureau — General Policy Coordination Division (Seoul) 11 December 2017. Access Date: 10 January 2018.

<http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4409>.

<sup>3367</sup> 2018 Economic Policies, Economic Policy Bureau — Economic Policy Division (Seoul) 29 December 2017. Access Date: 10 January 2018. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4418>.

<sup>3368</sup> 2018 Economic Policies, Economic Policy Bureau — Economic Policy Division (Seoul) 29 December 2017. Access Date: 10 January 2018. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4418>.

<sup>3369</sup> Revision to 2017 Tax Enforcement Decree, Tax and Customs Office — Tax Policy Division (Seoul) 8 January 2018. Access Date: 10 January 2018. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4420>.

<sup>3370</sup> Revision to 2017 Tax Enforcement Decree, Tax and Customs Office — Tax Policy Division (Seoul) 8 January 2018. Access Date: 10 January 2018. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4420>.

<sup>3371</sup> Government to Work on Regulatory Innovation, Policy Coordination Bureau — General Policy Coordination (Seoul) 8 February 2018. Access Date: 22 February 2018.

<http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4436>.

<sup>3372</sup> (LEA)D S. Korea to Minimize Tax Probe on Smaller Firms, Yonhap News Agency (Seoul) 8 March 2018. Access Date: 9 March 2018. <http://english.yonhapnews.co.kr/business/2018/03/08/0502000000AEN20180308003951320.html>.

On 9 March 2018, Deputy Prime Minister Kim led the fourth Ministerial Meeting on the Economy of the year.<sup>3373</sup> During the meeting, they discussed providing tax incentives and considering future tax revisions as a part of a comprehensive plan to create jobs for young adults and respond to shrinking job markets.<sup>3374</sup>

Korea has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Korea receives a score of +1.

*Analyst: Alyssa Atef*

### **Mexico: +1**

Mexico has fully complied with its commitments to work towards a globally fair and modern international tax system.

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), Mexico participated in the Forum on Tax Administration meeting in Oslo.<sup>3375</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the outcomes of the OECD's Base Erosion and Profit Shifting (BEPS) Plan, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3376</sup>

On 29 September 2017, the Mexican government announced the creation of a series of Special Economic Zones in Puerto Chiapas, Coatzacoalcos, and Lazaro Cardenas — La Union.<sup>3377</sup> In these areas, income tax and value-added tax will be drastically reduced.<sup>3378</sup> Additionally, there will be temporary changes to the customs regime (for up to 60 months) that will not require duties to be paid in many circumstances.<sup>3379</sup>

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<sup>3373</sup> 4th Ministerial Meeting on the Economy, Ministry of Strategy and Finance (Seoul) 9 March 2018. Access Date: 12 March 2018. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4448>

<sup>3374</sup> 4th Ministerial Meeting on the Economy, Ministry of Strategy and Finance (Seoul) 9 March 2018. Access Date: 12 March 2018. <http://english.mosf.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4448>

<sup>3375</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3376</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3377</sup> Declaration of Special Economic Zones ("SEZs"), Lexology (London) 12 October 2017. Access Date: 30 January 2017. <https://www.lexology.com/library/detail.aspx?g=c11cc824-0695-42b9-b692-845a58867bd3>.

<sup>3378</sup> Declaration of Special Economic Zones ("SEZs"), Lexology (London) 12 October 2017. Access Date: 30 January 2017. <https://www.lexology.com/library/detail.aspx?g=c11cc824-0695-42b9-b692-845a58867bd3>.

<sup>3379</sup> Declaration of Special Economic Zones ("SEZs"), Lexology (London) 12 October 2017. Access Date: 30 January 2017. <https://www.lexology.com/library/detail.aspx?g=c11cc824-0695-42b9-b692-845a58867bd3>.

On 14 October 2017, Mexico attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3380</sup>

On 6 November 2017, in response to the release of the Paradise Papers on 5 November 2017, the Servicio de Administración Tributaria announced that it would investigate the possible use of companies established with the purpose of allowing people to evade tax.<sup>3381</sup>

On 22 December 2017, the Mexican government announced that it would evaluate the possibility of proposing a series of tax reforms in response to the tax reforms passed in the United States in early December.<sup>3382</sup>

On 1 January 2018, a tax income treaty signed by Mexico and Argentina came into effect.<sup>3383</sup> The double taxation treaty will further connect and harmonize the tax schemes within both countries as in accordance of action 2 of the BEPS of project.<sup>3384</sup>

Mexico has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Mexico receives a score of +1.

*Analyst: Kelly Cholwat*

### **Russia: +1**

Russia has fully complied with its commitment to continue its work for a globally fair and modern international tax system.

On 7 June 2017, Russia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of the Organisation for Economic Co-operation and Development (OECD).<sup>3385</sup> The purpose of this convention is to efficiently re-

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<sup>3380</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin), 18 October 2017. Access Date: 30 January 2017.

[http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3381</sup> Procederá SAT Conforme a Disposiciones Fiscales con Relación a Contribuyentes Señalados en Investigación Paradise Papers, Servicio de Administración Tributaria (Mexico City) 6 November 2017. Access Date: 30 January 2017. <https://www.gob.mx/sat/prensa/procedera-sat-conforme-a-disposiciones-fiscales-con-relacion-a-contribuyentes-senalados-en-investigacion-paradise-papers?idiom=es>.

<sup>3382</sup> Mexico to review need for tax changes after US reform document, Reuters (Mexico City) 23 December 2017. Access Date: 14 January 2018. <https://www.reuters.com/article/us-usa-tax-mexico/mexico-to-review-need-for-tax-changes-after-u-s-reform-document-idUSKBN1EG2AN>.

<sup>3383</sup> Mexico to enhance investment opportunities from Argentina and Spain through DTAs, International Tax Review (London) 11 July 2017. Access Date: 30 December 2017. <http://www.internationaltaxreview.com/Article/3732846/Mexico-to-enhance-investment-opportunities-from-Argentina-and-Spain-through-DTAs.html>.

<sup>3384</sup> Mexico to enhance investment opportunities from Argentina and Spain through DTAs, International Tax Review (London) 11 July 2017. Access Date: 30 December 2017. <http://www.internationaltaxreview.com/Article/3732846/Mexico-to-enhance-investment-opportunities-from-Argentina-and-Spain-through-DTAs.html>.

<sup>3385</sup> OECD BEPS: Russia signed the multilateral instrument, Baker McKenzie (Chicago) 30 June 2017. Access Date: 30 December 2017. <http://www.bakermckenzie.com/en/insight/publications/2017/06/oecd-beps-russia-multilateral-instrument/>.

negotiate and amend double tax treaties to meet the minimum standards agreed upon in the BEPS project, particularly on preventing tax avoidance.<sup>3386</sup>

On 7 September 2017, Russia and Japan signed the “Convention between the Government of Japan and the Government of the Russian Federation for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.”<sup>3387</sup> This Convention revises the taxation on business profits, expands the extent of reduction of taxation on investment income, introduces measures for prevention of abuse of this Convention and arbitration proceedings in mutual agreement procedures and assistance in the collection of tax claims, and reinforces the exchange of information concerning tax matters between the two countries.<sup>3388</sup>

On 27-29 September 2017, as a member of the OECD, Russia participated in the Forum on Tax Administration meeting in Oslo.<sup>3389</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the BEPS outcomes, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3390</sup>

On 14 October 2017, Russia attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3391</sup>

On 28 November 2017, Russia published Federal Law No. 340-FZ, which implements the recommendation of BEPS Action 13 pertaining to documentation requirements, such as Country-by-Country (CbC) reporting.<sup>3392</sup> The measures will be included in Article 105.16 of the Russian Tax Code and will assist in Action 13’s purpose of providing transparency on transfer pricing

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<sup>3386</sup> OECD BEPS: Russia signed the multilateral instrument, Baker McKenzie (Chicago) 30 June 2017. Access Date: 30 December 2017. <http://www.bakermckenzie.com/en/insight/publications/2017/06/oecd-beps-russia-multilateral-instrument/>.

<sup>3387</sup> New Tax Convention with Russia was Signed, Ministry of Finance (Tokyo) 7 September 2017. Access Date: 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170907ru.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170907ru.htm).

<sup>3388</sup> New Tax Convention with Russia was Signed, Ministry of Finance (Tokyo) 7 September 2017. Access Date 25 November 2017. [http://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20170907ru.htm](http://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20170907ru.htm).

<sup>3389</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3390</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3391</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3392</sup> Russia Implements BEPS action 13 recommendations, Thomson Reuters: tax & accounting (Carrollton) 14 December 2017. Access Date: 30 December 2017. <https://tax.thomsonreuters.com/blog/russia-implements-beps-action-13-recommendations/>.

documentation. Failure to comply with a specified deadline for reporting will be punishable by a USD1,750 fine.<sup>3393</sup>

Russia has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Russia receives a score of +1.

*Analyst: Nasser Haidar*

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

Saudi Arabia has fully complied with its commitment to continue to work for a globally fair and modern international tax.

On 19 July 2017, the General Authority of Zakat and Tax (GAZT), a government agency linked to Saudi Arabia's Ministry of Finance, published a draft of implementing regulations for the new value-added tax (VAT) law on its website.<sup>3394</sup> GAZT intended this publication to be used for public consultation purposes in order to improve communication with taxpayers and create public awareness.<sup>3395</sup> GAZT encouraged taxpayers to respond with feedback by filling online forms and sending comments.<sup>3396</sup>

On 25 July 2017, the Saudi Arabian government issued a new Royal Decree amending various articles of the Saudi income tax law.<sup>3397</sup> Amendments included provisions that made GAZT responsible for imposing penalties for violations and which reformed objection and appeal procedures.<sup>3398</sup>

On 28 July 2017, the Saudi Gazette published the new VAT law and announced it would enter into effect in 2018.<sup>3399</sup> This new law states that all imports and the supply of goods and services will be subject to VAT.<sup>3400</sup> The standard rate of VAT prescribed by the Gulf Cooperation Council (GCC) is

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<sup>3393</sup> Russia Implements BEPS action 13 recommendations, Thomson Reuters: tax & accounting (Carrollton) 14 December 2017. Access Date: 30 December 2017. <https://tax.thomsonreuters.com/blog/russia-implements-beps-action-13-recommendations/>.

<sup>3394</sup> KSA: GAZT has published the Draft Value Added Tax (VAT) Implementing Regulations on its website for the purpose of public consultation, PwC Middle East (Dubai) 19 July 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/ksa-gazt-published-vat-for-purpose-of-public-consultation.html>.

<sup>3395</sup> KSA: GAZT has published the Draft Value Added Tax (VAT) Implementing Regulations on its website for the purpose of public consultation, PwC Middle East (Dubai) 19 July 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/ksa-gazt-published-vat-for-purpose-of-public-consultation.html>.

<sup>3396</sup> KSA: GAZT has published the Draft Value Added Tax (VAT) Implementing Regulations on its website for the purpose of public consultation, PwC Middle East (Dubai) 19 July 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/ksa-gazt-published-vat-for-purpose-of-public-consultation.html>.

<sup>3397</sup> KSA: New tax administration measures and double taxation treaty developments, PwC Middle East (Dubai) 14 August 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/new-tax-administration-measures-double-taxation-treaty-developments.html>.

<sup>3398</sup> KSA: New tax administration measures and double taxation treaty developments, PwC Middle East (Dubai) 14 August 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/new-tax-administration-measures-double-taxation-treaty-developments.html>.

<sup>3399</sup> Saudi Arabia publishes new VAT Law, Ernst & Young (London) 28 July 2017. Access Date: 25 November 2017. <http://taxinsights.ey.com/archive/archive-news/saudi-arabia-publishes-new-vat-law.aspx>.

<sup>3400</sup> Saudi Arabia publishes new VAT Law, Ernst & Young (London) 28 July 2017. Access Date: 25 November 2017. <http://taxinsights.ey.com/archive/archive-news/saudi-arabia-publishes-new-vat-law.aspx>.

5 per cent.<sup>3401</sup> Every person required to register for VAT is required to register with the GAZT.<sup>3402</sup> Various penalties exist in relation to lack of compliance with this new VAT law.<sup>3403</sup>

On 16 August 2017, the GAZT published and created an electronic portal for the new VAT law.<sup>3404</sup> This portal offers taxpayers official and easily accessible information on the regulations, deadlines and implementation guidelines of the VAT. The portal announced that VAT registrations would begin in September 2017.<sup>3405</sup>

On 6 September 2017, Saudi Arabia's agreement with Egypt on avoidance of double taxation came into effect.<sup>3406</sup>

On 20 September 2017, the Saudi Arabian government issued a Royal Decree that introduces amendments to the Saudi Arabian Income Tax law to ensure better alignment with international practices. Amendments include different provisions between resident and non-resident companies and intra-group transfers of assets.<sup>3407</sup>

On 14 October 2017, Saudi Arabia attended the G20 Finance Ministers and Central Bank Governors annual meeting in Washington, DC, during which they discussed international tax cooperation.<sup>3408</sup>

On 17 December 2017, the Ministry of Finance announced that it would introduce a monthly expat tax ranging between SAR300 and SAR400.<sup>3409</sup>

On 2 January 2018, the tax agency GAZT launched an application that allows taxpayers to determine whether the businesses they are dealing with are registered for VAT.<sup>3410</sup> This is presented as an effort

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<sup>3401</sup> Saudi Arabia publishes new VAT Law, Ernst & Young (London) 28 July 2017. Access Date: 25 November 2017. <http://taxinsights.ey.com/archive/archive-news/saudi-arabia-publishes-new-vat-law.aspx>.

<sup>3402</sup> Saudi Arabia publishes new VAT Law, Ernst & Young (London) 28 July 2017. Access Date: 25 November 2017. <http://taxinsights.ey.com/archive/archive-news/saudi-arabia-publishes-new-vat-law.aspx>.

<sup>3403</sup> Saudi Arabia publishes new VAT Law, Ernst & Young (London) 28 July 2017. Access Date: 25 November 2017. <http://taxinsights.ey.com/archive/archive-news/saudi-arabia-publishes-new-vat-law.aspx>.

<sup>3404</sup> KSA VAT: New dedicated GAZT website and details concerning registration, PwC Middle East (Dubai) 22 August 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/vat-registration-in-ksa-will-start-in-september-2017.html>.

<sup>3405</sup> KSA VAT: New dedicated GAZT website and details concerning registration, PwC Middle East (Dubai) 22 August 2017. Access Date: 25 November 2017. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/vat-registration-in-ksa-will-start-in-september-2017.html>.

<sup>3406</sup> Egyptian-Saudi double taxation agreement comes into effect, Enterprise (Cairo) 7 September 2017. Access Date: 28 November 2017. <https://enterprise.press/stories/2017/09/07/egyptian-saudi-double-taxation-agreement-comes-into-effect/>

<sup>3407</sup> KSA: Capital gains, dividend income and other income tax amendments, PwC Middle East (Dubai) 12 October 2017. Access Date: 16 January 2018. <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2017/ksa-capital-gains-dividend-income-tax-amendments.html>.

<sup>3408</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3409</sup> Saudi Arabia to impose expat levy as of 2018, Al Arabiya English (Dubai) 17 December 2017. Access Date: 16 January 2018. <http://english.alarabiya.net/en/business/economy/2017/12/17/Saudi-Arabia-to-impose-expat-levy-as-of-2018.html>.

<sup>3410</sup> Having Implemented VAT, Saudi Arabia Moves To Challenge Fraud, Tax-News (Cyprus) 2 January 2018. Access Date: 16 January 2018. [https://www.tax-news.com/news/Having\\_Implemented\\_VAT\\_Saudi\\_Arabia\\_Moves\\_To\\_Challenge\\_Fraud\\_\\_\\_\\_76114.html](https://www.tax-news.com/news/Having_Implemented_VAT_Saudi_Arabia_Moves_To_Challenge_Fraud____76114.html).

to support and prevent individuals and business from being defrauded by business claiming to have registered for VAT.<sup>3411</sup>

On 3 January 2018, the Ministry of Finance announced that Cyprus has signed a double tax agreement with Saudi Arabia with respect to taxes on income and tax evasion.<sup>3412</sup>

Saudi Arabia has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, Saudi Arabia receives a score of +1.

*Analyst: Nour Abdelaal*

### **South Africa: 0**

South Africa has partially complied with its commitments to work towards a globally fair and modern international tax system.

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), South Africa participated in the Forum on Tax Administration meeting in Oslo.<sup>3413</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the outcomes of the Base Erosion and Profit Shifting (BEPS) Project, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3414</sup>

On 13 October 2017, the Tax Committee published its final report on BEPS.<sup>3415</sup> The purpose of the report is to provide recommendations to the Minister of Finance on how South Africa can incorporate the OECD's minimum standards, best practice guidelines, and international standards on

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<sup>3411</sup> Having Implemented VAT, Saudi Arabia Moves To Challenge Fraud, Tax-News (Cyprus) 2 January 2018. Access Date: 16 January 2018. [https://www.tax-news.com/news/Having\\_Implemented\\_VAT\\_Saudi\\_Arabia\\_Moves\\_To\\_Challenge\\_Fraud\\_\\_\\_\\_76114.html](https://www.tax-news.com/news/Having_Implemented_VAT_Saudi_Arabia_Moves_To_Challenge_Fraud____76114.html).

<sup>3412</sup> Cyprus, Saudi Arabia Negotiate Double Tax Agreement, Tax-News (London) 4 January 2018. Access Date: 16 January 2018. [https://www.tax-news.com/news/Cyprus\\_Saudi\\_Arabia\\_Negotiate\\_Double\\_Tax\\_Agreement\\_\\_\\_\\_76137.html](https://www.tax-news.com/news/Cyprus_Saudi_Arabia_Negotiate_Double_Tax_Agreement____76137.html).

<sup>3413</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beeps/leading-tax-administrations-focused-on-effective-delivery-of-beeps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3414</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beeps/leading-tax-administrations-focused-on-effective-delivery-of-beeps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3415</sup> South Africa's Davis Tax Committee recommends way forward on BEPS, MNE Tax (Washington, D.C.) 14 November 2017. Access Date: 17 March 2018. <https://mnetax.com/south-africa-davis-tax-committee-report-recommends-way-forward-beeps-24637>.

BEPS into its international tax framework.<sup>3416</sup> The paper addresses each of the 15 BEPS Action Plan items and provides concrete next steps accounting for South African international tax policy.<sup>3417</sup>

On 14 October 2017, South Africa attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3418</sup>

On 21 February 2018, Finance Minister Malusi Gigaba announced plans to raise the value-added tax, for the first time in 25 years, from 14 per cent to 15 per cent.<sup>3419</sup> The change will take effect on 1 April 2018.<sup>3420</sup>

On 21 February 2018, Minister Gigaba included measures in his budget to curb illicit financial flows through initiatives such as Country-by-Country Reporting and a focus on transfer pricing.<sup>3421</sup>

South Africa has continued its work for a globally fair and modern international system through national initiatives but not as an international actor.

Thus, South Africa receives a score of 0.

*Analyst: Girish Sreevatsan*

### **Turkey: 0**

Turkey has fully complied with its commitment to continue to work for a globally fair and modern international tax.

On 25 July 2017, the Government of Turkey published a general framework of guidance which explains how to conduct the “Call for Justification” audit mechanism of the 2016 Turkish Tax Procedure Code.<sup>3422</sup>

On 27 September 2017, the Turkish government unveiled its Medium-Term Economic Program for the 2018-2020 period.<sup>3423</sup> In this program, the Turkish government outlined new tax provisions

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<sup>3416</sup> South Africa’s Davis Tax Committee recommends way forward on BEPS, MNE Tax (Washington, D.C.) 14 November 2017. Access Date: 17 March 2018. <https://mnetax.com/south-africa-davis-tax-committee-report-recommends-way-forward-beps-24637>.

<sup>3417</sup> South Africa’s Davis Tax Committee recommends way forward on BEPS, MNE Tax (Washington, D.C.) 14 November 2017. Access Date: 17 March 2018. <https://mnetax.com/south-africa-davis-tax-committee-report-recommends-way-forward-beps-24637>.

<sup>3418</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3419</sup> South Africa’s ANC Seeks to Shield Poor from Sales Tax Increase, Bloomberg Politics (New York) 25 February 2018. Access Date: 26 February 2018. <https://www.bloomberg.com/news/articles/2018-02-25/south-africa-s-anc-seeks-to-shield-poor-from-sales-tax-increase>.

<sup>3420</sup> South Africa’s ANC Seeks to Shield Poor from Sales Tax Increase, Bloomberg Politics (New York) 25 February 2018. Access Date: 26 February 2018. <https://www.bloomberg.com/news/articles/2018-02-25/south-africa-s-anc-seeks-to-shield-poor-from-sales-tax-increase>.

<sup>3421</sup> Change, the new certainty. South African Budget February 2018, EY (London) February 2018. Access Date: 26 February 2018. [http://www.ey.com/Publication/vwLUAssets/ey-south-african-budget-2018/\\$FILE/ey-south-african-budget-2018.pdf](http://www.ey.com/Publication/vwLUAssets/ey-south-african-budget-2018/$FILE/ey-south-african-budget-2018.pdf).

<sup>3422</sup> Turkey: A New Audit Mechanism: Call For Justification, The International Tax Review (Istanbul) 23 August 2017. Access Date: 25 November 2017. <http://www.internationaltaxreview.com/Article/3744663/Turkey-A-new-audit-mechanism-Call-for-justification.html>.



which include increases in corporate tax on companies operating in the field of financial services, increases in income tax in the third bracket of their progressive tax schedule, increases in motor vehicles tax, an introduction of a special consumption tax, improved tax audits for corporate income tax payers and a new value-added tax (VAT) mechanism for electronic services provided to individual buyers in Turkey by non-resident taxpayers.<sup>3424</sup>

On 27-29 September 2017, as a member of the OECD, Turkey participated in the Forum on Tax Administration meeting in Oslo.<sup>3425</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the BEPS project outcomes, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3426</sup>

On 14 October 2017, Turkey attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3427</sup>

On 23 November 2017, Finance Minister Naci Agbal stated that Turkey will complete secondary tax regulations to avoid being on the European Union's new blacklist of tax havens.<sup>3428</sup> Agbal also added that Turkey was fully in line with and supporting all international tax agreements.<sup>3429</sup> In addition, he announced that Turkey would complete all necessary work on information sharing by 2019.<sup>3430</sup>

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<sup>3423</sup> Turks Brace for Tax Hikes as Ankara Scrambles to Bridge Budget Gaps, Al-Monitor (Washington, D.C.) 3 October 2017. Access Date: 25 November 2017. <https://www.al-monitor.com/pulse/originals/2017/10/turkey-government-plans-to-increase-taxes.html>.

<sup>3424</sup> Turkey: New Taxes on the Table, The International Tax Review (Istanbul) 26 October 2017. Access Date: 25 November 2017. <http://www.internationaltaxreview.com/Article/3762415/Turkey-Archive/Turkey-New-taxes-on-the-table.html>.

<sup>3425</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3426</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3427</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3428</sup> EU Mulls Including Turkey on Blacklist of Tax Havens, Bloomberg Politics (New York) 23 November 2017. Access Date: 16 January 2018. <https://www.bloomberg.com/news/articles/2018-01-17/as-may-beats-a-path-for-eu-exit-eu-opens-door-for-u-k-s-return>.

<sup>3429</sup> Turkey will complete tax regulations, inclusion in EU blacklist out of question: finance minister, Reuters (London) 23 November 2017. Access Date: 16 January 2018. <https://www.reuters.com/article/us-turkey-europe-tax/turkey-will-complete-tax-regulations-inclusion-in-eu-blacklist-out-of-question-finance-minister-idUSKBN1DN1P1?il=0>.

<sup>3430</sup> EU Mulls Including Turkey on Blacklist of Tax Havens, Bloomberg Politics (New York) 23 November 2017. Access Date: 16 January 2018. <https://www.bloomberg.com/news/articles/2018-01-17/as-may-beats-a-path-for-eu-exit-eu-opens-door-for-u-k-s-return>.

On 28 November 2017, Parliament approved Article 91 of Law no. 7061 which increases the corporate income tax rate to 22 per cent for at least three years.<sup>3431</sup>

On 5 December 2017, the new corporate tax law, Law No.7061, came into effect.<sup>3432</sup> The new law stipulates amending past tax laws with the objective of increasing tax revenues, promoting procedural rules, and eliminating some tax/fee applications.<sup>3433</sup>

On 31 December 2017, Turkey reached its effective date and deadline for the submission of Turkey's Organisation for Economic Co-operation and Development BEPS Action 13 Country-by-Country Reporting for its first reporting period.<sup>3434</sup>

Turkey has continued its work for a globally fair and modern international system through national initiatives but not as an international actor.

Thus, Turkey receives a score of 0.

*Analyst: Nour Abdelaal*

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

The United Kingdom has fully complied with its commitment to continue to work for a globally fair and modern international tax.

On 15 August 2017, the Revenue and Customs (HMRC) released new guidance confirming “the format and method of filing country-by-country (CbC) reports that are due in the UK.”<sup>3435</sup> CbC reports must adhere to the XML schema format provided by the Organisation for Economic Co-operation and Development (OECD), and they must be filed using the HMRC reporting service.<sup>3436</sup> Additionally, the guidance also states which groups must complete a report, how to notify the HMRC regarding CbC filing, and exceptions to the filing obligation.<sup>3437</sup>

On 26 September 2017, “the OECD released the UK's peer review report relating to the implementation of the BEPS minimum standards on Action 14 on improving tax dispute resolution

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<sup>3431</sup> Turkey Hikes Corporate Tax Rate, Tax-News (Cyprus) 7 December 2017. Access Date: 16 January 2018.

[https://www.tax-news.com/news/Turkey\\_Hikes\\_Corporate\\_Tax\\_Rate\\_\\_\\_75935.html](https://www.tax-news.com/news/Turkey_Hikes_Corporate_Tax_Rate___75935.html).

<sup>3432</sup> Turkey enacts new Law to increase tax revenues, EY (London) 5 December 2017. Access Date: 16 January 2018.

[http://www.ey.com/Publication/vwLUAssets/Turkey\\_enacts\\_new\\_Law\\_to\\_increase\\_tax\\_revenues/\\$FILE/2017G\\_06889-171Gbl\\_Turkey\\_enacts\\_new\\_Law\\_to\\_increase\\_tax\\_revenues.pdf](http://www.ey.com/Publication/vwLUAssets/Turkey_enacts_new_Law_to_increase_tax_revenues/$FILE/2017G_06889-171Gbl_Turkey_enacts_new_Law_to_increase_tax_revenues.pdf).

<sup>3433</sup> Turkey enacts new Law to increase tax revenues, EY (London) 5 December 2017. Access Date: 16 January 2018.

[http://www.ey.com/Publication/vwLUAssets/Turkey\\_enacts\\_new\\_Law\\_to\\_increase\\_tax\\_revenues/\\$FILE/2017G\\_06889-171Gbl\\_Turkey\\_enacts\\_new\\_Law\\_to\\_increase\\_tax\\_revenues.pdf](http://www.ey.com/Publication/vwLUAssets/Turkey_enacts_new_Law_to_increase_tax_revenues/$FILE/2017G_06889-171Gbl_Turkey_enacts_new_Law_to_increase_tax_revenues.pdf).

<sup>3434</sup> Country-Specific Information on Country-by-Country Reporting Implementation, OECD (Paris) 20 December 2017. Access Date: 16 January 2018. <http://www.oecd.org/tax/automatic-exchange/country-specific-information-on-country-by-country-reporting-implementation.htm>.

<sup>3435</sup> UK: Updated HMRC guidance for filing country-by-country report, KPMG (London) 15 August 2017. Access Date: 6 January 2018. <https://home.kpmg.com/xx/en/home/insights/2017/08/tnf-uk-updated-hmrc-guidance-for-filing-country-by-country-reports.html>.

<sup>3436</sup> UK: Updated HMRC guidance for filing country-by-country reports, KPMG (London) 15 August 2017. Access Date: 6 January 2018. <https://home.kpmg.com/xx/en/home/insights/2017/08/tnf-uk-updated-hmrc-guidance-for-filing-country-by-country-reports.html>.

<sup>3437</sup> UK: Updated HMRC guidance for filing country-by-country reports, KPMG (London) 15 August 2017. Access Date: 6 January 2018. <https://home.kpmg.com/xx/en/home/insights/2017/08/tnf-uk-updated-hmrc-guidance-for-filing-country-by-country-reports.html>.

mechanisms.”<sup>3438</sup> As requested by the UK, the OECD has provided feedback on their adoption of Action 14. The report states that “the UK meets most of the elements of the Action 14 minimum standard and best practice”<sup>3439</sup>

On 27-29 September 2017, as a member of the OECD, the UK participated in the Forum on Tax Administration meeting in Oslo.<sup>3440</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the outcomes of the Base Erosion and Profit Shifting (BEPS) Plan, the Common Reporting Standard for exchange of information on offshore accounts and actions to enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3441</sup>

On 14 October 2017, the UK attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3442</sup>

From 15-17 November 2017, the UK participated in the 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purpose in Yaoundé, Cameroon.<sup>3443</sup> The UK was among six developed countries committed to helping six developing countries implement Automatic Exchange of Information. The UK is currently partnered with Ghana and Pakistan to assist with its participation in automatic exchange of information.<sup>3444</sup>

On 22 November 2017, the UK published its “Autumn Budget 2017.”<sup>3445</sup> The United Kingdom ratified the Multilateral Instrument in the budget.<sup>3446</sup> The Multilateral Instrument implements aspects of the OECD’s BEPS project which aims to prevent hybrid mismatches, treaty abuse, and avoidance

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<sup>3438</sup> The Latest On BEPS — 6 November 2017, EY (London) 26 September 2017. Access Date: 6 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---6-november-2017>.

<sup>3439</sup> The Latest On BEPS — 6 November 2017, EY (London) 26 September 2017. Access Date: 6 January 2018. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---6-november-2017>.

<sup>3440</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3441</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3442</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3443</sup> 10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD (Yaoundé) 9 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/10th-meeting-of-the-global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-15-17-november-2017-in-yaounde-cameroon.htm>.

<sup>3444</sup> Automatic Exchange of Information Implementation Report 2017, OECD (Paris) 17 November 2017. Access Date: 26 November 2017. <http://www.oecd.org/tax/transparency/reporting-on-the-implementation-of-the-AEOI-standard.pdf>.

<sup>3445</sup> Autumn Budget 2017, Government of United Kingdom (London) 22 November 2017. Access Date: 10 March 2018. <https://www.gov.uk/government/publications/autumn-budget-2017-overview-of-tax-legislation-and-rates-ootlar/autumn-budget-2017-overview-of-tax-legislation-and-rates-ootlar>.

<sup>3446</sup> UK ratifies the Multilateral Instrument on BEPS, Lexology (London) 22 November 2017. Access Date: 10 March 2018. <https://www.lexology.com/library/detail.aspx?g=ce99b2dc-6c78-4fdb-b9f2-1701087ea824>.

of permanent establishment.<sup>3447</sup> The United Kingdom government will apply these provisions to various bilateral double taxation treaties.<sup>3448</sup>

On 23 January 2018, the UK participated in the OECD's pilot project, the International Compliance Assurance Program (ICAP) along with seven other countries.<sup>3449</sup> The ICAP is designed to use country-by-country reports to facilitate open engagement between participating countries. It aims to facilitate open dialogue between Multinational Enterprises and tax administrations with the view of improving tax certainty.<sup>3450</sup>

The United Kingdom has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

Thus, the UK receives a score of +1.

*Analyst: Nadia Larocca*

### **United States: +1**

The United States has fully complied with its commitments to work towards a globally fair and modern international tax system.

On 27 September 2017, the US and Italy signed a bilateral competent authority agreement.<sup>3451</sup> The agreement provides automatic exchange of country-by-country reports between the American and Italian tax authorities enabling Italian subsidiaries of American multinational groups from publishing separate country by country reports.<sup>3452</sup>

On 27-29 September 2017, as a member of the Organisation for Economic Co-operation and Development (OECD), the United States participated in the Forum on Tax Administration meeting in Oslo.<sup>3453</sup> The key themes discussed were the priorities for the incoming G20 presidency, in particular effective implementation of the outcomes of the Base Erosion and Profit Shifting Plan, the Common Reporting Standard for exchange of information on offshore accounts and actions to

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<sup>3447</sup> UK ratifies the Multilateral Instrument on BEPS, Lexology (London) 22 November 2017. Access Date: 10 March 2018. <https://www.lexology.com/library/detail.aspx?g=ce99b2dc-6c78-4fdb-b9f2-1701087ea824>.

<sup>3448</sup> UK ratifies the Multilateral Instrument on BEPS, Lexology (London) 22 November 2017. Access Date: 10 March 2018. <https://www.lexology.com/library/detail.aspx?g=ce99b2dc-6c78-4fdb-b9f2-1701087ea824>.

<sup>3449</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3450</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3451</sup> Execution of the Italy-USA CAA on the Automatic Exchange of Country-by-Country Reports, KPMG (Amstelveen) 3 November 2017. Access Date: 26 November 2017. [http://kdocs.kpmg.it/marketing/KSA/0311\\_Execution\\_of\\_the\\_Italy\\_USA\\_CAA\\_on\\_the\\_Automatic\\_Exchange\\_of\\_Country-by-Country\\_Reports.pdf](http://kdocs.kpmg.it/marketing/KSA/0311_Execution_of_the_Italy_USA_CAA_on_the_Automatic_Exchange_of_Country-by-Country_Reports.pdf).

<sup>3452</sup> Execution of the Italy-USA CAA on the Automatic Exchange of Country-by-Country Reports, KPMG (Amstelveen) 3 November 2017. Access Date: 26 November 2017. [http://kdocs.kpmg.it/marketing/KSA/0311\\_Execution\\_of\\_the\\_Italy\\_USA\\_CAA\\_on\\_the\\_Automatic\\_Exchange\\_of\\_Country-by-Country\\_Reports.pdf](http://kdocs.kpmg.it/marketing/KSA/0311_Execution_of_the_Italy_USA_CAA_on_the_Automatic_Exchange_of_Country-by-Country_Reports.pdf).

<sup>3453</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

enhance tax certainty, including a new pilot on joint risk assessment of multinationals, continuing efforts to improve tax compliance, and the digital transformation of tax authorities through the use of new technologies, analytical tools and enhanced data sources.<sup>3454</sup>

On 14 October 2017, the US attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3455</sup>

On 20 December 2017, Congress passed a major tax reform bill to simplify and modernize the tax system while making the US more attractive to business.<sup>3456</sup> The reforms included some efforts to limit tax avoidance, including expanding the ability of the government to move against tax evasion: “The Secretary shall prescribe such regulations as may be necessary to prevent avoidance of the tax ... including regulations to prevent avoidance of such tax through the performance of services other than as an employee or by providing compensation through a pass-through or other entity to avoid such tax.”<sup>3457</sup> The tax reform also shifted towards a territorial system so companies are not taxed on a portion of income made overseas.<sup>3458</sup> This potentially allows for companies to evade tax by moving portions of their operations overseas.<sup>3459</sup>

On 23 January 2018, the US participated in the OECD’s pilot project, the International Compliance Assurance Program (ICAP) along with seven other countries.<sup>3460</sup> The ICAP is designed to use country-by-country reports to facilitate open engagement between participating countries.<sup>3461</sup> It aims

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<sup>3454</sup> Leading tax administrations focused on effective delivery of the OECD/G20 BEPS outcomes, automatic exchange of information and tax certainty and collaborate on taxing users of the sharing economy, OECD (Paris) 29 September 2017. Access Date: 24 November 2017. <http://www.oecd.org/ctp/beps/leading-tax-administrations-focused-on-effective-delivery-of-beps-outcomes-aeoi-tax-certainty-and-collaborate-on-taxing-users-of-the-sharing-economy.html>.

<sup>3455</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin) 18 October 2017. Access Date: 30 January 2017. [http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3456</sup> Unified Framework for Fixing our Broken Tax Code, US Department of the Treasury (Washington, D.C.) 27 September 2017. Access Date: 12 January 2018. <https://www.treasury.gov/press-center/press-releases/Documents/Tax-Framework.pdf>.

<sup>3457</sup> An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Congress (Washington, D.C.) 2 December 2017. Access Date: 12 January 2018. <https://www.congress.gov/bill/115th-congress/house-bill/1/titles>.

<sup>3458</sup> Patti Domm Tax bill includes an incentive for US companies to invest in foreign manufacturing, CNBC (New Jersey) 19 December 2017. Access Date: 12 January 2018. <https://www.cnbc.com/2017/12/19/tax-bill-includes-an-incentive-for-u-s-companies-to-invest-in-foreign-manufacturing.html>.

<sup>3459</sup> Patti Domm Tax bill includes an incentive for US companies to invest in foreign manufacturing, CNBC 19 (New Jersey) 20 December 2017. Access Date: 12 January 2018. <https://www.cnbc.com/2017/12/19/tax-bill-includes-an-incentive-for-u-s-companies-to-invest-in-foreign-manufacturing.html>.

<sup>3460</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3461</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

to facilitate open dialogue between multinational enterprises and tax administrations with the view of improving tax certainty.<sup>3462</sup>

On 1 March 2018, the Internal Revenue Service announced a move to close loopholes on carried interest tax for S corporations. They will be subject to a three-year holding period for partnerships interests.<sup>3463</sup> This reform makes it more difficult for these firms to evade tax.<sup>3464</sup>

The United States has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

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

*Analyst: Kelly Cholwat*

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

The European Union has fully complied with its commitment to continue to work for a globally fair and modern international tax system.

On 10 October 2017, the European Commission welcomed EU members' go ahead for new rules to better resolve tax disputes at the Economic and Financial Affairs Council (ECOFIN) Council meeting in Luxembourg.<sup>3465</sup> The decision will ensure that businesses and citizens can resolve disputes related to the interpretation of tax treaties more swiftly and effectively. It will also cover issues related to double taxation.<sup>3466</sup>

On 14 October 2017, the EU attended the G20 finance ministers and central bank governors annual meeting in Washington DC, during which they discussed international tax cooperation.<sup>3467</sup>

On 26 October 2017, the European Commission launched a public consultation on how the EU can ensure that the digital economy is taxed in a fair and growth-friendly way.<sup>3468</sup>

On 30 November 2017, the European Commission unveiled new tools to make the Value Added Tax (VAT) system more fraud-proof and close loopholes which can lead to large-scale VAT

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<sup>3462</sup> Eight FTA members kick off multilateral tax risk assurance programme to provide early certainty for tax administrations and MNEs, 23 January 2018, OECD (Washington, D.C.) 23 January 2018. Access Date: 17 March 2018. <http://www.oecd.org/tax/eight-fta-members-kick-off-multilateral-tax-risk-assurance-programme-to-provide-early-certainty-for-tax-administrations-and-mnes.htm>.

<sup>3463</sup> IRS Will Close Carried Interests Tax Loophole, Tax-News (Washington, D.C.) 7 March 2018. Access Date: 11 March 2018. [https://www.tax-news.com/news/IRS\\_Will\\_Close\\_Carried\\_Interests\\_Tax\\_Loophole\\_\\_\\_76505.html](https://www.tax-news.com/news/IRS_Will_Close_Carried_Interests_Tax_Loophole___76505.html).

<sup>3464</sup> IRS Will Close Carried Interests Tax Loophole, Tax-News (Washington, D.C.) 7 March 2018. Access Date: 11 March 2018. [https://www.tax-news.com/news/IRS\\_Will\\_Close\\_Carried\\_Interests\\_Tax\\_Loophole\\_\\_\\_76505.html](https://www.tax-news.com/news/IRS_Will_Close_Carried_Interests_Tax_Loophole___76505.html).

<sup>3465</sup> Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission (Brussels) 10 October 2017. Access Date: 24 November 2017. [http://europa.eu/rapid/press-release\\_IP-17-3727\\_en.htm](http://europa.eu/rapid/press-release_IP-17-3727_en.htm).

<sup>3466</sup> Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission (Brussels) 10 October 2017. Access Date: 24 November 2017. [http://europa.eu/rapid/press-release\\_IP-17-3727\\_en.htm](http://europa.eu/rapid/press-release_IP-17-3727_en.htm).

<sup>3467</sup> G20 finance ministers and central bank governors meeting, Washington, D.C., 12/13 October 2017, Federal Ministry of Finance (Berlin), 18 October 2017. Access Date: 30 January 2017.

[http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media\\_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery](http://www.bundesfinanzministerium.de/Content/EN/Bilderstrecken/Media_Centre/Pictures/2017-10-18-Washington.html?notFirst=true&docId=154558#photogallery).

<sup>3468</sup> Commission gathers views on how to tax the digital economy fairly and effectively, European Commission (Brussels) 26 October 2017. Access Date: 24 November 2017. [http://europa.eu/rapid/press-release\\_IP-17-4204\\_en.htm](http://europa.eu/rapid/press-release_IP-17-4204_en.htm).

fraud.<sup>3469</sup> The new rules are aimed at building trust between member in order for them to exchange more information.<sup>3470</sup> The rules also encourage cooperation between national tax authorities and law enforcement authorities.<sup>3471</sup>

On 5 December 2017, the EU published the first list of non-cooperative tax jurisdictions.<sup>3472</sup> EU finance ministers listed 17 countries who have failed to meet international tax governance standards.<sup>3473</sup> The purpose of the exercise was to raise the level of tax good governance globally and to help prevent large-scale tax abuse.<sup>3474</sup> As part of this process, the EU sent a letter to all jurisdictions on the list to explain the decision and outline what measures need to be put in place in order to be removed from the list.<sup>3475</sup> The Commission and member states will monitor all jurisdictions to ensure commitments are fulfilled and investigate whether any other countries should be listed in the future.<sup>3476</sup>

On 18 December 2017, the European Commission published a series of recommendations on how Member States can continue working together for more efficient tax collection and to better fight tax fraud and avoidance.<sup>3477</sup>

On 21 March 2018, the European Commission released its plans for a digital tax on profits earned by Internet giants.<sup>3478</sup> The proposed terms implement a levy starting at three per cent.<sup>3479</sup> This measure is a part of the European Commission's larger goal of overhauling the international tax system in partnership with the OECD.<sup>3480</sup>

The European Union has continued its work for a globally fair and modern international system through national initiatives and as an international actor.

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

*Analyst: Sonja Dobson*

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<sup>3469</sup> Fair Taxation: Commission proposes new tools to combat VAT fraud, European Commission (Brussels) 30 November 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-4946\\_en.htm](http://europa.eu/rapid/press-release_IP-17-4946_en.htm).

<sup>3470</sup> Fair Taxation: Commission proposes new tools to combat VAT fraud, European Commission (Brussels) 30 November 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-4946\\_en.htm](http://europa.eu/rapid/press-release_IP-17-4946_en.htm).

<sup>3471</sup> Fair Taxation: Commission proposes new tools to combat VAT fraud, European Commission (Brussels) 30 November 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-4946\\_en.htm](http://europa.eu/rapid/press-release_IP-17-4946_en.htm).

<sup>3472</sup> Fair Taxation: EU publishes list of non-cooperative tax jurisdictions, European Commission (Brussels) 5 December 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-5121\\_en.htm](http://europa.eu/rapid/press-release_IP-17-5121_en.htm).

<sup>3473</sup> Fair Taxation: EU publishes list of non-cooperative tax jurisdictions, European Commission (Brussels) 5 December 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-5121\\_en.htm](http://europa.eu/rapid/press-release_IP-17-5121_en.htm).

<sup>3474</sup> Fair Taxation: EU publishes list of non-cooperative tax jurisdictions, European Commission (Brussels) 5 December 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-5121\\_en.htm](http://europa.eu/rapid/press-release_IP-17-5121_en.htm).

<sup>3475</sup> Fair Taxation: EU publishes list of non-cooperative tax jurisdictions, European Commission (Brussels) 5 December 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-5121\\_en.htm](http://europa.eu/rapid/press-release_IP-17-5121_en.htm).

<sup>3476</sup> Fair Taxation: EU publishes list of non-cooperative tax jurisdictions, European Commission (Brussels) 5 December 2017. Access Date: 15 January 2018. [http://europa.eu/rapid/press-release\\_IP-17-5121\\_en.htm](http://europa.eu/rapid/press-release_IP-17-5121_en.htm).

<sup>3477</sup> Tax and VAT collection in the EU, European Commission (Brussels) 18 December 2017. Access Date: 15 January 2018. [https://ec.europa.eu/commission/news/tax-and-vat-collection-eu-2017-dec-18\\_en](https://ec.europa.eu/commission/news/tax-and-vat-collection-eu-2017-dec-18_en).

<sup>3478</sup> The EU's 'digital tax': how US tech groups would be hit, Financial Times (Brussels) 21 March 2018. Access Date: 21 March 2018. <https://www.ft.com/content/1cbff630-2d09-11e8-9b4b-bc4b9f08f381>.

<sup>3479</sup> The EU's 'digital tax': how US tech groups would be hit, Financial Times (Brussels) 21 March 2018. Access Date: 21 March 2018. <https://www.ft.com/content/1cbff630-2d09-11e8-9b4b-bc4b9f08f381>.

<sup>3480</sup> The EU's 'digital tax': how US tech groups would be hit, Financial Times (Brussels) 21 March 2018. Access Date: 21 March 2018. <https://www.ft.com/content/1cbff630-2d09-11e8-9b4b-bc4b9f08f381>.