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2013 St. Petersburg G20 Summit Interim Compliance Report

7 September 2013 to 16 June 2014

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Contents

4. Financial Regulation: Tax Avoidance

"We are committed to take steps to change our rules to tackle tax avoidance, harmful partices, and aggressive tax planning."

G20 St. Petersburg Leaders Declaration

Assessment

	Lack of Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia			+1
Brazil	-1		
Canada		0	
China		0	
France		0	
Germany			+1
India			+1
Indonesia			+1
Italy		0	
Japan			+1
Korea		0	
Mexico			+1
Russia			+1
Saudi Arabia	-1		
South Africa			+1
Turkey	-1		
United Kingdom		0	
United States		0	
European Union			+1
Average	+0.30		

Background

The G20 has consistently demonstrated its support for transparency and a general information exchange of tax systems, but the explicit focus in the G20 commitment towards tackling tax base erosion and profit shifting was a recent development in the 2012 Los Cabos Summit.

At the 2008 Washington Summit, the Action Plan to Implement Principles for Reform, drawing upon the work of the Organisation for Economic Co-operation and Development (OECD), outlined G20 leaders' support for short-term actions to strengthen surveillance of cross-border firms and medium-term actions to promote tax information exchange and transparency.[300]

G20 leaders' call for transparency and information exchange was reiterated in the 2009 London Summit. Countries were urged to "adopt the international standard for information exchange endorsed by the G20 in 2004 and reflected in the United Nations Model Tax Convention."[301]

[300] Declaration of the Summit on Financial Markets and the World Economy, G20 Information Center 15 November 2008. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2008/2008declaration1115.html
[301] Global Plan Annex: Declaration on Strengthening the Financial System, G20 Information Center 2 April 2009. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2009/2009ifi.html

At the 2009 Pittsburgh Summit, G20 leaders supported the expansion of the Global Forum on Transparency and Exchange of Information, and called for the initiation of a peer review process of international cooperation by February 2010. The Forum focused on improving tax transparency and facilitating the exchange of information to help countries enforce their tax laws and protect their tax base.[302] The support was re-emphasized in the 2010 Toronto Summit.[303]

In the 2011 Seoul Summit, the issue of tax evasion was framed in a developmental context. As part of the Multi-Year Action Plan on Development, G20 leaders asked the OECD, UN, International Monetary Fund, the World Bank and regional organizations to make recommendations to developing countries for strengthening tax policies to broaden tax base and combat tax avoidance and evasion.[304]

The increasing emphasis on growth, especially private sector growth, amongst the G20 nations in the post-crisis summits has raised concerns that substantial tax revenue are lost due to "schemes aimed at eroding the taxable base or at shifting profits to locations where they are subject to a more favourable tax treatment."[305] The growing gap between multinational enterprises' effective tax rate and statutory rate of the countries in which the multinational enterprise operate prompted two major OECD releases.

On 1 February 2011, the OECD released its Tackling Aggressive Tax Planning through Improved Transparency and Disclosure. This document outlined strategies and approaches to deal with aggressive tax planning. It was approved by all OECD members and gave a definitive framework to the issue of tax avoidance.[306]

On 5 March 2012, OECD issued Hybrid Mismatch Arrangements: Tax Policy and Compliance Issues, which recommended action regarding international tax loopholes. The report pointed out that "aggressive tax planning — untaxed income, multiple deductions and other forms of international tax arbitrage — is a growing concern for all governments."[307]

At the 2012 Los Cabos Summit, G20 leaders affirmed their support for the ongoing work of the OECD. For the first time, as part of an official summit commitment, the focus of tackling tax evasion was specified to include "the need to prevent base erosion and profit shifting."[308] The G20 committed to enhance interagency cooperation to tackle illicit flows and to implement an automatic information exchange.

On 19 July 2013, the OECD issued the Action Plan on Base Erosion and Profit Shifting at the request of the G20. This report was later formalized in the St. Petersburg Summit by G20 leaders as the present commitment.[309]

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[302] G20 Leaders Statement: The Pittsburgh Summit, G20 Information Center 24 September 2009. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2009/2009communique0925.html
[303] The G20 Toronto Summit Declaration, G20 Information center 27 June 2010. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2010/to-communique.html
[304] Annex II: Multi-Year Action Plan on Development, G20 Information Center 12 November 2010. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2010/g20seoul-development.html
[305] Base erosion and profit shifting, World Commerce Review, June 2012. Access Date: 1 March 2014. http://www.oecd.org/ctp/WCRVol6Issue2_BEPS.pdf
[306] Tackling Aggressive Tax Planning through Improved Transparency and Disclosure, OECD 1 February 2011. Access Date: 1 March 2014. http://www.oecd.org/ctp/exchange-of-tax-information/48322860.pdf
[307] Hybrid Mismatch Arrangements: Tax Policy and Compliance Issues, OECD 5 March 2012. Access Date: 1 March 2014. http://www.oecd.org/ctp/exchange-of-tax-information/hybridmismatcharrangementstaxpolicyandcomplianceissues.htm
[308] G20 Leaders Declaration Los Cabos, G20 Information Centre 19 June 2012. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html
[309] BEPS Reports, OECD 19 July 2013. Access Date: 1 March 2014. http://www.oecd.org/ctp/beps-reports.htm

Commitment Features

This commitment refers to a change in the taxation framework towards multinational enterprises.

Tax avoidance, harmful practices, and aggressive tax planning are defined as actions of multinational enterprises to avoid bearing their fair share of the tax burden through eroding the taxable base or shifting profits to locations where they are subject to a more favourable tax treatment.[310]

To tackle tax avoidance, harmful practices, and aggressive tax planning, G20 members have agreed to work on initiatives aligned with the OECD's Action Plan on Base Erosion and Profit Shifting (BEPS).[311]

The BEPS Action Plan identified 15 issues that need to be addressed:

- Address tax challenges of the digital economy
- Neutralise the effects of hybrid mismatch arrangements
- Strength controlled foreign company rules
- Limit base erosion via interest deductions and other financial payments
- Counter harmful tax practices more effectively, taking into account transparency and substance
- Prevent treaty abuse
- Prevent the artificial avoidance of permanent establishment status
- Assure that transfer pricing outcomes are in line with value creation for intangibles, risks and capital, and other high-risk transactions
- Establish methodologies to collect and analyse data on BEPS and actions to address it
- Require taxpayers to disclose their aggressive tax planning arrangements
- Re-examine transfer pricing documentation
- Make dispute resolution mechanisms more effective
- Develop a multilateral instrument.[312]

To achieve the objectives, the BEPS Action Plan operates on two broad philosophies that pertain to this commitment:

To align taxation with substance, thus preventing cases of no or low taxation associated with artificial separation of taxable profits from the value-creating activities that created those profits

To take steps to ensure existing domestic and international tax rules do not allow or encourage multinational enterprises to reduce overall taxes paid by artificially shifting profits to low-tax jurisdictions.[313]

To achieve full compliance, the G20 member must 1) take individual action to tackle the 15 issues identified in the Action Plan; 2) cooperate with other governments to prevent double non-taxation due to gaps that exist between countries' tax rules.

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[310] Base erosion and profit shifting, World Commerce Review June 2012. Access Date: 2 February 2014. http://www.oecd.org/ctp/WCRVol6Issue2_BEPS.pdf

[311] G20 Leaders' Declaration, G20 St Petersburg Summit (St Petersburg) 6 September 2013. Access Date: 11 February 2014. http://www.g20.utoronto.ca/2013/2013-0906-declaration.html#beps

[312] Action Plan on Base Erosion and Profit Shifting, OECD (Paris) 19 July 2013. Access Date: 4 February 2014. http://www.oecd.org/ctp/BEPSActionPlan.pdf

[313] OECD Secretary-General Report to the G20 Leaders (page 36-37), OECD (St Petersburg) 5 September 2013. Access Date: 11 February 2014. http://www.oecd.org/ctp/SG-report-G20-Leaders-StPetersburg.pdf

Scoring Guidelines

-1	The G20 member did not work in conjunction with the BEPS Action Plan, AND did not cooperate with other governments in taking collective action to tackle tax avoidance, harmful practices, and aggressive tax planning.
0	The G20 member worked on tackling BEPS within the framework of its domestic tax laws, but made no efforts to cooperate with other governments OR the G20 member cooperated with foreign governments, but did not work on tackling BEPS within the framework of its domestic tax laws.
+1	The G20 member fully endorsed the BEPS Action Plan and took active steps to address any of the 15 issues identified in the plan and to cooperate with foreign governments.

Lead Analyst: Jessica Coper

Argentina: 0

Argentina has partially complied with its commitment.

Although Argentina is not a member of the Organisation for Economic Co-operation and Development (OECD), it does participate in the OECD's forum on tax issues. Although Argentina has made no public statements about the OECD report, its Ministry of Finance is working on a project that proposes provisions regarding local income tax law to prevent base erosion and profit shifting.[314] It has also cooperated with other governments to terminate tax treaties.[315]

On 10 January 2014, Argentina's tax authority (AFIP) published a "white list" of jurisdictions or countries for which Argentina's transfer pricing rules will not apply. The white list recognizes the countries or territories that are cooperative for exchanging tax information with Argentina, thus, they are considered to receive tax transparency.[316] Countries not on the list would receive undesirable tax treatment under Argentinian domestic law.[317] The main purpose of the white list is to encourage effective exchange of tax information.

Until the end of 2013, Argentina has terminated tax treaties with Chile, Spain and Switzerland. The termination agreements impact existing cross-border structures and/or ongoing planning by multinationals with operations and investments.[318]

Thus, Argentina was awarded a score of 0 for partially complying with its commitment.

Analyst: Pei Zhao

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[314] Tax Management International Forum, Bloomberg BNA (London) September 2013. Access Date: April 7 2014. http://www.pbklaw.ch/files/TAX_FORUM_0913.pdf

[315] Argentina terminates three tax treaties, EY T Magazine 2 January 2013. Access Date: April 8 2014. http://tmagazine.ey.com/insights/argentina-terminates-three-tax-treaties/

[316] Argentina - "White list" is published; transfer pricing implications, KPMG Global 10 January 2014. Access Date: April 7 2014. http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Pages/2014-1/argentina-white-list-is-published-transfer-pricing-implications.aspx

[317] Argentina's White List Now Available, Tax News 17 January 2014. Access Date: April 8 2014. http://www.tax-news.com/news/Argentinas_White_List_Now_Available____63370.html

[318] Argentina terminates tax treaties wiht Chile and Spain,PwC 16 July 2012. Access Date: April 8 2014. http://www.pwc.com/us/en/tax-services-multinationals/newsletters/latin-american-tax/argentina-tax-treaties-with-chile-spain.jhtml

Australia: +1

Australia has fully complied with its commitment. Being the chair of the G20 in 2014, Australia is the pioneer in tackling tax avoidance. The Australian Taxation Office coordinates international efforts to tackle local and multinational tax evasion. It also investigates corporate tax avoidance issues at local companies.[319]

In September 2013, Australia declared that taxation of profits should be done by the jurisdictions where the economic activities deriving those profits take place. It endorsed the action plan of the Organisation for Economic Co-operation and Development (OECD), which outlines 15 issues to be dealt with by individual jurisdictions, as well as by collective action and regular reporting of progress made. The declaration endorsed the OECD proposal for a global model for multilateral and bilateral automatic exchange of information between jurisdictions by end 2015. Australia is also making an effort to assist developing countries enhance revenue capacity through a more transparent international tax system.[320]

Over the past three years, the Australian Parliament has passed legislation to tighten rules relating to cross-border transfer pricing. Australian operations properly adopted the arm's length principle rule with the OECD guidelines.[321]

Australia has shown its dedication and efforts through a series of actions to fight tax evasion. Therefore, Australia has been awarded a score of +1 for its commitment.

Analyst: Pei Zhao

Brazil: -1

Brazil has not complied with its commitment on tax avoidance.

Brazil, which is not a member of the Organisation for Economic Co-operation and Development (OECD), imposes unique standards for tax evaluation. Although Brazil "considers conclusions reached and the orientation prescribed by the report base erosion and profit shifting (BEPS) a valuable source for future tax law," it does not apply the tax policies recommended by the report.[322] It has its own transfer pricing methods, different from the internationally accepted arm's-length principle.[323,324]

There is no indication that Brazil has taken steps to reform its own tax rules to be align with standards set by other countries to improve coordinating efforts. Thus Brazil has been awarded a score of -1.

Analyst: Pei Zhao

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[319] Australia targets tax avoidance by multinational tech groups, Financial Times 5 May 2014. Access Date: May 8 2014. http://www.ft.com/cms/s/0/acf60e02-d42e-11e3-a122-00144feabdc0.html#axzz31bdRqBe8

[320] Tax avoidance by multinational enterprises - Asutralian Government initiatives to avoid erosion of corporate base, Parliament of Australia (Australia) 2014. Access Date: May 8 2014. http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxAvoidance

[321] Tax avoidance by multinational enterprises - Asutralian Government initiatives to avoid erosion of corporate base, Parliament of Australia (Australia) 2014. Access Date: May 8 2014. http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxAvoidance

[322] Tax Management International Forum, Bloomberg BNA (London) September 2013. Access Date: 19 April 2014. http://www.pbklaw.ch/files/TAX_FORUM_0913.pdf

[323] Brazil Highlights 2014, Deloitte 2014. Access Date: 19 April 2014. http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-brazilhighlights-2014.pdf

[324] Brazil clarifies its position on transfer pricing, World Finance 15 January 2014. Access Date: 19 April 2014. http://www.worldfinance.com/markets/brazil-transfer-pricing

Canada: 0

Canada has partially complied with its commitment to take steps to change its rules to tackle tax avoidance, harmful practices, and aggressive tax planning.

On 5 February 2014, Canada signed an exchange of information agreement with the United States, which is to mitigate the imposition of obligations on Canadian companies by the US Foreign Account Tax Compliance Act.[325]

On 11 February 2014, Finance Minister Jim Flaherty tabled the 2014 Federal Budget. It explicitly discussed the initiative on base eriosion and profit shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD) and announced plans to tackle tax avoidance, such as the use of insurance swaps traded between foreign affiliates of Canadian taxpayers and third parties. It also introduced measures to strengthen tax compliance and improve fairness.[326,327] The government announced a four-month consultation period to help define the focus of its work on international tax issues. Moreover, the budget outlined measures relating to nearly all of the actions in OECD's BEPS Action Plan.[328]

One of the proposed measures in the budget is to address treaty shopping, which has been on the government's agenda since August 2013, when the Department of Finance issued a consultation paper on the problem and possible solutions.[329] This unilateral amendment to domestic law would in effect override bilateral treaties, which might undermine one of the BEPS project's main goals — namely, to avoid global tax chaos caused by unilateral actions by national governments.[330,331,332]

Canada has taken steps to address the issues outlined in the BEPS Action Plan and has cooperated with other states to fight tax avoidance. However, the 2014 Federal budget endorsed the OECD's BEPS action plan, but at the same time proposed a unilateral amendment to domestic law, which could undermine the multilateral BEPS initiative. Canada is, therefore, awarded a score of 0.

Analyst: Theodora Mladenova

China: 0

China has partially complied with its commitment to tackle tax avoidance.

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325 Canada and US reach agreement on Foreign Account Tax Compliance Act, Department of Finance (Ottawa) 5 February 2014. Access Date: 23 March 2014. http://www.fin.gc.ca/n14/14-018-eng.asp

326 Economic Action Plan 2014, Department of Finance (Ottawa) 11 February 2014. Access Date: 23 March 2014. http://actionplan.gc.ca/sites/default/files/pdfs/budget2014-eng.pdf

327 Budget injects a (small) dose of 'integrity' in closing tax loopholes, The Globe and Mail (Toronto) 11 February 2014. Access Date: 23 March 2014. http://www.theglobeandmail.com/report-on-business/economy/economy-lab/budget-injects-a-small-dose-of-integrity-in-closing-tax-loopholes/article16810059/

328 Canada Deepens Commitment to BEPS Action Plan, KPMG LLP (Toronto) 14 February 2014. Access Date: 23 March 2014. http://www.kpmg.com/ca/en/issuesandinsights/articlespublications/tnf/pages/tnf-beps.pdf

329 Consultation Paper on Treaty Shopping – The Problem and Possible Solutions, Department of Finance (Ottawa) 12 August 2013. Access Date: 23 March 2014. http://www.fin.gc.ca/activty/consult/ts-cf-eng.asp

330 Canada to Unilaterally Override Tax Treaties With Proposed New Anti-Treaty-Shopping Rule, Tax Notes International (Falls Church) 3 March 2014. Access Date: 23 March 2014. http://miningtaxcanada.com/wp-content/uploads/2010/07/73ti0797-Suarez.pdf

331 Live Webcast - BEPS Action Plan: Update on 2014 Deliverables, OECD (Paris) 23 January 2014. 23 March 2014. http://www.oecd.org/tax/OECD-BEPS-Webcast-23Jan.pdf

332 Live Webcast: Update on BEPS Project, OECD (Paris) 23 January 2014. 23 March 2014. http://oecd.streamakaci.com/beps/vod/

On 25 January 2014, Wang Jun, the Chinese mainland tax commissioner, indicated that China will step up international cooperation to combat tax evasion. Major actions have been taken since 2012, with Beijing recovering 30 times more taxes than the amount recovered in 2008.[333]

On 15 February 2014, China and Russia reached an agreement on tackling tax evasion. Russian tax agencies will have the ability to request information from their Chinese counterparts, enabling both countries to decrease the amount of taxes lost due to information mismatch.[334]

China has been awarded a score of 0 for cooperating with foreign governments to fight tax avoidance.

Analyst: Jose Isla

France: 0

France has partially complied with its commitment to fight tax avoidance.

On 10 February 2014, President François Hollande indicated that France would try to harmonize taxes with the United States. He further stated that tax optimisation, especially by multinational internet giants, must be called into question on both a European and global level.[335]

On 27 January 2014, the 46th French-German Economic and Financial Council announced that it will welcome economic reform strategies recently announced in France and Germany. It also encouraged both countries to tackle base erosion and profit shifting (BEPS), as well as to promptly adopt and implement the future standard on automatic exchange of information in order to increase transparency and fight tax fraud and tax evasion.[336]

France has worked in cooperation with foreign governments to tackle tax evasion by multinational enterprises. However, there is no evidence that France has made efforts to tackle BEPS through the framework of its domestic laws. Thus, France has been awarded a score of 0 for partially complying with its commitment.

Analyst: Jose Isla

Germany: +1

Germany has fully complied with its commitment on tax avoidance. It has taken individual and collective action to tackle the 15 issues identified in the Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD). In addition, it has also cooperated with other governments to prevent double non-taxation due to gaps that exist between countries' tax rules.

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[333] Tax commissioner announced international cooperation against tax avoidance, South China Morning Post 25 January 2014. Access Date: 21 February 2014. http://www.scmp.com/business/economy/article/1412890/china-step-international-co-operation-fight-against-tax-evasion

[334] Russian government confirmed cooperation between countries to share information on tax avoidance 15 February 2014. Access Date: 21 February 2014. http://government.ru/en/dep_news/10531

[335] Francois Hollande, French president opinion on tax avoidance, The Telegraph 6 February 2014. Access Date: 18 March 2014. http://www.telegraph.co.uk/finance/personalfinance/consumertips/tax/10622933/France-will-not-tolerate-tax-avoidance-says-Francois-Hollande.html

[336] Statement by the French-German Economic and Financial Council, Federal Ministry of Finance (Europe) 27 January 2014. Access Date: 26 February 2014. http://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2014/2014-01-27-PM-4-DFFWR-ENG.html

On 27 November 2013 the coalition German government formed between the Christian-Democrats and the Social Democrats agreed upon new tax policies. These policies focused on combatting tax evasion, harmful tax practices and protecting tax revenue. In terms of combatting cross-border transfers of profits and harmful tax competition, the government referred to several measures it would take in addition to supporting the OECD BEPS Action Plan. These initiatives include: "limitations of the tax deductibility of payments made to recipients that lack sufficient substance/activities; creation of a public register for taxpayers holding economic ownership in trust structures; and allowing licensing payments to be deductible only if the payment is subject to minimum taxation at the level of the foreign recipient."[337] Furthermore, the coalition agreement also mentions that Germany would support an initiative for the "introduction of common corporate taxation within the EU, based on proposal to CCTB [common consolidated corporate tax base] project."[338]

On 27 January 2014, the 46th French-German Economic and Financial Council announced that it would welcome economic reform strategies recently announced in France and Germany. It also encouraged both countries to tackle base erosion and profit shifting, as well as the requirement to promptly adopt and implement the future standard on automatic exchange of information in order to increase transparency and fight tax fraud and taxevasion.[339] Germany is also working with France to make joint proposals "to reach a compromise on a common scheme of taxation for financial transactions, within the next months with all our partners from the enhanced cooperation. The target is to ensure a fair contribution of financial markets to tax revenues, improving financial stability and harmonizing national legislations while fully preserving monetary policy mechanisms and funding to the economy."[340]

Thus, Germany has been awarded a score of +1 for its commitments to tackling tax avoidance, harmful practices, and aggressive tax planning.

Analyst: Stephanie Lim

India: +1

India has fully complied with its commitment to take steps to change its rules to tackle tax avoidance, harmful practices, and aggressive tax planning.

In September 2013, India participated in a training seminar organized by the Global Forum, designed to provide "technical assistance in order to help members quickly implement the international standards of

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[337] New government coalition agreement describes tax policy, Deloitte Tax-News (London) 28 November 2013. Access Date: February 26 2014. http://www.deloitte-tax-news.de/german-tax-legal-news/new-government-coalition-agreement-describes-tax-policy.html

[338] New government coalition agreement describes tax policy, Deloitte Tax-News (London) 28 November 2013. Access Date: February 26 2014. http://www.deloitte-tax-news.de/german-tax-legal-news/new-government-coalition-agreement-describes-tax-policy.html

[339] Statement by the French-German Economic and Financial Council, Federal Ministry of Finance (Europe) 27 January 2014. Access Date: 26 February 2014. http://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2014/2014-01-27-PM-4-DFFWR-ENG.html

[340] Statement by the French-German Economic and Financial Council, Federal Ministry of Finance (Europe) 27 January 2014. Access Date: 26 February 2014. http://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2014/2014-01-27-PM-4-DFFWR-ENG.html

transparency and exchange of information."[341] In addition, India assisted in the development of a seminar, which was intended "to sensitise tax auditors to the potential of international tax cooperation."

On 18 September 2013, India signed a double taxation avoidance agreement with Latvia to prevent income tax evasion by entities in both countries.[342] The agreement entails that business profits will be taxable in the source country if the activities of an enterprise constitute a permanent establishment there.

On 22 December 2014, sources from the Indian government confirmed that the Prime Minister's Office had approved the posting of an Indian revenue service officer in Cyprus in an effort to tackle blackmoney flowing from the island nation.[343] Such action came after the decision by the Indian government to classify Cyprus as a notifed jurisdictional area for failing to provide information requested by Indian tax authorities under the taxation treaty. Following the decision, all payments made to Cyprus were subject to a 30 per cent withholding tax and Indian authorities receiving money from there were required to disclose the source of funds.

On 21 February 2014, India's economic affairs secretary, Arvind Mayaram, "pressed for automatic exchange of key financial information and greater cooperation among G20 nations to effectively address tax problems and protect the integrity of the taxation system."[344] Mayaram also emphasised the need to perceive automatic exchange of information as a mean to combat tax avoidance: "Automatic exchange of information should not only address tax evasion, it should also address tax avoidance … tax avoidance should be seen as part of the problem."

Hence, India has been awarded a score of +1 for taking steps toward combatting tax avoidance.

Analyst: Luciano Xavier

Indonesia: +1

Indonesia has fully complied with its commitment to tackle tax evasion through domestic reforms and international cooperation.

On 25 September 2013, Indonesia signed a tax information exchange agreement with San Marino.[345] However, it has not yet come into effect. This is the fifth such agreement that Indonesia has signed.

On 21-22 November 2013, Indonesia hosted the sixth meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes. The meeting "implemented a global call for greater international cooperation against tax evasion." As a result, a compliance rating was released. A new Automatic Exchange of Information Group was also established, and agreement was reached that the

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[341] OECD Secretary-General Report to the G20 Finance Ministers and Central Bank Governors: Part I – Base Erosion and Profit Shifting and Automatic Exchange of Information and Part II – Global Forum and Transparency and Exchange of Information for Tax Purposes, p.61. February 2014. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2014/2014-0223-finance.html

[342] India signs DTAA with Latvia to prevent income tax evasion, The Economic Times (New Delhi) 18 September 2013. Date of Access: 6 August 2014. http://articles.economictimes.indiatimes.com/2013-09-18/news/42183257_1_india-signs-dtaa-double-taxation-avoidance-agreement-latvia.

[343] Cyprus tax row: India set to start I-T office in island nation, The Economic Times (New Delhi) 22 December 2013. Date of Access: 6 August 2014. http://articles.economictimes.indiatimes.com/2013-12-22/news/45475838_1_india-and-cyprus-double-taxation-avoidance-agreement-tax-benefits.

[344] India seeks automatic exchange of key financial info at G20, The Economic Times (Mumbai) 21 February 2014. Access Date: 2 March 2014. http://articles.economictimes.indiatimes.com/2014-02-21/news/47559636_1_tax-avoidance-automatic-exchange-tax-evasion

[345] Exchange of tax information agreements, OECD (Paris). Date of Access: 7 August 2014. http://www.oecd.org/tax/transparency/exchangeoftaxinformationagreements.htm.

Forum will continue to monitor implementation of the transparency and exchange of information standards. The Minister of Finance of Indonesia praised the progress to date.[346]

On 1 April 2014 the Indonesian Minister of Finance issued regulation No. 60/PMK.03/2014, which further regulates the procedures associated with the exchange of tax information.[347] The regulaton stipulates that exchange can be carried out through several channels, which can be initatied by a relevant unit under the authority of the Directorate General of Tax (domestic request) or by a country/jurisdiction partner (foreign request).

Indonesia has cooperated with the World Bank on the Project for Indonesian Tax Administration Reform. Through its reform project, Indonesia aims to "increase taxpayer compliance and improve good governance in tax administration." The project should be completed by the end of 2015.[348]

Indonesia has been awarded a score of +1 for taking some steps to tackle tax avoidance.

Analyst: Pei Zhao

Italy: 0

Italy has partially complied with its commitment to fight tax avoidance.

On 18 September 2013 the Italian Revenue Agency issued its annual guidelines for revenue auditors, which set the fight against tax evasion and tax avoidance as one of its main pillars.[349]

On 24 January 2014, the Italian government approved a new decree to institute a legal framework that would regularize undeclared capital held abroad by Italian residents.[350]

Italy has taken steps to tackle tax avoidance within its own laws, however, there is no evidence that Italy has engaged in multilateral efforts to address the problems of tax avoidance. Thus, Italy has been awarded a score of 0.

Analyst: Jose Isla

Japan: +1

Japan has fully complied with its commitment. It has taken individual and collective action to tackle the 15 issues identified in the Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD). In addition, it has also cooperated with other governments to prevent double non-taxation due to gaps that exist between countries' tax rules.

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[346] Global Forum moves towards automatic exchange of tax information and transparency, OECD 22 November 2013. Access Date: 20 April 2014. http://www.oecd.org/indonesia/global-forum-moves-towards-automatic-exchange-of-tax-information-and-transparency.htm

[347] Tax Flash, Price Waterhouse Cooper, May 2014. Date of Access: 7 August 2014. http://www.pwc.com/id/en/taxflash/assets/taxflash_2014-07.pdf.

[348] Project for Indonesian Tax Administration Reform (PINTAR), The World Bank 11 April 2014. Access Date: April 20 2014. http://www.worldbank.org/projects/P100740/project-indonesian-tax-administration-reform-pintar?lang=en

[349] Guidelines on tax avoidance by Italian revenue agency, T Magazine of Ernst & Young Global Limited, 18 September 2013. Access Date: 18 March 2014. http://tmagazine.ey.com/news/tax-alert/italy-issues-operative-guidelines-tax-audits-2013-tax-alert/

[350] Italy to Regularize Undeclared Foreign Capital, Tax News 29 January 2014. Access Date: 21 February 2014. http://www.tax-news.com/news/Italy_To_Regularize_Undeclared_Foreign_Capital____63510.html

On 21 April 2014, Japan demonstrated effort to improve taxation issues in developing countries by hosting and participating in the fifth International Monetary Fund-Japan high-level tax conference for Asian countries. The conference discussed international taxation issues and "assessed the importance of international corporate tax spillovers and reflected on how they can best be addressed."[351]

In late April 2014, Japanese Tax Commission identified double non-taxation resulting from certain redeemable preference shares. This review was conducted by using the BEPS Action 2. Japanese Cabinet Office posted a discussion paper and outlined certain tax issues for consultation.[352] Japan has followed the OECD Guidelines in structuring transfer pricing policy. The changes made to the Japanese transfer pricing rules were similar to changes in the OECD Guidelines in 2011.[353]

Therefore, Japan is awarded a score of +1 for complying with its commitment.

Analyst: Pei Zhao

Korea: 0

Korea has partially complied with its commitment. It has cooperated with other governments to prevent double non-taxation due to gaps that exist between countries' tax rules.

On 17 September 2013, Korea, in conjunction with Hong Kong, signed a tentative tax deal, which would allow Korea to obtain information on suspected Korean tax evaders. In addition, "Korea's National Tax Service will impose a tax rate of 10 per cent on income from investments made by Hong Kong residents in Korea. To prevent double taxation, Hong Kong's Inland Revenue Department will then deduct the amount of income tax the investors paid in Korea."[354]

As of 18 February 2014, the National Tax Agency has investigated 61 cases of offshore tax evasion and has collected KRW135 billion in fines.[355]

Thus, Korea has been awarded a score of 0 for its commitment to tackling tax avoidance.

Analyst: Stephanie Lim

Mexico: +1

Mexico has fully complied with its commitment to tackle tax avoidance, harmful practices, and aggressive tax planning.

On 17 October 2013, Mexico's Chamber of Deputies passed a revised version of the tax reform provisions, which were introduced by the federal government in September of that year. The reforms,

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[351] The 5th IMF-Japan High level Tax Conference for Asian Countries "Emerging Taxation Issues for Asian Countries" Tokyo, Japan, International Monetary Fund 21 April 2014. Access Date May 8 2014. http://www.imf.org/external/np/speeches/2014/042114.htm

[352] Japan - Possible BEPS-related implications under foreign dividend exclusion rule, KPMG Global 5 May 2014. Access Date: May 8 2014. http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Pages/2014-1/japan-possible-beps-related-implications-under-foreign-dividend-exclusion-rule.aspx

[353] 2013 Transfer pricing global reference guide, EY Global 2014. Access Date: May 8 2014. http://www.ey.com/GL/en/Services/Tax/International-Tax/Transfer-Pricing-and-Tax-Effective-Supply-Chain-Management/2013-Transfer-pricing-global-reference-guide---Japan

[354] Hong Kong and South Korea sign tentative deal to fight tax cheats, South China Morning Post (Hong Kong) 17 September 2013. Access Date: 26 February 2014. http://www.scmp.com/news/hong-kong/article/1311580/hong-kong-and-south-korea-sign-tentative-deal-fight-tax-cheats

[355] Money from tax evasion fines exceeds W 1 trillion, Korea Joongang Daily (Seoul) 18 February 2014. Access Date: 26 February 2014. http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2985097

passed by Congress in October and by the Senate in November, will become active in January. Their main aim is to increase government revenue and to tackle tax avoidance, especially pertaining to Maquiladoras.[356, 357, 358, 359] The Mexican government has been working anti-avoidance measures concerning supply chain conversions at least since September 2012.[360]

On 14 January 2014, Mexico City hosted the "Fight against Base Erosion and Profit Shifting Seminar." Oscar Molina Chie, Head of the Large Taxpayers Unit of the Tax Administration Service (SAT), said the goal of the seminar was to make clear how tax authorities will approach BEPS. Starting January 2014, SAT began publishing a list of noncompliant taxpayers on their web site.[361]

On 25 April 2014, the Finance Ministry of Mexico and the US Treasury department officially agreed on a revised version of the US-Mexico Foreign Account Tax Compliance Act Intergovernmental Agreement, which was first signed in 2012.[362,363]

Mexico has taken active steps to address BEPS and has cooperated with other governments to fight tax avoidance. Therefore, Mexico has been awarded a score of +1 for complying with its commitment.

Analyst: Theodora Mladenova

Russia: +1

Russia has fully complied with the commitment to tackle tax avoidance, harmful practices, and aggressive tax planning.

Russia has taken measures to address base erosion and profit shifting (BEPS) in the framework of its domestic tax laws.

On 12 December 2013, Russian President Vladimir Putin in his Address to the Federal Assembly proposed some steps to address the challenges of offshore economic activity. In particular, he suggested

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356 Mexico - Proposed transfer pricing changes for related-party transactions, maquiladoras. KPMG (Washington) 21 October 2013. Access Date: 9 May 2014. http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Pages/tp-mexico-proposed-transfer-pricing-changes-for-related-party-transactions-maquiladoras.aspx

357 Mexico – Tax reform update concerning foreign investment, related-party transactions. KPMG (Washington) 21 October 2013. Access Date: 9 May 2014. https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Documents/mexico-oct21-2013.pdf

358 Mexico - Tax reform laws are published; effective date 2014. KPMG. (Washington) 11 December 2013. Access Date: 9 May 2014. http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxnewsflash/pages/mexico-tax-reform-laws-are-published-effective-date-2014.aspx

359 Tax Reform 2014. KPMG (Mexico) November 2013. Access Date: 9 May 2014. https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Documents/mexico-nov13-2013.pdf

360 Domestic Maquila conversions with lack of substance under scrutiny…. PwC Tax Insights. 5 September 2013. Access Date: 9 May 2014. http://www.pwc.com/en_GX/gx/industrial-manufacturing/publications/pdf/pwc-domestic-maquila-conversions-with-lack-of-substance-under-scrutiny.pdf

361 Mexican tax authorities host base erosion and profit shifting seminar. International Bureau of Fiscal Documentation (Amsterdam) 4 March 2014. Access Date: 9 May 2014. http://www.deloitte.com/assets/Dcom-Korea/Local%20Assets/Documents/Tax%20Newsletter/2014/kr_Tax_Global-Tax-Alerts_Mexico_02_20140304.pdf.pdf

362 FATCA e-alert Issue 2014-14. KPMG (Luxembourg) 6 May 2014. Access Date: 9 May 2014. http://www.kpmg.com/LU/en/IssuesAndInsights/Articlespublications/Pages/FATCAe-alertIssue2014-14.aspx

363 Agreement Between the Department of the Treasury of the United States of America and the Ministry of Finance and Public Credit of the United Mexican States to Improve International Tax Compliance Including With Respect to FATCA. Department of the Treasury (Washington) 25 April 2014. Access Date: 9 May 2014. http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/FATCA-Agreement-Mexico-4-17-2014.pdf

that companies registered in foreign jurisdictions should not be allowed to use government support measures and state guarantees as well as fulfil government contracts.[364] He also instructed the government to ensure that companies that are registered in offshore jurisdictions and belong to Russian owners or whose ultimate beneficiaries are Russian nationals are taxed in accordance with Russian laws.[365]

On 9 January 2014, Russian Prime Minister Dmitry Medvedev instructed the Ministry of Finance, Ministry of Economic Development, Ministry of Justice and Federal Antimonopoly Service of Russia to develop legislative amendments providing for measures to tackle offshore business activities outlined in the President's Address to the Federal Assembly. Draft amendments are expected to be presented to the Government by 19 May 2014.[366]

Russia has cooperated with other governments to address BEPS-related issues.

On 17 March 2014, Russian Deputy Finance Minister Sergey Shatalov announced that several offshore jurisdictions including British Virgin Islands, Bermuda, the Isle of Man and Jersey proposed to sign tax information exchange agreements with Russia. He positively assessed the initiative and mentioned that Russia would definitely sign these agreements.[367]

Russia has taken measures to tackle BEPS within the framework of its domestic legislation and cooperate with other governments in this sphere. Thus, it receives a score of +1.

Analyst: Andrey Shelepov

Saudi Arabia: -1

Saudi Arabia has not complied with its commitment to tackle tax avoidance, harmful practices, and aggressive tax planning.

Saudi Arabia has agreed participate in Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development to tackle tax avoidance as an associate.[368]

However, Saudi Arabia's domestic policies have not caught up with its BEPS commitments. According to the Financial Security Index, Saudi Arabia does not require disclosure to authorities when resident paying agents make payments to non-residents, and that it does not have a tax credit system to deter tax-evasion.[369]

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[364] Presidential Address to the Federal Assembly, President of Russia 12 December 2013. Access Date: 18 April 2014. http://eng.kremlin.ru/news/6402.
[365] List of instructions following the Address to the Federal Assembly, President of Russia 27 December 2013. Access Date: 18 April 2014. http://kremlin.ru/assignments/20004.
[366] On implementing the instructions following the Address of the President to the Federal Assembly on 12 December 2013, Government of Russia 9 January 2014. Access Date: 18 April 2014. http://government.ru/orders/9591.
[367] Russian Deputy Finance Minister Sergey Shatalov at the Conference in the Framework of the Russian Business Week, Russian Ministry of Finance 17 March 2014. Access Date: 18 April 2014. http://www.minfin.ru/ru/press/speech/index.php?id_4=21235.
[368] G20: World leaders back international action against tax avoidance and evasion, HM Treasury (London) 6 September 2013. Access Date: 27 February 2014. https://www.gov.uk/government/news/g20-world-leaders-back-international-action-against-tax-avoidance-and-evasion
[369] Financial Secrecy Index Report on Saudi Arabia, Tax Justice Network, November 7 2013. Access Date: 27 February 2014. http://www.financialsecrecyindex.com/PDF/SaudiArabia.pdf

There is no evidence that Saudi Arabia plans to reform its domestic tax policy or fully comply with international agreements. Thus, Saudi Arabia has been awarded a score of -1.

Analyst: Madeline Torrie

South Africa: +1

South Africa has fully complied with its commitment to take steps to change its rules to tackle tax avoidance, harmful practices, and aggressive tax planning. It has acted to improve domestic legislation and has signed over 80 international tax agreements to promote greater transparency and address international tax problems. In addition to endorsing the G20 commitment, it has joined a pilot arrangement alongside several G20 members for automatic exchange of tax information.

On 12 October 2013, South Africa joined a pilot project launched by the United Kingdom that intends to increase the exchange of tax information among signatories in an effort to "ensure the correct payment of tax."[370]

On 11 November 2013, Minister of Finance Pravin Gordhan endorsed the G20 commitment regarding tax avoidance, and stated that South Africa "has gone further than this commitment and will be an early implementer of the standard alongside Australia, France, Germany, Italy, Mexico, Spain and the UK."[371]

On 26 February 2014, during the annual budget speech, Gordhan mentioned that the Davis Tax Committee had "also started working on base erosion and profit shifting — trends that are under scrutiny internationally."[372] The committee was established on 25 July 2013 to address, among other matters, concerns about base erosion and profit shifting "in the context of corporate income tax, as identified by the OECD and the G20."[373]

South Africa has adopted domestic and international measures to encourage transparency and cooperation among G20 members on international tax matters that aim to inhibit tax avoidance by multinational enterprises. Thus, South Africa has been awarded a score of +1.

Analyst: Luciano Xavier

Turkey: -1

Turkey has not complied with its commitment. Since September 2013, Turkey has not taken individual action to tackle the 15 issues identified in the Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD). There is also no evidence that it has taken steps to cooperate with other countries to address double non-taxation due to gaps that exist between countries' tax rules.

On 14 April 2014, Recep Tayyip Erdogan, Prime Minister of Turkey, accused Twitter of avoiding tax payments on advertising services to local customers. The Turkish government aims to have Twitter open a representative office in Turkey, so that Twitter's USD35 million advertising revenue in Turkey

[370] South Africa and UK agree to work together to tackle offshore tax evasion, UK Government 12 October 2013. Access Date: 8 March 2014. https://www.gov.uk/government/news/south-africa-and-uk-agree-to-work-together-to-tackle-offshore-tax-evasion

[371] South Africa Government Online, University of Pretoria Conference on the G20 and Africa's Economic Growth and Transformation: Keynote address by Minister of Finance, Pravin Gordhan (Pretoria) 11 November 2013. Access Date: 10 March 2014. http://www.gov.za/speeches/view.php?sid=41750&tid=131952

[372] South Africa Government Online, 2014 Budget Speech by Minister of Finance Pravin Gordhan (Pretoria) 26 February 2014. Access Date 10 March 2014. http://www.gov.za/speeches/view.php?sid=43936&tid=141185

[373] The Davis Tax Committee. Access Date: 12 March 2014. http://www.taxcom.org.za/

would be taxed. Erdogan has also indicated that Turkey will deal with other international companies, such as Twitter, YouTube and Facebook, which do not comply with Turkey's tax rules.[374]

Thus, Turkey has been awarded a score of -1 for failure to comply with its commitment to tackle tax avoidance, harmful practices, and aggressive tax planning.

Analyst: Pei Zhao

United Kingdom: 0

The United Kingdom has partially complied with its commitment. It has taken collective action to tackle the 15 issues identified in the Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD). The UK, as an avid supporter of the OECD's Action Plan, has worked closely with the OECD and the European Union to reform the taxation of the digital economy.[375]

On 26 February 2014, the UK set light conditions for branches of Chinese and other non-European investment banks, despite officially supporting the BEPS Action Plan and working closely with the OECD to reform taxation of the digital economy.[376]

Thus, the United Kingdom has been awarded a score of 0 for its commitments to tackling tax avoidance, harmful practices, and aggressive tax planning.

Analyst: Stephanie Lim

United States: 0

The United States has partially complied with its commitment to take steps to change its rules to tackle tax avoidance, harmful practices, and aggressive tax planning. The US government has signed exchange of information agreements with other governments. Nonetheless, there is no evidence that the United States has taken steps to work in conjunction with the Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OEDCD).

On 29 November 2013, the United States signed an exchange of information relating to taxes agreement with the Cayman Islands. The objective of the agreement is to allow easier enforcement of domestic tax laws of both countries through exchanging information that allow determination, assessment and collection of taxes of individuals and companies. In particular, article 5 of the agreement provided for exchange of information upon request, article 6 concerned automatic exchange of information, article 7 on spontaneous exchange of information, and article 8 on permission for representatives to enter the other country's territory to examine records.[377]

In November 2013, the United States signed three bilateral agreements regarding Foreign Account Tax Compliance Act (FACTA). On 14 November 2013, United States signed a bilateral agreement with

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[374] Turkey accuses Twitter of 'tax evasion', calls for local office, Reuters 14 April 2014. Access Date: April 20 2014. http://www.reuters.com/article/2014/04/14/us-turkey-twitter-idUSBREA3D0TY20140414
[375] "Base Erosion and Profit Shifting: Key UK Issues", Skadden 16 January 2014. Access Date: 26 February 2014. http://www.skadden.com/insights/base-erosion-and-profit-shifting-key-uk-issues
[376] Britain sets lighter conditions for foreign investment bank branches, Reuters UK (London) 26 February 2014. Access Date: 26 February 2014. http://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2014/2014-01-27-PM-4-DFFWR-ENG.html
[377] Agreement between the government of the United States of America and the Government of the Cayman Islands for the Exchange of Information relating to taxes, US Department of the Treasury 29 November 2013. Access Date: 10 March 2014. http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/Treaty-Cayman-Islands-11-29-2013.pdf

France.[378] On 26 November 2013, United States signed a bilateral agreement with Costa Rica.[379] On 29 November 2013, United States signed a bilateral agreement with Cayman Islands.[380] FATCA introduced "a reporting regime for foreign financial institutions, non-financial foreign entities and certain US persons holding financial assets outside of the United States. According to the three signed agreements, a US person is defined as a US citizen or resident, partnership or corporation organized in the United States or trusts under specific conditions. The definition does not include multinational corporations. Therefore these agreements will only peripherally affect the multinational enterprises through a general increase in tax information sharing.

On 4 March 2014, President Barack Obama released the budget for the 2015 fiscal year. The budget proposed to "eliminate loopholes in the [US] business tax code" and to begin "reforming the international tax system." The aim of the reform is to "prevent US companies from shifting profits overseas and [to] prevent foreign companies operating in the United States from avoiding the taxes they owe."[381] The changes would particularly affect companies in the digital market, levying immediate taxes on corporate income from the sales of digital items or services.[382] However, as the budget has not been approved by Congress, none of the proposed measures has been implemented. Therefore, this current item does not count towards US commitment.

Thus, the United States has been awarded a score of 0 for partially complying with its commitment.

Analyst: Grace Gao

European Union: +1

The European Union has been awarded a score of +1 for fully complying with its commitment to tackle tax avoidance, harmful practices, and aggressive tax planning through internal reforms and international cooperation.

Due to Europe's long-standing commitment to economic integration, there is a history of evolving international tax regulation in the region. In 1988, the Organisation for Economic Co-operation and Development (OECD) and the Council of Europe (not an EU institution) developed the Convention on Mutual Administrative Assistance in Tax Matters, which was open to members of both organizations. In 2010 it was amended by Protocol and was opened to all countries. The Convention is enthusiastically advanced by the G20 and currently has over 60 signatories. Its main goal is to promote transparency in

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[378] Agreement between the government of the United States of America and the government of the French Republic to Improve International Tax Compliance and to Implement FACTA, US Department of the Treasury 14 November 2013. Access Date: 11 March 2014. http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/BilateralAgreementUSFranceImplementFATCA.pdf

[379] Agreement between the government of the United States of America and the government of the Republic of Costa Rica to improve international tax compliance and to implement FACTA, US Department of the Treasury 26 November 2013. Access Date: 11 March 2014. http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/FATCA-Agreement-Costa-Rica-11-26-2013.pdf

[380] Agreement between the government of the Cayman Islands and the government of the United States of America to improve international tax compliance and to implement FATCA, US Department of the Treasury 29 November 2013. Access Date: 11 March 2014. http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/FINAL%20US%20-%20Cayman%20Islands%20-%20Cayman%20alternat.pdf

[381] Fiscal Year 2015 Budget of the U.S. Government (page 21), The White House 4 March 2014. Access Date: 10 March 2014. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf

[382] Obama Seeks $100 Billion Taxes on Multinationals, Bloomberg 4 March 2014. Access Date: 10 March 2014. http://www.bloomberg.com/news/2014-03-04/obama-seeks-100-billion-in-new-taxes-on-multinationals.html

tax matters and automatic exchange of information internationally.[383] The EU has been active in the elimination of harmful tax regimes and is en route to having a comprehensive system for automatic exchange of information.[384] The EU's structure, however, may impose a legislative impediment on the implementation of the Action Plan.[385]

On 22 October 2013, the European Commission created a High Level Expert Group on Taxation of the Digital Economy to work on Action 1 of the BEPS Action Plan: "Address the challenges of the digital economy."[386] Its first report is due in May 2014.[387]

On 23 October 2013, the European Commission introduced a new standard value-added tax (VAT) return, to increase tax efficiency in the EU and tackle tax avoidance, among other things. The new measure was decided on after a study of the VAT gap, which showed an average increase over the period 2007-2011.[388,389]

On 25 November 2013, the European Commission adopted a proposal to close loopholes in the Parent-Subsidiary Directive, in a move to tackle corporate tax avoidance.[390] On 2 April 2014, the European Parliament voted to support the proposed revision; however, the parliament's vote is not binding.[391]

On 6 February 2014, the Platform for Tax Good Governance met to discuss recommendations for third country governance standards, put forward by the European Commission in early 2013. The mandate of the platform is to monitor countries' progress in fighting aggressive tax planning and tax heavens.[392,393]

On 24 March 2014, the Council of the European Union adopted a revision of the EU Savings Tax Directive, with the aim to better fight tax evasion. It is meant to improve the exchange of information relating to savings income. It builds on previous work on proposals for an automatic exchange of

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[383] Convention on Mutual Administrative Assistance in Tax Matters, OECD (Paris) April 2014. Access Date: 30 March 2014. http://www.oecd.org/tax/exchange-of-tax-information/conventiononmutualadministrativeassistanceintaxmatters.htm
[384] Fighting tax evasion: Commission proposes widest scope of automatic exchange of information within the EU, European Commission (Brussels) 12 June 2013. Access Date: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-530_en.htm
[385] EU Legislations – BEPS Action Plan Constrained?, Transfer Pricing Associates (Amsterdam) 19 August 2013. Access Date: 30 March 2014. http://www.tpa-global.com/news/2013/08/19/eu-legislation-ndash-beps-action-plan-constrained
[386] Taxing the Digital Economy: Commission creates Expert Group to guide EU approach, European Commission (Brussels) 22 October 2013. Access Date: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-983_en.htm
[387] http://www.kpmg.com/Global/en/services/Tax/Global-Transfer-Pricing-Services/Documents/first-fruits-of-oecd-v2.pdf
[388] Standard VAT Return: Easing life for businesses and improving tax compliance, European Commission (Brussels) 23 October 2013. Access Date: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-988_en.htm
[389] VAT Gap: Frequently asked questions, European Commission (Brussels) 19 September 2013. Access Date: 30 March 2014. http://europa.eu/rapid/press-release_MEMO-13-800_en.htm
[390] Tackling Tax Avoidance: Commission tightens key EU corporate tax rules, European Commission (Brussels) 25 November 2013. Access Date: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-1149_en.htm
[391] Report on the proposal for a Council directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, European Parliament (Strasbourg) 23 March 2014. Access Date: 30 March 2014. http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2014-0243+0+DOC+XML+V0//EN
[392] Platform for Tax Good Governance, European Commission (Brussels) 22 January 2014. Access Date: 30 March 2014. http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/good_governance_matters/platform/meeting_20140206/tax_havens.pdf
[393] Fighting tax evasion: Commission sets up a Platform for Tax Good Governance, European Commission (Brussels) 23 April 2013. Access Date: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-351_en.htm

information and enlarges the scope to new types of financial instruments, which generate interest income.[394]

The European Union is awarded a score of +1 for complying with its commitment to tackle tax avoidance, harmful practices, and aggressive tax planning.

Analyst: Theodora Mladenova

[394] Council adopts new rules on the taxation of savings income, Council of the European Union (Brussels) 24 March 2014. Access Date: 30 March 2014. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/141817.pdf