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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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PART TWO: CIIR ASSESSMENTS

Assessment period: 8 July 2017 to 9 January 2018

11. International Taxation: Base Erosion and Profit Shifting

“We remain committed to the implementation of the Base Erosion and Profit Shifting.”

G20 Leaders’ Declaration: Shaping an Interconnected World

Assessment

	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			+1
Turkey			+1
United Kingdom			+1
United States			+1
European Union			+1
Average		+1.00	

Background

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

over 100 countries and jurisdictions to collaborate on the implementation of the OECD/G20 BEPS package.³⁸¹¹ Commitments to address BEPS were reiterated at all subsequent G20 summits.

Commitment Features

This commitment requires G20 members to implement measures consistent with the Action Plan on Base Erosion and Profit Shifting.

According to the OECD, its members and G20 members along with developing countries that participated in the development of the BEPS package are establishing a modern international tax framework under which profits are taxed where economic activity and value creation occur. Work will be carried out to support all countries interested in implementing and applying the rules in a consistent and coherent manner, particularly those for which capacity building is an important issue.³⁸¹² Thus, in order to fully comply with this commitment, G20 members should implement OECD recommendations on BEPS embodied in 15 BEPS Actions both to directly limit opportunities for profit shifting practices and support the expansion of the BEPS framework coverage on developing countries. BEPS action focus on the following issues:

- Action 1 addresses the tax challenges of the digital economy and identifies the main difficulties that the digital economy poses for the application of existing international tax rules.
- Action 2 develops model treaty provisions and recommendations regarding the design of domestic rules to neutralize the effects of hybrid instruments and entities (e.g. double non-taxation, double deduction, long-term deferral).
- Action 3 sets out recommendations to strengthen the rules for the taxation of controlled foreign corporations (CFC).
- Action 4 outlines a common approach based on best practices for preventing base erosion through the use of interest expense, for example through the use of related-party and third-party debt to achieve excessive interest deductions or to finance the production of exempt or deferred income.
- Action 5 revamps the work on harmful tax practices with a focus on improving transparency, including compulsory spontaneous exchange on rulings related to preferential regimes, and on requiring substantial activity for preferential regimes, such as IP regimes.
- Action 6 develops model treaty provisions and recommendations regarding the design of domestic rules to prevent treaty abuse.
- Action 7 contains changes to the definition of permanent establishment to prevent its artificial circumvention, e.g. via the use of commissionaire structures and the likes.
- Actions 8 — 10 contain transfer pricing guidance to assure that transfer pricing outcomes are in line with value creation in relation to intangibles, including hard-to-value ones, to risks and capital, and to other high-risk transactions.
- Action 11 establishes methodologies to collect and analyze data on BEPS and the actions to address it, develops recommendations regarding indicators of the scale and economic impact of

³⁸¹¹About BEPS and the inclusive framework, OECD (Paris). Access Date: 30 March 2018. <http://www.oecd.org/tax/beps/beps-about.htm>

³⁸¹²The BEPS Package, OECD (Paris). Access Date: 30 Mach 2018. <http://www.oecd.org/tax/beps/beps-about.htm#BEPSpackage>

BEPS and ensure that tools are available to monitor and evaluates the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis.

- Action 12 contains recommendations regarding the design of mandatory disclosure rules for aggressive tax planning schemes, taking into consideration the administrative costs for tax administrations and business and drawing on experiences of the increasing number of countries that have such rules.
- Action 13 contains revised guidance on transfer pricing documentation, including the template for country-by-country reporting, to enhance transparency while taking into consideration compliance costs.
- Action 14 develops solutions to address obstacles that prevent countries from solving treaty-related disputes under MAP, via a minimum standard in this area as well as a number of best practices. It also includes arbitration as an option for willing countries.
- Action 15 provides an analysis of the legal issues related to the development of a multilateral instrument to enable countries to streamline the implementation of the BEPS treaty measures, as well as the mandate to carry out that work in 2016. On 7 June 2017, over 70 ministers and other high-level representatives participated in the signing ceremony of this multilateral instrument, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. Thus, in terms of Action 15 G20 members are required to become signatories to the Multilateral Convention.³⁸¹³

Particular elements of each of the BEPS Actions are described in relevant reports³⁸¹⁴ and summarized in the special Explanatory Statement.³⁸¹⁵

Measures to support other countries interested in applying anti-BEPS rules may include: membership in the Inclusive Framework on BEPS;³⁸¹⁶ organizing different events on BEPS issues, for instance regional meetings and seminars, and public consultations; implementing programs aimed at capacity-building and exchange of experience.³⁸¹⁷

Full compliance requires member's actions in line with these requirements to be taken during the compliance period. Actions in line with the indicated requirements taken prior to the compliance period lead to partial compliance. If the G20 member has not taken any actions consistent with the BEPS package it receives a score of -1.

³⁸¹³ BEPS Actions, OECD (Paris). Access date: 20 March 2018. <http://www.oecd.org/tax/beps/beps-actions.htm>

³⁸¹⁴ BEPS Actions, OECD. Access date: 20 March 2018. <http://www.oecd.org/tax/beps/beps-actions.htm>

³⁸¹⁵ BEPS 2015 Final Reports Executive Summaries, OECD. Access date: 20 March 2018. <http://www.oecd.org/ctp/beps-reports-2015-executive-summaries.pdf>

³⁸¹⁶ BEPS Inclusive Framework Composition., OECD 6 July 2017. Access date: 20 March 2018. <http://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf>

³⁸¹⁷ Background Brief: Inclusive Framework for BEPS Implementation, OECD (Paris) January 2017. Access Date: 20 March 2018. <http://www.oecd.org/tax/background-brief-inclusive-framework-for-beps-implementation.pdf>

Scoring Guidelines

-1	G20 member does not makes progress in implementing domestic reforms consistent with the BEPS package OR supports countries interested in applying anti-BEPS rules during the compliance period, AND has not managed to implement some reforms to address BEPS before the compliance cycle started
0	G20 member does not makes progress in implementing domestic reforms consistent with the BEPS package OR supports countries interested in applying anti-BEPS rules during the compliance period BUT has managed to implement some reforms to address BEPS before the compliance cycle started
+1	G20 member makes progress in implementing domestic reforms consistent with the BEPS package OR supports countries interested in applying anti-BEPS rules during the compliance period

Argentina: +1

Argentina has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

During 2016 and at the beginning of 2017, tax reform proposals were introduced in Argentina, including tax amnesty and voluntary disclosure regime for local residents; repeal of the 10 per cent withholding tax on dividends paid to non-resident investors; elimination of the minimum presumed income tax in 2019; update of the income tax thresholds and rates for individuals; and reduction of the wealth tax burden.³⁸¹⁸

Argentina is a member of the Inclusive Framework on BEPS.³⁸¹⁹ According to the OECD, there is no harmful tax regime in Argentina.³⁸²⁰

On 7 June 2017, Argentina signed the multilateral instrument (BEPS Action 6).³⁸²¹

On 20 September 2017, Resolution N° 4,130-E was published in the official gazette with the requirements for country-by-country (CbC) reporting in Argentina.³⁸²² The measures in Title 1 of the resolution generally reflect standard CbC reporting requirements such as the EUR750 million threshold and type of information to be reported (BEPS Action 13).

During the compliance period Argentina has taken actions to implement the BEPS Action Plan.

Thus, it has received a score of +1.

Analyst: Elizaveta Safonkina

³⁸¹⁸ KPMG Argentina. Recent developments. Access date: 18 December 2017.

<https://home.kpmg.com/xx/en/home/insights/2016/04/beps-action-plan-argentina.html#2>.

³⁸¹⁹ Members of the Inclusive Framework on BEPS. Access date: 18 December 2017.

<http://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf>.

³⁸²⁰ Argentina — Summary. Access date: 18 December 2017. <http://www.oecd.org/tax/automatic-exchange/#d.en.373265>.

³⁸²¹ BEPS Actions implementation by country. Argentina. Access date: 18 December 2017.

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-argentina.pdf>.

³⁸²² Argentina: Country-by-country reporting rules. Access date: 18 December 2017.

<https://home.kpmg.com/xx/en/home/insights/2017/09/tnf-argentina-cbc-reporting-rules.html>.

Australia: +1

Australia has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 8 September 2012, the Tax Laws Amendment was passed, the object of subdivision of which was to ensure the following amounts are appropriately brought to tax in Australia, consistent with the arm's length principle: (a) profits which would have accrued to an Australian entity if it had been dealing at arm's length, but, by reason of non-arm's-length conditions operating between the entity and its foreign associated entities, have not so accrued; (b) profits which an Australian permanent establishment (within the meaning of the relevant international tax agreement) of a foreign entity might have been expected to make if it were a distinct and separate entity engaged in the same or similar activities under the same or similar conditions, but dealing wholly independently.³⁸²³

On 11 September 2015, the new Tax Laws Amendment was passed, in which the Multinational Anti-Avoidance Law, which applied as from 1 January 2016, aimed to tackle the artificial avoidance of Australian permanent establishments and broadly applied to significant global entities (members of a global group with annual global income of AUD 1 billion or more).³⁸²⁴

In March 2016, Australia adopted the Action 2 Report recommendations (each an OECD recommendation), with some minor modifications as recommended throughout the report. (The topic of BEPS Action 2 is: Neutralising the effects of branch mismatch arrangements.) The hybrid mismatch rules will commence in Australia for payments made on or after the later of 1 January 2018 or six months after the hybrid mismatch legislation receives royal assent. A simple dual inclusion income approach will be taken to avoid unnecessary complexity and minimise compliance costs for taxpayers. Excess amounts disallowed will be able to be carried forward to set off against dual inclusion income in another period. Consideration will be given to possible mechanisms to reduce uncertainty and the potential compliance burden in applying the imported mismatch rule, whilst still ensuring an appropriate level of integrity.³⁸²⁵

On 7 June 2017, Australia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS during a signing ceremony hosted by the OECD in Paris. The convention helps the fight against BEPS project in existing bilateral tax treaties in a synchronized and efficient manner. These measures will prevent treaty abuse, improve dispute resolution, prevent the artificial avoidance of permanent establishment status and neutralise the effects of hybrid mismatch arrangements.³⁸²⁶

On 27 November 2017, the Australian Taxation Office published that in the 2016-17 Budget, the Government announced it would implement the OECD hybrid mismatch rules developed by Action

³⁸²³ Tax Laws Amendment (Cross-Border Transfer Pricing) Act (No. 1) 2012, Federal Register of Legislation 11 September 2012. Access date: 14 December 2017. <https://www.legislation.gov.au/Details/C2012A00115>

³⁸²⁴ Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015, Federal Register of Legislation 16 December 2015. Access date: 14 December 2017. <https://www.legislation.gov.au/Details/C2015A00170>

³⁸²⁵ Implementation of the OECD hybrid mismatch rules, The Board of Taxation March 2016. Access date: 14 December 2017. <http://taxboard.gov.au/files/2016/05/Implementation-of-the-OECD-hybrid-mismatch-rules.pdf>

³⁸²⁶ 68 Countries Sign Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, Tax and Transfer Policy Institute 8 June 2017. Access date: 05 January 2018. <http://www.austaxpolicy.com/news/68-countries-sign-multilateral-convention-implement-tax-treaty-related-measures-prevent-beps/>

Item 2 of the OECD BEPS Action Plan, taking into account recommendations by the Board of Taxation.³⁸²⁷

Australia has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Australia has received a score of +1.

Analyst: Arkadiy Khudyakov

Brazil: +1

Brazil has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 30 September 2015, Brazilian authorities released Provisional Measure 694/2015. PM 694 to amend the relevant legislation concerning the withholding of tax applicable to payments of interest on net equity.³⁸²⁸ PM 696 also introduced a further limitation in relation to the calculation base for such payments.³⁸²⁹ However, the Congress repealed the Provisional Measure. (Action 2)

On 3 November 2015, tax authorities tried to introduce a mandatory disclosure through Medida Provisória nº 685, but it was rejected by congress.³⁸³⁰ (Action 12)

On 17 March 2016, law 13,259/2016 was published. It contains changes to the capital gains tax modifications originally included in PM 692 and introduces some changes to the controlled foreign corporation rules. Law 13,259/2016 revises the progressive rates, to a range from 15 per cent to 22.5 per cent.³⁸³¹ (Action 3)

On 21 October 2016, Brazil signed the Multilateral Competent Authority Agreement on the exchange of country-by-country reports.³⁸³² (Action 13)

On 21 February 2017, the tax authorities issued Normative Instruction No. 1,689, which regulates the dispute resolution mechanism.³⁸³³ (Action 14)

³⁸²⁷ Implementation of the OECD hybrid mismatch rules, Australian Taxation Office 27 November 2017. Access date: 14 December 2017. <https://www.ato.gov.au/General/New-legislation/In-detail/Other-topics/International/Implementation-of-the-OECD-hybrid-mismatch-rules/>

³⁸²⁸ Brazil: Changes to the calculation basis, International tax review, 29 October 2015, Access Date: 26 December 2017. <http://www.internationaltaxreview.com/Article/3501642/Brazil-Changes-to-the-calculation-basis-and-withholding-tax-for-interest-on-net-equity-payments.html>

³⁸²⁹ Brazil: Changes to the calculation basis, International tax review, 29 October 2015, Access Date: 26 December 2017. <http://www.internationaltaxreview.com/Article/3501642/Brazil-Changes-to-the-calculation-basis-and-withholding-tax-for-interest-on-net-equity-payments.html>

³⁸³⁰ Nota sobre a Medida Provisória nº 685, Portal Brazil, 5 November 2015, Access Date: 26 December 2017. <http://idg.receita.fazenda.gov.br/noticias/ascom/2015/novembro/nota-sobre-a-medida-provisoria-no-685-1>

³⁸³¹ Lei Nº 13.259, de 16 de março de 2016, Chamber of Deputies, 16 March 2016, Access Date 26 December 2017. <http://www2.camara.leg.br/legin/fed/lei/2016/lei-13259-16-marco-2016-782560-norma-actualizada-pl.html>

³⁸³² Signatories of the multilateral competent authority agreement on the exchange of country-by-country reports (CBC MCAA) and signing dates, OECD, 19 December 2017, Access Date: 26 December 2017. <https://www.oecd.org/tax/beps/CbC-MCAA-Signatories.pdf>

³⁸³³ Instrução normativa RFB Nº 1689, de 20 de fevereiro de 2017, Receita Federal, 21 February 2017, Access Date: 26 December 2017. <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?idAto=80650>

On 27 July 2017, BRICS Heads of Tax Authorities Meeting agreed on continuing to share experiences on the measures they take to address the challenges in implementing the outcomes of the G20 tax reform. They remain committed to the facilitation of economic growth, as well as the timely, consistent and widespread implementation of the BEPS project outcomes and call upon all relevant jurisdictions to join the Inclusive Framework on BEPS on an equal footing.³⁸³⁴

On 31 July 2017, Brazil and the United Kingdom highlighted the importance of their active participation in the work of the OECD/G20 Inclusive Framework on BEPS, the Global Forum on Transparency and Exchange of Information on Tax Matters, and also the implementation of initiatives to the automatic exchange of information for tax purposes, with reference to financial assets and income, tax rulings and country-by-country reporting by multinational groups.³⁸³⁵

Brazil has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Brazil has received a score of +1.

Analyst: Logvinenko Dmitriy

Canada: +1

Canada has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 22 March 2016, Canada released its federal budget, which indicated that Canada plans to follow the revised OECD transfer pricing guidelines.³⁸³⁶

On 22 April 2016, the Canada Revenue Agency released Income Tax Information Circular IC70-6R7, Advance Income Tax Rulings and Technical Interpretations, which contains new measures in paragraphs 54 and 55 under the heading “Exchange of Information and Rulings under BEPS Action 5.” These paragraphs indicate Canada’s commitment to the spontaneous exchange of information on tax rulings with participating countries in five areas: cross-border rulings related to preferential regimes; cross-border rulings related to transfer pricing; cross-border rulings related to a download adjustment not directly reflected in the taxpayer’s accounts; permanent establishment rulings; and related-party conduit rulings.³⁸³⁷

³⁸³⁴ Communiqué of BRICS Heads of Tax Authorities Meeting issued in Hangzhou on 27 July 2017, Portal Brazil, 27 July 2017, Access Date: 26 December 2017. <http://idg.receita.fazenda.gov.br/noticias/ascom/2017/julho/receita-federal-participa-de-reuniao-dos-paises-brics/communique-meeting-of-brics-heads-of-tax-authorites.pdf>

³⁸³⁵ Joint statement by the Finance Minister of Brazil and the Chancellor of the Exchequer at the 2nd UK-Brazil Economic and Financial Dialogue held in Brasília on 31 July 2017, UK government web site, 31 July 2017, Access Date: 26 December 2017. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/637058/UK-Brazil_2nd_Economic_and_Financial_Dialogue_-_Joint_Statement.pdf.pdf

³⁸³⁶ BEPS Actions Implementation by country. Canada, Deloitte July 2017. Access date: 4 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-canada.pdf>

³⁸³⁷ BEPS Actions Implementation by country. Canada, Deloitte July 2017. Access date: 4 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-canada.pdf>

On 15 December 2016, Canada passed the final legislation to implement country-by-country (CbC) reporting requirements for Canadian multinational enterprises.³⁸³⁸

On 3 February 2017, the Canada Revenue Agency released the prescribed form (RC4649) to be used for CbC reporting.³⁸³⁹

On 2 March 2017, the Canada Revenue Agency released detailed guidance in RC4651.³⁸⁴⁰

On 7 June 2017, Canada signed the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. Once in effect, it will modify up to 75 of Canada's bilateral tax treaties (referred to as Covered Tax Agreements). The most significant modification will be to add a broad anti-avoidance rule into these tax treaties, referred to as the principal purpose test.³⁸⁴¹

On 22 March 2017, the Canadian government released its budget for 2017. The Canadian government did not propose any specific BEPS-related changes to its domestic legislation but reiterated its intention to ensure that its tax system meets all of the minimum standards agreed to under the OECD's BEPS project.³⁸⁴²

On 31 January 2018, the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting was tabled in the House of Commons. This is the first step in the process for Canada to ratify the convention, which it signed in June 2017.³⁸⁴³

Canada has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Canada has received a score of +1.

Analysts: Belichenko Angelina and Uliana Koptiyukh

China: +1

China has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

³⁸³⁸ BEPS Actions Implementation by country. Canada, Deloitte July 2017. Access date: 4 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-canada.pdf>

³⁸³⁹ BEPS Actions Implementation by country. Canada, Deloitte July 2017. Access date: 4 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-canada.pdf>

³⁸⁴⁰ BEPS Actions Implementation by country. Canada, Deloitte July 2017. Access date: 4 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-canada.pdf>

³⁸⁴¹ New PPT rule in the OECD's Multilateral Instrument to displace Canadian GAAR? Osler 27 November 2017. Access date: 19 December 2017. https://www.osler.com/en/resources/regulations/2017/new-ppt-rule-in-the-oecd-s-multilateral-instrument?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original

³⁸⁴² Canada - response to BEPS, KPMG 31 May 2017. Access date: 4 December 2017. <https://home.kpmg.com/xx/en/home/insights/2016/04/beps-action-plan-canada.html>

³⁸⁴³ Canada begins ratification process for multilateral tax convention to implement BEPS, Osler 7 February 2018. <https://www.osler.com/en/resources/regulations/2018/canada-begins-ratification-process-for-multilateral-tax-convention-to-implement-beps>

On 1 December 2014, Chinese taxation authorities pledged to step up the supervision of multinational companies in a campaign to crack down on tax avoidance. Zhang Zhiyong, deputy director of the State Administration of Taxation, said China will comprehensively monitor the profit levels of foreign companies to make sure there is no “base erosion and profit shifting.”³⁸⁴⁴

On 3 February 2015, Zhang Zhiyong, deputy director of the State Administration of Taxation (SAT), said during a meeting of tax officials that the administration is taking steps to “upgrade” the current taxation system through a multi-faceted project that includes greater international cooperation, modernization of the domestic taxation laws and fighting tax avoidance. Top government officials and those from taxation bureaus from all provinces and major cities participated in the meeting, underscoring the importance of the issue. Liao Tizhong, director of the international taxation department of the SAT, said one of the key tasks is to bring the current taxation laws in line with international standards, which means to complete the amendment of the current laws, especially the Tax Collection and Management Law and Individual Income Law. The amendment will absorb the latest international principles, especially an action plan being made under the G20 framework known as “base erosion and profit shifting,” Liao said.³⁸⁴⁵

On 9 October 2015, China pledged to promote a plan to stop multinational companies from avoiding taxes by shifting profits to destinations with lower corporate tax requirements. The plan was endorsed by G20 finance ministers on 9 October during the annual meetings of the World Bank and the International Monetary Fund in Lima, Peru.³⁸⁴⁶

In February 2016, China signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. In addition, working in the transforming international taxation landscape, China has established an inclusive framework that consists of three aspects of administration, service and audit to tackle cross-border tax avoidance and protect national interests.³⁸⁴⁷

On 7 June 2017, Mainland China and 67 other jurisdictions signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS during a signing ceremony hosted by the OECD in Paris.³⁸⁴⁸

On 7 February 2018, India’s Union Cabinet agreed to sign a protocol to amend the 1994 income tax treaty with China, will which include BEPS project measures (i.e., Actions 6 and 14).³⁸⁴⁹

³⁸⁴⁴ China to prevent foreign companies from avoiding tax, Xinhua 2 December 2014.

http://english.gov.cn/state_council/ministries/2014/12/02/content_281475018241423.htm

³⁸⁴⁵ Officials vow to plug tax loopholes, China Daily 4 February 2015.

http://english.gov.cn/state_council/ministries/2015/02/04/content_281475050001345.htm

³⁸⁴⁶ China to actively promote tax implementation, Site of Central People’s Government of the People’s Republic of China (English version) 9 October 2015.

http://english.gov.cn/news/video/2015/10/12/content_281475209983343.htm

³⁸⁴⁷ Taxation in China, one step closer to modernization, China Daily 11 May 2016.

http://english.gov.cn/news/top_news/2016/05/11/content_281475346592189.htm

³⁸⁴⁸ Mainland China signs Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, Ernst&Young 29 August 2017. Access date: 28 March 2018.

http://www.ey.com/Publication/vwLUAssets/Mainland_China_signs_Multilateral_Convention_to_Implement_Tax_Treaty_Related_Measures_to_Prevent_BEPS/USDFILE/2017G_04865-171Gbl_Mainland%20CN%20signs%20MC%20to%20Implement%20Tax%20Treaty%20Related%20Measures%20to%20Prevent%20BEPS.pdf

³⁸⁴⁹ India to Sign Protocol to Amend Income Tax Treaty with China, Includes BEPS Measures, Reuters 22 February 2018. Access date: 28 March 2018. <https://tax.thomsonreuters.com/blog/india-to-sign-protocol-to-amend-income-tax-treaty-with-china-includes-beps-measures/>

China has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, China has received a score of +1.

Analyst: Anna Tsvetkova

France: +1

France has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 1 October 2016, France published law N° 2015-1785 in the Journal officiel de la République française (JORF) introducing article 223 to the General Tax Code. It obliges companies with consolidated global turnover equal to more than EUR750 million to file a country-by-country (CbC) declaration to facilitate transfer pricing control.³⁸⁵⁰

On 8 July 2017, a ministerial order presenting the list of countries with which France will exchange CbC reporting information automatically and bilaterally was published in France's official journal.³⁸⁵¹

On 13 September 2017, the French Finance Committee interviewed Pascal Saint-Amans, Director of the OECD Center for Tax Policy and Administration, on the Action Plan on Base Erosion and Profit Shifting which should allow making further progress in implementing the BEPS package.³⁸⁵²

On 16 September 2017, France officially published the draft law authorizing the approval of the Convention with the Republic of Singapore. It aims at preventing double taxation and tax evasion as well as fraud in income taxes and includes an anti-abuse clause.³⁸⁵³

On 29 September 2017, France participated in the Tallinn Digital Summit between European Heads of State and Government with an agenda initiative that was dedicated to digital taxation.³⁸⁵⁴ The Summit was aimed at ensuring that tech giants pay a fair contribution on their earnings in the country where their turnover is actually made.³⁸⁵⁵ France and 3 other European countries agreed to pool their efforts in pushing for Google, Apple, Facebook and Amazon to pay fair, coherent taxes in Europe.³⁸⁵⁶

³⁸⁵⁰ Décret n° 2016-1288 du 29 septembre 2016 pris pour l'application de l'article 223 quinquies C du code général des impôts, Legifrance 01 October 2016. Access date: 16 December 2017.

<https://www.legifrance.gouv.fr/eli/decret/2016/9/29/ECFE1601202D/jo/texte>

³⁸⁵¹ Arrêté du 6 juillet 2017 pris en application du II de l'article 223 quinquies C du code général des impôts, Legifrance 8 July 2017. Access date: 24 December 2017.

<https://www.legifrance.gouv.fr/eli/arrete/2017/7/6/ECOE1714076A/jo/texte>

³⁸⁵² Compte rendu n° 14 - Commission des finances, de l'économie générale et du contrôle budgétaire, Assemblée nationale 13 September 2017. Access date: 16 December 2017. <http://www.assemblee-nationale.fr/15/pdf/cr-cfiab/16-17/c1617014.pdf>

³⁸⁵³ Projet de loi autorisant l'approbation de la convention avec la République de Singapour en vue d'éviter les doubles impositions et de prévenir l'évasion et la fraude fiscales en matière d'impôts sur le revenu, Sénat 16 September 2017. Access date: 16 December 2017. <http://www.senat.fr/rap/l15-385/l15-3856.html>

³⁸⁵⁴ Regulation of the digital economy in France and Europe, Gouvernement français 6 October 2017. Access date: 24 December 2017. <http://www.gouvernement.fr/en/regulation-of-the-digital-economy-in-france-and-europe>

³⁸⁵⁵ Regulation of the digital economy in France and Europe, Gouvernement français 6 October 2017. Access date: 24 December 2017. <http://www.gouvernement.fr/en/regulation-of-the-digital-economy-in-france-and-europe>

³⁸⁵⁶ Regulation of the digital economy in France and Europe, Gouvernement français 6 October 2017. Access date: 24 December 2017. <http://www.gouvernement.fr/en/regulation-of-the-digital-economy-in-france-and-europe>

On 5 October 2017, Bruno Le Maire, Minister of Economy and Finance, and Mounir Mahjoubi, Minister of State for the Digital Sector signed three decrees to tighten the transparency and loyalty obligations of websites and social media platforms. In the future, the platforms will have to specify their listing and classification criteria. Collaborative economy websites will also be required to provide information about the type of seller and the contact service fees amount.³⁸⁵⁷

On 6 November 2017, the National Assembly of France adopted the amendment N°II-CF463 to the French Book of Tax Procedures, which develops a transfer pricing documentation standard.³⁸⁵⁸

On 4 December 2017, the French National Assembly adopted the 2018 French Social Security Finance and Income Tax Bills. These bills introduce some changes to the income tax and social security rates and bands in France and are expected to come into effect on 1 January 2018. Among the new changes, the bill contains new anti-abuse provision.³⁸⁵⁹

France has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, France has received a score of +1.

Analysts: Diana Kovrigina, Ekaterina Rosolovskaya and Anastasiia Shkrebo

Germany: +1

Germany has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 11 November 2014, the United Kingdom and German governments announced in a joint statement that they had agreed on a proposal in relation to the work on harmful tax practices carried out under BEPS Action 5.³⁸⁶⁰ The proposal is based on the Nexus Approach which was set forth as the preferred approach in the report issued by the OECD on 16 September 2014, Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance.³⁸⁶¹

³⁸⁵⁷ Regulation of the digital economy in France and Europe, Gouvernement français 6 October 2017. Access date: 24 December 2017. <http://www.gouvernement.fr/en/regulation-of-the-digital-economy-in-france-and-europe>

³⁸⁵⁸ Amendement N°II-CF463, Assemblée nationale 6 November 2017. Access date: 16 December 2017. http://www.assemblee-nationale.fr/15/amendements/0235C/CIION_TOUTE/CF463.asp

³⁸⁵⁹ Projet de loi de financement de la sécurité sociale pour 2018, Sénat 22 December 2017. Access date: 24 December 2017. http://www.senat.fr/espace_presse/actualites/201710/projet_de_loi_de_financement_de_la_securite_sociale_pour_2018.html

³⁸⁶⁰ Proposals for new rules for preferential IP regimes: Germany-UK joint statement, Government of the UK 11 November 2014. Access date: 20 December 2017. <https://www.gov.uk/government/publications/proposals-for-new-rules-for-preferential-ip-regimes-germany-uk-joint-statement>.

³⁸⁶¹ The Latest on BEPS - 24 November 2014, Ernst & Young 24 November 2014. Access date: 20 December 2017. <http://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps---24-november-2014>

On 17 December 2015, representatives of Germany and Japan signed a revised income tax treaty and a protocol that will replace the existing 1966 treaty.³⁸⁶² The new treaty and protocol include some of the OECD recommendations under BEPS Actions 2 and 6. It modified the provisions on business profits, expanding the extent of reduction and exemption of taxation on investment income, introducing the provisions for assistance in the collection of taxes, and reinforcing the provisions for the exchange of information concerning tax matters, while avoiding double taxation and preventing international tax evasion and tax avoidance.³⁸⁶³

On 18 July 2016, the German government adopted the law on modernizing the taxation process.³⁸⁶⁴ The law places emphasis on the increase in cost-effectiveness and efficiency through more extensive use of information technology and creating a service-oriented taxation process.³⁸⁶⁵

On 7 December 2016, the agreement between Australia and Germany for the elimination of double taxation with respect to taxes on income and capital and the prevention of fiscal evasion and avoidance entered into force. It was signed on 12 November 2016 and covered such issues as the elimination of double taxation and the prevention of tax cuts and evasion.³⁸⁶⁶

On 27 June 2017, the German government approved the Act against Harmful Tax Practices in connection with the licensing of intellectual property rights. The act intends to limit the tax

³⁸⁶² Gesetz zu dem Abkommen vom 17. Dezember 2015 zwischen der Bundesrepublik Deutschland und Japan zur Beseitigung der Doppelbesteuerung auf dem Gebiet der Steuern vom Einkommen und bestimmter anderer Steuern sowie zur Verhinderung der Steuerverkürzung und -umgehung vom 18. Juli 2016, Federal Ministry of Finance 25 July 2016. Access date: 20 December 2017.

http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Internationales_Steuerrecht/S taatenbezogene_Informationen/Laender_A_Z/Japan/2016-07-25-Japan-Abkommen-DBA-Gesetz.pdf?__blob=publicationFile&v=6

³⁸⁶³ Gesetz zu dem Abkommen vom 17. Dezember 2015 zwischen der Bundesrepublik Deutschland und Japan zur Beseitigung der Doppelbesteuerung auf dem Gebiet der Steuern vom Einkommen und bestimmter anderer Steuern sowie zur Verhinderung der Steuerverkürzung und -umgehung vom 18. Juli 2016, Federal Ministry of Finance 25 July 2016. Access date: 20 December 2017.

http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Internationales_Steuerrecht/S taatenbezogene_Informationen/Laender_A_Z/Japan/2016-07-25-Japan-Abkommen-DBA-Gesetz.pdf?__blob=publicationFile&v=6

³⁸⁶⁴ Gesetz zur Modernisierung des Besteuerungsverfahrens vom 18. Juli 2016, Federal Ministry of Finance 22 July 2016. Access date: 20 December 2017.

http://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/18_Legislaturperiode/Gesetze_Verordnungen/2016-07-22-Steuermodernisierungsgesetz/3-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

³⁸⁶⁵ Gesetz zur Modernisierung des Besteuerungsverfahrens vom 18. Juli 2016, Federal Ministry of Finance 22 July 2016. Access date: 20 December 2017.

http://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/18_Legislaturperiode/Gesetze_Verordnungen/2016-07-22-Steuermodernisierungsgesetz/3-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

³⁸⁶⁶ Gesetz zu dem Abkommen vom 12. November 2015 zwischen der Bundesrepublik Deutschland und Australien zur Beseitigung der Doppelbesteuerung auf dem Gebiet der Steuern vom Einkommen und vom Vermögen sowie zur Verhinderung der Steuerverkürzung und -umgehung vom 11. Oktober 2016, Federal Ministry of Finance 17 October 2016. Access date: 20 December 2017.

http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/Internationales_Steuerrecht/S taatenbezogene_Informationen/Laender_A_Z/Australien/2016-10-17-Australien-Abkommen-DBA-Gesetz.pdf?__blob=publicationFile&v=4

deductibility of cross-border license fees for the right to use intellectual property. Tax regimes are based on the Nexus Approach described in OECD BEPS Action 5.³⁸⁶⁷

On 15 September 2017, following the informal meeting of the Economic and Financial Affairs Council (Ecofin) of the European Union held in Tallinn, the European Commission published its Communication on a fair and efficient tax system in the European Union for the digital single market. The document presents the critical challenges in taxing businesses that provide services digitally and proposes both long-term — a fundamental reform of the international corporate tax framework — and short-term solutions, such as the introduction of an equalization tax on turnover, a withholding tax on digital transactions or a levy on revenues generated from the provision of digital services or advertising activity. Germany agreed to the proposals.³⁸⁶⁸

On 29 September 2017, France participated in the Tallinn Digital Summit between European Heads of State and Government with an agenda initiative that was dedicated to digital taxation.³⁸⁶⁹ The Summit was aimed at ensuring that tech giants pay a fair contribution on their earnings in the country where their turnover is actually made.³⁸⁷⁰

Germany has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Germany has received a score of +1.

Analyst: Dariia Evreeva

India: +1

India has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 17 May 2017, the Union Cabinet chaired by Prime Minister Shri Narendra Modi gave its approval for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.³⁸⁷¹ The convention is an outcome of the OECD/G20 BEPS project to tackle base erosion and profit shifting through tax planning strategies that exploit gaps and mismatches in

³⁸⁶⁷ Gesetz gegen schädliche Steuerpraktiken im Zusammenhang mit Rechteüberlassungen vom 27. Juni 2017, Federal Ministry of Finance 4 July 2017. Access date: 20 December 2017.

http://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/18_Legislaturperiode/Gesetze_Verordnungen/2017-07-04-Gesetz-schaedliche-steuerpraktiken-rechteueberlassung/3-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

³⁸⁶⁸ Taxation: Commission sets out path towards fair taxation of the Digital Economy, European Commission 21 September 2017. Access date: 20 December 2017. http://europa.eu/rapid/press-release_IP-17-3305_en.htm

³⁸⁶⁹ Regulation of the digital economy in France and Europe, Gouvernement français 6 October 2017. Access date: 24 December 2017. <http://www.gouvernement.fr/en/regulation-of-the-digital-economy-in-france-and-europe>

³⁸⁷⁰ Regulation of the digital economy in France and Europe, Gouvernement français 6 October 2017. Access date: 24 December 2017. <http://www.gouvernement.fr/en/regulation-of-the-digital-economy-in-france-and-europe>

³⁸⁷¹ Cabinet approves signing of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting by India, Press Information Bureau Government of India Cabinet 17 May 2017. Access date: 17 May 2017. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=161885>

tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid.³⁸⁷²

On 6 October 2017, the Indian Tax Administration issued draft rules for country-by-country (CbC) reporting and the furnishing of the master file for public comments in keeping with India's commitment to implement the recommendations of 2015 Final Report on Action 13, titled "Transfer Pricing Documentation and Country-by-Country Reporting," identified under the OECD's BEPS Project, section 286 of the Income-tax Act, 1961 ('the Act') was inserted vide Finance Act, 2016, providing for furnishing of a CbC report in respect of an international group by its constituent or parent entity.³⁸⁷³

On 31 October 2017, the Central Board of Direct Taxes announced the rules for maintaining and furnishing of transfer pricing documentation in the Master File and Country-by-Country report. Since it is the first reporting year for furnishing of the CbC report, the due date for filing for reportable accounting year 2016-17 has already been extended to 31 March 2018 vide Circular No. 26/2017 dated 25.10.2017. Similarly, the date of compliance for furnishing the master file for fiscal year 2016-17 has been extended to 31 March 2018 as a one-time relief measure.³⁸⁷⁴

India has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, India has received a score of +1.

Analyst: Polina Shtanko

Indonesia: +1

Indonesia has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

As of the compliance period, amendments to the Indonesian tax legislation or in place prior to committing to the BEPS Action Plan covered Action 3 (controlled foreign company provisions — already in place, not yet known if any additional amendments are planned), Action 4 (interest deduction — thin capitalization rule based on debt-to-equity approach), Action 6 (prevent treaty abuse — already in place), Actions 8-10 (transfer pricing — already in place, not yet known if any additional amendments are planned), Action 13 (transfer pricing documentation — three-tiered level of documentation introduced by Ministry of Finance effective for taxpayers with a tax year ending on or after 30 December 2016, with new thresholds for determining documentation); country-by-country (CbC) reporting — CbC report must be available within 12 months from the end of the tax

³⁸⁷² Cabinet approves signing of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting by India, Press Information Bureau Government of India Cabinet 17 May 2017. Access date: 17 May 2017. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=161885>

³⁸⁷³ Framing of rules in respect of Country-by-Country reporting and furnishing of master file — comments and suggestions thereof, Press Information Bureau Government of India Ministry of Finance 6 October 2017. Access date: 6 October 2017. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=171450>

³⁸⁷⁴ CBDT notifies rules in respect of Country-by-Country reporting and furnishing of Master File, Press Information Bureau Government of India Ministry of Finance 31 October 2017. Access date: 1 November 2017. <http://pib.nic.in/newsite/printrelease.aspx?relid=173146>

year and must be filed with the annual corporate tax return for the subsequent tax year; Indonesia is also party to the Multinational Competent Authority Agreement on the exchange of CbC reports).³⁸⁷⁵

Indonesia has yet to address Action 1 (value-added tax on business to customers digital services — no indication of adopting recommendation), Action 2 (hybrids — no indication of adopting recommendation), Action 5 (harmful tax practices — no indication of adopting recommendation), Action 7 (permanent establishment status — no indication of adopting recommendation), Action 11 (methodology for data collection and analysis — no indication of adopting recommendation), Action 12 (disclosure of aggressive tax planning — no indication of adopting recommendation), Action 14 (dispute resolution — no indication of adopting recommendation).³⁸⁷⁶

On 3 March 2017, Indonesia's Financial Services Authority announced it was preparing a number of regulations concerning adaptation of the financial services industry so that it could support the automatic exchange of tax information that is to be introduced by Indonesia from September 2018.³⁸⁷⁷

On 4 December 2017, the OECD released peer reviews assessing G20/OECD countries adherence to the BEPS standards for disclosing information on private tax rulings granted to multinational firms that might facilitate tax avoidance.³⁸⁷⁸ The peer review for Indonesia states its practices were in compliance with the BEPS standards.³⁸⁷⁹

Indonesia has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Indonesia has received a score of +1.

Analyst: Pavel Doronin

Italy: +1

Italy has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

³⁸⁷⁵ BEPS Actions implementation by country — Indonesia (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-indonesia.pdf>

³⁸⁷⁶ BEPS Actions implementation by country — Indonesia (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-indonesia.pdf>

³⁸⁷⁷ Press Release: OJK Issues Regulations to Support Automatic Exchange of Tax Information, Indonesia's Financial Services Authority 3 March 2017. Access date: 17 April 2017. <http://www.ojk.go.id/en/berita-dan-kegiatan/siaran-pers/Pages/Press-Release-OJK-Issues-Regulations-to-Support-Automatic-Exchange-of-Tax-Information.aspx#sthash.wrtpanK4.dpuf>

³⁸⁷⁸ Peer review of OECD and G20 countries shows mixed progress on exchange of private tax ruling information, MNE Tax 4 December 2017. Access date: 20 December 2017. <https://mnetax.com/peer-review-oecd-g20-countries-shows-mixed-progress-exchange-private-tax-ruling-information-24950>

³⁸⁷⁹ Harmful Tax Practices — Peer Review Reports on the Exchange of Information on Tax Rulings, OECD 4 December 2017. Access date: 20 December 2017. http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/harmful-tax-practices-peer-review-reports-on-the-exchange-of-information-on-tax-rulings_9789264285675-en#page1

Prior to the compliance period Italy has taken measures on several BEPS Actions: 1 (in force since 1 January 2015), 2 (in force since 1 January 2016), 5 (in force since 1 January 2015), 6 (in force since 1 January 2016), 13 and 14 (in force since 1 January 2016).³⁸⁸⁰

On 23 December 2017, the Italian Parliament approved the 2018 budget law which introduced a new tax on digital transactions and updated the concept of permanent establishment to make it more consistent with the OECD/G20 base erosion profit shifting (BEPS) report on Action 7.³⁸⁸¹

Italy has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Italy has received a score of +1.

Analyst: Irina Popova

Japan: +1

Japan has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

The Japanese government has been showing its unchanged support to the BEPS initiative since 2013, being recognized as a “first mover in the Asia Pacific region in adopting BEPS-related changes.”³⁸⁸²

Amendments to the Japanese tax legislation prior to the compliance period covered Action 1 (value-added tax on business to customers digital services), Action 2 (Hybrids), Action 13 (transfer pricing documentation — a de minimis exemption applies to certain non-material intercompany transactions; country-by-country (CbC) reporting — Japan is one of the countries that signed a multilateral competent authority agreement for the automatic exchange of CbC reports), Action 14 (dispute resolution — Japan is one of the countries committed to binding arbitration) of the BEPS Action Plan.³⁸⁸³ Action 5 (harmful tax practices) is not applicable to Japan because Japan is considered to have no harmful tax practices.³⁸⁸⁴

Ongoing as of the compliance period are deliberations with respect to Action 6 (prevent treaty abuse — the government is currently updating Japan’s tax treaties with various partners), Action 7 (permanent establishment status — Japan is committed to continue ongoing G20/OECD discussion

³⁸⁸⁰ BEPS Actions Implementation by Country: Italy, Deloitte. Access date: 28 March 2018. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-italy.pdf>

³⁸⁸¹ Italy introduces web tax, updates PE definitions, Multinational Tax and Transfer Pricing News 7 January 2018. Access date: 28 March 2018. <https://mnetax.com/italy-introduces-web-tax-updates-pe-definitions-25490>

³⁸⁸² Japan’s approach to BEPS issues (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/tw/Documents/tax/beps/tw-tp-board4-jp.pdf>

³⁸⁸³ BEPS Actions implementation by country — Japan (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-japan.pdf>

³⁸⁸⁴ BEPS Actions implementation by country — Japan (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-japan.pdf>

on the issue), Actions 8 to 10 (transfer pricing — Japan is committed to continue ongoing G20/OECD discussion on the issue).³⁸⁸⁵

With respect to Action 4 (interest deduction), it is currently not yet known if further reduction of the 50 per cent limitation of adjusted taxable income that can apply interest rate deduction will be introduced.³⁸⁸⁶

Concerning Action 12 (disclosure of aggressive tax planning, voluntary disclosure), it is also being discussed in the Japanese government whether it is needed to introduce a mandatory disclosure rule for aggressive tax planning, as well as an item of legislation acting as a “General Anti-Avoidance Rule.”³⁸⁸⁷

Results are still to be yielded from the 2017 fiscal reform plan that makes certain non-active companies (such as cash boxes) subject to stricter tax rules from 1 April 2018 (Action 3 — controlled foreign company provisions).³⁸⁸⁸

In September 2017, the Japanese National Tax Agency released Guidance for Taxpayers on the Mutual Agreement Procedure in response to the BEPS Action 14 (dispute resolution) final report recommendation to publish rules, guidelines and procedures to access and use the Mutual Agreement Procedure (MAP).³⁸⁸⁹ The guidance provides detailed description of the outline of the MAP, as well as of common situations that a taxpayer might encounter when requesting MAP.³⁸⁹⁰

On 4 December 2017, the OECD released peer reviews assessing G20/OECD countries adherence to the BEPS standards for disclosing information on private tax rulings granted to multinational firms that might facilitate tax avoidance.³⁸⁹¹ The peer review for Japan states its practices compliance with the BEPS standards (no recommendations for improvement were suggested).³⁸⁹²

With regards to assistance on tax issues to developing countries, Japan has demonstrated its commitment to provide this assistance through membership in the Inclusive Framework for BEPS

³⁸⁸⁵ BEPS Actions implementation by country — Japan (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-japan.pdf>

³⁸⁸⁶ BEPS Actions implementation by country — Japan (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-japan.pdf>

³⁸⁸⁷ BEPS Actions implementation by country — Japan (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-japan.pdf>

³⁸⁸⁸ BEPS Actions implementation by country — Japan (by Deloitte). Access date: 20 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-japan.pdf>

³⁸⁸⁹ Guidance for Taxpayers on the Mutual Agreement Procedure (Q&A), Japan National Tax Agency September 2017. Access date: 20 December 2017. http://www.nta.go.jp/foreign_language/03.pdf

³⁸⁹⁰ Guidance for Taxpayers on the Mutual Agreement Procedure (Q&A), Japan National Tax Agency September 2017. Access date: 20 December 2017. http://www.nta.go.jp/foreign_language/03.pdf

³⁸⁹¹ Peer review of OECD and G20 countries shows mixed progress on exchange of private tax ruling information, MNE Tax 4 December 2017. Access date: 20 December 2017. <https://mnetax.com/peer-review-oecd-g20-countries-shows-mixed-progress-exchange-private-tax-ruling-information-24950>

³⁸⁹² Harmful Tax Practices — Peer Review Reports on the Exchange of Information on Tax Rulings, OECD 4 December 2017. Access date: 20 December 2017. http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/harmful-tax-practices-peer-review-reports-on-the-exchange-of-information-on-tax-rulings_9789264285675-en#page1

Implementation, as well as becoming the party to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting signed on 7 June 2017.³⁸⁹³

During and prior the compliance period Japan has taken resolute actions to promote the BEPS implementation at home and abroad.

Thus, Japan has received a score of +1.

Analyst: Pavel Doronin

Korea: +1

Korea has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 7 June 2017, Korea has signed Multilateral Convention to Implement Tax Treaty related Measures to Prevent BEPS. The purpose of the convention is to enable jurisdictions to swiftly modify their bilateral tax treaties to implement measures under the BEPS project endorsed by the G20 summit in November 2015.³⁸⁹⁴

On 1 September 2017, package of tax reform proposals for 2018 were submitted to Korea's National Assembly. It contains the income tax rates for the top tax brackets for both corporations and individuals, as well as measures that would limit the deduction of interest expense in certain instances as part of Korea's commitment to the OECD BEPS project.³⁸⁹⁵

On 17 November 2017, the OECD Korea Policy Centre (Tax Programme) and the International Fiscal Association co-hosted a joint international tax conference in Seoul. It was mainly focused on the revised version of the Model Tax Convention and selected issues of the BEPS project.³⁸⁹⁶

On 19 December 2017, Korea enacted the 2018 tax reform bill (the 2018 Tax Reform) after Korea's National Assembly approved it on 5 December 2017. The 2018 Tax Reform includes provisions in line with the OECD's BEPS Action 2 (Neutralising the effects of Hybrid Mismatch Arrangements) and Action 4 (Limiting Base Erosion Involving Interest Deductions and Other Financial Payments), among others.³⁸⁹⁷

Korea has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Korea has received a score of +1.

Analyst: Alexander Ignatov

³⁸⁹³ 68 nations sign multilateral treaty on tax avoidance, dispute resolution, MNE Tax 7 June 2017. Access date: 20 December 2017. <https://mnetax.com/67-nations-sign-multilateral-tax-treaty-tax-avoidance-dispute-resolution-21602>

³⁸⁹⁴ Korea Signs Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS. Access date: 12 January 2018. URL: <https://www.lexology.com/library/detail.aspx?g=0d4a290c-1802-470c-9c03-c9f03b3a24ba>

³⁸⁹⁵ Korea: 2018 tax reform bill under consideration by National Assembly, Deloitte 8 September 2017. Access date: 30 march 2018. http://newsletters.usdbriefs.com/2017/Tax/WTA/170908_6.pdf

³⁸⁹⁶ Experts' Meeting, OECD. Access date: 28 march 2018. <http://www.oecdkorea.org/user/nd89406.do?View&boardNo=00002433&itemShCd1=39>

³⁸⁹⁷ Global Tax Alert, Ernst&Young 15 January 2018. Access date: 28 March 2018. http://www.ey.com/Publication/vwLUAssets/The_Latest_on_BEPS_-_15_January_2018/USDFILE/2018G_00249-181Gbl_The%20Latest%20on%20BEPS%20-%202015%20January%202018.pdf

Mexico: +1

Mexico has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

Prior the compliance period Mexico took actions on Actions 2 (hybrids), 6 (prevention of treaty abuse), 12 (disclosure of aggressive tax planning), 13 (transfer pricing documentation and country-by-country (CbC) reporting).³⁸⁹⁸

On 7 June 2017, Mexico and 67 other jurisdictions signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS during a signing ceremony hosted by the OECD in Paris.³⁸⁹⁹

On 26 October 2017, Mexico and the US agreed to exchange country-by-country tax reports on multinational firms, implementing 2015 OECD/G20 BEPS project agreements. The reports are designed to help tax administrations identify which multinationals operating in their country may be avoiding tax through transfer pricing or other means.³⁹⁰⁰

On 1 November 2017, the Mexican tax authority (Servicio de Administracion Tributaria) announced the start of its online platform and electronic forms for taxpayers to file their new transfer pricing documentation (i.e., CbC report, master file and local file).³⁹⁰¹

Mexico has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Mexico has received a score of +1.

Analyst: Irina Popova

Russia: +1

Russia has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 20 May 2017, the government of the Russian Federation has signed an ordinance that marks Russia' joining to the multilateral convention on tax policy measures preventing BEPS. The

³⁸⁹⁸ BEPS Actions Implementation by Country: Mexico, Deloitte. Access date: 28 March 2018.

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-mexico.pdf>

³⁸⁹⁹ Mexico signs Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, Ernst&Young. Access date: 28 March 2018.

[http://www.ey.com/Publication/vwLUAssets/Mexico_signs_Multilateral_Convention_to_Implement_Tax_Treaty_Related_Measures_to_Prevent_BEPS/\\$FILE/2017G_04281-171Gbl_MX%20signs%20MC%20to%20Tax%20Treaty%20Related%20Measures%20to%20Prevent%20BEPS.pdf](http://www.ey.com/Publication/vwLUAssets/Mexico_signs_Multilateral_Convention_to_Implement_Tax_Treaty_Related_Measures_to_Prevent_BEPS/$FILE/2017G_04281-171Gbl_MX%20signs%20MC%20to%20Tax%20Treaty%20Related%20Measures%20to%20Prevent%20BEPS.pdf)

³⁹⁰⁰ International News Bulletin, the Procurator's Office for the Defense of the Taxpayer. Access date: 28 March 2018.

https://www.prodecon.gob.mx/Documentos/boletines-internacionales/2017/agosto/international_news_bulletin_28th_augus_to_1st_september_2017_.pdf

³⁹⁰¹ Presentan SAT y PRODECON plataforma y formatos digitales para nuevas declaraciones informativas de precio de transferencia, Mexican Government 31 October 2017. Access date: 28 March 2018.

<https://www.gob.mx/sat/prensa/presentan-sat-y-prodecon-plataforma-y-formatos-digitales-para-nuevas-declaraciones-informativas-de-precios-de-transferencia?state=published>

convention applies to 63 double taxation treaties that Russia is a party to. The convention is still to be ratified.³⁹⁰²

On 28 November 2017, Russia published Federal Law No. 340-FZ, implementing the BEPS Action 13 documentation requirements including CbC reporting, master file, and local file. The measures entered into force on 27 November 2017, will apply from that date, and will be included in Article 105.16 of the Russian Tax Code.³⁹⁰³

Russia has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Russia has received a score of +1.

Analyst: Alexander Ignatov

Saudi Arabia: +1

Saudi Arabia has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 17 July 2017, the Kingdom of Saudi Arabia issued a draft executive law and executive rules in preparation for the value-added tax, effective January 1, 2018. Moreover, it contains broad recommendations for the VAT regime, which has already been introduced in 2018 in all six members of the Gulf Co-operation Council. And the standard value-added tax (VAT) is 5 per cent, with a zero VAT for some products.³⁹⁰⁴

Saudi Arabia has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Saudi Arabia has received a score of +1.

Analyst: Pavel Doronin

South Africa: +1

South Africa has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development.

On 1 January 2016, CbC reporting requirements introduced by the government came into force.³⁹⁰⁵

³⁹⁰² Multilateral convention on tax policy measures preventing base erosion and profit shifting, Government of the Russian Federation 20 May 2017. Access date: 11 January 2018. <http://government.ru/docs/27781/>

³⁹⁰³ Russia Implements BEPS Action 13 Recommendations, Reuters 14 December 2017. Access date: 28 March 2018. <https://tax.thomsonreuters.com/blog/russia-implements-beps-action-13-recommendations/>

³⁹⁰⁴ Saudi Arabia To Be The First GCC Country to Implement VAT In 2018, TPA Global 17 July 2017. Access date: 30 March 2018. <http://www.tp-associates.com/nieuws/2017-07-25/saudi-arabia-to-be-the-first-gcc-country-to-implementation-vat-in-2018>

³⁹⁰⁵ BEPS Actions implementation by country: South Africa, Deloitte. Access date: 28 March 2018. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-south-africa.pdf>

On 28 July 2017, South Africa and Turkey signed a protocol amending the agreement between the two countries for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was signed.³⁹⁰⁶

On 28 July 2017, agreement between the government of South Africa and the government of Samoa for the exchange of information relating to tax matters was signed.³⁹⁰⁷

On 1 September 2017, convention between the government of the Republic of South Africa and the government of the Republic of Cameroon for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was signed.³⁹⁰⁸

South Africa has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period. Thus it receives a score of +1.

Analyst: Maxim Piskarev

Turkey: +1

Turkey has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

As of compliance period, Turkey has reached progress in a limited number of BEPS actions.³⁹⁰⁹

Action 1 (value-added tax (VAT) on business to customers digital services) has been partially covered by Turkey's earlier measures that require service providers, banks, internet advertising agencies and cargo and logistics service companies to submit monthly information about their transactions; and authorize the Council of Ministers to determine the extent of withholding tax for parties and intermediaries in taxable transactions (though tax rates have not been announced yet). However, the VAT rules are yet to be expanded to cover digital sales.

With respect to Action 4 (interest deduction), Turkey has previously introduced respective rules (such as thin capitalization and restrictions on the deduction of financing expenses), while a decree setting the percentage of the limitation is yet to be announced. Similarly, the existing rule on 30 per cent withholding tax on payments made to tax havens still cannot be applied since the Council of Ministers has not issued a list of harmful tax practices jurisdictions (Action 5, harmful tax practices).

Prevent treaty abuse (Action 6) clauses are being introduced in new and revised tax treaties that Turkey goes in to, and more are expected to be added through treaties or the multilateral instrument.

³⁹⁰⁶ Income Tax Act: Agreement between South Africa and Turkey for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income, Government of South Africa 28 July 2017. Access date: 28 March 2017. <https://www.gov.za/documents/income-tax-act-agreement-between-south-africa-and-turkey-avoidance-double-taxation-and-1>

³⁹⁰⁷ Agreement between the government of the Republic of South Africa and the government of Samoa for the exchange of information relating to tax matters, Government of South Africa 28 July 2017. Access date: 28 March 2017. https://www.gov.za/sites/default/files/41009_gon756.pdf

³⁹⁰⁸ Convention between the government of the Republic of South Africa and the government of the Republic of Cameroon for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, Government of South Africa 1 September 2017. Access date: 28 March 2017. https://www.gov.za/sites/default/files/41082_gon936.pdf

³⁹⁰⁹ BEPS Actions implementation by country — Turkey (by Deloitte). Access date: 21 December 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beps-actions-implementation-turkey.pdf>

Amendments on Action 7 (permanent establishment status) were introduced through the draft Tax Procedures Code (still pending), as well as revisions of Turkey's Corporation Tax Law and Individual Income Tax Law.

Concerning Actions 8 to 10 (transfer pricing) and Action 13 (transfer pricing documentation, country-by-country (CbC) reporting), elaborations on Draft Transfer Pricing General Communiqué announced by Turkey's government in 2016 are still ongoing. Moreover, Turkey is yet to join the Multilateral Competent Authority Agreement for the automatic exchange of CbC reports.

The same refers to Action 12 (disclosure of aggressive tax planning), with continuing discussion of the concepts of "tax planning" and "aggressive tax planning."

As regards Action 2 (hybrids), Action 3 (controlled foreign company provisions) and Action 14 (dispute resolution), it is not clear so far if Turkey's government is working on new measures in these domains.

On 28 November 2017, Turkey amended Article 9 of the Turkish VAT Law on the "Party Liable for Tax." The amendment stipulates that VAT arising from services provided electronically by those without a residence, workplace, headquarters, or business centre in Turkey to individuals in Turkey who are not VAT taxpayers, must be declared and paid by the non-resident e-service providers.³⁹¹⁰

On 4 December 2017, the OECD released peer reviews assessing G20/OECD countries adherence to the BEPS standards for disclosing information on private tax rulings granted to multinational firms that might facilitate tax avoidance.³⁹¹¹ The peer review for Turkey recommended that Turkey take steps to ensure that information on new entrants to the grandfathered intellectual property regime are swiftly identified and exchanged.³⁹¹²

Turkey has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, Turkey has received a score of +1.

Analyst: Pavel Doronin

United Kingdom: +1

The United Kingdom has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

³⁹¹⁰ OECD BEPS Action 1: Taxation of Digital Economy — New VAT Practices in Turkey, *quantera Global* 1 February 2018. Access date: 28 March 2017. <https://www.quanteraglobal.com/Oecd-Beps-Action-1-Taxation-Digital-Economy-New-Vat-Practices-Turkey/>

³⁹¹¹ Peer review of OECD and G20 countries shows mixed progress on exchange of private tax ruling information, *MNE Tax* 4 December 2017. Access date: 20 December 2017. <https://mnetax.com/peer-review-oecd-g20-countries-shows-mixed-progress-exchange-private-tax-ruling-information-24950>

³⁹¹² Harmful Tax Practices — Peer Review Reports on the Exchange of Information on Tax Rulings, *OECD* 4 December 2017. Access date: 20 December 2017. http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/harmful-tax-practices-peer-review-reports-on-the-exchange-of-information-on-tax-rulings_9789264285675-en#page1

On 25 April 2016, the UK's Revenue and Customs published an International Exchange of Information Manual to provide guidance on transfer pricing documentation according to OECD definitions.³⁹¹³

On 17 October 2016, Her Majesty's Revenue and Customs (HMRC) released updated guidance on Disclosure of tax avoidance schemes (DOTAS). The guidance supplements the DOTAS rules which determine whether arrangements relating to tax need to be disclosed, how to make the disclosure, how to notify HMRC of the disclosure etc.³⁹¹⁴

On 1 July 2017, the United Kingdom introduced hybrid mismatch rules, with effect from 1 July 2017, largely based on the OECD recommendations. The OECD released a draft report in relation to branch mismatch arrangements in August 2016 which was finalized in July 2017.³⁹¹⁵

On 16 August 2017, HMRC released guidance stating that HMRC requires that transfer pricing documentation should be retained to support the arm's-length pricing.³⁹¹⁶ Such documentation should be proportionate to the size and complexity of the transactions or business involved and should be the same as that specified in Annexes I and II of the Action 13 report.³⁹¹⁷ HMRC does not require a master file or local file to be filed with the country-by-country report. Transfer pricing documentation does not need to be filed with HMRC but will be requested during an audit. It is recommended that documentation prepared from this date conforms to the master file requirements.³⁹¹⁸

On 7 December 2017, HMRC released updated guidance on disclosure of tax avoidance schemes regarding what to do if a person promotes or uses arrangements (including any scheme, transaction or series of transactions) that will or are intended to provide the user with a tax or national insurance contribution advantage when compared to adopting a different course of action.³⁹¹⁹

On 8 September 2017, the UK published the Finance Bill 2017-19, which contain a number of major business and personal taxation measures, including reforms to the UK's corporate interest restriction rules, the corporation tax loss relief rules, substantial shareholding exemption and the UK anti-hybrid rules.³⁹²⁰ The Finance Bill also includes legislation relating to making tax digital. It is expected that the

³⁹¹³International Exchange of information Manual, HM Revenue and customs 25 April 2016. Access: 2 December 2017. <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim30003133>

³⁹¹⁴Disclosure of tax avoidance schemes: guidance, HM Revenue and customs 17 October 2016. Access: 2 December 2017. <https://www.gov.uk/government/publications/disclosure-of-tax-avoidance-schemes-guidance>

³⁹¹⁵Draft law on Australia's hybrid mismatch rules, Lexology, 27 November 2017. Access date: 12.12.2017. <https://www.lexology.com/library/detail.aspx?g=f49c7478-6d92-4500-8cec-a16e3a8ac9e6>

³⁹¹⁶International Exchange of information Manual, HM Revenue and customs 16 August 2017. Access: 2 December 2017. <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim30003133>

³⁹¹⁷International Exchange of information Manual, HM Revenue and customs 16 August 2017. Access: 2 December 2017. <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim30003133>

³⁹¹⁸International Exchange of information Manual, HM Revenue and customs 16 August 2017. Access: 2 December 2017. <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim30003133>

³⁹¹⁹Disclosure of tax avoidance schemes: guidance, HM Revenue and customs 7 December 2017. Access: 19 December 2017. <https://www.gov.uk/government/publications/disclosure-of-tax-avoidance-schemes-guidance>

³⁹²⁰Financial Bill: September 2017 — legislation and explanatory notes, HM Treasury and HM Revenue and Customs 8 September 2017. Access: 19 December 2017. <https://www.gov.uk/government/publications/finance-bill-september-2017-legislation-and-explanatory-notes>

Committee Stage will start by mid-October and Royal Assent then likely in the first or second week of November.³⁹²¹

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 mechanisms. The UK had also requested that the OECD provided feedback concerning their adoption of the Action 14 best practices, and therefore, the OECD also released an accompanying best practices report.³⁹²²

On 29 November 2017, Bermuda and the UK signed a Country-by-Country Competent Authority Agreement that will enable the automatic reporting of corporate income for UK-related transfer pricing enforcement purposes.³⁹²³ In a statement, the Bermuda Government said the agreement will complete the OECD BEPS tax transparency package between Bermuda and the UK.³⁹²⁴

The United Kingdom has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, the UK has received a score of +1.

Analysts: Nikita Efremov and Angelina Khudoleeva

United States: +1

The United States has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 17 February 2016, the US Treasury Department released a revised US model income tax treaty. The revisions are designed to respond to changes in US treaty partners' tax regimes that the Treasury Department believes may encourage BEPS. The changes include provisions aimed at inversion transactions, 'special tax regimes', and so-called "exempt permanent establishments." The new model includes provisions requiring mandatory binding arbitration to resolve disputes between tax authorities.³⁹²⁵

On 7 June 2017, the competent authorities of the United States and Canada signed a competent authority agreement to exchange country-by-country (CbC) reports. According to the agreement, the US and Canada will exchange annually, on an automatic basis, the CbC report received from each reporting entity that is resident for tax purposes in its jurisdiction, provided that, on the basis of the CbC report, one or more constituent entities of the reporting entity's group is resident for tax

³⁹²¹ Financial Bill: September 2017 — legislation and explanatory notes, HM Treasury and HM Revenue and Customs 8 September 2017. Access: 19 December 2017. <https://www.gov.uk/government/publications/finance-bill-september-2017-legislation-and-explanatory-notes>

³⁹²² Inclusive framework on BEPS: Action 14, Best Practices, United Kingdom, OECD 26 September 2017. Access: 3 December 2017. <http://www.oecd.org/tax/beps/beps-action-14-peer-review-best-practices-united-kingdom.pdf>

³⁹²³ Bermuda and UK agreement on income reporting, The Royal Gazette, 29 November 2017. Access date: 11.12.2017. <http://www.royalgazette.com/business/article/20171129/bermuda-and-uk-agreement-on-income-reporting>

³⁹²⁴ Bermuda and UK agreement on income reporting, The Royal Gazette, 29 November 2017. Access date: 11.12.2017. <http://www.royalgazette.com/business/article/20171129/bermuda-and-uk-agreement-on-income-reporting>

³⁹²⁵ PREAMBLE TO 2016 U.S. MODEL INCOME TAX CONVENTION, U.S. Department of the Treasury 17 February 2016. Access date: 20 December 2017. <https://www.treasury.gov/resource-center/tax-policy/treaties/Documents/Preamble-US%20Model-2016.pdf>

purposes in the other jurisdiction, or is subject to tax with respect to the business carried out through a permanent establishment in the other jurisdiction.³⁹²⁶

On 29 June 2016, the US Treasury and the Internal Revenue Service (IRS) published a rule, which will become final tomorrow, requiring the U.S. parent company of large, public and privately held multinational companies to provide certain financial data to the IRS on a country-by-country basis. The information is meant to provide tax authorities with better tools to identify where a company might be artificially shifting profits into tax havens — a red flag for tax evasion and tax avoidance that may warrant further investigation.³⁹²⁷

On 26 September 2017, the OECD published a report on the US implementation of BEPS Action 14. It stated that “all of the United States” tax treaties include a provision relating to the Mutual Assessment Program (MAP), which generally follow paragraphs 1 through 3 of Article 25 of the Model Tax Convention on Income and on Capital 2014 (OECD Model Tax Convention, OECD 2015). Its treaty network is largely consistent with the requirements of the Action 14 Minimum Standard, whereby under 11 treaties taxpayers are already allowed to submit a MAP request to the competent authorities of either state in line with the new text of Article 25(1), first sentence, of the OECD Model Tax Convention (OECD, 2015), as amended by the final report on Action 14. However, not all treaties are consistent with the requirements of the Action 14 Minimum Standard.”³⁹²⁸

On 11 October 2017, the US took a further step to implement CbC reporting in accordance with the BEPS Action 13 minimum standard, by activating the automatic exchange relationships under the Multilateral Competent Authority Agreement on the Exchange of CbC Reports.³⁹²⁹ Over 1,000 automatic exchange relationships have now been established among jurisdictions committed to exchanging CbC reports as of mid-2018.³⁹³⁰ It is expected that more jurisdictions will nominate partners with which they will undertake the automatic exchange of CbC reports in the coming weeks. In addition, the United States has now signed 27 bilateral competent authority agreements for the exchange of CbC Reports under Double Tax Conventions or Tax Information Exchange Agreements, with more under negotiation.³⁹³¹

³⁹²⁶ Making Dispute Resolution More Effective - MAP Peer Review Report, United States. Inclusive framework on BEPS: Action 14, OECD 26 September 2017. Access date: 20 December 2017. http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/making-dispute-resolution-more-effective-map-peer-review-report-united-states-stage-1_9789264282698-en#.WlIKNUGWTIU

³⁹²⁷ U.S. Treasury, IRS Move Quickly to Implement OECD BEPS Agreement, Finalizing Rule Requiring Country-by-Country Reporting by Multinationals, Global Financial Integrity. Access date: 29 June 2016. <http://www.gfintegrity.org/press-release/u-s-treasury-irs-move-quickly-implement-oecd-beps-agreement-finalizing-rule-requiring-country-country-reporting-multinationals/>

³⁹²⁸ Making Dispute Resolution More Effective - MAP Peer Review Report, United States (Stage 1), OECD 26 September 2017. Access date: 20 December 2017. http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/making-dispute-resolution-more-effective-map-peer-review-report-united-states-stage-1_9789264282698-en#page11

³⁹²⁹ BEPS Action 13: OECD releases CbC reporting implementation status and exchange relationships between tax administrations, OECD. Access date: 11 October 2017. <http://www.oecd.org/ctp/beps/beps-action-13-oecd-releases-cbc-reporting-implementation-status-and-exchange-relationships-between-tax-administrations.htm>

³⁹³⁰ BEPS Action 13: OECD releases CbC reporting implementation status and exchange relationships between tax administrations, OECD. Access date: 11 October 2017. <http://www.oecd.org/ctp/beps/beps-action-13-oecd-releases-cbc-reporting-implementation-status-and-exchange-relationships-between-tax-administrations.htm>

³⁹³¹ BEPS Action 13: OECD releases CbC reporting implementation status and exchange relationships between tax administrations, OECD. Access date: 11 October 2017. <http://www.oecd.org/ctp/beps/beps-action-13-oecd-releases-cbc-reporting-implementation-status-and-exchange-relationships-between-tax-administrations.htm>

On 9 November 2017, the US Senate Finance Committee released policy highlights outlining its goals for tax reform. Later that evening, Senate Finance Committee Chairman Orrin Hatch also released the details of the Senate Republicans' tax reform plan, in the form of a Joint Committee on Taxation description of the Chairman's Mark, which is scheduled for markup by the Committee on 13 November 2017. In addition to lowering the U.S. corporate tax rates to 20 per cent starting with the 2019 tax year, the Senate Plan contains the following BEPS Action 2, 3, and 4 measures.³⁹³²

The US has shown progress in introducing BEPS measures before and has taken steps towards implementing BEPS package during the compliance period.

Thus, the US has received a score of +1.

Analysts: Anastasia Kataeva and Svetlana Shapovalova

European Union: +1

The European Union has fully complied with the commitment on implementing the Action Plan on Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD).

On 8 December 2015, the Council of the European Union adopted two sets of Council conclusions on BEPS in the EU context, and on the future of the code of conduct on business taxation. These conclusions provided the basis for further work by the Council in the area of BEPS in 2016 and endorsed a new Work Package for the Code of Conduct Group.³⁹³³

On 8 March 2016, a second set of Council conclusions on the Future of the Code of Conduct (Business Taxation) was adopted by the Council of the European Union.³⁹³⁴

On 25 May 2016, the Council of the European Union adopted conclusions on the Commission Communication on an External Strategy for Effective Taxation.³⁹³⁵

On 25 October 2016, the Commission produced a Proposal for a Council Directive amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries, as part of the Anti-Tax Avoidance Package. The Slovak Presidency carried out extensive work on this proposal. During the meeting of the Economic and Financial Affairs Council (ECOFIN) on 6 December 2016 the text was generally agreed to except on two items i.e. Articles 9(4) (b) and (c), and the date of entry into force.³⁹³⁶

³⁹³² BEPS and Other Notable Int'l Measures in Draft Senate GOP Tax Reform Plan, Thomson Reuters. Access date: 16 November 2017. <https://tax.thomsonreuters.com/blog/beps-and-other-notable-intl-measures-in-draft-senate-gop-tax-reform-plan/>

³⁹³³ BEPS: Presidency roadmap on future work, the Council of the European Union 6 February 2017. Access date: 23 November 2017. <http://data.consilium.europa.eu/doc/document/ST-5988-2017-INIT/en/pdf>.

³⁹³⁴ BEPS: Presidency roadmap on future work, the Council of the European Union 6 February 2017. Access date: 23 November 2017. <http://data.consilium.europa.eu/doc/document/ST-5988-2017-INIT/en/pdf>.

³⁹³⁵ BEPS: Presidency roadmap on future work, the Council of the European Union 6 February 2017. Access date: 23 November 2017. <http://data.consilium.europa.eu/doc/document/ST-5988-2017-INIT/en/pdf>.

³⁹³⁶ BEPS: Presidency roadmap on future work, the Council of the European Union 6 February 2017. Access date: 23 November 2017. <http://data.consilium.europa.eu/doc/document/ST-5988-2017-INIT/en/pdf>.

On 8 November 2016, the Council of the European Union adopted Conclusions on the criteria for and process leading to the establishment of the EU list of non-cooperative jurisdictions for tax purposes.³⁹³⁷

On 8 December 2015, the Council invited the Code of Conduct Group “to assess the opportunity of developing EU guidance for implementing OECD BEPS conclusions on Action 12 (disclosure of aggressive tax planning), notably with a view to facilitate exchange of such information between tax authorities.” Apart from that, there were significant advances at the EU level in the area of tax transparency, notably through amendments to the Directive on Administrative Cooperation implementing the common reporting standard (CRS) (under the Italian presidency), the exchange of rulings (under the Luxembourg presidency) and country by country (CbC) reporting (under the Dutch presidency), and access to anti-money laundering information (under the Slovak presidency).³⁹³⁸

On 28 January 2016, the Commission presented its proposal for an Anti-Tax Avoidance Directive as part of the Anti-Tax Avoidance Package. On 20 June 2016, the Council adopted the Directive (EU) laying down rules against tax avoidance practices that directly affect the functioning of the internal market. In order to provide for a comprehensive framework of anti-abuse measures the Commission presented its proposal on 25th October 2016, to complement the existing rule on hybrid mismatches. The rule on hybrid mismatches aimed to prevent companies from exploiting national mismatches to avoid taxation. The Anti-Tax Avoidance Directive contained five legally-binding anti-abuse measures, which all Member States should apply against common forms of aggressive tax planning. Member States should apply these measures as from 1 January 2019. It created a minimum level of protection against corporate tax avoidance throughout the EU, while ensuring a fairer and more stable environment for businesses.³⁹³⁹

On 23 May 2017, the Council agreed on a new system for resolving double taxation disputes within the EU. The proposal set out to improve the mechanisms used for resolving disputes between member states when disputes arise from the interpretation of agreements on the elimination of double taxation. It built on convention on the elimination of double taxation in connection with the adjustments of profits of associated enterprises. The draft directive required dispute resolution mechanisms to be mandatory and binding, with clear time limits and an obligation to reach results. It thereby set out to secure a tax environment where compliance costs for businesses are reduced to a minimum. The text allowed for a ‘mutual agreement procedure’ to be initiated by the taxpayer, under which member states must reach an agreement within two years. If the procedure fails, an arbitration procedure is launched to resolve the dispute within specified timelines. For this, an advisory panel of three to five independent arbitrators was appointed together with up to two representatives of each member state. The panel (‘advisory commission’) issued an opinion for eliminating the double taxation in the disputed case, which is binding on the member states involved unless they agree on an alternative solution.³⁹⁴⁰

³⁹³⁷ BEPS: Presidency roadmap on future work, the Council of the European Union 6 February 2017. Access date: 23 November 2017. <http://data.consilium.europa.eu/doc/document/ST-5988-2017-INIT/en/pdf>.

³⁹³⁸ BEPS: Presidency roadmap on future work, the Council of the European Union 6 February 2017. Access date: 23 November 2017. <http://data.consilium.europa.eu/doc/document/ST-5988-2017-INIT/en/pdf>.

³⁹³⁹ The Anti-Tax Avoidance Directive, European Commission 13 September 2016. Access date: 25 November 2017. https://ec.europa.eu/taxation_customs/business/company-tax/anti-tax-avoidance-package/anti-tax-avoidance-directive_en.

³⁹⁴⁰ Double Taxation: Council Agrees Its Position On Dispute Resolution Procedures, the Council of the European Union 23 May 2017. Access date: 25 November 2017. <http://www.consilium.europa.eu/en/press/press-releases/2017/05/23/double-taxation>.

On 10 October 2017, the European Commission welcomed EU members' formal green light for new rules to better resolve tax disputes.³⁹⁴¹ The decision taken by EU finance ministers at the ECOFIN Council meeting in Luxembourg will ensure that businesses and citizens can resolve disputes related to the interpretation of tax treaties more swiftly and effectively.³⁹⁴² It will also cover issues related to double taxation - a major obstacle for businesses, creating uncertainty, unnecessary costs and cash-flow problems.³⁹⁴³ These improvements to the current rules will give taxpayers much more certainty when it comes to seeking resolution to their interpretation of tax treaties or double taxation problems.³⁹⁴⁴ In particular, a wider range of cases will be covered and Member States will have clear deadlines to agree on a binding solution, and citizens and companies will have more timely decisions.³⁹⁴⁵ Members will have a legal duty to take conclusive and enforceable decisions under the improved dispute resolution mechanism. If not, the national courts will do this for them. This agreement will ensure that taxpayers faced with tax treaty disputes can initiate a procedure whereby the members in question must try to resolve the dispute amicably within two years. If at the end of this period, no solution has been found, the members must set up an advisory commission to arbitrate.³⁹⁴⁶ If Members fail to do this, the taxpayer can bring an action before the national court to do so. This advisory commission will be composed of three independent members and representatives of the competent authorities in question. It will have six months to deliver a final, binding decision.³⁹⁴⁷ This decision will be immediately enforceable and must resolve the dispute.³⁹⁴⁸

On 5 December 2017, the first ever EU list of non-cooperative tax jurisdictions was agreed by members.³⁹⁴⁹ This list was part of the EU's work to fight tax evasion and avoidance and aimed to create a stronger deterrent for countries that consistently refused to play fair on tax matters.³⁹⁵⁰ The overall goal of the EU list was to improve tax good governance globally, and to ensure that the EU's international partners respected the same standards as EU members do.³⁹⁵¹ The list was a result of a thorough screening and dialogue process with non-EU countries, to assess them against agreed criteria for good governance.³⁹⁵² These criteria related to tax transparency, fair taxation, the implementation of OECD BEPS measures and substance requirements for zero-tax countries. The

³⁹⁴¹ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴² Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴³ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴⁴ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴⁵ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴⁶ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴⁷ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴⁸ Fair Taxation: Commission welcomes new rules to resolve tax disputes, European Commission 10 October 2017. Access date: 19 December 2017. http://europa.eu/rapid/press-release_IP-17-3727_en.htm.

³⁹⁴⁹ Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

³⁹⁵⁰ Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

³⁹⁵¹ Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

³⁹⁵² Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

criteria were agreed by Member States at the November 2016 ECOFIN and used as the basis for a .”³⁹⁵³ The EU listing process also had a very positive impact as most jurisdictions engaged constructively with the EU during the listing process. Many made concrete, high level commitments to improve their standards, as a result of the EU screening exercise.³⁹⁵⁴ The EU list will be updated at least once a year and listed jurisdictions will be removed from the list once they have addressed EU concerns.³⁹⁵⁵

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³⁹⁵³ Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

³⁹⁵⁴ Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

³⁹⁵⁵ Common EU list of third country jurisdictions for tax purposes, European Commission 5 December 2017. Access date: 19 December 2017. https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.