



2020 G20 Riyadh Summit Interim Compliance Report

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

We encourage readers to send comments to

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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		0	
Australia			+1
Brazil			+1
Canada		0	
China		0	
France			+1
Germany			+1
India			+1
Indonesia			+1
Italy			+1
Japan		0	
Korea		0	
Mexico	-1		
Russia			+1
Saudi Arabia			+1
South Africa		0	
Turkey		0	
United Kingdom			+1
United States		0	
European Union			+1
Average		+0.50 (75%)	

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).¹⁴⁹⁹ 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.¹⁵⁰⁰ 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.”¹⁵⁰¹

¹⁴⁹⁹ 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>

¹⁵⁰⁰ London Summit – Leaders’ Summit, G20 Information Centre (Toronto) 2 April 2009. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2009/2009communique0402.pdf>

¹⁵⁰¹ 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."¹⁵⁰²

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."¹⁵⁰³ 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."¹⁵⁰⁴

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.¹⁵⁰⁵ 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.¹⁵⁰⁶

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.¹⁵⁰⁷ Moreover, G20 leaders highlighted "the need to prevent base erosion and profit shifting," also under the framework of the OECD.¹⁵⁰⁸ 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.¹⁵⁰⁹

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."¹⁵¹⁰ This includes a commitment to improve "rules to tackle tax avoidance, harmful practices, and aggressive tax planning" and "ensure

¹⁵⁰² G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 25 September 2009. Access Date: 25 February 2021. www.g20.utoronto.ca/2009/2009communiqu0925.html

¹⁵⁰³ 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>

¹⁵⁰⁴ 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>

¹⁵⁰⁵ 2011 G20 Cannes Summit, G20 Information Centre (Toronto), 4 November 2011. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/summits/2011cannes.html>

¹⁵⁰⁶ 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>

¹⁵⁰⁷ G20 Leaders Declaration, G20 Information Centre (Toronto) 19 June 2012. Access Date: 25 February 2021. www.g20.utoronto.ca/2012/2012-0619-loscabos.html

¹⁵⁰⁸ 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>

¹⁵⁰⁹ 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>

¹⁵¹⁰ 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>

confidentiality and the proper use of information exchanged” under the proposed “new single standard for automatic exchange of information.”¹⁵¹¹ Other summit commitments from 2013 elucidated the need to share expertise, build the capacity of developing countries, and tackle tax crimes.¹⁵¹²

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.”¹⁵¹³ They also committed to enhancing tax transparency, combating cross-border tax evasion, building tax administration capacity and other tax-related areas of work.¹⁵¹⁴

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.”¹⁵¹⁵ They also pledged to “strengthen developing economies’ engagement in the international tax agenda.”¹⁵¹⁶

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.¹⁵¹⁷ 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.”¹⁵¹⁸

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.¹⁵¹⁹ 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.¹⁵²⁰ 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.¹⁵²¹

¹⁵¹¹ 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>

¹⁵¹² 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>

¹⁵¹³ 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>

¹⁵¹⁴ 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>

¹⁵¹⁵ G20 Leaders' Communiqué, G20 Information Centre (Toronto) 16 November 2015. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2015/151116-communiqué.html>

¹⁵¹⁶ G20 Leaders' Communiqué, G20 Information Centre (Toronto) 16 November 2015. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2015/151116-communiqué.html>

¹⁵¹⁷ 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>

¹⁵¹⁸ Hangzhou Action Plan, G20 Information Centre (Toronto) 5 September 2016. Access Date: 25 February 2021. <http://www.g20.utoronto.ca/2016/160905-action.html>

¹⁵¹⁹ 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>

¹⁵²⁰ 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>

¹⁵²¹ 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

At the 2018 summit hosted in Buenos Aires, Argentina, G20 leaders emphasized the importance of secure sustainable tax systems.¹⁵²² 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.”¹⁵²³

In 2019, G20 leaders convened in Osaka, Japan, and reiterated their commitment to “a globally fair, sustainable, and modern international tax system.”¹⁵²⁴ 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.¹⁵²⁵ 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.¹⁵²⁶

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.”¹⁵²⁷

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.”¹⁵²⁸

To define the key terms in this commitment, “cooperation” is understood to mean “the action or process of working together to the same end.”¹⁵²⁹ “Fair” is defined as treating one “in a way that is

¹⁵²² 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>

¹⁵²³ 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>

¹⁵²⁴ 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>

¹⁵²⁵ 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>

¹⁵²⁶ 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>

¹⁵²⁷ 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>

¹⁵²⁸ 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>

¹⁵²⁹ 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

right or reasonable” or as one expects or deserves.¹⁵³⁰ In the context of taxation, “fair” is understood in the context of individuals and corporations paying their due share of taxes.¹⁵³¹ 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.¹⁵³²

“Sustainable” is understood to mean the ability to continue over a long time or be maintained with momentum.¹⁵³³ “Modern” means designed and made using “recently developed ideas, methods or styles.”¹⁵³⁴ 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.¹⁵³⁵ 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.¹⁵³⁶

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.¹⁵³⁷ 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

¹⁵³⁰ Fair, Cambridge English Dictionary (Cambridge) n.d. Access Date: 25 February 2021.

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

¹⁵³¹ 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

¹⁵³² 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>

¹⁵³³ Sustainable, Cambridge English Dictionary (Cambridge) n.d. Access Date: 25 February 2021.

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

¹⁵³⁴ Modern, Cambridge English Dictionary (Cambridge) n.d. Access Date: 25 February 2021.

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

¹⁵³⁵ 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>

¹⁵³⁶ 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

¹⁵³⁷ 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 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
- 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"¹⁵³⁸

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

¹⁵³⁸ BEPS Actions, Organisation for Economic Co-operation and Development(Paris) Access Date: 25 February 2021.
<https://www.oecd.org/tax/beps/beps-actions/>

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.¹⁵³⁹

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.

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.

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Argentina: 0

Argentina has partially 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.¹⁵⁴⁰

¹⁵³⁹ 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/>

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.¹⁵⁴¹

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.¹⁵⁴²

Argentina has pursued bilateral arrangements with the US to facilitate exchange of information on large multinational enterprises. It has also pursued domestic reforms in digital taxation and monitoring of foreign currency possession. However, Argentina has yet to demonstrate continued cooperation in international taxation through multilateral institutions.

Thus, Argentina receives a score of 0.

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).¹⁵⁴³ 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.¹⁵⁴⁴

On 10 December 2020, the ATO announced updates to Practical Compliance Guideline (PCG) 2017/4, a document concerning cross-border financing agreements and transactions.¹⁵⁴⁵ 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.^{1546,1547}

¹⁵⁴⁰ 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>

¹⁵⁴¹ 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/>

¹⁵⁴² 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/>

¹⁵⁴³ 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>

¹⁵⁴⁴ 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>

¹⁵⁴⁵ 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>

¹⁵⁴⁶ 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 2019.¹⁵⁴⁸ 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.¹⁵⁴⁹

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).¹⁵⁵⁰ 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.¹⁵⁵¹

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.¹⁵⁵²

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.¹⁵⁵³

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.¹⁵⁵⁴

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.

¹⁵⁴⁷ 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>

¹⁵⁴⁸ 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

¹⁵⁴⁹ 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

¹⁵⁵⁰ 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>

¹⁵⁵¹ 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>

¹⁵⁵² 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>

¹⁵⁵³ 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>

¹⁵⁵⁴ 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>

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.¹⁵⁵⁵

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.¹⁵⁵⁶

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.¹⁵⁵⁷

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.¹⁵⁵⁸

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.¹⁵⁵⁹

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.¹⁵⁶⁰

Brazil has demonstrated substantial bilateral efforts in signing double taxation treaties with Switzerland, Singapore and the United Arab Emirates. It has also demonstrated domestic action to improve its taxation system by addressing emerging developments in financial assets such as

¹⁵⁵⁵ 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>

¹⁵⁵⁶ 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/>

¹⁵⁵⁷ 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

¹⁵⁵⁸ 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/>

¹⁵⁵⁹ 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>

¹⁵⁶⁰ 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>

cryptocurrencies, adopting policies against terrorist financing, and combatting tax evasion in alignment with the BEPS framework.

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 solution at the public meeting of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework.¹⁵⁶¹

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.¹⁵⁶² The digital service tax will levy 3 per cent revenue from online marketplaces, social media, online advertising and the sale of user data.¹⁵⁶³

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.¹⁵⁶⁴ 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.¹⁵⁶⁵ It also proposed improving transfer pricing rules to prevent inappropriate shifting of corporate income out of Canada.¹⁵⁶⁶

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.¹⁵⁶⁷

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.

¹⁵⁶¹ 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>

¹⁵⁶² 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>

¹⁵⁶³ 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>

¹⁵⁶⁴ 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>

¹⁵⁶⁵ 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>

¹⁵⁶⁶ 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>

¹⁵⁶⁷ 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>

Thus, Canada received a score of 0.

Analyst: Oya Darici

China: 0

China has partially 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.¹⁵⁶⁸ 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.”¹⁵⁶⁹

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.¹⁵⁷⁰

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 14th Five-Year Plan and long-term objectives for 2035.¹⁵⁷¹

China made verbal commitments to the OECD and the G20 to facilitate a multilateral digital tax agreement and formulate international rules on digital currency. However, China has yet to engage in bilateral actions of cross-border tax cooperation.

Thus, China receives a score of 0.

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.¹⁵⁷² The goal of this measure is to ensure that digital services are taxed in the same places where they profit.¹⁵⁷³

¹⁵⁶⁸ 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

¹⁵⁶⁹ 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

¹⁵⁷⁰ 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

¹⁵⁷¹ 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

¹⁵⁷² 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>

¹⁵⁷³ 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>

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.¹⁵⁷⁴ 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.¹⁵⁷⁵ 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.¹⁵⁷⁶

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.¹⁵⁷⁷

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.¹⁵⁷⁸

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.¹⁵⁷⁹

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

¹⁵⁷⁴ 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>

¹⁵⁷⁵ 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/Allemagne/Allemagne_accord_amiable_covid19.pdf

¹⁵⁷⁶ 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_amiable_covid19.pdf

¹⁵⁷⁷ 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_amiable_covid19.pdf

¹⁵⁷⁸ 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

¹⁵⁷⁹ 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

technical assistance to developing countries.¹⁵⁸⁰ The goal of the three-day event was to encourage greater fairness and transparency in international tax systems.¹⁵⁸¹

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.¹⁵⁸² 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.”¹⁵⁸³

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).¹⁵⁸⁴ 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.”¹⁵⁸⁵

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.¹⁵⁸⁶ The Ministry seeks to promote cooperation with the Bahamas to “eradicate harmful tax practices” and foster a “commitment to the international regulatory standards on tax cooperation and exchange of information for tax purposes.”¹⁵⁸⁷

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.¹⁵⁸⁸

On 8 April 2021, Minister Le Maire supported a US proposal to resume international talks on taxing major digital multinational corporations.¹⁵⁸⁹ The goal of these talks is to prevent multinationals from shifting their profits to low-tax jurisdictions.¹⁵⁹⁰

¹⁵⁸⁰ 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>

¹⁵⁸¹ 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>

¹⁵⁸² 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>

¹⁵⁸³ 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>

¹⁵⁸⁴ 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>

¹⁵⁸⁵ 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/>

¹⁵⁸⁶ 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>

¹⁵⁸⁷ 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>

¹⁵⁸⁸ 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>

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.¹⁵⁹¹ 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 2021.¹⁵⁹² By ratifying the MLI, Germany joins the MLI's strong commitment to prevent the abuse of tax treaties and BEPS by multinational enterprises.¹⁵⁹³

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.¹⁵⁹⁴

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,

¹⁵⁸⁹ 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>

¹⁵⁹⁰ 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>

¹⁵⁹¹ 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/Allemagne/Allemagne_accord_amicable_covid19.pdf

¹⁵⁹² 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>

¹⁵⁹³ 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>

¹⁵⁹⁴ 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

tax evasion and avoidance.¹⁵⁹⁵ Changes include amending the wording of the treaty and adding Article 30A.¹⁵⁹⁶ The protocol is not yet in force.¹⁵⁹⁷

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.¹⁵⁹⁸ 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.¹⁵⁹⁹

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.¹⁶⁰⁰ 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.¹⁶⁰¹

On 15 February 2021, the Federal Ministry of Finance initiated the departmental vote on the draft of the Tax Haven Defense Act.¹⁶⁰² 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 business expenses associated with tax havens no longer tax-deductible.¹⁶⁰³ Stricter rules would apply to income from intermediate companies in tax havens and taxpayers who have business relationships

¹⁵⁹⁵ 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

¹⁵⁹⁶ 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

¹⁵⁹⁷ 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

¹⁵⁹⁸ 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>

¹⁵⁹⁹ 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>

¹⁶⁰⁰ 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>

¹⁶⁰¹ 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>

¹⁶⁰² 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>

¹⁶⁰³ 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>

with tax havens.¹⁶⁰⁴ If enacted, the Act will be applicable to the EU's list of non-cooperative jurisdictions for tax purposes.¹⁶⁰⁵

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.¹⁶⁰⁶

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.”¹⁶⁰⁷ 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.¹⁶⁰⁸

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.”¹⁶⁰⁹

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.

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.

¹⁶⁰⁴ 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>

¹⁶⁰⁵ 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

¹⁶⁰⁶ 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/b1rdkgsclrj06d/cyprus-and-germany-sign-protocol-to-amend-tax-treaty>

¹⁶⁰⁷ 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>

¹⁶⁰⁸ 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>

¹⁶⁰⁹ 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>

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.^{1610,1611} It expanded the definition of “e-commerce supply and service” to include “online sale of goods” and “online provision of services.”¹⁶¹² 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 Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS).¹⁶¹³

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.¹⁶¹⁴ 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.¹⁶¹⁵ In making this ruling, the Court “noted the importance of the Commentary on Article 12 of the OECD Model Tax Convention.”¹⁶¹⁶

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.^{1617, 1618} 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.¹⁶¹⁹

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

¹⁶¹⁰ 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>

¹⁶¹¹ 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>

¹⁶¹² 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>

¹⁶¹³ 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>

¹⁶¹⁴ 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>

¹⁶¹⁵ 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>

¹⁶¹⁶ 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>

¹⁶¹⁷ 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>

¹⁶¹⁸ 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

¹⁶¹⁹ 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

billion.¹⁶²⁰ This amendment reduces the reporting burden on multinational enterprises and aligns it with the OECD's country-by-country reporting standards.¹⁶²¹

On 28 April 2021, the Union Cabinet approved an agreement with the UK on Customs Cooperation and Mutual Administrative Assistance on Customs Matters.¹⁶²² This agreement provides a legal framework for the exchange of information to prevent and investigate customs offences.¹⁶²³

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.¹⁶²⁴

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

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.¹⁶²⁵

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.¹⁶²⁶

¹⁶²⁰ 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>

¹⁶²¹ 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>

¹⁶²² 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>

¹⁶²³ 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

¹⁶²⁴ 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

¹⁶²⁵ 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

¹⁶²⁶ 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>

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.¹⁶²⁷

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.¹⁶²⁸

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.¹⁶²⁹

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.¹⁶³⁰

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.¹⁶³¹

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

¹⁶²⁷ 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>

¹⁶²⁸ 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>

¹⁶²⁹ 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>

¹⁶³⁰ 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>

¹⁶³¹ 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

for a multilateral digital tax solution at the public meeting of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework.¹⁶³² 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.¹⁶³³ 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.¹⁶³⁴ 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.¹⁶³⁵

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.¹⁶³⁶

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. 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 Vandespyster

Japan: 0

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

¹⁶³² 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>

¹⁶³³ Speech by Minister of the Economy and Finance Roberto Gualtieri at the "11th 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/

¹⁶³⁴ Speech by Minister of the Economy and Finance Roberto Gualtieri at the "11th 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/

¹⁶³⁵ Speech by Minister of the Economy and Finance Roberto Gualtieri at the "11th 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/

¹⁶³⁶ 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 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.¹⁶³⁷

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.¹⁶³⁸

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.¹⁶³⁹

On 18 January 2021, the government announced tax relief plans targeting foreign nationals.¹⁶⁴⁰ 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.¹⁶⁴¹ 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.¹⁶⁴²

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."¹⁶⁴³

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.¹⁶⁴⁴

¹⁶³⁷ 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

¹⁶³⁸ 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

¹⁶³⁹ 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

¹⁶⁴⁰ 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>

¹⁶⁴¹ Policy Speech by the Prime Minister to the 204th 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

¹⁶⁴² 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

¹⁶⁴³ 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/Obu/079000c>

¹⁶⁴⁴ 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

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.¹⁶⁴⁵

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.¹⁶⁴⁶

Japan continued its cooperation for a globally fair, sustainable, and modern international tax system through bilateral arrangements to prevent tax evasion and avoidance. Japan has further applied multilateral provisions and standards to its bilateral taxation treaties but did not make contributions through multilateral institutions.

Thus, Japan receives a score of 0.

Analyst: Erica Matsui

Korea: 0

Korea has partially 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.¹⁶⁴⁷ 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.¹⁶⁴⁸

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.¹⁶⁴⁹

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.¹⁶⁵⁰

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.¹⁶⁵¹

¹⁶⁴⁵ 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

¹⁶⁴⁶ 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

¹⁶⁴⁷ 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>.

¹⁶⁴⁸ 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/>

¹⁶⁴⁹ 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>

¹⁶⁵⁰ 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>

¹⁶⁵¹ 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>

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.¹⁶⁵²

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. However, Korea has yet to participate in cooperation under multilateral frameworks of tax governance.

Thus, Korea receives a score of 0.

Analyst: Erica Matsui

Mexico: -1

Mexico has failed to comply 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.¹⁶⁵³

On 11 March 2021, Minister of Finance Arturo Herrera announced that the government will discuss tax reforms with local authorities.¹⁶⁵⁴ Treasury Undersecretary Gabriel Yorio expressed a desire to close the tax evasion gap in 2021 before restructuring the tax system.¹⁶⁵⁵

Despite domestic efforts to strengthen the digital service tax and a verbal affirmation of Mexico's goal to close the tax evasion gap, Mexico has not demonstrated any further action to continue cooperation for a globally fair, sustainable and modern international tax system. It has not engaged in bilateral/plurilateral inter-state channels nor multilateral frameworks to advance this commitment.

Thus, Mexico receives a score of -1.

Analyst: Neeharika 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

¹⁶⁵² 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>

¹⁶⁵³ 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>

¹⁶⁵⁴ 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>

¹⁶⁵⁵ 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/mercotur/mexico/mexicos-finance-secretary-estimates-economy-could-easily-grow-more-than-5-in-2021/>

Related Measures to Prevent Base Erosion and Profit Shifting.¹⁶⁵⁶ The Convention endeavours to prevent tax avoidance on a multilateral scale and build upon existing cross-border tax standards.¹⁶⁵⁷

On 14 December 2020, Prime Minister Mikhail Mishustin approved the protocol on amending the Convention for the avoidance of double taxation with Luxembourg.¹⁶⁵⁸ The protocol entered into force on 5 March 2021.¹⁶⁵⁹ 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.¹⁶⁶⁰

On 27 December 2020, Prime Minister Mishustin approved the protocol on amending the Convention for the avoidance of double taxation with Malta.¹⁶⁶¹

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 submission to the State Duma in February.”¹⁶⁶² 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.¹⁶⁶³

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.¹⁶⁶⁴

On 22-23 February 2021, President Vladimir Putin and Belarusian President Alexander Lukashenko agreed to expand bilateral cooperation between economic and tax service agencies.¹⁶⁶⁵ Kremlin Spokesman Dmitry Peskov stated that the two countries will hold consultations between their tax services with a view to specify further bilateral measures.¹⁶⁶⁶

¹⁶⁵⁶ 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>

¹⁶⁵⁷ 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>

¹⁶⁵⁸ 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/>

¹⁶⁵⁹ Luxembourg Ratifies Protocol on Tax Agreement with Russia, TASS (Moscow) 5 March 2021. Access Date: 21 March 2021. <https://tass.com/economy/1263241>

¹⁶⁶⁰ 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/>

¹⁶⁶¹ 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/>

¹⁶⁶² 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>

¹⁶⁶³ 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>

¹⁶⁶⁴ Meeting of the Eurasian Intergovernmental Council, The Russian Government (Almaty) 5 February 2021. Access Date: 21 March 2021. <http://government.ru/en/news/41468/>

¹⁶⁶⁵ Putin, Lukashenko Agree to Boost Work Between Economic Agencies, TASS (Moscow) 24 February 2021. Access Date: 21 March 2021. <https://tass.com/economy/1259703>

¹⁶⁶⁶ Putin, Lukashenko Agree to Boost Work Between Economic Agencies, TASS (Moscow) 24 February 2021. Access Date: 21 March 2021. <https://tass.com/economy/1259703>

On 1 April 2021, Prime Minister Mishustin declared that the government will simplify the tax-paying procedures for businesses to a single tax payment.¹⁶⁶⁷ The goal of this initiative is to improve domestic tax infrastructure and ease of business.¹⁶⁶⁸

On 13 April 2021, Deputy Finance Minister Sazanov reaffirmed the possibility of denouncing the tax convention with the Netherlands.¹⁶⁶⁹ This action aims to prevent multinationals from shifting their profits to low-tax jurisdictions.¹⁶⁷⁰

Russia has pursued bilateral channels to improve taxation agreements with Luxembourg and Malta and plan for future cooperation with Belarus. Russia has also taken important steps in realizing its multilateral commitment to international tax cooperation by completing the internal procedures of the MLI and supporting the improvement of international tax systems within the Eurasian Intergovernmental Council.

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.¹⁶⁷¹

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-Kholifey 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."¹⁶⁷²

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.¹⁶⁷³

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.

¹⁶⁶⁷ Government Meeting, The Russian Government (Moscow) 1 April 2021. Access Date: 29 April 2021. <http://government.ru/en/news/41864/>

¹⁶⁶⁸ Government Meeting, The Russian Government (Moscow) 1 April 2021. Access Date: 29 April 2021. <http://government.ru/en/news/41864/>

¹⁶⁶⁹ 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>

¹⁶⁷⁰ 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>

¹⁶⁷¹ 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>

¹⁶⁷² 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>

¹⁶⁷³ 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>

Thus, Saudi Arabia receives a score of +1.

Analyst: Sharif Fatourehchi

South Africa: 0

South Africa has partially 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.^{1674,1675,1676} The review also proposed amendments to controlled foreign company anti-diversionary rules to prevent circumvention by taxpayers.¹⁶⁷⁷ 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.¹⁶⁷⁸ The budget committed to a unilateral digital service tax if a multilateral agreement proved unsuccessful.¹⁶⁷⁹

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.¹⁶⁸⁰ However, the Convention has not been ratified.¹⁶⁸¹

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.^{1682,1683}

On 7 May 2021, the SARS started asking for taxpayers’ cryptocurrency transactions in audit letters to collect capital gains tax on cryptocurrency trades.¹⁶⁸⁴

Although South Africa has not shown substantial action under multilateral frameworks to improve the international tax system, it has pursued domestic tax reforms to reduce double taxation and

¹⁶⁷⁴ 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>

¹⁶⁷⁵ 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

¹⁶⁷⁶ 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/>

¹⁶⁷⁷ 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>

¹⁶⁷⁸ 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

¹⁶⁷⁹ 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>

¹⁶⁸⁰ 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/>

¹⁶⁸¹ 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/>

¹⁶⁸² SARS eyes offshore wealth, eNCA (Johannesburg) 7 April 2021. Access Date: 12 May 2021. <https://www.enca.com/business/sars-eyes-offshore-wealth>

¹⁶⁸³ 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/>

¹⁶⁸⁴ 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/>

strengthen the SARS' ability to combat transfer pricing and tax erosion with the goal of meeting international standards. It also pursued bilateral actions by signing the Convention with Kuwait.

Thus, South Africa receives a score of 0.

Analyst: Oya Darici

Turkey: 0

Turkey has partially 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.¹⁶⁸⁵

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.¹⁶⁸⁶

Turkey has taken substantial domestic action to counter terrorist financing and money laundering and began to explore bilateral cooperation with the US on CbCR. However, its bilateral partnership has not yet come into fruition and Turkey has not fulfilled its commitment to improve the international tax system through multilateral institutions.

Thus, Turkey receives a score of 0.

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.¹⁶⁸⁷ 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.¹⁶⁸⁸ The agreement was signed on 30 December 2020 and became provisionally applicable starting 1 January 2021.¹⁶⁸⁹

¹⁶⁸⁵ 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>

¹⁶⁸⁶ 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/>

¹⁶⁸⁷ 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

¹⁶⁸⁸ 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>

¹⁶⁸⁹ 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/>

On 29 December 2020, Her Majesty's Revenue and Customs (HMRC) announced that reporting under the EU Directive on Administrative Cooperation would be modified.¹⁶⁹⁰ Reporting would now only be required for cross-border arrangements applicable under Category D of the directive that "share substantial common growth with the Mandatory Disclosure Rules developed by the OECD."¹⁶⁹¹

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.¹⁶⁹² Changes include amending the wording of the treaty and adding Article 30A.¹⁶⁹³ The protocol is not yet in force.¹⁶⁹⁴

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.¹⁶⁹⁵

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.¹⁶⁹⁶ 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.¹⁶⁹⁷

On 23 February 2021, the UK and Sweden signed an amending protocol to update the Sweden-UK income tax treaty.¹⁶⁹⁸ 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.¹⁶⁹⁹

¹⁶⁹⁰ 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>

¹⁶⁹¹ 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>

¹⁶⁹² 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

¹⁶⁹³ 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

¹⁶⁹⁴ 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

¹⁶⁹⁵ 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>

¹⁶⁹⁶ 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>

¹⁶⁹⁷ 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>

¹⁶⁹⁸ 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>

¹⁶⁹⁹ 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>

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.¹⁷⁰⁰

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.¹⁷⁰¹

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.¹⁷⁰² These measures are an integral part of the government’s ten-year plan to create a trusted and modern tax system.¹⁷⁰³

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 2021.¹⁷⁰⁴

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.¹⁷⁰⁵ The new agreements came into force on 14 May 2021 and aim to improve international tax compliance.¹⁷⁰⁶

On 22 April 2021, the HMRC published factsheet CC/FS59, which provides details on the penalties charged in relation to CbCR.¹⁷⁰⁷ Penalties can be given for inaccurate information and failure to meet the commitments outlined in the Taxes (BEPS) (Country-by-Country Reporting) Regulations 2016.¹⁷⁰⁸

On 26 April 2021, the Global Anti-Corruption Sanctions Regulations 2021 came into effect.¹⁷⁰⁹ This legislation allows the government to impose sanctions on individuals involved in serious corruption,

¹⁷⁰⁰ 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>

¹⁷⁰¹ 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>

¹⁷⁰² 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>

¹⁷⁰³ 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>

¹⁷⁰⁴ 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

¹⁷⁰⁵ 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>

¹⁷⁰⁶ 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>

¹⁷⁰⁷ 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>

¹⁷⁰⁸ 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>

¹⁷⁰⁹ 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>

including bribery and misappropriation of property, in an effort to create autonomous anti-corruption legislation post-Brexit.¹⁷¹⁰

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: 0

The United States has partially 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.¹⁷¹¹ The USTR commenced the public notice and comment process on possible trade actions against such countries.¹⁷¹²

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.¹⁷¹³

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.¹⁷¹⁴ This action advances the goal of achieving a global deal on digital taxation in 2021.¹⁷¹⁵

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.¹⁷¹⁶ The document called for changes to the global intangible low-taxed income (GILTI) system, which would split

¹⁷¹⁰ 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>

¹⁷¹¹ 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

¹⁷¹² 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/>

¹⁷¹³ 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>

¹⁷¹⁴ 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>

¹⁷¹⁵ 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>

¹⁷¹⁶ 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>

revenue reporting for multinational corporations to a country-by-country system, thus eliminating the incentive to funnel revenue reporting to tax havens.¹⁷¹⁷

On 7 April 2021, the Department of the Treasury released the Made in America Tax Plan.¹⁷¹⁸ 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.^{1719,1720}

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. However, the US has not taken bilateral actions to improve the international tax system.

Thus, the United States receives a score of 0.

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.¹⁷²¹

On 24 December 2020, the UK and the EU reached an agreement on the EU-UK Trade and Cooperation Agreement.¹⁷²² 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

¹⁷¹⁷ 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

¹⁷¹⁸ 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

¹⁷¹⁹ 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/>

¹⁷²⁰ 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>

¹⁷²¹ 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/>

¹⁷²² 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

laundering, counter-terrorist financing and more.¹⁷²³ The agreement was signed on 30 December 2020 and became provisionally applicable starting 1 January 2021.¹⁷²⁴

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.¹⁷²⁵ Several other changes were made to official designations of countries cooperating with EU tax authorities.

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.¹⁷²⁶

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 2021.¹⁷²⁷

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.¹⁷²⁸ The Committee also endorsed the idea of a European Digital Tax if international negotiations failed to implement a digital tax on the global level.¹⁷²⁹

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

¹⁷²³ 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>

¹⁷²⁴ 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/>

¹⁷²⁵ 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/>

¹⁷²⁶ 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

¹⁷²⁷ 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

¹⁷²⁸ 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

¹⁷²⁹ 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>