OECD SECRETARY-GENERAL TAX REPORT TO G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

G20 Brazil, October 2024

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Introduction

Ahead of the final meeting of G20 Finance Ministers and Central Bank Governors under the Brazilian G20 Presidency, I am pleased to report to you on key tax developments since your last meeting in July.

Since you last met, 57 jurisdictions gathered in Paris on 19 September to support the signing ceremony of a new multilateral treaty to implement the Subject to Tax Rule (STTR), further strengthening global minimum taxation and providing developing countries with a more straightforward tool to help ensure they receive their fair share of tax revenue. Developing countries are often the source of significant outbound payments that can be subject to low or no taxation. The STTR taxes any such payments when they are undertaxed in the recipient's jurisdiction, helping to protect their tax base. More than 70 developing country members of the G20/OECD Inclusive Framework on BEPS (Inclusive Framework) are eligible to request inclusion of the STTR in their agreements with other members of the Inclusive Framework in accordance with the commitment on the STTR, either through the bilateral amendments to tax agreements or the new multilateral treaty (STTR MLI). The STTR MLI was approved by the Inclusive Framework in September 2023 and 19 Inclusive Framework members signed the MLI (or a letter of intention to sign the MLI as soon as possible) on 19 September 2024.

The STTR complements other efforts to raise the floor on the international taxation of corporate revenues. The recent publication of provisional legislation by Brazil, and the recent enactment of legislation by Bahrain and Türkiye, brings to 45 the current number of jurisdictions that have already enacted or introduced legislation to implement the global minimum tax under the Global Anti-Base Erosion (GloBE) Rules. A further 16 jurisdictions have taken concrete steps toward implementation. I look forward to continuing this important work together to stabilise the global tax landscape, curb harmful tax competition and help generate important additional revenues for governments around the world.

The global minimum tax builds on the foundations of the original project to address base erosion and profit shifting (BEPS Project). As we approach the ten-year anniversary of the launch of the BEPS 2015 Final Reports,[1] the Inclusive Framework will take stock of the BEPS Project and look into the future. At the next Plenary meeting of the Inclusive Framework, to take place early 2025, members will reflect on a future agenda and pick up on the important discussions undertaken throughout 2024 on ensuring inclusiveness and stakeholder participation at the Inclusive Framework. I look forward to reporting to you on these developments during the South African Presidency in 2025, as well as on the follow up to your encouragement to the Inclusive Framework to consider work on inequality in the context of effective progressive tax policies.

[1] OECD (2016), *BEPS Project Explanatory Statement: 2015 Final Reports*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264263437-en

Two-Pillar International Tax Package

Pillar Two - raising the floor on international taxation of corporate revenues.

Pillar Two is comprised of two complementary components: the GloBE Rules; and the STTR.

Subject-To-Tax-Rule (STTR)

In October 2021, when 139 member jurisdictions agreed to the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, the STTR was recognised as an integral part of achieving consensus on Pillar Two for developing countries.[2]

STTR MLI Signing Ceremony, 19 September 2024

The STTR allows jurisdictions to "tax back" where defined categories of income are subject to nominal tax rates below the STTR minimum rate of 9%, and domestic taxing rights over that income have been ceded under a treaty. The STTR forms part of the package of rules aimed at ensuring global minimum taxation of Multinational enterprises (MNEs) and complements and takes priority over other rules agreed in that package.

The STTR is designed to help developing country Inclusive Framework members to protect their tax base.

The entry into force of the STTR MLI will make a real, tangible difference, and, together with the ability of developing countries to request the automatic inclusion of the STTR in bilateral tax treaties with other Inclusive Framework members, ensures that everyone benefits from the consensus-based solutions being developed to make the global tax system fairer and work better for all.

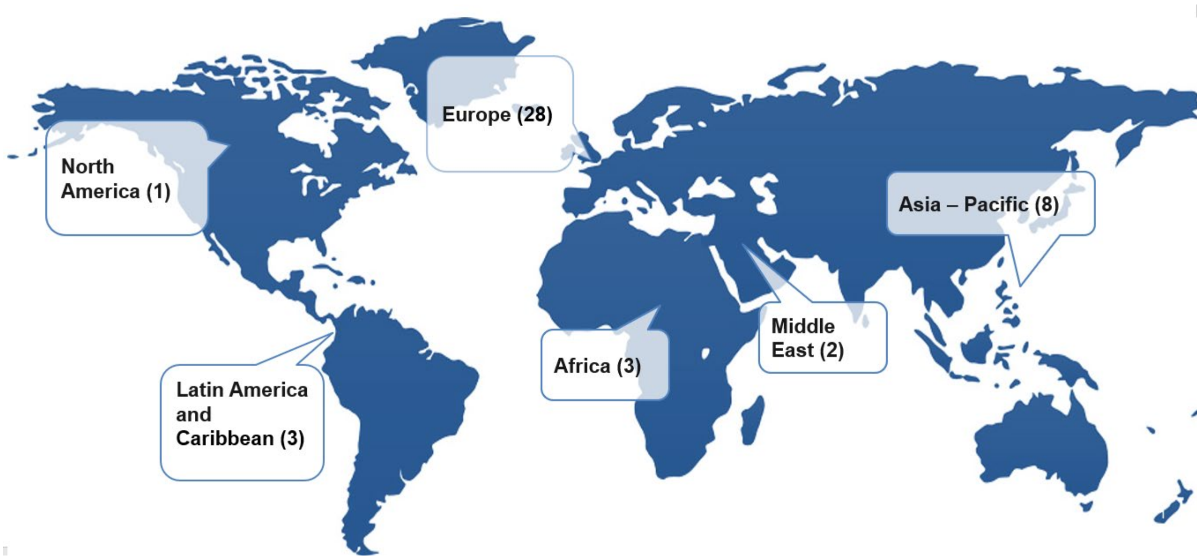
Global Minimum Tax

The second element of Pillar Two – the global minimum tax – is now a reality.

Based on the countries already implementing the minimum tax, the OECD estimates that approximately 60% of MNEs in scope of the GloBE rules will be subject to the minimum tax regime in 2024 with the number going up to 90% in 2025.

"We… welcome the continued significant progress made towards the implementation of Pillar Two and will continue to support ongoing works to ensure coordination among countries implementing the Global Anti-Base Erosion Rules as a common approach. This should be regarded as a resounding success of international taxation cooperation."
Communique of G20 Finance Ministers and Central Bank Governors, July 2024

[2] https://www.oecd.org/en/about/news/announcements/2021/10/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.html



Current status of implementation of the global minimum tax by jurisdictions with final or draft legislation for 2024/25

Now that the GloBE Rules for the minimum tax are being implemented around the world, the focus at the Inclusive Framework is on ensuring consistency and certainty. There are a number of mechanisms for achieving consistency and certainty going forward, while actively working with countries and stakeholders to address concerns regarding compliance costs:

- Reliance by implementing jurisdictions on the GloBE model rules (including an agreed rule order and imbedded simplifications) ensures a common starting point;
- The establishment of a peer review process for confirming the qualified status of implementing jurisdictions' legislation to support the rule order while reinforcing consistency and offering certainty;
- The issuance of administrative guidance and reliance on safe harbours (such as the Transitional Country-by-Country (CbC) Report safe harbour) supports the transition from adoption to implementation;
- The development of information collection and exchange mechanisms as well as dispute resolution mechanisms to ensure a coordinated approach across implementing jurisdictions.

Pillar One – modernising the international tax system for the 21st century.

There are two parts to Pillar One: Amount A, the international framework for taxing large and highly profitable MNEs; and Amount B, the simplified transfer pricing approach for baseline distribution activity.

Amount A

On 11 October 2023, a text of the Multilateral Convention to Implement Amount A of Pillar One (MLC) was released, together with an Explanatory Statement to the MLC and an Understanding on the Application of Certainty for Amount A. The release reflected the consensus achieved, among members of the Inclusive Framework at that point on the technical architecture of Amount A.[3] The release of the MLC package was

[3] See https://www.oecd.org/en/topics/sub-issues/reallocation-of-taxing-rights-to-market-jurisdictions/multilateral-convention-to-implement-amount-a-of-pillar-one.html

followed by a revised timeline issued on 18 December 2023 by the Inclusive Framework, which recognised that the work to resolve the remaining differences would need to continue, including with respect to the standstill on new Digital Service Taxes and other relevant similar measures. Members of the Inclusive Framework remained committed to achieving a consensus-based solution and finalising the MLC text.[4]

By the time of the 16th Plenary meeting of the Inclusive Framework, on 28 May to 30 May 2024, sufficient progress had been achieved among the Inclusive Framework members for its Co-Chairs to issue a Statement on Pillar One:

> *"The Inclusive Framework on BEPS is nearing completion of the negotiations on a final package on Pillar One (which includes a text of the Multilateral Convention (MLC) for Amount A and a framework for Amount B) with the goal of reaching a final agreement in time to open the MLC for signature by the end of June. In this regard, we welcome the expressions of interest by France and Brazil in hosting a signing ceremony as soon as practical after the MLC is opened for signature."*[5]

At your last meeting, you encouraged Inclusive Framework members to expeditiously complete the negotiations on a final package on Pillar One in the Communique of 26 July 2024:

> *"We encourage Inclusive Framework members to expeditiously complete the negotiations on a final package on Pillar One through resolving the remaining issues on a framework for Amount B, allowing the Multilateral Convention (MLC) to be finalized and opened for signing as soon as possible."*[6]

Today, the text of the MLC is stable and has secured near full consensus across the membership of the Inclusive Framework. The focus of the remaining work is refining the consensus on Amount B beyond the elective approach set out below. At this stage, the issues are primarily political in nature, rather than technical, and negotiations are ongoing.

Ultimately, the objective of Pillar One is transformational: to update the taxation framework applying to large and very profitable MNEs, recognising that physical presence cannot be the exclusive basis on which to determine taxing rights. This represents the culmination of a long journey that began with the BEPS Action 1 Report published in 2015.[7] Along the way, some other key challenges, such as on VAT, also have been addressed. It takes time to build consensus on transformational changes, and consensus is the foundational ingredient for effecting change and delivering certainty.

Amount B

Amount B provides enhanced tax certainty by defining a simplified and streamlined transfer pricing approach that applies to a broad scope of baseline marketing and distribution activities. This work has been particularly important for low-capacity jurisdictions where disputes frequently arise in respect of these activities and where there may be a lack of reliable comparable data for pricing these activities. Some of these jurisdictions report that between 30-70% of their transfer pricing disputes relate to baseline marketing and distribution activities.

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[4] December 2023 Timeline: https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/cross-border-and-international-tax/update-pillar-one-timeline-beps-inclusive-framework-december-2023.pdf

[5] May 2024 Statement: https://www.oecd.org/en/about/news/announcements/2024/05/statement-by-the-co-chairs-of-the-oecdg20-inclusive-framework-on-beps.html

[6] Rio Communique: https://www.gov.br/fazenda/pt-br/assuntos/g20/declaracoes/2-3rd-fmcbg-communique.pdf

[7] OECD (2015), *Addressing the Tax Challenges of the Digital Economy, Action 1 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/9789264241046-en.

- On 19 February 2024, pending completion of certain design aspects, the Inclusive Framework published a report to incorporate Amount B into the OECD *Transfer Pricing Guidelines* as an elective approach to simplify and streamline the pricing of baseline marketing and distribution activities.[8]
- On 17 June 2024, the Inclusive Framework published the pending design aspects of Amount B, allowing jurisdictions to begin implementation.[9]
- Most recently, on 26 September 2024, the Inclusive Framework took additional steps towards the implementation of Amount B by publishing a Model Competent Authority Agreement (MCAA) to facilitate the implementation of its political commitment on Amount B, which is designed to be particularly beneficial for jurisdictions with limited resources and data availability.[10]

The Inclusive Framework continues working on an Amount B framework that goes beyond the elective approach and is linked with Amount A, as indicated in the Co-Chair Statement of 30 May 2024 as described above.

BEPS Update

The foundation for the work of the Two-Pillar Solution is the BEPS Project, which began over a decade ago by diagnosing the vulnerabilities in the existing system that enabled base erosion and profit shifting and agreeing 15 potential actions to address these vulnerabilities. Of the 15 Actions, four were established as minimum standards.

Implementation of the minimum standards

Action 5 – Harmful tax practices

The Action 5 minimum standard addresses harmful tax practices through peer review and exchange of information. When the BEPS Project began, virtually no information on tax rulings was being exchanged. Today, over 54 000 exchanges of information on tax rulings have taken place among 130 jurisdictions based on our most recent data. In addition, the latest peer reviews of preferential tax regimes carried out at the Forum on Harmful Tax Practices (FHTP) were released on 27 August 2024. The total number of regimes reviewed by the FHTP has now reached 326, with over 40% of those regimes abolished or in the process of being abolished.

Action 6 – Tax treaty abuse

Action 6 is focused on strengthening tax treaties with anti-abuse measures to ensure that they do not open up unintended opportunities for non-taxation or reduced taxation (including through treaty shopping arrangements).

The implementation of Action 6 measures is primarily facilitated through a multilateral instrument (the BEPS MLI) which implements the Action 6 minimum standard along with other treaty-related BEPS measures. Over the last several years, there has been remarkable progress in the implementation of the

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9 https://www.oecd.org/content/oecd/en/about/news/announcements/2024/06/international-tax-reform-oecdg20-inclusive-framework-on-beps-taking-further-steps-on-the-implementation-of-the-two-pillar-solution.html

10 https://www.oecd.org/content/oecd/en/about/news/announcements/2024/09/oecd-g20-inclusive-framework-on-beps-takes-a-further-step-on-the-implementation-of-the-amount-b-of-pillar-one.html

Action 6 minimum standard, with the BEPS MLI proving to be an extremely effective tool. (Notably, most newly concluded tax treaties now also include provisions implementing the Action 6 minimum standard).

- To date, the BEPS MLI covers 104 jurisdictions and over 1 950 bilateral tax treaties - 90% of tax treaties between Inclusive Framework members.
- The majority of the jurisdictions that have signed the BEPS MLI have listed almost all of their treaties with the effect that the BEPS MLI has already strengthened over 1 500 existing treaties.
- This coverage continues to expand as Signatories ratify or new Signatories join the BEPS MLI.

Action 13 – Country-by-Country reporting

Action 13 requires all large MNEs to prepare a CbC report with aggregate data on the global allocation of income, profit, taxes paid and economic activity in jurisdictions in which they operate. The CbC report is then shared with qualifying tax administrations in these jurisdictions, for use in high level transfer pricing and BEPS risk assessments.

As a result of Action 13:

- Around 120 jurisdictions have introduced legislation to require the filing of a CbC report, covering substantially all MNEs above the EUR 750 million threshold;
- More than 4 100 bilateral relationships have been established for the automatic exchange of CbC reports; and
- Today, around 80 Inclusive Framework members have completed all of the building blocks to enable them to be in a position to receive CbC reports.

The seventh annual peer review report of Action 13, which considers all aspects of implementation of the CbC reporting minimum standard by 138 Inclusive Framework members as of 31 March 2024, was released in September 2024. This shows that, where a jurisdiction has legislation in place, the implementation of CbC reporting has been largely consistent with the Action 13 minimum standard. In particular, since the previous peer review report was released in 2023, 19 jurisdictions have taken steps which followed one or more recommendation(s) for improvements to their domestic legal and administrative framework or their exchange of information framework, or for their controls over the appropriate use of CbC reports which enabled these recommendations to be removed.

Work is also underway to make sure that the information in CbC reports exchanged under Action 13 can be put to effective use, including through workshops, training events, risk assessment software, handbooks and guidance. In addition, there is critical ongoing work with developing countries on Action 13, to ensure they are able to access this important source of information.

Action 14 – Mutual Agreement Procedure (MAP)

Under BEPS Action 14, jurisdictions have developed a minimum standard with respect to treaty-related disputes, committed to its rapid implementation and agreed to ensure its effective implementation through the establishment of a robust peer-based monitoring mechanism. The minimum standard is complemented by a set of best practices. These measures aim to strengthen the effectiveness and efficiency of the Mutual Agreement Procedure (MAP) process.

As a result of Action 14:

- 82 jurisdictions have already undergone two stages of peer reviews. A full peer review process is currently underway to assess the progress achieved by 55 of these jurisdictions with meaningful MAP experience in meeting the Action 14 minimum standard.

- 60 jurisdictions with limited or no MAP experience have undergone or are currently undergoing a simplified peer review process, with reports for 20 jurisdictions released in September 2024.
- Another 23 jurisdictions are scheduled to undergo this simplified peer review process in the coming months. The simplified process aims to help these jurisdictions to set up a more robust MAP programme for a possible increase in cases in the future.
- In addition, 12 jurisdictions with relevant MAP experience are currently undergoing a new round of full peer review.
- Another 6 jurisdictions are scheduled for the full peer review in the coming months, with the remaining 37 jurisdictions to be reviewed in the coming years.

Tax and Inequality

"With full respect to tax sovereignty, we will seek to engage cooperatively to ensure that ultra-high-net-worth individuals are effectively taxed. Cooperation could involve exchanging best practices, encouraging debates around tax principles, and devising anti-avoidance mechanisms, including addressing potentially harmful tax practices. We look forward to continuing to discuss these issues in the G20 and other relevant forums, counting on the technical inputs of relevant international organizations, academia, and experts. We encourage the Inclusive Framework on BEPS to consider working on these issues in the context of effective progressive tax policies."

The Rio De Janeiro G20 Ministerial Declaration On International Tax Cooperation
July 2024

Ahead of your last meeting in July, the OECD prepared a report examining interactions between taxation and inequality, commissioned by the Brazilian G20 Presidency.[11] The Report aimed at contributing to your discussions on the role of tax systems in addressing inequality by exploring how tax systems can mitigate or exacerbate inequality, identifying scope for potential reform and zooming in on the specific tax policy and compliance challenges associated with taxing high-net-worth individuals (HNWI)--many of which have been priority issues for the Brazilian G20 Presidency.

At that July meeting, you reached consensus on a historic and comprehensive stand-alone Tax Declaration, reflecting the transformational achievements of international tax cooperation to date, the importance of that cooperation and your commitment to continue to carry it forward. As part of the agreed text, you have encouraged the Inclusive Framework to consider working on these issues in the context of effective progressive tax policies. This will be taken forward at the Inclusive Framework for discussion using a phased approach. I look forward to reporting back to you on these developments.[12]

Since your July meeting, the OECD has also continued its work on the taxation of HNWI, as well as exploring the effects of population ageing on different types of tax revenues and its implications for policy makers.

On 8 October 2024, the OECD released an *OECD Taxation Working Paper* focusing on how tax systems may encourage shifts between business organisational forms, and between the types and timing of income for owners of closely held businesses.[13] The OECD will also shortly release a new paper on the taxation

[11] OECD (2024), *Taxation and Inequality: OECD Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, https://doi.org/10.1787/8dbf9a62-en.

[12] https://www.oecd.org/en/about/news/press-releases/2024/07/statement-by-the-oecd-secretary-general-g20-tax-declaration.html

[13] Zawisza, T., et al. (2024), *Tax arbitrage through closely held businesses: Implications for OECD tax systems*, OECD Taxation Working Papers, No. 70, OECD Publishing, Paris, https://doi.org/10.1787/24b4ed4d-en.

of capital gains, examining the taxation of capital gains at country-level, exploring the rationale and implications of differing tax treatments for capital gains compared with other income types, as well as the pros and cons of alternative approaches to taxing gains.[14]

Tax and Mobility

In October 2023, I reported to you that the Inclusive Framework had begun to scope out and discuss the international tax challenges associated with the increased mobility of individuals, with external stakeholders from business and academia. Work on this issue is ongoing. In addition, work has now also commenced at the OECD on a paper reviewing findings from the academic research into mobility responses to taxation, exploring the extent to which individuals, especially HWNI, relocate in response to taxation. I will report back to you as this scoping and follow-up work progresses.

Tax Transparency

Ahead of your July meeting, at the request of the Brazilian G20 Presidency, the OECD delivered a new report on *Strengthening International Tax Transparency on Real Estate – From Concept to Reality*.[15] Since July, work has been ongoing at a technical level on a legal and operational framework to ensure the efficient exchange of readily available information on real estate transactions, holdings and income between tax administrations. This will allow interested countries, and particularly the close to 150 jurisdictions participating in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC) to fully benefit from this work stream. I look forward to updating you on the advancement of this work during the South African G20 Presidency in 2025. For other developments regarding transparency see also the section below on the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum).

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[14] Hourani et al (2024), Taxing capital gains: Country experiences and challenges

[15] OECD (2024), Strengthening International Tax Transparency on Real Estate – From Concept to Reality: OECD Report to G20 Finance Ministers and Central Bank Governors, OECD Publishing, Paris, https://doi.org/10.1787/fa2db2a4-en.

Tax Administration and Tax Certainty

Recognising that maintaining and enhancing tax certainty brings benefits for taxpayers and tax administrations alike and is important to promote investment, jobs and growth, enhancing tax certainty has been a key priority of the OECD, the Inclusive Framework and the Forum on Tax Administration (FTA) for many years now. Several handbooks have been recently published with best practices and guidance on how to use the different tax certainty tools in the international landscape.[16]

The current emphasis of this work is on a joint exercise to see where improvements can be made to the current tools, how a combination of existing tools can improve certainty and whether there is a need for new tools. In this respect, almost 50 experts across government, business and academia gathered in Paris on 8 July 2024 for a first roundtable to brainstorm on how to make tax certainty more efficient, effective and timely. This conversation will also continue at the occasion of OECD Tax Certainty Day in November 2024.

First Roundtable on how to make tax certainty more efficient, effective and timely, 8 July 2024

Digital Transformation

The digitalisation of the wider economy and the increased real-time interconnections that are now possible have created the conditions for the digital transformation of tax administration, as envisaged in the OECD's *Tax Administration 3.0* report.[17] Under this new model of tax administration, taxation processes would be increasingly embedded into the existing systems that taxpayers and businesses use in their daily lives and business, removing the need for complex filing and reporting activity by taxpayers. This offers the potential for the expansion of compliance-by-design outcomes and significant reductions in burdens domestically and in cross-border taxation, freeing up taxpayers' time and costs for more productive economic activity.

Tax administrations and taxpayers continue to move forward with the tax certainty agenda.

In addition to the underpinning technology issues, where collaborative proof of concepts are already being explored by the FTA, this will require significant changes to the tax administration operating model. The November 2024 FTA Plenary in Athens, which will bring together over 50 Tax Commissioners from across the globe, from both advanced and emerging economies, will focus on the impacts of such a transformation and identify practical collaborative work to help solve mutual challenges.

[16] https://www.oecd.org/en/topics/sub-issues/tax-certainty-and-policy-implementation.html

[17] OECD (2020), *Tax Administration 3.0: The Digital Transformation of Tax Administration*, OECD Publishing, Paris, https://doi.org/10.1787/ca274cc5-en.

Tax and Development

BEPS Implementation

Preventing base erosion and profit shifting by MNEs remains a high priority for developing countries, along with addressing the tax challenges arising from the digitalisation of the economy. Support on the implementation of the Two-Pillar Solution will be crucial to ensuring developing countries realise the benefits of the rules that they have had a key role in shaping. The OECD has recently launched a series of multilateral workshops on the global minimum tax from economic impact assessment to legal drafting for a targeted group of countries actively working on these issues. Coordination among partners remains key to ensuring effective and efficient support, and we are working actively with international and regional tax organisations, as well as regional development banks, on both bilateral and multilateral activities.

At the same time, support for the implementation of the BEPS Action plan remains an important part of the OECD's offer on capacity-building. One area where more progress is anticipated is on Action 13 CbC reporting.

Action 13 Country-by-Country (CbC) Reporting

The OECD has provided extensive support, including targeted multilateral workshops on technical issues relevant to countries that are advanced in their implementation of the Action 13 minimum standard. As highlighted in the latest CbC peer review report *Country-by-Country Reporting – Compilation of 2024 Peer Review Reports,*[18] 9 additional developing countries have completed the steps to receive CbC reports since the *G20/OECD Roadmap on Developing Countries and International Taxation Update* of July 2023.[19] In total, 26 developing countries now have CbC reporting fully in place.[20]

Action 14 – Mutual Agreement Procedure (MAP)

In the area of Mutual Agreement Procedures, developing countries are now subject to a simplified peer review on the Action 14 minimum standard and it is anticipated that demand for support in this area will grow. Coordination and co-operation of all stakeholders will be essential to addressing these challenges and ensuring that developing countries can fully benefit from the implementation of these new standards.

Tax Inspectors Without Borders (TIWB)

TIWB, a joint initiative of the OECD and the UNDP, has completed 88 programmes and is currently providing assistance in 53 programmes across all continents. So far in 2024, 11 programmes were launched with 5 more programmes to be launched before the end of the year. Since its inception, TIWB assistance has helped tax administrations in developing countries generate an additional USD 2.30 billion in tax revenues and USD 6.05 billion in tax assessments across 62 jurisdictions in Africa, Asia and the

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[18] OECD (2024), *Country-by-Country Reporting – Compilation of 2024 Peer Review Reports: Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/f3d3f36f-en.

[19] 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.

[20] Note that the definition of developing country for the purposes of this figure refers to both the DAC list (https://www.oecd.org/en/topics/sub-issues/oda-eligibility-and-conditions/dac-list-of-oda-recipients.html) and the World bank list (https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups)

Pacific, Eastern Europe, and Latin America and the Caribbean. Much of the success in Africa has been due to the partnership with the African Tax Administration Forum (ATAF). TIWB programmes adopt a customised approach to meeting the distinct needs of each tax administration across a wide range of areas. In addition to issues such as transfer pricing and the reinforcement of criminal tax investigations (TIWB-CI), the initiative also spans the digitalisation of tax administrations and the effective use of automatic exchange of financial account information (AEOI), complementing the work of the Global Forum.

The Global Relations Programme on Taxation

In 2024, the Global Relations Programme on Taxation (GRP), has successfully conducted 30 live training sessions on topics related to international taxation, benefiting over 3 500 tax and policy officials from more than 180 jurisdictions. Notably, 52% of the participants were women.

This year, the GRP has also expanded its self-paced training resources with 11 e-learning courses and 24 recorded webinars. Some of these resources are available in English, French, Spanish, Russian and Arabic, enabling officials worldwide to access training at their own convenience. The most recent additions to the GRP's portfolio include two new e-learning courses on *Revenue Statistics in Africa*[21] (in English and French), along with two additional Arabic translations of the e-learning courses on Money Laundering and Exchange of Information.

Capacity-building Support Related to the Extractive Sector

The OECD continues to support resource-rich developing countries with addressing BEPS-related risks and challenges with a specific focus on the extractive sector. In August 2024, the OECD and the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) published practical guidance addressing the transfer pricing challenges faced when pricing lithium[22] – a critical mineral in the global energy transition. This practice note identifies the primary economic factors that can influence the pricing of lithium using transfer pricing principles, building on the transfer pricing framework developed in an earlier joint OECD/IGF publication - *Determining the Price of Minerals: A transfer pricing framework*[23]. The

[21] OECD/AUC/ATAF (2023), Revenue Statistics in Africa 2023, OECD Publishing, Paris, https://doi.org/10.1787/15bc5bc6-en-fr.

[22] OECD/IGF (2024), *Determining the Price of Minerals: A Transfer Pricing Framework for Lithium*, OECD Publishing, Paris, https://doi.org/10.1787/a607ff0a-en.

[23] OECD/IGF (2023), *Determining the Price of Minerals: A transfer pricing framework*, IGF, Ottawa/OECD Publishing, Paris, https://doi.org/10.1787/de6ec0c5-en.

practice note provides practical guidance for countries to accurately price lithium exports on an arm's length basis.

Ukraine Tax Capacity Building Programme

The OECD continues to provide support to Ukrainian authorities in addressing unique and urgent international tax challenges following Russia's war of aggression against Ukraine, which had a disruptive effect on the economy, the lives of citizens and their families, as well as the value chains of MNEs operating in Ukraine. The activities focus on addressing unique international tax challenges, such as the issues arising from the displaced population and much-needed efforts to motivate voluntary tax compliance of MNEs operating in Ukraine. Intensive capacity-building support is also provided with regard to the implementation of international tax standards to address BEPS and exchange of information (EOI), with a view to tackling tax evasion and tax avoidance while fostering domestic resource mobilisation. In addition, unique tailor-made training and capacity-building activities on international taxation are offered to the judges of the Administrative Courts and Supreme Court. Furthermore, with OECD Secretariat's support, Ukraine is now included in *OECD Revenue Statistics*,[24] which will enable detailed policy analysis and recommendations for mid- and long-term tax policy strategy.

Global Forum on Transparency and Exchange of Information for Tax Purposes

With more than 170 members, the Global Forum remains at the forefront of the fight against offshore tax evasion and avoidance through ensuring the effective global implementation of transparency and EOI for tax purposes. With more than half (55%) of its membership being developing jurisdictions, the Global Forum also pursues an ambitious capacity-building programme and regional initiatives, tailoring its assistance to the specific needs and goals of each region and jurisdiction.

Tax Transparency Impacts of the Global Forum's activities

- **More than EUR 130 billion of additional revenues (tax, interest, penalties) have been identified since 2009 thanks to voluntary disclosure programs and offshore tax investigations (over EUR 45 billion identified by developing countries).**
- **In 2023, information on over 134 million financial accounts worldwide, covering total assets of nearly EUR 12 trillion, was exchanged automatically.**
- **To date 126 jurisdictions have committed to AEOI**
- **147 jurisdictions currently participate in the Multilateral Convention on Mutual Administrative Assistance in Tax matters (MAAC)**

Ensuring effective implementation of the EOI Standards

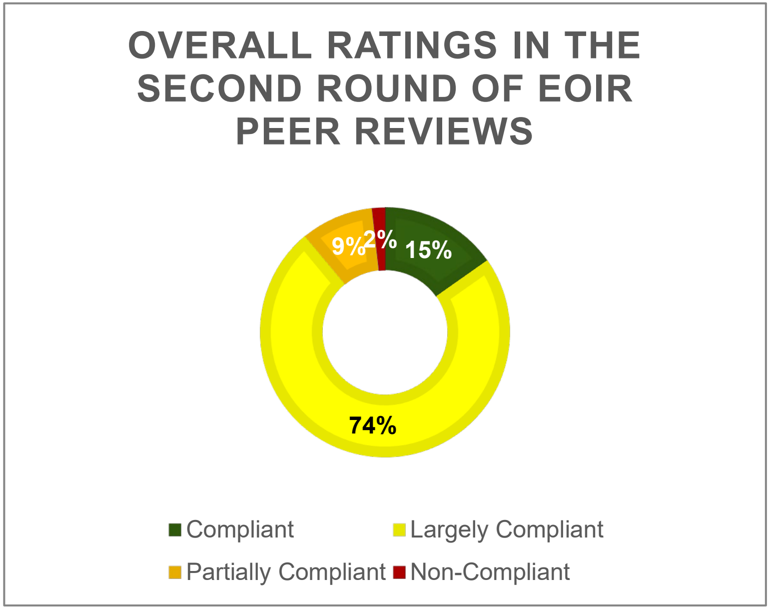
Since the last report in July 2024, the Global Forum continued its monitoring and peer review activities to ensure widespread implementation of the standards on Transparency and Exchange of Information on Request (EOIR) and the Automatic Exchange of Financial Account Information (AEOI). Furthermore, in response to the most recent request of the G20, the Global Forum continues to build on its commitment and monitoring processes to ensure the widespread implementation of the Crypto-Assets Reporting Framework (CARF).

[24] https://www.oecd.org/en/data/datasets/global-revenue-statistics-database.html

Transparency and Exchange of Information on Request

In July 2024, the Global Forum published six new peer review reports on the implementation of the standard on EOIR for Ecuador, Israel, Lithuania, Moldova, Sint Maarten and Sweden.[25] While all six jurisdictions are rated "Largely Compliant" with the standard, reflecting their continued efforts to comply with the EOIR standard, the need for effective supervision and enforcement of the legal and regulatory framework to ensure the availability of beneficial ownership information emerged again as a common strand.

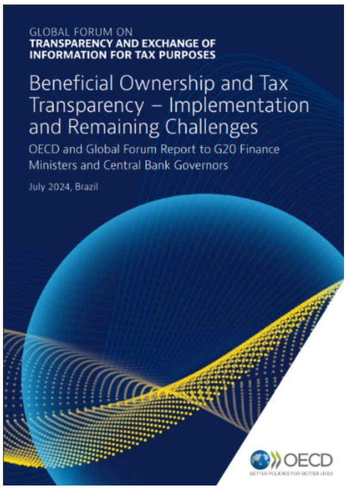
To date, 118 jurisdictions have been fully reviewed in the second round of EOIR peer reviews started in 2016 and the ratings assigned are generally positive, with 89% of the jurisdictions deemed "Compliant" or "Largely Compliant," 9% assessed as "Partially Compliant," and only 2% as "Non-Compliant." Another 14 jurisdictions have had their legal and regulatory framework assessed, and are awaiting the finalisation of their review with the assessment of the implementation of their legal and regulatory framework in practice. This second phase usually takes place four years after the first assessment, to give time to these jurisdictions to gain more experience in EOIR.



Next steps on ensuring continuous progress in EOIR

Underpinning the key objectives of the Global Forum in ensuring efficiency, effectiveness, agility and a level playing field, the Global Forum monitors actions taken by jurisdictions to address recommendations made in the EOIR peer review reports. In the last follow-up exercise (2023), more than 30% of the jurisdictions covered by the monitoring process indicated that they addressed all recommendations. Further, other jurisdictions have confirmed that they are in the process of addressing identified gaps. In total, 93% of the recommendations have been reported as either "addressed" or "in the process of being addressed." The remaining 7% of the recommendations have been reported as "not addressed," mostly by the jurisdictions which have been reviewed recently and that have prioritised the implementation of certain recommendations over others.

25 https://www.oecd.org/en/about/news/announcements/2024/07/global-forum-publishes-new-peer-review-reports-on-transparency-and-exchange-of-information-on-request-for-ecuador-israel-lithuania-moldova-sint-maarten-and-sweden.html



Introduced in the second round of EOIR peer reviews that commenced in 2016, the requirement to identify the beneficial owners of entities and bank accounts is not yet fully implemented. As earlier reported to G20 Finance Ministers and Central Bank Governors,[26] the reviewed jurisdictions have evinced deficiencies in their legal and regulatory frameworks and its implementation in practice in relation to the availability of beneficial ownership information, particularly for legal entities and arrangements. About one third of the 748 recommendations issued since 2016 focus on ensuring the availability of this information. Jurisdictions are actively working on solving these issues, and in 2023 58% of these recommendations have been reported as "addressed" and another 35% as "in the process of being addressed."

This will be an important area of focus under the new monitoring and review processes, which will commence in 2025. These new processes will function along three axes. The Enhanced Monitoring Process will monitor the implementation of the recommendations issued to jurisdictions and examine any issue that may be revealed by peer inputs. In-depth Reviews will re-open the ratings for a specific jurisdiction, either with the objective of acknowledging progress made, or to assess the consequence on the rating of the new issues detected. Thematic reviews will address particular topics in all jurisdictions at the same time, including to ensure that issues and risks related to these standards are identified and tackled without delay.

Automatic Exchange of Financial Account Information

The global implementation of AEOI in relation to financial accounts is a powerful tool to assist jurisdictions in tackling tax evasion and avoidance. In 2023 alone, information on over 134 million financial accounts, covering total assets of nearly EUR 12 trillion, was exchanged automatically amongst the almost 110 jurisdictions engaged in AEOI. In total, the number of jurisdictions participating in AEOI or committed to participate in AEOI by a specific date has increased to 126. Ensuring the effectiveness of AEOI in relation to financial accounts therefore remains a key priority for the Global Forum.

In order to ensure the effectiveness of AEOI in relation to financial accounts, the Global Forum conducts peer reviews to assess the completeness of the legal frameworks in place and the effectiveness of implementation in practice. With respect to effectiveness in practice, the vast majority of participating jurisdictions have been found to have the necessary international and domestic legal frameworks either fully in place or in place, albeit with the need for improvement (103 of the 108 jurisdictions assessed so far, or 94%). Following initial desk-based reviews in relation to effectiveness in practice, the majority of jurisdictions were found to be "On-track" (65 of the 101 jurisdictions assessed so far, or 65%). More work is needed for the widespread delivery of effective AEOI in relation to financial accounts, so the Global Forum has commenced deeper reviews, including onsite visits to meet relevant public and private sector stakeholders, of the first 99 jurisdictions to commit to implement the common reporting standard (CRS).

Ensuring the confidentiality and the proper safeguarding of the sensitive information exchanged is critical to the AEOI standard. The Global Forum therefore continues to implement its programme of confidentiality and data safeguard assessments, both prior to the commencement of exchanges and, once they are underway, to maintain assurance that the data exchanged under AEOI is properly protected by participating tax administrations. Procedures are in place to address any gaps identified, including

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[26] OECD (2024), *Beneficial Ownership and Tax Transparency – Implementation and Remaining Challenges: OECD and Global Forum Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, https://www.oecd.org/en/publications/beneficial-ownership-and-tax-transparency-implementation-and-remaining-challenges_f95790b1-en.html.

deferring the receipt of information if necessary. In view of the rapidly evolving technology and cyber-security environments, the members of the Global Forum have decided to undertake a further round of assessments from 2025 with an enhanced methodology. The results of the assessments are not published due to their sensitive and confidential nature.

Responding to the G20's call for the widespread implementation of the CARF

As reported in the July 2024 report to the G20 *Bringing Tax Transparency to Crypto-Assets – an Update,*[27] the Global Forum is progressing swiftly in its work to deliver on the G20's call for the Global Forum to build on its commitment and monitoring process to ensure the widespread implementation of the CARF.

In 2023, the Global Forum established its CARF Group to develop the Global Forum's CARF commitment process, including identifying relevant jurisdictions and commonly expected implementation timelines. This is expected to culminate at the Global Forum's Plenary meeting in November 2024, during which time the outcomes of the commitment process will be announced.

Assisting Global Forum members through capacity building

For more than a decade, the Global Forum has been providing tailored technical assistance and capacity building to its membership, with a focus on developing jurisdictions. The implementation of the EOI Standards in a given jurisdiction contributes to the use of EOI to mobilise domestic resources. Over EUR 45 billion of additional revenue has been identified by developing countries since 2009, through offshore tax investigation, including through the effective use of the EOIR Standard, voluntary disclosure programmes implemented prior to the first exchanges under the AEOI Standard, and the effective use of AEOI data.

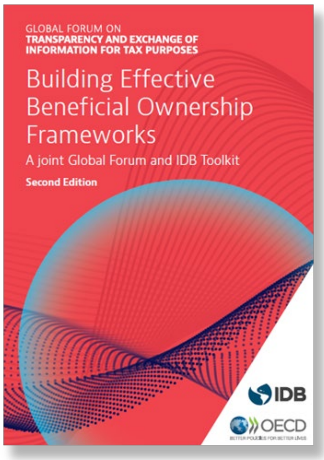
The Capacity Building and Outreach activities of the Global Forum include, amongst other activities, tailored technical assistance to jurisdictions and regional initiatives.

Global Forum's bilateral technical assistance in 2024

- **90 jurisdictions assisted, including 72 developing countries with enhanced support**
- **14 jurisdictions supported on the MAAC**
- **31 jurisdictions supported on the implementation of the EOIR Standard**
  - **Including 25 on implementation of beneficial ownership requirements**
- **71 jurisdictions supported on the implementation of the AEOI Standard**
  - **Including legal framework (31) and effectiveness (36)**

[27] OECD (2024), *Bringing Tax Transparency to Crypto-Assets – An Update: Global Forum Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, https://doi.org/10.1787/b33c9aa1-en.

Ensuring the effective implementation of beneficial ownership framework



Ensuring the transparency of beneficial ownership information is core to the EOI Standards. Since 2016, capacity building has been provided to jurisdictions to develop, strengthen and monitor their beneficial ownership framework through bilateral technical assistance, training, e-learning and toolkits. This year, in partnership with the Inter-American Development Bank (IDB), the Global Forum released the second edition of the *Building Effective Beneficial Ownership Framework* toolkit, which incorporates the latest international developments in this area.[28]

Based on this toolkit, the Global Forum and its partners are delivering a series of innovative regional events to promote cross-institutional cooperation to improve domestic beneficial ownership requirements. The first event organised in July with the Asian Development Bank brought together 62 anti-money laundering (AML) and tax officials from 29 Asia-Pacific jurisdictions along with experts from FATF-Style Regional Bodies and civil society organisations to share knowledge and best practices, and discuss potential improvements to domestic implementation. A similar event will be organised in Panama in October for Latin American jurisdictions in partnership with the Inter-American Center of Tax Administration, IDB and World Bank. Another event for African jurisdictions is being planned for 2025.

Facilitating the adoption and implementation of AEOI by developing jurisdictions

To unleash the potential of AEOI on financial accounts for developing countries, the Global Forum released its new strategy at the end of 2021.[29] The implementation of this comprehensive strategy has shown unprecedented progress in relation to the participation of developing countries in AEOI. To date, 51 developing countries are committed to start to automatically exchange financial account information by 2027. Already 34 of the 51 developing countries committed have effectively started these exchanges and it is anticipated that 4 will start their first exchanges by the end of 2024. Scaling up its technical support, in November 2023, the Global Forum Secretariat launched a large-scale initiative aimed at offering to its developing country members not yet engaged in AEOI a preliminary maturity assessment of their information security arrangement. This would inform their decision on implementing AEOI on financial accounts, as well as CARF and CbCR. To date, 21 developing countries have engaged in this technical assistance programme.

In addition, building on the tools and guidance documents[30] developed to help Global Forum member countries implement a sound compliance strategy to ensure that financial institutions fulfil their due diligence, reporting and record-keeping obligations, the Global Forum Secretariat launched a series of

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[28] https://web-archive.oecd.org/tax/transparency/documents/effective-beneficial-ownership-frameworks-toolkit_en.pdf

[29] OECD (2021), *Unleashing the potential of automatic exchange of information for developing countries, 2021 Strategy*, www.oecd.org/tax/transparency/documents/aeoi-strategy-developing-countries.pdf.

[30] OECD (2022), *Model administrative compliance strategy*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris; OECD (2022), *CRS Notifications Tracking tool and its glossary*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris; OECD (2023), *Methodology for implementation of the risk-based approach to administrative compliance – Risk matrix*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris, available to tax authorities on request; OECD (2024), *Model Manual for CRS Compliance Audits*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD, Paris. All available to tax authorities on request.

practical workshops on auditing such compliance. Events hosted by Panama, the Intra-European Organisation of Tax Administrations in Hungary, Singapore and Mauritius were attended by 144 officials from 67 jurisdictions, who developed a concrete action plan for their jurisdictions and were provided with the relevant material to replicate the acquired knowledge domestically.

Training activities

There is a strong focus on training with novel approaches to best disseminate knowledge and expertise.

- From 1 January until 30 September 2024, 3 651 officials from 183 jurisdictions (including 21 non-members) were trained on various topics related to tax transparency and administrative co-operation through 35 events with 52% female participation rate.
- In 2024, the third edition of the *Women Leaders in Tax Transparency* programme[31] counted 29 female participants from 29 developing countries, following the successful completion of its first-year pilot programme in 2022 and the 2023 iteration. This programme aims at promoting female leadership in tax administrations and Ministries of Finance and developing sustainable capacities in tax transparency.
- Building on its successful *Train the Trainer* programme, the Global Forum Secretariat is offering a 9-month initial training to 6 Caribbean jurisdictions. The 14 laureates of this initial training will then join the 186 trainers from 65 jurisdictions participating in the Train the Trainer Network who are following an advanced programme this year composed of four training sessions to further develop their knowledge and skills. Two of these training sessions, dedicated to the concept of foreseeable relevance and the role of EOI in transfer pricing audit, already took place.
- Finally, the information security community is growing with 300 participants from 81 member countries, including 37 developing countries, participating in the *Information Security Management Network*, sharing good practices to collectively improve their domestic framework. In addition, 144 information security specialists participated in the three live events organised this year on critical topics, such as risk management, access management and cloud use.

[31] www.oecd.org/tax/transparency/what-we-do/technical-assistance/women-leaders-in-tax-transparency.htm

OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors

G20 Brazil, October 2024

This report sets out recent developments in international tax reform since July 2024, including on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. It also covers progress made on the implementation of the BEPS minimum standards and tax transparency, as well as updates on tax policy, tax and inequality and tax administration. This report was prepared by the OECD ahead of the fourth meeting of G20 Finance Ministers and Central Bank Governors held under the Brazilian G20 Presidency from 23-24 October 2024, in Washington D.C., United States.

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