

# **OECD SECRETARY-GENERAL REPORT TO G20 LEADERS**

**Buenos Aires, Argentina  
December 2018**

**G20** 

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**DECEMBER 2018**

This report contains two parts. Part I reports on the activities and achievements in the OECD's international tax agenda. Part II reports on the activities and achievements of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

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## Overview

Since 2008, the G20 has made the fight against international tax fraud and avoidance a priority. Thanks to the support of Leaders and Finance Ministers, major progress has been achieved, demonstrating that international co-operation in a multilateral framework can support and strengthen national sovereignty.

In my last report to you, at your meeting in Hamburg in 2017, I told you that we were about to bring to fruition the G20 mandate for the automatic exchange of financial account information (AEOI) with first exchanges to start in September 2017. It is estimated that by June 2018, **jurisdictions around the globe have identified EUR 93 billion in additional revenue** (tax, interest, penalties) as a result of voluntary compliance mechanisms and other offshore investigations put in place since 2009. **AEOI is now happening in 83 jurisdictions that committed to exchange by 2018.** Moreover, details on **hundreds of billions of euros of accounts have been exchanged in 2017**, the first year of operation of the OECD's Common Reporting Standard.

I reported on the outcome of your request to establish objective criteria to identify jurisdictions that were not implementing the tax transparency standards and the significant impact that this process had on encouraging jurisdictions to make changes. **The OECD has now delivered strengthened criteria to be applied at the time of next year's Summit and can report today that 15 jurisdictions are at risk of being identified.** We are working with these jurisdictions and I will report to you at your Summit in 2019 on the progress made, along with a list of any jurisdictions that have not made enough progress.

**After the delivery of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Package of 15 Actions, the key issue for the international tax community in 2018 remains how to address the tax challenges arising from digitalisation.**

In March, I delivered an Interim Report to Finance Ministers, providing an economic analysis of the features of the highly digitalised business models. **It was agreed that, in spite of divergences on the consequences to draw, countries would seek a consensus based solution** in a context where a number of governments feel urged to move to short term interim measures. Since March, the 124 members of the Inclusive Framework for BEPS Implementation, steered by G20 countries, have made significant progress to bridge the gaps in their position. Following the US tax reform, the United States has in particular agreed to engage in the search of a global solution which would address further challenges. Equally, France and Germany have now proposed to explore the feasibility of a global anti-base erosion mechanism. The United Kingdom made a proposal focussed on a reallocation of taxing rights based on active user contribution in some business models. Many other countries are now involved actively in this discussion.

**The G20 has an opportunity to seize the moment by maintaining the political focus on reaching a global, consensus-based solution.** The Task Force will meet in December and the Inclusive Framework then meets in January to take these proposals further. **A strong showing of unity and commitment to work together at the highest political level will be a key ingredient** in finding the common ground that we are seeking. The Inclusive Framework will hold a second meeting in 2019 just before your next Leaders' Summit. My hope is that at that Summit you will be able to celebrate an agreement on the what and how of **a long-term solution to be delivered in 2020.**

These discussions are taking place against the back-drop of wide-spread implantation of the BEPS Package. In July last year the OECD/G20 Inclusive Framework on BEPS was up and running and the peer reviews of the minimum standards had begun. **The first results from the peer reviews of the OECD/G20 BEPS Project are in and show strong implementation by the members of the BEPS Inclusive Framework.** While the BEPS Project addresses double non-taxation, ensuring that international trade and investment does not face double taxation remains a priority. The OECD, in collaboration with the IMF, had produced a first report on tax certainty. **In July we delivered an update on that report and look forward to taking this work forward with renewed emphasis.** Our work on building capacity in developing countries is on-going, including support for the G20 Compact with Africa and our work through the Platform for Collaboration on Tax. **We have continued to deliver a strong program of work in supporting capacity building in developing countries, particularly through the Platform for Collaboration (PCT) on Tax.**

# **PART I**

**THE OECD'S INTERNATIONAL TAX AGENDA**



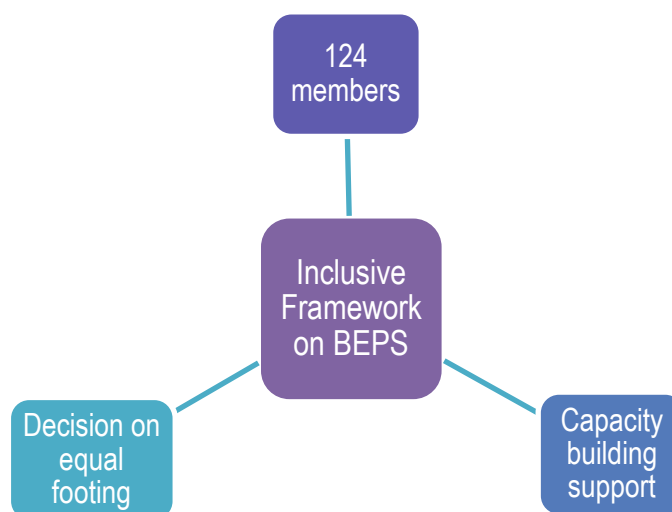
This Part I of the report provides an update on the developments in delivering on the G20’s commitments to fight tax evasion and avoidance, advance the tax certainty agenda, and to ensure that developing countries are in a position to leverage the international standards to mobilise their own domestic resources.

## 1. Taking forward the Base Erosion and Profit Shifting Project

Since my last report to you, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) has made important progress in the implementation of the agreed BEPS measures and also in advancing its work on addressing the tax challenges arising from digitalisation, with the publication of an interim report in March 2018 on this topic. While 2016 and 2017 have been focusing on putting in place the OECD/G20 Inclusive Framework on BEPS’ processes and on launching the peer reviews of the four BEPS minimum standards, 2018 is a cornerstone year as the first results of the implementation phase are becoming available. Data is also being collected, which will be important to assess the impact of the global implementation of the BEPS measures and to prepare the next stages of this project.

### 1.1. Progress made in implementing the BEPS Project

The membership of the OECD/G20 Inclusive Framework continues to broaden, with 124 countries and jurisdictions that are now members – 23 more than when the last Leaders’ summit took place – accounting for 95 per cent of the global GDP. With each additional member the Inclusive Framework gains in the reach and influence of its work. All working on an equal footing, the Inclusive Framework members also benefit from capacity building support, including through induction programmes and regional training events.



The OECD/G20 Inclusive Framework continues to conduct peer reviews for the four BEPS minimum standards: (Countering Harmful Tax Practices (Action 5); Preventing Treaty Abuse (Action 6); Country-by-Country Reporting (Action 13); and Dispute Resolution (Action 14). The peer review process is designed to rapidly ensure effective implementation of the minimum standards. The first results are now available.

#### ***Countering Harmful Tax Practices (Action 5)***

Significant progress has been achieved in respect of combatting harmful tax practices, where 243 preferential tax regimes have been reviewed since the BEPS Project, and more than 134 regimes have already been amended or abolished, or are in the process of being amended or abolished. Because of these changes, all but one of the IP regimes identified in the BEPS Project now meet the minimum



standard, ensuring taxation is aligned with substance. In addition, Action 5 requires tax administrations to have transparency in respect of the agreements they make with taxpayers. Over 16 000 rulings have already been identified and information is now being exchanged among the relevant tax administrations. This is a significant step up in corporate tax transparency.

### ***Preventing Treaty Abuse (Action 6)***

Action 6 of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project identified treaty abuse, and in particular treaty-shopping, as one of the most important sources of BEPS concerns. Taxpayers that engage in treaty shopping and other types of treaty abuse undermine tax sovereignty by claiming treaty benefits in inappropriate circumstances, thereby depriving countries of tax revenues. The first peer review of Action 6 is on-going and the results will be released soon.

A key tool to implement the Action 6 minimum standard is the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, also known as the “BEPS multilateral instrument”. Since 2017, the number of countries and jurisdictions that have signed it has increased. To date, 84 have joined the BEPS multilateral instrument, which entered into force on 1 July 2018 among the first signatories that have ratified it. When more ratifications are effective, the BEPS multilateral instrument will be **expected to result in the modification of 1,400 bilateral tax treaties**, which will be reinforced against abuse.

### ***Country-by-Country Reporting (Action 13)***

A key component of ensuring that taxation is aligned with value creation is the ability of tax administrations to understand where multinational enterprises (MNEs) have their activities and where the revenues are generated: this is now possible with Country-by-Country (CbC) reporting requirements as agreed with BEPS Action 13. MNEs now have to provide information on their assets, employees and taxes accrued and paid in the jurisdictions where they operate. CbC reporting covers MNE groups controlling approximately 90 per cent of corporate revenues, and in **June this year for the first time exchanges of CbC reports took place. The first annual peer review report of Action 13 (Country-by-Country reporting (CbC reporting)), which was published in May 2018, provides for a comprehensive examination of 95 jurisdictions.** This first peer review focusses mainly on their domestic legal and administrative frameworks. A second annual peer review, covering all members of the OECD/G20 Inclusive Framework, will examine the practices for collecting and exchanging this information as well. The outcomes will be released in 2019.

### ***Dispute Resolution (Action 14)***

On BEPS Action 14 dealing with the improvement of Mutual Agreement Procedures (MAP), the 2017 MAP statistics are now available covering 85 jurisdictions and almost all MAP cases worldwide. More than 80 per cent of MAPs concluded in 2017 resolved the issue for transfer pricing cases and more than 75 per cent for other cases. Approximately 65 per cent of transfer pricing MAP cases closed were resolved with an agreement fully eliminating double taxation and almost 15 per cent of them were granted a unilateral relief. For other cases these outcomes represent respectively almost 50 per cent and 25 per cent.

**ACTION 5: Information on 16 000 tax rulings now being exchanged**

**ACTION 5: 243 preferential tax regimes examined, 134 being revised or abolished**

**ACTION 14: 80%+ of MAPs concluded in 2017 resolved the issue for transfer pricing cases and 75%+ for other cases**

**ACTION 13: Over 1 800 CbC Reporting relationships activated, with exchanges started in June 2018**

Global implementation of the four minimum standards has made a real, tangible impact. As an increasing number of countries across the globe implement the BEPS measures, data is being collected and will be analysed to assess the global impact. When the OECD/G20 BEPS Project was started we **estimated that the cost of tax avoidance for governments was between USD 100 billion to USD 240 billion per year**. BEPS Action 11 (Measuring and Monitoring BEPS) aims to provide policy-makers with the on-going information they need on the scale of base erosion and profit shifting practices and the impact that the OECD/G20 BEPS Project is having to counter these. A series of new data collection processes and analytical tools have been developed and are now being put in place, and much of this analysis will be included in the new OECD's Corporate Tax Statistics database. The analysis and evaluation of this data will be of particular importance in the discussions on the future mandate of the OECD/G20 Inclusive Framework on BEPS for the post-2020 period. **The first edition of the Corporate Tax Statistics database will be released in January 2019, and further analysis will be released later in 2019 and 2020.**

## *1.2. Addressing the tax challenges arising from digitalisation*

**The OECD/G20 BEPS Package of 15 Actions provided a comprehensive suite of measures to address the erosion of the corporate tax base by multinational enterprises.** However, the Action 1 report on digitalisation did not produce as clear an outcome as in other areas. The Action 1 report identified a number of key features of digitalisation that are potentially relevant from a tax perspective, including mobility, reliance on data, network effects, the spread of multi-sided business models, a tendency towards monopoly or oligopoly, and volatility. In addition, it highlighted some broader tax challenges to be addressed, in relation to the role of data, the “nexus” rule to define the taxing right and the characterisation of income.

One concrete outcome of the work on digitalisation related to the collection of Value Added Tax/ Goods and Services Tax (VAT/GST) on the growing volume of goods and services purchased online by private consumers from foreign suppliers. **New guidelines and VAT collection mechanisms were agreed in the 2015 BEPS Action 1 Report.** With widespread implementation, the early data on the impact of these measures is very promising. The EU, as the earliest adopter of these principles, has identified **the total VAT revenue declared** via its simplified compliance regime in 2015 (the EU regime's first year of operation) was **in excess of EUR 3 billion.**

Nevertheless, **no consensus was reached on the broader tax challenges associated with digitalisation.** As the Inclusive Framework members proceeded with the implementation of the BEPS Package more generally, the OECD/G20 Inclusive Framework's Task Force on the Digital Economy (the Task Force) continued to work on the broader challenges of digitalisation, leading to the *Interim Report on the Tax Challenges Arising from Digitalisation*, which I presented to the G20 Finance Ministers in March 2018.

**The interim report showed the divergences of views among countries.** One group of countries saw the issue as limited to certain highly digitalised business models and therefore did not see the case for wide-ranging change. Another group saw the issue as part of the ongoing digitalisation of the economy and the trends associated with globalisation more generally, with the consequence that the challenges related to the international tax framework more broadly, and not limited to certain business models. A third group considered that the implementation of the BEPS package was working to limit double-non taxation, and did not see any need for significant reform. **Despite their differences, all members of the OECD/G20 Inclusive Framework agreed to examine the key underlying concepts of nexus and profit allocation.**

Since March, the 124 members of the Inclusive Framework for BEPS Implementation, supported by G20 countries, have made significant progress to bridge the gaps in their position. Following the US tax reform, the United States has in particular agreed to engage in the search of a global solution which would address further challenges. Equally, France and Germany have now proposed to explore the feasibility of a global anti-base erosion mechanism. The United Kingdom made a proposal focussed on

a reallocation of taxing rights based on active user contribution in some business models. Many other countries are now involved actively in this discussion. **Today, it is clear that the dynamic of the discussions has shifted, with the potential for an agreement in sight.** The challenge now is to identify how these proposals intersect – finding a solution that addresses them both could have a mutually reinforcing effect.

**The G20 has an opportunity to seize the moment by maintaining the political focus on reaching a global, consensus-based solution.** The Task Force will meet in December and the Inclusive Framework then meets in January to take these proposals further. **A strong showing of unity and commitment to work together at the highest political level will be a key ingredient** in finding the common ground that we are seeking. The Inclusive Framework will hold a second meeting in 2019 just before your next Leaders’ Summit. My hope is that at that Summit you will be able to celebrate an agreement on the what and how of **a long-term solution to be delivered in 2020.**

Beyond income tax, the Interim Report also recognised that digitalisation and technology are providing opportunities as well as new challenges for tax policy and administration purposes. For example, **blockchain gives rise to both new, secure methods of record-keeping,** potentially allowing for enhanced registration and authentication of taxpayers, protection of confidentiality and overall, an easier way to improve taxpayers’ compliance and to collect tax revenues. Some countries are also concerned that some of blockchain technology applications, such as **crypto-assets, may pose risks to the gains made on tax transparency in the last decade** by masking the identity of those sending and receiving payments. The OECD is therefore analysing the risks and possible responses. Work is already underway to better understand and address these developments.



## 2. Tax Transparency: Applying the Objective Criteria

Great progress has been made in the implementation of the tax transparency standards because of the strong support from the G20. As a result of voluntary compliance mechanisms and other offshore investigations and thanks to the improvements in international tax co-operation, taxpayers have come forward and disclosed formerly concealed assets and income. By June 2018, jurisdictions around the globe had identified **EUR 93 billion in additional revenue** (tax, interest, penalties) from such initiatives. Moreover, details on accounts worth **hundreds of billions of euros were already exchanged in 2017**, the first year of operation of the OECD's Common Reporting Standard. The taxation of the income in respect of these assets in the future is assured.



The objective criteria to identify jurisdictions that were not implementing the tax transparency standards agreed by the OECD in 2016 responding to the G20's call were a vital tool to push jurisdictions over the finish line as the first round of reviews for exchange of information on request (EOIR) and the commitment process for automatic exchange of information (AEOI) were coming to a close.

Now, with a second round of reviews underway for EOIR and the implementation of the AEOI, **the G20 asked the OECD to provide strengthened criteria to ensure that they remain a lever for progress.** (See Annex with the updated criteria presented to the G20 Finance Ministers in July). The criteria will be applied and jurisdictions identified in time for your meeting in Japan in June 2019. Below is the state-of-play on the implementation of the criteria – ratings for EOIR, exchanges under AEOI and ratification of the multilateral Convention – showing that **15 jurisdictions are at-risk of being identified next year.**

### **Automatic Exchange of Information: 15 Jurisdictions need to improve**

In 2014, the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) adopted the AEOI Standard developed by the OECD working with G20 countries. To deliver a level playing field it launched a commitment process under which 98 jurisdictions have committed to its implementation in time to commence exchanges in 2017 or 2018<sup>1</sup>.

The progress has been remarkable, and today **83 committed jurisdictions have commenced exchanges.** However, 15 jurisdictions have not done so yet. For some, the delays are technical glitches that can be expected to be resolved quickly. Others have not completed their domestic legislation or do not have an activated exchange network under the Convention or an equivalent bilateral network and those jurisdictions will need to act fast in order to exchange by the end of the year.

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<sup>1</sup> Two further jurisdictions that have committed to implement AEOI by 2018 are developing countries that do not host financial centers, and so are not subject to the application of the objective criteria.

## Exchange of Information on Request: 6 jurisdictions need to improve

The traditional function of exchange of information on request has grown in importance as co-operation in tax matters has spread more widely. The number of EOIR requests made to jurisdictions that have been reviewed so far in the Global Forum's second round of review has grown significantly in comparison with the number of requests reported in the first round of reviews. Today over 90 per cent of the Global Forum members that have been reviewed are rated at least largely compliant overall. Of the jurisdictions that are within the scope of the listing exercise:



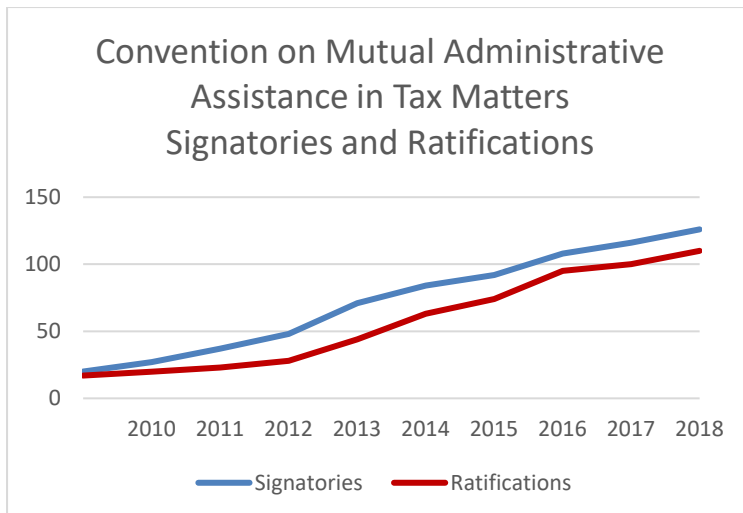
The jurisdictions rated Non-Compliant or Partially Compliant need to improve. The jurisdictions that received provisional ratings leading up to the listing process in 2017 are currently being reviewed by the Global Forum and the results of almost all of these evaluations will be finalised by the end of 2019.<sup>2</sup>

## The multilateral Convention on the Mutual Administrative Assistance in Tax Matters: 3 AEOI-committed jurisdictions still need to ratify

In 2009 there were only a handful of dedicated exchange of information agreements in place. With the support of the G20, the promulgation of and demand for tax information exchange agreements skyrocketed and, in 2010 the multilateral Convention for Mutual Administrative Assistance in Tax Matters was both updated to reflect the standard of exchange of information on request contained in Article 26 of the OECD Model Tax Convention and to open its signature up to all countries – not only members of the OECD or the Council of Europe. Since then, the **adherence to the Convention has grown tremendously and today 126 jurisdictions participate, resulting in almost 6000 exchange relationships.**

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<sup>2</sup> Ratings under the Global Forum's second round of reviews will generally only be applied once a jurisdiction has had the opportunity to address recommendations and benefit from the supplementary review process. However, in the case of the jurisdictions that benefitted from the fast-track process, their ratings in the second round will be taken into account immediately for the purpose of applying the criteria.



3 AEOI-committed jurisdictions need to sign and/or ratify the multilateral

### At-Risk Jurisdictions

In light of the progress made, **there are 15 jurisdictions that still need to take action in order to have satisfactorily implemented the tax transparency standards by the time of next year’s Leaders’ Summit.** The deficiencies that must be addressed are:

- 15 jurisdictions must exchange information under the CRS before the end of 2018, and of these 10 jurisdictions must put their domestic and/or international legal frameworks in place
- 5 jurisdictions must improve their EOIR ratings to at least Largely Compliant
- 3 jurisdictions must sign and/or ratify the multilateral Convention on Mutual Administrative Assistance in Tax Matters.

The crucial factor is the implementation of the AEOI criterion, as failing to have legislation in place and first exchanges by the end of 2018 result in an automatic listing. The other super criterion is an EOIR rating of Non-Compliant, which currently only affects one jurisdiction.

**15 jurisdictions**  
at risk of being identified as not having satisfactorily implemented the tax transparency standards

The OECD Secretariat is working with all of these jurisdictions to provide whatever assistance and guidance is necessary to ensure a global level playing field. I will report to you on the progress made next year and identify any jurisdictions that still do not comply by the time of your next Leaders’ Summit. As noted in the benchmarks that have been set, the additional test for the automatic exchange of information with substantially all interested and appropriate partners will be made at the end of 2019 and I will report to you by the end of November 2019.

### 3. Capacity Building – Supporting Domestic Resource Mobilisation

The OECD continues to provide capacity building support to developing countries through a variety of activities, and works together with the International Monetary Fund (IMF), the United Nations (UN) and the World Bank Group (WBG) to better co-ordinate support and services to developing countries through the Platform for Collaboration on Tax (PCT) established in 2016. The PCT is working on practical toolkits to address issues related to BEPS and beyond, identified as priorities by developing countries. The first toolkit, on *Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment* was published in 2015, followed by a toolkit for *Addressing Difficulties in Accessing Comparable Data for Transfer Pricing Analyses* in 2017, which included a supplementary report on information gaps on prices of minerals. Another toolkit will be published in 2018, on *Indirect Offshore Transfers of Interests*, and a discussion draft on *Implementing Effective Transfer Pricing Documentation* will be released before the end of the year.

**In February 2018, the PCT held its first Global Conference on Tax and the Sustainable Development Goals at the UN headquarters in New York.** The final statement reaffirmed the common objectives of the four partner international organisations in relation to the tax agenda, including: how to mobilise domestic resources for development; tax policies to support sustainable economic growth, investment and trade; the social dimensions of taxation (income and gender inequality, human development); as well as capacity development and international tax co-operation.

In October 2018, a new work plan for 2019-2020 was agreed by the PCT partners to implement the conclusions of the February conference. This work plan focusses on increasing co-ordination of the capacity building work, producing high quality collaborative analytical work, and creating an outreach programme to better communicate on the PCT's work and generate more feedback and participation from external stakeholders.

**In addition, the OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative continues to provide hands-on audit support to tax administrations in developing countries,** engaging tax audit experts to transfer skills to strengthen capacity in auditing MNEs. Since 2012, TIWB completed 10 projects, 34 are currently operational, and there are 22 in the pipeline in Africa, Asia Pacific, Latin America and Caribbean, and Eastern Europe. TIWB is now branching out from general audit support to more specific sector audits mainly in mining, financial sector, commodities and telecommunications; as well as from tax avoidance issues to tax evasion issues supporting investigations for tax and crime.



**The target is 100 deployments by 2020. To date, 414 million USD of additional revenues have been raised with costs of less than 4 million USD. TIWB represents good value for money with over 100 USD in additional revenues recovered for every 1 USD spent on operating costs.<sup>3</sup>**

Tackling tax crimes and other financial crimes is another important area where capacity building is increasing. In the context of the Oslo Dialogue, launched in 2011 to promote a ‘whole of government’ approach to tackle financial crimes, capacity building has been identified as a key pillar. The OECD International Academy for Tax Crime Investigation in Ostia, Italy, has been equipping financial crime investigators since 2013. The OECD, with the contributions of a number of countries including several G20 countries, launched three successful pilot programmes for a second Academy hosted by Kenya in 2017 and 2018. This Africa Academy for Tax and Financial Crime Investigation is expected to be formally established in the coming months, thus reinforcing the capacity of tax and financial crime investigators in tackling illicit financial flows. To date, the Academy has trained over 550 financial crime investigators from more than 80 countries, including from almost 50 developing countries.

In July 2018, Argentina in the margins of the G20 Finance Ministers and Central Bank Governors meeting in Buenos Aires, I had the pleasure with Argentina’s Minister of Treasury Nicolás Dujovne of signing a Memorandum of Understanding to **establish the OECD Latin America Academy for Tax Crime Investigation**. The first training programme has already taken place this November, with representatives from eight countries. Given the demands for capacity building in financial crime, discussions are ongoing to explore **possibilities of establishing an Asia Academy in 2019**.

#### **4. Update on Tax Certainty**

In March 2017 and in response to the call from G20 Leaders, the OECD and the IMF produced a comprehensive report identifying the sources of uncertainty in tax matters and the various tools that taxpayers and governments could use to reduce it from the perspective of businesses and tax administrations in G20 and OECD countries. The G20 has asked for a follow-up report to be delivered in 2018.

To enhance tax certainty, the 2018 Update on Tax Certainty report<sup>4</sup> identifies a set of concrete and practical approaches and solutions. These range from improving the clarity of legislation, increasing predictability and consistency of tax administration practices, effective dispute prevention, and robust dispute resolution mechanisms. While the 2017 report focused on tax certainty in G20 and OECD countries, the 2018 update recognises that the issue is also of particular importance for developing countries, although the tools to enhance tax certainty in those countries need to be assessed against their own enforcement capacities.

**One of the key tools to ensure tax certainty for international tax risks is the availability of mutual agreement procedures (MAP) under BEPS Action 14**, where jurisdictions disagree on the tax treatment of a particular transaction, leading to double taxation. The 2017 MAP statistics are now available covering 85 jurisdictions and almost all MAP cases worldwide. More than 80 per cent of MAPs concluded in 2017 resolved the issue for transfer pricing cases and more than 75 per cent for other cases. Approximately 65 per cent of transfer pricing MAP cases closed were resolved with an agreement fully eliminating double taxation and almost 15 per cent of them were granted a unilateral relief. For other cases these outcomes represent respectively almost 50 per cent and 25 per cent.

Countries need an integrated set of tools to implement a comprehensive program on dispute prevention and resolution, targeting the earliest intervention points, including through the promotion of Advance Pricing Agreements (APAs), more co-ordinated risk assessment and joint audits activities, as well as through the International Assurance Compliance Programme (ICAP). The pilot for the OECD’s ICAP launched in 2018 and will use the CbC reports and other information to support co-operative multilateral

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<sup>3</sup> [TIWB Annual Report 2017/18](#)

<sup>4</sup> [IMF/OECD Update on Tax Certainty](#)



engagements between MNEs and tax administrations. It will provide the opportunity for MNEs to discuss simultaneously with several tax administrations, with a view to increase certainty and to prevent any dispute. In addition, the Treaty Relief and Compliance Enhancement (TRACE) project also helps to address uncertainty in the application of tax treaties, by standardising the system for claiming withholding tax relief on portfolio investments.

**This holistic approach can help to increase certainty and also reinforces the tax system against abuse, decreasing the ability of taxpayers to engage in fraud.**

To understand the importance of tax certainty for developing countries, the data obtained from the OECD business survey of 2017 was re-analysed for the 2018 Report. Also, a workshop held in Tanzania in 2017 highlighted the importance of tax certainty for governments in developing countries. The 2018 Report detailed a number of initiatives aimed at enhancing tax certainty in developing countries, including the toolkits developed by the PCT, Medium-Term Revenue Strategies, the wide array of IMF technical assistance work in revenue mobilization and the progress made with the tax administration diagnostic assessment tool (TADAT).

The work done in 2017 and this year's update show that the concept of tax certainty and its importance to stakeholders is well embedded in the work of both the OECD and the IMF. I look forward to updating you on further developments related to tax certainty in 2019.

## Annex

### Updating the OECD Criteria to Identify Jurisdictions that have not Satisfactorily Implemented the Tax Transparency Standards

Strong progress has been made in the implementation of the tax transparency standards, in large part due to the strong support from the G20 for this important pillar of the global financial system. Establishing a level playing field has been a key strategic objective in this area since the OECD first sought commitments to implement the standard almost 20 years ago. In 2016, responding to the G20's call, the OECD established objective criteria to identify jurisdictions that have not satisfactorily implemented the tax transparency standards. The establishment and application of these criteria were a vital tool to accelerate progress by jurisdictions towards meeting the standards as the Global Forum's first round of reviews for exchange of information on request and the commitment process for automatic exchange of information were coming to a close. As a result of the progress achieved between the time the criteria were published in 2016 and when I reported to you last year in Hamburg, only one jurisdiction – Trinidad and Tobago – was identified as having not satisfactorily implemented the tax transparency standards. In 2017, the G20 welcomed the progress made and looked forward to “an updated list by the OECD by our next Summit reflecting further progress made towards implementation”.

As the circumstances have evolved, with a second round of reviews underway and the implementation of the automatic exchange of information, in March 2018 the G20 Finance Ministers and Central Bank Governors stated:

*We look forward to the OECD's recommendations on how to further strengthen the criteria for assessing jurisdictions compliance with internationally agreed tax transparency standards.*

At the meeting of the CFA in June 2018, OECD and G20 members discussed this issue, leading to agreement on criteria as follows. Jurisdictions would continue to be assessed against three objective criteria:

- implementation of the Exchange of Information on Request (EOIR) standard,
- implementation of the Automatic Exchange of Information (AEOI) standard and
- participation in the multilateral Convention on Mutual Administrative Assistance in Tax Matters (multilateral Convention) or a sufficiently broad network of exchange agreements permitting both AEOI and EOIR.

Benchmarks for the second assessment against the above criteria would be:

- a “Largely Compliant” overall rating with respect to the EOIR standard, taking into account the Global Forum's second round of reviews on an ongoing basis and provided jurisdictions (other than those that received a provisional rating in the first round) have had an opportunity to respond to any downgrades in rating through a supplementary report,
- with respect to the implementation of the AEOI standard, all necessary legislation is in place and exchanges commenced by the end of 2018; and agreements activated with substantially all interested and appropriate partners by the end of 2019; and
- having the multilateral Convention in force or having a sufficiently broad exchange network of bilateral agreements in force permitting both EOIR and AEOI.

In order for a jurisdiction to be considered to comply with respect to international tax transparency, it would need to meet the benchmarks of at least two of the three above-mentioned criteria. However, a jurisdiction will be considered as failing to comply notwithstanding that it may have met the benchmarks of two of the three criteria if: a) it is determined to be “non-compliant” overall for its implementation of the EOIR standard; or b) it has, contrary to its commitment to the Global Forum to implement the AEOI Standard by 2018, not met the AEOI benchmark set out above.

All Global Forum member jurisdictions except developing countries without financial centres would be assessed on their compliance with the transparency standards, as well as non-member jurisdictions that are identified by the Global Forum as relevant for the purposes of its work.

An assessment based on this approach would identify the number of jurisdictions that are at risk of being identified as a jurisdiction that has not satisfactorily implemented the tax transparency standards (i.e. those that have not yet satisfied 2 out of the 3 criteria or fail to meet the special criteria) and reported to the G20 Leaders in December 2018. Progress would then be reported to the G20 Leaders’ Summit in 2019, along with the identity of those jurisdictions (if any) that still do not comply. The list would be updated at the end of 2019 to take into account the requirement to have agreements with substantially all interested and appropriate partners.

## **PART II**

**GLOBAL FORUM ON TRANSPARENCY AND  
EXCHANGE OF INFORMATION FOR TAX PURPOSES  
PROGRESS REPORT TO THE G20 LEADERS**



## Executive Summary

International tax transparency took a leap forward in 2018 with the widespread automatic exchange of information (AEOI) on financial accounts. Following the successful commencement of exchanges under the new AEOI Standard by the “early adopters” in 2017, this year over 80 governments have exchanged information on financial accounts held by non-residents. This success is a culmination a five-year journey that started with a request to develop a common reporting standard for AEOI, made by the G20 to the OECD in September 2013. The delivery of the implementation of the AEOI Standard has been carried out at an unprecedented speed and at a truly global scale. Although a few jurisdictions are experiencing delays, mostly due to technical issues or the time being taken to put in place the domestic or international legislative framework for the collection and exchange of information, many of these delays are expected to be remedied over the next few weeks and months, and exchanges for 2019 are expected to be more widespread. The Global Forum is working closely with these jurisdictions to ensure that their commitments are delivered in full. In parallel, work is ongoing to ensure the effectiveness of the AEOI Standard through assessing the various building blocks to AEOI implementation as they are put in place, which will ultimately lead to reviews of the effectiveness of the implementation of the AEOI Standard in practice.

Whilst AEOI opens new possibilities for detecting tax evasion, the longstanding instrument of tax co-operation – the exchange of information on request (EOIR) – is also increasingly relevant and complements the standardised exchanges under AEOI. The number of exchanges on request continues to increase and this trend is expected to further accelerate as jurisdictions analyse data received automatically and send additional inquiries related to consequent tax investigations. Other types of exchanges, such as that of country-by-country reports for multinational enterprises or tax rulings, are also contributing to the increasing flow of requests. The EOIR Standard thus continues to play a central role in the global tax transparency landscape, and the Global Forum safeguards its effective implementation through the second round of peer reviews. Nearly 40 reports have already been published, providing evidence that jurisdictions are making great progress in addressing the gaps identified by their peers in the previous round of reviews. The core challenge that jurisdictions are facing concerns the requirement in the new round of EOIR reviews to ensure the availability of, and access to, beneficial ownership information and much work is still ahead to address it.

The number of jurisdictions that recognise the benefit of international tax co-operation in the field of tax transparency and exchange of information continues to grow. Since the last G20 Leaders’ meeting in July 2017, the membership of the Global Forum has grown from 142 to 154 jurisdictions. Practically all new members are developing countries and the Global Forum puts in significant resources to provide them with technical assistance, which facilitates their access to the benefits arising from tax transparency and revenue mobilisation. The network of international relationships enabling exchanges also continues to grow. The number of jurisdictions participating in the multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Multilateral Convention) has now reached 126. This powerful instrument provides a true gateway to closer co-operation between tax authorities, including EOIR and AEOI and more. Whilst developing country members in particular would benefit from the Multilateral Convention, many of them still have not brought it into force. The Global Forum sees further progress on this as one of its priorities.

By lifting the veil of opacity which long surrounded wealth kept abroad, tax authorities significantly increase their ability to see across borders and detect and tackle tax evasion. This strengthens the foundations of tax compliance and the public trust in tax systems around the globe. This report provides an overview of the progress achieved, as well as pointing to the challenges which lie ahead.

## Introduction

The rapid transformation of the global tax transparency landscape continues.<sup>5</sup> Today, 154 jurisdictions work side-by-side at the Global Forum to ensure that their commitments to the international standards in this area are fully and swiftly implemented.<sup>6</sup> With the progress made, the realities of the past – when the opening of a bank account in a jurisdiction which adhered to bank secrecy, or setting up a corporate entity in a jurisdiction which had no exchange of information agreement with the country of residence of its owners, would provide an easy solution for tax evaders – are becoming part of history.

On 20-22 November 2018, 220 delegates from 84 jurisdictions and 12 international organisations and regional groups came together in Punta del Este, Uruguay, for the 11th annual meeting of the Global Forum to take stock of the advancements in the global tax transparency agenda and formulate key priorities for 2019.<sup>7</sup> This report provides an overview of the ongoing work of the Global Forum, the milestones reached so far and next steps to be taken to address the remaining and emerging challenges.

## Automatic Exchange of Information is Gaining Speed

### a) Delivering a level playing field

#### Ensuring commitment to the AEOI Standard at a global scale

In 2014, shortly after the Standard for Automatic Exchange of Financial Account Information in Tax Matters (the AEOI Standard or Common Reporting Standard (CRS)) was developed by the OECD working with the G20, the Global Forum adopted it as its second standard, complementing EOIR, and put in place a commitment process to foster its global implementation. All Global Forum members, except developing countries that do not host a financial centre, given the constraints they face and their reduced risk to the level playing field, were asked to commit to: (i) implement the AEOI Standard in time to commence exchanges from 2017 or 2018 at the latest; and (ii) exchange information with all interested appropriate partners – being all those interested in receiving information and that meet the standards in relation to confidentiality and the proper use of data.

All jurisdictions asked to commit to the Global Forum's AEOI Standard have now done so, except the United States.<sup>8</sup> In total, 98 invited jurisdictions committed to exchanging information by September

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<sup>5</sup> Tax Transparency 2018 – Report on Progress: <http://www.oecd.org/tax/transparency/global-forum-annual-report-2018.pdf>.

<sup>6</sup> The list of the Global Forum Members is available here: [www.oecd.org/tax/transparency/about-the-global-forum/members](http://www.oecd.org/tax/transparency/about-the-global-forum/members).

<sup>7</sup> The Statement of Outcomes of the 11th plenary meeting of the Global Forum in Punta del Este, Uruguay (20-22 November 2018): <http://www.oecd.org/tax/transparency/statement-of-outcomes-uruguay.pdf>.

<sup>8</sup> As of 2015, the United States exchanges certain information automatically pursuant to its various Model 1 FATCA intergovernmental agreements, which includes recognition by the government of the United States of the need to achieve full reciprocity.



2018. Further, two developing country members (Azerbaijan and Pakistan) have done so voluntarily (see Table 1).

## **TABLE 1. STATUS OF AEOI COMMITMENTS\***

*(as of 20 November 2018)*

<b>JURISDICTIONS UNDERTAKING FIRST EXCHANGES IN 2017 (49)</b>
Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus**, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, United Kingdom.
<b>JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (51)</b>
Andorra, Antigua and Barbuda, Aruba, Australia, Austria, Azerbaijan***, The Bahamas, Bahrain, Barbados, Belize, Brazil, Brunei Darussalam, Canada, Chile, China, Cook Islands, Costa Rica, Curacao, Dominica, Greenland, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Lebanon, Macau (China), Malaysia, Marshall Islands, Mauritius, Monaco, Nauru, New Zealand, Niue, Pakistan***, Panama, Qatar, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Vanuatu.
<b>JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2019/2020 (8)</b>
Ghana***, Kuwait**** and Nigeria*** (2019); Albania***, Kazakhstan, Maldives***, Oman and Peru*** (2020).

*Notes:*

\* The United States has undertaken automatic information exchanges pursuant to FATCA from 2015 and entered into intergovernmental agreements (IGAs) with other jurisdictions to do so. The Model 1A IGAs entered into by the United States acknowledge the need for the United States to achieve equivalent levels of reciprocal automatic information exchange with partner jurisdictions. They also include a political commitment to pursue the adoption of regulations and to advocate and support relevant legislation to achieve such equivalent levels of reciprocal automatic exchange.

\*\* Note by Turkey: The information in the documents with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in the documents relates to the area under the effective control of the Government of the Republic of Cyprus.

\*\*\* Developing countries that do not host a financial centre were not asked to commit to a specific date but did so voluntarily.

\*\*\*\* Kuwait originally expected to exchange information in 2018, but has since postponed its date of first exchange to 2019.

### Monitoring the timely delivery of the commitments

In response to calls from the G20 and Global Forum members to monitor and review the implementation of the AEOI Standard, the Global Forum closely tracks the delivery of all the key milestones to secure a level playing field.

The status of implementation by those committed to commence the exchange of information in 2017 or 2018 has been made public through annual implementation reports. The first results were reported

in November 2017,<sup>9</sup> followed by the most recent report adopted at the 2018 Global Forum plenary that presents the situation as of 20 November 2018.<sup>10</sup> This includes the monitoring of the putting in place of the necessary domestic and international legal frameworks, as well as the technical solutions and the actual exchanges themselves.

### 1. *The domestic legal framework*

A domestic legislative process needs to be put in place to require financial institutions to collect and report information. For the jurisdictions committed to commence exchanges in 2018, this should have been in effect from 1 January 2017 (although the Global Forum agreed that jurisdictions could have it in effect from 1 July 2017 if needed). The vast majority of the committed jurisdictions (94 out of 98) were able to put the necessary domestic legislative framework in place; however, a few jurisdictions have yet to complete the process.<sup>11</sup>

### 2. *The international legal framework*

An international legal framework is required to exchange the information automatically. To meet the commitments to exchange in 2018, this should have been in place in time for exchanges by the end of September 2018. This comprises a legal basis for AEOI and an operative-level competent authority agreement that contain the details of the exchanges. All jurisdictions have so far opted to use multilateral instruments: the Multilateral Convention and the CRS Multilateral Competent Authority Agreement (the CRS MCAA). Whilst most jurisdictions have the complete legal framework in place (88 out of 98), 10 are still in the process of doing so.<sup>12</sup>

Furthermore, in order to provide the basis for the exchanges, CRS MCAA should have been activated between each exchange partner in time for the bilateral exchanges to take place with each partner by the end of September 2018. Whilst the coverage of activated exchange relationships is very widespread, some jurisdictions have experienced delays, often due to a lengthy domestic legal process to put in place and activate the exchange agreements, including delays resulting from the interactions of potential partners domestic implementation deadlines. These issues are generally transitional and



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<sup>9</sup> The Automatic Exchange of Information – Implementation Report 2017: <http://www.oecd.org/tax/transparency/AEOI-Implementation-Report-2018.pdf> .

<sup>10</sup> The Automatic Exchange of Information – 2018 Implementation Report: <http://www.oecd.org/tax/transparency/AEOI-Implementation-Report-2018.pdf>. The latest developments can be found online on official national websites and/or on the AEOI Portal.

<sup>11</sup> Dominica, Israel, Sint Maarten and Trinidad and Tobago.

<sup>12</sup> Antigua and Barbuda, Brunei Darussalam, Dominica, Israel, Niue, Qatar, Sint Maarten, Trinidad and Tobago, Turkey and Vanuatu.

exchanges in 2019 are expected to be even more widespread, with some additional relationships already having been activated.

### 3. Operationalisation of the exchanges

All jurisdictions exchanging information need to put in place a secure transmission mechanism to exchange the information. All those that have exchanged so far have decided to use the Common Transmission System (CTS), put in place by the OECD and managed by the Global Forum. Whilst almost all jurisdictions have completed the necessary testing and have commenced exchanges, 9 jurisdictions are still in the process.<sup>13</sup> These jurisdictions should complete the necessary steps to put in place a transmission method to support the exchanges commencing as soon as possible and some are expected to do so in the near future.

### 4. Actual exchanges

Ultimately, the data should have been transmitted by the end of September 2018. Following the commencement of exchanges by almost 50 jurisdictions in 2017, this year 85 jurisdictions have completed around 4,500 bilateral exchanges which is the largest tax information exchange event in history (see Table 2).

## TABLE 2. EXCHANGES THAT TOOK PLACE BY 2018

(as of 20 November 2018)

<b>JURISDICTIONS THAT HAVE SENT INFORMATION SO FAR (85, including 2 developing countries)</b>
Andorra, Argentina, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belgium, Belize, Bermuda, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, China (People’s Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Grenada, Guernsey, Hong Kong (China), Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Italy, Japan, Jersey, Korea, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macau (China), Malaysia, Malta, Mauritius, Mexico, Monaco, Nauru, Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Romania, Saint Lucia, Samoa, San Marino, Saudi Arabia, Seychelles, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Saint Kitts and Nevis, Sweden, Switzerland, Turks and Caicos Islands, United Arab Emirates, United Kingdom and Uruguay
<b>JURISDICTIONS THAT HAVE NOT YET SENT INFORMATION BECAUSE THEIR TECHNICAL IMPLEMENTATION IS ONGOING (5)</b>
Anguilla, Marshall Islands, Montserrat, Russia and Saint Vincent and the Grenadines
<b>JURISDICTIONS THAT HAVE NOT YET SENT INFORMATION BECAUSE THEIR LEGAL IMPLEMENTATION IS ONGOING (10)</b>
Antigua and Barbuda (international), Brunei Darussalam (international), Dominica (domestic and international), Israel (domestic and international), Niue (international), Qatar (international), Sint Maarten (domestic and international), Trinidad and Tobago (domestic and international), Turkey (international) and Vanuatu (international)

Overall, this year’s exchanges mark a major victory for international tax co-operation. This success culminates a five-year journey that started with a request to develop a common reporting standard, made by the G20 to the OECD in September 2013. The consequent commitments to implement the

<sup>13</sup> Brunei Darussalam, Dominica, Montserrat, Niue, Saint Vincent and the Grenadines, Sint Maarten, Trinidad and Tobago, Turkey and Vanuatu.

AEOI Standard were widespread and have been delivered by the vast majority of jurisdictions. The AEOI Standard has been implemented at an unprecedented speed and at a truly global scale. Although some jurisdictions are experiencing delays, most of these are expected to be remedied in time for exchanges in 2019 if not before. The Global Forum is working closely with the jurisdictions experiencing delays to ensure that their commitments are delivered.

### Ensuring the effectiveness of the AEOI Standard

#### *1. Pre-exchange assessments of the frameworks in place*

The first area assessed was ensuring that, once exchanged, the information would be kept confidential and properly safeguarded. In other words, in order to receive information, all jurisdictions should meet the required standards in this area. The Global Forum has therefore already completed the preliminary assessments of all jurisdictions exchanging information. Where gaps are identified then assistance is provided to address them before information is expected to be sent to them.

The next area assessed is the content of the domestic legal frameworks put in place requiring financial institutions to collect and report the information. A gap analysis is being conducted in relation to all the committed jurisdictions, covering all of the key elements of the reporting and due diligence rules, as well as the around 350 jurisdiction-specific exemptions of specific financial institutions or financial accounts seen as posing a low risk of being used for tax evasion. This process is due to be completed by the end of 2018. Once identified, jurisdictions are expected to address gaps as soon as possible.

The Global Forum also closely monitors the exchange agreements being put in place to ensure they provide for exchange between all interested appropriate partners. Where a jurisdiction becomes concerned of a delay, then it can initiate a process within the Global Forum to ensure the issue is addressed.

#### *2. Post-exchange reviews of effectiveness in practice*

With the commencement of exchanges, the Global Forum can now carry out full peer reviews of whether the AEOI Standard is operating effectively in practice. This includes whether it is ensured that financial institutions are properly carrying out their obligations. To this end, at its 2018 plenary meeting, the Global Forum adopted the Terms of Reference,<sup>14</sup> and the next steps to assess the effectiveness of the frameworks put in place to implement of the AEOI Standard,<sup>15</sup> which includes a “dry run” of the process in 2019 and the commencement of the reviews of effectiveness in 2020. The Global Forum also adopted a Terms of Reference and Methodology for post-exchange assessments of confidentiality and data safeguards.

### **b) AEOI and developing countries**

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<sup>14</sup> The Automatic Exchange of Information Terms of Reference: <http://www.oecd.org/tax/transparency/AEOI-Terms-of-Reference.pdf>.

<sup>15</sup> Reviewing the Implementation of the AEOI Standard: Completing the Staged Approach, Reporting the Results and Preparing to Review Effectiveness: <http://www.oecd.org/tax/transparency/Reviewing-the-Implementation-of-AEOI-Standard.pdf>.

Developing countries that do not host a financial centre were not asked to commit to particular timelines in recognition that they may require more time and support to implement AEOI, in addition to posing lower risks to the level playing field.

To encourage progress by developing country members, the Global Forum adopted its *Plan of Action for Developing Countries Participation in AEOI* in November 2017. Under a step-by-step approach proposed by this plan of action, all developing country members have been invited to undergo a preliminary assessment of their capacity for implementing the AEOI Standard in order to identify a practicable date of commitment by which each jurisdiction can reasonably expect to start sending and receiving information. Following the assessment, each developing country member prepares a delivery plan in close co-operation with the Global Forum technical assistance team.



Nearly two dozen developing country members have already engaged in preliminary capacity assessments. In addition, five bilateral pilot projects are underway to support developing countries in the implementation of AEOI, namely between Albania and Italy; Georgia and Germany; Ghana and the United Kingdom; Morocco and France; and the Philippines and Australia. The pilot project between Colombia and Spain concluded successfully with Colombia exchanging information under the AEOI Standard in September 2017, as has the pilot project between the United Kingdom and Pakistan, with Pakistan commencing exchanges in 2018.

As a result of this ongoing work, in addition to Azerbaijan and Pakistan which commenced exchanges in 2018, six other developing country members have already declared their intention to commence exchanges by a specific date, with more commitments expected in the near future. Nigeria and Ghana are looking to commence exchanges in 2019 and Albania, Kazakhstan (which also hosts a financial center), Peru and the Maldives intend to start exchanges in 2020.

## Exchange of Information on Request

### a) Second round of EOIR reviews

As result of the first round of EOIR peer reviews (2010-2016), the Global Forum assigned ratings to 116 jurisdictions. The second round, which started mid-2016, is being carried out under strengthened terms of reference, which include the requirement of the availability of, and access to, information on the beneficial ownership of all relevant entities and arrangements and all bank accounts.

In addition to a wider scope of issues covered, the new round will also have a more global coverage as membership in the Global Forum has increased: all 154 Global Forum members are scheduled to undergo the assessment by 2021 and any future members or jurisdictions considered relevant to the work of the Global Forum will also be reviewed.<sup>16</sup>

A total of 39 reports have already been adopted in the second round (see **Table 3** below). Further 29 peer reviews are ongoing. This includes in particular the reviews of 12 jurisdictions that had been assigned provisional ratings in 2017 as a result of the Fast-Track procedure by which the Global Forum allowed the quick recognition of improvements made to answer the call from the G20 to upgrade their Global Forum EOIR rating to at least “Largely Compliant”.<sup>17</sup>



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<sup>16</sup> See the Schedule of EOIR Reviews at [www.oecd.org/tax/transparency/about-the-global-forum/publications/schedule-of-reviews.pdf](http://www.oecd.org/tax/transparency/about-the-global-forum/publications/schedule-of-reviews.pdf).

<sup>17</sup> Andorra, Costa Rica, Dominican Republic, Guatemala, Lebanon, Marshall Islands, Federated States of Micronesia, Nauru, Panama, Samoa, United Arab Emirates, Vanuatu. The review of Trinidad and Tobago, which was not able to get an upgrade of its rating through the fast track process, has also been launched. The other two jurisdictions that benefited the fast track process (Antigua and Barbuda and Dominica) suffered from hurricanes in 2017 and the launch of their second round review is deferred to 2019. The other reviews ongoing, in application of the Schedule, are those of Anguilla, Botswana, Croatia, Former Yugoslav Republic of Macedonia, Hong Kong (China), Liberia, Liechtenstein, Luxembourg, Macao (China), Malaysia, Netherlands, Peru, Saudi Arabia, Spain, Tunisia, and Turks and Caicos Islands.

**TABLE 3. OVERALL RATINGS FOLLOWING PEER REVIEWS  
AGAINST THE EOIR STANDARD\***

*(as of 20 November 2018)*

Ratings based on first round of reviews (jurisdictions not yet assessed under the second round)	Ratings based on second round of reviews	Overall rating
China (People's Republic of), Colombia, Finland, Iceland, Korea, Lithuania, Mexico, Slovenia, South Africa, Spain, Sweden	Bahrain, Estonia, France, Guernsey, Ireland, Isle of Man, Italy, Jersey, Mauritius, Monaco, New Zealand, Norway, San Marino, Singapore	<b>Compliant</b>
Albania, Argentina, Azerbaijan, Barbados, Belize, Botswana, British Virgin Islands, Brunei Darussalam, Bulgaria, Burkina Faso, Cameroon, Chile, Cook Islands, Cyprus, Czech Republic, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Gibraltar, Greece, Grenada, Hong Kong (China), Israel, Kenya, Latvia, Lesotho, Liechtenstein, Luxembourg, Macao (China), Malaysia, Malta, Mauritania, Montserrat, Morocco, Netherlands, Nigeria, Niue, Pakistan, Poland, Portugal, Romania, Russia, Senegal, Slovak Republic, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Seychelles, Switzerland, Turks and Caicos Islands, Uganda, Uruguay	Aruba, Australia, Austria, Bahamas, Belgium, Bermuda, Brazil, Canada, Cayman Islands, Denmark, Germany, Hungary, India, Indonesia, Jamaica (Supplementary Report), Japan, Philippines, Qatar, Saint Kitts and Nevis, United Kingdom, United States	<b>Largely Compliant</b>
Andorra, Antigua and Barbuda, Costa Rica, Dominica, Dominican Republic, Guatemala, Federated States of Micronesia, Lebanon, Nauru, Panama, Samoa, United Arab Emirates, Vanuatu		<b>Provisionally** Largely Compliant</b>
Anguilla, Sint Maarten, Turkey	Curaçao, Ghana, Kazakhstan	<b>Partially Compliant</b>
Marshall Islands		<b>Provisionally** Partially Compliant</b>
Trinidad and Tobago		<b>Non-Compliant</b>

\* This table does not include the members of the Global Forum that have not yet received ratings because they joined the Global Forum at a late stage and were therefore either not reviewed or underwent only a Phase 1 review, i.e. Armenia, Benin, Bosnia and Herzegovina, Cabo Verde, Cambodia, Chad, Côte d'Ivoire, Croatia, Djibouti, Ecuador, Egypt, Eswatini, Faroe Islands, Greenland, Guyana, Haiti, Kuwait, Liberia, Madagascar, Maldives, Moldova, Mongolia, Montenegro, Niger, Oman, Papua New Guinea, Paraguay, Peru, Rwanda, Serbia, Tanzania, Thailand, Togo, Tunisia and Ukraine.

\*\* These jurisdictions have been reviewed under the Fast-Track review procedure and assigned a provisional overall rating. They will receive a final rating as a result of their full review under the strengthened 2016 Terms of Reference.

Overall, the results of the second round are positive with 90% of the newly assigned ratings being satisfactory, i.e. "Compliant" or "Largely Compliant". Furthermore, while in the first round, the share of jurisdictions that were assigned a "Compliant" rating constituted 18%, in the second round this share is 36%, to date. Several jurisdictions have improved their overall rating, including Bahrain, Estonia, Guernsey, Italy, Jersey, Mauritius, Monaco, San Marino and Singapore from "Largely Compliant" to "Compliant", and Indonesia from "Partially Compliant" to "Largely Compliant". These results demonstrate that member jurisdictions continue making progress towards more effective implementation of the EOIR Standard.

## b) Key challenges

Not all changes in new EOIR ratings are positive. The ratings of a number of jurisdictions have been downgraded, generally from “Compliant” to “Largely Compliant”. In practically all cases, this was caused by the new requirement with respect to beneficial ownership information. As shown in **Appendix 1**, the performance of jurisdictions against the requirement of availability of beneficial ownership of all legal entities and arrangements (Element A1) is globally rated less positively than other elements. The beneficial ownership criterion has also impacted some other elements of assessment, such as Element A3 on the availability of banking information. In total, nearly 90 recommendations made in the second round of reviews concern deficiencies identified in the beneficial ownership framework. There is therefore much work ahead in this field. The Global Forum’s technical assistance team is closely supporting countries that need to address the identified gaps. It also co-operates with members that anticipate challenges in the upcoming reviews, focusing in particular on developing countries.

## The multilateral Convention

Since the Global Forum’s last report to G20 Leaders in July 2017, further progress has been achieved on expanding the breadth of the Multilateral Convention. Ten jurisdictions have deposited an instrument of ratification, acceptance or approval (Antigua and Barbuda, Bahamas, Bahrain, Grenada, Kuwait, Peru, Qatar, Turkey, United Arab Emirates and Vanuatu) and six jurisdictions have signed the Multilateral Convention (Armenia, Brunei Darussalam, Ecuador, Former Yugoslav Republic of Macedonia, Liberia and Paraguay). Furthermore, the Multilateral Convention has been extended to Hong Kong (China) and Macau (China). As of 20 November 2018, a total of 126 jurisdictions participate in this powerful international instrument (see **Appendix 2**). In addition, a further nine jurisdictions have submitted a request to join and are currently engaged in the process to sign the instrument, which will lead to an even wider coverage.

The importance of the Multilateral Convention is evidently increasing as it has become an instrument of choice for the implementation of the AEOI Standard and the country-by-country reporting. Practically all jurisdictions that have committed to implement the AEOI Standard by 2018 are participating in the Multilateral Convention: only two members have not signed the Multilateral Convention and a further one has not yet deposited its instrument of ratification, acceptance or approval. As for the six developing countries which have made voluntary commitment to commence exchanges by 2019/2020, only one of them is not yet participating in the Multilateral Convention, and the instrument has already entered into force in the remaining jurisdictions.



## Ongoing work on Beneficial Ownership

In 2016, the G20 called on the Financial Action Task Force (the FATF) and the Global Forum to propose “ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information, and its international exchange”.<sup>18</sup> The initial proposals of the Global Forum were developed through consultation with its membership and the FATF and then presented to the G20 Finance Ministers in October 2016.<sup>19</sup> Since then, the Global Forum has been working on their implementation as follows:

### **a) Improving effective implementation of beneficial ownership through peer reviews**

Under the first pillar, the effective implementation of the beneficial ownership requirements has been integrated into the reviews being carried out by the Global Forum against both the EOIR and AEOI standards. The ongoing EOIR reviews closely examine a jurisdiction’s legal framework and practices to ensure that beneficial ownership information is available and accessible to tax authorities for the purposes of exchange with treaty partners. Further, the assessment of the domestic implementing legal framework for AEOI has so far included an initial check on the rules relating to the identification of the beneficial owners of certain entity account holders and a more detailed assessment will be carried out in 2019.

### **b) Ensuring closer institutional co-operation between the FATF and the Global Forum**

Co-operation between the FATF and the Global Forum has been enhanced to further ensure the coherence and mutual reinforcement of work to improve transparency in relation to beneficial ownership. This is done through attendance at respective meetings. In addition, a mapping of the FATF beneficial ownership requirements which could be relevant for the EOIR and AEOI assessments has been carried out.

### **c) Facilitating effective implementation through examples of effective implementation and technical assistance**

As progress is made in completing the second round of EOIR peer reviews, the work on compiling examples of effective implementation in relation to the beneficial ownership requirement is ongoing. To facilitate effective implementation by its members, in particular developing countries, the Global Forum offers specialised seminars on beneficial ownership. Aspects of beneficial ownership relating to the 2016 Terms of Reference are also explained in general trainings for EOIR assessors and assessed jurisdictions. In addition, the Global Forum supports its members in drafting legislation and reviewing administrative guidance related to beneficial ownership.

The Global Forum will continue to take these actions forward.

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<sup>18</sup> Communiqué of the G20 Finance Ministers and Central Bank Governors Meeting (15 April 2016).

<sup>19</sup> OECD Secretary-General Report to G20 Finance Ministers (October 2016).

## Technical Assistance

With over half of its members being developing countries, technical assistance has grown into one of the major work streams of the Global Forum. Whilst the effective implementation of the EOIR and AEOI standards is central to the technical support provided by the Global Forum, a key goal is to ensure that developing countries access the benefits which tax transparency has to offer. The effective use of the available tools allows developing country members to make further progress in tackling illicit financial flows and pursuing sustainable development goals.

The Global Forum's engagement with its members often starts at the political level. The Yaoundé Declaration,<sup>20</sup> made at a ministerial meeting held alongside the 2017 Global Forum plenary, has now been signed by 23 African countries.<sup>21</sup> The declaration called for more intense pursuit of the tax transparency agenda in Africa. It encouraged African countries with the support of the Global Forum Secretariat to explore with the African Union, United Nations Economic Commission for Africa, Regional Economic Communities and the African Development Bank, a collaboration aimed at boosting African countries' efforts towards implementing the international tax transparency standards and using EOI tools to improve their domestic resource mobilisation.

The 2018 Global Forum plenary was hosted by Uruguay. Alongside, a high-level meeting for Latin American countries was held, resulting in the signature of the Punta del Este Declaration which calls for closer international tax co-operation in several areas, including with respect to providing more efficient access to the beneficial ownership information and closer interagency co-operation.<sup>22</sup> In 2018, the Global Forum has also co-organised high-level events in Tbilisi (Georgia) and in Kyiv (Ukraine), in co-operation with the Georgian and Ukrainian authorities respectively, which focused on the implementation of the measures enhancing tax transparency and fighting profit shifting.

Once political priorities are set, the work moves to the technical level. In 2018 alone, around 60 developing countries have benefited from the support of the Global Forum, of which approximately 30 was through induction programmes which offer structured support with a three-year outlook. One of the flagship regional technical assistance programmes, the Africa Initiative, which was initially launched in 2014, has been extended until 2020. In July 2018, its members agreed on new country targets for the next phase of the Initiative and on delivering annual reports. As part of the Africa Initiative, technical assistance is provided to more than 20 African member countries.

To avoid duplication in capacity-building efforts and ensure the most effective use of development aid, the Global Forum closely co-operates with other international partners. In Africa, the Global Forum closely co-operates with the African Tax Administration Forum, and is supported, financially, by France, the European Union, Switzerland and the United Kingdom. In Central and Latin America, the Global Forum collaborates with the World Bank Group, the Inter-American Development Bank and

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<sup>20</sup> The Yaoundé Declaration (2017): [www.oecd.org/tax/transparency/yaounde-declaration.pdf](http://www.oecd.org/tax/transparency/yaounde-declaration.pdf).

<sup>21</sup> The list of signatories is available at: [www.oecd.org/tax/transparency/technical-assistance/declaration/yaounde-declaration-list-of-signatories%20.pdf](http://www.oecd.org/tax/transparency/technical-assistance/declaration/yaounde-declaration-list-of-signatories%20.pdf).

<sup>22</sup> The Punta del Este Declaration (2018): <http://www.oecd.org/tax/transparency/Latin-American-Ministerial-Declaration.pdf>.

the Inter-American Centre of Tax Administrations. Additional support is provided by Mexico, the United Kingdom and Spain. Technical assistance in Europe and Central Asia is supported by Germany, the European Union, Italy and the Asian Development Bank. In the Asia-Pacific region, the Global Forum has formed a partnership with the Asian Development Bank and benefits from the financial support provided by Australia and Japan.

## Assessing the Impact of Tax Transparency

Tremendous progress has been achieved in the field of transparency and exchange of information for tax purposes since the restructuring of the Global Forum in 2009. This breakthrough, and most notably the commencement of automatic exchanges, has generated a strong interest in the impact of these developments. The Global Forum has therefore reinforced its effort in assessing how the change in the global tax transparency landscape influences taxpayers' behaviour, revenue gains, cross-border financial flows and jurisdictions more generally by collecting the relevant data and carrying out an impact assessment.

This work has already produced the evidence of: (i) the growing scope of exchange relationships and their intensity, both EOIR and AEOI; (ii) rapid improvement across most sensitive areas of regulation, such as bank secrecy, bearer shares, beneficial ownership and other; (iii) increasing revenue gains associated with the use of exchange of information tools in enforcement, as well as the improvement in compliance rates, including through voluntary reporting and disclosure by taxpayers; and (iv) statistically significant correlation between tax transparency and cross-border financial flows. The latter trend is also tested by recent independent academic studies. By examining this evidence, the Global Forum obtains deeper insights into the new tax transparency landscape as it approaches the 10<sup>th</sup> anniversary since its restructuring and the formulation of a new mandate for the post-2020 period.

## What Lies Ahead

2018 has been very intense year with the Global Forum putting in substantial efforts to ensure that the commitments to commence exchanges under the CRS are delivered. The successful completion of around 4,500 bilateral exchanges has taken the global tax transparency to a new level and significantly enhanced the defence against tax evasion across the globe. As the remaining implementation and transitional issues are resolved, the network of exchanges can be expected to grow even further in 2019. Alongside this, much attention this year has been devoted to completing the pre-exchange assessments and the preparatory work for the assessment of the effectiveness of the implementation of the AEOI Standard in practice. The latter will be further refined and tested in 2019, with the actual assessments of effectiveness in practice commencing in 2020.

The EOIR peer reviews have been delivered according to the schedule and this work will continue in 2019, including with respect to the jurisdictions which obtained a provisional rating under the Fast-Track reviews in 2017. The new recommendations provided in this round, most critically with respect to beneficial ownership, will require adequate follow-up procedures to ensure that the identified gaps are addressed in full.

The Global Forum will continue providing capacity-building support to developing countries with an increased focus on engagement with political leadership, as well as stronger focus on the effective use of exchange of information tools. Further efforts will be put into the assessment of the impact of increased tax transparency.



## Appendix 1

### Ratings by element following the Second Round of peer reviews against the EOIR Standard (as of 20 November 2018)

Jurisdictions	A.1	A.2	A.3	B.1	B.2	C.1	C.2	C.3	C.4	C.5	Overall Rating
Aruba	PC	PC	LC	LC	C	C	C	C	C	LC	LC
Australia	PC	C	LC	C	C	C	C	C	C	C	LC
Austria	LC	C	C	LC	C	LC	C	C	C	C	LC
Bahamas	PC	LC	C	LC	C	C	LC	LC	C	LC	LC
Bahrain	LC	C	C	C	C	C	C	C	C	C	C
Belgium	LC	C	C	LC	LC	C	C	LC	C	C	LC
Bermuda	PC	LC	C	C	C	C	C	LC	C	C	LC
Brazil	LC	C	LC	C	LC	C	C	C	C	PC	LC
Canada	PC	LC	C	C	C	C	C	C	C	C	LC
Cayman Islands	LC	LC	C	LC	C	C	C	C	C	C	LC
Curaçao	PC	LC	C	PC	LC	LC	C	C	C	PC	PC
Denmark	PC	C	PC	C	C	C	C	C	C	C	LC
Estonia	LC	C	C	C	C	C	C	C	C	C	C
France	C	C	C	C	C	C	C	C	C	LC	C
Germany	LC	C	C	C	C	C	C	C	C	LC	LC
Ghana	PC	C	C	C	C	C	C	C	C	NC	PC
Guernsey	LC	C	C	C	C	C	C	C	C	C	C
Hungary	LC	C	LC	PC	LC	C	C	LC	LC	C	LC
India	LC	C	C	C	C	C	C	C	C	LC	LC
Indonesia	PC	LC	LC	LC	C	C	C	C	C	LC	LC
Ireland	C	C	C	C	C	C	C	C	C	C	C
Isle of Man	LC	C	C	C	C	C	C	C	C	C	C
Italy	C	C	C	C	C	C	C	C	C	LC	C
Jamaica	NC	LC	PC	C	C	C	C	C	C	C	PC
Jamaica (Supplementary)	PC	LC	PC	C	C	C	C	C	C	C	LC
Japan	PC	C	LC	C	C	C	C	C	C	C	LC
Jersey	C	C	C	C	C	C	C	C	C	C	C
Kazakhstan	PC	PC	LC	PC	C	LC	C	C	LC	LC	PC
Mauritius	LC	C	C	C	C	C	C	C	C	C	C
Monaco	LC	C	C	C	C	C	C	C	C	C	C
New Zealand	LC	C	C	C	C	C	C	C	C	C	C
Norway	LC	C	C	C	C	C	C	C	C	C	C
Philippines	PC	LC	C	C	LC	LC	C	C	C	LC	LC
Qatar	C	C	C	C	C	C	C	C	C	PC	LC
Saint Kitts and Nevis	LC	LC	C	C	C	C	C	C	C	C	LC
San Marino	LC	C	C	C	C	C	C	C	C	C	C
Singapore	LC	C	C	C	C	C	C	C	C	C	C
United Kingdom	LC	LC	C	PC	C	C	C	C	C	C	LC
United States	PC	LC	LC	C	C	LC	C	C	C	LC	LC
Compliant (C)	A.1 – Ownership information, A.2 – Accounting Records, A.3 – Bank Information, B.1 – Access Powers, B.2 – Rights and Safeguards, C.1 – EOI instruments, C.2 – Network of Agreements, C.3 – Confidentiality, C.4 – Rights and Safeguards, C.5 – Timely EOI										

Largely Compliant (LC)	
Partially Compliant (PC)	
Non-Compliant (NC)	

## *Appendix 2*

### **Jurisdictions participating in the multilateral Convention on Mutual Administrative Assistance in Tax Matters\* (as of 20 November 2018)**

	Jurisdictions	Current status regarding the Convention
108	Albania, Andorra, Anguilla <sup>(1)</sup> , Argentina, Aruba <sup>(2)</sup> , Australia, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belgium, Belize, Bermuda <sup>(1)</sup> , Brazil, British Virgin Islands <sup>(1)</sup> , Bulgaria, Cameroon, Canada, Cayman Islands <sup>(1)</sup> , Chile, China (People’s Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao <sup>(3)</sup> , Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands <sup>(4)</sup> , Finland, France, Georgia, Germany, Ghana, Gibraltar <sup>(1)</sup> , Greece, Greenland <sup>(4)</sup> , Grenada, Guatemala, Guernsey <sup>(1)</sup> , Hong Kong (China) <sup>(5)</sup> , Hungary, Iceland, India, Indonesia, Ireland, Isle of Man <sup>(1)</sup> , Israel, Italy, Japan, Jersey <sup>(1)</sup> , Kazakhstan, Korea, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macau (China) <sup>(5)</sup> , Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Montserrat <sup>(1)</sup> , Nauru, Netherlands, New Zealand, Nigeria, Niue, Norway, Pakistan, Panama, Peru, Poland, Portugal, Romania, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Seychelles, Singapore, Sint Maarten <sup>(4)</sup> , Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Turks and Caicos Islands <sup>(1)</sup> , Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay, United States <sup>(6)</sup>	Convention entered into force
4	Antigua and Barbuda, Kuwait, Qatar, Vanuatu	Instrument of ratification, acceptance or approval deposited
14	Armenia, Brunei Darussalam, Burkina Faso, Dominican Republic, Ecuador, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Jamaica, Kenya, Liberia, Morocco, Paraguay, Philippines	Protocol/amended Convention signed

\* This table includes State Parties to the Convention as well as other Global Forum members, including jurisdictions that have been listed in its Annex B naming a competent authority, to which the application of the Convention has been extended pursuant to Article 29 of the Convention. It also includes participating jurisdictions that are not Global Forum members.

<sup>(1)</sup> Territorial extension by the United Kingdom.

<sup>(2)</sup> Territorial extension by the Kingdom of the Netherlands.

<sup>(3)</sup> Territorial extension by the Kingdom of the Netherlands. Curaçao and Sint Maarten used to be constituents of the “Netherlands Antilles”, to which the original Convention applied as from 1 February 1997.

<sup>(4)</sup> Territorial extension by the Kingdom of Denmark.

<sup>(5)</sup> Territorial extension by China.

<sup>(6)</sup> The United States have signed and ratified the original Convention, which has been in force since 1 April 1995. The Amending Protocol was signed on 27 May 2010 but is awaiting ratification.