OECD SECRETARY-GENERAL REPORT TO G20 LEADERS

Hangzhou, China
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G20

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BETTER POLICIES FOR BETTER LIVES

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HANGZHOU, CHINA

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This report consists of two parts. Part I is a report by the OECD Secretary-General regarding (A) the G20/OECD Base Erosion and Profit Shifting (BEPS) Project; (B) Tax transparency; (C) Tax policy tools to support sustainable and inclusive growth; and (D) Tax and development. Part II is a Progress Report to the G20 by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

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Introduction

Since my report to you in November 2015, the OECD has met a number of key milestones in advancing the international tax agenda. Tackling Base Erosion and Profit Shifting (BEPS), improving transparency to fight tax evasion and addressing the tax aspects of the domestic resource mobilisation challenge in view of the 2030 Agenda remain top priorities. **In addition, 2016 saw the G20 Finance Ministers launch, with the support of the OECD, a comprehensive discussion on the role that tax policy can play in achieving sustainable, balanced and inclusive growth.**

Building on the package of G20/OECD BEPS measures delivered in 2015, this year, in response to your call at the Antalya Summit, **we established the G20/OECD Inclusive Framework on BEPS – an inclusive body open to interested countries and jurisdictions committed to implementing the BEPS package**. At the inaugural meeting held in June, participants agreed a programme of work that will focus on monitoring the consistent implementation of the BEPS measures, finalising the technical standard-setting work and providing capacity building support. **85 countries and jurisdictions have already committed to implement the BEPS package and joined the new Inclusive Framework, with key international and regional organisations participating as Observers.** The Inclusive Framework on BEPS will be instrumental in turning the BEPS package into reality and establishing a level playing field as we move forward.

The global standard for automatic exchange of information-- the Common Reporting Standard (CRS)-- developed by the OECD with the G20 and, endorsed by you in 2014, is proving to be a game-changer in terms of deterring, detecting and addressing tax evasion**. With the first automatic exchanges under the OECD CRS beginning in September 2017, tax evaders are coming forward to declare previously undeclared accounts and assets. Countries have now identified almost 55 billion euros in additional revenues** through voluntary disclosure programmes and other initiatives targeting offshore evasion. Jurisdictions also continue to implement their tax transparency commitments: **a major milestone was reached recently with the number of jurisdictions participating in the multilateral Convention on Mutual Administrative Assistance in Tax Matters having passed 100 on the 25th of August 2016**. This instrument, originally developed by the OECD and the Council of Europe in 1988 and opened to all countries in 2010, is finally reaching its full potential.

The Global Forum on Transparency and Exchange of Information for Tax Purposes continues to grow, with Chad, Egypt, Guyana, Kuwait, Lebanon, Maldives and Paraguay joining since my last report to you, bringing the total number of member countries and jurisdictions to 135. Progress continues in the implementation of the exchange of information "on request" standard, with the release of 20 new peer review reports since November 2015, bringing the total number of completed peer-reviews to 235. Together we are **ensuring progress on tax transparency continues, with effective solutions to issues such as access to beneficial ownership information being explored, and agreement recently reached in the OECD's Forum on Tax Administration on the procurement by the OECD of a Common Transmission System for the secure bilateral exchange of tax data between tax authorities. Further, OECD and G20 members agreed in July on objective criteria for identifying non-cooperative jurisdictions,** with the OECD mandated to prepare a list by the 2017

Leaders' Summit of those jurisdictions that have not yet sufficiently progressed toward a satisfactory level of implementation of the agreed international standards on tax transparency.

In addition, 2016 saw a **new pillar of work on enhancing inclusive, pro-growth tax policy emerging from the Ministerial-level G20 Tax Policy Symposium held this year in Chengdu, hosted by China and Germany with the support of the OECD.** After discussing how tax policy has the potential to drive innovation, support inclusive economic growth and certainty in the business environment, Ministers identified a number of key areas for further work to expand the range of tax policy tools available to policymakers. The initial findings of this work will be delivered in 2017. We welcome the support China intends to provide to this initiative through the establishment of an international tax policy research centre.

Finally, **in 2016, an unprecedented range of initiatives were launched in support of domestic resource mobilisation, reflecting the growing importance of capacity building and global inclusiveness in the international tax agenda.** From the OECD-UN Development Programme (UNDP) partnership on Tax Inspectors Without Borders (TIWB), which became fully operational this year, to the establishment of the Platform for Collaboration on Tax between the OECD, IMF, World Bank Group and UN, the attainment of the Sustainable Development Goals have remained at the heart of our work. Across the key issues of BEPS and tax transparency, developing countries are integral partners in driving the agenda forward.

Looking back over the past 7 years, it is clear that the extraordinary progress made to combat tax evasion and counter tax avoidance would not have been possible without the strong and consistent political support of the G20 Leaders. As we move to the implementation of these significant projects, and expand the G20 tax agenda to explore new tax policy tools conducive to strong, sustainable and inclusive economic growth, I look forward to your continued leadership.

PART I

OECD SECRETARY-GENERAL REPORT

TO THE G20 LEADERS

G20/OECD Base Erosion and Profit Shifting Project

Tax Transparency

Tax Policy

Tax and Development

A. The G20/OECD Base Erosion and Profit Shifting Project

In November 2015 at your meeting in Antalya, you endorsed the comprehensive package of measures developed under the G20/OECD Base Erosion and Profit Shifting (BEPS) Project. The BEPS measures aimed to address tax avoidance by multinational enterprises, which is estimated to cost 100-240 billion US dollars in corporate income tax revenues globally every year. This work represents the most significant reform of the international tax system in a century, realigning taxation with the underlying value creating activities.

In the 2015 Leaders Communiqué, you emphasised that widespread and consistent implementation will be critical in the effectiveness of the BEPS Project, and called on the OECD:

> …to develop an inclusive framework by early 2016 with the involvement of interested non-G20 countries and jurisdictions which commit to implement the BEPS Project, including developing economies, on an equal footing.

Responding to your call, we have ensured an even more inclusive approach to tackling BEPS going forward, with the successful establishment of the G20/OECD Inclusive Framework on BEPS to bring substantial support to implementation efforts for both developed and developing countries. I am also glad to report that countries have already begun moving ahead with implementation of the BEPS package, drawing on the tools which we have developed together.

The G20/OECD Inclusive Framework on BEPS is established

The OECD has successfully established the Inclusive Framework on BEPS, a landmark step forward for inclusive participation in the international tax agenda, with the first meeting hosted by Japan on 30 June – 1 July in Kyoto. It has been built by opening the decision making body on tax matters at the OECD, the Committee on Fiscal Affairs, to interested countries and jurisdictions which have committed to implement the G20/OECD BEPS package, to work together on an equal footing to monitor the implementation of the package, finalise the remaining standard setting technical work and support capacity building to address critical BEPS issues in a consistent and effective manner.

To date, 39 new countries and jurisdictions have joined the Inclusive Framework on BEPS, and have committed to implement the BEPS package (joining the existing 46 OECD, OECD accession and G20 members), bringing to 85 the total number of countries and jurisdictions participating on an equal footing in the G20/OECD BEPS Project (see Annex 1 of Part I for the list of Members of the G20/OECD Inclusive Framework on BEPS). The other 19 countries and jurisdictions that attended the Kyoto meeting are likely to join the inclusive framework in the coming months. Note that jurisdictions that decide not to commit but which are relevant for ensuring a level playing field in tackling BEPS issues globally, would also be subject to review.

Together the members of the G20/OECD Inclusive Framework on BEPS have agreed an ambitious work plan that will drive the implementation and monitoring process, as well as ongoing standard-setting, taking into account the needs and constraints of the developing countries involved. At the meeting, many developing countries took the opportunity to identify their specific concerns and asked for assistance to address them that took into account their particular environments. The IMF, the UN, the World Bank Group as well as a number of regional tax organisations (CIAT, ATAF, CREDAF, IOTA, CATA) presented their tax programmes, suggesting ways in which they can support the OECD/G20 Inclusive Framework and implementing the BEPS package. The work of the Inclusive Framework will also be reinforced by the dedicated regional meetings that will continue to be held across the globe, with the next round of meetings taking place before the end of the year.

BEPS implementation is underway

The G20/OECD BEPS package delivered under your leadership is becoming reality, as countries are already taking action to put the measures in place. This is, for instance, the case with respect to hybrid mismatch legislation, but also for Country-by-Country (CbC) Reporting, which will provide important data to undertake effective risk-assessment analysis. Over 50 countries have already moved to implement CbC Reporting, and 44 countries have already signed the multilateral Competent Authority Agreement which provides the legal mechanism to exchange CbC Reports automatically. Nine countries have already taken steps to abolish or amend their preferential tax regimes relating to intellectual property (e.g. "patent boxes"), in response to the findings of the Action 5 report.

In June, the European Union adopted a Directive on Anti-Tax Avoidance which provides for the implementation of measures relating to Action 2 (Hybrid Mismatches), Action 3 (CFC rules), and Action 4 (Interest deductibility) of the G20/OECD BEPS package. This latest step adds to the measures already adopted through EU directives to put in place the automatic exchange of tax rulings (Action 5) and CbC Reporting (Action 13).

As foreseen in the BEPS Action Plan, tax treaty-related measures will be swiftly incorporated in tax treaties through the Multilateral Instrument (MLI) to Implement Tax Treaty-Related Measures to Combat BEPS, which 96 countries are currently negotiating. Major progress has been made and we expect the text of the MLI to be concluded in November in both official languages (French and English), so as to be open for signature before year end. The MLI will allow countries to meet the BEPS minimum standards to put an end to treaty shopping (Action 6) and to improve the resolution of treaty-related disputes (Action 14). It incorporates other treaty-related anti-BEPS measures, and contains an optional provision that provides for mandatory binding arbitration. Given the breadth of countries participating in the negotiation, more than 2 000 bilateral tax treaties could be amended if these countries sign the MLI once it is finalised. A signing ceremony for countries, including all G20 members, will be organised in the first half of 2017.

B. Tax Transparency

In 2009, the G20 made a commitment to eliminate bank secrecy for tax purposes, leading to the restructuring of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) established and hosted by the OECD. Today, the Global Forum has 135 member jurisdictions, and continues to make important progress, particularly through its in-depth peer review monitoring process and supporting capacity building. Part II of this report provides an update on the Global Forum's work, as well as the latest details of jurisdictions participating in the multilateral Convention on Mutual Administrative Assistance in Tax Matters.

In 2014, tax transparency was further enhanced with the delivery by the OECD of the global Common Reporting Standard (CRS) for automatic exchange of bank information (AEOI). Endorsed by G20 Leaders in November 2014, the OECD CRS is a game-changer in terms of deterring, detecting and addressing tax evasion. Bahrain, Kuwait, Lebanon, Panama, Nauru and Vanuatu are the most recent countries to commit to automatic exchange of financial account information under the OECD's CRS. With the first automatic exchanges under this standard beginning in September 2017, tax evaders are coming forward to declare previously undeclared accounts and assets**.** Almost 55 billion euros in additional revenues have now been identified by countries that have established voluntary disclosure programmes and other initiatives targeting offshore evasion, up from the 48 billion euros I reported to you last year.

The OECD has also stepped up its efforts to counter tax evasion through its Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC), which brings together senior tax officials responsible for responding to global tax compliance risks. In response to recent global data leaks, the OECD organised special meetings of the JITSIC to explore possibilities of co-operation and information-sharing, identify tax compliance risks and agree collaborative action in response to the leaks.

Update on AEOI implementation

Countries have also begun acting on their commitments by putting in place the necessary legal and procedural frameworks to undertake automatic exchanges of financial account information. The multilateral Convention on Mutual Administrative Assistance in Tax Matters recently reached more than 100 participating jurisdictions while the Multilateral Competent Authority Agreement for CRS (CRS MCAA), which is a tool by which jurisdictions agree the details of the automatic exchange process, now has a total of 84 signatories – an increase of 10 since November 2015. In September 2016, the OECD will start to publish information on the bilateral exchange relationships actually established under the CRS MCAA.

Another new, important tool for effective AEOI implementation is the Common Transmission System, which was endorsed at the May 2016 meeting of the OECD's Forum on Tax Administration (FTA)[1] and for which the procurement contract has now been signed by the OECD. The Common Transmission System is a secure, encrypted system for bilateral exchanges of tax information, which will be critical for countries in terms of implementing their commitment to AEOI, as well as other tax

[1] www.oecd.org/tax/forum-on-tax-administration/meeting.htm

information exchange such as CbC reports. By developing a common global IT solution to the demands of tax transparency, the OECD is delivering enhanced compatibility and significant cost savings to governments. The costs of development of the OECD Common Transmission System are being borne by FTA members (which include non-OECD economies) even though the system will be available to all interested jurisdictions, and the ongoing user fees will reflect a jurisdiction's capacity to pay, thus supporting developing countries to implement AEOI and other exchanges.

With the first AEOI exchanges imminent, jurisdictions are intensively working to ensure they have the right legal framework, and domestic systems and processes in place for effective automatic information exchange in line with the timetables to which they have committed. The OECD continues its active support to jurisdictions to meet their AEOI commitments, with a broad range of tools and additional guidance now available, to ensure the consistent implementation by all relevant jurisdictions.

Objective criteria for identifying non-cooperative jurisdictions

Following a call in April from your Finance Ministers and Central Bank Governors, where they strongly reaffirmed the importance of effective and widespread implementation of the internationally agreed standards on tax transparency, OECD and G20 members have worked together to establish objective criteria to identify non-cooperative jurisdictions with respect to tax transparency. Delivered in July, they agreed on three criteria with corresponding benchmarks covering the implementation of the exchange of information on request (EOIR) and AEOI standards, as well as the need to join the multilateral Convention for Mutual Administrative Assistance for Tax Matters or ensure a sufficiently broad exchange network for both EOIR and AEOI.

Based on the objective criteria and drawing on the peer review findings of the Global Forum, the OECD will prepare a list by the 2017 G20 Leaders' Summit of those relevant jurisdictions that have not yet sufficiently progressed toward a satisfactory level of implementation of the agreed international standards on tax transparency.

New focus on implementation challenges

The global tax transparency standards developed by the OECD and endorsed by the G20 are robust. They draw on the work developed by the Financial Action Task Force (FATF) on beneficial ownership, which is now incorporated into the tax transparency standards (EOIR and AEOI), and on the stringent US FATCA legislation which addresses the risks of non-compliance by financial intermediaries and other service providers. The tax transparency standards also cover the issue of transparency of trusts and other legal arrangements.

In spite of progress made in the development, endorsement and implementation of the tax transparency standards to level the playing field, G20 countries have also recognised the practical challenges related to the accessing reliable beneficial ownership information. To this end, the Global Forum and the FATF are working on initial proposals to improve implementation of the international standards on transparency, including access to reliable beneficial ownership information, with a view to deliver a report to the G20 in October.

C. Tax Policy

The G20 Tax Policy Symposium in July, hosted by China in cooperation with Germany, and supported by the OECD, provided a unique opportunity for a Ministerial-level discussion on how tax policy can be used to achieve the G20's broader objective of strong, sustainable and balanced growth.

Tax policy approaches to drive innovation and support inclusive economic growth were considered in-depth. Ministers recognised that structural reform of the tax system focused on driving innovation can play a key role in shaping the knowledge-based economy, while balanced policies that promote inclusive growth and generate opportunities and rewards for all segments of the population are also needed. It was also noted that tax policy can be effective in boosting economic participation and productivity, while mitigating income inequalities, especially where the impact of policies on people's incomes and well-being over their life cycle, and across generations as well as countries, are taken into account.

The critical issue of tax uncertainty, with its potential macroeconomic consequences such as reducing trade and investment by increasing the cost of capital, was also discussed. It is recognised that, while some degree of policy uncertainty will always exist with continual economic change such as new business models from ongoing developments in the digital economy, governments are able to design tax policies to reduce uncertainty. Focusing on both tax policy and administration measures that can establish an enabling environment for growth, Ministers noted that improving tax dispute resolution and a more globally consistent application of the international tax rules were some of the important features to enhance certainty.

Agreement was reached that further and deeper analysis is needed to expand tax policy options on these areas, to support the G20's broader growth agenda. The OECD was tasked with the IMF to continue working on these issues. China also made a welcome announcement to establish an international tax policy research centre with a view to contribute to expanding knowledge of this topic. The G20's support for this work is extremely important, particularly in view of the global 2030 Agenda where effective tax policy and administration play a fundamental role in enhancing domestic resource mobilisation. With the Symposium, the G20 laid the groundwork for a fourth pillar in the G20 tax agenda - after BEPS, tax transparency and tax and development - focused on tax policies conducive to sustainable, balanced and inclusive growth.

D. Tax and Development

In 2016, the G20 has continued working with the OECD to support enhanced efforts, on both tax transparency and in tackling BEPS for greater developing country participation in the work on the international tax agenda (see parts A and B of Part I), as well as establishing and building on other measures to build greater capacity to tackle tax issues and enhance domestic resource mobilisation.

In the area of capacity building, the OECD in partnership with the UN Development Programme is taking forward the Tax Inspectors Without Borders (TIWB) initiative which has become fully operational this year. TIWB provides developing countries with hands on practical audit assistance for complex international tax issues, building expertise and sharing best practices. In addition, at the request of developing countries and in partnership with the European Commission and the World Bank Group, the OECD's Tax and Development Programme continues to actively build capacity in 20 developing countries on transfer pricing issues through tailored country-level assistance. These programmes also address other BEPS related issues in addition to transfer pricing, so that a holistic approach is taken to improving the quality of tax administration. The importance of enhancing capacity in tax administrations to support sustainable development, including by ensuring that all countries can benefit from enhanced collaboration, was also recognised in the report approved by the OECD's Forum on Tax Administration (FTA). Approved in May, the four key recommendations of that report will form the basis for the OECD's future work in this critical area.

This year also witnessed the establishment of the Platform for Collaboration on Tax, whose purpose is to formalise regular discussions between the four international organisations - the OECD, IMF, UN and World Bank Group on a variety of domestic and international tax matters, including to strengthen the interactions between standard-setting, capacity building and technical assistance through a more systematic approach. The work of the Platform will have a particular focus on developing countries as they seek both more capacity support and greater influence in designing international rules.

With our partners in the Platform, we delivered in July a report for G20 Finance Ministers identifying the core elements of successful tax capacity building programmes (including for donor countries and agencies), as well as the enabling factors that help to produce such successes. Since tax systems have a critical role in enhancing domestic resource mobilisation, making sure the assistance provided is impactful, effective and aligned with country-led objectives is as central as ever to achieving the Sustainable Development Goals. The key findings of the report highlight the need for assistance to be part of, and support, a country-led process in a supportive political environment.

The Platform partners also recently had a chance to present the Platform's programme of work at the meeting of the G20/OECD Inclusive Framework on BEPS in Kyoto. This included an update on the BEPS toolkits to address the BEPS priority issues identified by developing countries, such as the lack of access to comparable information needed for transfer pricing purposes, or the issues arising from the indirect transfer of assets. This work aims to translate the BEPS deliverables and BEPS-related issues into practical guidance that takes into account the developing country context. The first tools under this work stream were delivered by the international organisations in November 2015, focusing on the effective use of tax incentives.[2]

Finally, with regional partners, the OECD published in 2016 the first edition of Revenue Statistics in Africa, covering 8 countries, which builds on existing publications covering Latin America and Asia as well as the OECD. The OECD's Global Revenue Statistics programme now covers more than 60 countries, and provides officials with comprehensive, comparable and high quality revenue data to make informed decisions about the design of tax policy in their countries. Revenue statistics will be an essential data source to track progress on Sustainable Development Goal 17 concerning the means of implementation.

2 www.oecd.org/tax/tax-global/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf

Annex 1

List of Members of the G20/OECD Inclusive Framework on BEPS
(as at 26 August 2016)

1. Angola
2. Argentina
3. Aruba
4. Australia
5. Austria
6. Bangladesh
7. Belgium
8. Benin
9. Brazil
10. Brunei Darussalam
11. Bulgaria
12. Burkina Faso
13. Cameroon
14. Canada
15. Chile
16. China (People's Republic of)
17. Colombia
18. Congo
19. Costa Rica
20. Croatia
21. Curaçao
22. Czech Republic
23. Denmark
24. Democratic Republic of the Congo
25. Egypt
26. Eritrea
27. Estonia
28. Finland
29. France
30. Gabon
31. Georgia
32. Germany
33. Greece
34. Guernsey
35. Haiti
36. Hong Kong (China)
37. Hungary
38. Iceland
39. India
40. Indonesia
41. Ireland
42. Isle of Man
43. Israel
44. Italy
45. Jamaica
46. Japan
47. Jersey
48. Kenya
49. Korea
50. Latvia
51. Liberia
52. Liechtenstein
53. Lithuania
54. Luxembourg
55. Malta
56. Mexico
57. Monaco
58. Netherlands
59. New Zealand
60. Nigeria
61. Norway
62. Pakistan
63. Papua New Guinea
64. Paraguay
65. Poland
66. Portugal
67. Romania
68. Russia
69. San Marino
70. Saudi Arabia
71. Senegal
72. Seychelles
73. Sierra Leone
74. Singapore
75. Slovak Republic
76. Slovenia
77. South Africa
78. Spain
79. Sri Lanka
80. Sweden
81. Switzerland
82. Turkey
83. United Kingdom
84. United States
85. Uruguay

PART II

OECD SECRETARY-GENERAL REPORT

TO THE G20 LEADERS

Global Forum on Transparency and Exchange of Information for Tax Purposes

Executive summary

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the world's leading multilateral body within which work in the area of transparency and exchange of information for tax purposes is carried out by its 135 member jurisdictions, the European Union and 15 observer international organisations.

Since 2009 enormous improvements have been made in international tax transparency, including significant developments since the Global Forum's last report to G20 Leaders in November 2015. These are clearly evidenced in the number of countries that have committed to and are implementing the new standard on the automatic exchange of financial account information (the AEOI Standard), the completion of the first round of reviews of exchange of information on request (EOIR) and the number of countries that have already achieved satisfactory ratings in those first round reviews, demonstrating the effective implementation of this standard.

In relation to AEOI, 101 jurisdictions have now committed to commence exchanging information under the standard in 2017 or 2018. This includes five new countries since the last update (Bahrain, Kuwait, Lebanon, Nauru and Vanuatu) as well as Panama, which confirmed its clear commitment after briefly withdrawing its previous support. The Global Forum is closely monitoring the delivery of the commitments made and is providing support where needed. Implementation must remain the key and urgent priority as some of the committed jurisdictions still have a lot to do if the commitments are to be successfully delivered on time. This includes putting in place the necessary domestic reporting rules for financial institutions as well as the international legal framework to actually exchange the information.

The Global Forum will complete its first round of peer reviews of the EOIR standard and complete the assignment of compliance ratings by October 2016. In the meantime, it has started a new round of reviews against strengthened terms of reference, which include ensuring the availability of beneficial ownership information.

The outcomes of the first round of reviews of almost all members show that the EOIR standard is already substantially implemented throughout the world with only a small minority of members that have still to reach a satisfactory level of implementation. For those jurisdictions, the Global Forum is designing a process to allow them to have their progress recognised in the list to be developed by the OECD by July 2017, as requested by the G20 Finance Ministers and Central Bank Governors. This new process will be in place immediately after the Global Forum's plenary meeting in November.

Initial proposals on improving the implementation of the international standards on transparency, including in relation to beneficial ownership, are also under discussion and will be ready to be presented to the G20 Finance Ministers and Central Bank Governors in October.

Participation in the multilateral Convention on Mutual Administrative Assistance in Tax Matters continues to increase, with the number of participating jurisdictions in the Convention having reached 103.

The Global Forum has also intensified its technical assistance activities to ensure that developing country members, in particular, are not left behind and that they too can benefit from the recent improvements in international tax transparency.

Introduction

The Global Forum is the world's leading multilateral body within which work in the area of transparency and exchange of information for tax purposes is carried out by its 135 member jurisdictions, the European Union and 15 observer international organisations.

Since the last G20 Leaders' meeting in November 2015, the Global Forum's membership has continued to grow with seven new members – Chad, Egypt, Guyana, Kuwait, Lebanon, Maldives and Paraguay. The vast majority of the new members are developing countries which now comprise more than half of the Global Forum's membership.

The Global Forum's activities in the worldwide promotion and assessment of transparency are reflected not only in the commitment of its members to its standards but also in the policies of many jurisdictions, international and regional organisations as well as the European Union. Its technical assistance activities, which are maintained by the funding and voluntary contributions of its members, support almost 70 developing countries. It is partnering with many regional organisations, such as the African Tax Administration Forum (ATAF), and Inter-American Center of Tax Administrations (*Centro Interamericano de Administraciones Tributarias* – CIAT), and the World Bank Group among others in the promotion of tax transparency and building capacity in developing countries.

The importance of the Global Forum's work in promoting and assessing tax transparency was highlighted once again in April 2016 by the biggest data leak in tax history, from a Panama-based law firm, Mossack Fonseca. While the leak highlighted the continuing problems of opacity and international tax evasion, it also showed the effectiveness of the steps that the global community has already taken to address these problems. Data showed that the number of offshore companies formed by the law firm in question had been in decline for some years and that the number of bearer share companies it was forming had fallen to almost zero in 2015.

These disclosures followed by calls from the G20 Finance Ministers and Central Bank Governors, in April 2016 to improve implementation of the standards have further invigorated the Global Forum's work and encouraged additional jurisdictions to commit to the standard on the automatic exchange of financial account information, with a total of 101 jurisdictions now committed to first exchanges in 2017 or 2018. The number of participating jurisdictions to the multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Multilateral Convention) also continues to grow and has now reached 103.

As the first round of reviews of the EOIR standard comes to an end in October 2016, a new round has already begun, based on reinforced criteria which encompass the availability of beneficial ownership information.

At the same time, the Global Forum is working actively with the FATF to deliver initial proposals by October 2016 on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information and its international exchange as requested by the G20 Finance Ministers and Central Bank Governors.

The remainder of this report elaborates on each of the three main work streams of the Global Forum's regular programme – exchange of information on request, automatic exchange of information and technical assistance. It also provides an update on developments in relation to the multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Exchange of Information on Request (EOIR)

Peer Reviews – Assessing effective implementation

The Global Forum has almost completed the first round of EOIR reviews for all of its member jurisdictions and relevant non-members. Phase 1 reviews examine the legal and regulatory framework; Phase 2 reviews look into the implementation of this framework in practice. Following a Phase 2 review, ratings are assigned which indicate a jurisdiction's compliance with the EOIR standard, including an overall rating.

Since the last report to G20 Leaders, the Global Forum has finalised and published 20 peer review reports as shown in the table below:

Reviews adopted since November 2015

Jurisdiction	Type of Review	Jurisdiction	Type of Review
Albania	Phase 2	Nigeria	Phase 2
Botswana	Phase 2	Niue	Phase 2
Cameroon	Phase 2	Pakistan	Phase 2
Croatia	Phase 1	Saint Lucia	Phase 2 Supplementary
El Salvador	Phase 2	Saudi Arabia	Phase 2
Gabon	Phase 2	Senegal	Phase 2
Georgia	Phase 2	Switzerland	Phase 2
Kenya	Phase 2	Tunisia	Phase 1
Liberia	Phase 1 Supplementary	Ukraine	Phase 1
Mauritania	Phase 2	United Arab Emirates	Phase 2

Two of these peer reviews are supplementary reviews requested by jurisdictions that wish to demonstrate that they have made improvements in their laws or practices since their previous review. Over the course of the first round of reviews, the Global Forum has adopted a total of 38 supplementary reviews. Jurisdictions rated Partially Compliant or Non-Compliant have quickly addressed recommendations to improve their implementation of the standard. All but three of the jurisdictions that have been blocked from Phase 2 have had or are undergoing a supplementary review. As a result of these supplementary reviews, ten jurisdictions had their ratings upgraded and 19 were allowed to move to the next phase of the review process having been previously blocked. The volume of supplementary reviews performed by the Global Forum reflects the impact that this work has had and how seriously assessed jurisdictions regard the recommendations made.

The table below shows the remaining 18 reviews which are currently on-going, including a further 5 supplementary reviews. All these reviews are on track to be finalised and published in 2016:

Ongoing reviews

Jurisdiction	Type of Review	Jurisdiction	Type of Review
Azerbaijan	Phase 2	Lesotho	Phase 2
Barbados	Phase 2 Supplementary	Marshall Islands	Phase 2
Brunei Darussalam	Phase 2	Morocco	Phase 2
Bulgaria	Phase 1 and 2 Combined	Nauru	Phase 1 Supplementary
Burkina Faso	Phase 2	Panama	Phase 2
Dominica	Phase 2	Peru	Phase 1
Dominican Rep.	Phase 2	Romania	Phase 2
Israel	Phase 2 Supplementary	Uganda	Phase 2
Lebanon	Phase 1 Supplementary	Vanuatu	Phase 1 Supplementary

As of September 2016, the Global Forum has finalised Phase 1 reviews of 123 jurisdictions and assigned compliance ratings for a total of 101 jurisdictions after completion of their Phase 2 reviews. The overall ratings show that 22 jurisdictions are rated "Compliant", 67 jurisdictions "Largely Compliant", 12 "Partially Compliant" (see the table below). By the time of the Global Forum plenary meeting in November 2016, compliance ratings for all jurisdictions except those that have joined the Global Forum recently will have been finalised and published.

JURISDICTION RATINGS FOLLOWING A PHASE 2 REVIEW	
Australia, Belgium, Canada, China (People's Republic of), Colombia, Denmark, Finland, France, Iceland, India, Ireland, Isle of Man, Japan, Korea, Lithuania, Mexico, New Zealand, Norway, Slovenia, South Africa, Spain, Sweden	Compliant
Albania, Argentina, Aruba, Austria, Bahamas, Bahrain, Belize, Bermuda, Botswana, Brazil, British Virgin Islands, Cameroon, Cayman Islands, Chile, Cook Islands, Cyprus, Czech Republic, El Salvador, Estonia, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Germany, Ghana, Gibraltar, Greece, Grenada, Guernsey, Hong Kong (China), Hungary, Italy, Jamaica, Jersey, Kenya, Latvia, Liechtenstein, Luxembourg, Macao (China), Malaysia, Malta, Mauritania, Mauritius, Monaco, Montserrat, Netherlands, Nigeria, Niue, Pakistan, Philippines, Poland, Portugal, Qatar, Russia, San Marino, Senegal, Singapore, Slovak Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Seychelles, Switzerland, Turks and Caicos Islands, United Kingdom, United States, Uruguay	Largely compliant
Andorra, Anguilla, Antigua and Barbuda, Barbados*, Costa Rica, Curaçao, Indonesia, Israel*, Samoa, Sint Maarten, Turkey, United Arab Emirates	Partially compliant
JURISDICTIONS NOT YET RATED BECAUSE THEY CANNOT MOVE TO PHASE 2	
Federated States of Micronesia, Guatemala, Kazakhstan, Lebanon*, Nauru*, Trinidad and Tobago, Vanuatu*	Jurisdictions not moving to Phase 2

* The jurisdiction is undergoing a Supplementary review.

In October 2015 the Global Forum adopted a strengthened standard for assessment of EOIR which now includes a requirement to have not only legal ownership information but also beneficial ownership information available and accessible to tax authorities. This was a critical milestone in preparation for the next round of EOIR peer reviews which have now commenced. These reviews will assess both the legal framework and the practical implementation of the strengthened standard and compliance ratings will be assigned in each case. The first six reviews of the second round of reviews started in the third quarter of 2016 and another seven reviews will be launched in the fourth quarter as indicated in the following table.

2016 Schedule for the second round of reviews

Jurisdiction	Period of Launch	Jurisdiction	Period of Launch
Australia	3Q 2016	Qatar	4Q 2016
Bermuda	3Q 2016	Canada	4Q 2016
Cayman Islands	3Q 2016	Denmark	4Q 2016
Ireland	3Q 2016	Germany	4Q 2016
Mauritius	3Q 2016	India	4Q 2016
Norway	3Q 2016	Jamaica	4Q 2016
		Jersey	4Q 2016

Peer Reviews – Recognising Progress

The G20 Finance Ministers and Central Bank Governors have called on all relevant countries and jurisdictions to make sufficient progress towards a satisfactory level of the tax transparency standards by the 2017 G20 Summit (July 2017). The Global Forum has always been responsive to recognise progress made by its members in implementing the EOIR standard by means of a system of supplementary reviews. However, as the second round of reviews is being launched in 2016 that employs a strengthened standard (now including rules on beneficial ownership), there is currently no possibility under the existing methodology for jurisdictions that do not have a satisfactory rating to demonstrate progress through a supplementary review in time for the 2017 G20 Summit.

Consequently, the Global Forum is developing a special procedure that will enable it to evaluate, on a provisional basis, whether a jurisdiction has made sufficient progress in implementing the existing EOIR standard to be eligible for an upgrade in its ratings. This will not be a full review leading to a new rating, but jurisdictions that are able to demonstrate progress will then be scheduled for a full review as soon as possible. This will encourage jurisdictions to make progress and allow timely reporting to the G20 Leaders in July 2017. This process will be put in place immediately after the Global Forum's plenary meeting in November.

Answering the G20 Call

The G20 Finance Ministers and Central Bank Governors' request in April for initial proposals by their October 2016 meeting on improving the implementation of the international standards on transparency, including in relation to beneficial ownership information, came at a key moment in the Global Forum's review process. Following the updating of the Terms of Reference in relation to EOIR, with the inclusion of the Financial Action Task Force's (FATF) definition of beneficial ownership, a second round of peer reviews has now commenced. Further, the Global Forum is currently designing an assessment process in relation to the AEOI Standard, which also incorporates the FATF beneficial ownership standard, to be carried out immediately and in advance of the comprehensive reviews.

The Global Forum is also working closely with the FATF to develop initial proposals on improving implementation of the standards in relation to beneficial ownership to report to the G20 Finance Ministers in October.

Automatic Exchange of Information (AEOI)

More jurisdictions commit to the international AEOI Standard and to automatically exchange information by 2018

Since the last meeting of the G20 Leaders, the number of jurisdictions committed to implement the AEOI standard and to begin to exchange information in 2017 or 2018 has grown. This now includes Bahrain, Nauru and Vanuatu, as well as Panama, which confirmed its clear commitment after briefly withdrawing its previous support. The Global Forum is closely monitoring the delivery of the commitments made and is providing support where needed.

In addition, Kuwait and Lebanon have recently joined the Global Forum and have also committed to automatic exchange of information by 2018. The Global Forum warmly welcomes these commitments, which bring the total number of jurisdictions committed to implement the AEOI Standard and to exchange information automatically in 2017 or 2018 to 101.

Implementation must remain the key and urgent priority for all as some of the committed jurisdictions still have a lot to do if the commitments are going to be successfully delivered in a timely manner. This includes putting in place the necessary domestic reporting rules for financial institutions as well as the international legal framework to actually exchange the information.

Over half of the committed jurisdictions have decided to lead the world in the implementation of the AEOI standard and to commence automatically exchanging information in 2017. While this meant a few jurisdictions understandably faced challenges, in almost all of the “first movers”, the full legislative framework is in place and financial institutions are currently collecting the information ready to be reported and exchanged next year.

A key focus must now be on ensuring all jurisdictions committed to exchanges by 2018, deliver on the commitments made. There remains a substantial amount to do over the coming months if 2018 exchanges are to be delivered on time. Most jurisdictions still need to commence putting in place the domestic legal framework and over 10 jurisdictions, the international legal framework.

The Global Forum continues to closely monitor the situation, providing support as necessary. It will continue to report in increasing detail on the progress made.

Supporting AEOI Implementation

In support of the global move to AEOI, the Global Forum is focusing on key areas of AEOI implementation to ensure jurisdictions are implementing the AEOI standard effectively and to identify where support is needed. Already expert-led assessments have been completed for the majority of committed jurisdictions in relation to the legal and operational frameworks they have in place to keep the exchanged data confidential and safe. The Global Forum will also assess the accuracy of implementing domestic legislation in each jurisdiction and the network of international legal agreements being put in place. Finally, the Global Forum is putting in place the necessary legal and governance structures to manage the operation of the OECD Common Transmission System currently being developed to transmit the information between exchange partners.

THE AEOI STANDARD: STATUS OF COMMITMENTS TO THE COMMON REPORTING STANDARD*

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

* The United States has indicated that it is undertaking automatic information exchanges pursuant to FATCA from 2015 and has 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.

The multilateral Convention on Mutual Administrative Assistance in Tax Matters

The multilateral Convention on Mutual Administrative Assistance in Tax Matters has always provided for automatic exchange of information, and has taken on increasing importance due to the widespread commitments to the AEOI standard. In 2015, the G20 Finance Ministers asked the Global Forum to report on progress made by its members in signing the multilateral Convention and, in their Communiqués of April and July 2016, they called on all relevant countries to sign the Convention.

Progress has been made both by jurisdictions committed to the AEOI standard and developing countries that see great value in signing the multilateral Convention rather than negotiating many separate bilateral agreements. The number of jurisdictions participating in the Convention has now reached 103, including three non-Global Forum members. The multilateral Convention is already in force in 77 of these jurisdictions. So far in 2016, 12 jurisdictions have deposited their instruments of ratification (Andorra, Barbados, Brazil, Bulgaria, Chile, Liechtenstein, Nauru, Niue, Saint Kitts and

Nevis, Senegal, Singapore and Uganda) and 10 more countries have signed the multilateral Convention (Burkina Faso, Dominican Republic, Jamaica, Kenya, Malaysia, Saint Kitts and Nevis, Samoa, Saint Vincent and the Grenadines, Senegal and Uruguay). Another 9 jurisdictions are currently engaged in the process to sign the instrument.

With respect to those jurisdictions which have committed to implement the automatic exchange of financial account information under the CRS by 2017 or 2018, to date, only one jurisdiction (Trinidad and Tobago) committed to 2017 exchanges has not yet signed the multilateral Convention. Regarding the jurisdictions committed to 2018 exchanges, more work is required as 17 of them have not joined the Convention and 9 have not yet ratified it. The OECD and Global Forum work jointly to assist members in this regard. A full list of jurisdictions participating in the multilateral Convention is available in Annex 1.

Given that the multilateral Convention provides an ideal instrument to swiftly implement the AEOI Standard, a multilateral competent authority agreement was developed to be used in conjunction with the multilateral Convention, containing the details of the automatic exchanges to take place and ensuring they are in accordance with the requirements of the AEOI Standard. At the time of the previous report in November 2015, 74 jurisdictions had signed this Multilateral Competent Authority Agreement ("MCAA"), to automatically exchange information based on Article 6 of the multilateral Convention. Subsequent signatures of the agreement bring the total number of current signatories to 84.

Technical Assistance

Technical assistance and capacity building activities are essential to the worldwide implementation of the tax transparency standards by all Global Forum members, particularly those that are developing countries.

These activities continued to intensify throughout 2016 due to members' commitment to the AEOI standard. The addition of six new committed jurisdictions since the last report means that demand for support continues to grow. The Global Forum is determined to assist all of these jurisdictions in meeting their commitments and has already taken steps to support those that have recently committed, including Kuwait, Lebanon, Nauru and Vanuatu as the timelines for these jurisdictions are short and intensive efforts will be required. Extensive assistance is also being provided to smaller jurisdictions in the Caribbean and Pacific regions.

In addition, the pilot projects on AEOI, endorsed by the G20, and led by the OECD Global Forum Secretariat working with the Wold Bank Group and member jurisdictions are progressing. These are peer to peer knowledge transfers to support developing countries in implementing and benefiting from AEOI in a timely manner. Five projects have commenced, with the support of specific members, Albania (with Italy), Colombia (with Spain), the Philippines (with Australia), Morocco (with France) and Ghana (with the United Kingdom). All developing country members of the Global Forum are welcome to participate in a pilot project and others have already shown interest in participating.

Demand for technical assistance on EOIR remains high, especially from developing countries and new members. Since the last report, Azerbaijan, Bulgaria, Morocco, Gabon, Romania, Senegal have all benefited from the assistance of the Secretariat in the preparation of their EOIR reviews. It is expected that demand will continue to rise as the next round of reviews was launched in the third quarter of 2016.

One important measure of the effectiveness of this effort is success in the peer review process. To date a total of 14 African developing countries have received assistance in preparing for their Phase 1 peer reviews and all of them have successfully moved to Phase 2. Of these seven have completed their Phase 2 reviews and all received satisfactory ratings.

Jurisdictions have also started to request assistance on designing measures to ensure the availability of beneficial ownership information. Assistance has already been provided to some members in this regard. It is foreseen that more assistance of this nature will be required over the next three years to help jurisdictions ensure the availability of beneficial ownership information for tax purposes.

It is expected that technical assistance requests will also increase in the light of the G20 Finance Ministers and Central Bank Governors call for countries to make sufficient progress towards a satisfactory level on the tax transparency standards by July 2017, as countries with unsatisfactory ratings will seek support to achieve satisfactory results quickly.

A Programme for New Members

The Global Forum's technical assistance activities contribute to the domestic resource mobilisation needs of the 2030 Agenda and the Addis Tax Initiative. Given its already extensive membership, all new members of the Global Forum will be developing countries. To cater for their specific needs, a new induction programme has been developed to enable them to integrate into the Global Forum and benefit as quickly as possible from membership through country-specific technical assistance roadmaps and capacity building plans. Programmes are already underway in Armenia, Cote d'Ivoire, Lebanon, and Papua New Guinea. Chad, Egypt, Guyana, Maldives, Niger, Paraguay and Tanzania will benefit from this programme in the coming months.

The Africa Initiative

Finally, beyond the implementation of the standards, the ultimate aim of our technical assistance work is to encourage the effective use of the exchange of information's tools so that developing countries can benefit from improvements in international tax transparency to enhance domestic resource mobilisation. This is the main goal of the Africa Initiative, a three year programme supporting the effective use of EOI in our African member countries. As we reach the end of the second year of the initiative, seven of our African members have come forward to lead it (Burkina Faso, Cameroon, Gabon, Ghana, Kenya, Morocco and Uganda) and are meeting the targets set for the year. These targets include structural changes to the organisation of their EOI work, a minimum number of EOI requests to be sent and the signing of the multilateral Convention on Mutual Administrative Assistance in Tax Matters. In 2016, training of tax auditors in the use of EOI instruments was provided to Gabon and Morocco, and an event is planned in Burkina Faso in October 2016.

Annex 1

Jurisdictions participating in the Convention on Mutual Administrative Assistance in Tax Matters

TABLE OF JURISDICTIONS PARTICIPATING IN THE CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX MATTERS *		
	Jurisdictions	**Current status regarding the Convention**
77	Albania, Anguilla[(1)], Argentina, Aruba[(2)], Australia, Austria, Azerbaijan, Belgium, Belize, Bermuda[(1)], British Virgin Islands[(1)], Bulgaria, Cameroon, Canada, Cayman Islands[(1)], China (People's Republic of), Colombia, Costa Rica, Croatia, Curaçao[(3)], Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands[(4)(5)], Finland, France, Georgia, Germany, Ghana, Gibraltar[(1)], Greece, Greenland[(4)(5)], Guernsey[(1)], Hungary, Iceland, India, Indonesia, Ireland, Isle of Man[(1)], Italy, Japan, Jersey[(1)], Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Moldova[(5)], Montserrat[(1)], Netherlands, New Zealand, Nigeria, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Saudi Arabia, Seychelles, Singapore, Sint Maarten[(4)], Slovak Republic, Slovenia, South Africa, Spain, Sweden, Tunisia, Turks and Caicos Islands[(1)], Uganda, Ukraine, United Kingdom, United States[(6)].	Convention entered into force
9	(Andorra, Barbados, Brazil, Chile, Liechtenstein, Nauru, Niue, Senegal, and Saint Kitts and Nevis.	Instrument of ratification, acceptance or approval deposited
17	Burkina Faso, Dominican Republic, El Salvador, Gabon, Guatemala, Israel, Jamaica, Kenya, Malaysia, Monaco, Morocco, Philippines, Saint Vincent and the Grenadines, Samoa, Switzerland, Turkey, Uruguay	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.

(1) Extension by the United Kingdom.

(2) Extension by the Kingdom of the Netherlands.

(3) Extension by the Kingdom of the Netherlands. Curacao and Sint Maarten used to be constituents of the "Netherlands Antilles", to which the original Convention applied as from 1 February 1997.

(4) Extension by the Kingdom of Denmark.

(5) Jurisdictions which are not Global Forum members.

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