G20/OECD Roadmap on Developing Countries and International Taxation Update 2023

OECD REPORT TO THE G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

July 2023, India

OECD
BETTER POLICIES FOR BETTER LIVES

G20/OECD Roadmap on Developing Countries and International Taxation Update 2023

OECD Report to the G20 Finance Ministers and Central Bank Governors

Please cite this publication as:

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.

Revised version, December 2023

Details of revisions available at: https://www.oecd.org/about/publishing/Corrigendum_G20-OECD-Roadmap-on-Developing-Countries-and-International-Taxation-Update-2023.pdf.

Photo credits: Cover © Shutterstock/vs148

Foreword

As requested by G20 Finance Ministers and Central Bank Governors in February 2023[1], this OECD report provides an update on progress made by developing countries in benefiting from the new international tax rules and what more can be done to help. In recent years, developing countries have faced increasing fiscal challenges, with economies scarred by the COVID-19 pandemic and its after-effects, and facing ongoing price pressures and increasing debt servicing obligations. Maximising revenues and rebuilding fiscal positions are therefore vital. International taxation is an obvious focus given the reliance on corporate income tax in many developing countries, and the large role Multinational Enterprises (MNEs) occupy in the corporate tax base.

Building on the 2022 Roadmap on Developing Countries and International Tax, this report focuses on specific initiatives that are planned to accelerate progress in areas identified by countries as key priorities. In the sphere of corporate income tax, the most urgent priorities include action on Country-by-Country (CbC) reporting and support in implementing the Two-Pillar Solution for addressing the tax challenges of the digitalisation of the economy. Beyond corporate tax, the report identifies fiscal levers to address climate change and Value-Added Taxes (VAT)/ Goods and Services Taxes (GST) as areas where international co-operation is accelerating, and which will help to raise revenues to help finance the SDGs.

As the international tax system continues to evolve, becoming ever more inter-connected, it is increasingly in the interests of all countries, including G20 members, to continue to invest in the success of the OECD/G20 Inclusive Framework on BEPS, and in the engagement of developing countries in its work.

[1] G20 Chair's Summary and Outcome Document: First G20 Finance Ministers and Central Bank Governors Meeting Bengaluru, February 25, 2023.

Table of contents

Foreword 3

Abbreviations and acronyms 5

Executive summary 7

1 Progress on developing countries' engagement in the OECD/G20 Inclusive Framework on BEPS 9

1.1. Developing countries and the Inclusive Framework 9
1.2. BEPS minimum standards 9
1.3. Other priority BEPS actions 12
1.4. Conclusions on developing countries' engagement in the OECD/G20 Inclusive Framework on BEPS 14

2 Update on the 2022 Roadmap 15

2.1. OECD Ministerial Council Meeting Side Event on Tax and Development 15
2.2. Country-by-Country reporting 16
2.3. Capacity building to support the implementation of the Two-Pillar Solution 18

3 Issues beyond BEPS and corporate income tax (CIT) 27

3.1. Inclusive Forum on Carbon Mitigation Approaches (IFCMA) 27
3.2. Value Added Taxes (VAT)/ Goods and Services Taxes (GST) 28

Annex A. List of recommendations included in the 2021 Report 29

Abbreviations and acronyms

ADB	Asian Development Bank
AEOI	Automatic Exchange of Information
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
CbC	Country-by-Country
CFC	Controlled foreign corporation
CIAT	Inter-American Center of Tax Administrations
CIT	Corporate Income Tax
DMTT	Domestic Minimum Top-Up Tax
FHTP	Forum on Harmful Tax Practices
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
GloBE	Global Anti-Base Erosion
GST	Goods and Services Tax
IFCMA	Inclusive Forum on Carbon Mitigation Approaches
IGF	Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development
IISD	International Institute for Sustainable Development
IIR	Income Inclusion Rule
IMF	International Monetary Fund
Inclusive Framework	OECD/G20 Inclusive Framework on BEPS

MAAC	Multilateral Convention on Mutual Administrative Assistance in Tax Matters
MAP	Mutual Agreement Procedure
MCAA	Multilateral Competent Authority Agreement
MLI or Multilateral Instrument	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting
MNE	Multinational Entreprise
OECD	Organisation for Economic Co-operation and Development
PCT	Platform for Collaboration on Tax
QDMTT	Qualified Domestic Minimum Top-up Tax
SDG	Sustainable Development Goal
STTR	Subject to Tax Rule
TIWB	Tax Inspectors Without Borders
TREAT	Tax Risk Evaluation and Assessment Tool
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax
WBG	World Bank Group

Executive summary

As requested by G20 Finance Ministers and Central Bank Governors in February 2023[2], **this report presents an update on the 2021 Report on Developing Countries and the OECD/G20 Inclusive Framework on BEPS (2021 Report) and the subsequent 2022 OECD/G20 Roadmap on Developing Countries and International Tax (2022 Roadmap)[3].** The first chapter of this report takes stock of ongoing progress on developing countries' engagement in the OECD/G20 Inclusive Framework on BEPS,[4] including an analysis of the implementation of the BEPS minimum standards and the continued influence of developing countries in the negotiations to finalise the details of a Two-Pillar Solution to address the tax challenges of the digitalisation of the economy.[5] Chapter 2 then updates the 2022 Roadmap, highlighting the key priority areas for developing countries, and provides a guide to strengthen engagement and boost progress. Chapter 3 notes progress in areas beyond corporate income tax where international co-operation is becoming increasingly important.

The OECD/G20 Inclusive Framework on BEPS has shown that closer international co-operation can result in international norms and standards that reflect the input of a growing number of countries in an inter-connected and globalised world. An increasing number of developing countries are continuing to make progress in both implementing the internationally agreed rules and on having a direct impact on the formulation of such rules going forward. Even as these rules are finalised, the scope of the changes and the dynamic nature of the international tax environment means that the Inclusive Framework is continuing to play an important role as a forum where developing countries can engage on the effective and efficient implementation of the rules. Following the landmark agreement of the Inclusive Framework on a Two-Pillar Solution, the Global Anti-Base Erosion (GloBE) rules,[6] which will put in place an effective global minimum tax for large MNEs, presents an opportunity for developing countries to implement reforms across their corporate tax bases. With the rules coming into effect from 2024, developing countries' need for support is urgent.

Ministerial discussions have pointed to the implementation of CbC reporting and Pillar Two as high priority issues for developing countries in the BEPS agenda. As a result, capacity building efforts are being intensified in these areas. Specifically, the Report identifies four key indicative targets to focus support for developing countries in these priority areas:

---

[2] G20 Chair's Summary and Outcome Document: First G20 Finance Ministers and Central Bank Governors Meeting Bengaluru, February 25, 2023.

[3] https://www.oecd-ilibrary.org/taxation/g20-oecd-roadmap-on-developing-countries-and-international-taxation_cf46900c-en.

[4] https://www.oecd.org/tax/beps/about/.

[5] 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.htm.

[6] https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm.

1. An additional ten developing countries are able to access CbC reports by September 2024 and ten more by September 2025 and September 2026, assuming sufficient resources for capacity building are made available;
2. 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;
3. 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;
4. 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.

There is also recognition that corporate income tax reforms alone are not enough to fund the SDGs. In addition to taxes on income, fiscal mechanisms such as those based on consumption or production can also be used to help drive behavioural changes aligned with the SDGs. Ministerial events and work by other organisations have pointed to a number of other areas where developing countries could benefit from greater international co-operation, including environmental taxes and related pricing mechanisms, and VAT/GST. As such, this report includes a discussion of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA) and on international co-operation on VAT/GST.

The 2021 Report identified a range of other recommendations, relating to both corporate income tax and beyond, that would help developing countries with their domestic resource mobilisation efforts, and cement their integration into the new international tax architecture. These recommendations remain valid and should be revisited in future years under the leadership of the G20.

1 Progress on developing countries' engagement in the OECD/G20 Inclusive Framework on BEPS

This chapter provides an update on the progress made through the participation of developing countries in the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework). It starts with an overview of the Inclusive Framework membership, followed by an examination of the extent to which developing country members of the Inclusive Framework have implemented the BEPS actions, focusing on the minimum standards. The final part of the chapter examines the role of developing countries in the critically important ongoing work to flesh out the Two-Pillar Solution.

1.1. Developing countries and the Inclusive Framework

The Inclusive Framework is now 143 members[7] strong, with Azerbaijan having joined in December 2022 and Uzbekistan in June 2023. Fifty-one, or over one-third (36%) of the 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. Its leadership also reflects that balance, with one of two co-chairs, Ms Marlene Nembhard-Parker of Jamaica, from a developing country, as well as through the composition of its Steering Group.[8]

1.2. BEPS minimum standards

The following section examines the progress made by developing countries in implementing the BEPS minimum standards, these generally being the highest priorities for both the countries themselves, and the integrity of the international tax system more broadly. This stocktake takes into account progress made by non-OECD, non-G20 developing countries that are not financial centres as at 1 April 2023, except where otherwise indicated.

[7] https://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf.

[8] https://www.oecd.org/tax/beps/steering-group-of-the-inclusive-framework-on-beps.pdf.

1.2.1. Action 5: Preferential tax regimes; Exchange of rulings

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.[9] Some 30% of all regimes reviewed by the Forum on Harmful Tax Practices (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 (see Box 1.1).

Box 1.1. Action 5: Preferential tax regimes

Since the start of the BEPS project, developing countries accounted for:

- 49 of 190 (26%) of regimes abolished/ amended (this compares to 42 of 181 regimes or 23%, reported in the 2022 Roadmap)
- 95 of 319 (30%) of regimes reviewed (this is the same as reported in the 2022 Roadmap, meaning that no new regimes from developing countries were reviewed)

Source: OECD, based on the review of the implementation of the BEPS package by the FHTP in April 2023.

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 (see Box 1.2).

Box 1.2. Action 5: Transparency framework for exchange of information on tax rulings

- 25 developing countries (50%) received at least one ruling in 2021
- 34 developing countries (68%) received information on tax rulings at least once in the last 5 years for which information is currently available, i.e. 2017-2021
- 14 developing countries (28%) received information on tax rulings every year in the past 5 years for which information is currently available, i.e. 2017-2021

Source: OECD, as at the review of the implementation of the BEPS package undertaken in December 2022.

In the December 2022 review, 158 exchanges of information on tax rulings by three developing countries were found to have taken place in 2021 (the latest year for which data is available), out of a total of around 5000 exchanges globally. In total, the three developing countries involved in the exchanges provided 765 exchanges of information on tax rulings over the five-year period from 2017-2021. As noted in the 2022 Roadmap, the number of developing countries providing tax ruling information remains low in part because developing countries are less likely to issue tax rulings that fall within the scope of the transparency framework.

[9] The results on preferential regimes reported here take into account those reported at the April 2023 Forum on Harmful Tax Practices (FHTP) meeting, which will be published as soon as the approval process is completed. Of the three elements of the Action 5 minimum standard, the two which are relevant to developing countries that are not financial centres and are examined here. These relate to preferential tax regimes and the requirement for jurisdictions to exchange relevant information relating to taxpayer-specific rulings.

1.2.2. Action 6: Preventing treaty abuse

Progress by developing countries to address treaty abuse remains steady. BEPS Action 6 addresses treaty abuse and requires jurisdictions to amend their bilateral double tax agreements where necessary. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) is one way of updating bilateral agreements to close these loopholes, however, as was noted in the 2022 Roadmap, many developing countries advise that the process of signature and ratification of the MLI can be lengthy (see Box 1.3.). Despite this constraint, 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.

Box 1.3. Action 6: Prevent treaty abuse

- 28 developing countries (56%) have now signed the MLI (compared to 27 as reported in the 2022 Roadmap)
- 14 developing countries (28%) have ratified the MLI, which has now entered into force for all (14 in 2022 Roadmap)
- Two additional countries have indicated an interest in signing the MLI

Source: OECD

Among the 48 developing countries peer reviewed under the Action 6 minimum standard in 2022, 33 (69%) have no recommendations, meaning they have either fully implemented the standard through the ratification of the MLI or bilateral treaty negotiations, or they have developed a plan for the implementation of the minimum standard in their agreements. 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 (or an updated plan) for the implementation of the minimum standard has not yet been provided.

1.2.3. Action 13: Country-by-country reporting

As was reported in the 2021 Report and 2022 Roadmap, progress on CbC reporting has been challenging and recommendations have been put forward in response. Section 2.2 of this report provides an update on those recommendations and details actions that have been undertaken to help address these challenges.

A total of eight developing countries are expected to be in a position 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. In particular, the number of developing countries that have introduced domestic legislation providing for CbC reports has shown a significant increase, more than doubling from 15 as reported in the 2021 Report, to 31 as at April 2023. Greater intensification and targeting of capacity building efforts (see section 2.2) are anticipated to amplify this progress in the coming years.

Box 1.4. Progress on Action 13

- 46 developing countries (96%) have undergone a peer review for Action 13 (43 reported in the 2022 Roadmap)
- 31 developing countries (64%) have domestic legislation in place (23 reported in the 2022 Roadmap)
- 39 developing countries (78%) have signed the Multilateral Convention on Mutual Administrative Assistance (MAAC) (37 reported in the 2022 Roadmap), while 34 (68%) have ratified it (32 reported in the 2022 Roadmap)
- 17 developing countries (34%) have signed the multilateral competent authority agreement on the exchange of CbC reports (CbC MCAA) (12 reported in the 2022 Roadmap)
- 11 developing countries (22%) have passed the confidentiality assessment under the Automatic Exchange of Information standard (9 reported in the 2022 Roadmap)
- 6 developing countries (16%) have activated relationships under the CbC MCAA allowing for reciprocal exchange of CbC reports (5 reported in the 2022 Roadmap)

Source: OECD, based on Peer Review reports completed as at 1 April 2023.

1.2.4. Action 14: Improving dispute resolution

Under BEPS Action 14, Inclusive Framework member jurisdictions have committed to improving the resolution of tax treaty disputes, especially under the Mutual Agreement Procedure (MAP). Since several developing countries are starting to have MAP experience, the Inclusive Framework noted that these jurisdictions would need more support to manage this increase and to ensure these cases are resolved in an efficient, effective and timely manner, in line with BEPS Action 14. Therefore, although peer reviews under BEPS Action 14 had been deferred for developing countries with limited MAP experience until 2022, the Inclusive Framework decided in 2023 to start a special "simplified peer review" process for these jurisdictions starting from January 2023. The process is being conducted with the aim of assisting these jurisdictions to set up a more robust MAP programme for pending or future MAP cases, in accordance with a schedule published on the OECD website.[10] Results from these reviews will be available in the coming months. Other priority BEPS actions

1.2.5. Action 1: Effectively taxing the digitalising economy

Developing countries have continued to play an active role in shaping the rules of the Two-Pillar Solution and ensuring that the rules reflect the input and priorities of all Inclusive Framework members. Developing countries have successfully negotiated on a number of elements of the Pillar One package that have contributed significantly to expected revenue or administrative benefits for lower income countries. A summary of these is set out in Box 1.5 below.

OECD analysis indicates that a doubling of the tax base increase for low- and middle-income countries results from the combination of the comprehensive scope, tail-end revenue, protection from relieving double taxation, lower nexus threshold, and de minimis rule in the marketing and distribution profits safe harbour compared to a scenario without these provisions.

[10] Available at: https://web-archive.oecd.org/2023-02-08/418319-beps-action-14-peer-review-assessment-schedule.pdf // https://www.oecd.org/tax/beps/beps-action-14-peer-review-assessment-schedule.pdf.

The Pillar Two GloBE Rules now explicitly refer to the complementary Qualified Domestic Minimum Top-up Tax (QDMTT), which would allow source countries the first right to collect top-up taxes due under the minimum tax from subsidiaries of MNE groups operating locally, ahead of any Income Inclusion Rules (IIR) or UTPR. Furthermore, the calculation of the top-up amount due under a QDMTT is done prior to the application of any controlled foreign corporation (CFC) or similar rules imposed in the parent jurisdiction. Together, these factors mean implementing a QDMTT is an attractive option for developing countries, allowing them to collect the associated revenues, without fear of reducing their competitiveness or foreign direct investment, since MNE Groups will be subject to the top-up tax in any event due to the interlocking mechanisms of the GloBE Rules. Relieving pressure on governments in this way is also anticipated to provide greater space for consideration of policy reforms relating to tax incentives.

Box 1.5. Developing countries' influence on the Two-Pillar Solution

Developing countries had a material impact on the high-level agreement for a Two-Pillar Solution and continue to influence the evolution of those rules. While some of the rules are yet to be finalised, examples where developing countries have materially influenced the negotiations include:

Pillar One: Amount A

- A broader scope and simplified design to the exclusion of extractive activities, helping prevent the re-allocation of economic rents associated with extracted commodities; and minimising the need for complex segmentation.
- Low nexus threshold, with no 'plus factors' meaning smaller developing economies are more likely to benefit from Amount A.
- Tail-end revenue provisions for consumer-facing businesses provide additional Amount A revenue to lower income jurisdictions.
- The averaging mechanism for determining whether an MNE is in scope for Amount A strikes a balance between providing stability and ensuring that MNEs are not inappropriately kept out of scope.
- Stricter time limitations on the carry-forward of losses limiting any long-term reduction in Amount A allocation, while still providing a reasonable period for MNEs to recoup economic losses.
- De minimis thresholds for the elimination of double tax, meaning lower-income countries are less likely to have to provide relief from double tax.
- De minimis thresholds as well as safeguards and adjustments in the mechanism are proposed for the application of the marketing and distribution safe harbour, meaning lower-income countries' Amount A allocations would be shielded from inappropriate offsetting adjustments. While strong tax certainty measures have been incorporated into Amount A, many developing countries will be eligible for elective dispute resolution mechanisms in place of mandatory binding mechanisms for issues related to Amount A. Developing countries are continuing to have material impact on the proposed tax certainty mechanisms, such as on the composition of review panels and the bearing of associated costs.
- The costs of administering and enforcing the rules will largely be borne by headquarters countries (typically developed / high income economies).

Pillar One: Amount B

- The inclusion of sales agents and commissionaires in the Amount B scope, helping to ensure Amount B appropriately applies to structures commonly used in many developing countries.
- The development of a global dataset for the application of Amount B, addressing the issues

arising from a lack of local comparables in many developing countries.

- The inclusion of Amount B into the OECD Transfer Pricing Guidelines, meaning its application will have a solid basis in both developed and developing countries.

Pillar Two: Global Anti-Base Erosion (GloBE) Rules

- Scope of the GloBE Rules is broader than that for Amount A, with a consolidated annual revenue threshold of EUR 750 million, similar to that which applies for CbC reporting.
- Jurisdictional, rather than global blending is used for the effective tax rate calculation.
- A substance-based, mechanical approach to allocation of any top-up taxes due under the UTPR. The revised allocation key, which includes employees, results in modest gains for low income jurisdictions.
- Confirming the importance of a (mechanical) substance-based carve-out, with a ten-year transition period, preserving policy space for countries to include tax measures to attract real foreign direct investment.
- Each constituent entity of an in-scope MNE would be required to file a GloBE information return with its local tax administration by default. This requirement is ‘switched off’ and central filing allowed, only where the local jurisdiction has access to the return via exchange of information mechanisms.
- QDMTTs will allow affiliate jurisdictions to collect top-up tax in priority to the application of the GloBE Rules in other jurisdictions, and will be taken into account ahead of any CFC or similar taxes.

Pillar Two: Subject to Tax Rule

- Ongoing work to define and develop the treaty-based STTR, which low income countries could require treaty partner countries to adopt in certain situations. Growing support for a broader scope of services payments to be covered, helping low capacity countries protect their tax base from erosion.

Source: OECD

1.3. Conclusions on developing countries’ engagement in the OECD/G20 Inclusive Framework on BEPS

Developing countries are continuing to make progress in implementing the BEPS minimum standards, helping to safeguard the international tax system for all countries. However, challenges remain: most importantly, only limited numbers of non-OECD, non-G20 developing countries that are not financial centres have completed the process to gain access to CbC reports of foreign-headquartered MNE groups. Chapter 2 spells out how more targeted support may help to create breakthroughs in this important area.

Developing countries have had a clear influence on discussions at the Inclusive Framework to flesh out the Two-Pillar Solution, helping to ensure the rules better reflect their priorities as well as their constraints. The complexity and pace of these discussions means that ongoing support for their active participation will remain critical. Chapter 2 proposes further action, particularly for the implementation of Pillar Two, which is fast becoming a reality.

2 Update on the 2022 Roadmap

This chapter provides an update on the 2022 Roadmap, identifying actions in support of developing countries. These actions respond to priorities identified through consultations with developing countries including Ministerial level meetings conducted in 2021 and 2022. These key priorities are:

- Maintaining and accelerating progress on implementing priority BEPS actions, in particular CbC reporting, to ensure developing countries can benefit from them;
- Supporting the implementation of the Two-Pillar Solution;
- Exploring other priority areas for multilateral co-operation with developing countries, with a particular focus on tax and the SDGs (Chapter 3).

In light of the overarching recommendation for sustained political dialogue contained in the 2021 Report, the chapter highlights recent additional high level events addressing these priority topics (see section 2.1 and the summary of the CbC-specific event in section 2.2.1.). The outcomes from these events are continuing to shape how the OECD and other stakeholders respond with support to developing countries.

Other recommendations identified in the 2021 Report, which may not have been sufficiently urgent for immediate or intensive attention, remain valid and are reproduced in Annex A. These will need to be revisited in future years under the leadership of the G20.

2.1. OECD Ministerial Council Meeting Side Event on Tax and Development

Renewed political attention was given to international tax and development through a Ministerial discussion at the OECD Ministerial Council Meeting[11] in Paris on 7 June 2023, chaired by the United Kingdom. This meeting provided an opportunity for Ministers from developing countries and other stakeholders to share their views on the implementation of the Two-Pillar Solution; increasing developing countries' access to CbC reports as well as their effective utilisation; and increasing capacity building efforts, including via the Tax Inspectors Without Borders (TIWB) initiative.[12] The Ministerial outcome statement provides impetus for further action as set out in the sections below.

[11] https://www.oecd-events.org/meeting-of-the-council-at-ministerial-level-2023/en.

[12] https://www.tiwb.org/.

Box 2.1. Ministerial outcome 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, Paris 8 June 2023 (at paragraph 6).

2.2. Country-by-Country reporting

The 2022 Roadmap identified developing country access to CbC reports as a critical issue and set out a range of actions to guide and accelerate progress. These included supporting developing countries to assess the potential benefits associated with CbC reporting, together with the timely integration of guidance on effective use of exchanged information, to help developing countries weigh the benefits and costs of implementing the Action 13 minimum standard. It also proposed more intensive and more targeted capacity building efforts, and noted the calls for further consideration of the Action 13 minimum standard.

2.2.1. High-level Roundtable on CbC reporting, April 2023

The OECD and the Global Forum jointly convened a High-level Roundtable on CbC reporting in April 2023. Commissioners, deputy commissioners and other high-level participants from 34 jurisdictions attended the roundtable, which 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.

> "We believe that MNEs and corporations in Malaysia will now engage less in tax avoidance strategies […] after the CbCR regulations are put in place in Malaysia. This is due to corporate transparency [being] improved with the reporting obligation under CbCR rules."
>
> Datuk Dr Mohd Nizom Bin Sairi, Chief Executive Officer, Inland Revenue Board of Malaysia

Some countries that are receiving CbC reports noted significant benefits. For instance, the Chief Executive of the Inland Revenue Board of Malaysia noted that CbC report information, analysed with the assistance of the Tax Risk Evaluation and Assessment Tool (TREAT), and combined with other available information, was helping the Revenue to improve the quality and timeliness of transfer pricing audits and to more effectively detect BEPS risks. Information from CbC reports has also been useful in estimating the number of MNEs operating in Malaysia that are likely to be impacted by the Pillar Two GloBE Rules and associated measures.

2.2.2. Additional capacity building efforts to accelerate progress on CbC reporting

Given the potential benefits to developing countries from accessing CbC reports, and guided by the 2022 Roadmap, the OECD and Global Forum secretariats are intensifying and focusing efforts to support countries to overcome remaining challenges. As identified in section 1.2.3 above, only a small number of non-OECD, non-G20 developing countries that are not financial centres have met all the Action 13 minimum standards such that they are able to receive CbC reports filed abroad.

Feedback from countries has indicated previously that the multiplicity of requirements to be met under the minimum standard has posed a challenge in some cases (see Box 2.2).

Box 2.2. Elements of the CbC minimum standard

In order to meet the CbC reporting minimum standard, a jurisdiction must have:

- Domestic legislation requiring local MNEs that meet the CbC threshold to file a CbC report
- A signed and ratified treaty instrument which provides for exchange (e.g. MAAC, tax exchange information agreement or double tax agreement)
- A concluded CbC competent authority agreement (e.g. the CbC MCAA) with activated relationships, on a reciprocal basis
- Passed the confidentiality assessment on a reciprocal basis (based on the Automatic Exchange of Information (AEOI) standard)
- Been assessed as having controls in place to ensure appropriate use of CbC reports

Equally, some countries have indicated that additional capacity building would be required to fully capitalise on the potential benefits of receiving CbC report information. Given these challenges, the OECD and Global Forum secretariats are taking a holistic approach aimed at supporting countries to both meet the minimum standards and subsequently to provide support in the efficient and effective use of CbC report information.

Following the discussions at the High-level Roundtable on CbC reporting (see section 2.2.1.), a number of developing countries have requested additional immediate term support. These are countries which had already met several, if not most, of the requirements. A tailored support programme is being developed in 2023. Support will also continue to those countries with more complex requirements, using a phased approach.

In addition to supporting countries in meeting the minimum standard, the OECD secretariat is continuing to develop and roll-out the TREAT, a highly accessible tool for the manipulation, evaluation and analysis of CbC report data. Capacity building support is being provided to introduce the tool and optimise its utility. For example, since 2020, ten events on CbC covering the use of the TREAT have been convened under the Global Relations Programme, reaching over 2000 tax officials from around the world. In addition, the TIWB Governing Board has agreed to expand TIWB activities to include the effective and appropriate use of information received through CbC reporting.

It is anticipated that the significant ramping up of capacity building support, and the more targeted approach, will make a material difference to the number of developing countries able to access CbC reports filed abroad in the medium term, albeit from a low base.

Indicative target

An additional ten developing countries are able to access CbC reports by September 2024 and ten more by September 2025 and September 2026, assuming sufficient resources for capacity building are made available.

2.2.3. The Action 13 minimum standard and limitations in exchange networks

Even with intensified capacity building support, broader issues of access to CbC reports require consideration. The 2022 Roadmap noted that without further consideration as to how the standard for CbC can ensure accessibility to developing countries whilst protecting the confidentiality and appropriate use of sensitive information, the number of developing countries which will be able to access CbC reports filed abroad in the short to medium term is likely to remain limited. The Roadmap also identified limitations in existing treaty-based exchange networks as a barrier to developing countries' access to CbC reports. The recommendation that interested G20 countries could, together with developing countries, reflect on the standard, and explore potential stop-gap measures such as encouraging the spontaneous exchange of CbC reports where appropriate, remains valid.[13]

2.3. Capacity building to support the implementation of the Two-Pillar Solution

The need for intensive, bespoke capacity building to support developing countries in the ongoing implementation of the Two-Pillar Solution has been widely recognised since the landmark high-level agreement by Inclusive Framework members reached in October 2021. This need has been strongly reiterated at Ministerial meetings and is reflected as a key priority in the 2022 Roadmap.

The global minimum tax is expected to take effect in over 30 countries from the beginning of 2024. This tax will have an immediate impact on all the large MNEs headquartered in those countries, by requiring them to pay a minimum tax of 15% on their income arising in every jurisdiction in which they operate. Broadly, this includes income which is low-taxed as a result of tax incentives offered by developing countries with the aim of attracting foreign direct investment. Developing countries have an opportunity to collect the additional tax themselves by reforming their tax incentives or introducing a domestic top-up tax, and so there is an urgent need to support these reform efforts.

This section outlines the support provided to date on both pillars, as well as an indicative plan for the OECD and other stakeholders to meet demand for support on the implementation of the global minimum tax in the coming years.

2.3.1. Support to date

The OECD secretariat has provided a range of outreach activities, developed training seminars and delivered courses, as well as provided targeted support. In addition, other partners are also active in

[13] Spontaneous exchange may be appropriate where the requirements under the Action 13 minimum standard are satisfied (i.e., domestic legislation, a relevant exchange instrument, and appropriate confidentiality and safeguards) other than the necessary CbC competent authority agreement between the countries, and the countries have agreed to the limitations and procedures in the Model CbC Reporting Competent Authority Agreement for any CbC reports so exchanged, in particular on the appropriate use of CbC reports.

providing support to developing countries to keep up-to-date with Pillar One developments and their consequences, and react to the Pillar Two GloBE Rules in particular.

i) Outreach

Three rounds of regional consultations on BEPS were held during 2022;[14] a total of 14 events organised in partnership with nine regional partners in three languages. For the first time since the COVID-19 pandemic and the high level political agreement on the Two-Pillar Solution, this included two in-person regional consultations, held in November and December 2022 for the Caribbean and Asia-Pacific regions, respectively.

These events, open to both Inclusive Framework members and non-member jurisdictions, provided participants with information on recent developments, including discussions of the updated economic impact assessments associated with the Two-Pillar Solution. They also provided a forum to discuss other priority topics such as VAT on e-commerce and capacity building activities. In addition, to support developing countries to actively participate in negotiations several pre-meetings and technical briefing sessions were convened ahead of key decision points or critical meetings. A number of debriefing meetings were also held to support developing countries in considering next steps.

ii) Guidance materials, workshops and learning tools on the Two-Pillar Solution

The OECD secretariat is continuing to expand the range of learning formats and tools addressing aspects of the Two-Pillar Solution. This includes a series of webinars[15] on different aspects of the rules, e-learning modules[16] and live Q&A sessions.[17] A dedicated GloBE e-learning module has been released on the Knowledge Sharing Platform. Additional material will continue to be developed to reflect the demand for more courses and to cover new material agreed by the Inclusive Framework. In 2022, the programme reached more than 1 000 participants in 5 virtual classes and more than 100 participants attending the live Q&A session. There are eight recorded technical webinars available on aspects of each of Pillar One and Pillar Two.

iii) Targeted assistance

Support to countries on the Two-Pillar Solution is being 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. This work, coupled with the more formal training and guidance discussed above, is useful where countries are in the process of understanding the rules. More formal, bilateral assistance becomes necessary as countries begin the process of analysing how the rules apply in their particular circumstances, understand their impact and design policy responses.

Pilot programmes on GloBE and tax incentives

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 insights gained from the pilot programmes

[14] https://www.oecd.org/tax/beps/beps-regional-meetings.htm

[15] https://www.oecd.org/tax/tax-global/training-two-pillar-solution.htm

[16] https://www.oecd.org/tax/tax-global/self-paced-training.htm

[17] https://www.oecd.org/ctp/tax-global/global-relations-calendar-of-events.htm

will be fed into ongoing support to be provided to a broader set of Inclusive Framework members in the future. 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.

All pilot countries are actively assessing the impact of the GloBE Rules, including through engagement at the political level and with other stakeholders, particularly investment and trade bodies as well as the business community. Following a workshop in April 2023 with OECD experts in Abuja, Nigeria's Federal Inland Revenue Service issued a statement that:

- Nigeria should, as a matter of urgency, commence engagements by stakeholders to draw up a national strategy for immediate streamlining of its tax incentives, to avoid ceding its tax base to other jurisdictions, owing to the implementation of Pillar Two rules; and that
- Nigeria should take immediate steps to forge and implement tax policy options in response to Pillar Two, which action may include but not limited to, changing its income tax rule to bring its effective tax rate to a minimum of 15% or introducing a Qualified Domestic Minimum Top-up Tax (QDMTT).

In addition, Malaysia and Thailand have each made announcements that they will implement the GloBE Rules and/or a QDMTT.

iv) Partner initiatives

As the global minimum tax fast becomes a reality, many partners are also gearing up support and advice to developing countries. For example, several organisations have issued analysis and guidance to countries seeking to implement the GloBE Rules:

- The World Bank Group (WBG) published a report on 'The Global Minimum Tax: from agreement to implementation'[18] that provides an analysis of the key elements of the global minimum tax and the practical implications for countries, including policy options and recommendations for an implementation roadmap. Further WBG papers will be issued to provide guidance to countries as they navigate the implementation of the new international tax framework.
- The International Monetary Fund (IMF) has published a policy paper[19] on the Two-Pillar Solution concluding that the agreement will make the international tax system more robust to tax spillovers and better equipped to address digitalisation.
- The International Institute for Sustainable Development (IISD) issued 'A guide for Developing Countries on How to Understand and Adapt to the Global Minimum Tax'.[20]

The Platform for Collaboration on Tax (PCT) is a space where the IMF, OECD, UN and WBG come together to share plans and engage on collaborative projects, such as a series of toolkits for developing countries. The PCT has committed to update the Toolkit *Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment,*[21] first published in 2015, to reflect the impact of Pillar Two. Regional development banks and regional tax organisations are also playing an active role. For example, the Asian Development Bank (ADB) hosts the Asia-Pacific Tax Hub, which plays a major coordinating role for work on international tax in the region. The African Tax Administration Forum (ATAF)

[18] https://documents1.worldbank.org/curated/en/099500009232217975/pdf/P169976034c92506a0a1190bc5e3a05e3ed.pdf.

[19] https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/02/06/International-Corporate-Tax-Reform-529240.

[20] https://www.iisd.org/system/files/2023-04/guide-developing-countries-adapt-global-minimum-tax-final_0.pdf.

[21] https://www.tax-platform.org/sites/pct/files/publications/100756-Tax-incentives-Main-report-options-PUBLIC_0.pdf

is also making key contributions including publishing influential work on implementing Domestic Minimum Top-Up Tax legislation (see Box 2.3 below).

National administrations are also supporting countries bilaterally, as well as contributing financing and expertise to OECD and other initiatives. The UK tax administration is leading a Knowledge Sharing Network to help developing countries learn about the implementation of the pillars from other tax administrations (see below, *Administration of the Rules*).

Box 2.3. The African Tax Administration Forum Suggested Approach to Drafting Domestic Minimum Top-Up Tax Legislation (DMTT).

Many African countries have recognized that the qualifying domestic minimum top up tax represents a significant revenue raising opportunity by addressing the lost revenue from granting tax incentives which may in some cases be wasteful. ATAF took the opportunity to set out a Suggested Approach to Drafting Domestic Minimum Top Up Tax Legislation, a toolkit to assist African and other developing countries enact a domestic top up tax. The Suggested Approach features provisions that are fully aligned to the Income Inclusion Rules (IIR) to ensure the tax outcome matches the top up tax that would be due under the IIR. This is important to ensure there is no adverse impact on foreign investment. ATAF and the African Union are working closely together to raise political awareness across the continent of the substantial revenues that a top up tax can raise.

Source: ATAF Suggested Approach to Drafting Domestic Minimum Top-Up Tax Legislation, ATAF Admin (ataftax.org).

2.3.2. Looking ahead: GloBE Implementation Plan

With the GloBE Rules set to come into effect on 1 January 2024 in many jurisdictions, demand from developing countries for support will increase. The Inclusive Framework is also developing a peer review mechanism to ensure that GloBE Rules, including DMTTs, conform to the common approach of the model rules. There will be additional guidance and on-going monitoring of implementation and support will be needed for jurisdictions to navigate these processes.

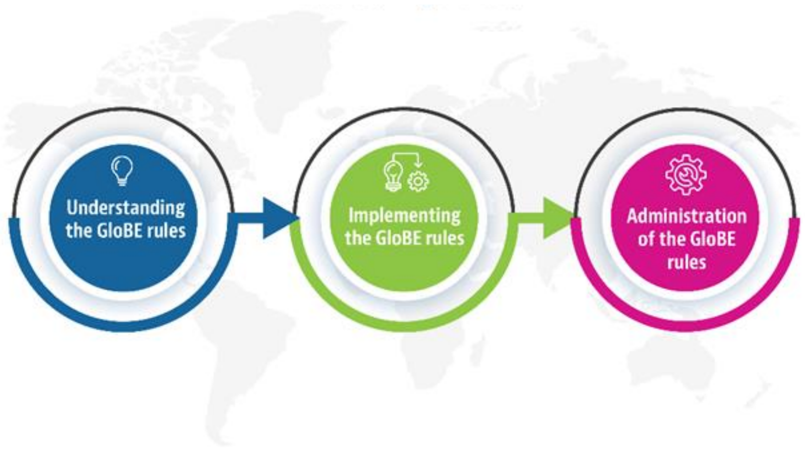
Multilateral training and e-learning resources are being made available to all governments (including those that are not members of the Inclusive Framework) but the cornerstone of assistance is likely to be bespoke, bilateral support. In addition to the pilot work conducted by the OECD in 2023, a conservative estimate is that 10-15 additional countries will request this kind of support in 2024 and likely double that number in 2025.

What is clear from the capacity building work to date is that:

- Each country is different, and assistance needs to be tailor made. In many cases regional or multilateral approaches can be used for more general or early-stage support, but this will often need to be supplemented by bespoke approaches to deal with more complex and in-depth issues.
- A whole-of-government approach, as well as co-ordination with development partners, is essential. This is particularly critical for the review of tax incentives, which are often governed by agencies or ministries other than the Ministry of Finance, such as investment and trade bodies.
- Co-ordination and collaboration with regional and international partners is critical to maximise resources, avoid duplication and ensure consistency.

It is also clear from the work to date that each country's needs vary according to how advanced they are in the phases of GloBE implementation. The following is an indicative breakdown of the phases of GloBE implementation, detailing the type of support needed and the activities that both the OECD and other partners could be expected to provide, along with indicative targets. The landscape is shifting fast and governments as well as the international tax community must be prepared to react quickly to changing circumstances. The Inclusive Framework and G20 countries will need to take stock at regular intervals to ensure that the capacity building offer for GloBE implementation in developing countries is meeting their needs.

Figure 2.1. Phases of GloBE implementation



i) Understanding the GloBE Rules – Outreach and training

The GloBE Rules are complex and include a number of novel concepts or use approaches that are familiar in other contexts but may not be well known to tax officials (such as financial accounting). In developing country tax administrations and ministries of finance, human capacity may be constrained and a long list of priorities compete for their attention. As the authors of these rules, stakeholders in the Inclusive Framework should provide the tools and support to all developing countries trying to understand the rules and what they mean for them.

OECD Activities

The OECD will continue to provide outreach and training on the GloBE Rules. The outreach and regional support initiatives carried out by the OECD secretariat and described above have been a vital means of ensuring that Inclusive Framework members as well as non-members are up to date on the development of the rules and as a platform for gathering input from developing countries on their priorities and concerns. They will continue to be a means of communicating on the on-going work on GloBE guidance, safe harbours and administration rules as well as the development of the peer review process.

Similarly, the guidance materials, workshops and learning tools developed to date have filled an important need and the demand for new material will continue over the coming years. E-learning resources[22] will be developed to include material on GloBE guidance and administrative processes (including the peer review). Multilateral training will evolve to deliver events that match needs.

In collaboration with the Asian Development Bank's Asia Pacific Tax Hub, the OECD secretariat is also working towards the launch of a Helpdesk: a portal for support on various aspects of the Two-

[22] https://www.oecd.org/tax/tax-global/training-two-pillar-solution.htm

Pillar Solution incorporating guidance notes, training opportunities, and access to specialist technical support for countries in the region.

In addition to these initiatives, at the request of the G20 Indian Presidency, the OECD secretariat is also developing a Handbook to support the effective implementation of the GloBE Rules, to be delivered to Finance Ministers and Central Bank Governors in October 2023. This handbook will provide a step-by-step approach, together with illustrations on the application of the rules, with a view to making the technical content of the GloBE Rules more accessible.

Partner Support

A number of organisations have already produced guidance or analytical papers on the GloBE Rules and this kind of work will continue to be relevant in the future. The Helpdesk being developed with the ADB for the Asia-Pacific region could be reproduced in other regions. Regional tax organisations and regional development banks will play a major role in the maximising outreach activities and knowledge sharing among their memberships.

Indicative Target

Training, guidance and e-learning material on all completed aspects of the GloBE Rules will be available and accessible to all developing countries by end 2023 and updated as required on a timely basis.

ii) Implementing the GloBE Rules – Analysing their impact and legislating a response

Developing countries need to analyse the impact of the GloBE Rules. The OECD's 2022 Report to the G20 on *Tax Incentives and the Global Minimum Corporate Tax*[23] highlighted that even where a jurisdiction's nominal corporate income tax rate is substantially above the 15% rate specified in the GloBE Rules, the availability of tax incentives, may result in top-up tax. Tax incentives, which are commonly used by developing countries, can mean that substantial numbers of local taxpayers that are affiliates of MNE groups may be impacted by the adoption of the GloBE Rules elsewhere in the world (e.g. in the jurisdiction of the MNE group's ultimate parent entity). However not all incentives will be impacted and incentives that attract strong investment and substantial payroll will be less affected. The pilot programmes described above have shown that the work on tax incentives and measuring the economic impact of the rules in a particular jurisdiction can be complex and resource intensive, requiring targeted bespoke support.

The global minimum tax is based on a common approach. This means that, while countries have not committed to adopt the rules, they have agreed that if they do adopt them, they will do so in a consistent and co-ordinated manner. To facilitate this common approach, the Inclusive Framework has agreed to implement a peer review process which will ensure that countries have legislated "qualified" rules that meet the requirements of the standard. It is expected that many developing countries will require support in navigating this peer review process, including responding to questions arising out of the peer review and making any adjustments to their rules as necessary to bring them into conformity with the peer review requirements.

OECD Activities

Continuing the work started with the pilot programmes, the OECD will provide dedicated bilateral support to help countries analyse the interaction of the GloBE Rules on their domestic tax policies

[23] https://www.oecd.org/publications/tax-incentives-and-the-global-minimum-corporate-tax-25d30b96-en.htm

(including tax incentives) and to provide an assessment of their economic impact. In support of the development of legislation, the OECD is planning workshops that bring together limited numbers of participating jurisdictions that are at similar stages in the process of drafting legislation to address their concrete challenges and real-life questions of transposing the GloBE Rules into domestic law. The OECD secretariat will provide advice on final or near-final draft legislation and will help countries initiate and navigate the peer review process by providing ongoing technical advice and assist them with responses to questions that may arise.

Partner Support

The OECD can support a number of jurisdictions with the tax incentive analysis and support on legislation, and several partners are also working in this space, including International Organisations, regional tax organisations and regional development banks. In addition, TIWB may be able to play a niche role, particularly in cases where assistance relating to confidential taxpayer data is requested. See Box 2.4.

Box 2.4. Tax Inspectors Without Borders (TIWB) Governing Board agrees to support the roll out of the Global Minimum Tax in Developing Countries

TIWB is a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP). It is a unique capacity-building initiative that has made major progress in embedding expert tax auditors (TIWB Experts) in tax administrations in developing countries to provide practical hands-on assistance on real tax audit cases and international tax issues. TIWB programmes are designed to ensure that TIWB experts are able to access taxpayer information in conformity with all domestic laws on confidentiality. To date, more than USD 2 billion in additional tax collected and more than USD 5 billion in additional tax assessed are attributed to TIWB programmes across Africa, Asia and the Pacific, Eastern Europe, and Latin America and the Caribbean.

In May 2023, TIWB's Governing Board agreed to support developing countries' efforts to implement the global minimum tax. This support will include analysing the impact of the GloBE Rules (where it is often necessary to have access to confidential taxpayer information on the activities of companies in the country). Once the rules are introduced TIWB could provide further assistance in conducting risk assessment and helping with the administration of the rules in practice.

Source: TIWB Co-Chairs Statement 2023: https://tiwb.org/about/governing-board/tiwb-governing-board-co-chairs-statement-2023.pdf.

Indicative Target

Along with the support already being provided to the 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 end of 2025.

iii) Administration of the GloBE Rules

Support will be needed to ensure that tax officials have the capacity and tools to administer the rules. This will include putting in place the systems and processes to manage GloBE reporting as well as risk assessment and auditing. Tax disputes related to GloBE assessments may arise and will need to be resolved. Jurisdictions may look at entering into competent authority agreements in order to streamline the exchange of information on companies subject to the GloBE Rules. The Inclusive Framework will monitor implementation of the rules to ensure consistent and coherent outcomes and developing countries will need support to navigate this process and address any recommendations that may be made.

OECD Activities

The methodology for the GloBE peer review process will also include an on-going monitoring process to cover administrative and implementation aspects. This will help ensure a consistent and effective implementation of the GloBE Rules. The OECD will assist developing countries with the on-going monitoring process and responding to any recommendations that arise.

Tax administrations will face day-to-day issues with the application of the rules. Developing country tax administrators will benefit greatly from sharing experiences and seeking input from networks of tax administrations. For example, the OECD's Forum on Tax Administration's Knowledge Sharing Network will help countries deal with practical administration issues. (see Box 2.5).

Box 2.5. The OECD's Forum of Tax Administration Capacity Building Network launches a 'Knowledge Sharing Network' on implementation of the Two-Pillar Solution

The aim of the Knowledge Sharing Network (KSN) is to facilitate 'quick answers to quick questions', and high-level conversations between different tax administrations about how they have approached particular administrative issues relating to the implementation of the Pillars, focussing initially on issues related to the GloBE Rules. Representatives from all jurisdictions that form part of the Inclusive Framework on BEPS will be welcome to take advantage of this pool of knowledge. The first meeting of the KSN was held on 13 June 2023 and addressed the issue of change management. [24]

Source: OECD Secretariat

Partner Support

Regional tax organisations, which mainly cater to tax administration issues, are expected to be active in this area helping their memberships navigate the administration issues that arise. TIWB may also play a role in helping tax administrations conduct risk assessment, audits and dispute resolution.

Indicative Target

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.

iv) Inclusive Framework GloBE Implementation Stakeholder's Forum

Countries implementing the GloBE Rules will be able to benefit from a wide range of capacity building tools and programmes. Implementing developing countries will need a space to provide their feedback on what works and what does not work and to communicate their priorities. With the large number

[24] https://www.oecd.org/tax/forum-on-tax-administration/news/oecd-forum-on-tax-administration-launches-peer-to-peer-support-for-developing-countries-on-the-implementation-of-the-two-pillar-solution.htm

of capacity building providers active in this space, and with demand for help from developing countries growing, there is likely to be a pressing need for coordination.

The Inclusive Framework is well placed to host the dialogue on implementation and capacity building through an Inclusive Framework GloBE Implementation Stakeholder's Forum. As the body responsible for the peer review process, on-going monitoring and the development of guidance, it is the natural home for multi-stakeholder discussions focussed on implementation. This forum could be held annually or biannually during the Inclusive Framework plenary meetings, with an inaugural session during the Inclusive Framework's plenary meeting on 10-12 July 2023.

3 Issues beyond BEPS and corporate income tax (CIT)

The 2022 Roadmap included as its third priority issues beyond BEPS, and noted the opportunities for greater multilateral dialogue and international co-operation on a range of transnational tax challenges. The Roadmap further noted that while ensuring a robust system of CIT and preventing BEPS will continue to be high priorities for most developing countries, other sources of revenue need to be mobilised for developing countries to help meet the SDGs.

The 2021 High-level Roundtable and 2022 Tax and Development Symposium identified a number of key priorities for developing countries beyond CIT and BEPS, most notably environmental taxes and related mechanisms, and VAT/GST. Reforms to personal income and wealth taxes and the taxation of non-renewable extractives have been identified as additional priorities by development partners including the IMF, the PCT and ATAF.[25] Beyond tax policy, participants also noted a growing awareness of the potential of digitalisation to transform all aspects of tax administration.

In the last year, progress has been made in particular in the Inclusive Forum on Carbon Mitigation Approaches (IFCMA) and on VAT/GST.

3.1. Inclusive Forum on Carbon Mitigation Approaches (IFCMA)

The IFCMA[26] is 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. More than 600 senior officials representing 103 countries and jurisdictions and nine international and other organisations gathered for the first meeting of the IFCMA in Paris on 9-10 February 2023 and a second meeting in June 2023.

The IFCMA brings together policy perspectives from countries around the world, participating on an equal footing, to take stock of and consider the effectiveness of different carbon mitigation approaches. With its technical work, the IFCMA seeks to enhance understanding of the full spectrum of carbon mitigation approaches available and their combined global impact.

The IFCMA will support individual countries' emissions reduction efforts, facilitated by better information about the range of good practices available that could be adapted to their individual circumstances. It provides an inclusive platform for dialogue aimed at ensuring emissions reduction

[25] See for example, IMF, International Corporate Tax Reform, February 2023, available at https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/02/06/International-Corporate-Tax-Reform-529240, African Tax Administration Forum (ATAF), African Tax Outlook, 2021 available at https://events.ataftax.org/index.php?page=documents&func=view&document_id=155&_ga=2.145484156.936377299.1678465403-802581956.1678465403; Platform for Collaboration on Tax (PCT), First Global Conference Report, 2018 available at https://www.tax-platform.org/sites/pct/files/publications/130559-WP-ReportFinalMar.pdf.

[26] https://www.oecd.org/climate-change/inclusive-forum-on-carbon-mitigation-approaches/

efforts in individual countries and jurisdictions are globally effective and do not just shift emissions to other parts of the world. As part of the first meeting in February 2023,[27] senior and technical-level delegates from the climate, tax and structural economic policy communities in participating countries met to consider proposed terms of reference and governance arrangements for the IFCMA and initiate discussion on a range of substantive questions raised by the proposed technical work on carbon mitigation approaches.

3.2. Value Added Taxes (VAT)/ Goods and Services Taxes (GST)

Ensuring VAT/GST is collected effectively on continuously growing e-commerce activity has become a priority for many developing countries, as was noted in the 2022 Roadmap. VAT/GST often represents one-third or more of total tax revenues in developing countries. The rapid growth of e-commerce, accelerated by the COVID-19 pandemic, poses significant challenges for domestic VAT/GST systems, particularly in lower capacity developing countries.

While an increasing number of countries have enacted reform to levy VAT/GST on e-commerce based on the internationally agreed OECD VAT/GST standards and guidance, or are in the process of doing so, challenges remain, particularly for lower capacity countries. The implementation of these standards allows developing countries to secure crucial VAT/GST revenues, while also ensuring a level playing field between e-commerce and traditional businesses, without stifling innovation and economic growth.

To assist interested developing countries in designing and implementing VAT/GST reform directed at digital trade, the OECD secretariat in partnership with World Bank Group, regional tax organisations and regional development banks has released three regional VAT Digital Toolkits, for Latin America and the Caribbean (with the Inter-American Center of Tax Administrations (CIAT) and the Inter-American Development Bank (IDB)[28]); Asia-Pacific (with ADB)[29] and Africa (with ATAF)[30], respectively. These Toolkits present detailed 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 OECD secretariat is now rolling out a programme to offer bespoke technical assistance to interested jurisdictions, which can cover all aspects of VAT reform targeted at digital trade, including 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 strategies. Finally, in support of this work the TIWB Governing Board has agreed to explore a role for TIWB in auditing VAT/GST on digital trade.

---

27 https://www.oecd.org/newsroom/new-oecd-forum-to-help-optimise-global-emissions-reductions-through-data-sharing-mutual-learning-and-dialogue.htm

28 https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-latin-america-and-the-caribbean.htm

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

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

Annex A. List of recommendations included in the 2021 Report

Overarching recommendation

In order to ensure the Inclusive Framework coalition remains strong and meets the needs of all of its members, further assessments on the progress of developing countries should be conducted on a regular basis. This could take the form of an annual ministerial dialogue with developing countries and interested G20 members of the Inclusive Framework on issues such as:

- Their progress in implementing measures to combat BEPS, including on the two-pillar agreement and areas that have been particularly challenging for developing countries such as Country-by-country reporting;
- Their views on the work and priorities of the Inclusive Framework and its associated standards. This could include wider strategic issues such as the use of Inclusive Framework standards and the broader macro-economic impact of the two-pillar solution, including on Small Island Developing States.

Recommendations on international norms and related guidance

1. As a priority, all stakeholders, including Inclusive Framework members, should reflect on how Country-by-country reporting could be made more accessible to developing countries while, also protecting confidentiality of sensitive information.
2. Assistance providers should develop additional guidance and other tools, adapted to the needs and priorities of developing countries, for dealing with base eroding payments such as excessive interest and royalties, to provide additional pathways to strengthening their tax systems.

Recommendations to support effective and efficient taxation of natural resources

3. In light of the importance of natural resources to a significant number of developing countries' domestic resource mobilisation efforts, the OECD Secretariat, together with relevant partners including the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), should develop practical tools and guidance on mineral pricing, commodities marketing hubs and the taxation of offshore indirect transfers of interests in natural resources industries. These areas have been identified as posing significant BEPS risks for many resource-rich developing countries.

Recommendations on capacity building and technical assistance

4. Development partners, including G20 members, should, as a priority, support a major Inclusive Framework initiative, to be launched in early 2022, to provide capacity building support and technical assistance to ensure developing countries can adopt and implement the Pillar One and Pillar Two measures in an appropriate and timely fashion.

5. Development partners and assistance providers, including G20 members, should deliver expertise and financing to:

- Intensify and continue the current tailor-made technical assistance and capacity building initiatives which have been shown to provide significant benefits over the medium to long term and expand the work to support capacity building on tax treaty related matters including the prevention and resolution of tax disputes through effective use of the Mutual Agreement Procedure (MAP), areas where the consultation process exposed needs;
- Further strengthen TIWB and similar peer-based tax compliance initiatives, with a focus on strategic industries and issues, including natural resources, the financial services and telecommunications sectors; and issues such as improving tax administration;
- Expand the “Deep Dive” capacity building programmes, conducted by the OECD Secretariat with the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) and other partners, to support developing countries capitalise on their mineral resources.

6. All Inclusive Framework stakeholders should encourage and support greater political awareness and buy-in on the need for legislative and administrative reform, including by engaging with parliaments and other policy makers at the highest levels.

Recommendations on governance, participation and practicalities of the Inclusive Framework

The Inclusive Framework stakeholders should:

7. As a priority, reflect on governance arrangements within the Inclusive Framework to ensure a broad and systematic inclusion of developing countries. This could include consideration of representation in the leadership of the Inclusive Framework and its subsidiary bodies, and updating of the mandate of the Advisory Group for Co-operation with Partner Economies.
8. In light of the growing importance of VAT/GST and the cross-overs between the work of Working Party No. 9 on Consumption Taxes (WP9) and the Inclusive Framework, consider, as a priority, integrating WP9 into the scope of the Inclusive Framework.
9. Put in place practical measures to enhance developing country engagement and participation such as:

- Making Inclusive Framework related meetings more accessible by funding travel where appropriate, making interpretation/translation services widely available and organising pre-meeting briefings and bespoke workshops;
- Supporting assistance providers in the provision of training and mentorship programmes to strengthen the technical, negotiation and diplomatic skills of developing country officials; and
- Promoting greater collaboration among developing countries, including at regional level together with regional tax organisations and regional development banks, to effectively articulate and represent common interests and positions in the Inclusive Framework.

Recommendations on the future of the Inclusive Framework

10. The Inclusive Framework should consider developing countries’ priorities for multilateral dialogue to address issues beyond BEPS, such as environmental taxation, indirect taxation on e-commerce, and tax administration issues, which could benefit from the multilateral approach facilitated by the Inclusive Framework.

G20/OECD Roadmap on Developing Countries and International Taxation Update 2023

OECD REPORT TO THE G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS, JULY 2023, INDIA

This report is the third focused assessment of tax and development issues produced for G20 Finance Ministers and Central Bank Governors. It takes stock of progress by developing countries in the context of their engagement with the OECD/G20 Inclusive Framework, an international collaboration of over 140 countries and jurisdictions working together to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. Building on the *2022 Roadmap on Developing Countries and International Tax*, the report refines and focuses on the range of actions to be undertaken in support of developing countries' key international tax priorities, including, in particular, the internationally agreed standards on Country-by-Country reporting and the Global Anti-Base Erosion (GloBE) Rules which will put in place a global minimum tax for large multinational enterprises.

BETTER POLICIES FOR BETTER LIVES

For more information:

ctp.contact@oecd.org

https://oe.cd/beps

@OECDtax

OECD Tax