



# 2020 G20 Riyadh Summit Final Compliance Report

Prepared by

Kaylin Dawe, Jae Yoon Mary Noh and the G20 Research Group

University of Toronto

Toronto

and

Alexander Ignatov and the Center for International Institutions Research

Russian Presidential Academy of National Economy and Public Administration,

Moscow

From 23 November 2020 to 27 September 2021

10 November 2021 (updated from 28 October 2021)

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

**We encourage readers to send comments to**

**G20@utoronto.ca**

## Contents

Preface .....	3
Research Teams .....	4
Toronto G20 Research Group Team.....	4
G20 Research Group Lead Analysts .....	4
G20 Research Group Analysts .....	4
CIIR G20 Research Team.....	5
Introduction and Summary .....	6
Methodology and Scoring System.....	6
Commitment Breakdown .....	6
Selection of Commitments.....	6
Final Compliance Scores .....	7
Final Compliance by Member .....	7
Final Compliance by Commitment.....	7
Table 1: 2020 G20 Riyadh Summit Commitments Selected for Compliance Monitoring.....	8
Table 2: 2020 G20 Riyadh Summit Final Compliance Scores.....	10
Table 3: 2020 G20 Riyadh Summit Final Compliance by Member .....	12
Table 4: 2020 G20 Riyadh Summit Final Compliance by Commitment .....	12
Table 5: G20 Compliance by Member, 2008-2020 .....	13
Conclusions .....	14
Future Research and Reports .....	14
Considerations and Limitations.....	14
Appendix: General Considerations.....	15
1. Macroeconomic Policy: Inclusive Growth.....	16
2. Macroeconomics: Capital Markets.....	119
3. Trade: Investment .....	149
4. Trade: Open Markets.....	251
5. Digital Economy: Consumer Rights .....	272
6. International Taxation: Tax Systems.....	310
7. International Taxation: BEPS .....	364
8. Crime and Corruption: Threats.....	385
9. Labour and Employment: Job Protection.....	418
10. Gender: Inequalities.....	473
11. Gender: Economic Participation .....	603
12. Development: Debt Relief.....	692
13. Development: COVID-19.....	759
14. Health Preparedness and Response .....	791
15. Health: Information Sharing .....	985
16. Health: Vaccine Distribution.....	1038
17. Energy: Fossil Fuels.....	1068
18. Environment: Marine Plastic Litter.....	1100
19. Climate Change: Circular Carbon Economy .....	1129
20. Climate Change: Paris Agreement.....	1225

## 6. International Taxation: Tax Systems

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

*G20 Riyadh Leaders’ Declaration*

### Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina			+1
Australia			+1
Brazil			+1
Canada		0	
China			+1
France			+1
Germany			+1
India			+1
Indonesia			+1
Italy			+1
Japan			+1
Korea			+1
Mexico		0	
Russia			+1
Saudi Arabia			+1
South Africa			+1
Turkey			+1
United Kingdom			+1
United States			+1
European Union			+1
Average		+0.90 (95%)	

### Background

International taxation has been a longstanding item of importance on the G20’s agenda. As early as the first G20 leaders’ summit in 2008, G20 leaders committed to medium-term actions to promote tax information exchange and transparency through the work of tax authorities and under the framework of the Organisation for Economic Co-operation and Development (OECD).<sup>2261</sup> In the Declaration of the Summit on Financial Markets and the World Economy adopted in 2008, G20 leaders recognized the importance of tax cooperation to promoting integrity in financial markets.

At the subsequent summit in London in 2009, G20 leaders pledged to “take action against non-cooperative jurisdictions, including tax havens,” which do not meet international standards of tax transparency.<sup>2262</sup> In an annexed summit outcome document, the Declaration on Strengthening the Financial System, G20 leaders committed to facilitating the access of developing countries to “the benefits of a new cooperative tax environment.”<sup>2263</sup>

<sup>2261</sup> Declaration of the Summit on Financial Markets and the World Economy, G20 Information Centre (Washington DC) 15 November 2008. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2008/2008declaration1115.html>

<sup>2262</sup> London Summit – Leaders’ Summit, G20 Information Centre (Toronto) 2 April 2009. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2009/2009communique0402.pdf>

<sup>2263</sup> Declaration on Strengthening the Financial System – London Summit, G20 Information Centre (Toronto) 2 April 2009. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2009/2009ifi.pdf>

In September 2009, G20 leaders convened at the ensuing summit in Pittsburgh and noted collective progress in fighting non-cooperative jurisdictions. In the leaders' statement, G20 leaders committed to advancing "momentum in dealing with tax havens, money laundering, proceeds of corruption, terrorist financing, and prudential standards."<sup>2264</sup>

At the Seoul summit in 2010, G20 leaders reiterated their commitment to "preventing non-cooperative jurisdictions from posing risks to the global financial system and welcomed the ongoing efforts by the FSB, Global Forum on Tax Transparency and Exchange of Information (Global Forum), and the Financial Action Task Force (FATF), based on comprehensive, consistent and transparent assessment."<sup>2265</sup> Furthermore, the leaders pledged to "build sustainable revenue bases for inclusive growth and social equity by improving developing country tax administration systems and policies and highlighting the relationship between non-cooperative jurisdictions and development."<sup>2266</sup>

In November 2011, G20 leaders convened in Cannes, France, and adopted outcome documents that contained unilateral commitments on tax reform. G20 members such as the United States, France, Japan, India, Italy, and Germany individually committed to policy actions such as growth-friendly reduction of tax expenditures and other employment-friendly tax reforms.<sup>2267</sup> In the summit declaration, G20 leaders collectively reaffirmed their commitment to protecting "public finances and the global financial system from the risks posed by tax havens and non-cooperative jurisdictions," with an emphasis on supporting tax systems in Least Developed Countries.<sup>2268</sup>

At the Los Cabos Summit in 2012, G20 leaders renewed their "commitment to strengthen transparency and comprehensive exchange of information" and welcomed the "OECD report on the practice of automatic information exchange," reaffirming the leaders' intention to implement this practice.<sup>2269</sup> Moreover, G20 leaders highlighted "the need to prevent base erosion and profit shifting," also under the framework of the OECD.<sup>2270</sup> At the same summit, G20 leaders adopted the Los Cabos Growth and Jobs Action Plan, which contains a commitment to engage in tax and expenditure reforms to improve debt-to-GDP ratios and strengthen medium-term foundations for growth.<sup>2271</sup>

At the St. Petersburg Summit in 2013, G20 leaders dedicated a section of the leaders' declaration to "Addressing Base Erosion and Profit Shifting, Tackling Tax Avoidance, and Promoting Tax Transparency and Automatic Exchange of Information."<sup>2272</sup> This includes a commitment to improve "rules to tackle tax avoidance, harmful practices, and aggressive tax planning" and "ensure confidentiality and the proper use of information exchanged" under the proposed "new single

---

<sup>2264</sup> G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 25 September 2009. Access Date: 25 February 2021. [www.g20.utoronto.ca/2009/2009communique0925.html](http://www.g20.utoronto.ca/2009/2009communique0925.html)

<sup>2265</sup> The Seoul Summit Document, G20 Information Centre (Toronto) 12 November 2010. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2010/g20seoul-doc.html>

<sup>2266</sup> The Seoul Summit Document, G20 Information Centre (Toronto) 12 November 2010. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2010/g20seoul-doc.html>

<sup>2267</sup> 2011 G20 Cannes Summit, G20 Information Centre (Toronto), 4 November 2011. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/summits/2011cannes.html>

<sup>2268</sup> Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All, G20 Information Centre (Toronto) 4 November 2011. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>

<sup>2269</sup> G20 Leaders Declaration, G20 Information Centre (Toronto) 19 June 2012. Access Date: 25 February 2021. [www.g20.utoronto.ca/2012/2012-0619-loscabos.html](http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html)

<sup>2270</sup> G20 Leaders Declaration, G20 Information Centre (Toronto) 19 June 2012. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html>

<sup>2271</sup> The Los Cabos Growth and Jobs Action Plan, G20 Information Centre (Toronto) 19 June 2012. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.html>

<sup>2272</sup> G20 Leaders' Declaration, G20 Information Centre (Toronto) 6 September 2013. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>

standard for automatic exchange of information.”<sup>2273</sup> Other summit commitments from 2013 elucidated the need to share expertise, build the capacity of developing countries, and tackle tax crimes.<sup>2274</sup>

At the Brisbane Summit in 2014, G20 leaders welcomed “progress on the G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan to modernize international tax rules.”<sup>2275</sup> They also committed to enhancing tax transparency, combating cross-border tax evasion, building tax administration capacity and other tax-related areas of work.<sup>2276</sup>

In 2015, at the Antalya Summit in Turkey, G20 leaders reaffirmed “previous commitments to information exchange on-Request as well as to automatic exchange of information.”<sup>2277</sup> They also pledged to “strengthen developing economies’ engagement in the international tax agenda.”<sup>2278</sup>

At the Hangzhou Summit hosted by China in September 2016, G20 leaders committed to continue their “support for international tax cooperation to achieve a globally fair and modern international tax system and to foster growth, including advancing on-going cooperation on base erosion and profits shifting,” exchange of tax information, capacity-building for developing countries, growth-promoting tax policies, tax certainty, and taxation-based channels of terrorist financing.<sup>2279</sup> In addition, the Hangzhou Action Plan attributed a section to “Tax for Growth,” which included commitments on coordinated tax policies for a “fair and efficient international tax system.”<sup>2280</sup>

At the 2017 summit hosted by Germany in Hamburg, G20 leaders reiterated their pledge to a “globally fair and modern international tax system” and the BEPS package.<sup>2281</sup> The leaders emphasized the implementation of agreed international standards on tax transparency, tax certainty, capacity-building, tax evasion, and emerging tax challenges from a digitalized economy.<sup>2282</sup> The spotlight on tax cooperation was further advanced by the Hamburg Action Plan, which inscribed a commitment to enhancing international tax cooperation, automatic exchange of information, and tax aid effectiveness, among other areas.<sup>2283</sup>

---

<sup>2273</sup> G20 Leaders' Declaration, G20 Information Centre (Toronto) 6 September 2013. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>

<sup>2274</sup> G20 Leaders' Declaration, G20 Information Centre (Toronto) 6 September 2013. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>

<sup>2275</sup> G20 Leaders' Communiqué, G20 Information Centre (Toronto) 16 November 2014. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2014/2014-1116-communiqué.html>

<sup>2276</sup> G20 Leaders' Communiqué, G20 Information Centre (Toronto) 16 November 2014. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2014/2014-1116-communiqué.html>

<sup>2277</sup> G20 Leaders' Communiqué, G20 Information Centre (Toronto) 16 November 2015. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2015/151116-communiqué.html>

<sup>2278</sup> G20 Leaders' Communiqué, G20 Information Centre (Toronto) 16 November 2015. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2015/151116-communiqué.html>

<sup>2279</sup> G20 Leaders' Communiqué: Hangzhou Summit, G20 Information Centre (Toronto) 5 September 2016. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2016/160905-communiqué.html>

<sup>2280</sup> Hangzhou Action Plan, G20 Information Centre (Toronto) 5 September 2016. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2016/160905-action.html>

<sup>2281</sup> G20 Leaders' Declaration: Shaping an Interconnected World, G20 Information Centre (Toronto) 8 July 2017. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2017/2017-G20-leaders-declaration.html>

<sup>2282</sup> G20 Leaders' Declaration: Shaping an Interconnected World, G20 Information Centre (Toronto) 8 July 2017. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2017/2017-G20-leaders-declaration.html>

<sup>2283</sup> G20 Hamburg Action Plan, G20 Information Centre (Toronto) 8 July 2017. Access Date: 25 February 2021. [www.g20.utoronto.ca/2017/2017-g20-hamburg-action-plan.html](http://www.g20.utoronto.ca/2017/2017-g20-hamburg-action-plan.html)

At the 2018 summit hosted in Buenos Aires, Argentina, G20 leaders emphasized the importance of secure sustainable tax systems.<sup>2284</sup> They also recognized the tax implications of digitalization of the economy and the importance of tax capacity-building for developing countries. The leaders echoed previous pledges on the BEPS package and committed to “a globally fair, sustainable and modern international tax system based in particular on tax treaties and transfer pricing rules.”<sup>2285</sup>

In 2019, G20 leaders convened in Osaka, Japan, and reiterated their commitment to “a globally fair, sustainable, and modern international tax system.”<sup>2286</sup> They further echoed previous pledges to tax capacity-building in developing countries, as well as the Inclusive Framework on BEPS and its efforts to address tax challenges arising from digitalization.<sup>2287</sup> They noted the importance of enhanced cooperation through tax treaties, exchange of financial account information, implementation of OECD and tax transparency standards, tax capacity-building, and the BEPS package.<sup>2288</sup>

The consistent prominence of international taxation as an agenda item at the G20 leaders’ level reflects the breadth and depth of this issue area. In the G20 Riyadh Leaders’ Declaration adopted on 21 November 2020, G20 leaders continued their track record of emphasis on international taxation by committing that “we will continue our cooperation for a globally fair, sustainable, and modern international tax system.”<sup>2289</sup>

### **Commitment Features**

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

“We will continue our cooperation for a globally fair, sustainable, and modern international tax system. We welcome the Reports on the Blueprints for Pillar 1 and Pillar 2 approved for public release by the G20/OECD Inclusive Framework on BEPS. Building on this solid basis, we remain committed to further progress on both pillars and urge the G20/OECD Inclusive Framework on BEPS to address the remaining issues with a view to reaching a global and consensus-based solution by mid-2021. We welcome the report approved by the G20/OECD Inclusive Framework on BEPS on the tax policy implications of virtual currencies. We welcome the progress made on implementing the internationally agreed tax transparency standards and on the established automatic exchange of information. We will continue our support to developing countries in strengthening their tax capacity to build sustainable tax revenue bases.”<sup>2290</sup>

To define the key terms in this commitment, “cooperation” is understood to mean “the action or process of working together to the same end.”<sup>2291</sup> “Fair” is defined as treating one “in a way that is

---

<sup>2284</sup> G20 Leaders' Declaration: Building Consensus for Fair and Sustainable Development, G20 Information Centre (Toronto) 1 December 2018. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2018/2018-leaders-declaration.html>

<sup>2285</sup> G20 Leaders' Declaration: Building Consensus for Fair and Sustainable Development, G20 Information Centre (Toronto) 1 December 2018. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2018/2018-leaders-declaration.html>

<sup>2286</sup> G20 Osaka Leaders' Declaration, G20 Information Centre (Toronto) 29 June 2019. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2019/2019-g20-osaka-leaders-declaration.html>

<sup>2287</sup> G20 Osaka Leaders' Declaration, G20 Information Centre (Toronto) 29 June 2019. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2019/2019-g20-osaka-leaders-declaration.html>

<sup>2288</sup> G20 Osaka Leaders' Declaration, G20 Information Centre (Toronto) 29 June 2019. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2019/2019-g20-osaka-leaders-declaration.html>

<sup>2289</sup> Leaders' Declaration, G20 Riyadh Summit, G20 Information Centre (Toronto) 21 November 2020. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2020/2020-g20-leaders-declaration-1121.html>

<sup>2290</sup> Leaders' Declaration, G20 Riyadh Summit, G20 Information Centre (Toronto) 21 November 2020. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2020/2020-g20-leaders-declaration-1121.html>

<sup>2291</sup> Compliance Coding Manual for International Institutional Commitments, Global Governance Program (Toronto) 12 November 2020. Access Date: 25 February 2021. [http://www.g7.utoronto.ca/compliance/Compliance\\_Coding\\_Manual\\_2020.pdf](http://www.g7.utoronto.ca/compliance/Compliance_Coding_Manual_2020.pdf)

right or reasonable” or as one expects or deserves.<sup>2292</sup> In the context of taxation, “fair” is understood in the context of individuals and corporations paying their due share of taxes.<sup>2293</sup> As an objective, fair taxation can be facilitated by policies that seek to address tax avoidance through the designation of non-cooperative tax jurisdictions, or other measures to prevent base erosion and profit shifting practices that undermine the integrity of taxation systems.<sup>2294</sup>

“Sustainable” is understood to mean the ability to continue over a long time or be maintained with momentum.<sup>2295</sup> “Modern” means designed and made using “recently developed ideas, methods or styles.”<sup>2296</sup> For example, efforts to strive for a modern tax system may include adjusting the design and administration of tax systems and international rules to respond to digital transformations in the global economy.<sup>2297</sup> Other elements of a modern tax system may include e-invoicing and voluntary compliance and self-assessment procedures, which seek to remove obstacles for growth, mitigate cyclical volatility, and improve the re-distributional aspects of taxation.<sup>2298</sup>

The concept of the “international tax system” refers to the architecture of rules, controls, and instruments that govern cross-border taxation, striving to ensure stability, certainty and consistency as the underpinning principles of this international regulatory regime.<sup>2299</sup> The international tax regime predominantly focuses on individual and corporate income tax, addressing issues such as the allocation of taxing rights between source and resident countries. International taxation and effective governance thereof are essential for business activities, investment attraction, comparative advantages in international trade, curbing crime and corruption, and a range of distributional and growth-related domestic political economy issues. Hence, the importance of policy coordination between G20 economies in the issue area of international taxation cannot be understated.

To contextualize the scope of actions that constitute “cooperation for a globally fair, sustainable, and modern international tax system,” one may draw upon fifteen actions developed under the OECD/G20 BEPS Project. Actions by G20 governments in line with the areas provided below may be considered to fall within the parameters of the present commitment. The indicative list constitutes a set of rules and instruments to address tax evasion and improve domestic and international taxation architectures:

“Action 1 Tax Challenges Arising from Digitalisation: dealing with the large range of tax challenges arising from the digitalization of the economy to develop a consensus-based solution by mid-2021

Action 2 Neutralising the Effects of Hybrid Mismatch Arrangements: preventing hybrid mismatch arrangements from being used for BEPS while minimising impact on cross-border trade and investment

---

<sup>2292</sup> Fair, Cambridge English Dictionary (Cambridge) n.d. Access Date: 25 February 2021.

<https://dictionary.cambridge.org/dictionary/english/fair>

<sup>2293</sup> Fair Taxation: EU updates list of non-cooperative tax jurisdictions, European Commission (Brussels) 18 February 2020. Access Date: 1 April 2021. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_262](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_262)

<sup>2294</sup> Joint Action for Efficient and Fair Taxation, Organisation for Economic Co-operation and Development(Paris) 20 July 2013. Access Date: 1 April 2021. <https://www.oecd.org/about/secretary-general/joint-action-efficient-fair-taxation.htm>

<sup>2295</sup> Sustainable, Cambridge English Dictionary (Cambridge) n.d. Access Date: 25 February 2021.

<https://dictionary.cambridge.org/dictionary/english/sustainable>

<sup>2296</sup> Modern, Cambridge English Dictionary (Cambridge) n.d. Access Date: 25 February 2021.

<https://dictionary.cambridge.org/dictionary/english/modern>

<sup>2297</sup> Tax and Digitalization, Organisation for Economic Co-operation and Development(Paris) March 2019. Access Date: 1 April 2021. <https://www.oecd.org/going-digital/tax-and-digitalisation.pdf>

<sup>2298</sup> Modern Tax Systems, Parliament of Australia (Canberra) n.d. Access Date: 1 April 2021.

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Tax\\_and\\_Revenue/Taxpayerengagement/Report\\_1/section?id=committees%2Freportrep%2F024169%2F25967](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/Taxpayerengagement/Report_1/section?id=committees%2Freportrep%2F024169%2F25967)

<sup>2299</sup> Global Taxation, International Chamber of Commerce (Paris) n.d. Access Date: 25 February 2021.

<https://iccwbo.org/global-issues-trends/competitive-markets/global-taxation/>

Action 3 Controlled Foreign Company: reducing the incentive of taxpayers to shift income from a market country into foreign subsidiaries in a low-tax jurisdiction

Action 4 Limitation on Interest Deductions: establishing rules that link an entity's net interest deductions to its level of economic activity within the jurisdiction

Action 5 Harmful Tax Practices: countering harmful tax practices with a focus on improving transparency

Action 6 Prevention of Tax Treaty Abuse: developing model tax treaty provisions and recommendations to prevent treaty abuse

Action 7 Permanent Establishment Status: preventing artificial avoidance of permanent establishment status in tax treaties through commissionaire structures and more

Actions 8-10 Transfer Pricing: guidance for applying the arm's length principle

Action 8 Intangibles

Action 9 Risks and Capital

Action 10 High-Risk Transactions

Action 11 BEPS Data Analysis: collecting and analyzing data on the economic and fiscal effects of tax avoidance behaviours and on the impact of measures proposed under the BEPS Project

Action 12 Mandatory Disclosure Rules: requiring taxpayers and advisors to disclose aggressive tax planning arrangements to tax authorities

Action 13 Country-by-Country Reporting: improving tax transparency

Action 14 Mutual Agreement Procedure: making dispute resolution between jurisdiction more timely, effective, and efficient

Action 15 Multilateral Instrument: implementing the tax treaty-related BEPS recommendations to address vulnerabilities in existing tax treaties<sup>2300</sup>

In the context of the commitment's paragraph (reproduced above) and previous commitments made by G20 leaders on international taxation, the scoring of this commitment is divided into two pillars of cooperation: 1) bilateral or plurilateral cooperation and 2) cooperation through multilateral frameworks. While the former refers to state-to-state cooperation, often ad hoc in nature or based on "coalitions of the willing" arrangements such as Memoranda of Understanding, the latter form of cooperation takes place through channels of established multilateral institutions. Such multilateral institutions may include, but are not limited to, the G20/OECD Inclusive Framework on BEPS, United Nations agencies, and other summits such as the G7 and BRICS.<sup>2301</sup>

The depth dimension, or the strength of the action required to demonstrate compliance, is qualified by the phrase "continue our cooperation." This is interpreted to mean the G20 leaders are building on already existing work.

---

<sup>2300</sup> BEPS Actions, Organisation for Economic Co-operation and Development(Paris) Access Date: 25 February 2021. <https://www.oecd.org/tax/beps/beps-actions/>

<sup>2301</sup> About the Inclusive Framework on BEPS, Organisation for Economic Co-operation and Development(Paris) Access Date: 25 February 2021. <https://www.oecd.org/tax/beps/beps-about.htm/>

Full compliance, or a score of +1, is assigned to G20 members that demonstrate substantial policy action in both pillars of the commitment by working with other governments. The G20 member must cooperate through both bilateral/plurilateral inter-state channels and multilateral frameworks to demonstrate they have continued to cooperate on this issue. This can include financial pledges, legislative and legal action, the establishment of partnerships, high-level meetings and summits, draft proposals, technical assistance projects, signature and ratification of international agreements etc. Members that take strong action in one of the two dimensions, but slightly less than strong action in the other will still receive a score for full compliance.

Partial compliance includes all actions that are less than strong. This includes verbal reaffirmations of the commitment through a public statement, simply attending a meeting with no evidence of the members' individual contribution etc. A member receives a score of 0 if it demonstrates less than strong compliance across the commitment. In other words, full compliance necessitates strong policy action on at least one of the dimensions of cooperation at the inter-state level. If the G20 member introduced reforms to its domestic tax policies with no cross-border implications, yet the policy actions align with the objectives of the OECD/G20 BEPS Project, such actions would still fall within the scope of partial compliance.

Non-compliance, denoted by -1, is scored by G20 members that did not engage in any cooperation for a globally fair, sustainable, and modern international tax system.

**Scoring Guidelines**

-1	G20 member did NOT continue its cooperation for a globally fair, sustainable and modern international tax system.
0	G20 member PARTIALLY continued its cooperation for a globally fair, sustainable, and modern international tax system through bilateral/plurilateral arrangements OR multilateral institutions.
+1	G20 member FULLY continued its cooperation for a globally fair, sustainable, and modern international tax system through bilateral/plurilateral arrangements AND multilateral institutions.

*Compliance Director: Angela Min Yi Hou  
Lead Analyst: Chan Wai Suet Gi Gi*

**Argentina: +1**

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

On 28 January 2021, Argentina signed an agreement with the US to exchange country-by-country reporting on the tax affairs of large multinational groups, allowing assessments of multinational companies' tax avoidance activities through inappropriate transfer pricing or other means.<sup>2302</sup>

On 12 March 2021, Argentina enacted Law No. 27613, which introduced tax incentives for real estate investment and a voluntary disclosure program on the possession of national and/or foreign currency.<sup>2303</sup>

<sup>2302</sup> US, Argentina agree to exchange country-by-country reports on large multinationals, MNE Tax (Washington, DC) 28 January 2021. Access Date: 13 May 2021. <https://mnetax.com/us-argentina-agree-to-exchange-country-by-country-reports-of-large-multinational-42276>

On 20 March 2021, the government presented a proposal to change individual and corporate income tax laws. It proposed to raise income tax bracket rates for large companies to compensate for the shortfall created by the pandemic. It further proposed to maintain a 25 per cent tax rate on small companies and create a 7 per cent tax on the distribution of profits for companies.<sup>2304</sup>

On 20 May 2021, the Central Bank and the National Securities Commission issued a joint statement warning investors and users about “the risks and implications involved in using and investing in crypto-assets” and recommended a prudent approach.<sup>2305</sup>

On 16 June 2021, Argentina enacted Law 27630 to amend its corporate income tax law. This created a progressive range of tax from 25 per cent to 35 per cent, up from the previous flat rate of 25 per cent.<sup>2306</sup>

On 18 June 2021, Argentina issued General Resolution 5010/2021, which extended the due dates for transfer pricing filings and introduced a simplified regime for transfer pricing information reporting.<sup>2307</sup> It also amended General Resolution 4717 to state that unless specific conditions are satisfied, taxpayers cannot use an entity with operating losses as a comparable for transfer pricing purposes.<sup>2308</sup>

On 21 June 2021, Argentina extended the deadline for multinational corporations to submit transfer pricing reports for tax purposes to accommodate for delays and difficulties caused by the pandemic.<sup>2309</sup>

On 28 June 2021, Finance Minister Martin Guzman expressed support for the idea of a global minimum tax, which was proposed by the G7. He agreed that such an idea could be useful for developing countries but proposed that the global minimum corporate tax rate be higher, citing 21 per cent and 25 per cent as potential minimum rates.<sup>2310</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Argentina joined the OECD’s statement to establish a two-pillar framework for international tax reform. Pillar One will “re-allocate some taxing rights over multinational enterprises (MNEs) from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence

---

<sup>2303</sup> Argentina: National Executive Branch enacts Law No. 27,613 that provides tax benefits for real estate projects and the voluntary declaration of national or foreign currency in Argentina and abroad, Global Compliance News (Frankfurt) 1 April 2021. Access Date: 13 May 2021. <https://globalcompliancenews.com/argentina-national-executive-branch-enacts-law-no-27613-that-provides-tax-benefits-for-real-estate-projects-and-the-voluntary-declaration-of-national-or-foreign-currency-in-argentina-and-abroad-120320/>

<sup>2304</sup> Argentina will raise income tax for large companies, Rio Times (Rio de Janeiro) 20 March 2021. Access Date: 23 March 2021. <https://riotimesonline.com/brazil-news/mercosur/mercosur-latin-america-caribbean/argentina-will-raise-income-tax-for-large-companies/>

<sup>2305</sup> The joint statement of the Argentina’s Central Bank and the National Securities Commission about crypto-assets, Dentons (Buenos Aires) 28 May 2021. Access Date: 18 September 2021.

<https://www.dentons.com/en/insights/articles/2021/may/28/the-joint-statement-of-the-argentinas-central-bank>

<sup>2306</sup> Amendments to the Corporate Income Tax rate, PricewaterhouseCoopers (Buenos Aires) 16 June 2021. Access Date: 12 September 2021. <https://taxsummaries.pwc.com/argentina/corporate/significant-developments>

<sup>2307</sup> Argentina establishes simplified transfer pricing reporting regime, MNE Tax (Washington D.C.) 22 June 2021. Access Date: 18 September 2021. <https://mnetax.com/argentina-establishes-simplified-transfer-pricing-reporting-regime-44778>

<sup>2308</sup> Argentina issues new transfer pricing regulations, Ernest & Young (Buenos Aires) 25 June 2021. Access Date: 18 September 2021. <https://taxnews.ey.com/news/2021-1269-argentina-issues-new-transfer-pricing-regulations>

<sup>2309</sup> Argentina Extends Deadlines for Transfer Pricing Reports, Law360 (New York) 21 June 2021. Access Date: 25 July 2021. <https://www.law360.com/tax-authority/articles/1395692/argentina-extends-deadlines-for-transfer-pricing-reports>

<sup>2310</sup> Argentina says 15% global minimum corporate tax rate ‘too low’, Reuters (Berlin) 28 June 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/argentina-says-15-global-minimum-corporate-tax-rate-too-low-2021-06-28/>

there.”<sup>2311</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2312</sup>

On 3 September 2021, the Supreme Court issued a ruling that restricted the ability of certain subsidiaries to enjoy the benefits of double taxation treaties. The ruling rejected Molinos Argentina's appeal, where the court found that the company used its Chilean branch as a “vehicle company” to shift profits.<sup>2313</sup>

Argentina has pursued bilateral arrangements with the US to facilitate exchange of information on large MNEs. It has also pursued domestic reforms in the monitoring of foreign currency possession, investing in digital currencies, reporting of transfer pricing information and more. Furthermore, Argentina demonstrated continued cooperation in multilateral institutions through supporting the OECD's two-pillar framework on international tax reform.

Thus, Argentina receives a score of +1.

*Analyst: Faadil Butt*

### **Australia: +1**

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

On 3 December 2020, the Australian Taxation Office (ATO) released an updated Practice Statement Law Administration (PSLA) 2015/4 pertaining to Advance Pricing Arrangements (APA).<sup>2314</sup> This Practice Statement intends to clarify the practice and procedures to ATO staff when working with APAs and promote transparency by helping taxpayers understand the approval and review process.<sup>2315</sup>

On 10 December 2020, the ATO announced updates to Practical Compliance Guideline (PCG) 2017/4, a document concerning cross-border financing agreements and transactions.<sup>2316</sup> The updated version contains Schedule 3, which concerns interest-free loans between parties and outlines the risk assessment of international related-party dealings to ensure compliance with transfer pricing rules.<sup>2317,2318</sup>

---

<sup>2311</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2312</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2313</sup> The Supreme Court of Argentina confirms the understanding of the tax authorities on the absence of “substance” of certain subsidiaries to enjoy the benefits of a treaty to prevent double taxation, Canosa (Buenos Aires) 3 September 2021. Access Date: 13 September 2021. <https://canosa.com/the-supreme-court-of-argentina-confirms-the-understanding-of-the-tax-authorities-on-the-absence-of-substance-of-certain-subsidiary-to-enjoy-the-benefits-of-a-treaty-to-prevent-doubl/>

<sup>2314</sup> Practice Statement Law Administration, Australian Taxation Office (Canberra) 23 July 2015. Access Date: 21 March 2021. <https://www.ato.gov.au/law/view/document?DocID=PSR/PS20154/NAT/ATO/00001&PiT=99991231235958#LawTimeline>

<sup>2315</sup> Practice Statement Law Administration, Australian Taxation Office (Canberra) 23 July 2015. Access Date: 21 March 2021. <https://www.ato.gov.au/law/view/document?DocID=PSR/PS20154/NAT/ATO/00001&PiT=99991231235958#LawTimeline>

<sup>2316</sup> Practical Compliance Guideline PCG 2017/4, Australian Taxation Office (Canberra) 10 December 2020. Access Date: 30 April 2021. <https://www.ato.gov.au/law/view/document?docid=COG/PCG20174/NAT/ATO/00001#H193>

<sup>2317</sup> Australia: Updated ATO guidance, cross-border related-party financing arrangement, KPMG (Amstelveen) 10 December 2020. Access Date: 9 May 2021. <https://home.kpmg/us/en/home/insights/2020/12/tnf-australia-updated-ato-guidance-cross-border-related-party-financing-arrangements.html>

On 17 December 2020, Australia passed the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019.<sup>2319</sup> The amendment strengthens the anti-money laundering and terrorism financing framework through enhancing customer identification, restricting shell banks, requiring stricter bank due diligence and expanding allowances of tip-off to external auditors.<sup>2320</sup>

On 3 March 2021, a memorandum of understanding (MOU) between Australia and Belgium took effect. The MOU established an arbitration process provided in Part VI of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS).<sup>2321</sup> This MOU was signed in accordance with Article 25 of the Avoidance of Double Taxation and the Prevention of Fiscal Evasion between Australia and Belgium.<sup>2322</sup>

On 12 March 2021, Member of Parliament Josh Frydenberg announced that the government reaffirms its commitment to support the OECD in addressing harmful tax practices. Specifically, the government plans to introduce legislation in Parliament which will reform the Offshore Banking Unit.<sup>2323</sup>

On 1 April 2021, the ATO released a synthesized text to facilitate understanding of the Agreement between the government of Australia and the government of Indonesia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.<sup>2324</sup>

On 21 April 2021, the ATO released the Draft PCG 2021/D3, which outlines the ATO's assessment of risk associated with hybrid mismatch rules, as well as the level of supporting information the Commissioner of Taxation expects taxpayers to have in order to demonstrate compliance.<sup>2325</sup>

On 3 August 2021, Australia achieved an upgraded OECD transfer pricing profile via actions taken in March to remove its long-standing offshore banking unit (OBU) regime, and through actions taken earlier in the summer to withdraw a host of accommodations for OBUs.<sup>2326</sup>

---

<sup>2318</sup> Practical Compliance Guideline PCG 2017/4, Australian Taxation Office (Canberra) 10 December 2020. Access Date: 30 April 2021. <https://www.ato.gov.au/law/view/document?docid=COG/PCG20174/NAT/ATO/00001#H193>

<sup>2319</sup> Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019, Parliament of Australia (Canberra) 17 December 2020. Access Date: 30 April 2021.

[https://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r6431](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r6431)

<sup>2320</sup> Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019, Parliament of Australia (Canberra) 17 December 2020. Access Date: 30 April 2021.

[https://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r6431](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r6431)

<sup>2321</sup> Memorandum of Understanding on the Mode of Application on the Implementation of Part VI of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting between the competent authorities of Australia and the Kingdom of Belgium, Australian Taxation Office (Canberra) 3 March 2021. Access Date: 20 March 2021. <https://www.ato.gov.au/law/view/view.htm?docid=%22MOU%2FBelgium%22>

<sup>2322</sup> Memorandum of Understanding on the Mode of Application on the Implementation of Part VI of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting between the competent authorities of Australia and the Kingdom of Belgium, Australian Taxation Office (Canberra) 3 March 2021. Access Date: 20 March 2021. <https://www.ato.gov.au/law/view/view.htm?docid=%22MOU%2FBelgium%22>

<sup>2323</sup> Amending Australia's Offshore Banking Unit Regime, Australian Taxation Office (Canberra) 12 March 2021. Access Date: 20 March 2021. <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/amending-australias-offshore-banking-unit-regime-0>

<sup>2324</sup> Synthesized Text of the MLI and The Agreement Between the Government of Australia and the Government of the Republic of Indonesia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income, Australian Taxation Office (Canberra) 1 April 2021. Access Date: 20 April 2021.

<https://www.ato.gov.au/law/view/document?DocID=MLI/MLI-Indonesia-agreement>

<sup>2325</sup> Draft Practical Compliance Guideline, Australian Taxation Office (Canberra) 21 April 2021. Access Date: 30 April 2021. <https://www.ato.gov.au/law/view/document?DocID=DPC/PCG2021D3/NAT/ATO/00001>

On 25 August 2021, the Parliament introduced legislation to require online marketplace operators to report seller identification and payment details to the ATO.<sup>2327</sup> The proposed legislation amends the Taxable Payments Reporting System to mandate that operators share information regarding participating sellers for the ATO's data matching purposes and enable the ATO to identify entities that do not meet tax obligations.<sup>2328</sup>

Through bilateral arrangements with Belgium and Indonesia, domestic legislative actions, and cooperation under the framework of multilateral institutions, Australia has demonstrated full commitment to advancing cooperation for a globally fair, sustainable, and modern international tax system.

Thus, Australia receives a score of +1.

*Analyst: Jessica Johnson*

### **Brazil: +1**

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

On 18 December 2020, the Federal Region Court of the 3rd Region judged in Resp 1.759.081-SP that payments for engineering and administrative assistance services should not be considered as royalties in the context of the Brazil-Spain double taxation treaty.<sup>2329</sup>

On 1 December 2020, the Ministry of Economy clarified that cryptocurrency transactions may entail reporting requirements to tax authorities. This clarification on tax reporting was prompted by a consultation request submitted by the Board of Trade of the State of São Paulo, which inquired how cryptocurrencies could be used by corporations under domestic laws and the relevant regulations therein.<sup>2330</sup>

On 25 February 2021, the Senate approved three new treaties for the elimination of double taxation and the prevention of tax evasion and avoidance, respectively signed with Switzerland, Singapore and the United Arab Emirates in alignment with the base erosion and profit shifting (BEPS) framework.<sup>2331</sup>

---

<sup>2326</sup> OECD updates transfer pricing country profiles to include new fields on financial transactions and permanent establishments, Organization for Economic Co-operation and Development (Paris) 3 August 2021. Access Date: 10 September 2021. <https://www.oecd.org/tax/transfer-pricing/oecd-updates-transfer-pricing-country-profiles-to-include-new-fields-on-financial-transactions-and-permanent-establishments.htm>

<sup>2327</sup> Treasury Laws Amendment (2021 Measures No. 7) Bill 2021, Parliament of Australia (Sydney) 25 August 2021. Access Date: 10 September 2021.

[https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A"legislation%2Fbillhome%2Fr6760"](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A)

<sup>2328</sup> Treasury Laws Amendment (2021 Measures No. 7) Bill 2021, Parliament of Australia (Sydney) 25 August 2021. Access Date: 10 September 2021.

[https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A"legislation%2Fbillhome%2Fr6760"](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A)

<sup>2329</sup> New outlook for Brazil on withholding tax on service remittances abroad, International Tax Review (London) 22 April 2021. Access Date: 13 May 2021. <https://www.internationaltaxreview.com/article/b1rhrj2q325cd1/new-outlook-for-brazil-on-withholding-tax-on-service-remittances-abroad>

<sup>2330</sup> Cryptocurrency or digital currency in the integralization of corporate capital, JD Supra (New York) 11 December 2020. Access Date: 23 March 2021. <https://www.jdsupra.com/legalnews/cryptocurrency-or-digital-currency-in-9487408/>

<sup>2331</sup> Brazilian Senate approves three new treaties for the avoidance of double taxation, Ernst and Young (London) 8 March 2021. Access Date: 13 May 2021. [https://www.ey.com/en\\_gl/tax-alerts/brazilian-senate-approves-three-new-treaties-for-the-avoidance-of-double-taxation](https://www.ey.com/en_gl/tax-alerts/brazilian-senate-approves-three-new-treaties-for-the-avoidance-of-double-taxation)

On 11 March 2021, the Financial Activities Control Council published Resolution No. 36/2021, which regulates the adoption of policies, procedures and internal controls to prevent money laundering, terrorist financing, and the financing of weapons of mass destruction.<sup>2332</sup>

On 16 March 2021, as part of a national campaign to combat domestic tax evasion, Brazil issued 35 arrest warrants for companies in the coffee industry accused of evaded taxes. The national campaign extends across 39 cities in four states.<sup>2333</sup>

On 16 March 2021, Brazil's double taxation treaty with Switzerland entered into force. This treaty protects cross-border workers from double taxation, includes an anti-abuse clause, and establishes exchange of information according to the Organisation for Economic Co-operation and Development's BEPS framework.<sup>2334</sup>

On 27 May 2021, President Jair Bolsonaro ratified the statute confirming the double taxation treaty between Brazil and the United Arab Emirates. The treaty, previously signed in November 2018 and ratified by the national congress, includes 32 articles on topics including double taxation, tax evasion, and information sharing.<sup>2335</sup>

On 9 June 2021, Brazil promulgated the treaty for the avoidance of double taxation between Brazil and Switzerland.<sup>2336</sup> This treaty will come into effect after 1 January 2022 and allow Brazilian taxpayers to receive neutral foreign withholding tax on their investments in Switzerland.<sup>2337</sup>

On 25 June 2021, the government submitted phase two of its tax reform proposal to the national congress. The proposal includes a general tax rate of 20 per cent on distributed profits and dividends for individuals and non-resident investors, as well as an increased rate of 30 per cent for investors located in low-tax jurisdictions. The proposal states that capital reductions and business reorganizations should be carried out at fair market value. It also taxes the capital gain resulting from the indirect disposal of assets located in Brazil.<sup>2338</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Brazil joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2339</sup> Pillar Two will introduce

---

<sup>2332</sup> New Brazilian AML Regulation, Almeida Advogados Corporate law (Sao Paulo) 17 March 2021. Access Date: 13 May 2021. <https://www.almeidalaw.com.br/en/midia/2021/03/new-brazilian-aml-regulation/>

<sup>2333</sup> Brazil cracks down on coffee firms for alleged tax fraud, NASDAQ (New York) 16 March 2021. Access Date: 23 March 2021. <https://www.nasdaq.com/articles/brazil-cracks-down-on-coffee-firms-for-alleged-tax-fraud-2021-03-16>

<sup>2334</sup> Switzerland – Double Taxation Treaty with Brazil Entering into Force, KPMG (Zurich) 22 April 2021. Access Date: 9 May 2021. <https://home.kpmg/xx/en/home/insights/2021/04/flash-alert-2021-119.html>

<sup>2335</sup> Bolsonaro ratifies statute confirming Brazil-U.A.E. agreement ending double taxation, The Rio Times (Rio De Janeiro) 27 May 2021. Access Date: 25 July 2021. <https://riotimesonline.com/brazil-news/brazil/bolsonaro-enacts-brazil-u-a-e-agreement-ending-double-taxation/>

<sup>2336</sup> Brazil and Switzerland: The treaty for the avoidance of double taxation between the countries has been ratified by the Brazilian President's sanction, Ernst & Young (London) 17 June 2021. Access Date: 16 September 2021. [https://www.ey.com/en\\_gl/tax-alerts/brazil-and-switzerland--the-treaty-for-the-avoidance-of-double-taxation-between-the-countries-has-been-ratified-by-the-brazilian-presidents-sanction](https://www.ey.com/en_gl/tax-alerts/brazil-and-switzerland--the-treaty-for-the-avoidance-of-double-taxation-between-the-countries-has-been-ratified-by-the-brazilian-presidents-sanction)

<sup>2337</sup> The new double tax treaty (DTT) between Switzerland and Brazil, Kendris (Zurich) 18 August 2021. Access Date: 13 September 2021. <https://www.kendris.com/en/news-insights/2021/08/18/new-double-tax-treaty-dtt-between-switzerland-and-brazil/>

<sup>2338</sup> Brazil: Federal Government presents second phase of the tax reform project, Baker McKenzie (New York) 25 June 2021. Access Date: 24 July 2021. <https://insightplus.bakermckenzie.com/bm/viewContent.action?key=Ec8teaJ9VaqwZhtdOoNtl7eOOGbnAEFKCLORG72fHz0%2BNbpi2jDfaB8lgiEY1JAvAvaah9lF1P4Yhmok33cA%3D%3D&nav=FRbANEucS95NMLRN47z%2BeeOgEFct8EGQ0qFfoEM4UR4%3D&emailtofriendview=true&freeviewlink=true>

<sup>2339</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021.

a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2340</sup>

On 13 July 2021, Deputy Celso Sabino presented a series of amendments to the 25 June 2021 tax reform proposal. Key amendments included changing the rate of taxation on corporate income from 15 per cent to 5 per cent in 2022 and 2.5 per cent in 2023 and removing dividends from tax-exempt status.<sup>2341</sup>

On 26 August 2021, President of the Central Bank Roberto Campos Neto revealed discussions with the local securities regulator to adapt a new framework to regulate digital currencies and allow them to co-exist with digital payment platforms such as Pix, which is backed by the government.<sup>2342</sup>

On 8 December 2021, the Federal Police launched Operation Compliance to combat money laundering conducted through cryptocurrencies. 150 federal police carried out 34 search and seizure warrants, and identified a hacker involved in electronic fraud online.<sup>2343</sup>

On 10 September 2021, the Federal Revenue Service announced, “the release of an updated digital bookkeeping system to report tax information for corporate income taxes and social contribution on net income.”<sup>2344</sup>

Brazil has demonstrated bilateral efforts in signing double taxation treaties with Switzerland, Singapore, and the UAE. It has also demonstrated domestic actions to improve its taxation system by addressing emerging developments in financial assets such as cryptocurrencies, adopting policies against terrorist financing, reforming corporate income tax, and combatting tax evasion in alignment with the BEPS framework. Finally, Brazil has continued cooperation with multilateral institutions by agreeing to the OECD’s two-pillar framework for international tax reform.

Thus, Brazil receives a score of +1.

*Analyst: Faadil Butt*

### **Canada: 0**

Canada has partially complied with its commitment to continue to cooperate for a globally fair, sustainable, and modern international tax system.

On 27-28 January 2021, Minister of Finance Chrystia Freeland, along with Ministers of Finance from Germany, Italy, Indonesia, Jamaica and the UK, emphasized the need for a multilateral digital tax

---

Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2340</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021.

Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2341</sup> Corporate income tax changes ahead for Brazil, International Tax Review (London) 26 July 2021. Access Date: 8 September 2021. <https://www.internationaltaxreview.com/article/b1sw0lvs9c935p/corporate-income-tax-changes-ahead-for-brazil>

<sup>2342</sup> Brazil’s central bank eyes regulation for digital currencies, Coingeek (Montreal) 26 August 2021. Access Date: 18 September 2021. <https://coingeek.com/brazil-central-bank-eyes-regulation-for-digital-currencies/>

<sup>2343</sup> PF fights money laundering through cryptocurrencies, Ministry of Justice and Public Security (Brasilia) 12 August 2021. Access Date: 18 September 2021. <https://www.gov.br/pf/pt-br/assuntos/noticias/2021/08/pf-combate-lavagem-de-dinheiro-atraves-de-criptomoedas>

<sup>2344</sup> Brazil Tax Agency Updates Digital Tax Bookkeeping System, Bloomberg Tax (Arlington) 15 September 2021. Access Date: 18 September 2021. <https://news.bloombergtax.com/daily-tax-report-international/brazil-tax-agency-updates-digital-tax-bookkeeping-system-46>

solution at the public meeting of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework.<sup>2345</sup>

On 19 April 2021, Canada's 2021 budget announced a digital service tax as an interim measure towards reaching a multilateral agreement on digital taxation under the base erosion and profit shifting.<sup>2346</sup> The digital service tax will levy 3 per cent revenue from online marketplaces, social media, online advertising and the sale of user data.<sup>2347</sup>

On 19 April 2021, Canada's 2021 budget announced limitations on excessive interest deductions by large companies, proposed to eliminate the tax benefits of hybrid mismatch arrangements and enhance mandatory disclosure rules on income tax.<sup>2348</sup> The budget proposed CAD304 million to strengthen the Canada Revenue Agency's ability to increase cooperation with international partners and combat tax evasion and aggressive tax avoidance.<sup>2349</sup> It also proposed improving transfer pricing rules to prevent inappropriate shifting of corporate income out of Canada.<sup>2350</sup>

On 19 April 2021, Canada's 2021 budget proposed CAD4.6 million to enable the Financial Transactions and Reports Analysis Centre of Canada to develop its expertise on virtual currencies and prevent money laundering and terrorist financing activities. The budget also proposed to "address legislative gaps and streamline the revocation process to prevent abuse of charitable status" by terrorist entities.<sup>2351</sup>

On 1 June 2021, the Proceeds of Crime and Terrorist Financing Act came into force. The Act aims to close loopholes in Canada's anti-money laundering and anti-terrorist funding regimes, such as those caused by technological developments.<sup>2352</sup>

On 5 June 2021, Canada joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which MNEs operate and made it mandatory for such firms to report the climate impact of their investments.<sup>2353</sup>

On 1 July 2021, the Canada Revenue Agency announced new rules for digital economy businesses, which pertains to issues including charging and collecting the Goods and Services Tax and the Harmonized Sales Tax, offering a simplified tax registration and reporting system for cross-border

---

<sup>2345</sup> This week in tax: Janet Yellen raises hope for digital tax agreement, International Tax Review (London) 29 January 2021. Access Date: 22 March 2021. <https://www.internationaltaxreview.com/article/b1qbd4l2twjm64/this-week-in-tax-janet-yellen-raises-hope-for-digital-tax-agreement>

<sup>2346</sup> Budget 2021, Annex 7: Consultations on Other Tax Measures: Supplementary Information, Government of Canada (Ottawa) 19 April 2021. Access Date: 30 April 2021. <https://www.budget.gc.ca/2021/report-rapport/anx7-en.html>

<sup>2347</sup> Budget 2021, Annex 7: Consultations on Other Tax Measures: Supplementary Information, Government of Canada (Ottawa) 19 April 2021. Access Date: 30 April 2021. <https://www.budget.gc.ca/2021/report-rapport/anx7-en.html>

<sup>2348</sup> Budget 2021, Part 4: Fair and Responsible Government, Government of Canada (Ottawa) 19 April 2021. Access Date: 29 April 2021. <https://www.budget.gc.ca/2021/report-rapport/p4-en.html>

<sup>2349</sup> Budget 2021, Part 4: Fair and Responsible Government, Government of Canada (Ottawa) 19 April 2021. Access Date: 29 April 2021. <https://www.budget.gc.ca/2021/report-rapport/p4-en.html>

<sup>2350</sup> Budget 2021, Part 4: Fair and Responsible Government, Government of Canada (Ottawa) 19 April 2021. Access Date: 29 April 2021. <https://www.budget.gc.ca/2021/report-rapport/p4-en.html>

<sup>2351</sup> Budget 2021, Part 4: Fair and Responsible Government, Government of Canada (Ottawa) 19 April 2021. Access Date: 29 April 2021. <https://www.budget.gc.ca/2021/report-rapport/p4-en.html>

<sup>2352</sup> Regulatory amendments in force as of June 1, 2021, Government of Canada (Ottawa) 1 June 2021. Access Date: 23 July 2021. <https://www.fintrac-canafe.gc.ca/covid19/2021-06-01-eng>

<sup>2353</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

digital products and services, supplying qualifying goods in Canada, and platform-based short-term accommodations.<sup>2354</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Canada joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2355</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2356</sup>

On 2 July 2021, Deputy Prime Minister and Finance Minister Chrystia Freeland issued a statement to recognize the OECD's international tax reform statement signed by 130 countries as a tremendous achievement. The statement read, in relevant part: "the next step in the global effort to end the race to the bottom in corporate taxation and to ensure that multinational corporations pay their fair share of taxes."<sup>2357</sup>

On 26 July 2021, the Office of the Superintendent of Financial Institutions (OSFI) rescinded the Guideline for Detering and Detecting Money Laundering and Terrorist Financing after consulting Federally Regulated Financial Institutions (FRFIs).<sup>2358</sup> This is part of OSFI and the Financial Transactions and Reports Analysis Centre of Canada's efforts to eliminate duplication and redundancy in the application of anti-money laundering and anti-terrorist financing regulatory requirements to FRFIs.<sup>2359</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, Canada joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2360</sup>

Canada has contributed to multilateral negotiations on digital tax solutions and proposed financial resources domestically to increase cross-border cooperation and combat hybrid mismatch, tax evasion and terrorist financing activities. However, Canada has not continued its tax cooperation on a bilateral basis.

Thus, Canada received a score of 0.

---

<sup>2354</sup> GST/HST for digital economy businesses: Overview, Government of Canada (Ottawa) 1 July 2021. Access Date: 23 July 2021. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/digital-economy.html>

<sup>2355</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2356</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2357</sup> Statement by the Deputy Prime Minister on new framework for international tax reform, Government of Canada (Ottawa) 2 July 2021. <https://www.canada.ca/en/department-finance/news/2021/07/statement-by-the-deputy-prime-minister-on-new-framework-for-international-tax-reform.html>

<sup>2358</sup> Detering and Detecting Money Laundering and Terrorist Financing, Office of the Superintendent of Financial Institutions (Ottawa) 26 July 2021. Access Date: 18 September 2021. <https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b8.aspx>

<sup>2359</sup> OSFI's activities on anti-money laundering/anti-terrorist financing (AML/ATF) supervision, Office of the Superintendent of Financial Institutions (Ottawa) 17 May 2021. Access Date: 18 September 2021. <https://www.osfi-bsif.gc.ca/Eng/fi-if/in-ai/Pages/aml-let.aspx>

<sup>2360</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

*Analyst: Oya Darici*

## **China: +1**

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

On 5 February 2021, the State Taxation Administration (STA) reaffirmed that China will strengthen its cooperation with the Organisation for Economic Co-operation and Development (OECD) on global taxation issues, after a meeting between the Director of the STA Wang Jun and the Director of the OECD's Center for Tax Policy and Administration Pascal Saint-Amans.<sup>2361</sup> China stated that it will “participate in the global tax governance for the digital economy,” “help developing countries enhance tax collection and management capabilities,” and “keep pushing forward for bilateral taxation cooperation.”<sup>2362</sup>

On 26 February 2021, Minister of Finance Liu Kun stated that China will support the efforts of the G20 to forge an international deal on digital taxation.<sup>2363</sup>

On 5 March 2021, China stated that it “will actively participate in the formulation of international rules and technical standards on data security, digital currency and data tax” in a draft of the 14<sup>th</sup> Five-Year Plan and long-term objectives for 2035.<sup>2364</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, China joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will “re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.”<sup>2365</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2366</sup>

On 18 May 2021, the government announced that bank and payment institutions cannot conduct business related to cryptocurrencies. This reiterated the 2017 cryptocurrency ban and further prohibited financial institutions from “accepting or using cryptocurrencies in payments or settlements, developing digital currency exchange services and offering any such services to clients.”<sup>2367</sup>

---

<sup>2361</sup> China, OECD to boost cooperation on taxation, China Internet Information Center (Beijing) 6 February 2021. Access Date: 27 April 2021. [http://www.china.org.cn/china/Off\\_the\\_Wire/2021-02/06/content\\_77193417.htm](http://www.china.org.cn/china/Off_the_Wire/2021-02/06/content_77193417.htm)

<sup>2362</sup> China, OECD to boost cooperation on taxation, China Internet Information Center (Beijing) 6 February 2021. Access Date: 27 April 2021. [http://www.china.org.cn/china/Off\\_the\\_Wire/2021-02/06/content\\_77193417.htm](http://www.china.org.cn/china/Off_the_Wire/2021-02/06/content_77193417.htm)

<sup>2363</sup> Global digital tax efforts get China boost, The State Council of the People's Republic of China (Beijing) 3 March 2021. Access Date: 23 March 2021.

[http://english.www.gov.cn/statecouncil/ministries/202103/03/content\\_WS603ee8a5c6d0719374af9db1.html](http://english.www.gov.cn/statecouncil/ministries/202103/03/content_WS603ee8a5c6d0719374af9db1.html)

<sup>2364</sup> China to actively take part in formulating int'l rules on data security, digital currency, China Internet Information Center (Beijing) 5 March 2021. Access Date: 27 April 2021. [http://www.china.org.cn/china/Off\\_the\\_Wire/2021-03/05/content\\_77277336.htm](http://www.china.org.cn/china/Off_the_Wire/2021-03/05/content_77277336.htm)

<sup>2365</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2366</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2367</sup> China Cracks Down On Crypto Business, Saying ‘Speculative’ Trading ‘Seriously Infringing’ On Financial Order, Forbes (Jersey City) 18 May 2021. Access Date: 19 September 2021.

<https://www.forbes.com/sites/jonathanponciano/2021/05/18/china-bans-banks-from-crypto-business-saying-speculative-trading-seriously-infringing-on-financial-order/?sh=57aa793a7898>

On 22 June 2021, the STA released the Announcement about Policies for Collecting Corporate Income Tax, which clarified the corporate income tax treatment on six items, including cross-border hybrid investments.<sup>2368</sup> The announcement added two restrictive conditions to prohibit hybrid investment from being regarded as debt investment.<sup>2369</sup>

On 1 August 2021, China brought into effect the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorist Financing of Financial Institutions. The measures “expand the scope of applicable entities, provide specific details of internal control and risk management requirements and increase People’s Bank of China’s supervision and administration powers.”<sup>2370</sup>

On 3 August 2021, China and the United Arab Emirates agreed to exchange information on “investigations into money laundering, terrorist financing and the persons or entities involved.”<sup>2371</sup>

On 23 August 2021, the State Council published guidelines to state that it will tighten the supervision of accounting firms, increase the frequency of inspections, strengthen punishment and co-operate on cross-border supervision of accounting and auditing.

On 1 September 2021, the STA implemented a simplified version of the process of unilateral advance pricing to avoid double taxation and profit shifting. The system is based on enterprises submitting an advanced application to the STA to reach an agreement on a set of criteria for transfer pricing.<sup>2372</sup>

On 7 September 2021, China chaired the 2<sup>nd</sup> Belt and Road Initiative Tax Administration Cooperation Forum, attended by 61 countries and 12 international organizations. In his opening speech, Head of the STA Wang Jun shared with delegates the practices and experiences of Chinese tax authorities, particularly on digitizing tax administration.<sup>2373</sup> On 8 September 2021, he further proposed “more opportunities for cooperation and tax-related knowledge-sharing among Belt and Road Initiative jurisdictions.”<sup>2374</sup>

China made verbal commitments to the OECD and the G20 to facilitate a multilateral digital tax agreement and formulate international rules on digital currency. China has further engaged in bilateral actions of cross-border tax cooperation with the UAE, in addition to creating domestic policies that facilitate the BEPS framework in relation to transfer pricing. Domestically, China has also advanced

---

<sup>2368</sup> Announcement of the State Administration of Taxation on Issues Concerning the Collection and Administration of Certain Corporate Income Tax Policies, State Taxation Administration (Beijing) 22 June 2021. Access Date: 19 September 2021. <http://www.chinatax.gov.cn/chinatax/n362/c5165844/content.html>

<sup>2369</sup> China’s Latest Corporate Income Tax Update for Six Items: Q&A, China Briefing (Hong Kong) 8 July 2021. Access Date: 19 September 2021. <https://www.china-briefing.com/news/china-2021-corporate-income-tax-update-six-items/>

<sup>2370</sup> China: China expands anti-money laundering obligations with Measures for the Supervision and Administration of Anti-Money Laundering and Counter-Terrorist Financing of Financial Institutions, Global Compliance News (Hong Kong) 20 August 2021. Access Date: 19 September 2021. <https://www.globalcompliancenews.com/2021/08/20/china-expands-anti-money-laundering-obligations-with-measures-for-the-supervision-and-administration-of-anti-money-laundering-and-counter-terrorist-financing-of-financial-institutions090821/>

<sup>2371</sup> UAE, China to cooperate against money laundering, terrorism financing, Reuters (London) 3 August 2021. Access Date: 19 September 2021 <https://www.reuters.com/world/uae-china-cooperate-against-money-laundering-terrorism-financing-2021-08-03/>

<sup>2372</sup> Transfer pricing to be a breeze for MNCs, China Daily (Beijing) 7 August 2021. Access Date: 8 September 2021. [http://english.www.gov.cn/policies/policywatch/202108/07/content\\_WS610dce21c6d0df57f98de264.html](http://english.www.gov.cn/policies/policywatch/202108/07/content_WS610dce21c6d0df57f98de264.html)

<sup>2373</sup> Virtual Meeting of the Second Belt and Road Initiative Tax Administration Cooperation Forum Was Held, State Taxation Administration of the People’s Republic of China (Beijing) 8 September 2021. Access Date: 8 September 2021. <http://www.chinatax.gov.cn/eng/c101269/c5168852/content.html>

<sup>2374</sup> China mulls better BRI tax cooperation, China Daily (Beijing) 8 September 2021. Access Date: 8 September 2021. [http://english.www.gov.cn/statecouncil/ministries/202109/08/content\\_WS6137f47cc6d0df57f98dfd48.html](http://english.www.gov.cn/statecouncil/ministries/202109/08/content_WS6137f47cc6d0df57f98dfd48.html)

policies on digital currencies, corporate income tax, anti-money laundering, auditing and oversight and more.

Thus, China receives a score of +1.

*Analyst: Erica Matsui*

**France: +1**

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

On 25 November 2020, the Ministry of Finance sent notices to major technological companies, such as Facebook and Amazon, “to pay the 2020 instalment” of the digital service tax.<sup>2375</sup> The goal of this measure is to ensure that digital services are taxed in the same places where they profit.<sup>2376</sup>

On 25-26 November 2020, France attended the 2020 Intra-European Organisation of Tax Administrations (IOTA) Forum to identify best practices in combating value-added tax (VAT) fraud.<sup>2377</sup> The goal of this forum is to increase awareness of emerging trends in VAT fraud and build a multilateral network to address the problem.

On 2 December 2020, France authorised an extension of the cross-border taxation agreement with Germany, which entered into force on 13 May 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2378</sup> The goal of the agreement is to avoid double taxation of cross-border workers who worked from home, rather than in the country where they would otherwise work if not for COVID-related travel restrictions.

On 2 December 2020, France authorised an extension of the cross-border taxation agreement with Switzerland, which entered into force on 13 May 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2379</sup>

On 2 December 2020, France authorised an extension of the cross-border taxation agreement with Belgium, which entered into force on 15 May 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2380</sup>

On 2 December 2020, the General Directorate of Public Finances authorised an extension of the cross-border taxation agreement with Italy, which entered into force on 16 July 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2381</sup>

---

<sup>2375</sup> France Orders Tech Giants to Pay Digital Tax, Reuters (Paris) 25 November 2020. Access Date: 20 March 2021. <https://www.reuters.com/article/us-france-usa-tax-idUKKBN28522M>

<sup>2376</sup> Taxing Tech, International Monetary Fund (Washington D.C.) March 2021. Access Date: 20 March 2021. <https://www.imf.org/external/pubs/ft/fandd/2021/03/taxing-big-tech-and-the-future-of-digital-services-tax-christie.htm>

<sup>2377</sup> 2020 IOTA Forum on Combating VAT Fraud, IOTA-Tax (Budapest) 2 December 2020. Access Date: 21 March 2021. <https://www.iota-tax.org/news/2020-iota-forum-combating-vat-fraud>

<sup>2378</sup> Amicable Agreement with Germany for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 2 December 2020. Access Date: 21 March 2021. [https://www.impots.gouv.fr/portail/files/media/10\\_conventions/allemande/allemande\\_accord\\_amicable\\_covid19.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/allemande/allemande_accord_amicable_covid19.pdf)

<sup>2379</sup> Amicable Agreement with Switzerland for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 2 December 2020. Access Date: 21 March 2021. [https://www.impots.gouv.fr/portail/files/media/10\\_conventions/suisse/suisse\\_accord\\_amicable\\_covid19.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/suisse/suisse_accord_amicable_covid19.pdf)

<sup>2380</sup> Amicable Agreement with Belgium for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 2 December 2020. Access Date: 21 March 2021. [https://www.impots.gouv.fr/portail/files/media/10\\_conventions/belgique/belgique\\_accord\\_amicable\\_covid19.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/belgique/belgique_accord_amicable_covid19.pdf)

On 7 December 2020, France authorised an extension of the cross-border taxation agreement with Luxembourg, which entered into force on 16 July 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2382</sup>

On 9 December 2020, France attended the annual meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes to recognise the progress made in the implementation of the standard on tax transparency and support the provision of capacity-building technical assistance to developing countries.<sup>2383</sup> The goal of the three-day event was to encourage greater fairness and transparency in international tax systems.<sup>2384</sup>

On 11 December 2021, the Administrative Supreme Court overturned a Paris Court of Appeal decision, dated 1 March 2018, which concluded an absence of permanent establishment under the France-Ireland Tax Treaty.<sup>2385</sup> This decision marks the first time that the Administrative Supreme Court used the Organisation for Economic Co-operation and Development comments to “expand its definition of a dependent agent constitutive of a permanent establishment.”<sup>2386</sup>

On 25 February 2021, Minister Delegate to the Minister of the Economy, Finance and Recovery Agnès Pannier-Runacher supported the public country-by-country reporting initiative proposed by the Portuguese Presidency of the Competitiveness Council (COMPET).<sup>2387</sup> This initiative aims to improve tax transparency and “ensure that all economic actors contribute in a fair and equitable manner to the economy of the various countries where they conduct their business.”<sup>2388</sup>

On 4 March 2021, the Ministry of Economics and Finance removed the Bahamas from the list of non-cooperative states and territories in tax matters, which is published in the Official Journal of the French Republic.<sup>2389</sup> The Ministry seeks to promote cooperation with the Bahamas to “eradicate

---

<sup>2381</sup> Amicable Agreement with Italy for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 2 December 2020. Access Date: 21 March 2021.

[https://www.impots.gouv.fr/portail/files/media/10\\_conventions/italie/accord\\_covid-19\\_fr\\_it\\_2020\\_12\\_28.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/italie/accord_covid-19_fr_it_2020_12_28.pdf)

<sup>2382</sup> Amicable Agreement with Luxembourg for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 7 December 2020. Access Date: 21 March 2021.

[https://www.impots.gouv.fr/portail/files/media/10\\_conventions/luxembourg/accord\\_covid-19\\_fr\\_lux.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/luxembourg/accord_covid-19_fr_lux.pdf)

<sup>2383</sup> 2020 Global Forum Plenary Meeting, Global Forum on Transparency and Exchange of Information for Tax Purposes (Paris) 9 December 2020. Access Date: 21 March 2021. <http://www.oecd.org/tax/transparency/documents/2020-gf-plenary-meeting-statement-of-outcomes.pdf>

<sup>2384</sup> International Community Reaches Important Milestone in Fight Against Tax Evasion, Organisation for Economic Co-operation and Development (Paris) 9 December 2020. Access Date: 21 March 2021. <http://www.oecd.org/tax/exchange-of-tax-information/international-community-reaches-important-milestone-in-fight-against-tax-evasion.htm>

<sup>2385</sup> France Tax Developments: Key Permanent Establishment Decision, PWC Law Firm (Paris) 17 December 2020. Access Date: 21 March 2021. <https://www.pwcavocats.com/fr/ealertes/ealertes-international/2020/france-tax-developments-key-permanent-establishment-decision.html>

<sup>2386</sup> French Administrative Supreme Court Expands its Definition of a Dependent Agent Constitutive of a Permanent Establishment, Ernst and Young Tax News (Paris) 18 December 2020. Access Date: 21 March 2021. <https://taxnews.ey.com/news/2020-2905-french-administrative-supreme-court-expands-its-definition-of-a-dependent-agent-constitutive-of-a-permanent-establishment>

<sup>2387</sup> Ministers Discuss Public Country-by-Country Reporting Proposal, KPMG Euro Tax Flash (Amstelveen) 26 February 2021. Access Date: 21 March 2021. <https://home.kpmg/xx/en/home/insights/2021/02/etf-443-ministers-discuss-public-country-by-country-reporting-proposal.html>

<sup>2388</sup> Informal Video Conference of Internal Market and Industry Ministers, Council of the European Union (Brussels) 26 February 2021. Access Date: 21 March 2021. <https://www.consilium.europa.eu/en/meetings/compet/2021/02/25/>

<sup>2389</sup> The Bahamas Removed from the French List of Non-Cooperative States and Territories in Tax Matters, Bahamas Financial Services Board (Nassau) 8 March 2021. Access Date: 21 March 2021. <https://www.mondaq.com/PressRelease/67584/The-Bahamas-Removed-From-The-French-List-Of-Non-Cooperative-States-And-Territories-In-Tax-Matters>

harmful tax practices” and foster a “commitment to the international regulatory standards on tax cooperation and exchange of information for tax purposes.”<sup>2390</sup>

On 6 April 2021, Minister of the Economy and Finance Bruno Le Maire welcomed US Treasury Secretary Janet Yellen’s pledge to work on a global corporate minimum tax.<sup>2391</sup>

On 8 April 2021, Minister Le Maire supported a US proposal to resume international talks on taxing major digital multinational corporations.<sup>2392</sup> The goal of these talks is to prevent multinationals from shifting their profits to low-tax jurisdictions.<sup>2393</sup>

On 27 April 2021, Minister Le Maire and Finance Minister of Germany Olaf Scholz declared their support for the US’ proposed 21 per cent minimum corporate tax rate.<sup>2394</sup> Subsequently, on 21 May 2021, the US lowered its proposed rate to 15 per cent, which Minister Le Maire called “a good compromise.”<sup>2395</sup>

On 5 June 2021, France joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises operate, and made it mandatory for such firms to report the climate impact of their investments.<sup>2396</sup>

On 9 June 2021, Minister Le Maire insisted that Amazon be included in the minimum corporate tax scheme.<sup>2397</sup> Since the tax only applies to multinationals that have a profit margin of over 10 per cent, Amazon’s 6.3 per cent profit margin excludes it from the eligible tax bracket.<sup>2398</sup> The goal of including Amazon in the tax scheme is to increase fiscal accountability across digital platforms.

On 10 June 2021, President Emmanuel Macron stressed the importance of multilateralism in international taxation at a press conference at the Élysée Palace ahead of the G7 and NATO

---

<sup>2390</sup> The Bahamas Removed from the French List of Non-Cooperative States and Territories in Tax Matters, Bahamas Financial Services Board (Nassau) 8 March 2021. Access Date: 21 March 2021. <https://www.mondaq.com/PressRelease/67584/The-Bahamas-Removed-From-The-French-List-Of-Non-Cooperative-States-And-Territories-In-Tax-Matters>

<sup>2391</sup> France Sees Global Tax Deal in Reach After U.S. Pledge, Reuters (Paris) 6 April 2021. Access Date: 29 April 2021. <https://www.reuters.com/article/us-imf-worldbank-taxation-france-idUSKBN2BT1LR>

<sup>2392</sup> U.S. Proposal to Unblock Global Tax Talks ‘Interesting’ -France, Reuters (Paris) 8 April 2021. Access Date: 29 April 2021. <https://www.reuters.com/article/us-oecd-tax-france-us-idUSKBN2BV2F4>

<sup>2393</sup> U.S. Proposal to Unblock Global Tax Talks ‘Interesting’ -France, Reuters (Paris) 8 April 2021. Access Date: 29 April 2021. <https://www.reuters.com/article/us-oecd-tax-france-us-idUSKBN2BV2F4>

<sup>2394</sup> France and Germany Back US on 21% Minimum Corporate Tax Proposal, Deutsche Welle (Bonn) 27 April 2021. Access Date: 24 July 2021. <https://www.dw.com/en/france-and-germany-back-us-on-21-minimum-corporate-tax-proposal/a-57347667>

<sup>2395</sup> France Says US Offer on Global Minimum Tax Rate is Basis for Compromise, Reuters (Paris) 21 May 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/finance/us-offer-global-minimum-tax-is-basis-compromise-says-le-maire-2021-05-21/>

<sup>2396</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2397</sup> France ‘Will Fight’ to Ensure Amazon is Included in Global Digital Tax, Radio France Internationale (Paris) 9 June 2021. Access Date: 24 July 2021. <https://www.rfi.fr/en/business-and-tech/20210609-france-to-fight-for-amazon-inclusion-in-digital-tax>

<sup>2398</sup> France ‘Will Fight’ to Ensure Amazon is Included in Global Digital Tax, Radio France Internationale (Paris) 9 June 2021. Access Date: 24 July 2021. <https://www.rfi.fr/en/business-and-tech/20210609-france-to-fight-for-amazon-inclusion-in-digital-tax>

summits.<sup>2399</sup> He briefly discussed the minimum corporate tax as well as the digital tax, emphasizing the significance of addressing inequalities in the taxation system.<sup>2400</sup>

On 13 June 2021, President Macron discussed the benefits of a 15 per cent minimum corporate tax during his time at the G7 summit.<sup>2401</sup> He emphasized the G7's plan to proceed according to the two pillars of international taxation.<sup>2402</sup> The first pillar consolidates the tax base, and the second pillar helps the taxation system adapt to the digital economy.<sup>2403</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, France joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2404</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2405</sup>

On 6 July 2021, Minister Le Maire announced that France was ready to make a legally binding commitment in the draft budget law to remove the national tax on digital giants once the OECD global taxation deal was implemented.<sup>2406</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, Minister Le Maire joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global corporate minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2407</sup><sup>2408</sup>

---

<sup>2399</sup> G7/NATO – President Emmanuel Macron – Press Briefing (Élysée Palace, 10 June 2021), France Diplomacy (Paris) 10 June 2021. Access Date: 24 July 2021. <https://www.diplomatie.gouv.fr/en/french-foreign-policy/news/2021/article/g7-nato-president-emmanuel-macron-press-briefing-elysee-palace-10-jun-2021>

<sup>2400</sup> G7/NATO – President Emmanuel Macron – Press Briefing (Élysée Palace, 10 June 2021), France Diplomacy (Paris) 10 June 2021. Access Date: 24 July 2021. <https://www.diplomatie.gouv.fr/en/french-foreign-policy/news/2021/article/g7-nato-president-emmanuel-macron-press-briefing-elysee-palace-10-jun-2021>

<sup>2401</sup> G7 – Emmanuel Macron – Press Conference (Carbis Bay, 13 Jun. 2021), France Diplomacy (Paris) 13 June 2021. Access Date: 24 July 2021. <https://www.diplomatie.gouv.fr/en/french-foreign-policy/news/2021/article/g7-emmanuel-macron-press-conference-carbis-bay-13-jun-2021>

<sup>2402</sup> G7 – Emmanuel Macron – Press Conference (Carbis Bay, 13 Jun. 2021), France Diplomacy (Paris) 13 June 2021. Access Date: 24 July 2021. <https://www.diplomatie.gouv.fr/en/french-foreign-policy/news/2021/article/g7-emmanuel-macron-press-conference-carbis-bay-13-jun-2021>

<sup>2403</sup> G7 – Emmanuel Macron – Press Conference (Carbis Bay, 13 Jun. 2021), France Diplomacy (Paris) 13 June 2021. Access Date: 24 July 2021. <https://www.diplomatie.gouv.fr/en/french-foreign-policy/news/2021/article/g7-emmanuel-macron-press-conference-carbis-bay-13-jun-2021>

<sup>2404</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2405</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2406</sup> France to withdraw its digital tax the day global rules are in force, Politico (Paris) 6 July 2021. Access Date: 19 September 2021. <https://www.politico.eu/article/france-to-withdraw-its-digital-tax-the-day-international-rules-are-in-force/>

<sup>2407</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2408</sup> G20 Ministers Endorse 'Historic' Global Deal to Tax Multinationals, France 24 (Paris) 10 July 2021. Access Date: 24 July 2021. <https://www.france24.com/en/economy/20210710-g20-ministers-endorse-historic-global-deal-to-tax-multinationals>

France had already imposed its digital tax on retail giants such as Amazon and Google, and it invited other countries (e.g. Ireland) to adopt the tax.<sup>2409</sup>

On 2 September 2021, France fined JP Morgan EUR25 million in a tax fraud case.<sup>2410</sup> The goal of this settlement was to enforce the rule of law in preventing harmful tax practices.

Through bilateral channels with European partners, France continued international tax cooperation through its cross-border taxation agreements. Furthermore, France pursued multilateral cooperation in seeking greater tax transparency and preventing harmful tax practices by participating in high-level meetings of the IOTA Forum, the Global Forum, and the COMPET. Domestically, France's actions to implement the digital service tax have also improved the standard of taxation for multinational companies.

Thus, France receives a score of +1.

*Analyst: Saarah Khan*

### **Germany: +1**

Germany has fully complied with its commitment to continue to cooperate for a globally fair, sustainable, and modern international tax system.

On 2 December 2020, Germany extended its cross-border taxation agreement with France, which entered into force on 13 May 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2411</sup> The goal of the agreement is to avoid double taxation of cross-border workers who worked from home, rather than in the country where they would otherwise work if not for COVID-related travel restrictions.

On 18 December 2020, Germany deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) (MLI), which entered into force on 1 April 2021.<sup>2412</sup> By ratifying the MLI, Germany joins the MLI's strong commitment to prevent the abuse of tax treaties and BEPS by multinational enterprises.<sup>2413</sup>

---

<sup>2409</sup> France Hails 'Tax Revolution' Opportunity as G20 Back Plan to Deter Tax Havens, Radio France Internationale (Paris) 11 July 2021. Access Date: 24 July 2021. <https://www.rfi.fr/en/international/20210711-https-www-rfi-fr-en-international-20210701-france-among-130-countries-to-back-deal-on-global-minimum-tax-for-companies>

<sup>2410</sup> France fines U.S. bank JP Morgan \$29.6 mln in tax fraud settlement, Reuters (Paris) 2 September 2021. Access Date: 3 September 2021. <https://www.reuters.com/business/france-fines-us-bank-jp-morgan-296-mln-tax-fraud-settlement-2021-09-02/>

<sup>2411</sup> Amicable Agreement with Germany for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 2 December 2020. Access Date: 21 March 2021.

[https://www.impots.gouv.fr/portail/files/media/10\\_conventions/allemande/allemande\\_accord\\_amiable\\_covid19.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/allemande/allemande_accord_amiable_covid19.pdf)

<sup>2412</sup> Germany and Pakistan deposit their instrument of ratification for the Multilateral BEPS Convention and other updates, Organisation for Economic Co-operation and Development(Paris) 18 December 2020. Access Date: 22 March 2021. <https://www.oecd.org/tax/beps/germany-and-pakistan-deposit-their-instrument-of-ratification-for-the-multilateral-beps-convention-and-other-updates.htm>

<sup>2413</sup> Germany and Pakistan deposit their instrument of ratification for the Multilateral BEPS Convention and other updates, Organisation for Economic Co-operation and Development(Paris) 18 December 2020. Access Date: 22 March 2021. <https://www.oecd.org/tax/beps/germany-and-pakistan-deposit-their-instrument-of-ratification-for-the-multilateral-beps-convention-and-other-updates.htm>

On 18 December 2020, Germany and Japan applied MLI provisions to their Bilateral Convention for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.<sup>2414</sup>

On 12 January 2021, Germany and the UK signed a new protocol, to be added to the existing double tax treaty signed in 2010, to highlight both parties' intention to include the standard outlined in the Organisation for Economic Co-operation and Development (OECD) BEPS project on treaty abuse, tax evasion and avoidance.<sup>2415</sup> Changes include amending the wording of the treaty and adding Article 30A.<sup>2416</sup> The protocol is not yet in force.<sup>2417</sup>

On 26 January 2021, at the virtual World Economic Forum, Chancellor Angela Merkel stated that there should be a minimum level of taxation for digital companies, with the COVID-19 pandemic demonstrating the need for action.<sup>2418</sup> Chancellor Merkel expressed her desire for the international community to continue and expand the OECD's work in this regard, particularly with the new United States administration, and hoped that the international community will be more successful in implementing competition law globally.<sup>2419</sup>

On 27-28 January 2021, Minister of Finance Olaf Scholz, along with Ministers of Finance from Canada, Italy, Indonesia, Jamaica and the United Kingdom, emphasized the need for a multilateral digital tax solution at the public meeting of the OECD/G20 Inclusive Framework.<sup>2420</sup> At this meeting, Minister Scholz emphasized the importance of an international agreement by mid-2021, and affirmed that the government is actively striving for an international solution on both pillars of the Inclusive Framework on BEPS.<sup>2421</sup>

On 15 February 2021, the Federal Ministry of Finance initiated the departmental vote on the draft of the Tax Haven Defense Act.<sup>2422</sup> The Tax Haven Defense Act aims to prevent individuals and companies from continuing business relationships with non-cooperative countries that harbour a lack of tax transparency and unfair competition. The goal is to make future business expenses and

---

<sup>2414</sup> Application of the MLI to the Tax Treaty between Japan and Germany, Ministry of Finance of Japan (Tokyo) 12 February 2021. Access Date: 2 April 2021. [https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/mli\\_ger.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/mli_ger.html)

<sup>2415</sup> Protocol to the UK/Germany Double Taxation Convention, Government of the United Kingdom (London) 12 January 2021. Access Date: 19 March 2021. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force\\_01\\_14\\_21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force_01_14_21.pdf)

<sup>2416</sup> Protocol to the UK/Germany Double Taxation Convention, Government of the United Kingdom (London) 12 January 2021. Access Date: 19 March 2021. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force\\_01\\_14\\_21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force_01_14_21.pdf)

<sup>2417</sup> Protocol to the UK/Germany Double Taxation Convention, Government of the United Kingdom (London) 12 January 2021. Access Date: 19 March 2021. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force\\_01\\_14\\_21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force_01_14_21.pdf)

<sup>2418</sup> The Chancellor at the online World Economic Forum in Davos: Reset After the Pandemic, German Federal Government (Berlin) 26 January 2021. Access Date: 22 March 2021. <https://www.bundesregierung.de/breg-en/search/merkel-wef-1845646>

<sup>2419</sup> Speech by Federal Chancellor Dr Angela Merkel at the World Economic Forum's Davos Dialogue on 26 January 2021 (video conference), German Federal Government (Berlin) 26 January 2021. Access Date: 22 March 2021. <https://www.bundesregierung.de/breg-en/search/speech-by-federal-chancellor-dr-angela-merkel-at-the-world-economic-forum-s-davos-dialogue-on-26-january-2021-video-conference--1846772>

<sup>2420</sup> This week in tax: Janet Yellen raises hope for digital tax agreement, International Tax Review (London) 29 January 2021. Access Date: 22 March 2021. <https://www.internationaltaxreview.com/article/b1qbd4l2twjm64/this-week-in-tax-janet-yellen-raises-hope-for-digital-tax-agreement>

<sup>2421</sup> BMF Monthly Report March 2021: Spotlight: international corporate taxation, German Federal Ministry of Finance (Berlin) March 2021. Access Date: 22 March 2021. <https://www.bundesfinanzministerium.de/Monatsberichte/2021/03/Inhalte/Kapitel-2b-Schlaglicht/2b-internationale-unternehmensbesteuerung.html>

<sup>2422</sup> BMF Monthly Report March 2021: Spotlight: international corporate taxation, German Federal Ministry of Finance (Berlin) March 2021. Access Date: 22 March 2021. <https://www.bundesfinanzministerium.de/Monatsberichte/2021/03/Inhalte/Kapitel-2b-Schlaglicht/2b-internationale-unternehmensbesteuerung.html>

business expenses associated with tax havens no longer tax-deductible.<sup>2423</sup> Stricter rules would apply to income from intermediate companies in tax havens and taxpayers who have business relationships with tax havens.<sup>2424</sup> If enacted, the Act will be applicable to the EU's list of non-cooperative jurisdictions for tax purposes.<sup>2425</sup>

On 19 February 2021, Germany and Cyprus signed a new protocol amending the existing bilateral tax treaty. The new protocol implements the BEPS minimum standards that address treaty shopping, implements the Principal Purpose Test, and addresses business profits attributable to permanent establishments.<sup>2426</sup>

On 24 March 2021, the Federal Cabinet adopted the Draft Act Implementing the Anti-Tax Avoidance Directive to impose stricter rules on aggressive tax planning, through which the government aims to “effectively counteract tax avoidance strategies used by multinational corporations.”<sup>2427</sup> The legislation also advances the harmonization of EU corporate tax law, and through this Act, Germany is taking steps to further fulfill the standards set out in the EU's Anti-Tax Avoidance Directive.<sup>2428</sup>

On 6 April 2021, Germany and France welcomed US Treasury Secretary Janet Yellen's pledge to work on a global corporate minimum tax rate which countries aim to agree to by mid-year. Finance Minister Olaf Scholz hopes that this action will help put an end to “the worldwide race to the bottom in taxation.”<sup>2429</sup>

On 5 June 2021, Germany joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises (MNEs) operate, and made it mandatory for such firms to report the climate impact of their investments.<sup>2430</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Germany joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will “re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.”<sup>2431</sup> Pillar Two will introduce

---

<sup>2423</sup> BMF Monthly Report March 2021: Spotlight: international corporate taxation, German Federal Ministry of Finance (Berlin) March 2021. Access Date: 22 March 2021. <https://www.bundesfinanzministerium.de/Monatsberichte/2021/03/Inhalte/Kapitel-2b-Schlaglicht/2b-internationale-unternehmensbesteuerung.html>

<sup>2424</sup> BMF Monthly Report March 2021: Spotlight: international corporate taxation, German Federal Ministry of Finance (Berlin) March 2021. Access Date: 22 March 2021. <https://www.bundesfinanzministerium.de/Monatsberichte/2021/03/Inhalte/Kapitel-2b-Schlaglicht/2b-internationale-unternehmensbesteuerung.html>

<sup>2425</sup> The Latest on BEPS and Beyond: March 2021, Ernst and Young Global Tax Desk Network (New York) 16 March 2021. Access Date: 22 March 2021. [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_gl/topics/tax/tax-alerts-pdf/ey-the-latest-on-beps-and-beyond-march-2021.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/tax/tax-alerts-pdf/ey-the-latest-on-beps-and-beyond-march-2021.pdf)

<sup>2426</sup> Cyprus and Germany sign protocol to amend tax treaty, International Tax Review (Cyprus) 19 April 2021. Access Date: 3 May 2021. <https://www.internationaltaxreview.com/article/b1rdkgscmrj06d/cyprus-and-germany-sign-protocol-to-amend-tax-treaty>

<sup>2427</sup> Scholz: “A key step towards greater tax fairness,” Federal Ministry of Finance (Berlin) 24 March 2021. Access Date: 3 May 2021. <https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2021/2021-03-24-bill-to-fight-tax-avoidance.html>

<sup>2428</sup> Scholz: “A key step towards greater tax fairness,” Federal Ministry of Finance (Berlin) 24 March 2021. Access Date: 3 May 2021. <https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2021/2021-03-24-bill-to-fight-tax-avoidance.html>

<sup>2429</sup> Germany and France see global tax deal, Ireland has doubts, Reuters (Berlin) 6 April 2021. Access Date: 3 May 2021. <https://www.reuters.com/article/us-imf-worldbank-taxation-germany-idUSKBN2BT17F>

<sup>2430</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2431</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021.

a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2432</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, Germany joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2433</sup>

On 14 July 2021, the tax administration introduced new administrative principles for transfer pricing. The new principles “ensure that the interpretation and application of the arm’s length principle within Germany is aligned with the post-BEPS transfer pricing guidelines.”<sup>2434</sup>

Germany has advocated for and participated in international institutions to cooperate for a fair and modern international taxation system through its participation in the Inclusive Framework meeting on BEPS and the World Economic Forum, as well as its ratification of the MLI. Germany has further improved international tax cooperation through bilateral arrangements with Japan, France, the UK and Cyprus. Germany has also taken actions to align its domestic tax administration with international taxation standards.

Thus, Germany receives a score of +1.

*Analyst: Jeffrey Vandespyker*

#### **India: +1**

India fully complied with its commitment to continue to cooperate for a globally fair, sustainable, and modern international tax system.

On 1 February 2021, India published the Union Budget 2021, which amended the scope of the equalisation levy that applies to non-resident e-commerce operators.<sup>2435,2436</sup> It expanded the definition of “e-commerce supply and service” to include “online sale of goods” and “online provision of services.”<sup>2437</sup> According to a statement of the Ministry of Commerce released in January 2021, this amendment is in line with the suggestions put forth by Action 1 of the Organisation for Economic

---

Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2432</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021.

Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2433</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2434</sup> Germany introduces new administrative principles for transfer pricing, Multinational Group Tax & Transfer Pricing News (Berlin) 23 July 2021. Access Date: 25 July 2021. <https://mnetax.com/germany-introduces-new-administrative-principles-for-transfer-pricing-45188>

<sup>2435</sup> Indian Finance Bill 2021 appears to expand scope of the equalisation levy, International Tax Review (London) 2 March 2021. Access Date: 29 March 2021. <https://www.internationaltaxreview.com/article/b1qsfng38gyl28/indian-finance-bill-2021-appears-to-expand-scope-of-the-equalisation-levy>

<sup>2436</sup> India to defend Equalisation Levy as a level-playing tax, The Hindustan Times (New Delhi) 28 March 2021. Access Date: 29 March 2021. <https://www.hindustantimes.com/business/india-to-defend-equalisation-levy-as-a-level-playing-tax-101616840257671.html>

<sup>2437</sup> Indian Finance Bill 2021 appears to expand scope of the equalisation levy, International Tax Review (London) 2 March 2021. Access Date: 29 March 2021. <https://www.internationaltaxreview.com/article/b1qsfng38gyl28/indian-finance-bill-2021-appears-to-expand-scope-of-the-equalisation-levy>

Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS).<sup>2438</sup>

On 2 March 2021, the Supreme Court delivered a ruling on software licensing and provided further certainty regarding the taxation of cross-border payments on the use of software.<sup>2439</sup> The Supreme Court decided that the amount paid by end-users to non-resident software manufacturers for the use or resale of the software through End-User Licence Agreements cannot be classified as a royalty.<sup>2440</sup> In making this ruling, the Court “noted the importance of the Commentary on Article 12 of the OECD Model Tax Convention.”<sup>2441</sup>

On 20 April 2021, the Union Cabinet gave ex-post facto approval for amendments to the Finance Bill 2021, which clarified the scope of the equalization levy on e-commerce to involve “acceptance of the offer for sale, placing the purchase order, acceptance of the purchase order, supply of goods or provision of services” that take place online.<sup>2442, 2443</sup> The amendments also clarified that the equalization levy will not be applied to the sale of goods and services owned by residents or permanent establishments in India.<sup>2444</sup>

On 5 April 2021, the Central Board of Direct Taxes issued amendments to the Income Tax Rules, which increased the CbCR threshold for multinational enterprises from INR55 billion to INR64 billion.<sup>2445</sup> This amendment reduces the reporting burden on multinational enterprises and aligns it with the OECD’s country-by-country reporting standards.<sup>2446</sup>

---

<sup>2438</sup> India to defend Equalisation Levy as a level-playing tax, The Hindustan Times (New Delhi) 28 March 2021. Access Date: 29 March 2021. <https://www.hindustantimes.com/business/india-to-defend-equalisation-levy-as-a-level-playing-tax-101616840257671.html>

<sup>2439</sup> Indian Supreme Court’s Ruling on Software Licensing Fees, International Tax Review (London) 22 March 2021. Access Date: 23 March 2021. <https://www.internationaltaxreview.com/article/b1r0m0llgv9fnf/deep-dive-indian-supreme-courts-ruling-on-software-licensing-fees>

<sup>2440</sup> Indian Supreme Court’s Ruling on Software Licensing Fees, International Tax Review (London) 22 March 2021. Access Date: 23 March 2021. <https://www.internationaltaxreview.com/article/b1r0m0llgv9fnf/deep-dive-indian-supreme-courts-ruling-on-software-licensing-fees>

<sup>2441</sup> India: Impact and Analysis of The Supreme Court Decision on Characterization and Taxation Of Software Payments, The National Law Review (Western Springs) 22 March 2021. Access Date: 23 March 2021. <https://www.natlawreview.com/article/india-impact-and-analysis-supreme-court-decision-characterization-and-taxation>

<sup>2442</sup> Cabinet gives ex-post facto approval for amendments to Finance Bill, 2021, The Hindu (New Delhi) 20 April 2021. Access Date: 10 May 2021. <https://www.thehindu.com/news/national/cabinet-gives-ex-post-facto-approval-for-amendments-to-finance-bill-2021/article34367764.ece>

<sup>2443</sup> India notifies digital tax threshold of Rs 2 crore and 300,000 users, Business Standard (New Delhi) 4 May 2021. Access Date: 13 May 2021. [https://www.business-standard.com/article/economy-policy/india-notifies-digital-tax-threshold-of-rs-2-croreand-300-000-users-121050400156\\_1.html](https://www.business-standard.com/article/economy-policy/india-notifies-digital-tax-threshold-of-rs-2-croreand-300-000-users-121050400156_1.html)

<sup>2444</sup> Cabinet Approves Amendments To Finance Bill 2021, Business Standard (Mumbai) 20 April 2021. Access Date: 30 April 2021. [https://www.business-standard.com/article/news-cm/cabinet-approves-amendments-to-finance-bill-2021-121042001116\\_1.html](https://www.business-standard.com/article/news-cm/cabinet-approves-amendments-to-finance-bill-2021-121042001116_1.html)

<sup>2445</sup> India: CBDT Relaxes Master File And Country By Country Reporting (CbCR) Rules, Mondaq (New York) 8 April 2021. Access Date: 13 May 2021. <https://www.mondaq.com/india/transfer-pricing/1055906/cbdt-relaxes-master-file-and-country-by-country-reporting-cbcr-rules>

<sup>2446</sup> India: CBDT Relaxes Master File And Country By Country Reporting (CbCR) Rules, Mondaq (New York) 8 April 2021. Access Date: 13 May 2021. <https://www.mondaq.com/india/transfer-pricing/1055906/cbdt-relaxes-master-file-and-country-by-country-reporting-cbcr-rules>

On 28 April 2021, the Union Cabinet approved an agreement with the UK on Customs Cooperation and Mutual Administrative Assistance on Customs Matters.<sup>2447</sup> This agreement provides a legal framework for the exchange of information to prevent and investigate customs offences.<sup>2448</sup>

On 3 May 2021, India announced a revenue threshold of INR20 million and a limit of 300,000 users over which non-resident technology firms will have to pay taxes under the Significant Economic Presence principle. The application of the principle is deferred until 2022-23 to allow for a multilateral digital tax solution anticipated from OECD negotiations.<sup>2449</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, India joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2450</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2451</sup>

On 5 August 2021, the government revoked its retrospective tax law by amending the Income Tax Act of 1961.<sup>2452</sup> This law was previously used to claim large tax amounts from foreign investors such as Cairn Energy and Vodafone.<sup>2453</sup> In several cases where this law was applied, India has now proposed to nullify this tax on the indirect transfer of Indian assets before May 2012.<sup>2454</sup>

India has enacted domestic measures to strengthen its tax base with cross-border implications, under the guidance of multilateral frameworks such as the OECD/G20 Inclusive Framework on BEPS and the OECD Model Tax Convention. It has also pursued bilateral arrangements with the UK to strengthen the exchange of information on the taxation of cross-border trade.

Thus, India receives a score of +1.

*Analyst: Neebarika Hemrajani*

---

<sup>2447</sup> Cabinet approves customs co-operation agreement with the UK, BusinessLine (New Delhi) 28 April 2021. Access Date: 13 May 2021. <https://www.thehindubusinessline.com/news/national/cabinet-approves-customs-co-operation-agreement-with-the-uk/article34429486.ece>

<sup>2448</sup> Cabinet approves India-UK deal on information sharing, Customs cooperation, Business Standard (New Delhi) 29 April 2021. Access Date: 13 May 2021. [https://www.business-standard.com/article/economy-policy/cabinet-approves-india-uk-deal-on-information-sharing-customs-cooperation-121042900016\\_1.html](https://www.business-standard.com/article/economy-policy/cabinet-approves-india-uk-deal-on-information-sharing-customs-cooperation-121042900016_1.html)

<sup>2449</sup> India notifies digital tax threshold of Rs 2 crore and 300,000 users, Business Standard (New Delhi) 4 May 2021. Access Date: 13 May 2021. [https://www.business-standard.com/article/economy-policy/india-notifies-digital-tax-threshold-of-rs-2-croreand-300-000-users-121050400156\\_1.html](https://www.business-standard.com/article/economy-policy/india-notifies-digital-tax-threshold-of-rs-2-croreand-300-000-users-121050400156_1.html)

<sup>2450</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2451</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2452</sup> Retro tax law, The Times of India (Mumbai) 5 August 2021. Access Date: 5 August 2021. <https://timesofindia.indiatimes.com/business/india-business/retro-tax-law-what-were-the-liabilities-of-vodafone-cairn-energy/articleshow/85071972.cms>.

<sup>2453</sup> Retro tax law, The Times of India (Mumbai) 5 August 2021. Access Date: 5 August 2021. <https://timesofindia.indiatimes.com/business/india-business/retro-tax-law-what-were-the-liabilities-of-vodafone-cairn-energy/articleshow/85071972.cms>.

<sup>2454</sup> Retro tax law, The Times of India (Mumbai) 5 August 2021. Access Date: 5 August 2021. <https://timesofindia.indiatimes.com/business/india-business/retro-tax-law-what-were-the-liabilities-of-vodafone-cairn-energy/articleshow/85071972.cms>.

**Indonesia: +1**

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

On 26 November 2020, Indonesia notified Japan that it had completed its internal procedures for the entering into effect of the provisions of the Convention to Implement Measures to Prevent Base Erosion and Profit Shifting with respect to the tax treaty between Japan and Indonesia.<sup>2455</sup>

On 27-28 January 2021, Minister of Finance Sri Mulyani Indrawati, along with Ministers of Finance from Canada, Germany, Italy, Jamaica and the United Kingdom, emphasized the need for a multilateral digital tax solution at the public meeting of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework.<sup>2456</sup>

On 21 February 2021, Indonesia announced that taxes on debt security earnings for non-residents will be lowered from 20 per cent to 10 per cent to avoid double taxation. This aligns domestic law with previously signed bilateral and multilateral treaties.<sup>2457</sup>

On 3 March 2021, President Joko Widodo encouraged domestic taxpayers to file their annual income tax return reports online and ahead of the 31 March deadline, in an effort to promote online services and modernize the domestic tax system.<sup>2458</sup>

On 9 March 2021, the bilateral agreement signed with Singapore on the promotion and protection of investments came into effect after ratification by both states. Novel measures included joint statements by tax authorities in the event of disputes, subjecting claims arising from taxation measures to a special regime, as well as measures against double taxation and corruption. These measures will help align the tax policies of both countries and create arbitration and dispute settlement mechanisms.<sup>2459</sup>

On 16 March 2021, the tax agency updated the XML schema for the automatic exchange of information to comply with the common reporting standard and the US Foreign Account Tax Compliance Act. This brings domestic reporting into compliance with US and international standards and increases tax transparency.<sup>2460</sup>

On 10 June 2021, in a joint statement with the Finance Ministers of South Africa and Mexico, the Minister of Finance expressed support for the G7 global minimum tax proposal. He stated his belief

---

<sup>2455</sup> The Convention to Implement Measures to Prevent BEPS will Have Effect with respect to the Tax Treaty with Indonesia, Ministry of Finance of Japan (Tokyo) 4 December 2020. Access Date: 2 April 2021.

[https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20201204ind\\_e.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20201204ind_e.html)

<sup>2456</sup> This week in tax: Janet Yellen raises hope for digital tax agreement, International Tax Review (London) 29 January 2021. Access Date: 22 March 2021. <https://www.internationaltaxreview.com/article/b1qbd4l2twjm64/this-week-in-tax-janet-yellen-raises-hope-for-digital-tax-agreement>

<sup>2457</sup> Indonesia Issues Implementing Rules of Investment Law Reform, Bloomberg (New York) 21 February 2021. Access Date: 23 March 2021. <https://www.bloomberg.com/news/articles/2021-02-21/indonesia-issues-implementing-rules-for-investment-law-reform>

<sup>2458</sup> Tax Revenue Raised, National Independence Increased, Indonesian Government Website (Jakarta) 23 March 2021. Access Date: 23 March 2021. <https://www.indonesia.go.id/kategori/editorial/2629/penerimaan-pajak-naik-kemandirian-bangsa-terdongkrak>

<sup>2459</sup> New Procedural Rights for Investors as Indonesia-Singapore BIT Comes into Force, Herbert Smith Freehills LLP (London) 17 March 2021. Access Date: 23 March 2021. <https://www.lexology.com/library/detail.aspx?g=d3a85fad-1294-4652-9339-b56cbc163a75>

<sup>2460</sup> Indonesia Tax Agency Updates XML Schema for CRS, FATCA Reporting, Bloomberg Tax (New York) 18 March 2021. Access Date: 23 March 2021. <https://news.bloombergtax.com/daily-tax-report-international/indonesia-tax-agency-updates-xml-schema-for-crs-fatca-reporting>

that a 15 per cent global minimum corporate tax would help end the race-to-the-bottom among tax jurisdictions and enhance fairness in tax systems.<sup>2461</sup>

On 19 June 2021, Indonesia ratified an agreement with the UAE, which clarified taxation terms for cross-border transactions. The treaty officially came into effect through the issuance of Presidential Regulation No.34/2021 on the agreement between Indonesia and the UAE on avoiding double taxation and preventing tax evasion, which President Widodo signed on 4 May 2021.<sup>2462</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Indonesia joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2463</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2464</sup>

On 23 July 2021, the updated agreement between Indonesia and Singapore on double taxation entered into force. The agreement was signed on 4 February 2020. It aimed to benefit businesses in both countries with subsidiaries in the other country, as well as multinational corporations conducting business in both countries.<sup>2465</sup>

Indonesia has continued its cooperation for a globally fair, suitable and modern international tax system through bilateral arrangements with Singapore and aligning automatic exchange of information practices with that of the United States. Indonesia has also engaged in multilateral cooperation and calling for a collective digital tax solution, while reforming its domestic taxation on debt security earnings.

Thus, Indonesia receives a score of +1.

*Analyst: Faadil Butt*

### **Italy: +1**

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

On 2 December 2020, Italy extended the cross-border taxation agreement with France, which entered into force on 16 July 2020 until 31 March 2021 due to COVID-19 travel restrictions.<sup>2466</sup>

---

<sup>2461</sup> Indonesia, South Africa, Mexico back G7 global tax reform proposal, Reuters (Berlin) 10 June 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/finance/indonesia-south-africa-mexico-back-g7-global-tax-reform-proposal-2021-06-10/>

<sup>2462</sup> Indonesia ratifies tax treaty with UAE, The Jakarta Post (Jakarta) 19 June 2021. Access Date: 25 July 2021. <https://www.thejakartapost.com/news/2021/06/19/indonesia-ratifies-tax-treaty-with-uae.html>

<sup>2463</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2464</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2465</sup> Updated Singapore-Indonesia Agreement for the Elimination of Double Taxation Enters into Force, Inland Revenue Authority of Singapore (Singapore) 23 July 2021. Access Date: 14 September 2021. <https://www.iras.gov.sg/irashome/News-and-Events/Newsroom/Media-Releases-and-Speeches/Media-Releases/2021/Updated-Singapore-Indonesia-Agreement-for-the-Elimination-of-Double-Taxation-Enters-into-Force/>

<sup>2466</sup> Amicable Agreement with Italy for Cross-Border Workers (COVID19), Tax Administration of France (Paris) 2 December 2020. Access Date: 21 March 2021. [https://www.impots.gouv.fr/portail/files/media/10\\_conventions/italie/accord\\_covid-19\\_fr\\_it\\_2020\\_12\\_28.pdf](https://www.impots.gouv.fr/portail/files/media/10_conventions/italie/accord_covid-19_fr_it_2020_12_28.pdf)

On 27-28 January 2021, Minister of the Economy and Finance Roberto Gualtieri, along with Ministers of Finance from Canada, Germany, Indonesia, Jamaica and the UK, emphasized the need for a multilateral digital tax solution at the public meeting of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework.<sup>2467</sup> At the meeting, Minister Gualtieri called for a global response to the challenges of digitalization and reform of the existing tax rules to guarantee more stability and certainty in the taxation of multinational enterprises.<sup>2468</sup> He called for establishing a global minimum effective tax rate to tackle base erosion and profit shifting (BEPS) issues, and reducing incentives for multinational enterprises to move profits to low-tax jurisdictions.<sup>2469</sup> Minister Gualtieri also affirmed that the review of international tax rules and the mid-2021 deadline is a top priority for Italy's G20 agenda. He announced Italy's commitment to 1) endorsing the OECD's reporting framework for automatic exchange of information on crypto-assets; 2) on BEPS, endorsing the review of the minimum standards on country-by-country reporting, mutual agreement procedures, and the revised methodology to review the minimum standard on tax treaty abuse; and 3) on tax and development, strengthening domestic resource mobilization in developing countries through the enhancement of their capacity in tax policy and tax administration. Finally, Minister Gualtieri announced that Italy will mandate the OECD to report to the G20 on the benefits of developing country participation in the Inclusive Framework, update last year's report "Tax Policy and COVID-19," and present a new report on "Tax Policy after COVID-19" in October.<sup>2470</sup>

On 23 March 2021, the tax authority released Circular 3/2021 to clarify the application and administration of the digital services tax. The document clarified the scope of the digital services tax and excluded services, calculation of taxation revenue and the process for submitting the tax return.<sup>2471</sup>

On 30 April 2021, Italy submitted its recovery plan to the European Commission to be eligible for the European Union's COVID relief funding. Part of the recovery plan includes reforms to the tax code.<sup>2472</sup>

On 7 May 2021, the revenue agency issued guidelines in Circular Letter n.4 to describe its directions for tax audit activities aimed at preventing and fighting tax evasion. This included a section on the procedures of international information exchange.<sup>2473</sup>

---

<sup>2467</sup> This week in tax: Janet Yellen raises hope for digital tax agreement, *International Tax Review* (London) 29 January 2021. Access Date: 22 March 2021. <https://www.internationaltaxreview.com/article/b1qbd4l2twjm64/this-week-in-tax-janet-yellen-raises-hope-for-digital-tax-agreement>

<sup>2468</sup> Speech by Minister of the Economy and Finance Roberto Gualtieri at the "11<sup>th</sup> meeting of the OECD/G20 Inclusive Framework on BEPS," Italian Ministry of the Economy and Finance (Rome) 28 January 2021. Access Date: 22 March 2021. [https://www.mef.gov.it/en/ufficio-stampa/articoli/2019\\_2023-Roberto\\_Gualtieri/Minister-Gualtieris-speech-at-the-OECD-G20-Inclusive-Framework-on-BEPS/](https://www.mef.gov.it/en/ufficio-stampa/articoli/2019_2023-Roberto_Gualtieri/Minister-Gualtieris-speech-at-the-OECD-G20-Inclusive-Framework-on-BEPS/)

<sup>2469</sup> Speech by Minister of the Economy and Finance Roberto Gualtieri at the "11<sup>th</sup> meeting of the OECD/G20 Inclusive Framework on BEPS," Italian Ministry of the Economy and Finance (Rome) 28 January 2021. Access Date: 22 March 2021. [https://www.mef.gov.it/en/ufficio-stampa/articoli/2019\\_2023-Roberto\\_Gualtieri/Minister-Gualtieris-speech-at-the-OECD-G20-Inclusive-Framework-on-BEPS/](https://www.mef.gov.it/en/ufficio-stampa/articoli/2019_2023-Roberto_Gualtieri/Minister-Gualtieris-speech-at-the-OECD-G20-Inclusive-Framework-on-BEPS/)

<sup>2470</sup> Speech by Minister of the Economy and Finance Roberto Gualtieri at the "11<sup>th</sup> meeting of the OECD/G20 Inclusive Framework on BEPS," Italian Ministry of the Economy and Finance (Rome) 28 January 2021. Access Date: 22 March 2021. [https://www.mef.gov.it/en/ufficio-stampa/articoli/2019\\_2023-Roberto\\_Gualtieri/Minister-Gualtieris-speech-at-the-OECD-G20-Inclusive-Framework-on-BEPS/](https://www.mef.gov.it/en/ufficio-stampa/articoli/2019_2023-Roberto_Gualtieri/Minister-Gualtieris-speech-at-the-OECD-G20-Inclusive-Framework-on-BEPS/)

<sup>2471</sup> Italy: Guidance on application and administration of digital services tax, KPMG (Washington D.C.) 24 March 2021. Access Date: 19 September 2021. <https://home.kpmg/us/en/home/insights/2021/03/tnf-italy-guidance-on-application-and-administration-of-digital-services-tax.html>

<sup>2472</sup> Italy submits its Recovery Plan to EU Commission just before deadline, Reuters (Rome) 1 May 2021. Access Date: 3 May 2021. <https://www.reuters.com/article/us-eu-recovery-italy-idUSKBN2CI30C>

On 5 June 2021, Italy joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises (MNEs) operate and made it mandatory for such firms to report the climate impact of their investments.<sup>2474</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Italy joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2475</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2476</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, Italy joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2477</sup>

On 15 July 2021, the national securities regulator announced that Italians are not allowed to access the Binance cryptocurrency exchange, citing crypto-assets' price volatility and susceptibility to malfunctions and cyber attacks.<sup>2478</sup>

Italy has continued its cooperation for a globally fair, sustainable and modern international tax system through a bilateral arrangement with France and continued cooperation through multilateral institutions and commitments. It has also advanced domestic policies regarding digital currencies, the digital services tax, and tax evasion. On the latter, Italy has provided leadership to reach international solutions to taxation issues through the OECD, under its G20 presidency, and through cooperation with the UK as this year's G7 host.

Thus, Italy receives a score of +1.

*Analyst: Jeffrey Vandespyker*

### **Japan: +1**

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

---

<sup>2473</sup> Italian revenue agency's new tax assessment guidelines affect multinationals, MNE Tax (Washington D.C.) 6 July 2021. Access Date: 19 September 2021. <https://mnetax.com/italian-revenue-agencys-new-tax-assessment-guidelines-affect-multinationals-44975>

<sup>2474</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2475</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2476</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2477</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2478</sup> The Italian regulator has blocked consumers from investing in crypto through Binance on all its platforms, Markets Insider (New York) 15 July 2021. Access Date: 19 September 2021. <https://markets.businessinsider.com/news/currencies/italy-regulator-cryptocurrency-bans-binance-trading-exchange-2021-7>

On 26 November 2020, Japan's tax treaty with Indonesia began to apply the provisions of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.<sup>2479</sup>

On 18 December 2020, Japan applied the Convention for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance to its treaties with Germany and Pakistan.<sup>2480</sup>

On 30 December 2020, the government completed the mutual notifications necessary for the entry into force of the Convention between Japan and the Republic of Peru for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance with Peru.<sup>2481</sup>

On 18 January 2021, the government announced tax relief plans targeting foreign nationals.<sup>2482</sup> The plan exempts foreign nationals' overseas assets from inheritance taxes and applies a flat income tax rate of 20 per cent on earnings from investment assets.<sup>2483</sup> The goal of this measure is to increase international talent acquisition.

On 20 January 2021, the government signed the Convention between Japan and Georgia for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.<sup>2484</sup>

On 2 February 2021, the National Tax Agency received details on approximately 2.06 million offshore accounts held by Japanese individuals and corporations that amounted to approximately JPY10 trillion. The information was acquired "under an internationally agreed standard to prevent tax evasion."<sup>2485</sup>

On 12 February 2021, the government completed the mutual notifications necessary for the entry into force of the Convention between Japan and the Kingdom of Spain for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.<sup>2486</sup>

---

<sup>2479</sup> The Convention to Implement Measures to Prevent BEPS will Have Effect with respect to the Tax Treaty with Indonesia, Ministry of Finance of Japan (Tokyo) 4 December 2020. Access Date: 2 April 2021. [https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20201204ind\\_e.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20201204ind_e.html)

<sup>2480</sup> Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased [Germany and Pakistan], Ministry of Finance of Japan (Tokyo) 8 January 2021. Access Date: 2 April 2021. [https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20210108mli.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20210108mli.html)

<sup>2481</sup> Entry into force of the Tax Convention between Japan and Peru, Ministry of Foreign Affairs of Japan (Tokyo) 14 January 2021. Access Date: 2 April 2021. [https://www.mofa.go.jp/press/release/press23e\\_000030.html](https://www.mofa.go.jp/press/release/press23e_000030.html)

<sup>2482</sup> Japan eyes tax breaks on overseas assets for foreigners, Asahi Shimbun (Osaka) 1 December 2020. Access Date: 14 March 2021. <http://www.asahi.com/ajw/articles/13978710>

<sup>2483</sup> Policy Speech by the Prime Minister to the 204<sup>th</sup> Session of the Diet, Prime Minister of Japan and His Cabinet (Tokyo) 18 January 2021. Access Date: 19 March 2021. [https://japan.kantei.go.jp/99\\_suga/statement/202101/\\_00013.html](https://japan.kantei.go.jp/99_suga/statement/202101/_00013.html)

<sup>2484</sup> New Tax Convention with Georgia was Signed, Ministry of Finance of Japan (Tokyo) 29 January 2021. Access Date: 2 April 2021. [https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20210129Geo\\_e.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20210129Geo_e.html)

<sup>2485</sup> Japan gets details on 2 mil. Offshore accounts to combat tax evasion, Mainichi Shimbun (Tokyo) 3 February 2021. Access Date: 18 March 2021. <https://mainichi.jp/english/articles/20210203/p2g/00m/0bu/079000c>

<sup>2486</sup> New Tax Convention with Spain will Enter into Force, Ministry of Finance of Japan (Tokyo) 15 February 2021. Access Date: 2 April 2021. [https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20210215Spa.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20210215Spa.html)

On 18 February 2021, the government completed the mutual notifications necessary for the entry into force of the Convention between Japan and Malaysia for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.<sup>2487</sup>

On 22 March 2021, Japan started negotiations with Ukraine for a new Convention to replace the current Tax Convention for the Avoidance of Double Taxation.<sup>2488</sup>

On 2 April 2021, Japan and Hungary agreed to apply the MLI to their pre-existing bilateral tax treaty.<sup>2489</sup>

On 19 May 2021, Japan and Azerbaijan agreed to start negotiating for a new Convention to replace the current Tax Convention, which entered into force in 1986.<sup>2490</sup>

On 5 June 2021, Japan joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises (MNEs) operate and made it mandatory for such firms to report the climate impact of their investments.<sup>2491</sup>

On 23 June 2021, Japan and Georgia exchanged diplomatic notes to bring the “Convention between Japan and Georgia for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance” into force and replace the current Tax Convention which entered into force in 1986.<sup>2492</sup>

On 23 June 2021, Japan and Uruguay exchanged diplomatic notes to bring the “Convention between Japan and the Oriental Republic of Uruguay for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance” into force.<sup>2493</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Japan joined the OECD’s statement to establish a two-pillar framework for international tax reform. Pillar One will “re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.”<sup>2494</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2495</sup>

---

<sup>2487</sup> Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased [Malaysia], Ministry of Finance of Japan (Tokyo) 5 March 2021. Access Date: 2 April 2021.

[https://www.mof.go.jp/english/tax\\_policy/tax\\_conventions/press\\_release/20210305mli.html](https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20210305mli.html)

<sup>2488</sup> Commencement of negotiations for the Tax Convention with Ukraine, Ministry of Foreign Affairs (Tokyo) 19 March 2021. Access Date: 27 April 2021. [https://www.mofa.go.jp/press/release/press4e\\_002986.html](https://www.mofa.go.jp/press/release/press4e_002986.html)

<sup>2489</sup> Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased [Hungary], Ministry of Finance (Tokyo) 2 April 2021. Access Date: 11 July 2021.

[https://www.mof.go.jp/english/policy/tax\\_policy/tax\\_conventions/press\\_release/20210402mli.html](https://www.mof.go.jp/english/policy/tax_policy/tax_conventions/press_release/20210402mli.html)

<sup>2490</sup> Commencement of negotiations for the Tax Convention with Azerbaijan, Ministry of Foreign Affairs (Tokyo) 19 May 2021. Access Date: 13 July 2021. [https://www.mofa.go.jp/press/release/press22e\\_000056.html](https://www.mofa.go.jp/press/release/press22e_000056.html)

<sup>2491</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2492</sup> Entry into force of the Tax Convention between Japan and Georgia, Ministry of Foreign Affairs (Tokyo) 23 June 2021. Access Date: 13 July 2021. [https://www.mofa.go.jp/press/release/press4e\\_003015.html](https://www.mofa.go.jp/press/release/press4e_003015.html)

<sup>2493</sup> Entry into force of the Tax Convention between Japan and Uruguay, Ministry of Foreign Affairs (Tokyo) 24 June 2021. Access Date: 13 July 2021. [https://www.mofa.go.jp/press/release/press1e\\_000201.html](https://www.mofa.go.jp/press/release/press1e_000201.html)

<sup>2494</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2495</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new->

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, Japan joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2496</sup>

On 16 July 2021, Japan and Switzerland signed the Protocol Amending the Convention between Japan and Switzerland for the Avoidance of Double Taxation with respect to Taxes on Income. The Protocol revised the taxation of business profits, amended measures for the prevention of abuse of the convention, and contributed to eliminating double taxation and preventing international tax evasion and tax avoidance.<sup>2497</sup>

Japan continued its cooperation for a globally fair, sustainable, and modern international tax system through bilateral arrangements to prevent tax evasion and avoidance. Japan also continued its cooperation with multilateral institutions and processes with regards to the taxation of MNEs. Further, Japan actively negotiated bilateral taxation treaties in order to uphold the international implementation of the BEPS framework.

Thus, Japan receives a score of +1.

*Analyst: Erica Matsui*

#### **Korea: +1**

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

On 6 January 2021, the Ministry of Finance announced a revised tax break for foreigners. Foreign researchers will be eligible for a 50 per cent tax break for five years under conditions such as education, experience, and employment.<sup>2498</sup> The goal of this measure is to promote international talent acquisition.

On 26 January 2021, the National Assembly ratified a double tax agreement with Cambodia, which seeks to foster bilateral cooperation and avoid double taxation of income and property.<sup>2499</sup>

On 22 February 2021, the Ministry of Economy and Finance announced a 20 per cent tax on cryptocurrency investments exceeding KRW2.5 million, starting in January 2022, in order to increase taxes of digital assets.<sup>2500</sup>

On 15 March 2021, Deputy Prime Minister Hong Nam-ki announced a plan to expand tax incentives for foreign companies in digital and green industries, as well as a plan to create a “high-tech investment zone” within free economic zones and national industrial complexes.<sup>2501</sup>

---

framework-for-international-tax-reform.htm

<sup>2496</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2497</sup> Protocol Amending Tax Convention with Switzerland was Signed, Ministry of Finance of Japan (Tokyo) 16 July 2021. Access Date: 28 August 2021.

[https://www.mof.go.jp/english/policy/tax\\_policy/tax\\_conventions/press\\_release/20210716Swi\\_e.html](https://www.mof.go.jp/english/policy/tax_policy/tax_conventions/press_release/20210716Swi_e.html)

<sup>2498</sup> S. Korea has ‘no plans’ to raise fuel taxes, cut inheritance tax, Korea Herald (Seoul) 6 January 2021. Access Date: 19 March 2021. <http://www.koreaherald.com/view.php?ud=20210106000997>.

<sup>2499</sup> South Korea passes bill to ratify tax deal, Khmer Times (Phnom Penh) 26 January 2021. Access Date: 16 March 2021. <https://www.khmertimeskh.com/50807137/south-korea-passes-bill-to-ratify-tax-deal/>

<sup>2500</sup> Seoul to tax crypto gains, bring in more regulations, Korea Herald (Seoul) 22 February 2021. Access Date: 19 March 2021. <http://www.koreaherald.com/view.php?ud=20210222000880>

On 15 March 2021, Deputy Prime Minister Nam-ki revealed that the government will create new rules to regulate digital businesses, such as online platforms and over-the-top media services, to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.<sup>2502</sup>

On 15 March 2021, in prosecuting tax evasion through digital currencies, the National Tax Service seized KRW36.6 billion from 2416 individuals who hid assets through virtual currencies.<sup>2503</sup>

On 24 May 2021, the Bank of Korea announced that it is creating a pilot platform for a central bank-backed digital currency.<sup>2504</sup>

On 23 June 2021, the Tax Agency revealed that it seized USD47 million worth of cryptocurrency from 12000 individuals due to suspicion of tax evasion.<sup>2505</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Korea joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises (MNEs)] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2506</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2507</sup>

On 11 July 2021, the government announced that it will be pursuing a tax rate of 20 per cent on multinational companies. This is the lowest rate possible within the range of 20 to 30 per cent agreed upon at the G20 finance ministers' meeting. The government stated that this decision intended to lessen the burden on larger MNEs such as Samsung and SK hynix.<sup>2508</sup>

On 23 July 2021, Deputy Prime Minister Hong Nam-ki announced that starting 1 January 2022, the tax authorities will be able to seize and sell cryptocurrency held by individuals that did not pay taxes.<sup>2509</sup>

On 26 July 2021, the Ministry of Economic and Finance released proposed amendments to the tax laws. The proposal amends the beneficial ownership requirement for overseas investment vehicles, increases the threshold effective tax rate subject to the CFC (controlled foreign corporations) regime,

---

<sup>2501</sup> More tax incentives set for high-tech foreign firms to boost FDI, Korea Herald (Seoul) 15 March 2021. Access Date: 16 March 2021. <http://www.koreaherald.com/view.php?ud=20210315000926>

<sup>2502</sup> 221st Meeting on International Economic Affairs, Ministry of Economy and Finance (Seoul) 15 March 2021. Access Date: 19 April 2021. <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5088>

<sup>2503</sup> South Korea Seizes Funds in Cryptocurrency Tax Evasion Probe, Bloomberg Tax (Arlington) 15 March 2021. Access Date: 19 March 2021. <https://news.bloombergtax.com/daily-tax-report/south-korea-seizes-funds-in-cryptocurrency-tax-evasion-probe>

<sup>2504</sup> S. Korea's c.bank moves to develop pilot digital currency, Reuters (London) 23 May 2021. Access Date: 13 July 2021. <https://www.reuters.com/business/finance/s-koreas-cbank-moves-develop-pilot-digital-currency-2021-05-24/>

<sup>2505</sup> South Korea seizes crypto assets in clampdown on 'tax dodgers', Financial Times (London) 23 June 2021. Access Date: 13 July 2021. <https://www.ft.com/content/aa9834a1-8e3a-46c9-a2d8-13b10882c1c9>

<sup>2506</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2507</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2508</sup> Korea seeks 20% digital tax to minimize burden on Samsung, SK hynix, Korea Times (Seoul) 11 July 2021. Access Date: 13 July 2021. [https://www.koreatimes.co.kr/www/biz/2021/07/367\\_311960.html?na](https://www.koreatimes.co.kr/www/biz/2021/07/367_311960.html?na)

<sup>2509</sup> Gov't to seize, sell cryptocurrencies held by tax dodgers, The Korea Times (Seoul) 26 July 2021. Access Date: 28 August 2021. [http://www.koreatimes.co.kr/www/biz/2021/07/602\\_312804.html](http://www.koreatimes.co.kr/www/biz/2021/07/602_312804.html)

and incorporates the OECD's recommendations on the transfer pricing implications of the COVID-19 pandemic.<sup>2510</sup>

Korea has continued its engagement in international cooperation for a globally fair, sustainable and modern international tax system through bilateral arrangements with Cambodia and domestic regulations on digital currency and e-commerce. Korea also participated in multilateral processes to reform international taxation and tax MNEs.

Thus, Korea receives a score of +1.

*Analyst: Erica Matsui*

### **Mexico: 0**

Mexico has partially complied with its commitment to continue to cooperate for a globally fair, sustainable, and modern international tax system.

On 8 December 2020, tax authorities published new rules to amend the income tax law and the value-added-tax (VAT) on digital services. The amendments allow temporary blocking of non-residents' access to digital services if they fail to remit withholding tax payments. The amendments also expanded the scope of digital services applicable to the VAT to include intermediation services.<sup>2511</sup>

On 11 March 2021, Minister of Finance Arturo Herrera announced that the government will discuss tax reforms with local authorities.<sup>2512</sup> Treasury Undersecretary Gabriel Yorio expressed a desire to close the tax evasion gap in 2021 before restructuring the tax system.<sup>2513</sup>

On 10 June 2021, Minister Herrera, in a joint article with the Finance Ministers of the US, Germany, Indonesia, and South Africa, expressed support for the G7 global minimum tax proposal of at least 15 per cent. The statement expressed the belief that the minimum rate could ultimately be increased and urged other countries to reach an agreement to "ensure that global capitalism is compatible with fair tax systems."<sup>2514</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Mexico joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2515</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use

---

<sup>2510</sup> Proposed Amendments to the Korean Tax Laws for 2021, Lexology (London) 12 August 2021. Access Date: 15 September 2021. <https://www.lexology.com/library/detail.aspx?g=0d7f5f3f-1a4c-4de6-a104-d2123f4c3124>

<sup>2511</sup> Mexico amends tax rules applying to digital service providers, online platforms, MNE Tax (Monterrey) 3 February 2021. Access Date: 13 May 2021. <https://mnetax.com/mexico-amends-tax-rules-applying-to-digital-service-providers-online-platforms-42363>

<sup>2512</sup> Mexico to evaluate the need for tax reform after midterm elections, Reuters (Mexico City) 11 March 2021. Access Date: 26 March 2021. <https://www.reuters.com/article/us-mexico-economy-exclusive-idUSKBN2B3341>

<sup>2513</sup> Mexico's Finance Secretary estimates the economy could 'easily' grow more than 5% in 2021, The Rio Times (Rio de Janeiro) 22 March 2021. Access Date: 26 March 2021. <https://riotimesonline.com/brazil-news/mercosur/mexico/mexicos-finance-secretary-estimates-economy-could-easily-grow-more-than-5-in-2021/>

<sup>2514</sup> Indonesia, South Africa, Mexico back G7 global tax reform proposal, Reuters (Berlin) 10 June 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/finance/indonesia-south-africa-mexico-back-g7-global-tax-reform-proposal-2021-06-10/>

<sup>2515</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

to protect their tax bases.<sup>2516</sup> Finance Minister Arturo Herrera stated that this arrangement would benefit Mexico, as it would be an “inflow of taxes.”<sup>2517</sup>

In addition to domestic efforts to strengthen the digital service tax and a verbal affirmation of Mexico’s goal to close the tax evasion gap, Mexico has also participated in multilateral institutions, such as OECD processes, and engagements with like-minded countries to improve the international tax system. However, Mexico has not engaged in bilateral inter-state channels to advance this commitment.

Thus, Mexico receives a score of 0.

*Analyst: Neebarika Hemrajani*

### **Russia: +1**

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

On 26 November 2020, Russia confirmed the completion of its internal procedures for the Covered Tax Agreements under Article 35(7)(a)(i) of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.<sup>2518</sup> The Convention endeavours to prevent tax avoidance on a multilateral scale and build upon existing cross-border tax standards.<sup>2519</sup>

On 14 December 2020, Prime Minister Mikhail Mishustin approved the protocol on amending the Convention for the avoidance of double taxation with Luxembourg.<sup>2520</sup> The protocol entered into force on 5 March 2021.<sup>2521</sup> This action ensures that revenue paid abroad in the form of interests and dividends is taxed at the same rates as in Russia, at 15 per cent.<sup>2522</sup>

On 27 December 2020, Prime Minister Mishustin approved the protocol on amending the Convention for the avoidance of double taxation with Malta.<sup>2523</sup>

On 26 January 2021, State Secretary-Deputy Finance Minister Alexei Valerievich Sazanov stated that the bill on denouncing the double taxation treaty with the Netherlands is being prepared “for

---

<sup>2516</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2517</sup> Mexico to see net revenue gain from corporate tax revamp, finance minister says, Reuters (Venice) 11 July 2021. Access Date: 4 August 2021. <https://www.reuters.com/article/g20-economy-mexico-idUSL1N2ON0BN>

<sup>2518</sup> The Russian Federation, Organisation for Economic Cooperation and Development (Paris) 26 November 2020. Access Date: 21 March 2021. <http://www.oecd.org/tax/treaties/beps-ml-i-notification-article-35-7-b-russian-federation.pdf>

<sup>2519</sup> OECD Reports on BEPS MLI Developments for Bahrain, Chile, Indonesia, Russia, Kazakhstan, MNE Tax (Vienna) 30 November 2020. Access Date: 21 March 2021. <https://mnetax.com/oecd-reports-on-beps-ml-i-developments-for-bahrain-chile-indonesia-russia-kazakhstan-41527>

<sup>2520</sup> Mikhail Mishustin Approves the Protocol on Amending the Double Taxation Agreement with Luxembourg for Ratification, The Russian Government (Moscow) 14 December 2020. Access Date: 21 March 2021. <http://government.ru/en/docs/41110/>

<sup>2521</sup> Luxembourg Ratifies Protocol on Tax Agreement with Russia, TASS (Moscow) 5 March 2021. Access Date: 21 March 2021. <https://tass.com/economy/1263241>

<sup>2522</sup> Mikhail Mishustin Approves the Protocol on Amending the Double Taxation Agreement with Luxembourg for Ratification, The Russian Government (Moscow) 14 December 2020. Access Date: 21 March 2021. <http://government.ru/en/docs/41110/>

<sup>2523</sup> Mikhail Mishustin Approves Submission for Ratification of a Protocol on Amending the Convention for the Avoidance of Double Taxation with Malta, The Russian Government (Moscow) 27 December 2020. Access Date: 21 March 2021. <http://government.ru/en/docs/41229/>

submission to the State Duma in February.”<sup>2524</sup> This action is part of an ongoing domestic effort to revise double taxation agreements and increase the tax rate for dividends brought abroad to offshore jurisdictions from 2 per cent to 15 per cent.<sup>2525</sup>

On 5 February 2021, Prime Minister Mishustin emphasized the need “to step up work on converging tax legislation” at the Eurasian Intergovernmental Council Meeting in Almaty, Kazakhstan.<sup>2526</sup>

On 22-23 February 2021, President Vladimir Putin and Belarusian President Alexander Lukashenko agreed to expand bilateral cooperation between economic and tax service agencies.<sup>2527</sup> Kremlin Spokesman Dmitry Peskov stated that the two countries will hold consultations between their tax services with a view to specify further bilateral measures.<sup>2528</sup>

On 1 April 2021, Prime Minister Mishustin declared that the government will simplify the tax-paying procedures for businesses to a single tax payment.<sup>2529</sup> The goal of this initiative is to improve domestic tax infrastructure and ease of business.<sup>2530</sup>

On 13 April 2021, Deputy Finance Minister Sazanov reaffirmed the possibility of denouncing the tax convention with the Netherlands.<sup>2531</sup> This action aims to prevent multinationals from shifting their profits to low-tax jurisdictions.<sup>2532</sup>

On 11 May 2021, the Duma voted to revoke the Russian-Dutch Convention on the avoidance of double taxation and prevention of tax evasion.<sup>2533</sup> After notifying the Netherlands and completing other formal procedures, Russia will terminate the cross-border tax convention as of 1 January 2022.<sup>2534</sup>

On 25 May 2021, Foreign Minister Sergey Lavrov commended Malta’s prompt ratification of the bilateral double taxation convention.<sup>2535</sup> He stated that proactive joint work would “benefit the legal

---

<sup>2524</sup> Bill on Denouncing Treaty with Netherlands to be Submitted to Lower House in February, TASS (Moscow) 26 January 2021. Access Date: 21 March 2021. <https://tass.com/economy/1249053>

<sup>2525</sup> Bill on Denouncing Treaty with Netherlands to be Submitted to Lower House in February, TASS (Moscow) 26 January 2021. Access Date: 21 March 2021. <https://tass.com/economy/1249053>

<sup>2526</sup> Meeting of the Eurasian Intergovernmental Council, The Russian Government (Almaty) 5 February 2021. Access Date: 21 March 2021. <http://government.ru/en/news/41468/>

<sup>2527</sup> Putin, Lukashenko Agree to Boost Work Between Economic Agencies, TASS (Moscow) 24 February 2021. Access Date: 21 March 2021. <https://tass.com/economy/1259703>

<sup>2528</sup> Putin, Lukashenko Agree to Boost Work Between Economic Agencies, TASS (Moscow) 24 February 2021. Access Date: 21 March 2021. <https://tass.com/economy/1259703>

<sup>2529</sup> Government Meeting, The Russian Government (Moscow) 1 April 2021. Access Date: 29 April 2021. <http://government.ru/en/news/41864/>

<sup>2530</sup> Government Meeting, The Russian Government (Moscow) 1 April 2021. Access Date: 29 April 2021. <http://government.ru/en/news/41864/>

<sup>2531</sup> Denunciation of Tax Convention with the Netherlands Fairly Probable, Says Russian Ministry, TASS (Moscow) 13 April 2021. Access Date: 29 April 2021. <https://tass.com/economy/1277495>

<sup>2532</sup> Denunciation of Tax Convention with the Netherlands Fairly Probable, Says Russian Ministry, TASS (Moscow) 13 April 2021. Access Date: 29 April 2021. <https://tass.com/economy/1277495>

<sup>2533</sup> Lower Chamber of Russian Parliament Votes to Revoke Tax Agreement with Netherlands, Sputnik News (Moscow) 11 May 2021. Access Date: 24 July 2021. <https://sputniknews.com/russia/202105111082856120-lower-chamber-of-russias-parliament-denounces-tax-agreement-with-netherlands/>

<sup>2534</sup> Tax Treaty between Russia and the Netherlands Terminated as of 1 January 2022, Deloitte (Amsterdam) 9 June 2021. Access Date: 24 July 2021. <https://www2.deloitte.com/nl/nl/pages/tax/articles/first-step-taken-in-decunciation-process-tax-treaty-russia-the-netherlands.html>

<sup>2535</sup> Russia Hails Malta’s Reciprocal Moves on Double Taxation, The Telegraph Agency of the Soviet Union (Moscow) 25 May 2021. Access Date: 24 July 2021. <https://tass.com/economy/1293689>

regulation of relations” and “promote the expansion of trade and economic ties” between the two countries.<sup>2536</sup>

On 30 May 2021, the Energy Ministry announced a partnership with the Finance Ministry to create a working group under the authority of the Duma which would focus on revising the taxation framework of the oil sector.<sup>2537</sup> The goal is to introduce tax measures that would stimulate the domestic oil and gas industry.

On 31 May 2021, First Deputy Prime Minister Andrei Belousov demanded that domestic metal companies pay a windfall tax on the profits that they have earned over the past year.<sup>2538</sup> He stated that the government had lost RUB100 billion in taxes.<sup>2539</sup>

On 1 June 2021, Russia reached an agreement with Belarus starting from 1 January 2022 to minimize the losses Belarusian oil refineries would incur due to Russia’s reduction of oil export duties and increase of mineral extraction tax.<sup>2540</sup>

On 3 June 2021, Special Envoy of the President Anatoly Chubais suggested that a cross-border carbon tax would be introduced to the Eurasian Economic Union (EAEU).<sup>2541</sup> The goal of this tax is to create competitive advantages for companies with low carbon emissions and divert tax revenues from the EU to the Russian Treasury.<sup>2542</sup>

On 17 June 2021, Deputy Prime Minister Alexander Novak advised that the EU’s proposal to impose a carbon tax on the importation of goods may violate international trade rules as set forth by the WTO and increase the vulnerability of global energy supplies.<sup>2543</sup> This statement intended to protect Russia’s oil and natural gas industries.<sup>2544</sup>

On 22 June 2021, Prime Minister Mishustin stated that Russia would lend technical support to Uzbekistan in streamlining its tax administration system at a meeting of the Russia-Uzbekistan Joint Commission.<sup>2545</sup> The goal is to address existing vulnerabilities in Uzbekistan’s existing international taxation framework and improve bilateral economic ties with the country.<sup>2546</sup>

---

<sup>2536</sup> Russia Hails Malta’s Reciprocal Moves on Double Taxation, The Telegraph Agency of the Soviet Union (Moscow) 25 May 2021. Access Date: 24 July 2021. <https://tass.com/economy/1293689>

<sup>2537</sup> Two Russian Ministries to Set Up a Working Group on Taxes in Oil Sector, The Telegraph Agency of the Soviet Union (Moscow) 29 May 2021. Access Date: 24 July 2021. <https://tass.com/economy/1295789>

<sup>2538</sup> Russia Demands Metals Giants Pay Windfall Tax, The Moscow Times (Moscow) 31 May 2021. Access Date: 24 July 2021. <https://www.themoscowtimes.com/2021/05/31/russia-demands-metals-giants-pay-windfall-tax-a74056>

<sup>2539</sup> Russia Demands Metals Giants Pay Windfall Tax, The Moscow Times (Moscow) 31 May 2021. Access Date: 24 July 2021. <https://www.themoscowtimes.com/2021/05/31/russia-demands-metals-giants-pay-windfall-tax-a74056>

<sup>2540</sup> Belarus and Russia Reached a General Agreement on Tax Manoeuvre – BelTA, The Telegraph Agency of the Soviet Union (Minsk) 1 June 2021. Access Date: 24 July 2021. <https://tass.com/economy/1296673>

<sup>2541</sup> Russian Presidential Envoy Suggests Introducing Cross-border Carbon Tax, The Telegraph Agency of the Soviet Union (St. Petersburg) 3 June 2021. Access Date: 24 July 2021. <https://tass.com/economy/1298109>

<sup>2542</sup> Russian Presidential Envoy Suggests Introducing Cross-border Carbon Tax, The Telegraph Agency of the Soviet Union (St. Petersburg) 3 June 2021. Access Date: 24 July 2021. <https://tass.com/economy/1298109>

<sup>2543</sup> Russia Says EU Carbon Border Tax May Impinge on Global Trade Rules, Reuters (Moscow) 17 June 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/russia-says-eu-carbon-border-tax-may-impinge-global-trade-rules-2021-06-17/>

<sup>2544</sup> Russia Says EU Carbon Border Tax May Impinge on Global Trade Rules, Reuters (Moscow) 17 June 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/russia-says-eu-carbon-border-tax-may-impinge-global-trade-rules-2021-06-17/>

<sup>2545</sup> Meeting of the Russia-Uzbekistan Joint Commission at the Level of Heads of Government, The Russian Government (Moscow) 22 June 2021. Access Date: 24 July 2021. <http://government.ru/en/news/42569/>

<sup>2546</sup> Meeting of the Russia-Uzbekistan Joint Commission at the Level of Heads of Government, The Russian Government (Moscow) 22 June 2021. Access Date: 24 July 2021. <http://government.ru/en/news/42569/>

On 1 July 2021, as part of 130 countries and jurisdictions, Russia joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2547</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2548</sup>

On 8 July 2021, Finance Minister Anton Siluanov announced that a huge fall in revenues for Russia's energy market was on the horizon after a global push towards renewables and a fall in demand for fossil fuels.<sup>2549</sup> He said that the EU's cross-border carbon tax would impact more than 40 per cent of Russian exporters.<sup>2550</sup>

On 9 July 2021, Deputy Finance Minister Sazanov confirmed that Russia would move towards a green economy and carbon neutrality without implementing new taxes on carbon emissions like the rest of Europe.<sup>2551</sup> Russia's goal is to ease the burden of international carbon taxes and new environmental standards on domestic businesses.<sup>2552</sup>

On 13 July 2021, President Putin and Belarusian President Lukashenko agreed on credit support for Belarus following the reduction of oil export duties and an increase in the mineral extraction tax in the Russian oil industry.<sup>2553</sup> The exact loan amount was not specified.<sup>2554</sup> The two heads of state also discussed tax regulations in the context of Western sanctions against Belarus.<sup>2555</sup>

On 14 July 2021, the Press Secretary of the Belarusian President Natalia Eismont declared that Belarus and Russia had completed work on harmonising bilateral tax legislation.<sup>2556</sup>

On 20 July 2021, First Deputy Chair of the State Duma Committee on Budgets and Taxes Sergey Katasonov submitted a bill to the Duma to suspend land and property taxes for businesses that are operating under COVID-related restrictions.<sup>2557</sup>

---

<sup>2547</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2548</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2549</sup> Russia Faces Huge Revenue Losses from Renewables Push, Finance Minister Warns, The Moscow Times (Moscow) 8 July 2021. Access Date: 24 July 2021. <https://www.themoscowtimes.com/2021/07/08/russia-faces-huge-revenue-losses-from-renewables-push-finance-minister-warns-a74463>

<sup>2550</sup> Russia Faces Huge Revenue Losses from Renewables Push, Finance Minister Warns, The Moscow Times (Moscow) 8 July 2021. Access Date: 24 July 2021. <https://www.themoscowtimes.com/2021/07/08/russia-faces-huge-revenue-losses-from-renewables-push-finance-minister-warns-a74463>

<sup>2551</sup> Russia Will Follow Its Own Path Towards Green Economy Without Emission Taxes – Ministry, The Telegraph Agency of the Soviet Union (Moscow) 9 July 2021. Access Date: 24 July 2021. <https://tass.com/politics/1312285>

<sup>2552</sup> Russia Will Follow Its Own Path Towards Green Economy Without Emission Taxes – Ministry, The Telegraph Agency of the Soviet Union (Moscow) 9 July 2021. Access Date: 24 July 2021. <https://tass.com/politics/1312285>

<sup>2553</sup> Putin and Lukashenko Talk Gas Prices and Western Sanctions During Fourth Meeting of 2021, Meduza (Moscow) 13 July 2021. Access Date: 24 July 2021. <https://meduza.io/en/news/2021/07/13/putin-and-lukashenko-talk-gas-prices-and-western-sanctions-during-fourth-meeting-of-2021>

<sup>2554</sup> Kremlin Did Not Specify Volume of Loan to Belarus, It Is Still Discussed, The Telegraph Agency of the Soviet Union (Moscow) 14 July 2021. Access Date: 24 July 2021. <https://tass.com/politics/1313889>

<sup>2555</sup> Putin and Lukashenko Talk Gas Prices and Western Sanctions During Fourth Meeting of 2021, Meduza (Moscow) 13 July 2021. Access Date: 24 July 2021. <https://meduza.io/en/news/2021/07/13/putin-and-lukashenko-talk-gas-prices-and-western-sanctions-during-fourth-meeting-of-2021>

<sup>2556</sup> Minsk, Moscow Completed Fiscal Laws Harmonization Activities – Press Secretary, The Telegraph Agency of the Soviet Union (Moscow) 14 July 2021. Access Date: 24 July 2021. <https://tass.com/economy/1314021>

On 26 July 2021, Prime Minister Mishustin stated that Russia was considering the possibility of turning the Kuril Islands into a tax-free offshore zone to attract foreign investors and support budding entrepreneurs.<sup>2558</sup> The proposal would exempt individuals and organizations investing in the Islands from paying income, added value, property, land, and transport taxes.<sup>2559</sup>

On 6 August 2021, President Putin stated that from 1 January 2022 onwards, Russia would impose “new higher taxes on mineral extraction” on metals producers.<sup>2560</sup> This domestic tax increase is meant to support Russia’s fiscal budget during the economic downturns of the pandemic.<sup>2561</sup>

On 9 September 2021, President Putin and Belarusian President Lukashenko met in Moscow to discuss the synchronisation of their tax and customs systems.<sup>2562</sup> This meeting is the latest in a series of talks between Russia and Belarus to deepen integration at the fiscal level and “increase cooperation between their ministries and departments through the latest digital technology.”<sup>2563</sup>

On 14 September 2021, the government published a plan to impose new taxes on foreign-owned digital services by November 2021, in order to support domestic technology sectors.<sup>2564</sup>

Russia has pursued bilateral channels to improve taxation agreements with Luxembourg and Malta while providing tax administration assistance to Uzbekistan. Russia has also attended ~~four~~ meetings with Belarus to improve tax relations and discuss credit support. Domestically, Russia has taken tax measures to stimulate its oil and gas industry while objecting to the EU’s cross-border carbon tax. Russia has also taken important steps in realizing its multilateral commitment to international tax cooperation by completing the internal procedures of the MLI, supporting the improvement of international tax systems within the Eurasian Intergovernmental Council, and proposing a carbon tax in the EAEU.

Thus, Russia receives a score of +1.

*Analyst: Saarah Khan*

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

Saudi Arabia has fully complied with its commitment to continue cooperation for a globally fair, sustainable, and modern international tax system.

On 2 December 2020, Saudi Arabia signed a double tax treaty with Taiwan in Riyadh. It took effect on 1 January 2021; this agreement will facilitate bilateral cooperation on taxes and tariffs.<sup>2565</sup>

---

<sup>2557</sup> State Duma proposes to suspend taxes for businesses amid pandemic, RAPS I Russian Legal Information Agency (Moscow) 20 July 2021. Access Date: 3 September 2021.

[http://rapsinews.com/legislation\\_news/20210720/307227863.html](http://rapsinews.com/legislation_news/20210720/307227863.html)

<sup>2558</sup> RF Government suggests establishing free customs area on Kuril Islands, PortNews (Moscow) 26 July 2021. Access Date: 3 September 2021. <https://www.en.portnews.ru/news/316180/>

<sup>2559</sup> Russia unveils plans to create offshore-like zone in the Kuril Islands, Russia Today (Moscow) 21 August 2021. Access Date: 3 September 2021. <https://www.rt.com/business/532696-offshore-zone-russia-kurils/>

<sup>2560</sup> Russia to raise tax on metals producers in 2022 – Putin, Reuters (Moscow) 6 August 2021. Access Date: 3 September 2021. <https://www.reuters.com/article/us-russia-metals-taxation-idUSKBN2F7298>

<sup>2561</sup> Russia to raise tax on metals producers in 2022 – Putin, Reuters (Moscow) 6 August 2021. Access Date: 3 September 2021. <https://www.reuters.com/article/us-russia-metals-taxation-idUSKBN2F7298>

<sup>2562</sup> Meeting of the Council of Ministers of the Union State, The Russian Government (Minsk) 10 September 2021. Access Date: 13 September 2021. <http://government.ru/en/news/43232/#43232=5:1:JJP,7:43:uq3>

<sup>2563</sup> Meeting of the Council of Ministers of the Union State, The Russian Government (Minsk) 10 September 2021. Access Date: 13 September 2021. <http://government.ru/en/news/43232/#43232=5:1:JJP,7:43:uq3>

<sup>2564</sup> Russia publishes plan to tax foreign tech, promote home-grown rivals, Reuters (Moscow) 14 September 2021. Access Date: 25 September 2021. <https://www.reuters.com/world/europe/russia-publishes-plan-tax-foreign-tech-promote-home-grown-rivals-2021-09-14/>

On 2 December 2020, Saudi Arabia hosted the 12th edition of the Compliance and Anti-Money Laundering Seminar. Governor of the Central Bank Ahmed Bin Abdul Karim Al-Kholifeey spoke about Saudi Arabia's adoption of "procedures and international standards for combating money laundering and terrorist financing that has been developed by the Financial Action Task Force."<sup>2566</sup>

On 1 April 2021, Saudi Arabia's agreement with Switzerland for the avoidance of double taxation regarding taxes on income and capital took effect. This agreement adopted base erosion and profit shifting standards to include an anti-abuse clause and provisions for the exchange of information upon request.<sup>2567</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Saudi Arabia joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2568</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2569</sup>

Saudi Arabia has continued to engage in international cooperation for a globally fair, sustainable and modern international tax system through bilateral arrangements, hosting multilateral conferences, and strengthening domestic regulations against money laundering and terrorist financing based on international frameworks.

Thus, Saudi Arabia receives a score of +1.

*Analyst: Sharif Fatourehchi*

### **South Africa: +1**

South Africa has fully complied with its commitment to continue cooperation for a globally fair, sustainable, and modern international tax system.

On 24 February 2021, Minister of Finance Tito Mboweni delivered the 2021 Budget Review, which proposed amendments to avoid the double taxation of returns from hybrid debt instruments.<sup>2570,2571,2572</sup> The review also proposed amendments to controlled foreign company anti-

---

<sup>2565</sup> Taiwan, Saudi Arabia sign agreement on avoidance of double taxation, Focus Taiwan (Taipei) 12 October 2020. Access Date: 18 March 2021. <https://focustaiwan.tw/politics/202012100009>

<sup>2566</sup> Fraud, corruption tackled during COVID-19: Saudi Central Bank, Arab News (Riyadh) 3 December 2020. Access Date: 18 March 2021. <https://www.arabnews.com/node/1771736/business-economy>

<sup>2567</sup> Entry into force of double taxation agreements with Brazil and Saudi Arabia, State Secretariat for International Finance (Berne) 12 April 2021. Access Date: 2 April 2021.

<https://www.sif.admin.ch/sif/en/home/dokumentation/fachinformationen/dba-brasilien-saudiarabien.html>

<sup>2568</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2569</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2570</sup> South Africa: Tax provisions in budget 2021, KPMG (Johannesburg) 26 February 2021. Access Date: 12 May 2021. <https://home.kpmg/us/en/home/insights/2021/02/tnf-south-africa-tax-provisions-budget-2021.html>

<sup>2571</sup> South Africa's Minister of Finance delivers 2021 Budget Review, Ernst and Young (London) 25 February 2021. Access Date: 12 May 2021. [https://www.ey.com/en\\_gl/tax-alerts/south-africa-s-minister-of-finance-delivers-2021-budget-review](https://www.ey.com/en_gl/tax-alerts/south-africa-s-minister-of-finance-delivers-2021-budget-review)

<sup>2572</sup> Budget 2021/22 – Limiting The Potential For Double Taxation Under The Hybrid Debt Anti-Avoidance Rules, South Africa Tax Guide (Pretoria) 27 February 2021. Access Date: 1 May 2021. <https://www.sataguide.co.za/budget-2021-22-limiting-the-potential-for-double-taxation-under-the-hybrid-debt-anti-avoidance-rules/>

diversionary rules to prevent circumvention by taxpayers.<sup>2573</sup> The budget provided ZAR3 billion to the South African Revenue Service (SARS) to “participate meaningfully in global tax compliance initiatives” while it expanded auditing and investigative abilities to prevent the abuse of transfer pricing, tax base erosion and tax crime.<sup>2574</sup> The budget committed to a unilateral digital service tax if a multilateral agreement proved unsuccessful.<sup>2575</sup>

On 1 April 2021, South Africa and Kuwait signed the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting.<sup>2576</sup> However, the Convention has not been ratified.<sup>2577</sup>

On 7 April 2021, SARS Commissioner Edward Kieswetter announced plans to collect taxes from ZAR400 billion of offshore holdings by South Africans, acting on the automatic exchange of information received from 87 countries.<sup>2578,2579</sup>

On 7 May 2021, the SARS started asking for taxpayers’ cryptocurrency transactions in audit letters to collect capital gains tax on cryptocurrency trades.<sup>2580</sup>

On 10 June 2021, Finance Minister Tito Mboweni, in a joint article with the Finance Ministers of the US, Germany, Indonesia, and Mexico expressed support for the G7 global minimum tax proposal to be at least 15 per cent. The statement expressed the belief that the minimum rate could ultimately be increased and urged other countries to reach an agreement to “ensure that global capitalism is compatible with fair tax systems.”<sup>2581</sup>

On 14 June 2021, the Commissioner of SARS Edward Kieswetter and the National Director for Public Prosecution Advocate Shamila Batohi published a joint statement promising to strengthen collaboration and address critical problems such as tax evasion and non-compliance, which are undermining the tax revenue base and integrity of the tax system. To put this partnership into action, the Criminal Investigations Division of SARS will assign dedicated capacity and work closely with the National Prosecuting Authority's Specialised Tax Units to develop strong cases for prosecution. This will be done in a synchronised fashion. The collaborative prosecution enterprise will initially target non-compliant employers.<sup>2582</sup>

---

<sup>2573</sup> South Africa: Tax provisions in budget 2021, KPMG (Johannesburg) 26 February 2021. Access Date: 12 May 2021. <https://home.kpmg/us/en/home/insights/2021/02/tnf-south-africa-tax-provisions-budget-2021.html>

<sup>2574</sup> South Africa’s Minister of Finance delivers 2021 Budget Review, Ernst and Young (London) 25 February 2021. Access Date: 12 May 2021. [https://www.ey.com/en\\_gl/tax-alerts/south-africa-s-minister-of-finance-delivers-2021-budget-review](https://www.ey.com/en_gl/tax-alerts/south-africa-s-minister-of-finance-delivers-2021-budget-review)

<sup>2575</sup> South Africa: Tax provisions in budget 2021, KPMG (Johannesburg) 26 February 2021. Access Date: 12 May 2021. <https://home.kpmg/us/en/home/insights/2021/02/tnf-south-africa-tax-provisions-budget-2021.html>

<sup>2576</sup> Status overview of all DTAs and Protocols, South African Revenue Service (Pretoria) 4 May 2021. Access Date: 12 May 2021. <https://www.sars.gov.za/legal-counsel/international-treaties-agreements/double-taxation-agreements-protocols/>

<sup>2577</sup> Status overview of all DTAs and Protocols, South African Revenue Service (Pretoria) 4 May 2021. Access Date: 12 May 2021. <https://www.sars.gov.za/legal-counsel/international-treaties-agreements/double-taxation-agreements-protocols/>

<sup>2578</sup> SARS eyes offshore wealth, eNCA (Johannesburg) 7 April 2021. Access Date: 12 May 2021. <https://www.enca.com/business/sars-eyes-offshore-wealth>

<sup>2579</sup> SARS wants a closer look at the ‘R400 billion’ South Africans have stashed overseas, BusinessTech (Lytelton) 25 April 2021. Access Date: 12 May 2021. <https://businesstech.co.za/news/wealth/484571/sars-targets-south-africans-with-money-overseas-what-to-expect/>

<sup>2580</sup> SARS is coming after these 3 tax streams, BusinessTech (Lytelton) 7 May 2021. Access Date: 12 May 2021. <https://businesstech.co.za/news/banking/488741/sars-is-coming-after-these-3-tax-streams/>

<sup>2581</sup> Indonesia, South Africa, Mexico back G7 global tax reform proposal, Reuters (Berlin) 10 June 2021. Access Date: 24 July 2021. <https://www.reuters.com/business/finance/indonesia-south-africa-mexico-back-g7-global-tax-reform-proposal-2021-06-10/>

<sup>2582</sup> SARS and NPA: Joint media statement on prioritising tax crime, South African Revenue Service (Pretoria) 14 June 2021. Access Date: 23 July 2021. <https://www.sars.gov.za/media-release/sars-and-mpa-joint-media-statement-on-prioritising-tax-crime/>

On 1 July 2021, as part of 130 countries and jurisdictions, South Africa joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2583</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2584</sup>

On 6 July 2021, SARS announced collaboration with the International Revenue Service Criminal Investigation Division (IRS-CI) to fight tax and economic crimes affecting both South Africa and the US. A continuous training project coordinated by the IRS-CI is a key component of this bilateral joint endeavour. The IRS-CI continually exchanges financial investigation tactics, teaches South African law enforcement and government authorities, and promotes adjudicated foreign case studies pertinent to both countries.<sup>2585</sup>

On 6 July 2021, the Commissioner of SARS Edward Kieswetter and the Chief Executive Officer of the South African Institute of Chartered Accountants Freeman Nomvalo announced a partnership to advance SARS and ensure that it meets the demands for "skills in areas such as Specialist Auditing, Transfer Pricing, Base Erosion and Profit Shifting, Illicit Economy and High Wealth Individual Unit."<sup>2586</sup>

South Africa has pursued bilateral actions by signing the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS with Kuwait and cooperating with the US to combat tax crimes. South Africa has further pursued domestic tax reforms, including measures to strengthen the ability of SARS to combat transfer pricing and tax erosion with the goal of meeting international standards. Finally, South Africa has continued cooperation in multilateral institutions by agreeing to the G7 and OECD's two-pillar framework for international tax reform.

Thus, South Africa receives a score of +1.

*Analyst: Oya Darici*

### **Turkey: +1**

Turkey has fully complied with its commitment to continue cooperation for a globally fair, sustainable, and modern international tax system.

On 30 December 2020, the authorities of Turkey and the United States began negotiations on the exchange of Country-by-Country Reporting (CbCR) on large multinational corporations to improve transparency in international tax systems.<sup>2587</sup>

---

<sup>2583</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2584</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2585</sup> IRS Criminal Investigation and SARS join forces to fight international crimes, South African Revenue Service (Pretoria) 6 June 2021. Access Date: 22 July 2021. <https://www.sars.gov.za/media-release/irs-criminal-investigation-and-sars-join-forces-to-fight-international-crimes/>

<sup>2586</sup> SARS and SAICA sign MOU to help capacitate revenue collector, South African Revenue Service (Pretoria) 6 July 2021. Access Date: 22 July 2021. <https://www.sars.gov.za/media-release/sars-and-saica-sign-mou-to-help-capacitate-revenue-collector/>

<sup>2587</sup> US, Turkey negotiating exchange of MNE country-by-country reports, MNE Tax 4 (Washington) January 2021. Access Date: 21 March 2021. <https://mnetax.com/us-turkey-negotiating-exchange-of-mne-country-by-country-reports-41915>

On 1 May 2021, Turkey added cryptocurrency platforms to a list of firms covered by anti-money laundering and terrorism financing regulations. This aims to prevent firms from funding terrorist organizations domestically and abroad.<sup>2588</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, Turkey joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over [multinational enterprises] from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2589</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2590</sup>

Turkey has taken substantial domestic action to counter terrorist financing and money laundering and began to explore bilateral cooperation with the US on CbCR. At the international level, Turkey has also contributed to improvements to the international tax system through multilateral cooperation and processes.

Thus, Turkey receives a score of +1.

*Analyst: Sharif Fatourehchi*

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

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

On 24 December 2020, the United Kingdom and the European Union reached an agreement on the EU-UK Trade and Cooperation Agreement.<sup>2591</sup> As the UK no longer benefits from EU directives as of 1 January 2021, sections within this new agreement ensure that both parties maintain Organisation for Economic Co-operation and Development (OECD) standards of tax transparency, anti-tax avoidance, anti-money laundering, counter-terrorist financing and more.<sup>2592</sup> The agreement was signed on 30 December 2020 and became provisionally applicable starting 1 January 2021.<sup>2593</sup>

On 29 December 2020, Her Majesty's Revenue and Customs (HMRC) announced that reporting under the EU Directive on Administrative Cooperation would be modified.<sup>2594</sup> Reporting would now only be required for cross-border arrangements applicable under Category D of the directive that

---

<sup>2588</sup> Turkey adds crypto firms to money laundering, terror financing rules, Reuters (London) 1 May 2021. Access Date: 2 May 2021. <https://www.reuters.com/technology/turkey-adds-crypto-firms-money-laundering-terror-financing-rules-2021-05-01/>

<sup>2589</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2590</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2591</sup> EU-UK Trade and Cooperation Agreement: protecting European interests, ensuring fair competition, and continued cooperation in areas of mutual interest, European Commission (Brussels) 24 December 2020. Access Date: 21 March 2021. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_2531](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2531)

<sup>2592</sup> Agreements reached between the United Kingdom of Great Britain and Northern Ireland and the European Union, Government of the United Kingdom (London) 24 December 2020. Access Date: 19 March 2021. <https://www.gov.uk/government/publications/agreements-reached-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-the-european-union#history>

<sup>2593</sup> Press release: Signature of the EU-UK agreement, European Council (Brussels) 30 December 2020. Access Date: 20 March 2021. <https://www.consilium.europa.eu/en/press/press-releases/2020/12/30/press-release-signature-of-the-eu-uk-agreement-30-december-2020/>

<sup>2594</sup> Report a cross-border arrangement to HMRC, Government of the United Kingdom (London) 29 December 2020. Access Date: 22 March 2021. <https://www.gov.uk/guidance/report-a-cross-border-arrangement-to-hmrc#history>

“share substantial common growth with the Mandatory Disclosure Rules developed by the OECD.”<sup>2595</sup>

On 12 January 2021, the UK signed a new protocol with Germany, to be added to the existing double tax treaty signed in 2010, to highlight both parties’ intention to include the standard outlined in the OECD base erosion and profit shifting (BEPS) project on treaty abuse, tax evasion and avoidance.<sup>2596</sup> Changes include amending the wording of the treaty and adding Article 30A.<sup>2597</sup> The protocol is not yet in force.<sup>2598</sup>

On 27-28 January 2021, Chancellor of the Exchequer Rishi Sunak, along with Ministers of Finance from Canada, Germany, Italy, Jamaica and Indonesia, emphasized the need for a multilateral digital tax solution at the public meeting of the OECD/G20 Inclusive Framework.<sup>2599</sup>

On 19 February 2021, HMRC published a text which incorporated the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (MLI) and the 2007 UK-Saudi Arabia Double Taxation Convention and protocol.<sup>2600</sup> This text reiterates the provisions of the MLI, which replaced sections of the Convention and the protocol as well as the dates they take effect.<sup>2601</sup>

On 23 February 2021, the UK and Sweden signed an amending protocol to update the Sweden-UK income tax treaty.<sup>2602</sup> The amendment contained changes to the preamble language, which describe the intentions to eliminate double taxation on income taxes and capital gain taxes while discouraging opportunities for tax evasion or avoidance. The protocol is yet to be ratified by both states.<sup>2603</sup>

On 3 March 2021, the Chancellor of the Exchequer Rishi Sunak delivered the Budget Speech and outlined that income tax, VAT, and capital gains tax will not increase. Chancellor Sunak also announced a GBP100 million package to equip the HMRC to act against tax avoidance and evasion.<sup>2604</sup>

---

<sup>2595</sup> IEIM645000 – Hallmarks: Category D, Government of the United Kingdom (London) 12 March 2021. Access Date: 30 March 2021. <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim645000>

<sup>2596</sup> Protocol to the UK/Germany Double Taxation Convention, Government of the United Kingdom (London) 12 January 2021. Access Date: 19 March 2021.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force\\_01\\_14\\_21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force_01_14_21.pdf)

<sup>2597</sup> Protocol to the UK/Germany Double Taxation Convention, Government of the United Kingdom (London) 12 January 2021. Access Date: 19 March 2021.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force\\_01\\_14\\_21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force_01_14_21.pdf)

<sup>2598</sup> Protocol to the UK/Germany Double Taxation Convention, Government of the United Kingdom (London) 12 January 2021. Access Date: 19 March 2021.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force\\_01\\_14\\_21.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955611/Germany-UK-2021-Protocol-to-the-Double-Taxation-Convention-not-in-force_01_14_21.pdf)

<sup>2599</sup> This week in tax: Janet Yellen raises hope for digital tax agreement, International Tax Review (London) 29 January 2021. Access Date: 22 March 2021. <https://www.internationaltaxreview.com/article/b1qbd4l2twjm64/this-week-in-tax-janet-yellen-raises-hope-for-digital-tax-agreement>

<sup>2600</sup> Saudi Arabia: tax treaties, Government of the United Kingdom (London) 23 December 2009. Access Date: 20 March 2021. <https://www.gov.uk/government/publications/saudi-arabia-tax-treaties#history>

<sup>2601</sup> Saudi Arabia: tax treaties, Government of the United Kingdom (London) 23 December 2009. Access Date: 20 March 2021. <https://www.gov.uk/government/publications/saudi-arabia-tax-treaties#history>

<sup>2602</sup> Sweden: tax treaties, Government of the United Kingdom (London) 17 December 2013. Access Date: 20 March 2021. <https://www.gov.uk/government/publications/sweden-tax-treaties>

<sup>2603</sup> Sweden: tax treaties, Government of the United Kingdom (London) 17 December 2013. Access Date: 20 March 2021. <https://www.gov.uk/government/publications/sweden-tax-treaties>

<sup>2604</sup> Budget Speech 2021, Government of the United Kingdom (London) 3 March 2021. Access Date: 21 March 2021. <https://www.gov.uk/government/speeches/budget-speech-2021>

On 11 March 2021, the UK published the Finance Bill 2021, which includes legislation on tax changes and plans to act against tax avoidance and evasion, which will take effect at the beginning of the 2022 tax year.<sup>2605</sup>

On 23 March 2021, the government published its “Tax Policies and Consultations Update (Spring 2021),” which seeks to improve the quality of tax policy and legislation by striving for greater visibility, transparency, and accessibility for taxpayers, Members of Parliament, tax professionals and other stakeholders.<sup>2606</sup> These measures are an integral part of the government’s ten-year plan to create a trusted and modern tax system.<sup>2607</sup>

On 15 April 2021, in the overall Committee of the whole House, the government introduced amendments pertaining to hybrid and other mismatches in its Finance Bill 2021.<sup>2608</sup>

On 19 April 2021, Her Majesty’s Treasury added new Regulations to the International Tax Compliance Regulations SI 2015/878 to allow new agreements reached with other jurisdictions up to 20 April 2021 to be adopted.<sup>2609</sup> The new agreements came into force on 14 May 2021 and aim to improve international tax compliance.<sup>2610</sup>

On 22 April 2021, the HMRC published factsheet CC/FS59, which provides details on the penalties charged in relation to CbCR.<sup>2611</sup> Penalties can be given for inaccurate information and failure to meet the commitments outlined in the Taxes (BEPS) (Country-by-Country Reporting) Regulations 2016.<sup>2612</sup>

On 26 April 2021, the Global Anti-Corruption Sanctions Regulations 2021 came into effect.<sup>2613</sup> This legislation allows the government to impose sanctions on individuals involved in serious corruption, including bribery and misappropriation of property, in an effort to create autonomous anti-corruption legislation post-Brexit.<sup>2614</sup>

On 21 May 2021, the UK and Australia signed a memorandum of understanding for arbitration under the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and

---

<sup>2605</sup> Finance Bill 2021 Published, Government of the United Kingdom (London) 11 March 2021. Access Date: 21 March 2021. <https://www.gov.uk/government/news/finance-bill-2021-published>

<sup>2606</sup> Government strengthens tax policymaking with over 30 updates, consultations and documents publishes, Government of the United Kingdom (London) 23 March 2021. Access Date: 1 April 2021. <https://www.gov.uk/government/news/government-strengthens-tax-policymaking-with-over-30-updates-consultations-and-documents-published>

<sup>2607</sup> Government strengthens tax policymaking with over 30 updates, consultations and documents publishes, Government of the United Kingdom (London) 23 March 2021. Access Date: 1 April 2021. <https://www.gov.uk/government/news/government-strengthens-tax-policymaking-with-over-30-updates-consultations-and-documents-published>

<sup>2608</sup> Amendments 17 to 42 to Clause 36 and Schedule 7: Hybrid and other mismatches, Government of the United Kingdom (London) 15 April 2021. Access Date: 20 April 2021. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/978205/210415\\_Clause\\_36\\_amendments\\_EN.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/978205/210415_Clause_36_amendments_EN.pdf)

<sup>2609</sup> The International Tax Compliance (Amendment) Regulations 2021, Government of the United Kingdom (London) 19 April 2021. Access Date: 20 April 2021. <https://www.legislation.gov.uk/uksi/2021/485/made>

<sup>2610</sup> The International Tax Compliance (Amendment) Regulations 2021, Government of the United Kingdom (London) 19 April 2021. Access Date: 20 April 2021. <https://www.legislation.gov.uk/uksi/2021/485/made>

<sup>2611</sup> Compliance checks; country-by-country reporting penalties-CC/FS59, Government of the United Kingdom (London) 22 April 2021. Access Date: 30 April 2021. <https://www.gov.uk/government/publications/compliance-checks-country-by-country-reporting-penalties-ccfs59>

<sup>2612</sup> Compliance checks; country-by-country reporting penalties-CC/FS59, Government of the United Kingdom (London) 22 April 2021. Access Date: 30 April 2021. <https://www.gov.uk/government/publications/compliance-checks-country-by-country-reporting-penalties-ccfs59>

<sup>2613</sup> The Global Anti-Corruption Sanctions Regulations 2021, Government of the United Kingdom (London) 26 April 2021. Access Date: 30 April 2021. <https://www.legislation.gov.uk/uksi/2021/488/regulation/1/made>

<sup>2614</sup> The Global Anti-Corruption Sanctions Regulations 2021, Government of the United Kingdom (London) 26 April 2021. Access Date: 30 April 2021. <https://www.legislation.gov.uk/uksi/2021/488/regulation/4/made>

Profit Shifting (MLI) for unresolved issues stemming from the Mutual Agreement Procedure.<sup>2615</sup> This memorandum of understanding covers how to request for the submission of a case, the minimum information and documentation standards, the appointment of arbitrators, and the arbitration process itself.<sup>2616</sup>

On 5 June 2021, the UK joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises (MNEs) operate and made it mandatory for such firms to report the climate impact of their investments.<sup>2617</sup> As another feature of the G7 agreement, the UK agreed to remove its unilateral digital services tax.<sup>2618</sup> This removal will come into effect alongside the implementation of BEPS 2.0 standards.<sup>2619</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, the UK joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2620</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2621</sup>

On 6 July 2021, the HMRC published an issue briefing, detailing its strategy to tackle the perceived issue of the hidden economy largely found in taxi, private hire vehicle, and scrap metal businesses.<sup>2622</sup> The primary tool the HMRC intends to use is tax conditionality for license renewals to ensure that

---

<sup>2615</sup> Australia; tax treaties, Government of the United Kingdom (London) 31 May 2021. Access Date: 19 July 2021. <https://www.gov.uk/government/publications/australia-tax-treaties>

<sup>2616</sup> Memorandum of Understanding on the Mode of Application on the Implementation of Part VI of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting between the competent authorities of Australia and the United Kingdom of Great Britain and Northern Ireland, Australian Taxation Office (Sydney) 21 May 2021. Access Date: 20 July 2021. <https://www.ato.gov.au/law/view/document?docid=MOU/UK>

<sup>2617</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2618</sup> G7 Finance Ministers and Central Bank Governors Communiqué, Government of the United Kingdom (London) 5 June 2021. Access Date: 19 July 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communication/g7-finance-ministers-and-central-bank-governors-communication?fbclid=IwAR3RXI53CJ39HbxcRa9UbNTy66-Sb-1kr9zq69yt9YQty-DkDjgb82o84YQ>

<sup>2619</sup> G7 Finance Ministers and Central Bank Governors Communiqué, Government of the United Kingdom (London) 5 June 2021. Access Date: 19 July 2021. <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communication/g7-finance-ministers-and-central-bank-governors-communication?fbclid=IwAR3RXI53CJ39HbxcRa9UbNTy66-Sb-1kr9zq69yt9YQty-DkDjgb82o84YQ>

<sup>2620</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2621</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2622</sup> HMRC issue briefing: hidden economy conditionality, Government of the United Kingdom (London) 6 July 2021. Access Date: 19 July 2021. <https://www.gov.uk/government/publications/hmrc-issue-briefing-hidden-economy-conditionality/hmrc-issue-briefing-hidden-economy-conditionality>

licenses are not issued to those who do not meet a degree of confidence with tax filings.<sup>2623</sup> Tax conditionality will be introduced in April 2022.<sup>2624</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, the UK joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2625</sup>

On 7 September 2021, to provide guidance on customs complications resulting from Brexit, the HMRC published a guide on how to handle and account for VAT on the movement of goods between Northern Ireland and the EU.<sup>2626</sup>

On 22 September 2021, Chancellor of the Exchequer Rishi Sunak met with US Secretary of the Treasury Janet L. Yellen to discuss ongoing efforts to improve the international tax system, including discussions surrounding international corporate taxes and the withdrawal of digital services taxes.<sup>2627</sup>

The UK has continued its cooperation for a globally fair, sustainable and modern international tax system through bilateral arrangements with the EU, Germany, Sweden and other G20 members. It has also cooperated in multilateral frameworks through implementing the MLI and creating treaties that align with the OECD's standards on tax avoidance and evasion.

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

*Analyst: Jessica Johnson*

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

The United States has fully complied with its commitment to continue cooperation for a globally fair, sustainable and modern international tax system.

In January 2021, the United States Trade Representative (USTR) published its investigation concluding that Austria, Spain, the UK, India, Italy and Turkey's digital services tax regimes were discriminatory to American companies and inconsistent with principles of international taxation.<sup>2628</sup> The USTR commenced the public notice and comment process on possible trade actions against such countries.<sup>2629</sup>

---

<sup>2623</sup> HMRC issue briefing: hidden economy conditionality, Government of the United Kingdom (London) 6 July 2021. Access Date: 19 July 2021. <https://www.gov.uk/government/publications/hmrc-issue-briefing-hidden-economy-conditionality/hmrc-issue-briefing-hidden-economy-conditionality>

<sup>2624</sup> HMRC issue briefing: hidden economy conditionality, Government of the United Kingdom (London) 6 July 2021. Access Date: 19 July 2021. <https://www.gov.uk/government/publications/hmrc-issue-briefing-hidden-economy-conditionality/hmrc-issue-briefing-hidden-economy-conditionality>

<sup>2625</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2626</sup> VAT on movements of goods between Northern Ireland and the EU, Government of the United Kingdom (London) 7 September 2021. Access Date: 10 September 2021. <https://www.gov.uk/guidance/vat-on-movements-of-goods-between-northern-ireland-and-the-eu>

<sup>2627</sup> READOUT: Secretary of the Treasury Janet L. Yellen's Call with United Kingdom Chancellor of the Exchequer Rishi Sunak, U.S. Department of the Treasury (Washington D.C.) 22 September 2021. Access Date: 25 September 2021. <https://home.treasury.gov/news/press-releases/jy0369>

<sup>2628</sup> USTR releases findings of Section 301 investigation on DST regimes of Austria, Spain and the UK, and 301 findings on Vietnam's currency valuation practices, Ernst and Young (London) 21 January 2021. Access Date: 13 May 2021. [https://www.ey.com/en\\_gl/tax-alerts/ustr-releases-findings-of-section-301-investigation-on-dst-regim](https://www.ey.com/en_gl/tax-alerts/ustr-releases-findings-of-section-301-investigation-on-dst-regim)

<sup>2629</sup> UK Tax Round Up – April 2021, JDSUPRA (California) 13 May 2021. Access Date: 13 May 2021. <https://www.jdsupra.com/legalnews/uk-tax-round-up-april-2021-1107413/>

On 25 February 2021, Treasury Secretary Janet Yellen expressed her intention to participate in multilateral dialogues on the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and overcome prior disagreements in anticipation of her first meeting with G20 counterparts.<sup>2630</sup>

On 26 February 2021, Treasury Secretary Yellen expressed that the US would reverse its previous stance and stop pushing for safe harbour implementation in Pillar One of the BEPS Framework and work toward an international agreement on digital commerce and a global minimum corporate tax.<sup>2631</sup> This action advances the goal of achieving a global deal on digital taxation in 2021.<sup>2632</sup>

On 5 April 2021, Senate Finance Committee Chair Senator Ron Wyden and Senators Sherrod Brown and Mark Warner released a framework for reforming US international tax policy.<sup>2633</sup> The document called for changes to the global intangible low-taxed income (GILTI) system, which would split revenue reporting for multinational corporations to a country-by-country system, thus eliminating the incentive to funnel revenue reporting to tax havens.<sup>2634</sup>

On 7 April 2021, the Department of the Treasury released the Made in America Tax Plan.<sup>2635</sup> The plan would make changes to the GILTI system by removing a tax exemption on the first 10 per cent of foreign profits earned by US companies. The plan also introduced the Stopping Harmful Inversions and Ending Low-tax Development's system, which conforms to the OECD/G20 Inclusive Framework by removing tax deductions on profits earned in low-tax foreign jurisdictions.<sup>2636,2637</sup>

On 23 April 2021, Deputy Assistant Secretary of International Tax Affairs at the Treasury Jose Murillo confirmed that the US had started negotiations on a tax treaty with Colombia.<sup>2638</sup> The US had also completed similar negotiations with Norway and Romania.<sup>2639</sup>

---

<sup>2630</sup> Letter from Treasury Secretary Janet L. Yellen to G20 Colleagues, US Department of the Treasury (Washington D.C.) 25 February 2021. Access Date: 22 March 2021. <https://home.treasury.gov/news/press-releases/jy0034>

<sup>2631</sup> OECD Issues report to G20 finance ministers and Central Bank governors and hosts webcast on the outcomes of the G20 meeting and other tax developments, Ernst and Young LLP (Rotterdam) 5 March 2021. Access Date: 22 March 2021. <https://taxnews.ey.com/news/2021-0506-oecd-issues-report-to-g20-finance-ministers-and-central-bank-governors-and-hosts-webcast-on-the-outcomes-of-the-g20-meeting-and-other-tax-developments>

<sup>2632</sup> US Drops Digital Tax Demand, Opening Door to Global Deal, Bloomberg News (New York) 26 February 2021. Access Date: 22 March 2021. <https://www.bloomberg.com/news/articles/2021-02-26/scholz-says-u-s-drops-demand-that-digital-tax-must-be-optional>

<sup>2633</sup> Overhauling International Taxation: A framework to invest in the American people by ensuring multinational corporations pay their fair share, Senate Finance Committee (Washington D.C.) 5 April 2021. Access Date: 1 May 2021. <https://www.finance.senate.gov/imo/media/doc/040121%20Overhauling%20International%20Taxation.pdf>

<sup>2634</sup> Report on recent US international tax developments – 9 April 2021, Ernst and Young International Tax and Transaction Services (Washington D.C.) 9 April 2021. Access Date: 1 May 2021. [https://www.ey.com/en\\_gl/tax-alerts/report-on-recent-us-international-tax-developments-9-april-2021](https://www.ey.com/en_gl/tax-alerts/report-on-recent-us-international-tax-developments-9-april-2021)

<sup>2635</sup> The Made in America Tax Plan, U.S. Department of the Treasury (Washington D.C.) 7 April 2021. Access Date: 1 May 2021. [https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan\\_Report.pdf](https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan_Report.pdf)

<sup>2636</sup> Treasury Department reports on President Biden's "Made in America Tax Plan," Thomson Reuters (Carrollton) 8 April 2021. Access Date: 1 May 2021. <https://tax.thomsonreuters.com/news/treasury-department-reports-on-president-bidens-made-in-america-tax-plan/>

<sup>2637</sup> Proposed US tax reform, KPMG Ireland (Dublin) 13 April 2021. Access Date: 1 May 2021. <https://home.kpmg/ie/en/home/insights/2021/04/proposed-us-tax-reform.html>

<sup>2638</sup> U.S. Opens Tax Treaty Talks with Colombia, Other Updates Ongoing, Bloomberg Tax (Washington D.C.) 23 April 2021. Access Date: 4 August 2021. <https://news.bloombergtax.com/payroll/u-s-opens-tax-treaty-talks-with-colombia-other-updates-ongoing>

<sup>2639</sup> US income tax treaties at the start of the Biden Administration, PricewaterhouseCoopers US (Washington D.C.) May 2021. Access Date: 4 August 2021. <https://www.pwc.com/us/en/services/tax/library/pwc-us-income-tax-treaties-at-the-start-of-the-biden-administration.html>

On 5 June 2021, the US joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises (MNEs) operate and made it mandatory for such firms to report the climate impact of their investments.<sup>2640</sup>

On 13 June 2021, following the G7 Cornwall Summit, the White House issued a statement endorsing the commitment made by G7 leaders to adhere to the G20/OECD BEPS framework, including negotiations toward a global minimum 15 per cent corporate tax.<sup>2641</sup>

On 1 July 2021, as part of 130 countries and jurisdictions, the US joined the OECD's statement to establish a two-pillar framework for international tax reform. Pillar One will "re-allocate some taxing rights over MNEs from the home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there."<sup>2642</sup> Pillar Two will introduce a global minimum corporate tax rate of 15 per cent that countries can use to protect their tax bases.<sup>2643</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, the US joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2644</sup>

On 5 August 2021, the US confirmed with the OECD Forum on Harmful Tax Practices that its foreign-derived intangible income regime would be repealed.<sup>2645</sup> This action is required as part of the BEPS Action 5 minimum implementation standards.

On 25 August 2021, Chair of the Senate Finance Committee Ron Wyden proposed draft legislation to update the international taxation regime.<sup>2646</sup> The proposal would modify three existing pieces of the existing tax law passed in 2017 by reducing the ability of US corporations to engage in profit shifting and base erosion activities.<sup>2647</sup>

On 22 September 2021, US Secretary of the Treasury Janet L. Yellen met with the UK's Chancellor of the Exchequer Rishi Sunak to discuss ongoing efforts to improve the international tax system,

---

<sup>2640</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2641</sup> Carbis Bay G7 Summit Communique, The White House (Washington D.C.) 13 June 2021. Access Date: 25 July 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/13/carbis-bay-g7-summit-communique/>

<sup>2642</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2643</sup> 130 countries and jurisdictions join bold new framework for international tax reform, OECD (Paris) 1 July 2021. Access Date: 23 July 2021. <https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm>

<sup>2644</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2645</sup> OECD releases 2021 update on peer review of preferential tax regimes, Ernst & Young (Rotterdam) 11 August 2021. Access Date: 17 September 2021. <https://home.kpmg/us/en/home/insights/2021/08/tnf-oecd-countries-bring-preferential-tax-regimes-in-line-international-standards.html>

<sup>2646</sup> Wyden, Brown, Warner Unveil International Taxation Overhaul Discussion Draft, United States Senate Committee on Finance (Washington D.C.) 25 August 2021. Access Date: 11 September 2021. <https://www.finance.senate.gov/chairmans-news/wyden-brown-warner-unveil-international-taxation-overhaul-discussion-draft>

<sup>2647</sup> US Senate unveils international tax reform draft legislation, MNE Tax (St. Petersburg) 25 August 2021. Access Date: 11 September 2021. <https://mnetax.com/us-senate-unveils-international-tax-reform-draft-legislation-45507>

including discussions surrounding international corporate taxes and the withdrawal of digital services taxes.<sup>2648</sup>

The US has continued its cooperation for a globally fair, sustainable and modern international tax system through participating in multilateral dialogues on the G20/OECD Inclusive Framework on BEPS, with specific reference to taxation on digital commerce and a global minimum corporate tax. The US government has taken steps to curb harmful tax practices, prevent base erosion, and implement country-by-country reporting systems, and engaged in bilateral tax treaty negotiations with Colombia, Norway, and Romania.

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

*Analyst: Brett Szmul*

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

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

On 27 November 2020, the European Council approved a comprehensive assessment outlining its priorities on enhancing global cooperation with tax revenue agencies of non-EU countries, focusing on the spheres of digital commerce and tax governance.<sup>2649</sup>

On 24 December 2020, the UK and the EU reached an agreement on the EU-UK Trade and Cooperation Agreement.<sup>2650</sup> As the UK no longer benefits from EU directives as of 1 January 2021, sections within this new agreement ensure that both parties maintain Organisation for Economic Co-operation and Development (OECD) standards of tax transparency, anti-tax avoidance, anti-money laundering, counter-terrorist financing and more.<sup>2651</sup> The agreement was signed on 30 December 2020 and became provisionally applicable starting 1 January 2021.<sup>2652</sup>

On 22 February 2021, the EU added Dominica and removed Barbados from its list of non-cooperative tax jurisdictions, after a review conducted as part of its ongoing strategy for external taxation.<sup>2653</sup> Several other changes were made to official designations of countries cooperating with EU tax authorities.

---

<sup>2648</sup> READOUT: Secretary of the Treasury Janet L. Yellen's Call with United Kingdom Chancellor of the Exchequer Rishi Sunak, U.S. Department of the Treasury (Washington D.C.) 22 September 2021. Access Date: 25 September 2021. <https://home.treasury.gov/news/press-releases/jy0369>

<sup>2649</sup> Fair and effective taxation: Council adopts conclusions, European Council (Brussels) 27 November 2020. Access Date: 22 March 2021. <https://www.consilium.europa.eu/en/press/press-releases/2020/11/27/council-conclusions-on-fair-and-effective-taxation-in-times-of-recovery-on-tax-challenges-linked-to-digitalisation-and-on-tax-good-governance-in-the-eu-and-beyond/>

<sup>2650</sup> EU-UK Trade and Cooperation Agreement: protecting European interests, ensuring fair competition, and continued cooperation in areas of mutual interest, European Commission (Brussels) 24 December 2020. Access Date: 21 March 2021. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_2531](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2531)

<sup>2651</sup> Agreements reached between the United Kingdom of Great Britain and Northern Ireland and the European Union, Government of the United Kingdom (London) 24 December 2020. Access Date: 19 March 2021. <https://www.gov.uk/government/publications/agreements-reached-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-the-european-union#history>

<sup>2652</sup> Press release: Signature of the EU-UK agreement, European Council (Brussels) 30 December 2020. Access Date: 20 March 2021. <https://www.consilium.europa.eu/en/press/press-releases/2020/12/30/press-release-signature-of-the-eu-uk-agreement-30-december-2020/>

<sup>2653</sup> Timeline – EU list of non-cooperative jurisdictions, European Council (Brussels) 22 February 2021. Access Date: 22 March 2021. <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/timeline-eu-list-of-non-cooperative-jurisdictions/>

On 25 February 2021, a majority of EU Ministers endorsed a directive proposed by the European Commission which would require large multinational corporations to publicly disclose income taxes paid in each EU member state.<sup>2654</sup>

On 3 March 2021, the EU ambassadors gave a mandate to the Portuguese Presidency of the European Council to begin negotiations with the Parliament and the Commission on a final agreement requiring large multinational corporations to publicly disclose income taxes paid in each EU member state. The Parliament agreed to begin negotiations with the goal of finalizing the agreement no later than 30 June 2021.<sup>2655</sup>

On 30 March 2021, the European Parliament's Committee on Economic and Monetary Affairs adopted a motion calling on the EU to immediately engage in negotiations for a global digital tax and an agreement governing the rules of tax residency for digital companies, with an aim to conform with the G20/OECD BEPS framework.<sup>2656</sup> The Committee also endorsed the idea of a European Digital Tax if international negotiations failed to implement a digital tax on the global level.<sup>2657</sup>

On 5 June 2021, the EU joined an agreement on global tax reform at the G7 Cornwall Summit. This agreement endorsed a global minimum corporate tax rate of 15 per cent in each jurisdiction in which multinational enterprises (MNEs) operate and made it mandatory for such firms to report the climate impact of their investments.<sup>2658</sup>

On 9 July 2021, at the G20 High Level Tax Symposium on Tax Policy and Climate Change, the EU joined other G20 Finance Ministers in giving formal support to the global tax reform proposal, which includes a global minimum tax of at least 15 per cent and a requirement for large global businesses to pay taxes to countries where their goods and services are sold.<sup>2659</sup>

On 10 July 2021, the European Commission welcomed a multilateral agreement endorsed by G20 Finance Ministers and Central Bank Governors and supported by 132 jurisdictions to adopt a global minimum tax of 15 per cent and implement Pillars One and Two of the OECD/G20 BEPS framework. The European Commissioner for Economy Paolo Gentiloni expressed optimism that EU member states will implement these measures individually by October 2021.<sup>2660</sup>

---

<sup>2654</sup> The Latest on BEPS and Beyond: March 2021, Ernst and Young Global Tax Desk Network (New York) 16 March 2021. Access Date: 22 March 2021. [https://www.ey.com/en\\_gl/tax-alerts/the-latest-on-beps-and-beyond-march-2021-edition](https://www.ey.com/en_gl/tax-alerts/the-latest-on-beps-and-beyond-march-2021-edition)

<sup>2655</sup> The Latest on BEPS and Beyond: March 2021, Ernst and Young Global Tax Desk Network (New York) 16 March 2021. Access Date: 22 March 2021. [https://www.ey.com/en\\_gl/tax-alerts/the-latest-on-beps-and-beyond-march-2021-edition](https://www.ey.com/en_gl/tax-alerts/the-latest-on-beps-and-beyond-march-2021-edition)

<sup>2656</sup> Report on digital taxation: OECD negotiations, tax residency of digital companies and a possible European Digital Tax, Committee on Economic and Monetary Affairs (Brussels) 30 March 2021. Access Date: 1 May 2021. [http://www.europarl.europa.eu/cmsdata/231823/A9-0103\\_2021\\_EN.pdf](http://www.europarl.europa.eu/cmsdata/231823/A9-0103_2021_EN.pdf)

<sup>2657</sup> EU Parliament committee adopts resolution on digital taxation, MNE Tax (Washington D.C.) 30 March 2021. Access Date: 1 May 2021. <https://mnetax.com/eu-parliament-committee-adopts-resolution-on-digital-taxation-43198>

<sup>2658</sup> G7 Finance Ministers Agree Historic Global Tax Agreement, G7 UK 2021 (Cornwall) 5 June 2021. Access Date: 25 July 2021. <https://www.g7uk.org/g7-finance-ministers-agree-historic-global-tax-agreement/>

<sup>2659</sup> Global Tax Overhaul Gains Steam as G20 Backs New Levies, The New York Times (New York) 10 July 2021. Access Date: 25 July 2021. <https://www.nytimes.com/2021/07/10/us/politics/global-tax-overhaul-g20.html>

<sup>2660</sup> Taxation: Historic global agreement to ensure fairer taxation of multinational enterprises, European Commission (Brussels) 10 July 2021. Access Date: 25 July 2021.

[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_21\\_3582](https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3582)

On 31 August 2021, European Commissioner for Budget and Administration Johannes Hahn confirmed that the European Commission would pursue a digital levy on multinational firms even if the G20 Summit in October 2021 fails to reach an agreement on a two-pillar solution.<sup>2661</sup>

The EU has continued its cooperation for a globally fair, sustainable and modern international tax system through bilateral arrangements, monitoring external jurisdictions' compliance with international tax regulations, and advancing tax transparency agreements with the UK. The EU has also continued its cooperation through multilateral frameworks to develop international tax transparency standards and information exchange mechanisms.

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

*Analyst: Brett Szmul*

---

<sup>2661</sup> European Commission to Propose Digital Levy Following October Meeting on Two-Pillar Solution, Orbitax (San Francisco) 3 September 2021. Access Date: 11 September 2021.  
<https://www.orbitax.com/news/archive.php/European-Commission-to-Propose-47510>