The
G7 Research Group
at the Munk School of Global Affairs and Public Policy at Trinity College
in the University of Toronto presents the

2019 G7 Biarritz Summit Second Interim Compliance Report

27 August 2019 — 3 June 2020

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21 June 2020

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"We have meanwhile set up a process and there are also independent institutions monitoring which objectives of our G7 meetings we actually achieve. When it comes to these goals we have a compliance rate of about 80%, according to the University of Toronto. Germany, with its 87%, comes off pretty well. That means that next year too, under the Japanese G7 presidency, we are going to check where we stand in comparison to what we have discussed with each other now. So a lot of what we have resolved to do here together is something that we are going to have to work very hard at over the next few months. But I think that it has become apparent that we, as the G7, want to assume responsibility far beyond the prosperity in our own countries. That's why today's outreach meetings, that is the meetings with our guests, were also of great importance."

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015

G7 summits are a moment for people to judge whether aspirational intent is met by concrete commitments. The G7 Research Group provides a report card on the implementation of G7 and G20 commitments. It is a good moment for the public to interact with leaders and say, you took a leadership position on these issues — a year later, or three years later, what have you accomplished?

Achim Steiner, Administrator, United Nations Development Programme,
in G7 Canada: The 2018 Charlevoix Summit

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15. Trade: Tax Policy

"The G7 commits to reaching in 2020 an agreement to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation Development]."

G7 Biarritz Leaders' Declaration

Assessment

	No Compliance	Partial Compliance	Full Compliance
Canada			+1
France		0	
Germany			+1
Italy		0	
Japan		0	
United Kingdom			+1
United States	−1		
European Union		0	
Average	+0.25 (63%)		

Background

This commitment deals with international taxation in the context of the Organisation for Economic Co-operation and Development (OECD).

The OECD is an organization of 36 countries that formed in 1961 and was preceded by the Organisation for European Economic Cooperation, founded in 1948.[2387] It works on numerous topics, including tax, trade, and regulatory reform through more than 300 committees and expert groups, and holds an annual Ministerial Council Meeting.[2388] Within its work on tax, OECD areas of focus include "aggressive tax planning," which refers to tax avoidance and evasion,[2389] consumption taxes, transfer pricing, financial crime, fiscal federalism, and tax certainty and assurance. Throughout these areas, domestic tax base erosion and profit shifting (BEPS), whereby businesses "artificially shift profits" to jurisdiction with less taxation, is a particular concern since it is estimated to cause the loss of four to ten per cent of global corporate tax revenue annually. This is being addressed by the OECD/G20 Inclusive Framework on BEPS, a collaboration of over 135 countries and jurisdictions.[2390]

On 8 June 2015, the G7 Schloss Elmau Leaders' Declaration reaffirmed the members' commitment to "finalize concrete and feasible recommendations for the G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan" by the end of that year in G7 Summit Leaders' Declaration. They recognized "the importance of beneficial ownership transparency" and committed to "strive to improve existing international information networks and cross-border cooperation on tax matters,

[2387] Who we are, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. http://www.oecd.org/about/history/.
[2388] Organizational Structure, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. https://www.oecd.org/about/structure/.
[2389] Aggressive Tax Planning, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. https://www.oecd.org/tax/aggressive/.
[2390] Base Erosion and Profit Shifting, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. http://www.oecd.org/tax/beps/.

including through a commitment to establish binding mandatory arbitration in order to ensure that the risk of double taxation does not act as a barrier to cross-border trade and investment."[2391]

On 27 May 2016, the G7 Ise-Shima Leaders' Declaration stated that leaders "remain committed to lead the [implementation of the G20/OECD BEPS package] by example." Leaders reaffirmed the "G20's call on all relevant countries including all financial centres and jurisdictions to implement the standard on automatic exchange of information by committed deadline and to sign the Multilateral Convention, as well as the request to the OECD to establish the 'objective criteria to identify non-cooperative jurisdictions with respect to tax transparency.'"[2392]

On 27 May 2017, the G7 Taormina Leaders' Communiqué stated that leaders "commit to tackling all forms of corruption and tax evasion, as a means of reinforcing public trust in governments and fostering sustainable global growth."[2393]

On 9 June 2018, the Charlevoix G7 Summit Communiqué stated that leaders committed to "exchange approaches and support international efforts to deliver fair, progressive, effective and efficient tax systems" and to "continue to fight tax evasion and avoidance by promoting the global implementation of international standards and addressing base erosion and profit shifting."[2394]

Also on 9 June 2018, the Charlevoix Commitment on Equality and Economic Growth similarly stated that leaders committed to "share approaches and support global efforts to make the tax system fair to everyone and facilitate tax collection by addressing base erosion and profit shifting and other forms of tax avoidance and continuing to work on tax capacity building to advance sustainable development." As well, leaders "will promote the global implementation of international standards regarding financial accounts and beneficial ownership in order to fight tax evasion."[2395]

On 18 July 2019, international taxation concerns were discussed in the Chair's Summary of the G7 Finance Ministers and Central Bank Governors' Meeting in Chantilly, France. Finance ministers "agreed that it is urgent to address the tax challenges raised by the digitalization of the economy and the shortcomings of the current transfer pricing system" and "fully supported a two-pillar solution to be adopted by 2020 through the work programme endorsed by the G20 Leaders." The first pillar would develop "administrable and simple" rules to address new business models to reinforce tax certainty and limit aggressive tax planning, complemented by "robust and effective tax dispute resolution through mandatory arbitration," while the second pillar would develop a minimum level of effective taxation similar to the United States' Global Intangible Low-Taxed Income regime.[2396]

Commitment Features

At the 2019 Biarritz Summit, the G7 members committed to "[reach] in 2020 an agreement to simplify regulatory barriers and modernize international taxation within the framework of the OECD," where "regulatory barriers" refers to restrictions on international commerce imposed by state institutions and "international taxation" refers to the global system of taxing transactions and

[2391] Leaders' Declaration: G7 Summit, G7 Information Centre (Toronto) 8 June 2015. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html.
[2392] G7 Ise-Shima Leaders' Declaration, G7 Information Centre (Toronto) 27 May 2016. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2016shima/ise-shima-declaration-en.html.
[2393] G7 Taormina Leaders' Communiqué, G7 Information Centre (Toronto) 27 May 2017. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2017taormina/communique.html.
[2394] The Charlevoix G7 Summit Communiqué, G7 Information Centre (Toronto) 9 June 2018. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2018charlevoix/communique.html.
[2395] Charlevoix Commitment on Equality and Economic Growth, G7 Information Centre (Toronto) 9 June 2018. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2018charlevoix/growth-commitment.html.
[2396] Chair's Summary: G7 Finance Ministers and Central Bank Governors' Meeting, G7 Information Centre (Toronto) 18 July 2019. Access Date: 13 October 2019. http://www.g7.utoronto.ca/finance/190718-summary.html.

entities that transcend national boundaries. Since this specific commitment is about a future action that is difficult to measure, this commitment will be interpreted in a similar manner to the "Financial Regulation: International Taxation" commitment from the G20 Research Group's Buenos Aires Summit Compliance Report, for which the specific commitment was "We will continue our work for a globally fair, sustainable, and modern international tax system based, in particular on tax treaties and transfer pricing rules."[2397] That commitment from the Buenos Aires Summit Compliance Report focused on the G20 members' actions to address BEPS under the OECD/G20 BEPS package.[2398]

There are three component areas for this commitment: the first two include either national-focused or international-focused actions to build a fairer and more modern international tax system under the OECD/G20 BEPS package, and the third includes actions taken as part of the process of adopting the OECD's "Unified Approach" to deal with Pillar One BEPS issues. Pillar One issues include those surrounding solutions for determining where tax should be paid and on what basis, as well as the portion of profits that should be payable in the consumer's jurisdiction.[2399]

Examples of the first component include actions taken to improve national tax systems by making them fairer and more modern and actions taken to simplify regulatory barriers in accordance with the principles of BEPS. Examples of the second component include any actions taken in cooperation with other countries, either bilaterally or multilaterally, to jointly improve tax systems, including by sharing financial information and best practices, and jointly simplify regulatory barriers. The third component consists of actions that directly support the adoption of or participate in the consultation process surrounding the new BEPS "Unified Approach."

Note: Actions taken between 13 April and 3 June 2020 have been included in this report but were not included in the version sent out for stakeholder feedback.

Scoring Guidelines

−1	G7 member takes action in one or none of the three areas of improving national tax systems OR improving international tax systems OR cooperating in the adoption of the new "Unified Approach" of the Organisation for Economic Co-operation and Development (OECD).
0	G7 member takes action in at least two of the three commitment areas of improving national tax systems OR improving international tax systems OR cooperating in the adoption of the new OECD "Unified Approach."
+1	G7 member takes action in all three commitment areas of improving national tax systems AND improving international tax systems AND cooperating in the adoption of the new OECD "Unified Approach."

Compliance Director: Christopher Sims
Lead Analyst: Zhenglin Liu

Canada: +1

Canada has fully complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

[2397] Buenos Aires Leaders' Declaration, G20 Research Group (Toronto) 1 December 2018. Access Date: 13 October 2019. http://www.g20.utoronto.ca/2018/2018-leaders-declaration.html.
[2398] 2018 G20 Buenos Aires Summit Compliance Report, G20 Research Group (Toronto) 26 June 2019. Access Date: 13 October 2019. http://www.g20.utoronto.ca/compliance/2018buenosaires-final/16-2018-g20-compliance-tax.pdf.
[2399] Action 1: Tax Challenges Arising from Digitalisation. Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. https://www.oecd.org/tax/beps/beps-actions/action1/.

On 29 August 2019, Canada deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).[2400] The MLI is a multilateral convention intended to simplify the process of amending bilateral tax treaties in accordance with the principles of base erosion and profit shifting and has already been ratified by 85 jurisdictions.[2401]

On 9 December 2019, Finance Minister Bill Morneau confirmed plans to impose a three per cent digital services tax on digital companies with worldwide revenues of at least CAD1 billion and Canadian revenues of more than CAD40 million.[2402] The tax is designed to combat tax avoidance by international digital companies and is planned to take effect on 1 April 2020.[2403]

On 23 January 2020, Canada undertook a global day of action in conjunction with the United Kingdom, the United States, Australia, and the Netherlands to investigate an international financial institution suspected of facilitating money laundering and tax evasion.[2404] The coordinated day of action involved interviews and the use of subpoenas and search warrants, and is expected to lead to criminal, civil, and regulatory action in each participating country.[2405] This was the first major operation of the Joint Chiefs of Global Tax Enforcement (J5), an organization of tax enforcement leaders from each of the five participating countries, formed to combat tax crime and money laundering.[2406]

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS [Base Erosion and Profit Shifting], of which Canada is a member, released a statement on the OECD's Two-Pillar Approach.[2407] The statement includes an affirmation of commitment by members to reach an

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[2400] Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting coming into force in Canada, Ernst and Young LLC (Ottawa) 25 September 2019. Access Date: 20 December 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/tax/tax-alerts/2019/ey-taxalert2019no40.pdf.

[2401] Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting coming into force in Canada, Ernst and Young LLC (Ottawa) 25 September 2019. Access Date: 20 December 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/tax/tax-alerts/2019/ey-taxalert2019no40.pdf.

[2402] Canada to move ahead with digital services tax plan -finance minister, Reuters (Ottawa) 9 December 2019. Access Date: 20 December 2019. https://www.nasdaq.com/articles/canada-to-move-ahead-with-digital-services-tax-plan-finance-minister-2019-12-09.

[2403] Canada to move ahead with digital services tax plan -finance minister, Reuters (Ottawa) 9 December 2019. Access Date: 20 December 2019. https://www.nasdaq.com/articles/canada-to-move-ahead-with-digital-services-tax-plan-finance-minister-2019-12-09.

[2404] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.

[2405] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.

[2406] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.

[2407] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2408]

Canada has taken action to improve national tax systems by implementing a digital services tax; has taken action to improve international tax systems by ratifying the MLI and acting with the J5 to combat offshore tax evasion; and has cooperated in the adoption of the new OECD "Unified Approach" through its statement as part of the OECD/G20 Inclusive Framework on BEPS.

Thus, Canada receives a score of +1.

Analyst: Tony Xun

France: 0

France has partially complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 26 August 2019, President Emmanuel Macron stated that France's digital services tax (DST) would be eliminated during a conference with U.S. President Donald Trump.[2409] President Macron also declared that if the OECD framework recommends the implementation of a new international digital services tax system then any DST that has been paid by multinational companies would be refunded.[2410]

On 27 September 2019, the French government released its draft Finance Bill for 2020, which reduces a proposed French corporate income tax rate decrease for large companies.[2411] The draft Finance Bill also proposes several steps to implement the European Union Anti-Tax Avoidance Directives and decreases a domestic research and development tax credit.[2412] Following a decision by the Court of Justice of the European Union, the bill proposes to allow entities in certain jurisdictions in a tax loss position to claim refunds on some French withholding taxes.[2413] On 19 December 2019,

[2408] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2409] G7 leaders' declaration addresses international tax, France discusses future of French Digital Services Tax, EY Tax Insights (Paris) No publication date. Access Date: 18 December 2019. https://taxinsights.ey.com/archive/archive-news/g7-leader%E2%80%99s-declaration-addresses-international-tax-france.aspx.

[2410] G7 leaders' declaration addresses international tax, France discusses future of French Digital Services Tax, EY Tax Insights (Paris) No publication date. Access Date: 18 December 2019. https://taxinsights.ey.com/archive/archive-news/g7-leader%E2%80%99s-declaration-addresses-international-tax-france.aspx.

[2411] French Government releases draft Finance Bill for 2020, EY Global Tax Alert (Paris) 1 October 2019. Access Date: 18 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--french-government-releases-draft-finance-bill-for-2020.

[2412] French Government releases draft Finance Bill for 2020, EY Global Tax Alert (Paris) 1 October 2019. Access Date: 18 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--french-government-releases-draft-finance-bill-for-2020.

[2413] French Government releases draft Finance Bill for 2020, EY Global Tax Alert (Paris) 1 October 2019. Access Date: 18 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--french-government-releases-draft-finance-bill-for-2020.

the French Parliament approved the Bill.[2414] Under it, executives of large French corporations whose annual turnover exceeds EUR250 million will be considered as tax residents of France.[2415]

On 20 November 2019, the French Council of Economic Analysis, an official French organization that analyzes, tracks and offers proposals on French tax policy in line with the stance of the French government, proposed to "impose a minimum tax rate on the profits of multinationals, as well "as require that a portion of the profits of multinationals be taxed where their consumers or internet users are located."[2416]

On 26 November 2019, Finance Minister Bruno Le Maire defended the proposal for a 12.5 per cent minimum global tax rate in a speech at the OECD.[2417] This is in line with the rate at which foreign profits by American companies are taxed in the United States, but substantially lower than the average effective tax rate faced by large companies in France.[2418]

On 6 December 2019, Minister Le Maire rejected a United States proposal for a "safe harbor regime" in the context of OECD negotiations on international tax reform.[2419] The proposal would enable companies to opt out of the proposed reforms, which include moves away from such structures as arm's-length transfer pricing.[2420]

On 11 December 2019, the French government unveiled details of a planned pension system overhaul. President Macron has expressed his desire to replace the current complex system with a unified scheme, so that all workers have similar pension rights.[2421] According to the Associated Press, the current pension plan in France is complex, and the new one aims to "to adapt to a more flexible labor market," as well as make "the new system financially sustainable in the long-term."[2422] On 17 March 2020, however, Minister Le Maire announced that these reforms have been suspended.[2423]

On 21 January 2020, a French government official told the BBC that France has agreed to delay implementing its new digital tax on multinational technology firms until the end of 2020.[2424] The

[2414] France – 2020 Finance Law Adopted, Some Changes to Budget Measures, KPMG GMS Flash Alert (Paris) 21 January 2020. Access Date: 16 April 2020. https://home.kpmg/xx/en/home/insights/2020/01/flash-alert-2020-015.html.
[2415] France – 2020 Finance Law Adopted, Some Changes to Budget Measures, KPMG GMS Flash Alert (Paris) 21 January 2020. Access Date: 16 April 2020. https://home.kpmg/xx/en/home/insights/2020/01/flash-alert-2020-015.html.
[2416] International Corporate tax, Government of France (Paris) 20 November 2019. Access Date: 18 December 2019. https://www.gouvernement.fr/en/international-corporate-tax.
[2417] La France pour un impôt mondial minimum de 12,5 % sur les entreprises, Les Echos (Paris) 26 November 2019. Access Date: 18 December 2019. https://www.lesechos.fr/monde/enjeux-internationaux/la-france-pour-un-impot-mondial-minimum-de-125-sur-les-entreprises-1150934.
[2418] La France pour un impôt mondial minimum de 12,5 % sur les entreprises, Les Echos (Paris) 26 November 2019. Access Date: 18 December 2019. https://www.lesechos.fr/monde/enjeux-internationaux/la-france-pour-un-impot-mondial-minimum-de-125-sur-les-entreprises-1150934.
[2419] France rejects U.S. proposal on international tax reform, NASDAQ (Paris) 6 December 2019. Access Date: 18 December 2019. https://www.nasdaq.com/articles/france-rejects-u.s.-proposal-on-international-tax-reform-2019-12-06.
[2420] France rejects U.S. proposal on international tax reform, NASDAQ (Paris) 6 December 2019. Access Date: 18 December 2019. https://www.nasdaq.com/articles/france-rejects-u.s.-proposal-on-international-tax-reform-2019-12-06.
[2421] France's pension overhaul: a look at the planned changes, Associated Press News (Paris) 11 December 2019. Access Date: 3 January 2020. https://apnews.com/2b83ffd527798d28e31bc61b898fafc7.
[2422] France's pension overhaul: a look at the planned changes, Associated Press News (Paris) 11 December 2019. Access Date: 3 January 2020. https://apnews.com/2b83ffd527798d28e31bc61b898fafc7.
[2423] France scraps pension reform plan, budget, Pensions & Investments (New York) 17 March 2020. Access Date: 16 April 2020. https://www.pionline.com/legislation/france-scraps-pension-reform-plan-budget.
[2424] France agrees to delay new tax on tech giants, BBC Business (London) 21 January 2020. Access Date: 16 April 2020. https://www.bbc.com/news/business-51192369.

United States had previously threatened a possible tariff war between the United States and France where the United States would raise taxes on certain imports, hindering uniform global taxation.[2425]

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS [Base Erosion and Profit Shifting], of which France is a member, released a statement on the OECD's Two-Pillar Approach.[2426] The statement includes an affirmation of commitment by members to reach an agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2427]

On 9 March 2020, the French Tax Authorities published guidelines to the ordinance that implemented the EU directive on the exchange of taxation information into French law.[2428] The guidelines reflect elements of the OECD's BEPS work on the mandatory disclosure of potentially aggressive tax planning.[2429]

On 3 April 2020, the French government announced that it has allowed companies in need to defer social security contributions and direct taxes originally due on 15 March.[2430] Additionally, companies facing extreme financial difficulties may be considered for a tax refund, which is limited to corporate income tax and related taxes.[2431]

On 14 May 2020, Finance Minister Bruno Le Maire announced that France plans to tax major digital corporations regardless of the progress made on reaching an international deal on the subject.[2432] Le Maire declared that "never has a digital tax been more legitimate and more necessary."[2433]

France has taken action to improve national tax systems, including through legislation and proposing or defending minimum tax rates, and has cooperated in the adoption of the new OECD "Unified Approach," but has taken no action in improving international tax systems.

[2425] US could impose 100% tariffs on French goods following France's tax on tech giants, Tech Crunch (San Francisco) 3 December 2019. Access Date: 19 April 2020. https://techcrunch.com/2019/12/03/us-could-impose-100-tariffs-on-french-goods-following-frances-tax-on-tech-giants/.

[2426] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2427] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2428] DAC 6: First FTA guidelines published, Deloitte Tax@hand (Paris) 10 March 2020. Access Date: 20 April 2020. https://www.taxathand.com/article/13113/France/2020/DAC-6-First-FTA-guidelines-published.

[2429] DAC 6: First FTA guidelines published, Deloitte Tax@hand (Paris) 10 March 2020. Access Date: 20 April 2020. https://www.taxathand.com/article/13113/France/2020/DAC-6-First-FTA-guidelines-published.

[2430] Prolongement des possibilités de report des cotisations sociales et impôts directs des entreprises pour tout le mois d'avril, Government of France (Paris) 6 April 2020. Access Date: 16 April 2020. https://www.economie.gouv.fr/prolongement-possibilites-report-cotisations-sociales-impots-directs-entreprises.

[2431] Prolongement des possibilités de report des cotisations sociales et impôts directs des entreprises pour tout le mois d'avril, Government of France (Paris) 6 April 2020. Access Date: 16 April 2020. https://www.economie.gouv.fr/prolongement-possibilites-report-cotisations-sociales-impots-directs-entreprises.

[2432] France to impose digital tax this year regardless of any new international levy, Reuters (Paris) 14 May 2020. Access Date: 3 June 2020. https://www.reuters.com/article/us-france-digital-tax/france-to-impose-digital-tax-this-year-regardless-of-any-new-international-levy-idUSKBN22Q25B.

[2433] France to impose digital tax this year regardless of any new international levy, Reuters (Paris) 14 May 2020. Access Date: 3 June 2020. https://www.reuters.com/article/us-france-digital-tax/france-to-impose-digital-tax-this-year-regardless-of-any-new-international-levy-idUSKBN22Q25B.

Thus, France receives a score of 0.

Analyst: Qiyu Zhou

Germany: +1

Germany has fully complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 9 October 2019, the federal cabinet approved the draft Act Introducing a Reporting Obligation for Cross-Border Tax Arrangements. The new act enables the fiscal administration and lawmakers to identify base erosion and profit shifting (BEPS) practices at an early stage and to close unintended loopholes rapidly.[2434] The new reporting obligation includes a variety of measures, following the BEPS process, to be implemented by the German government to increase transparency, prevent harmful tax competition, and combat tax fraud and avoidance.[2435]

On 18 November 2019, the German Ministry of Finance set up a new task force to combat tax fraud and tax avoidance.[2436] This new special unit will detect illicit tax schemes and large-scale tax fraud attempts like the Cum-Ex arrangement, a large tax fraud case in which billions of euros of tax revenue was lost because of the practice of claiming multiple tax refunds on the same security.[2437]

On 9 December 2019, Germany and Singapore amended the 28 June 2004 Agreement for Avoidance of Double Taxation to bring the agreement in line with the principles of BEPS.[2438] The amendments reduce the withholding tax rate charged for cross-border divided, the withholding tax rate on interest, and updates exchange of information provisions in line with international standards.[2439]

On 10 December 2019, German Finance Minister Olaf Scholz sent his plans for a new financial transaction tax to ministers from nine other EU member states. The draft sought to levy a tax of 0.2 per cent of the transaction value of purchases of shares in large registered European companies at over EUR1 billion. The proposed financial transaction tax is intended to make financial markets more stable by discouraging excessive risk-taking and to raise tax revenue.[2440]

[2434] New reporting obligation will create greater fairness in taxation, Federal Ministry of Finance (Berlin) 9 October 2019. Access Date: 19 December 2019. https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2019/2019-10-09-fair-taxation.html.
[2435] New reporting obligation will create greater fairness in taxation, Federal Ministry of Finance (Berlin) 9 October 2019. Access Date: 19 December 2019. https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2019/2019-10-09-fair-taxation.html.
[2436] Germany To Launch Special Anti-Tax Fraud Unit, Tax-News (Sussex) 26 November 2019. Access Date: 19 December 2019. https://www.tax-news.com/news/Germany_To_Launch_Special_AntiTax_Fraud_Unit____97426.html.
[2437] Task force to combat tax fraud and tax avoidance: frequently asked questions, Federal Ministry of Finance (Berlin) 21 November 2019. Access Date: 19 December 2019. https://www.bundesfinanzministerium.de/Content/EN/FAQ/faq-tax-fraud-tax-avoidance.html.
[2438] Singapore, Germany Add BEPS to DTA, Tax-News (Sussex) 10 December 2019. Access Date: 19 December 2019. https://www.tax-news.com/news/Singapore_Germany_Add_BEPS_Amendments_To_DTA____97449.html.
[2439] Singapore, Germany Add BEPS to DTA, Tax-News (Sussex) 10 December 2019. Access Date: 19 December 2019. https://www.tax-news.com/news/Singapore_Germany_Add_BEPS_Amendments_To_DTA____97449.html.
[2440] Germany's Plans for a Financial Transaction Tax, Tax Foundation (Washington) 16 December 2019. Access Date: 19 December 2019. https://www.mof.gov.sg/policies/tax-policies/international-tax/Press-Releases-and-Announcements-on-Singapores-bilateral-tax-treaties/singapore-and-germany-sign-protocol-amending-the-agreement-for-avoidance-of-double-taxation.

On 10 December 2019, the German Ministry of Finance issued a draft bill as part of the implementation of the EU Anti-tax Avoidance Directive.[2441] This bill has not been passed yet. The proposed law changes with repect to German transfer pricing rules are of structural and clarifying nature.[2442]

On 23 January 2020, the German Ministry of Finance published a consultation agreement between the competent authorities of Germany and the Kingdom of the Netherlands on the implementation of the Mutual Agreement Procedure under the 2012 Germany-Netherlands Double Taxation Agreement.[2443] The consultation agreement aims to seek specific solutions to avoid double taxation between two countries.[2444]

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS, of which Germany is a member, released a statement on the OECD's Two-Pillar Approach.[2445] The statement includes an affirmation of commitment by members to reach an agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2446]

On 3 April 2020, the German Ministry of Finance signed a mutual agreement for cross-border worker taxation with Luxembourg under the 2012 Double Taxation Agreement due to the coronavirus pandemic.[2447]

Germany has taken actions to improve national tax systems and international tax systems and has cooperated in the adoption of the new OECD "Unified Approach."

Thus, Germany receives a score of +1.

Analyst: Gongjun (Katie) Gao

[2441] Draft German tax law has big implications for transfer pricing, Multinational Group Tax & Transfer Pricing News (Washington) 6 January 2019. Access Date: 10 April 2020. https://mnetax.com/draft-german-tax-law-has-big-implications-for-transfer-pricing-37290.
[2442] Draft German tax law has big implications for transfer pricing, Multinational Group Tax & Transfer Pricing News (Washington) 6 January 2019. Access Date: 10 April 2020. https://mnetax.com/draft-german-tax-law-has-big-implications-for-transfer-pricing-37290.
[2443] Germany MOF Announces Consultation Agreement MAP Under DTA with Netherlands, Bloomberg Tax (Arlington) 28 January 2020. Access Date: 12 April 2020. https://news.bloombergtax.com/daily-tax-report-international/germany-mof-announces-consultation-agreement-on-map-under-dta-with-netherlands.
[2444] Germany Publishes Consultation Agreement on MAP with the Netherlands on DTA, TPA Global (Amsterdam) 31 January 2020. Access Date: 12 April 2020. http://www.transferpricingassociates.com/nieuws/2020-01-31/germany-publishes-consultation-agreement-on-map-with-the-netherlands-on-dta.
[2445] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.
[2446] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.
[2447] Germany MOF Announces Mutual Agreement for Cross-Border Worker Taxation With Luxembourg Due to Coronavirus, Bloomberg Tax (Arlington) 9 April 2020. Access Date: 12 April 2020. https://news.bloombergtax.com/daily-tax-report-international/germany-mof-announces-mutual-agreement-for-cross-border-worker-taxation-with-luxembourg-due-to-coronavirus?context=search&index=0.

Italy: 0

Italy has partially complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 16 December 2019 the Italian upper chamber approved the Budget Law 2020, which was sent to the Lower Chamber for approval.[2448] On 27 December 2019 Parliament approved the 2020 Budget Law.[2449] The law includes an amendment to the digital services tax, which was introduced by the Budget Law 2019 but had not been implemented.[2450] The law stipulates that a three per cent tax will be imposed on certain business-to-consumer and business-to-business digital services.[2451] It also stipulates increased measures to fight tax evasion through higher prison sentences, sanctions for retailers who do not accept credit cards, and stronger restriction on the use of cash in transactions.[2452] The law came into effect on 1 January 2020.[2453]

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS [Base Erosion and Profit Shifting], of which Italy is a member, released a statement on the OECD's Two-Pillar Approach.[2454] The statement includes an affirmation of commitment by members to reach an agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2455]

Italy has taken actions to improve national tax systems and cooperate in the adoption of the new OECD "Unified Approach" but has taken no action toward improving international tax systems.[2456]

Thus, Italy receives a score of 0.

Analyst: Sarah Howe

[2448] Italy: Digital services tax, changes made during legislative process, KPMG (Amstelveen) 19 December 2019. Access Date: 20 December 2019. https://home.kpmg/us/en/home/insights/2019/12/tnf-italy-digital-services-tax-changes-made-during-legislative-process.html.
[2449] The Latest on BEPS and Beyond – January 2020, Ernst and Young (New York) 21 January 2020. Access Date: 11 April 2020. https://www.ey.com/en_gl/beps-tracker/the-latest-on-beps-and-beyond---january-2020.
[2450] Italy: Digital services tax proposed to apply beginning 1 January 2020, KPMG (Amstelveen) 17 October 2019. Access Date: 20 December 2019. https://home.kpmg/us/en/home/insights/2019/10/tnf-italy-digital-services-tax-apply-beginning-1-january-2020.html.
[2451] Italy: Digital services tax proposed to apply beginning 1 January 2020, KPMG (Amstelveen) 17 October 2019. Access Date: 20 December 2019. https://home.kpmg/us/en/home/insights/2019/10/tnf-italy-digital-services-tax-apply-beginning-1-january-2020.html.
[2452] Factbox: Key tax and spending measures in Italy's 2020 budget, Reuters (Rome) 4 November 2019. Access Date: 20 December 2019. https://www.reuters.com/article/us-italy-budget-factbox/factbox-key-tax-and-spending-measures-in-italys-2020-budget-idUSKBN1XE1MI.
[2453] The Latest on BEPS and Beyond – January 2020, Ernst and Young (New York) 21 January 2020. Access Date: 11 April 2020. https://www.ey.com/en_gl/beps-tracker/the-latest-on-beps-and-beyond---january-2020.
[2454] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.
[2455] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.
[2456] Non-compliance was determined after searching news.google.com, factiva.com, theguardian.com, bloomberg.com, and reuters.com, and mef.gov.it.

Japan: 0

Japan has partially complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 30 August 2019, Japan and the United States exchanged instruments of ratification for the entry into force of the Protocol Amending Tax Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.[2457]

On 10 September 2019, Japan and Uzbekistan initiated the first round of negotiations for the amendment of the current tax convention in Tokyo.[2458]

On 13 September 2019, Japan and Uruguay signed a tax convention clarifying the scope of taxable income in the two countries so as to eliminate double taxation arising between the two countries and prevent international tax evasion and avoidance.[2459]

On 20 September 2019, Japan and Uzbekistan agreed in principle to implement a new tax convention replacing their existing convention.[2460] The new convention seeks to reinforce and introduce provisions for clarifying the scope of taxation in the two countries.[2461] On 19 December 2019, the two governments signed the new convention to eliminate double taxation and prevent international tax evasion and tax avoidance.[2462]

On 1 October 2019, Japan and Morocco agreed in principle to implement a tax convention between the two countries to eliminate international double taxation and prevent tax evasion and avoidance.[2463] On 8 January 2020, the two governments signed the convention to eliminate double taxation and prevent international tax evasion and tax avoidance.[2464] This is the first tax convention between Japan and Morocco and aims to enhance economic relations and mutual investments between the two countries.[2465]

[2457] Protocol Amending Tax Convention with the United States Entered into Force, Ministry of Finance (Tokyo) 30 August 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190830usa.htm.

[2458] Negotiations for Tax Convention with Uzbekistan will be Initiated, Ministry of Finance (Tokyo) 9 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/190909uzb.htm.

[2459] Tax Convention with Uruguay was Signed, Ministry of Finance (Tokyo) 17 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190917urg.htm.

[2460] New Tax Convention with Uzbekistan Agreed in Principle, Ministry of Finance (Tokyo) 20 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190920uzb.htm.

[2461] New Tax Convention with Uzbekistan Agreed in Principle, Ministry of Finance (Tokyo) 20 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190920uzb.htm.

[2462] New Tax Convention with Uzbekistan was Signed, Ministry of Finance (Tokyo) 20 December 2019. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191220uzb.htm.

[2463] Tax Convention with Morocco Agreed in Principle, Ministry of Finance (Tokyo) 1 October 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191001mor.htm

[2464] Tax Convention with Morocco was Signed, Ministry of Finance (Tokyo) 9 January 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200109mor.htm.

[2465] Tax Convention with Morocco was Signed, Ministry of Finance (Tokyo) 9 January 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200109mor.htm.

On 18 November 2019, Japan and Peru signed a tax convention to eliminate double taxation and prevent international tax evasion and tax avoidance.[2466] The convention covers business profits, investment income, and gains from company shares, and contains provisions to prevent abuse of the convention and promote information exchange and mutual assistance in enforcement.[2467]

On 28 November 2019, Japan and Ecuador exchanged diplomatic notes regarding the tax convention between them, which will come into force on 28 December 2019 and cover taxes levied on or after 1 January 2020.[2468] The convention covers business profits and investment income.[2469] It contains provisions to prevent abuse of the convention, to enable information exchange and mutual assistance in enforcement, and to establish a procedure of mutual agreement to address taxation contrary to the convention.[2470]

On 6 December 2019, Japan and Serbia agreed in principle to implement a tax convention between the two countries to eliminate international double taxation and prevent tax evasion and avoidance.[2471] It is expected that provisions of the convention will clarify the scope of taxation in the two countries.[2472]

On 12 December 2019, Japan and Jamaica signed a tax convention to eliminate double taxation and prevent international tax evasion and tax avoidance.[2473] The convention covers business profits and investment income.[2474] It contains provisions to prevent abuse of the convention, to enable information exchange and mutual assistance in enforcement, and to establish a procedure of mutual agreement or arbitration to address taxation contrary to the convention.[2475]

On 29 January 2020, Japan announced new measures to prevent base erosion and profit shifting (BEPS) under its tax convention with Saudi Arabia, aligning with the OECD framework.[2476] The two countries will add their tax treaty to the list of existing treaties covered by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).[2477]

[2466] Tax Convention with Peru was Signed, Ministry of Finance (Tokyo) 19 November 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191119per.htm.
[2467] Key Points of Tax Convention with Peru, Ministry of Finance (Tokyo) 19 November 2019. Access Date: 1 May 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191119per_pt.htm.
[2468] Tax Convention with Ecuador will Enter into Force, Ministry of Finance (Tokyo) 29 November 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191129ecu.htm.
[2469] Key Points of Tax Convention with Ecuador, Ministry of Finance (Tokyo) 16 January 2019. Access Date: 1 May 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190116ec_pt.htm.
[2470] Key Points of Tax Convention with Ecuador, Ministry of Finance (Tokyo) 16 January 2019. Access Date: 1 May 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190116ec_pt.htm.
[2471] Tax Convention with Serbia Agreed in Principle, Ministry of Finance (Tokyo) 6 December 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191206ser.htm.
[2472] Tax Convention with Serbia Agreed in Principle, Ministry of Finance (Tokyo) 6 December 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191206ser.htm.
[2473] Tax Convention with Jamaica was Signed, Ministry of Finance (Tokyo) 12 December 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191212jam.htm.
[2474] Key Points of Tax Convention with Jamaica, Ministry of Finance (Tokyo) 12 December 2019. Access Date: 1 May 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191212jam_pt.htm.
[2475] Key Points of Tax Convention with Jamaica, Ministry of Finance (Tokyo) 12 December 2019. Access Date: 1 May 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191212jam_pt.htm.
[2476] Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased: Saudi Arabia, Ministry of Finance (Tokyo) 7 February 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200207mli.htm.
[2477] Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased: Saudi Arabia, Ministry of Finance (Tokyo) 7 February 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200207mli.htm.

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS, of which Japan is a member, released a statement on the OECD's Two-Pillar Approach.[2478] The statement includes an affirmation of commitment by members to reach an agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2479]

On 14 February 2020, the Government of Japan moved to apply the MLI to the existing tax treaty between Japan and Qatar to prevent BEPS, with changes taking effect by 1 April 2020.[2480]

On 6 March 2020, Japan announced new measures to prevent BEPS under its tax convention with Portugal, aligning with the framework of the OECD.[2481] The two countries will add their tax treaty to the list of existing treaties covered by the MLI.[2482]

Japan has taken actions to improve international tax systems and cooperate in the adoption of the new OECD "Unified Approach" but has taken no action toward improving national tax systems.[2483]

Thus, Japan receives a score of 0.

Analyst: Gongjun (Katie) Gao

United Kingdom: +1

The United Kingdom has fully complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 1 October 2019, the United Kingdom signed the UK/Gibraltar Double Taxation Agreement, which entered into force on 24 March 2020.[2484] The agreement covers UK corporation taxes on payments made on or after 1 April 2020, UK income and capital gains taxes on or after 6 April 2020, both countries' taxes withheld at the sources on or after 1 May 2020, and Gibraltar income and corporation taxes on or after 1 July 2020.[2485]

[2478] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2479] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2480] Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased: Qatar, Ministry of Finance (Tokyo) 21 February 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200221mli.htm.

[2481] Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased: Portugal, Ministry of Finance (Tokyo) 6 March 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200306mli.htm.

[2482] Tax Treaties Covered by the Convention to Implement Measures to Prevent BEPS will be Increased: Portugal, Ministry of Finance (Tokyo) 6 March 2020. Access Date: 10 April 2020. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20200306mli.htm.

[2483] Partial compliance was determined after searching news.google.com, factiva.com, theguardian.com, bloomberg.com, and reuters.com.

[2484] 2019 Gibraltar-UK Double Taxation Agreement, UK Government (London) 22 October 2019. Access Date: 21 December 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841182/2019_Gibraltar-UK_Double_Taxation_Agreement___not_in_force.pdf.

[2485] 2019 Gibraltar-UK Double Taxation Agreement, UK Government (London) 8 April 2020. Access Date: 1 May 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/878661/UK-Gibraltar_in-force_April_2020.pdf.

On 2 October 2019, an amending protocol to the UK/Cyprus Double Taxation Agreement entered into force.[2486] The agreement covers taxes withheld at the source starting 1 January 2019 and covers income tax starting 6 April 2019.[2487]

On 21 October 2019, the 2016 United Kingdom–United Arab Emirates Double Taxation Convention, which is in force, was modified by Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).[2488] The MLI is a multilateral convention intended to simplify the process of amending bilateral tax treaties in accordance with the principles of base erosion and profit shifting and had been ratified by 85 jurisdictions at the time.[2489]

On 5 November 2019, the 1967 Luxembourg-UK Double Taxation Convention, which is in force, was modified by the MLI.[2490] The modifications cover both country's taxes withheld at the sources on amounts paid or credited to non-residents on or after 1 January 2020, UK corporation taxes starting 1 April 2020, UK income and capital gains taxes starting 6 April 2020, and all other taxes levied by Luxembourg for taxable periods beginning on or after 1 February 2020.[2491]

On 15 November 2019, the 2004 UK-Georgia Double Taxation Agreement, the 1978 Canada-UK Double Taxation Convention, and the 1993 India-UK Double Taxation Convention were modified by the MLI.[2492,2493,2494] On the UK side, the modifications cover taxes withheld at the sources on amounts paid or credited to non-residents on or after 1 January 2020, UK corporation taxes starting 1 April 2020, and UK income and capital gains taxes starting 6 April 2020.[2495,2496,2497]

On 4 December 2019, Prime Minister Boris Johnson stated that he would press ahead with the planned April 2020 introduction of a two per cent digital services tax despite the backlash French

[2486] Cyprus: Tax Treaties, UK Government (London) 21 October 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/cyprus-tax-treaties.
[2487] Protocol to the UK/Cyprus Double Taxation Agreement, UK Government (London) 21 October 2019. Access Date: 21 December 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839991/in_force.pdf.
[2488] United Arab Emirates: Tax Treaties, UK Government (London) 21 October 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/united-arab-emirates-tax-treaties#history.
[2489] Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting coming into force in Canada, Ernst and Young LLC (Ottawa) 25 September 2019. Access Date: 20 December 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/tax/tax-alerts/2019/ey-taxalert2019no40.pdf.
[2490] Luxembourg: Tax Treaties, UK Government (London) 5 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/luxembourg-tax-treaties#history.
[2491] Luxembourg: Tax Treaties, UK Government (London) 5 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/luxembourg-tax-treaties#history.
[2492] Georgia: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/georgia-tax-treaties.
[2493] Canada: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/canada-tax-treaties.
[2494] India: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 22 December 2019. https://www.gov.uk/government/publications/india-tax-treaties#history.
[2495] Georgia: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/georgia-tax-treaties.
[2496] Canada: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/canada-tax-treaties.
[2497] India: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 22 December 2019. https://www.gov.uk/government/publications/india-tax-treaties#history.

President Emmanuel Macron has received from U.S. President Donald Trump over France's similar tax.[2498]

On 16 December 2019, the 2016 Colombia-UK Double Taxation Convention came into force.[2499] The convention takes effect in the UK on taxes that are withheld at the source on 1 January 2020, on corporation tax on 1 April 2020, and on income and capital gains taxes on 6 April 2020.[2500]

On 6 January 2020, the 2008 Netherlands-UK Double Taxation Convention was modified by the MLI.[2501] The modifications cover taxes levied by the Netherlands starting 1 January 2020, UK withholding taxes starting 1 January 2020, UK corporation taxes starting 1 April 2020, and UK income and capital gains taxes starting 6 April 2020.[2502]

On 10 January 2020, the 1987 Belgium-UK Double Taxation Convention was modified by the MLI.[2503] The modifications cover taxes levied by Belgium starting 1 April 2020, UK withholding taxes starting 1 January 2020, UK corporation taxes starting 1 April 2020, and UK income and capital gains taxes starting 6 April 2020.[2504]

On 23 January 2020, the United Kingdom undertook a global day of action in conjunction with Canada, the United States, Australia, and the Netherlands to investigate an international financial institution suspected of facilitating money laundering and tax evasion.[2505] The coordinated day of action involved interviews and the use of subpoenas and search warrants, and is expected to lead to criminal, civil, and regulatory action in each participating country.[2506] This was the first major operation of the Joint Chiefs of Global Tax Enforcement, an organization of tax enforcement leaders from each of the five participating countries, formed to combat tax crime and money laundering.[2507]

[2498] Boris Johnson sticks with UK digital tax plan despite the risk of US tariffs, CNN (London) 4 December 2019. Access Date: 3 January 2020. https://www.cnn.com/2019/12/04/tech/boris-johnson-digital-tax-trump/index.html.
[2499] Colombia: Tax Treaties, UK Government (London) 18 December 2019. Access Date: 22 December 2019. https://www.gov.uk/government/publications/colombia-tax-treaties.
[2500] Colombia: Tax Treaties, UK Government (London) 18 December 2019. Access Date: 22 December 2019. https://www.gov.uk/government/publications/colombia-tax-treaties.
[2501] Netherlands: Tax Treaties, UK Government (London) 6 January 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/netherlands-tax-treaties.
[2502] Netherlands: Tax Treaties, UK Government (London) 6 January 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/netherlands-tax-treaties.
[2503] Belgium: Tax Treaties, UK Government (London) 10 January 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/belgium-tax-treaties.
[2504] Belgium: Tax Treaties, UK Government (London) 10 January 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/belgium-tax-treaties.
[2505] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.
[2506] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.
[2507] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS, of which the UK is a member, released a statement on the OECD's Two-Pillar Approach.[2508] The statement includes an affirmation of commitment by members to reach an agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2509]

On 11 March 2020, Her Majesty's Revenue and Customs published a policy paper on the Digital Services Tax.[2510] It announced that the government of the United Kingdom will introduce a two per cent tax on revenue made from search engines, social media services, and online marketplaces that derive value from users in the country.[2511] The tax came into force on 1 April 2020.[2512]

On 1 April 2020, the UK government implemented a 2 per cent digital services tax on the revenue of search engines, social media services, and online marketplaces that engage in economic activity in the UK.[2513] The measure is expected to raise up to GBP515 million in revenue in five years' time, and is aimed at ensuring that large multinational businesses "make a fair contribution to supporting vital public services".[2514]

The United Kingdom has taken actions to improve national and international tax systems and cooperate in the adoption of the new OECD "Unified Approach."

Thus, the United Kingdom receives a score of +1.

Analyst: Wayne George

United States: −1

The United States has not complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 30 August 2019, the Governments of Japan and the United States exchanged instruments of ratification for the entry into force of the Protocol Amending Tax Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.[2515]

[2508] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2509] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.

[2510] Policy Paper: Digital Services Tax, UK Government (London) 11 March 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax.

[2511] Policy Paper: Digital Services Tax, UK Government (London) 11 March 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax.

[2512] Policy Paper: Digital Services Tax, UK Government (London) 11 March 2020. Access Date: 12 April 2020. https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax.

[2513] Digital Services Tax Policy paper, UK Government (London) 11 March 2020. Access Date: 3 June 2020. https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax.

[2514] Digital Services Tax Policy paper, UK Government (London) 11 March 2020. Access Date: 3 June 2020. https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax.

[2515] Protocol Amending Tax Convention with the United States Entered into Force, Ministry of Finance (Tokyo) 30 August 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190830usa.htm.

On 30 October 2019, the Cypriot Tax Department announced that it was negotiating a Competent Authority Agreement for the exchange of Country by Country reports with the United States.[2516] Country by Country reporting involves all large multinational enterprises being required to prepare a country by country report with aggregate data on the global allocation of income, profit, taxes paid, and economic activity among the tax jurisdiction which it operates.[2517]

On 31 October 2019, the United States Internal Revenue Service (IRS) added Singapore to the list of countries with which the United States was in negotiations for a Competent Authority Agreement for automatic Country by Country reports.[2518] The IRS is in the process of negotiating Competent Authority Agreements with eight other countries.[2519]

On 2 December 2019, the Office of the United States Trade Representative released a Section 301 Investigation regarding France's digital services tax (DST).[2520] It proposed to place tariffs on French goods such as champagne, handbags, and cheese in retaliation for the DST, arguing that it unfairly targets technology companies from the United States.[2521]

On 3 December 2019, Secretary of the Treasury Steve Mnuchin announced that the United States no longer supported key elements of the OECD's compromise proposal to overhaul the rules for allocating the profits of multinationals for tax purposes and related issues of countries' taxing rights in the context of the "Unified Approach."[2522] Rather, Secretary Mnuchin proposed creating a "safe-harbor regime" in a letter to OECD Secretary General Ángel Gurría.[2523]

On 21 January 2020, the United States Senate Finance Committee announced that the United States and France had reached a compromise on France's proposed DST.[2524] France agreed to postpone the implementation of the DST while the United States agreed to postpone the tariff retaliation that it had threatened on 2 December 2019.[2525]

[2516] Cyprus issues announcement regarding bilateral Competent Authority Agreement with the United States, Ernst and Young (Nicosia) 8 November 2019. Access Date: 20 December 2019. https://globaltaxnews.ey.com/news/2019-6397-cyprus-issues-announcement-regarding-bilateral-competent-authority-agreement-with-the-united-states.
[2517] Action 13: Country by Country Reporting, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 23 December 2019. https://www.oecd.org/tax/beps/beps-actions/action13/.
[2518] The Latest on BEPS and Beyond, Ernst and Young (New York) 19 November 2019. Access Date: 20 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps-and-beyond---november-2019.
[2519] Country by Country Reporting Jurisdiction Status Table, Internal Revenue Service (Washington) 5 December 2019. Access Date: 20 December 2019. https://www.irs.gov/businesses/country-by-country-reporting-jurisdiction-status-table.
[2520] US vows 100% tariff on French Champagne, cheese, handbags over digital tax, CNBC (Englewood Cliffs) 2 December 2019. Access Date: 3 December 2019. https://www.cnbc.com/2019/12/03/us-vows-100percent-tariffs-on-french-champagne-cheese-over-digital-tax.html.
[2521] US vows 100% tariff on French Champagne, cheese, handbags over digital tax, CNBC (Englewood Cliffs) 2 December 2019. Access Date: 3 December 2019. https://www.cnbc.com/2019/12/03/us-vows-100percent-tariffs-on-french-champagne-cheese-over-digital-tax.html.
[2522] Treasury Secretary Mnuchin warns of new global taxes, opposes digital service duty, CNBC (Englewood Cliffs) 4 December 2019. Access Date: 20 December 2019. https://www.cnbc.com/2019/12/04/treasurys-mnuchin-warns-of-global-taxes-opposes-new-digital-duties.html.
[2523] Treasury Letter OECD Digital Services Tax, KPMG (Washington) 3 December 2019. Access Date: 20 December 2019. https://home.kpmg/content/dam/kpmg/us/pdf/2019/12/treasury-letter-oecd-digital-services-tax.pdf.
[2524] Grassley, Wyden Joint Statement on French Digital Services Tax Hiatus, United States Senate Committee on Finance (Washington D.C) 21 January 2020. Access Date: 14 April 2020. https://www.finance.senate.gov/chairmans-news/grassley-wyden-joint-statement-on-french-digital-services-tax-hiatus.
[2525] France will delay controversial tech tax, The Verge (Washington) 23 January 2020. Access Date: 14 April 2020. https://www.theverge.com/2020/1/23/21078574/france-us-digital-tax-deal-negotiations-tariffs-postponed-trump.

On 23 January 2020, the United States undertook a global day of action in conjunction with Canada, the United Kingdom, Australia, and the Netherlands to investigate an international financial institution suspected of facilitating money laundering and tax evasion.[2526] The coordinated day of action involved interviews and the use of subpoenas and search warrants, and is expected to lead to criminal, civil, and regulatory action in each participating country.[2527] This was the first major operation of the Joint Chiefs of Global Tax Enforcement, an organization of tax enforcement leaders from each of the five participating countries, formed to combat tax crime and money laundering.[2528]

On 30 January 2020, the OECD/G20 Inclusive Framework on BEPS [Base Erosion and Profit Shifting], of which the United States is a member, released a statement on the OECD's Two-Pillar Approach.[2529] The statement includes an affirmation of commitment by members to reach an agreement on a consensus-based solution and an outline of the architecture of a Unified Approach on Pillar One.[2530]

The United States has taken actions to improve international tax systems but has taken no action toward improving national tax systems and has undermined negotiations surrounding the adoption of the new OECD "Unified Approach."

Thus, the United States receives a score of −1.

Analyst: Wayne George

European Union: 0

The European Union has partially complied with the commitment "to simplify regulatory barriers and modernize international taxation within the framework of the OECD [Organisation for Economic Co-operation and Development]."

On 27 September 2019, European Union commissioner-designate Margrethe Vestager signaled her intention to "act alone" in implementing a EU digital tax if no agreement on the topic is reached by the end of 2020.[2531] Commissioner-designate for taxation Paolo Gentiloni also commented that he

[2526] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.
[2527] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.
[2528] Global tax chiefs undertake unprecedented multi-country day of action to tackle international tax evasion, Canada Revenue Agency (Ottawa) 23 January 2020. Access Date: 20 April 2020. https://www.canada.ca/en/revenue-agency/news/2020/01/global-tax-chiefs-undertake-unprecedented-multi-country-day-of-action-to-tackle-international-tax-evasion.html.
[2529] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.
[2530] Statement by the OECD/G20 Inclusive Framework on BEPS on the Two-Pillar Approach to Address the Tax Challenges Arising from the Digitalisation of the Economy – January 2020, Organization for Economic Co-operation and Development (Paris) 30 January 2020. Access Date: 20 April 2020. https://www.oecd.org/tax/beps/statement-by-the-oecd-g20-inclusive-framework-on-beps-january-2020.pdf.
[2531] EU ready to act alone on digital tax if no global deal in 2020, Reuters (Brussels) 27 September 2019. Access Date: 3 January 2020. https://www.reuters.com/article/us-eu-economy-gentiloni/eu-ready-to-act-alone-on-digital-tax-if-no-global-deal-in-2020-idUSKBN1WC15D.

would attempt to prevent individual EU members from vetoing tax decisions as occurred in March 2019 during negotiations over a proposed digital tax.[2532]

On 20 January 2020, Commissioner for Internal Market Thierry Breton stated that the EU will take action in the case of failure of OECD-level discussion on taxation for digital companies.[2533] Breton added that EU members that had formerly opposed a digital tax were now largely in agreement on the matter.[2534]

On 25 April 2020, Commissioner Gentiloni stated that the best solution for the reform of the international corporate tax framework would be a global agreement that is "actively engaged in the work done by the OECD" in a response to a parliamentary question.[2535]

The European Union has taken actions to cooperate in the adoption of the new OECD "Unified Approach" but has taken no actions to improve international tax systems or national tax systems.

Thus, the European Union receives a score of 0.

Analyst: Aryan Agarwal

[2532] EU ready to act alone on digital tax if no global deal in 2020, Reuters (Brussels) 27 September 2019. Access Date: 3 January 2020. https://www.reuters.com/article/us-eu-economy-gentiloni/eu-ready-to-act-alone-on-digital-tax-if-no-global-deal-in-2020-idUSKBN1WC15D.

[2533] EU industry chief: EU ready to act on digital tax, if OECD fails, Reuters (Brussels) 20 January 2020. Access Date: 28 April 2020. https://www.reuters.com/article/us-eu-digital-tax-breton/eu-industry-chief-eu-ready-to-act-on-digital-tax-if-oecd-fails-idUSKBN1ZJ0TO.

[2534] EU industry chief: EU ready to act on digital tax, if OECD fails, Reuters (Brussels) 20 January 2020. Access Date: 28 April 2020. https://www.reuters.com/article/us-eu-digital-tax-breton/eu-industry-chief-eu-ready-to-act-on-digital-tax-if-oecd-fails-idUSKBN1ZJ0TO.

[2535] Parliamentary questions, European Parliament (Strasbourg) 25 April 2020. Access Date: 27 April 2020. https://www.europarl.europa.eu/doceo/document/E-9-2020-001128-ASW_EN.html.