Organisation for Economic Co-operation and Development

OECD contribution to request for written comments in the context of the discussions on the Terms of Reference for the UN Framework Convention on International Tax Cooperation

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Overview

In the context of the discussions of the Terms of Reference for the UN Framework Convention on International Tax Cooperation, please find in this document some short observations on relevant work being carried out by the Inclusive Framework on BEPS (Inclusive Framework), the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) and other tax bodies at the OECD. This submission reinforces and supplements some of the points provided in our submission of March 2023. We are available to brief any delegation on the technical aspects of any of the issues mentioned in this note.

Improving tax transparency and combatting tax evasion and fraud

The transparency architecture overseen by the Global Forum has effectively ended bank secrecy for tax purposes and achieved great success in the fight against offshore tax evasion, and has grown to encompass 171 member countries and jurisdictions working on an equal footing. The Global Forum oversees the implementation of the exchange of information on request and the Automatic Exchange of Financial Account Information standards, working to maximise their effectiveness through robust peer reviews, capacity building and outreach activities. In 2022 alone, information on 123 million financial accounts was exchanged between countries, with a total value of around EUR 12 trillion; and more than EUR 126 billion of additional revenues have been identified by tax administrations, including EUR 41 billion in developing countries. Regional initiatives for jurisdictions in Africa, Asia, Latin America, and the Pacific provide tailored support for the needs and priorities of each region.

The delivery of the Crypto-Asset Reporting Framework (CARF) and related amendments to the Common Reporting Standard (CRS) ensure that new and emerging forms of financial assets are subject to transparency requirements for tax purposes. The CARF and amendments to the CRS were delivered in 2022 to provide comprehensive reporting and exchange of information requirements for these assets, which would not have been covered under the existing tax transparency rules. The Global Forum has established a CARF group to take forward implementation. So far, 58 countries have announced their intention to implement by 2027.

The Oslo Dialogue, launched by the OECD Task Force on Tax Crimes and Other Crimes (TFTC) in 2011, complements the tax transparency tools to provide a strong international framework for fighting illicit financial flows. This work is underpinned by the Ten Global Principles for Fighting Tax Crime, which offer the first comprehensive global standard on combatting tax crimes. These are supported by the TFTC and the biennial Forum on Tax and Crime, which provide guidance and capacity building to support implementation, particularly in lower-capacity countries. The OECD International Academy for Tax and Financial Crime Investigation, with Centres in Italy, Kenya, Japan, and Argentina and a pilot in India, had trained over 3 000 officials from 167 jurisdictions as at the end of 2023.

Countering base erosion and profit shifting and updating international business taxation

The BEPS project has achieved a major overhaul of several core aspects of the international tax system, providing widely implemented tools to tackle tax avoidance behaviours and treaty abuses. The BEPS Actions, agreed and published in 2015, provide a range of options countries can use to better align taxing rights to where value is created and to reduce tax avoidance behaviours and treaty abuses. As a result, over 100 harmful tax regimes have been abolished; over 1 800 tax treaties have been modified; information on over 50 000 tax rulings have been exchanged; and the share of Foreign Direct Investment channelled through offshore financial centres has declined.

The Inclusive Framework, which now includes 147 member countries and jurisdictions, undertakes international tax cooperation on business taxation. The governance of the Inclusive Framework is diverse: for example, the Co-Chair and both Vice-Chairs are from developing countries, as are half of the members of the Steering Group. In addition, the OECD Secretariat is undertaking a range of actions to listen to concerns and empower all countries to participate meaningfully, via briefings, consultations, and capacity building.

As the next phase of the BEPS project, the Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy marks a significant milestone in the taxation of multinational enterprises, allocating taxing rights on a part of residual profits to market jurisdictions via a multilateral convention (Pillar One), and establishing the first global minimum tax at an effective tax rate of 15% (Pillar Two), which is already in force and expected to raise between USD 155 and 192 billion in additional corporate income tax revenues annually. Several features of the Two-Pillar Solution are the direct result of developing countries' interventions, including the qualified domestic minimum top up tax, simplifications to the application of the transfer pricing rules, the subject-to-tax rule, de minimis rules and carve-outs to protect investment and jobs in developing countries (e.g., the substance-based income exclusion). **On 30 May 2024, the Co-Chairs of the Inclusive Framework released a statement noting that the Inclusive Framework is nearing completion of the negotiations on Pillar One, with the goal of opening the multilateral convention for signature by the end of June.** It also welcomed the expressions of interest by France and Brazil in hosting the signing ceremony.

Eliminating barriers to cross-border trade and investment, and fostering economic growth

The OECD Model Tax Convention aims to eliminate double taxation and is used as the basis for thousands of bilateral tax treaties around the world. The Model Tax Convention has been updated regularly to reflect the latest developments and since 1997 has included the positions of non-OECD economies on its Articles and Commentaries. Since 2016, the OECD and the UN Secretariats have provided joint workshops, based on both the OECD and the UN Model Conventions. The OECD and UN Secretariats have also, together with the IMF and World Bank (WBG), developed the Toolkit on Tax Treaty Negotiations, which represents a joint effort to provide capacity-building support to developing countries on tax treaty negotiation.

The OECD Transfer Pricing Guidelines improve tax certainty and promote mutually satisfactory solutions for transfer pricing cases for both MNEs and tax authorities. First published in 1979, they are widely used across the globe. They were the subject of a major overhaul in 2016 to address issues raised by BEPS with a subsequent revision in 2022 under the authority of the Inclusive Framework. In 2023, revisions were incorporated to simplify the application of these rules following agreement on Amount B of Pillar One.

The International VAT/GST Guidelines, adopted by over 100 countries so far, remove potential VAT barriers to cross-border trade in services and intangibles that could create obstacles to business activity, hinder economic growth and distort competition. These Guidelines were developed in dialogue with over 100 countries; and the OECD has developed regional implementation toolkits in partnership with the WBG and regional organisations. In addition to avoiding potential distortions to the global economy, the Guidelines are already delivering significant revenues in the countries that have implemented them.

The OECD supports increased tax certainty through guidance, statistics and peer review on dispute resolution and reduction. The Forum on Tax Administration's MAP Forum works under the Inclusive Framework to undertake peer reviews on Mutual Agreement Procedures (MAP), as well as producing guidance and compiling statistics on MAP and Advance Pricing Arrangements (APA) to improve dispute prevention and resolution.

Supporting domestic resource mobilisation and the UN's sustainable development goals

In partnership with countries and international and regional organisations, the OECD produces a wide range of internationally comparable tax data to underpin policy development and domestic resource mobilisation. This includes the *Global Revenue Statistics Initiative*, which provides comprehensive, internationally comparable revenue statistics for nearly 130 economies; *Corporate Tax Statistics*, including over 160 jurisdictions; and collaboration on the *International Survey on Revenue Administration*, which is completed by more than 150 tax administrations annually.

In cooperation with the Inclusive Framework and in response to country demand, the OECD has developed tax policy analyses that directly contribute to the implementation of the SDGs. Annual reports track changes in global tax policy and the OECD Secretariat has produced analysis on the contribution of tax policy to social protection, gender outcomes, health financing, addressing illicit financial flows and reducing informality.

The OECD has conducted extensive research on how taxes can reduce inequalities, including work on taxation of household savings, the taxation of wealth, inheritance taxes, the taxation of housing, tax and gender, and the differential tax treatment of labour and capital income, with a focus on high-income earners. Progress on tax transparency has also been a game changer in improving the effectiveness of domestic policies to reduce inequalities.

The OECD provides analysis and datasets to support countries in meeting their environmental and climate goals. Key areas of focus include pricing pollution, tax incentives to stimulate investment in clean technologies, and fossil fuel support. The OECD Series on Carbon Pricing and Energy Taxation, covering 72 countries, supports the transition to net zero greenhouse gas (GHG) emissions via the provision of comparable data on explicit carbon prices, energy taxes and subsidies. **The Inclusive Forum on Carbon Mitigation Approaches provides a forum to help countries improve their emissions reduction efforts.** Recognising the centrality of the UNFCCC negotiations, the IFCMA will support global climate goals by fostering exchange and facilitating access to systematic data and analysis on emissions reduction efforts.

Recognising the essential role of capacity building in ensuring countries can meet their tax policy and administration goals, and mobilise revenues, the OECD has evolved its offering dramatically over the last 15 years, in conjunction with international and regional partners. **Provided free of charge to recipients, this support now trains more than 30 000 officials a year through a mix of virtual, bilateral and multilateral support.** Over 90 countries have received bilateral assistance in international tax, and over 150 have participated in multilateral training. Further details can be found in the recent report on Tax and Development at the OECD.

Concluding remarks

The OECD and United Nations have collaborated effectively on taxation for many years:

- The United Nations is an observer to the Inclusive Framework and Global Forum and regularly participates in meetings of both fora.
- Similarly, the OECD actively participates in all meetings of the UN Tax Committee as an observer as well as in all subcommittees where observers are permitted.
- **The OECD-UNDP Tax Inspectors Without Borders (TIWB) Initiative**, provides an innovative, hands-on, approach to international tax cooperation. To date, together with partners, including ATAF, it has facilitated the collection of over USD 2.3 billion in additional revenues for developing countries. TIWB is expanding to cover new areas including country-by-country reporting, VAT on digital trade, and the implementation of the global minimum tax.

- The Platform for Collaboration on Tax (OECD, UN, WBG, IMF) meets regularly at senior and technical levels to collaborate on a wide range of work areas including capacity building, tax policy, joint publications on Carbon Pricing metrics and a database of technical assistance projects.
- Since 2014, the OECD and the UN have jointly hosted workshops to give countries first-hand experience in negotiating bilateral tax treaties based on both the OECD and the UN Model Conventions (and the Toolkit). Three joint tax treaty negotiation workshops were held in 2023.
- The OECD also collaborates with UNDP on the SDGs, the UNFCCC on climate change, illicit financial flows and UNCTAD, and regional initiatives (e.g., in LAC); and the Secretariats meet regularly at executive, director and working levels.

The OECD remains committed to continuing to work constructively with the United Nations and other international and regional organisations to further the goal of ensuring a fair and equitable international tax system.