



BRUSSELS | FEBRUARY 2020

1. OECD Release Digital Tax Economic Analysis

In a webcast streamed on 13 February 2020, the OECD released details of an economic analysis and impact assessment concerning the Pillar 1 and Pillar 2 proposals for taxation of the digital economy being negotiated by the Inclusive Framework on BEPS.

The preliminary findings of the analysis being undertaken through the work of the Framework indicate that the combined effect of the Pillar 1 and 2 proposals would lead to an increase of around 4% in global corporate income taxation revenue for both low, middle and high-income economies.

The analysis shows that Pillar 1 would lead to only relatively small increases in taxation, but would achieve a redistribution of taxation rights to market jurisdictions, meaning low and middle-income economies would experience a higher rate of increase in taxation under Pillar 1 than high-income economies. All countries would experience an increase in corporate income taxation under Pillar 2, and MNEs would see an increase in effective taxation rates, with the reduced dispersion in effective tax rates likely to reduce incentives for profit-shifting.

The webcast concerning the preliminary findings of the impact assessment can be viewed [here](#).

2. G20 Communiqué Published

No significant progress was made at the G20 meeting in Riyadh in February, as concerns the taxation challenges of the digitalisation of the economy. Reportedly, there were tensions between the US Secretary of Treasury and his European counterparts, with European Commission officials [tweeting](#) that the US was not engaging and Secretary Mnuchin had left the room without taking the floor.

The official [Communiqué](#) of the G20 states that the leaders encourage further progress on both Pillars to overcome remaining differences and reaffirm their commitment to reach a consensus-based solution with a final report to be delivered by the end of 2020. The next meeting of the Inclusive Framework is scheduled for this summer in Berlin.

3. OECD Opens Consultation on Country-by-Country Reporting

The OECD has published a [consultation document](#) inviting input concerning Action 13 of the Base Erosion and Profit Shifting Project, on Country-by-Country Reporting. The review is being carried out pursuant to the BEPS Action Plan, which mandated a review of CbCR under Action 13 in 2020.

The consultation document invites input on whether modifications should be implemented for Action 13 such that additional or different data should be reported, requesting practical experiences and issues with reporting requirements under Action 13, input on the use of the reported data by tax administrations, and on the effectiveness and appropriateness of thresholds and reporting.

The consultation will be open until 6 March 2020. Comments should be submitted in Word format to taxpublicconsultation@oecd.org.

4. North Macedonia Becomes Signatory to BEPS MLI Convention

On 29 January, North Macedonia became the 94th jurisdiction to be a signatory to the OECD's [Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting](#).

The multilateral tax treaty allows jurisdictions to update their existing double tax treaties and transpose measures agreed in the BEPS project without further need for bilateral negotiations. It now extends to over 1,650 bilateral tax treaties.

5. EU Commission Publishes Anti-Money Laundering Roadmap

The European Commission has published a [Roadmap](#) concerning future anticipated steps in its “new comprehensive approach to preventing and combating money laundering and terrorism financing”.

The Commission states in the Roadmap that the “*package adopted by the Commission in July 2019 highlighted a number of deficiencies in the implementation of the EU anti-money laundering framework*” and that “*even full implementation of the latest anti-money laundering provisions introduced by the 5th AML Directive...would not remedy the current weaknesses*”.

According to the European Commission: “*more harmonisation at EU level, and possibly central EU mechanisms/bodies to strengthen the preventive framework in light of the cross-border nature of much money laundering in the EU and of the integration of the internal market.*” are needed.

The Roadmap sets out that a policy communication will be issued in the coming months setting out the areas where further EU action will be taken, which will form the basis of future proposals of the Commission. Extensive consultation with stakeholders will also take place in 2020, with a view to present new policy initiatives in early 2021. Feedback can be submitted on the current Roadmap until 11 March.

6. OECD Release Transfer Pricing Guidance on Financial Transactions

The OECD has released [Transfer Pricing Guidance on Financial Transactions](#), further to follow-ups in BEPS Action 4 and Actions 8 - 10. It is the first time the OECD's transfer pricing guidance has included guidance on the transfer pricing aspects of financial transactions. The guidance aims to improve consistency in interpreting the arm's length principle and reducing double taxation and disputes.

7. EU Update “Blacklist” of Non-Cooperative Jurisdictions

The EU has [revised](#) its blacklist of jurisdictions considered non-compliant for tax purposes. At an ECOFIN Council meeting on 18 February, ministers agreed to add Cayman Islands, Palau, Panama and Seychelles to the EU's blacklist. 16 jurisdictions (Antigua and Barbuda, Armenia, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cabo Verde, Cook Islands, Curaçao, Marshall Islands, Montenegro, Nauru, Niue, Saint Kitts and Nevis, Vietnam) reportedly implemented the required reforms to comply with EU's tax good governance criteria and were removed from Annex II.

Commenting on behalf of the EU Presidency, Croatia's Finance Minister Zdravko Marić said of the developments: *“The work on the list of non-cooperative tax jurisdictions is based on a thorough process of assessment, monitoring and dialogue with about 70 third country jurisdictions. Since we started this exercise, 49 countries have implemented the necessary tax reforms to comply with the EU's criteria. This is an undeniable success. But it is also work in progress and a dynamic process where our methodology and criteria are constantly reviewed.”*

8. Tax Dispute Resolution: OECD Releases Further Stage 1 Peer Reviews

In the framework of the BEPS Action Plan, and steps undertaken under BEPS Action 14 concerning the improvement of tax dispute resolution mechanisms, the OECD has now [released](#) the results of further Stage 1 peer reviews which assess the efforts by countries to implement the Action 14 minimum standard as agreed to under the OECD/G20 BEPS Project.

The peer reviews published concern the jurisdictions of Brunei Darussalam, Curaçao, Guernsey, Isle of Man, Jersey, Monaco, San Marino and Serbia. BEPS Action 14 seeks to improve the tax-dispute resolution mechanisms via the Inclusive Framework peer-review

process, and give targeted resolutions as outcomes of the peer review which are then followed up in Stage 2 of the Peer Review process.

9. Mali Joins the Global Forum on Tax Transparency

In February, Mali became a member of the [Global Forum on Tax Transparency and Exchange of Information for Tax Purposes](#), becoming the 161st jurisdiction to join. The Global Forum on Tax Transparency members aim to address tax evasion by implementing measures and standards agreed at international level in relation to transparency and exchange of information, both on request and through automatic exchange of information processes. Members of the Global Forum are also subject to Peer Review assessments as concerns their compliance with the minimum standards on transparency and exchange of information.

10. OECD Releases IT Tools for Exchange of Information

The OECD has [released](#) IT tools and guidance which are intended to assist with the process of implementing the Treaty Relief and Compliance Enhancement (TRACE), and to encourage wider usage of the OECD Common Transmissions System used for the exchange of information between tax administrations.

The TRACE IT-tool allows withholding tax relief to be claimed at source, and CTS facilitates exchange of Common Reporting Standard information, Country-by-Country Reports and Tax Rulings, and will be extended in 2020 to be used for other on-request and spontaneous exchanges.



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