



# OECD TAX TALKS

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CENTRE FOR TAX POLICY  
AND ADMINISTRATION

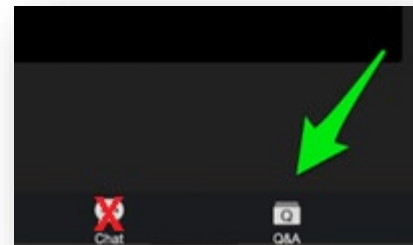
27 February 2023  
13:00-14:00 (CET)



# Housekeeping

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- Chat function disabled for security purposes
- Submit questions via Q&A function
- Webinar is being recorded and will be made available within 24 hours
- Join the conversation on social media by using #OECDtaxtalks



# INTRODUCTION

# Topics

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- **Update on the Two-Pillar Solution**
  - Economic Impact Assessment
  - Overview
- **Tax Certainty**
- **Tax and Development**
  - Capacity Building
  - Tax and Development Days
  - OECD/UNDP Tax Inspectors without Borders
- **VAT**
- **Inclusive Forum on Carbon Mitigation Approaches**
- **Q&A**



# Latest Developments

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- Two-Pillar Solution

Pillar One  
Amount A

Pillar One  
Amount B

Pillar Two  
GloBE Rules

Pillar Two  
STTR

- Launch of the **Inclusive Forum on Carbon Mitigation Approaches**
-  1<sup>st</sup> Meeting of G20 Finance Ministers and Central Bank Governors in **Bengaluru**

# G20 Chair's Summary

## February 2023 - Bengaluru



“We will continue our cooperation for a globally fair, sustainable and modern international tax system fit for purpose for the 21st century. We remain committed to the swift implementation of the OECD/G20 two-pillar international tax package. We urge the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“Inclusive Framework”) to finalise Pillar One, including the remaining issues so that the Multilateral Convention can be signed in the first half of 2023. We welcome the release of the GloBE Implementation Framework which facilitates implementation of GloBE Rules as a common approach. We welcome the steps taken by countries to implement the GloBE Rules and call upon the Inclusive Framework to finalise the negotiations on the Subject to Tax Rule (STTR) under Pillar Two to allow for its implementation, including through the development of a Multilateral Instrument. We recognise the need for coordinated efforts towards capacity building to implement the two-pillar international tax package effectively. We look forward to receiving an update on the 2022 G20/OECD Roadmap on Developing Countries and International Taxation. We ask the Global Forum on Transparency and Exchange of Information for Tax Purposes (“Global Forum”) to update the G20 on the implementation of the roadmap in its 2021 Strategy on Unleashing the Potential of Automatic Exchange of Information for Developing Countries, including efforts made to encourage such jurisdictions to adopt the Automatic Exchange of Information (AEOI) framework under the Common Reporting Standard (CRS). We also call upon the OECD to conclude the work on the implementation packages concerning the Crypto-Asset Reporting Framework and amendments to the CRS.”



# Main Deliverables for 2023



- Two Pillar Solution Implementation aspects.
- Update on the **2022 G20/OECD Roadmap on Developing Countries and International Taxation**.
- **Capacity building to implement the Two-Pillar international tax package effectively.**
- Update on implementation of the **Roadmap in the Global Forum's 2021 Strategy on Unleashing the Potential of Automatic Exchange of Information for Developing Countries**
- Conclusion of the work on the implementation packages for **the Crypto-Asset Reporting Framework and amendments to the CRS**
- New **Report** exploring **feasibility of exchange of information on a voluntary basis in respect of immovable property transactions undertaken by residents of a jurisdiction in foreign jurisdictions.**
- New **Global Forum Report** to assist interested jurisdictions to streamline processes involved in **obtaining consent for the use of information obtained through tax treaties for non-tax purposes**, wherever provided in tax treaties.



# TWO-PILLAR SOLUTION UPDATE



# Economic Impact Assessment

Revenue gains are estimated to be higher than previously expected

**Pillar One: Revenue gains have increased and rise over time**

- Revenue gains of **USD 13-36 bn** (2021) or **USD 12-25 bn per year** on average over the period 2017-2021
- Taxing rights on an estimated **USD 200 bn of profit** to be allocated under Amount A
- **Low and middle income jurisdictions gain more** than high income jurisdictions, as a share of existing CIT revenues

**Pillar Two: Estimated annual global revenue gains of USD 220 bn for 2018 or around 9% of global CIT**



# Economic Impact Assessment

**Many new design features benefit low-income jurisdictions**

## Pillar One

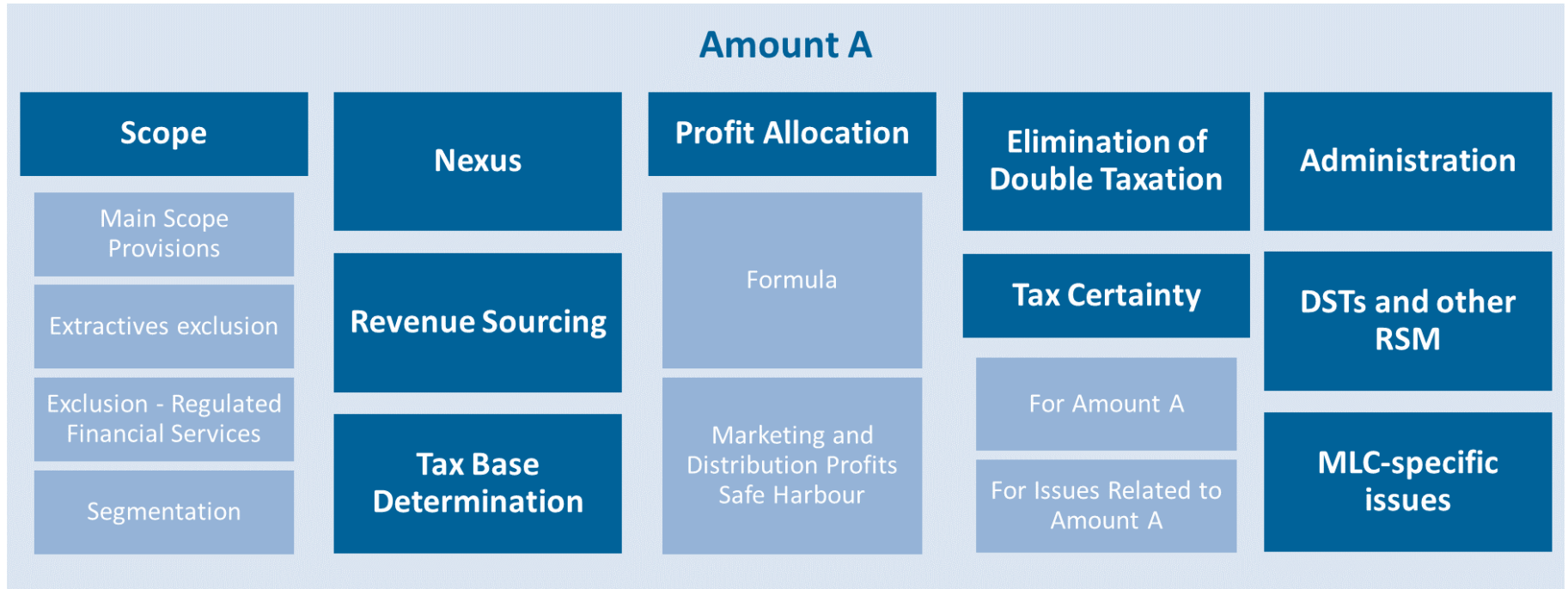
- **Special nexus thresholds**
- **Revenue sourcing**
- **Tail-end revenue provisions**
- **De minimis rules**

## Pillar Two

- **Revised UTPR allocation key**
- **Qualified Domestic Minimum Top-Up Taxes (QDMTTs)**



# Pillar One – Amount A



# Pillar One - Amount B

*The application of the arm's length principle to **in-country baseline marketing and distribution** activities will be **simplified and streamlined**, with a particular focus on the **needs of low capacity countries**. (IF Statement, 2021)*

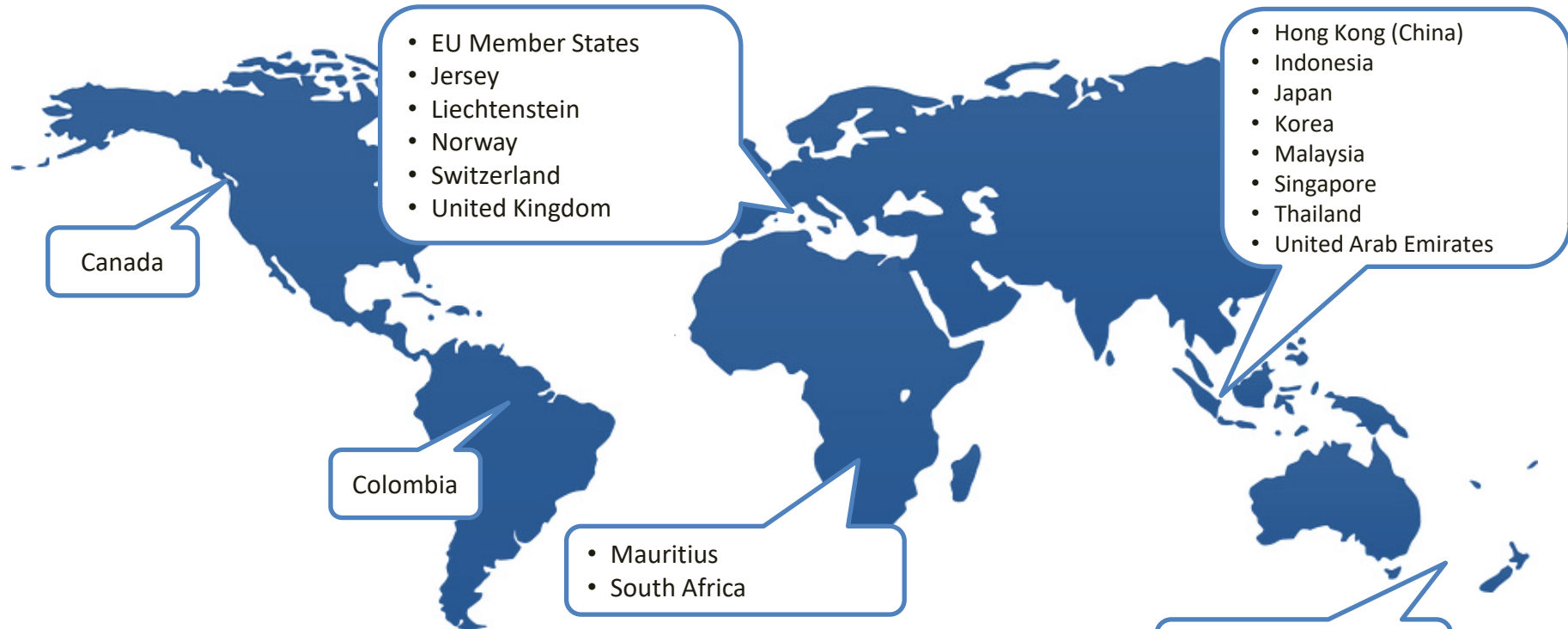
## Amount B benefits

- Clear scoping criteria for taxpayers that would qualify for Amount B
- Simpler pricing methodology where Amount B applies
- LCJs with no comparables or database access can use Amount B
- MAP - CAs spared from extensive discussions on comparables



# Pillar Two - GloBE Rules

*IF members taking steps to implement include:*



**Note:** This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

- Australia
- New Zealand

# Pillar Two - GloBE Rules Overview

## Model Rules (December 2021)

- Agreed rules that provide a template for domestic legislation. Model rules include provisions for determining scope and calculating the GloBE ETR and top-up tax liability.

## Commentary (February 2022)

- Explains the meaning and operation of the Model Rules and includes examples illustrating the application of the rules.

## Guidance (December 2022 and February 2023)

- Safe harbour guidance released in December 2022.
- Administrative Guidance released in February 2023 providing specific guidance on interpretation and application of the rules.
- Further Administrative Guidance to be issued as required.

## Administrative Co-ordination: GloBE Information Return

- Provides for standardised information reporting and exchange under GloBE rules, reducing compliance burden for MNEs and administrative burden for implementing jurisdictions.
- **Public consultation 16 March 2023.**

## Dispute prevention and resolution

- Consideration of dispute prevention and resolution mechanisms to resolve differences in interpretation or application of the rules.
- **Public consultation 16 March 2023.**



# Pillar Two – GloBE Information Return

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## Comments received

- Support for a standardized information return and exchange framework
- Limit the data points required
- Allow for jurisdictional reporting
- Simplifications and Safe Harbours
- Co-ordinated approach to filing and administration

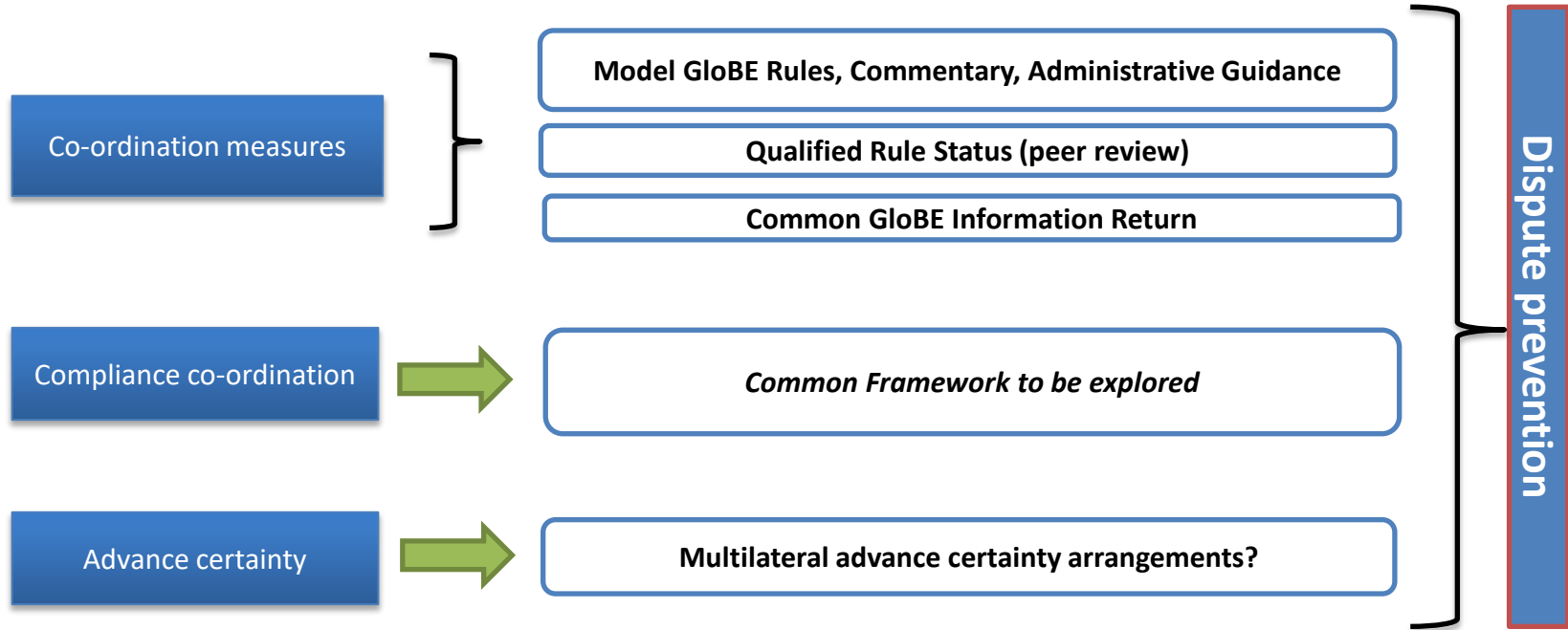
## Next Steps

- Revised GloBE Information Return
- Administrative Framework



# Pillar Two:

## *Co-ordination, tax certainty and dispute prevention*

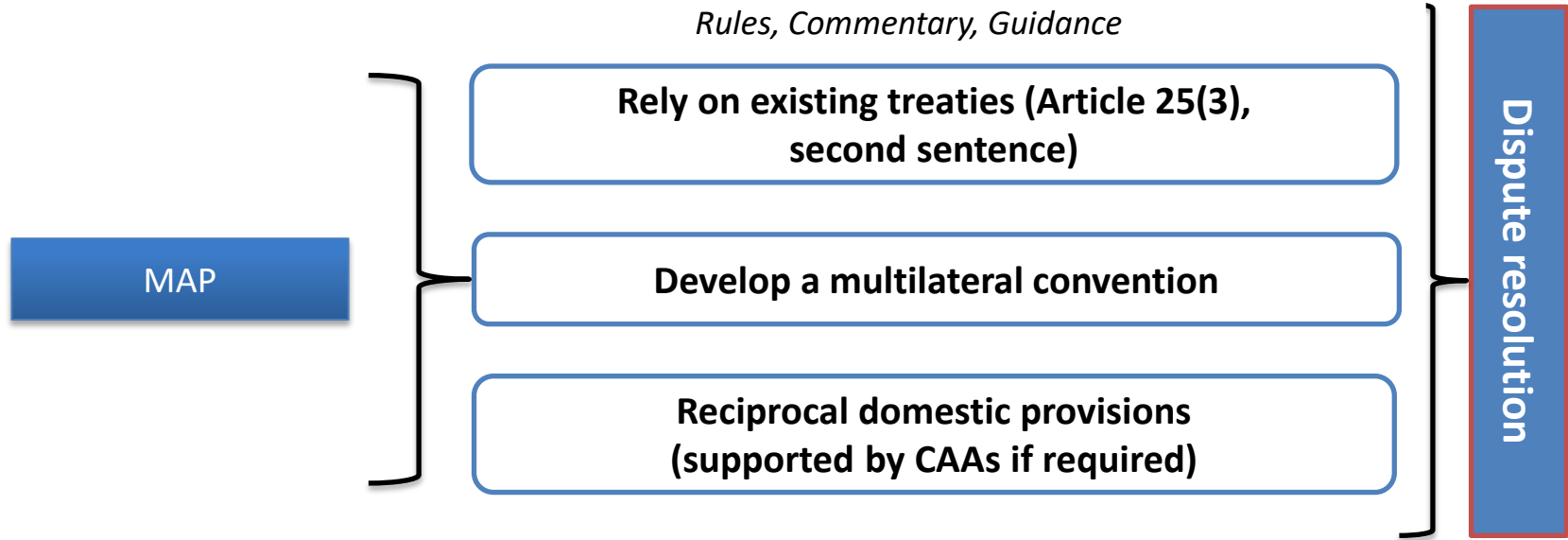




# Pillar Two

## *Tax certainty and dispute resolution*

*Objective is to allow CAs to bridge differences in interpretation/application of domestic GloBE Rules based on Model Rules, Commentary, Guidance*



# Pillar Two: STTR

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## STTR Model Treaty Provision

- Model treaty provision to be introduced in tax treaties where a covered item of income is taxed at less than 9% nominal rate

## Commentary

- Guidance on how to interpret and apply the STTR

## Process to assist in implementing

- To support jurisdictions in implementing the STTR

## A multilateral instrument

- To modify relevant tax treaties and implement the STTR swiftly



# Pillar Two – Broader context

## Technical assistance and capacity building

- Working with all IF members and other International Organisations
- Technical assistance programme including through the TIWB programme
- Handbook and toolkits

## Tax incentives and developing countries

- OECD (2022), *Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax Incentives after the GloBE Rules*
- World bank (2022), *The Global Minimum Tax: from agreement to implementation*
- IMF (2023), *International Corporate Tax Reform*

## Opportunities for simplification

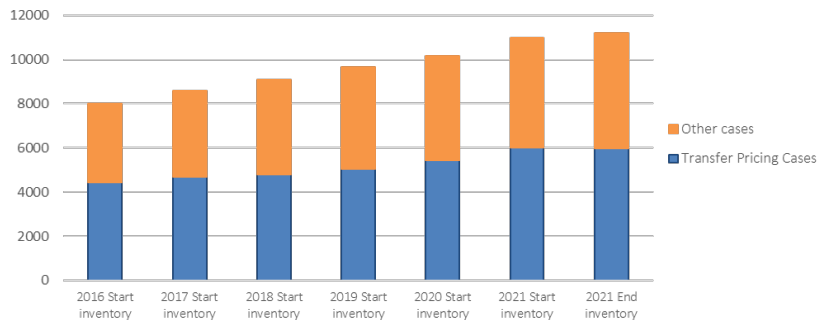
- e.g. OECD (2022), *Tax Co-operation for the 21st Century: OECD Report for the G7 Finance Ministers and Central Bank Governors*



**TAX CERTAINTY**

# 2021 MAP Statistics

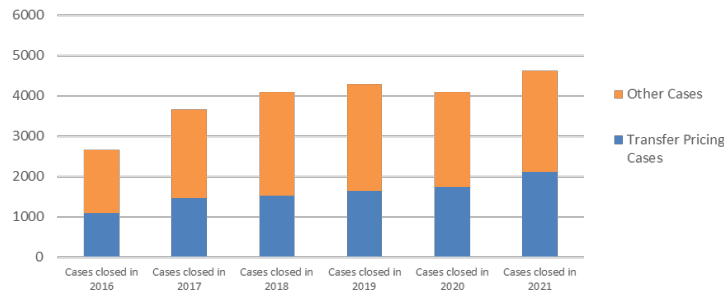
MAP inventory evolution (all cases)\*



Cases started every year from 2016 to 2021\*

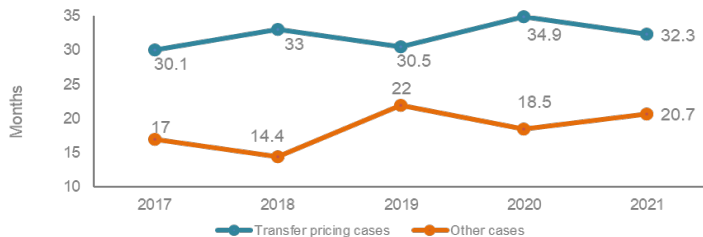


Cases closed every year from 2016 to 2021\*



\* These numbers do not eliminate the double counting of MAP cases

Average time to close MAP cases



# Recent projects to enhance tax certainty

## BAPAM – Bilateral APA Manual

- Streamline the APA process
- FTA MAP Forum has approved 29 best practices aimed at both CAs and taxpayers
- Best practices aim to:
  - Reduce time lags due to asymmetrical APA processes
  - Increase collaboration and transparency
  - Ensure that there are realistic expectations for CAs and taxpayers
- <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/bilateral-advance-pricing-arrangement-manual-4aa570e1-en.htm>

## MoMA – Manual on Multilateral MAPs and APAs

- Need for multilateral solutions increasing
- FTA MAP Forum has developed a manual on how to deal with specific issues in multilateral cases in the MAP and APA process
- Themes covered:
  - Legal basis for multilateral MAPs and APAs
  - Procedural aspects to consider for filing, discussions, agreement and implementation
- <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/manual-on-the-handling-of-multilateral-mutual-agreement-procedures-and-advance-pricing-arrangements-f0cad7f3-en.htm>



# Selection of Best Practices in BAPAM

## Timing

- Aim for agreement to be signed in 30 months
- Term generally minimum 5 years, including 2 prospective years
- Adequate resources
- Decision on acceptance within 30 days of receipt of complete application
- Project plan
- Complete finalisation and implementation ASAP

## Behaviour

- Engage with each other in a principled, fair, objective and transparent manner
- Not unduly influence the taxpayer's position during pre-filing
- Co-ordinate information gathering process
- Only request information that is necessary and relevant
- File tax returns based on position taken in BAPA application
- Provide any requested information to both CAs simultaneously and ASAP



# Topics covered in MoMA

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Legal basis → how existing tax treaties allow for multiple bilateral MAP/APA requests to be coordinated as a multilateral MAP/APA, challenges (e.g. EoI) & possible solutions

Procedural rules → actions to be taken at each step of a multilateral MAP/APA; modalities of discussion (single multilateral/coordinated bilateral discussions); implementation; suggested timeframe (aim to conclude a multilateral MAP/APA within 36 months from filing)

Interaction with domestic remedies and role of taxpayers highlighted

Examples of typical situations where multilateral MAPs/APAs may be helpful





# TAX & DEVELOPMENT

# Capacity building for the two Pillars



## Regional Consultations



**14** events in **5** regions  
in 2022 (two in-person)



**1900** Participants from  
over **130** jurisdictions  
(over 100 IF members)



Next round likely  
ahead MLC signing



## Technical sessions on key aspects of Pillar One



## Briefings on key topics discussed in the Inclusive Framework (IF) on BEPS and the Task Force on the Digital Economy (TFDE)



Pre-meetings and  
debriefings for the IF  
Steering Group



TFDE pre-meetings  
and debrief sessions as  
part of the agenda



Information update  
webinar for all IF  
members

# Pilot Programme on Tax Incentives and Pillar Two

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## Tailor-made assistance in

- Understanding **how the GloBE rules work**
- Identifying **tax incentives** that either will be at **risk of top-up taxes** under GloBE or won't work anymore for large MNEs in the new international tax environment
- Assessing the **economic impact** of the rules and any proposed changes
- **Drafting legislation** to implement the GloBE rules or new domestic (top-up) taxes and/or reform existing incentives

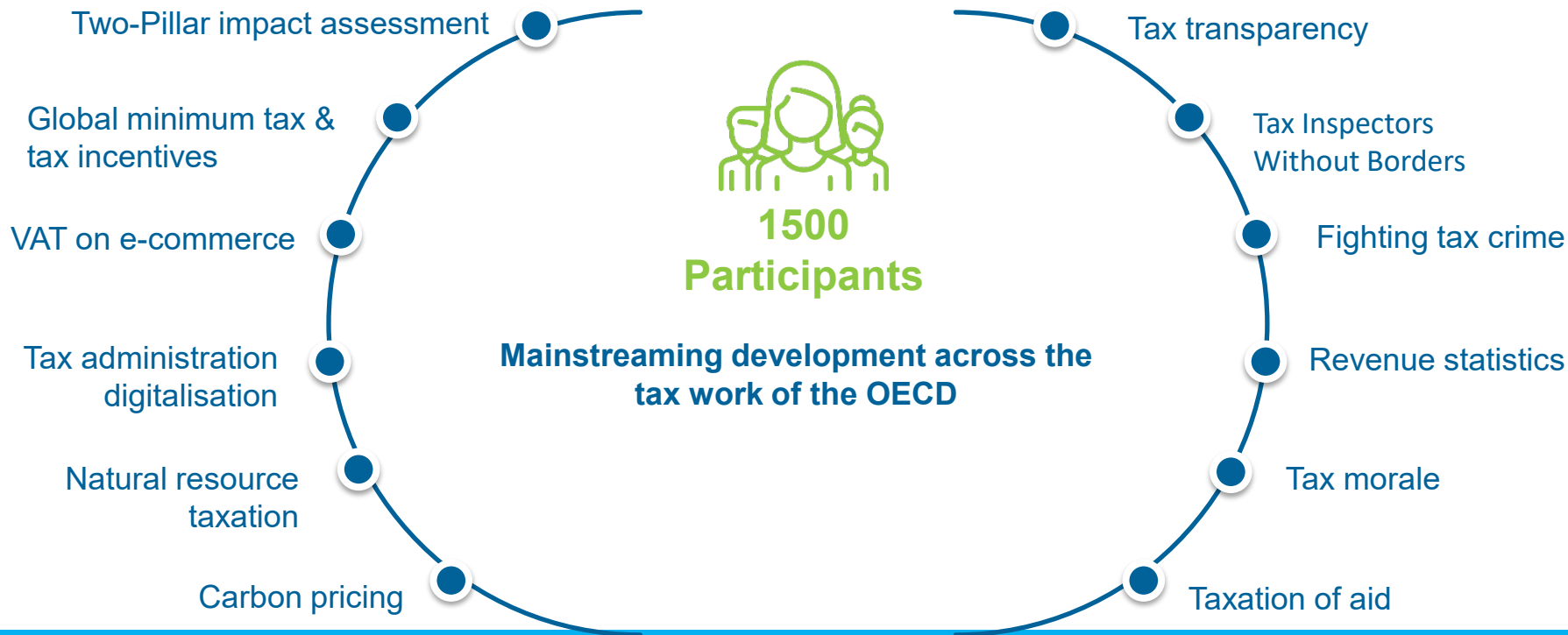


## Collaborate with international and regional partners



## Bring investment and trade officials into the discussions

# Tax and Development Days



# Tax and Development Days



WORLD BANK GROUP



**PARTNERS**

財務省  
Ministry of Finance, JAPAN



**DONORS**

Irish Aid  
Rialtas na hÉireann  
Government of Ireland



Co-funded by the European Union



WORLD CUSTOMS ORGANIZATION

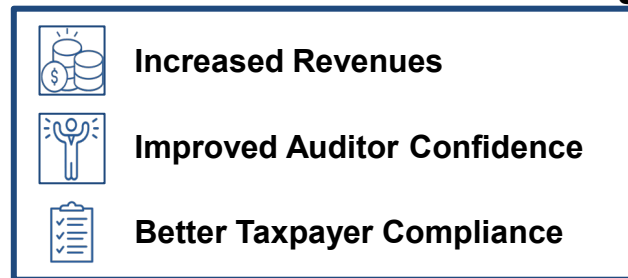


# Spotlight on Tax Inspectors Without Borders

## What is Tax Inspectors Without Borders?

- A **niche form of assistance** to help build audit capacity in international taxation
- **Tailor-made** programmes based on the needs of the tax administration
- Assistance to developing countries to **mobilise domestic resources**
- **Hands-on, technical support** to audit MNEs
- Direct interaction between TIWB Experts and local tax and other government officials. **TIWB is not any form of substitution**

## What do the Host Administrations gain?

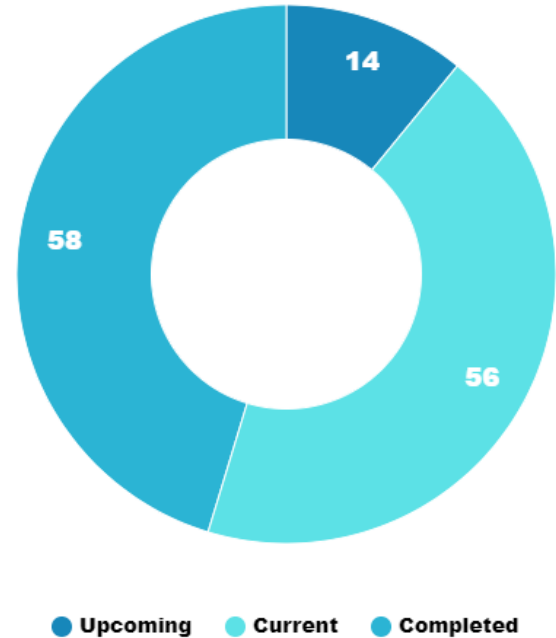
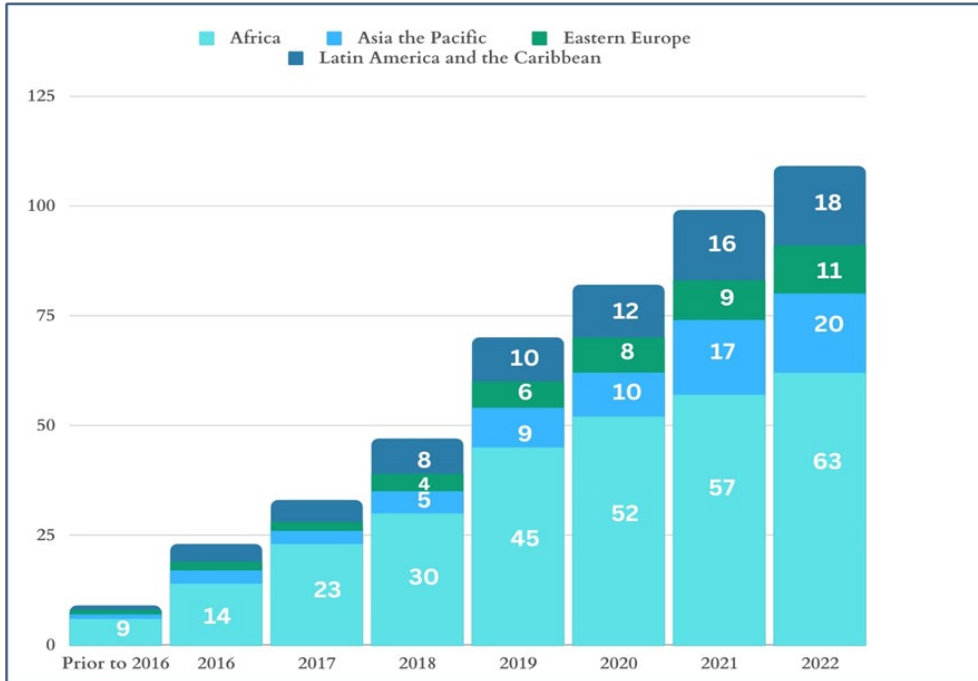


## Who are the different TIWB shareholders?

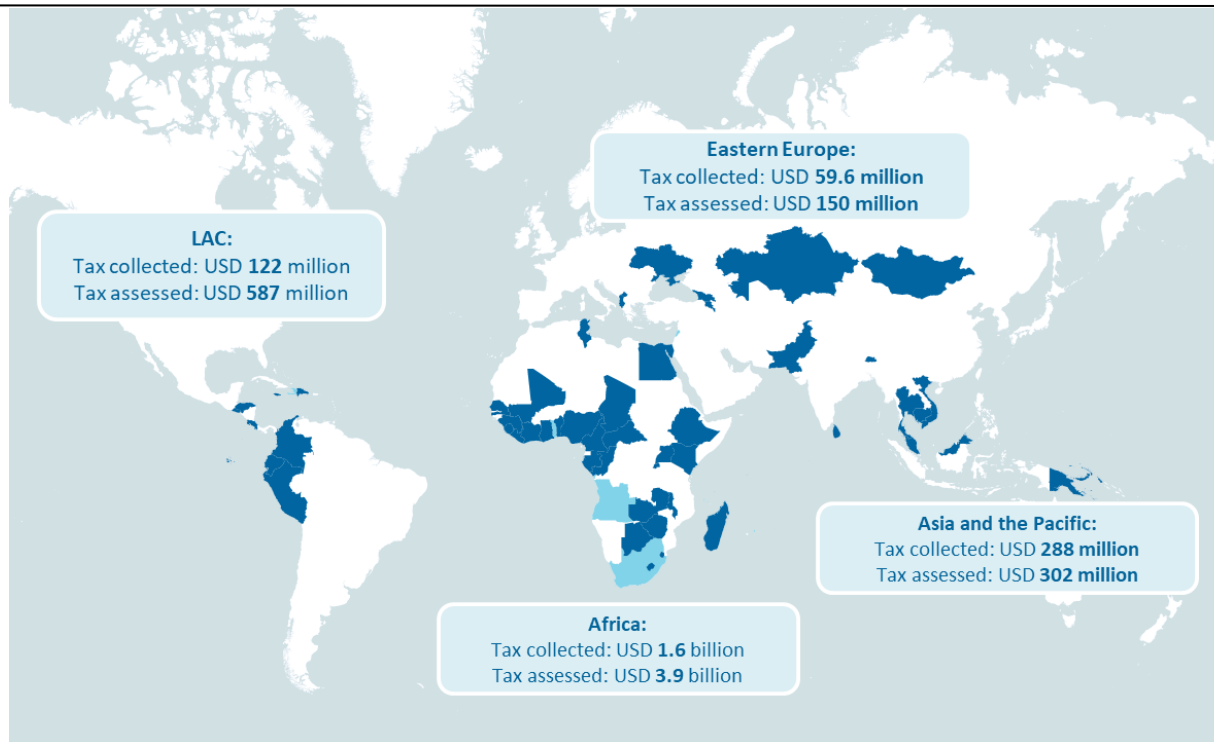


# TIWB in Numbers

Regional distribution of programmes commenced (cumulative)



# TIWB – Revenue Impact Worldwide



**Total tax collected:  
USD 2.07 billion**

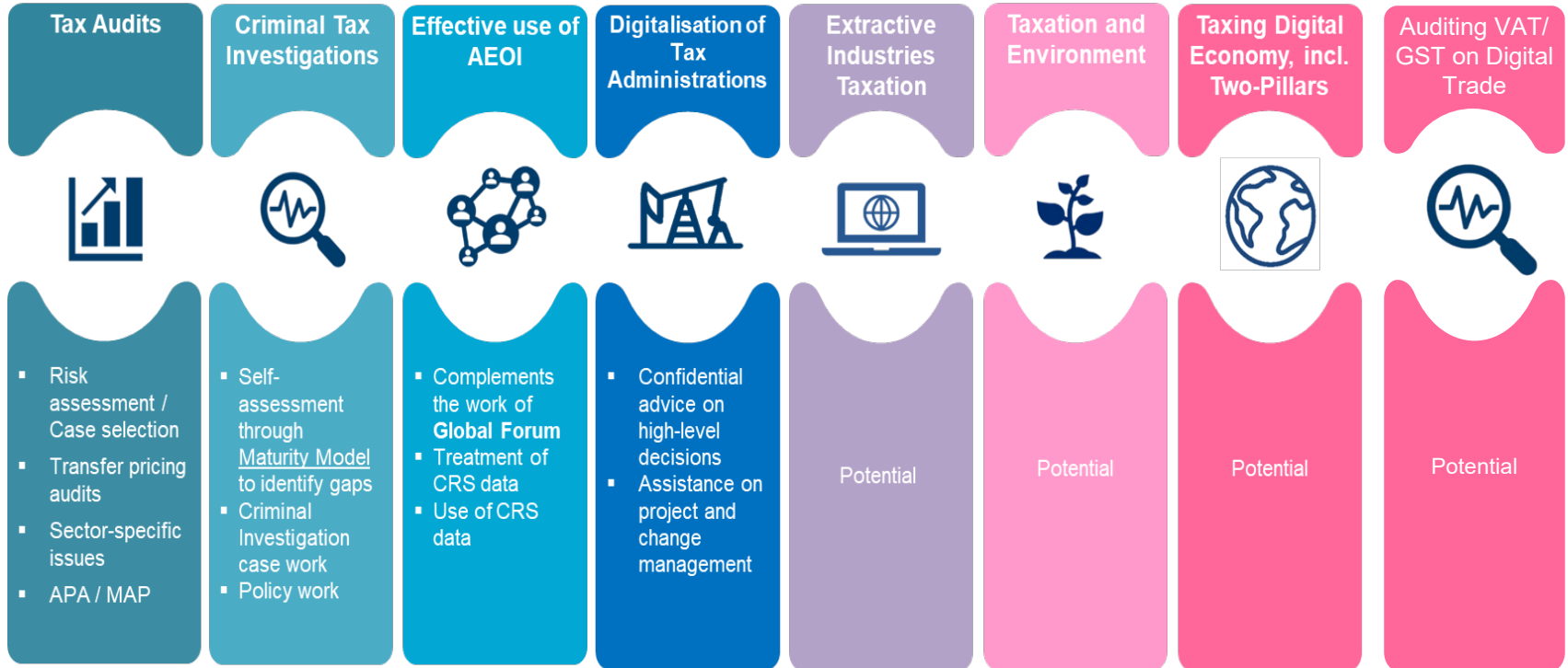
**Total tax assessed:  
USD 4.94 billion**

*Note:  
Reflects results from 2012 to date.  
All reported revenues are generated  
through the collective work of  
development partners (incl. ATAF,  
IGF, WBG, among others)*





# TIWB – Areas of Assistance



# VAT

# VAT & Digital Trade

## *Delivering International standards and guidance*

### Addressing the Tax Challenges of the Digital Economy, Action 1 – Final Report

Presents solutions for the efficient collection of VAT on digital trade.



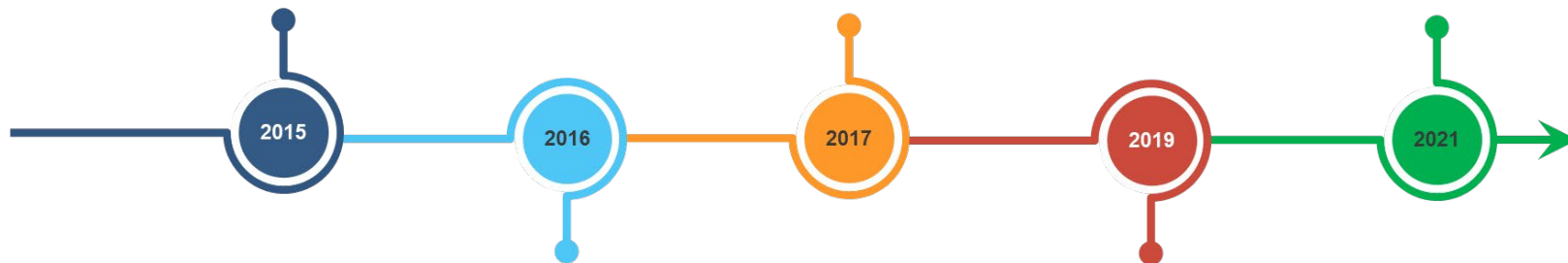
### Mechanisms for the Effective Collection of VAT/GST

Detailed guidance on the design and operation of a simplified VAT compliance and collection regime for non-resident online sellers.



### The Impact of the Growth of the Sharing and Gig Economy on VAT/GST Policy and Administration

Guidance on the design and implementation of an effective VAT policy response to the growth of the sharing and gig economy.



### The International VAT/GST Guidelines

Global standard for the application of VAT to international trade in services and intangibles.



### The Role of Digital Platforms in the Collection of VAT/GST on Online Sales

Including the design of platform liability for collecting and remitting the VAT on the transactions that they facilitate.



# VAT Challenges of Digital Trade

## *Capacity Building Programme*

3

Full  
technical  
assistance

5

Programmes in 2022

5+

Potential future  
countries

2

Targeted  
assistance

21

Jurisdictions  
assisted in 2022

1

Multilateral  
support

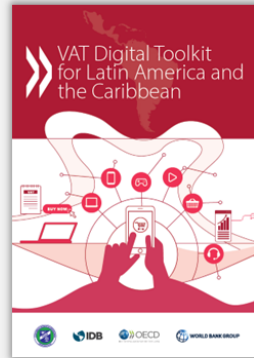
~180

Economies reached

~20

Workshops in 2022

### Regional VAT Digital Toolkits: key capacity building tools



Detailed manuals covering all aspects of a successful VAT strategy directed at digital trade, based on OECD standards and practical experience.

Developed in close consultation with tax authorities and partner organisations.



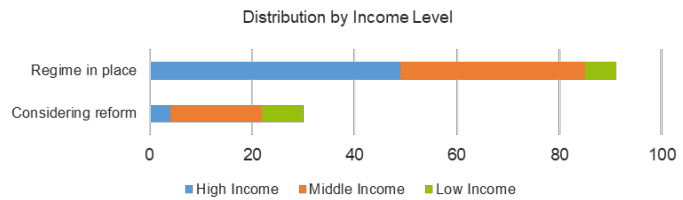
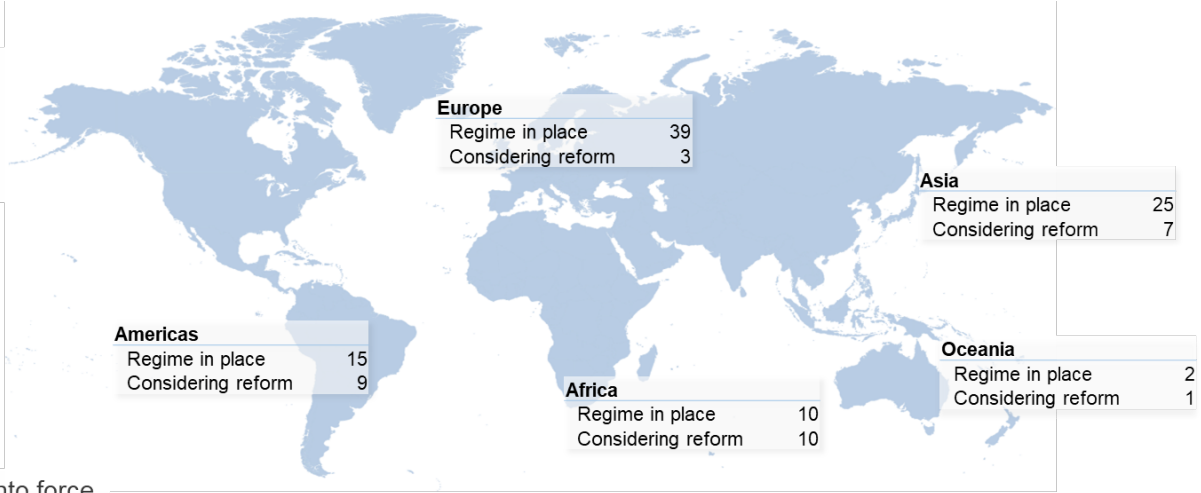
# VAT on e-Commerce

## *Status update on Implementation*

~90  
Jurisdictions have implemented VAT reform directed at digital trade

~30  
Are considering reform

8  
Brought measures into force in 2022 that implement the OECD standards  
Egypt, Ghana, Kazakhstan, Kyrgyzstan, Nigeria, Uganda, Ukraine, and Viet Nam



Classifications are merely indicative. This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.



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# The priorities for 2023 and beyond

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## VAT Policy

Crypto-assets

Virtual economy

Evolutions in  
platforms economy



## Administration

VAT enforcement  
in digital trade

E-invoicing

Digital reporting



## Capacity building

Focus on bilateral  
technical assistance  
on VAT and  
e-commerce

# INCLUSIVE FORUM ON CARBON MITIGATION APPROACHES

# What is the IFCMA?

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- An initiative designed to help **improve the global impact of emissions reduction efforts** around the world.
- Through **data and information sharing**, evidence-based mutual learning and inclusive multilateral dialogue.
- The IFCMA is **not intended to serve as a standard-setting body**, nor a forum to “rank” country policies. It aims to:

## Foster exchange and multilateral dialogue

among countries on an equal footing

## Improve access to high-quality & comparable data

by **taking stock** of mitigation policy instruments and mapping them to their emission base

## Improve mutual understanding

of the combined effect of **diverse policy approaches** to mitigate climate change





# IFCMA 9-10 February 2023

Inaugural meeting brought together **over 600** senior government officials and delegates representing **104** countries and jurisdictions and **9** international and other organisations from around the world.



# 1<sup>st</sup> IFCMA Meeting

Senior government officials and delegates discussed the challenges facing governments in accelerating the low-carbon transition and the role of the IFCMA.



#OECD

# Next Steps: technical work begins

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## Module 1

Take stock of mitigation policy instruments that countries use to reduce carbon emissions and estimate the emissions that these instruments relate to (mapping to the emissions base).

## Module 2

Develop and apply a consistent methodology to assess the effects of carbon mitigation policies and policy packages on emission reductions.

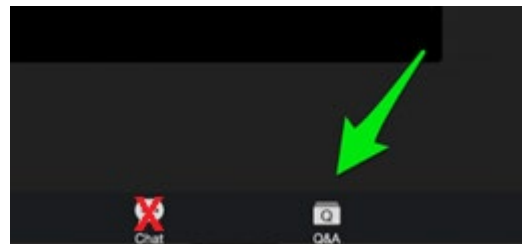


**QUESTIONS?**

# Questions?

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- Please submit your questions using the Q&A function at the bottom of your screen



**THANK YOU**