

OECD/G20 Inclusive Framework on BEPS

Progress report September 2022 – September 2023





BETTER POLICIES FOR BETTER LIVES

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OECD/G20 Inclusive Framework on BEPS

Progress report September 2022 – September 2023

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1. Overview

This year marks the 10th anniversary of the adoption of the Base Erosion and Profit Shifting (BEPS) Action Plan in 2013, designed to address tax avoidance and double non-taxation of Multinational Enterprise (MNE) profits by closing the gaps that had emerged in the international tax system in the wake of globalisation and digitalisation. Since then, the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework), which was established three years later, in 2016, continues its work at a strong pace, with the objective of reforming international tax rules, to make them more coherent and more transparent.

This year also marks an important milestone in the efforts and intensive work carried out under BEPS Action 1¹ to address the tax challenges arising from the digitalisation of the economy. On 11 July 2023, 138 Inclusive Framework members agreed the *Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy* (Outcome Statement).² The Outcome Statement recognises the significant progress made over more than 20 months of negotiations and summarises the package of deliverables developed by the Inclusive Framework since the agreement of the 8 October 2021 Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (2021 Statement on the Two-Pillar Solution), joined by 139 countries and jurisdictions.³

Section 2 of this Report details the Outcome Statement and the progress made on the Two-Pillar Solution since September 2022. Notably, under Pillar One, the Task Force on the Digital Economy has delivered a text of a Multilateral Convention to implement Amount A, the reallocation of taxing rights to market jurisdictions, and work is underway to finalise and prepare expeditiously the text for signature with the objective of holding a signing ceremony by year-end. Significant progress has

also been made on the simplification of transfer pricing rules for a wide range of distribution activities, known as Amount B, and the completion of the work is expected by the end of the year. On Pillar Two, the work on the development of the Subject to Tax Rule, integral to achieving consensus on the Two-Pillar Solution, and its implementation framework has been completed and the 15% global minimum tax is already a reality with around 50 jurisdictions taking steps towards implementation. Based on the countries that have already implemented or that are implementing the global minimum tax, it is estimated that nearly 90% of MNEs with revenues at or above EUR 750 million will be subject to the tax by 2025.

Beyond the Two-Pillar Solution, the Inclusive Framework is moving forward with the implementation of the BEPS minimum standards and continues to peer review the progress of each Inclusive Framework member:

- **Action 5 on Harmful Tax Practices** – Since the beginning of the BEPS Action 5 peer reviews, the Forum on Harmful Tax Practices has reviewed 319 preferential regimes and the substance legislation of 12 no tax or only nominal tax jurisdictions. Almost 50 000 exchanges of information have taken place to date in respect of the 23 000 tax rulings that have been identified. The results show that 73 jurisdictions are fully in line with the BEPS Action 5 minimum standard, with the remaining 58 jurisdictions receiving a total of 61 recommendations to improve their legal or operational framework to identify the relevant tax rulings and exchange this information.
- **Action 6 on Tax Treaty Abuse** – Most Inclusive Framework members are relying on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (BEPS MLI) to implement Action 6. To date, the BEPS MLI covers 100 jurisdictions and around 1 850 bilateral tax

1. <https://www.oecd.org/tax/beps/beps-actions/action1/>.

2. <https://www.oecd.org/tax/beps/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.pdf>.

3. OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – October 2021*, OECD/G20 Inclusive Framework on BEPS,

<https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>.

treaties that will be modified once the BEPS MLI is ratified by all signatories. On 1 September 2023, around 1 200 treaties concluded among the 83 jurisdictions that have ratified, accepted or approved the BEPS MLI had already been modified by the BEPS MLI.

- **Action 13 on Country-by-Country (CbC) Reporting** – Tangible progress has been made on this minimum standard with over 110 jurisdictions having now introduced legislation to impose a filing obligation on MNE groups, covering almost all MNEs with consolidated group revenue at or above the EUR 750 million threshold. More than 3 300 bilateral relationships for CbC exchanges are now in place between 89 jurisdictions. However, as demonstrated in Section 5 of this progress report, developing countries continue to face significant challenges as many of them are still unable to access CbC reports filed abroad or do not have the required framework in place. Initiatives are underway to address this challenge and foster access to and use of CbC reports by developing countries in the coming years.
- **Action 14 on Mutual Agreement Procedure** – Tax certainty remains one of the most important concerns for business and this minimum standard is critical to ensuring that tax disputes are resolved in a timely, effective and efficient manner. In January 2023, following discussions on the review of the Assessment Methodology and the MAP Statistics Reporting Framework, the Inclusive Framework agreed a new Assessment Methodology for continuing the Action 14 peer review process. The review is now progressing in accordance with the Action 14 peer review assessment schedule.⁴

On the other BEPS actions, which are not minimum standards but which remain nevertheless critical to

the reform of the international tax system, steady progress continues to be made as well, as outlined in Section 4 of this progress report. The Corporate Tax Statistics database (BEPS Action 11)⁵ keeps increasing its coverage, with more up to date CbC report data. The implementation of the internationally agreed OECD standards and guidance for addressing the challenges of collecting value added taxes (VAT) on digital trade (BEPS Action 1) is also improving at rapid pace.

Finally, ensuring that all countries and jurisdictions can effectively benefit from the implementation of new international tax standards remains a key priority of the Inclusive Framework. Similar to the last progress report (covering activities from September 2021-September 2022),⁶ the last section of this report is dedicated to the participation of developing countries in the Inclusive Framework, building upon notably the findings of the *G20/OECD Roadmap on Developing Countries and International Taxation Update 2023*.⁷

The Inclusive Framework membership continues to grow, with two new members since the last progress report, as Azerbaijan and Uzbekistan respectively joined the Inclusive Framework in December 2022 and June 2023. Two successful Plenary meetings were held in Paris on 6-7 October 2022 and on 10-12 July 2023, after a long break of more than two years of in-person gatherings due to the COVID-19 pandemic. As the Two-Pillar Solution is now moving into its implementation phase, the Inclusive Framework is now launching a reflection on its next steps and future agenda. A stakeholder input event organised on 12 July, with experts from civil society, business, international organisations and governments, served as a starting point for this reflection and for members to discuss how to shape the future work programme of the Inclusive Framework.

4. <https://www.oecd.org/tax/beps/beps-action-14-peer-review-assessment-schedule.pdf>.

5. <https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm>.

6. <https://www.oecd.org/tax/beps/oecd-g20-inclusive-framework-on-beps-progress-report-september-2021-september-2022.pdf>.

7. OECD (2023), *G20/OECD Roadmap on Developing Countries and International Taxation Update 2023: OECD Report to the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/4fc33451-en>.



2. Two-Pillar Solution



The Two-Pillar Solution aims to stabilise the international tax system, enhance tax certainty and avert the proliferation of digital services taxes and associated tax and trade disputes. It will also bring additional tax revenues to countries (see Box 2 below for the OECD Secretariat's economic impact assessment). The implementation of the 2021 Statement on the Two-Pillar Solution has been the top priority of the Inclusive Framework for almost two years. The Outcome Statement, agreed by 138 members of the Inclusive Framework on 11 July 2023, represents an important milestone of the work. In addition to summarising the package of deliverables developed by the Inclusive Framework, the Outcome Statement also includes the call to the OECD Secretariat to prepare a comprehensive action plan to support the swift and coordinated implementation of the Two-Pillar Solution. Work on the development of this action plan is already underway, as set out in Section 5 of this Report.

2.1 PILLAR ONE

Multilateral Convention for Amount A

Since the last progress report, the Inclusive Framework's Task Force on the Digital Economy (TFDE) has continued its intensive work on the design of the Multilateral Convention to implement Amount A (MLC), which will allocate a taxing right to market jurisdictions over a defined portion of the profits of the largest and most profitable MNEs. All the substantive elements have been submitted to public consultations resulting in valuable stakeholders' input, including the Administration and Tax Certainty Aspects of Pillar One⁸ in the final quarter of 2022 and the draft MLC provisions concerning digital services taxes (DSTs) and other relevant similar measures⁹ in December 2022-January 2023.

As a result, in July 2023, the TFDE delivered a text of a MLC, which will allow implementing jurisdictions to coordinate the exercise of the taxing right across jurisdictions, supersede existing tax treaties where necessary, and ensure double taxation is eliminated (see **Box 1**). While a few jurisdictions have expressed concerns with some specific items in the MLC, efforts to resolve these issues are underway with a view to prepare the MLC for signature expeditiously.

The MLC will be opened for signature in the second half of 2023 and a signing ceremony will be organised by year end, with the objective of enabling the MLC to enter into force in 2025, allowing for the domestic consultation, legislative, and administrative processes applicable in each jurisdiction.

In a further significant development, 138 Inclusive Framework members have also agreed, provided the signature of the MLC has made sufficient progress by the end of this year, to refrain from imposing newly enacted DSTs or relevant similar measures on any company before 31 December 2024, or the entry into force of the MLC if earlier. The commitment is made in recognition of the progress made to date and the need to prevent disruption or delay of the ratification of the MLC.

8. <https://www.oecd.org/tax/beps/progress-report-administration-tax-certainty-aspects-of-amount-a-pillar-one-october-2022.pdf>.

9. <https://www.oecd.org/tax/beps/public-consultation-document-draft-mlc-provisions-on-dsts-and-other-relevant-similar-measures.pdf>.

Box 1. The Multilateral Convention to Implement Amount A of Pillar One

The MLC sets out the substantive features of Amount A, including:

- The scope of the taxing right, which covers MNEs with revenues above EUR 20 billion and profitability above 10% and applies to 25% of the profit in excess of 10% of revenues. The revenue threshold will be lowered to EUR 10 billion after 7 years, conditional on the successful implementation of Amount A. Targeted exclusions apply to enterprises in the extractives, regulated financial services and defence sectors;
- The revenue sourcing rules, which determine the allocation of Amount A between market jurisdictions;
- The mechanisms for relieving double taxation;
- The commitment to remove specified measures, and not to introduce DSTs or relevant similar measures once Amount A is in effect;

- The processes to ensure tax certainty for Amount A and issues related to Amount A;
- The measures relating to the administration of Amount A, which feature rules for streamlined compliance and rely on a single entity of each covered group to make payments to market jurisdictions;
- The arrangements regarding the MLC's entry into force, which will occur on a date decided by contracting jurisdictions after at least 30 jurisdictions accounting for at least 60% of the ultimate parent entities (UPEs) of in-scope MNEs have ratified it.

The MLC also includes several provisions designed to address the unique circumstances of developing countries, including the tail-end revenue rule for revenue sourcing, a lower nexus threshold and several de minimis thresholds to ensure small and developing countries fully benefit from Amount A allocations.

Amount B

Amount B provides for a simplified and streamlined approach to the application of the arm's length principle to in-country baseline marketing and distribution activities, with a particular focus on the needs of low-capacity countries, as they lack appropriate local market comparables. It is expected to reduce disputes, enhance tax certainty, and promote more efficient utilisation of resources for both taxpayers and tax administrations.

In December 2022, the Inclusive Framework released a public consultation document on Amount B¹⁰ where different options were explored. Leveraging on the inputs from stakeholders, Working Party 6 on the Taxation of Multinational Enterprises (Working Party 6) and the Forum on Tax Administration (FTA) Multilateral Agreement Procedures (MAP) Forum have worked intensively to advance the design of Amount B.

The Inclusive Framework has agreed to release the Amount B framework for public consultation until 1 September 2023, inviting stakeholder inputs on a

certain number of aspects that will be subject to further work. The objective is to finalise Amount B by the end of the year with a view to incorporating key aspects into the OECD Transfer Pricing Guidelines¹¹ by January 2024.

2.2 PILLAR TWO

GloBE Rules

Since September 2022, the Inclusive Framework, via Working Party 11, has focused on the development of a GloBE implementation package to help countries and MNEs as they prepare for the implementation of the GloBE Rules from the beginning of 2024 and the development of an administrative framework that will assist tax administrations in administering the rules in a coherent and coordinated manner.

Implementation package

The implementation package has been released in three stages as each package of guidance has been agreed by the Inclusive Framework. The first piece of the package was released by the Inclusive Framework

10. <https://www.oecd.org/tax/beps/public-consultation-document-pillar-one-amount-b-2022.pdf>.

11. OECD (2022), *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/0e655865-en>.



in December 2022, which included guidance on Safe Harbours and Penalty Relief.¹² In particular, this document included a transitional safe harbour based on information available in Country-by-Country Reports as well as a framework for developing permanent safe harbours.

In February 2023, a further package of Administrative Guidance was released that provides further detail on the operation of the rules including important detail on the transition rules and the design of Qualified Domestic Minimum Top-up Taxes (QDMTT).¹³

In July 2023, the Inclusive Framework released another package of guidance¹⁴ which includes two additional safe harbours: a permanent safe harbour for jurisdictions that introduce a Qualified Domestic Minimum Top-up Tax (QDMTT), which will make compliance and administration easier for MNEs and tax administrations,

and a transitional UTPR Safe Harbour, which provides the UPE Jurisdiction with relief from the application of the UTPR for fiscal years commencing on or before the end of 2025. This package also included detailed administrative guidance on currency conversion rules, the substance based income exclusion and further guidance on the treatment of tax credits.

The guidance issued over the past year will be incorporated into a revised version of the Commentary that will be released later in 2023 and replace the original version of the Commentary issued in March 2022.¹⁵

Administrative framework

In December 2022, the Inclusive Framework released two documents for public consultation. The public consultation document on the GloBE Information Return¹⁶ sought input on the amount and type of information that MNE Groups should be expected to

12. OECD (2022), *Safe Harbours and Penalty Relief: Global Anti-Base Erosion Rules (Pillar Two)*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/safe-harbours-and-penalty-relief-global-anti-base-erosion-rules-pillar-two.pdf>.

13. OECD (2023), *Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two)*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/agreed-administrative-guidance-for-the-pillar-two-globe-rules.pdf>.

14. OECD (2023), *Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two)*, July 2023, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/administrative-guidance-global-anti-base-erosion-rules-pillar-two-july-2023.pdf>.

15. OECD (2022), *Tax Challenges Arising from the Digitalisation of the Economy – Commentary to the Global Anti-Base Erosion Model Rules (Pillar Two)*, First Edition, OECD/G20 Inclusive Framework on BEPS, OECD Publishing, Paris, <https://doi.org/10.1787/1e0e9cd8-en>.

16. <https://www.oecd.org/tax/beps/public-consultation-document-pillar-two-globe-information-return.pdf>.



collect, retain and/or report for the application of the GloBE Rules and possible simplifications that could be incorporated in the GloBE Information Return as well as the ability of the MNE Group to provide alternative data points. The public consultation document on Tax Certainty for the GloBE Rules¹⁷ outlined various mechanisms, including dispute prevention and dispute resolution, for achieving tax certainty under the GloBE Rules. A public consultation meeting was held in March 2023 on these two topics.

In July 2023, the Inclusive Framework released the standardised GloBE Information Return (GIR) developed following the public consultation.¹⁸ In response to feedback, the GIR incorporates transitional simplified reporting requirements that allow MNEs to report their GloBE calculations at a jurisdictional level. The GIR will be subject to coordinated filing and exchange mechanisms that allow MNEs to report their GloBE calculations on a single return, where the more detailed information is made available to implementing jurisdictions where a Top-up Tax liability may arise.

Next steps

The Inclusive Framework will now develop a peer review process that will allow jurisdictions and stakeholders to identify the “qualified” rules and ensure coordination among implementing jurisdictions.

In parallel, the Inclusive Framework will continue to support the coordinated implementation of the GloBE Rules through the release of Agreed Administrative Guidance where necessary. As part of the ongoing work in developing the administrative framework for the GloBE rules, the Inclusive Framework will continue the work on tax certainty and explore frameworks for disputes. It will also now turn to the development of a model competent authority agreement to facilitate the automatic exchange of GloBE information as well as IT-solutions to support the exchange of information, in particular a dedicated XML schema.

The Subject to Tax Rule

The Subject to Tax Rule (STTR) is a treaty-based rule that allows jurisdictions to impose limited additional

17. <https://www.oecd.org/tax/beps/public-consultation-document-pillar-two-tax-certainty-for-the-globe-rules.pdf>.

18. OECD (2023), *Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return (Pillar Two)*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/globe-information-return-pillar-two.pdf>.

taxation on certain cross-border payments between connected companies where the recipient is subject to a nominal corporate income tax rate below nine per cent. The STTR is based on an understanding that where, under a tax treaty, a source state has ceded taxing rights on certain outbound intragroup payments, it should be able to recover some of those rights where the income in question is taxed (if at all) in the state of the payee (i.e., the residence state) at a rate below nine per cent. The rule has been developed to cater for the priorities of developing countries and is an important part of achieving consensus on Pillar Two for developing countries.

The work on the development of the STTR has been completed by Working Party 1 on Tax Conventions and Related Questions. On 6 July, the Inclusive Framework agreed the STTR model treaty provision and related commentary.¹⁹

As provided in the 2021 Statement on the Two-Pillar Solution, Inclusive Framework jurisdictions applying nominal corporate income tax rates below the STTR minimum rate of nine per cent to income covered by the STTR have agreed to implement the STTR in their bilateral tax treaties when requested to do so

by Inclusive Framework jurisdictions identified as developing for this purpose. This commitment means the STTR will be included in treaties between those Inclusive Framework members where requested by a developing country.

In addition to the STTR model treaty provision and related commentary, on 6 July, the Inclusive Framework also agreed a multilateral instrument (STTR MLI) and its Explanatory Statement to facilitate the implementation of the STTR, as well as a process to assist developing Inclusive Framework members in implementing the STTR. This process, launched on 18 July 2023, will support developing countries by providing them with information on adjusted nominal rates applied to covered income and a list of their affected treaties, to support them in making requests to implement the STTR.

Inclusive Framework members can elect to implement the STTR by signing the STTR MLI, which will, with respect to all tax treaties it covers, amend treaties to include the STTR. Alternatively, Inclusive Framework members can choose to implement the STTR in a given tax treaty through bilateral negotiations. The STTR MLI will be open for signature from 2 October 2023.

19. OECD (2023), *Tax Challenges Arising from the Digitalisation of the Economy – Subject to Tax Rule (Pillar Two): Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project*, OECD Publishing, Paris, <https://doi.org/10.1787/9afd6856-en>.

Box 2. Economic Impact Assessment of the Two-Pillar Solution

The OECD Secretariat held a public webinar on 18 January 2023, to release an updated economic impact assessment, using the most recently available data.

- On Pillar One, estimates show that Amount A involves a substantial reallocation of taxing rights, with the reallocation largely flowing from investment hubs to market jurisdictions. Pillar One is now expected to allocate new taxing rights on about USD 200 billion in profits to market jurisdictions annually, and result in net annual revenue gains of USD 17-31 billion. The analysis shows that growth in MNE profits in recent years, particularly in 2021, has driven an increase in the estimated revenue gains of Amount A, and that developing country revenue gains from Pillar One as

a proportion of current corporate tax revenues are expected to be greater than those in more advanced economies.

- On Pillar Two, the OECD is continuing to work on updated estimates of the global minimum tax, which is expected to reduce global low-taxed profit by around 70%. The minimum tax is expected to raise up to USD 200 billion in additional revenues each year globally, based on the latest available data from 2020, with about one-third of those gains coming from reduced profit shifting.

The OECD Secretariat will publish updated analysis in the coming months.

3. BEPS minimum standards

The Inclusive Framework is moving forward with the implementation of the BEPS minimum standards and continues to peer review the progress of each Inclusive Framework member. Steady progress has been made although some extra time has been provided to allow Inclusive Framework members to focus on the swift implementation of the Two-Pillar Solution. These activities should resume in the second half of 2023.

3.1 ACTION 5 – COMBATTING HARMFUL TAX REGIMES

Progress to date

The Forum on Harmful Tax Practices (FHTP) has continued to review preferential tax regimes and the compliance by no or only nominal tax jurisdictions with the substantial activities requirement. At the same time, members of the Inclusive Framework and jurisdictions of relevance have continued to implement the changes required by the FHTP as part of its review of preferential tax regimes and its review of the substantial activities requirement for no tax or only nominal tax jurisdictions.

Preferential Tax regimes

In both January and June 2023, the Inclusive Framework released 18 new or updated conclusions on the review of preferential tax regimes.²⁰ Since the beginning of the BEPS Action 5 peer reviews, the FHTP has reviewed close to 320 preferential regimes, with the overall outcomes set out in Figure 1.

Annual reporting of compliance in no or only nominal tax jurisdictions

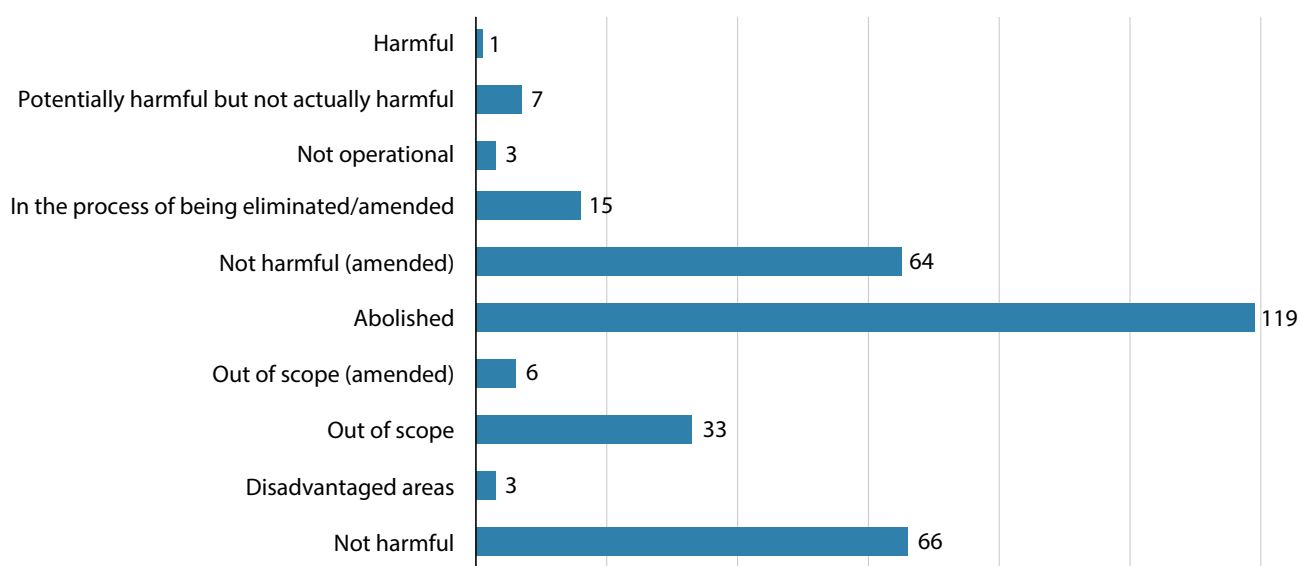
In November 2022, the FHTP concluded its second annual monitoring of the effectiveness in practice of the substantial activities requirements in the 12 no or only nominal tax jurisdictions. Recommendations for substantial improvement were made for four jurisdictions (Anguilla, the Bahamas, Barbados and the Turks and Caicos Islands) and areas for focused monitoring were identified for another four jurisdictions (Bahrain, Bermuda, the British Virgin Islands and the Cayman Islands). No issues were identified for Guernsey, Jersey, the Isle of Man and the United Arab Emirates. Barbados has since then addressed its recommendation for substantial improvement.

Transparency framework peer review

The FHTP has also carried out the sixth annual peer review of the transparency framework on the exchange of information on rulings under Action 5 of the BEPS minimum standards, covering 131 jurisdictions.

The sixth annual peer review, covering the year 2021, indicates that significant progress continues

20. <https://www.oecd.org/tax/beps/harmful-tax-practices-peer-review-results-on-preferential-regimes.pdf>.

Figure 1. Overview of the status of all 319 reviewed preferential regimes – June 2023

in countering harmful tax practices.²¹ Almost 50 000 exchanges of information have taken place to date in respect of the 23 000 tax rulings that have been identified. The results also show that 73 jurisdictions are fully in line with the BEPS Action 5 minimum standard, with the remaining 58 jurisdictions receiving a total of 61 recommendations to improve their legal or operational framework to identify the relevant tax rulings and exchange information.

The annual peer reviews have helped bolster transparency as tax administrations continue to receive more information on tax rulings pertaining to their taxpayers' tax arrangements, including multinational enterprises, to identify and act to address any potential BEPS risks.

In order to ensure that the FHTP transparency framework continues to deliver the necessary information for tax administrations to efficiently carry out their compliance activities, in April 2023, the FHTP concluded its review of the effectiveness of the transparency framework, which will now be translated into an updated terms of reference and methodology for the annual peer reviews and will also be reflected accordingly in the Action 5 Report. It will be subsequently submitted to the Inclusive Framework for approval.

Next Steps

The FHTP will continue its review of preferential regimes, the effectiveness in practice of the substantial activities requirement in no or only nominal tax jurisdictions, and compliance with the transparency framework on tax rulings.

In June 2023, the FHTP launched its third annual monitoring of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions, with results to be expected later this year. In addition, the 2022 peer review of the transparency framework on tax rulings is currently underway and is expected to conclude by December 2023.

ACTION 6 – PREVENTION OF TAX TREATY ABUSE AND COUNTERING TREATY SHOPPING

Progress to date

In March 2023, the fifth peer review report on the implementation of the Action 6 minimum standard on treaty shopping was published.²² This fifth peer review report presented aggregate data, as well as detailed data for each member jurisdiction, on the implementation of the minimum standard as at 31 May 2022. The peer

21. OECD (2022), *Harmful Tax Practices – 2021 Peer Review Reports on the Exchange of Information on Tax Rulings: Inclusive Framework on BEPS: Action 5*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/4034ce42-en>.

22. OECD (2023), *Prevention of Tax Treaty Abuse – Fifth Peer Review Report on Treaty Shopping: Inclusive Framework on BEPS: Action 6*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9afac47c-en>.

review process was governed by the revised peer review methodology, which was first implemented in 2021. It established a framework through which assistance would be given to a member jurisdiction that has non-compliant agreements with other member jurisdictions that could, on its own assessment, create treaty-shopping opportunities and for which the jurisdiction had not yet taken steps to bring them into compliance with the minimum standard. This was the first year in which progress could be observed on certain data points reported as a result of the revised methodology (in addition to other measures of progress). In total, as at 31 May 2022, more than 1 050 agreements concluded by members of the Inclusive Framework complied with the minimum standard. This represents an increase of nearly 40% as compared to 2021. These numbers continue to increase, largely as a result of additional ratifications of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI).

This peer review report also showed that many jurisdictions have followed the recommendations made in the previous year's peer review, either by formulating a plan for the implementation of the minimum standard, or by completing the steps for the entry into effect of the provisions of the BEPS MLI, as applicable.

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI)

The BEPS MLI covers 100 jurisdictions and around 1 850 bilateral tax treaties that will be modified once the BEPS MLI is ratified by all signatories. On 1 September 2023, around 1 200 treaties concluded among the 83 jurisdictions which have ratified, accepted or approved the BEPS MLI had already been modified by the BEPS MLI (see **Box 3**).

Next steps

The sixth peer review process was launched in April 2023. The draft sixth peer review report will be discussed and finalised by Working Party 1 by the end of 2023 and sent to the Inclusive Framework for approval at the start of 2024.

Box 3. Key facts on the Multilateral Instrument

- The BEPS MLI covers 100 jurisdictions, of which 83 have ratified.
- The BEPS MLI started to take effect for around 1 200 treaties and will modify around 1 850 treaties in total once fully ratified.
- The principal purpose test (PPT) will be included in all modified agreements (Action 6).
- 33 covered jurisdictions have adopted Part VI of the MLI (mandatory binding arbitration), modifying about 250 covered tax agreements that will include the BEPS MLI mandatory binding arbitration provisions.

3.3 ACTION 13 – COUNTRY-BY-COUNTRY REPORTING

Progress to date

Action 13 provides for the obligation for all large MNE Groups with consolidated group revenue at or above an agreed threshold (i.e., EUR 750 million) to file a country-by-country (CbC) report. MNE Groups need to report annually, and for each tax jurisdiction in which they do business, the amount of revenue, profit before income tax and income tax paid and accrued, as well as the number of employees, stated capital, retained earnings and tangible assets. MNE Groups should also identify each entity within the group doing business in a particular jurisdiction and provide an indication of the business activities each entity is engaged in. As a result, tax administrations around the world are receiving information on large foreign-headed MNE Groups which was not previously available, enabling them to better understand the structure of a group's business and enhancing their risk assessment capacity.

In September 2023, the Inclusive Framework approved the sixth annual peer review report under the Action 13 minimum standard, covering 136 jurisdictions.²³ Since the first exchanges of CbC reports in June 2018, the implementation of CbC reporting has been progressing well, with more than 3 300 bilateral relationships for CbC exchanges now in place between 89 jurisdictions.

23. OECD (2023), *Country-by-Country Reporting – Compilation of 2023 Peer Review Reports: Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/21bd1938-en>.

Over 110 jurisdictions have now introduced legislation to impose a filing obligation on MNE groups, covering almost all MNEs with consolidated group revenue at or above the EUR 750 million threshold.

Confidentiality and appropriate use of the CbCR information have both been priorities of the work on Action 13 and the latest phase of peer reviews found that of the jurisdictions reviewed, 91 have undergone an assessment by the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) with respect to confidentiality and data safeguards in the context of implementing the Automatic Exchange of Information (AEOI) standard. Furthermore, the report found that 73 jurisdictions have provided sufficiently detailed information to enable the IF to obtain assurance that measures are in place to ensure the appropriate use of CbC reports.

2020 Action 13 review

The BEPS Action 13 Final Report included a mandate to review the minimum standard by the end of 2020. Following work initiated in late 2018, a public consultation document, including an analysis of 15 issues related to the scope of CbC reporting and the content of CbC reports was released in February 2020 and an online public consultation meeting, which included around 270 business and civil society participants, was held in May 2020. Following the release of the 2021 Statement on the Two-Pillar Solution, the work on the 2020 Action 13 Review has been suspended to allow Inclusive Framework members to give priority to the implementation of the Two-Pillar Solution and to assess any implications that this work may have on CbC reporting. Work on the 2020 review of BEPS Action 13 is expected to resume in the second half of 2023.

Next steps

The seventh annual peer review of the implementation of CbC reporting is currently underway, and the outcomes of this review will be released in the third quarter of 2024. Work will continue to monitor the implementation and operation of CbC reporting by members of the Inclusive Framework and to highlight progress made by jurisdictions to address recommendations that have been made.

3.4 ACTION 14 – MUTUAL AGREEMENT PROCEDURES (MAP)

Progress to date

Action 14 seeks to improve the resolution of tax-related disputes between jurisdictions. Inclusive Framework members have committed to be reviewed and monitored by their peers through a robust peer review process that seeks to increase efficiencies and improve the timeliness of dispute resolution where taxation is not in accordance with the tax treaties. This commitment includes the publication of Mutual Agreement Procedure (MAP) Statistics using a common reporting framework. Accordingly, the 2021 MAP Statistics²⁴ were released on the occasion of the 2022 Tax Certainty Day (see **Box 4**).

Box 4. Tax Certainty Day – 22 November 2022

As recognised by G20 Ministers, maintaining and enhancing tax certainty benefits taxpayers and tax administrations alike and is key in promoting investment, jobs and growth. This is particularly important and challenging against the backdrop of the economic effects of a pandemic, in spite of which immense efforts are being undertaken by tax administrations and taxpayers to move forward with the tax certainty agenda. Enhancing tax certainty is one of the main priorities of the OECD Forum on Tax Administration which brings together more than 50 advanced and emerging tax administrations. Tax Certainty Day provides an opportunity for tax policy makers, tax administrations, business representatives and other stakeholders to take stock of the tax certainty agenda and move towards further improvements in dispute prevention and dispute resolution.

Accordingly, the 2022 edition of the event, held on 22 November 2022, included a discussion on several key aspects of tax certainty, including tax certainty considerations in the Two-Pillar Solution. In addition, the 2021 MAP Statistics were also released and the 2021 MAP Awards were presented to jurisdictions that have performed exceptionally with respect to the efficient, effective and timely resolution of MAP cases.

24. <https://www.oecd.org/tax/dispute/mutual-agreement-procedure-statistics.htm>.

Action 14 peer reviews

BEPS Action 14 provided for an initial assessment methodology for peer review, involving a two-stage approach. Steady progress has been made under that initial assessment methodology, and with the release of the last Stage 2 monitoring reports in September 2022, the Action 14 peer review process for the 82 reviewed jurisdictions under the initial assessment methodology is now completed.

In January 2023, following discussions on the review of the Assessment Methodology and the MAP Statistics Reporting Framework, the Inclusive Framework agreed a new Assessment Methodology for continuing the Action 14 peer review process. In addition, although not connected to the Action 14 minimum standard, the Inclusive Framework has also agreed new data points to be reported in the annual MAP Statistics and the creation of a new annual framework for reporting Advance Pricing Arrangement (APA) Statistics (see **Box 5**).

Box 5. Revisions to the Action 14 Assessment Methodology and MAP Statistics Reporting Framework and creation of an APA Statistics Reporting Framework

The new Assessment Methodology for the Action 14 peer reviews envisages the peer review of all Inclusive Framework member jurisdictions and includes two components:

- a “simplified peer review process” for Inclusive Framework member jurisdictions that do not have ‘meaningful MAP experience’, with the aim of assisting the jurisdictions to set up a more robust MAP programme for future MAP cases, which has started in January 2023; and
- a “full peer review process” for Inclusive Framework member jurisdictions that are considered to have ‘meaningful MAP experience’, which will start from January 2024 onwards, with each qualifying jurisdiction being reviewed once every four years.

In addition, to provide a clearer picture of their MAP practices and to improve transparency, jurisdictions will report the additional data points below concerning post-2015 MAP cases in their MAP Statistics from the 2023 MAP Statistics (available in 2024) onwards:

2020 Action 14 review

In order to allow Inclusive Framework members and the OECD Secretariat to give priority to the implementation of the Two-Pillar Solution, the work on the 2020 Action 14 review concerning possible improvements to the Action 14 minimum standard has been suspended temporarily. The review of the Action 14 minimum standard will be taken up after further progress on that work.

Next steps

Although many of the jurisdictions that have already been peer reviewed have made substantial progress in this regard, there is still work to be done to bring the tax treaties, MAP policy and MAP practice of Inclusive Framework member jurisdictions in line with the Action 14 minimum standard. The new Action 14 peer review process as well as the new data that will be reported in the MAP Statistics from the 2023 MAP Statistics onwards should facilitate the aim of achieving more compliance with the Action 14 minimum standard at a global level.



- break down of the average time to close cases in the unilateral and bilateral stages of MAP;
- identification of the age of pending cases.

Finally, in line with the progress that has been achieved in the area of APA Statistics (APAs) through the Bilateral Advance Pricing Arrangement Manual (BAPAM), Inclusive Framework members that have an APA programme will report annual statistics with respect to APAs which will be published on the OECD website in a common format, while allowing jurisdictions some flexibility to follow their own reporting rules. The APA Statistics will be available from 2024 onwards.



4. Progress on other BEPS Actions

Steady progress has also been made on the other BEPS Actions, which remain important to fully address base erosion and profit shifting. For example, the implementation of the internationally agreed OECD standards and guidance for addressing the challenges of collecting value added taxes (VAT) on digital trade has been moving ahead at a rapid pace. Good progress has also been made under BEPS Action 11, where the Corporate Tax Statistics database keeps increasing its coverage, with more up to date CbC report data.

4.1 VAT CHALLENGES OF THE DIGITAL ECONOMY

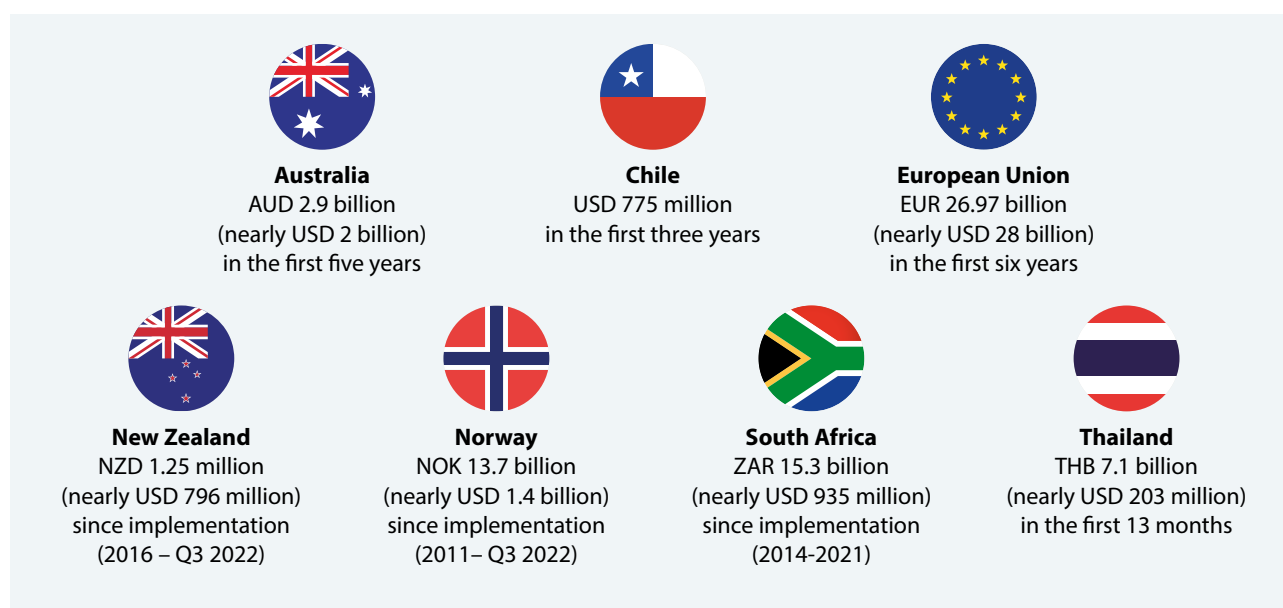
Over 120 countries have implemented or are in the process of implementing the internationally agreed OECD standards and guidance for addressing the challenges of collecting value added taxes (VAT) on digital trade. As e-commerce continues to grow and diversify, not least in developing economies, these measures allow governments to secure critical VAT revenues and to ensure a level playing field between e-commerce and traditional businesses, without stifling innovation and economic growth. VAT revenue results of these reforms as reported by early adopters are illustrative of the success and the importance of these measures – see Figure 2 below.

The continuous growth of e-commerce, accelerated by the COVID-19 pandemic, poses significant challenges for VAT systems in the absence of reform, particularly in developing countries where VAT often represents one-third or more of total tax revenues. To assist interested developing countries in designing and implementing VAT reform directed at digital trade, the OECD in partnership with the World Bank Group (WBG) and regional organisations has now delivered

three regional VAT Digital Toolkits, for Latin America and the Caribbean (in 2021²⁵ with the Inter-American Center of Tax Administrations and the Inter-American Development Bank); Asia-Pacific (in 2022²⁶ with the Asian Development Bank) and Africa (in 2023²⁷ with the African Tax Administration Forum (ATAF)), respectively. These Toolkits present step-by-step guidance for the design, administrative and operational implementation of the recommended framework for the collection of VAT on digital trade taking account of each region's specific needs and circumstances. The development of these toolkits was accompanied by a comprehensive outreach programme in the three regions, which included consultation of in total over 100 jurisdictions worldwide.

The OECD is continuing to roll out a programme to offer bespoke technical assistance to interested jurisdictions, which can cover all aspects of VAT reform directed at digital trade. This can include the assessment of a jurisdiction's needs for reform and the development of policy options to address these needs, legal drafting, implementation of the necessary administrative and compliance processes, communication, and the implementation of robust audit and enforcement

Figure 2. Overview of revenue results from the implementation of measures to collect VAT on online international supplies of services and intangibles



25. <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-latin-america-and-the-caribbean.pdf>.

26. <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-asia-pacific.htm>.

27. <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-africa.htm>.

strategies. 20 developing countries received this form of assistance in 2022. This support has allowed these countries to improve and refine their reforms, avoiding harmful pitfalls and increasing the effectiveness and efficiency of such reforms. The OECD's technical assistance programme on VAT and digital trade further includes a range of multilateral technical assistance initiatives to support reforms directed at digital trade, including through e-learning, training events and technical workshops. Tax administrations from over 180 countries participated in one or more of these initiatives in 2022. To further complement this technical assistance programme, the OECD/United Nations Development Programme (UNDP) Tax Inspectors Without Borders (TIWB) initiative has been expanded to include a new module on auditing VAT in digital trade as of 2023. This new TIWB component will offer assistance to interested developing countries in developing audit capacity and in carrying audit activity on the application of VAT to digital trade.



4.2 ACTION 11 – CORPORATE TAX STATISTICS AND AGGREGATED AND ANONYMISED COUNTRY-BY-COUNTRY REPORTING DATA

First launched in January 2019, the annual delivery of the Corporate Tax Statistics database has become an important legacy of the BEPS Action 11 work. The database supports improved economic analysis of corporate tax policy and has already begun to improve the quality and expand the range of data available for the analysis of BEPS. The database contains information on more than 100 jurisdictions and presents data across several main areas: corporate tax revenues, corporate tax rates, and tax incentives related to R&D and innovation. Recent editions have continued to expand the coverage of information on corporate tax revenues and rates, while also expanding the scope of the database, with new data on controlled foreign company rules, interest limitation rules, tax incentives related to R&D and innovation, and withholding taxes. The fourth edition was released in November 2022.²⁸

The fifth and latest edition of the Corporate Tax Statistics report will be released in the second half of 2023 and will cover over 160 countries and jurisdictions.

This edition will continue the publication of CbC report data on the activities of more than 7 400 MNEs based on reporting from more than 50 jurisdictions. The coverage has increased significantly since the first report, which initially covered CbC report data from 35 jurisdictions and 4 100 reports. This year's edition will also cover two years of data (2019 and 2020) ensuring more up-to-date CbC report data will be available going forward. The data, which continues to show that corporate income tax remains an important source of revenue for most countries (especially for developing and emerging market economies), also shows the persistent risk of multinational tax avoidance across countries and continues to provide evidence of the need for the implementation of the Two-Pillar solution.

28. OECD (2022), *Corporate Tax Statistics, Fourth Edition*, OECD Publishing, Paris, <https://doi.org/10.1787/5c8d8887-en>.



5. Support for developing countries

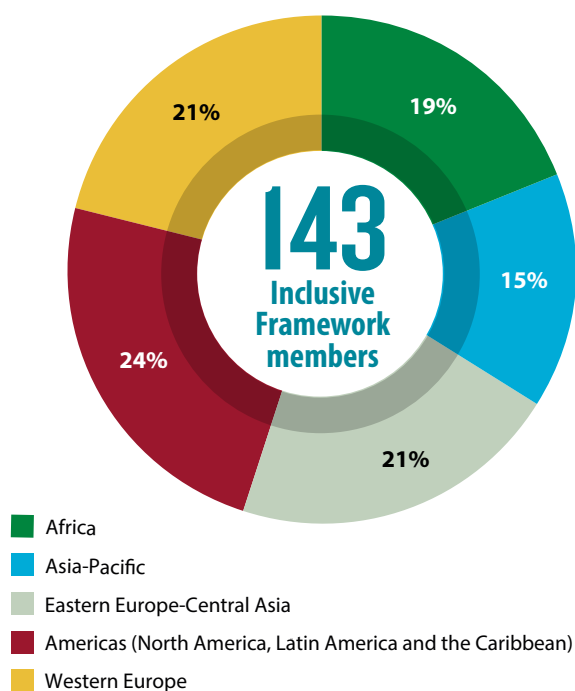
The Inclusive Framework allows closer international co-operation among more than 140 countries and jurisdictions and the development of international tax standards that better reflect the contributions of a growing number of countries in an inter-connected and globalised world. Building tax capacity remains critical to supporting an increasing number of developing countries in continuing to make progress in implementing the internationally agreed rules as well as having a direct impact on the formulation of such rules.

5.1 DEVELOPING COUNTRIES AND THE INCLUSIVE FRAMEWORK

The Inclusive Framework benefits from a very diverse membership, bringing together developed and developing countries, small and large economies, as well as financial centres. There are now a total of 143 members, with Azerbaijan and Uzbekistan joining since last year's report. Over one-third (51 members) are low- or middle-income countries that are not members of the OECD or G20 and are not considered to be financial centres. The membership of the Inclusive Framework is also regionally balanced, with members from all geographic regions of the world (see Figure 3). Its inclusive leadership,²⁹ and the composition of its Steering Group also reflect that balance.³⁰

The global membership of the Inclusive Framework, with countries and jurisdictions participating on an equal footing in the implementation of the 2015 BEPS package and in the rule-making process on emerging international tax issues, allows it to play a central role in international tax co-operation. At the request of the G20 and building on a first report published in 2021,³¹ the OECD prepared the *G20/OECD Roadmap on Developing Countries and International Taxation* for the October 2022 meeting of the G20 Finance Ministers and Central Bank Governors (2022 G20 Roadmap Report),³² which provided an update on progress made by developing countries, as a result of their participation in the Inclusive Framework, in implementing new international tax rules as well as on how capacity building could help them in further progressing. The report identified key priorities for interested G20 members, other stakeholders and development partners to help support developing countries in their efforts to make the best use of their engagement in international tax matters to achieve their development goals (see **Box 6** for more information).

Figure 3. Inclusive Framework on BEPS Membership



An update of the 2022 G20 Roadmap Report was submitted to the July 2023 meeting of the G20 Finance Ministers and Central Bank Governors (2023 G20 Roadmap Report).³³ The 2023 G20 Roadmap Report identified key indicative targets to focus support for developing countries in priority areas such as CbC reporting and Pillar Two. Regarding CbC reporting, the key indicative target refers to an additional 10 developing countries being able to access CbC reports by September 2024 and 10 more by September 2025 and September 2026, assuming sufficient resources for capacity building are made available. The report also noted that corporate income tax reforms alone are not enough to fund developing countries' Sustainable Development Goals (SDGs) and pointed to other areas where these countries could benefit from greater international co-operation, including environmental taxes and related pricing mechanisms and VAT/Goods and Services Taxes (GST).

29. The co-Chairs of the Inclusive Framework are Marlene Nembhard-Parker (Jamaica, since March 2022) and Gaël Perraud (France, since January 2023).

30. <https://www.oecd.org/tax/beps/steering-group-of-the-inclusive-framework-on-beps.pdf>.

31. OECD (2021), *Developing Countries and the OECD/G20 Inclusive Framework on BEPS: OECD Report for the G20 Finance Ministers and Central Bank Governors*, October 2021, Italy, OECD, Paris, <https://www.oecd.org/tax/beps/developing-countries-and-the-oecd-g20-inclusive-framework-on-beps.htm>.

32. OECD (2022), *G20/OECD Roadmap on Developing Countries and International Taxation: OECD Report for the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/cf46900c-en>.

33. OECD (2023), *G20/OECD Roadmap on Developing Countries and International Taxation Update 2023: OECD Report to the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/4fc33451-en>.

Box 6. Key priorities from the 2022 G20/OECD Roadmap on Developing Countries and International Taxation for interested G20 members and other stakeholders

- Support developing countries to assess the potential benefits of implementing the remaining BEPS Actions and provide assistance accordingly.
- Facilitate faster progress on securing developing country access to CbC reports, through increasing and intensifying support to developing countries that are close to meeting the requirements, and reviewing how the standard for CbC reporting can maximise accessibility for developing countries and protect the confidentiality and appropriate use of sensitive information.
- Start putting in place the resources and expertise to provide the additional capacity building needed to implement the Two-Pillar Solution. In some areas, especially the GloBE rules and their interaction with domestic regimes, such as tax incentives, work can start immediately. In other areas, plans can be formulated now, to enable the support that will be needed as developing countries go through the legal and practical implementation of new standards.
- Commission further work to assess opportunities for tax policy to support the achievement of the Sustainable Development Goals (SDGs). This should seek to identify the range of resources that already exist, as well as prioritising further needs, including supporting countries in building up their tax policy analysis capacity, and where further multilateral dialogue is needed.
- Commission further work on how the G20 can collaborate with all jurisdictions, especially developing countries, to support efforts to digitalise tax administration. This should consolidate existing knowledge and experience of countries as well as the OECD and its partners, regional tax organisations and OECD the Forum on Tax Administration (FTA) with the aim of supporting developing countries to capitalise on advances in technology to drive transformative change in the efficiency and effectiveness of tax administration.

Access to CbC reports by developing countries was identified as a critical issue in the report which set out a range of actions to guide and accelerate progress. In April 2023, the OECD and the Global Forum jointly convened a High-level Roundtable on this challenge, gathering tax commissioners, deputy commissioners and other high-level participants from 34 jurisdictions. The High-level Roundtable highlighted the benefits and uses of CbC reports, as well as the challenges involved in meeting the Action 13 minimum standard, and the support available to help overcome those challenges.

International tax and development benefited from a ministerial discussion at the Meeting of the OECD Council at Ministerial level (MCM) in Paris on 7 June 2023, which resulted in ministers making a commitment to increase capacity building support in the MCM Statement (see **Box 7**). This meeting provided

Box 7. OECD Ministerial Council statement

Following the 2022 G20/OECD Roadmap on Developing Countries and International Taxation, we are committed to increasing capacity building efforts to support developing countries implement the two-pillar solution and existing international tax rules swiftly. We call on the OECD to take forward work with a view to exploring how to significantly increase developing country access and use of Country-by-Country Reporting over the next three years, consistently with 2015 BEPS Action 13 Report objectives and rules.

Source: 2023 OECD Ministerial Council statement, *Meeting of the OECD Council at Ministerial level, 7-8 June 2023, Paris (at paragraph 6)*, <https://www.oecd.org/mcm/documents/2023-Ministerial-Council-statement.pdf>.



an opportunity for ministers from developed and developing countries and other stakeholders to share their views on the implementation of the Two-Pillar Solution; on how to increase developing countries' access to CbC reports as well as their effective utilisation; and how to increase capacity-building efforts, including via the OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative (see **Box 8**).

Box 8. OECD/UNDP Tax Inspectors Without Borders initiative

Tax Inspectors Without Borders,¹ a joint OECD/UNDP initiative, has been providing a niche form of tax capacity building since 2015, facilitating the provision of experts to work alongside tax administration officials, using confidential taxpayer data, to build capacity through a learning-by-doing approach.

- To date, TIWB programmes have spanned 59 jurisdictions, with 64 completed programmes and 54 ongoing programmes.
- Through collective efforts with international partners, including ATAF, TIWB has helped developing countries collect over USD 2 billion in additional revenues and USD 4.94 billion in tax assessments.

There is further scope and demand for the TIWB initiative to grow, expanding to a wider range of capacity building on international tax, including effective implementation of the global minimum tax, auditing value-added tax (VAT) on digital trade and effective use of country-by-country reporting data.

1. <https://www.tiwb.org/>.

5.2 DEVELOPING COUNTRIES' PROGRESS ON MINIMUM STANDARDS PEER REVIEWS

Developing countries are continuing to play their part in strengthening the international tax system by ensuring that they do not retain or introduce harmful preferential tax regimes under Action 5.³⁴ Some 30% of all regimes reviewed by the FHTP since the start of the BEPS project have been in developing countries. Where



their regimes have been found to have harmful features, developing countries have acted to amend or abolish such regimes, or are engaged in ongoing discussions. Moreover, around two-thirds of developing countries have received information on tax rulings issued abroad in the past five years, better equipping them to conduct risk assessments and identify situations of double non-taxation or tax avoidance.

Progress by developing countries to address treaty abuse remains steady. About 700 double tax treaties where at least one partner is a developing country have now been made compliant with the Action 6 minimum standard, or a compliant instrument has been signed, either via the MLI or bilateral negotiations. Among the 48 developing countries peer reviewed under the Action 6 minimum standard in 2022, 33 (69%) have no recommendations. Recommendations have been issued for 15 developing countries where the MLI has been signed but is not yet ratified and in effect and/or where a plan for the implementation of the minimum standard has not yet been provided.

34. The results on preferential regimes reported here take into account those reported at the April 2023 Forum on Harmful Tax Practices (FHTP) meeting and published in June 2023.



As set out above, developing countries continue to face significant challenges in meeting the CbC reporting requirements and only a few of them are currently able to receive CbC reports from abroad under Action 13. A total of 19 developing countries³⁵ have implemented all the necessary requirements to receive CbC reports on foreign headquartered groups by the end of 2023. There are indications that the pace of progress in some areas may be quickening. However, greater intensification and targeting of capacity-building efforts are anticipated to amplify this progress in the coming years.

A large majority of developing countries have very limited numbers of MAP disputes and as such were eligible to defer their Action 14 peer review (40 developing Inclusive Framework members (80%) had opted for a deferral). However, in January 2023, a simplified peer review process was established for jurisdictions considered not to have a ‘meaningful MAP experience’, with the aim of assisting them in setting up a more robust MAP programme for future MAP cases. All Inclusive Framework members, including countries and

jurisdictions eligible for deferral, and with tax treaties in force have now been included in the simplified peer review process and are scheduled to be reviewed between January 2023 and May 2025.

5.3 SUPPORTING THE IMPLEMENTATION OF THE TWO-PILLAR SOLUTION

The need for intensive, bespoke capacity building to support developing countries in the implementation of the Two-Pillar Solution has been widely recognised, including at ministerial level. In response, the OECD Secretariat has provided a range of outreach activities, developed training seminars and delivered courses, as well as provided targeted support to build capacity on the Two-Pillar Solution. Outreach activities included rounds of regional consultations on BEPS organised in partnership with regional partners. For the first time since the COVID-19 pandemic, this included two in-person regional consultations, held in November and December 2022 for the Caribbean and Asia-Pacific regions, respectively.

35. Previous reports were reporting on this aspect taking into account only developing countries that are not members of the G20, the OECD and are not financial centres. For the sake of completeness, this number now includes all developing countries.

The OECD Secretariat continued to expand the range of learning formats and tools addressing aspects of the Two-Pillar Solution. This included a series of webinars on different aspects of the rules, e-learning modules, and live Q&A sessions. Recorded webinars (8 in total) are available on aspects of each of Pillar One and Pillar Two, and a dedicated GloBE e-learning module has been released on the Knowledge Sharing Platform in July 2023.

Support to countries on the Two-Pillar Solution has also been integrated into existing OECD bilateral programmes on BEPS. This includes ad hoc technical or informational sessions as well as building in material on the Two-Pillar Solution into induction programmes and other training events.

In 2022, the OECD Secretariat established a series of pilot programmes aimed at helping developing countries proactively consider their policy choices considering the agreement on the GloBE Rules by Inclusive Framework members. Nine developing countries are participating: Egypt, Georgia, Jamaica, Peru, Malaysia, Namibia, Nigeria, Senegal, and Thailand. The programmes are two-pronged: they aim to both support developing countries to implement the GloBE and/or complementary rules such as QDMTTs where they wish to do so; and to analyse their tax incentive regimes and how they may be impacted by the GloBE Rules.

In addition to the indicative target on CbC reports, the 2023 G20 Roadmap Report also identified key targets for capacity-building support on the implementation of the Pillar Two GloBE and associated rules (see **Box 9** for more information).

In its July 2023 Outcome Statement, the Inclusive Framework called upon the OECD Secretariat to prepare a comprehensive action plan to continue supporting the swift and co-ordinated implementation of the Two-Pillar Solution. Accordingly, the Secretariat will develop a plan by the end of 2023 in coordination with relevant regional and international organisations, with a view to providing additional support and technical assistance to enhance the capacity necessary for the full implementation of the Two-Pillar Solution.

Box 9. Key indicative targets on implementation of the Pillar Two GloBE and associated rules from the 2023 G20/OECD Roadmap on Developing Countries and International Taxation

- Training, guidance and e-learning material on all completed aspects of the GloBE Rules will be available and accessible to all developing countries by the end of 2023 and updated as required on a timely basis;
- Along with the support already being provided to pilot countries on tax incentives and the GloBE rules, it is expected that up to 15 more countries will require bilateral assistance in 2024 and up to 30 more by the end of 2025;
- Technical assistance programmes on the practical implementation of the GloBE and associated rules will be available for all developing countries requesting such programmes by 2026.

FURTHER READING

Overview of the OECD's work on BEPS:

www.oecd.org/tax/beps

OECD (2023), *Outcome Statement on the Two-Pillar*

Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – July 2023, OECD/ G20 Base Erosion and Profit Shifting Project, OECD, Paris. <https://www.oecd.org/tax/beps/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.pdf>.

OECD (2023), *G20/OECD Roadmap on Developing Countries and International Taxation Update 2023: OECD Report to the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/4fc33451-en>.

OECD (2023), *Tax Co-operation for Development: Progress Report on 2022*, OECD, Paris. <https://www.oecd.org/tax/tax-global/tax-co-operation-for-development-progress-report-on-2022.htm>. OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – October 2021*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

OECD (2022), *Progress Report on Amount A of Pillar One, Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy*, OECD/G20 Base Erosion and Profit Shifting Project, OECD, Paris. <https://www.oecd.org/tax/beps/progress-report-on-amount-a-of-pillar-one-july-2022.pdf>

OECD (2022), *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022*, OECD Publishing, Paris. <https://doi.org/10.1787/0e655865-en>

OECD (2021), *Developing Countries and the OECD/G20 Inclusive Framework on BEPS: OECD Report for the G20 Finance Ministers and Central Bank Governors*, October 2021, Italy, OECD, Paris. <https://www.oecd.org/tax/beps/developingcountries-and-the-oecd-g20-inclusive-framework-on-beps.htm>

OECD (2019), *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris. <https://www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm>

OECD (2015), *Base Erosion and Profit Shifting, 2015 Final Reports*, OECD Publishing, Paris. https://www.oecd-ilibrary.org/taxation/oecd-g20-base-erosion-and-profit-shifting-project_23132612

This is the seventh annual progress report of the OECD/G20 Inclusive Framework on BEPS. This report sets out an overview of the progress made by the Inclusive Framework, covering the period from September 2022 to September 2023. The report contains an overview (Section 1) and four sections of substantive content. Section 2 reports on the implementation of the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. Sections 3 focuses on the implementation of the BEPS minimum standards and Section 4 on the other BEPS Actions. Finally, Section 5 is dedicated to the participation of developing countries in the Inclusive Framework.



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[OECD Tax](https://www.linkedin.com/company/oecd-tax)

