Tax Co-operation for Development

Progress Report

OECD
BETTER POLICIES FOR BETTER LIVES

Preface

The OECD's work with developing countries on taxation started almost 30 years ago with its Global Relations Programme on Tax in 1992. As the world has become more complex and interconnected, so have the tax policy and tax administration issues and challenges facing all governments. For developing countries, a lack of capacity and a proportionally greater reliance on tax revenue from large taxpayers can magnify these challenges.

As times have changed, the OECD's work has evolved to reflect the global nature of the tax policy and administration issues that come with a globalised economy. **The 37 members of the OECD alone cannot effectively address international tax evasion and avoidance, battles that have dominated the political agenda for the past decade.** These global issues demand a global response. Accordingly, the Global Forum on Transparency and Exchange of Information for Tax Purposes (with more than 160 members) and the OECD/G20 Inclusive Framework on BEPS (with more than 135 members) operate with all members working together on an equal footing. Developing countries make up a significant proportion of each of these bodies, adding their voices to the global consensus-building on international tax issues.

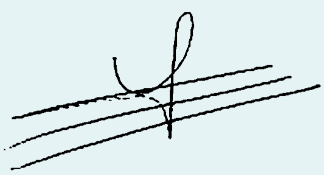
Today, the OECD provides a wide variety of assistance to developing countries to ensure that they benefit from advances in tax co-operation and transparency. This includes bespoke Induction Programmes to garner high-level support, tailored bilateral assistance to help with implementation of the international standards, and regional training and consultations to ensure that the voices of the developing world are heard. **It is vital that the standards and institutions embrace all voices – developing countries as well as other non-OECD economies – and that the OECD works effectively with other relevant organisations through strong partnerships to ensure effective delivery of assistance and to avoid duplication of efforts.**

While supporting developing countries in the fight against tax evasion and avoidance has been the main priority in its capacity-building effort, **in 2019, the OECD extended its reach to include the full range of its tax policy and administration work as part of its development agenda.** This includes providing developing countries with world-class expertise on tax – high quality internationally comparable data, tailor-made guidance and tools, and direct capacity building support. Moreover, this entails the inclusion and participation of developing countries in the rule- and norm-setting on international taxation.

Looking ahead, the OECD's work with developing countries takes on even more importance in the COVID-19 era, where tax policy-makers and tax administrators will have to react quickly to support flagging economies and where developing countries may be far less able to withstand the economic shocks. **Domestic resource mobilisation will remain critical as the long-term viable source of public financing – not just for strengthening health systems, but to support all public services, investment and the reconstruction of economic life.** Even if the international community is discussing large-scale debt relief and large injections of cash, a return to the days where aid displaced the efforts to guarantee a reliable tax base in some countries would be a step in the wrong direction.

International support for capacity building in all areas of tax administration and tax policy therefore remains essential and must be stepped up. The current crisis also provides the opportunity for a deeper reflection on the current state of play. Crucially, it appears that many low-income and low-capacity countries are uncertain about the extent to which the direct benefits of the reforms in the international tax standards, particularly regarding the taxation of multinational enterprises, flow to them. **Five years after the BEPS Project, and ten years after the establishment of the Global Forum, the time is right to assess the benefits for the developing world.**

Whatever the future holds, the work done by the OECD to support developing countries in 2019, building on decades of engagement, will be crucial to meeting even higher demand in 2020 and beyond.



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Acronyms & abbreviations

ADB	Asian Development Bank
AEOI	Automatic Exchange of Financial Account Information
ATAF	African Tax Administration Forum
BEPS	Base Erosion and Profit Shifting
CATA	Commonwealth Association of Tax Administrators
CbC	Country-by-Country
CIAT	Inter-American Center of Tax Administrations
CREDAF	Cercle de Réflexion et d'Échange des Dirigeants des Administrations Fiscales
CRS	Common Reporting Standard
CTPA	Centre for Tax Policy and Administration
DAC	Development Assistance Committee
DRM	Domestic Resource Mobilisation
EC	European Commission
ECLAC	Economic Commission for Latin America and the Caribbean
EOI	Exchange of Information
EOIR	Exchange of Information on Request
EU	European Union
FHTP	Forum on Harmful Tax Practices
FTA	Forum on Tax Administration
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRD	Global Relations and Development
GRP	The Global Relations Programme on Tax
HMRC	Her Majesty's Revenues and Customs
IBFD	International Bureau of Fiscal Documentation
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IOTA	Inter-European Organisation of Tax Administrations
ISM	Information Security Management
ISORA	International Survey on Revenue Administration
KSPTA	Knowledge Sharing Platform for Tax Administrations
LAC	Latin American and Caribbean
MAC	Convention on Mutual Administrative Assistance in Tax Matters
MAP	Mutual Agreement Procedure
MCAA	Multilateral Competent Authority Agreement
MENA	Middle East and North Africa
MLI	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument or MLI)
MTC	Multilateral Tax Centre
ODA	Official Development Assistance
PITAA	Pacific Islands Tax Administrators Association
PCT	Platform for Collaboration on Tax
SDGs	Sustainable Development Goals
SGATAR	Study Group on Asian Tax Administration and Research
SIDS	Small Island Developing States
TA	Technical Assistance
TFDE	Task Force on the Digital Economy
TFTC	Task Force on Tax Crimes and Other Crimes
TIWB	Tax Inspectors Without Borders
TIWB-CI	Tax Inspectors Without Borders – Criminal Investigations
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax
WBG	World Bank Group

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Introduction

In the midst of international efforts to fight tax evasion by the wealthy and tax avoidance by multinational enterprises, **developing countries recognise the benefits of these efforts to secure domestic resources to finance development**. At the same time, the OECD recognises that these global issues require global solutions, making the participation of developing countries as well as other non-OECD economies a vital part of agreeing and implementing truly international standards.

It is recognised that developing countries, which may have a proportionally greater interest in fighting tax evasion and avoidance, also face greater challenges in both adopting the necessary tax policies and administering them in practice. As a result, demand is growing dramatically for OECD capacity-building support. From modest efforts in the 1990s, the OECD has expanded its support to developing countries to meet emerging priorities. Notably, the OECD's work in recent years has focused on assisting developing countries as they work to implement the international tax standards and take advantage of a more transparent and co-operative environment. In 2019, this work took a leap forward as support for developing countries was more systematically rolled out across all of the OECD's work on tax.

Developing countries engage with the OECD's work on tax matters through four inter-connected efforts:

- **Inclusive international standards** – the OECD has rapidly expanded membership in the OECD/G20 Inclusive Framework on base erosion and profit shifting (BEPS) (the Inclusive Framework), as has the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum), responding to calls from developing countries for a voice in the OECD's work on international tax standards.

- **Country-level capacity building** – tax administrators and tax policy-makers in developing countries have a significant interest in leveraging the experience and advice of OECD tax experts; unlocking this valuable resource for the developing world has wide-ranging benefits.

- **Guidance, data and multilateral training** – extending coverage of tools and instruments by incorporating developing countries into products such as the OECD's Revenue Statistics work and global information exchange channels, as well as providing training through the OECD's Global Relations Programme on Tax, has been a key contribution to international development.

- **Partnerships** – the OECD works with other international organisations and development banks as well as regional tax organisations to ensure a comprehensive and coherent delivery of capacity building that meets the needs and priorities of developing countries and avoids costly duplication.

When global standards serve all jurisdictions, and developing countries receive the support they need to implement them, the results are impressive. This report details the work that the OECD, with the crucial support of its donors, has done to assist developing countries build tax capacity in 2019. ■

This report covers the full range of assistance that the OECD provides to developing countries on tax issues:

- **Fighting Tax Avoidance** – Assisting Developing Country Participation in the OECD/G20 BEPS Project.
- **Providing Developing Countries with the Full Range of OECD Tools and Expertise.**
- **The OECD's Global Relations Programme on Tax**
- **Tax Transparency – The Global Forum's Work with Developing Countries.**
- **A View of 2020 and Beyond**

66 developing countries — are members of the **Inclusive Framework**

55+ developing countries — are part of the **Revenue Statistics Database**

500+ million US dollars — of tax revenue has been collected with the help of **Tax Inspectors Without Borders**

88 developing countries — are members of the **Global Forum**

35+ developing countries — are signatories to the **Multilateral Instrument** addressing tax treaty abuse and other treaty-related BEPS issues.

30+ developing countries — are part of **Automatic Exchange of Information (AEOI)** accelerating the fight against tax evasion.

6000+ officials from developing countries — trained through the **Global Relations Programme on Tax**

600+ officials from 60+ developing countries — have been trained in 2019 in tackling **tax crime and other financial crimes** across four centres

Fighting tax avoidance

– Assisting developing country participation in the OECD/G20 BEPS project

The global landscape has changed dramatically since the establishment of international tax rules in the 1920s. Globalisation, evolving business models and shifting geopolitics have brought with them new economic opportunities and challenges, making it imperative to update many of the original tax rules.

The Inclusive Framework is a ***"forum for collaboration for tackling tax avoidance, improving the coherence of international tax rules and ensuring a more transparent and fair tax environment"*** UNITED NATIONS GENERAL ASSEMBLY

One of the priorities in updating the tax rules is countering tax avoidance strategies that exploit gaps and mismatches in tax rules, artificially shifting profits to low or no-tax locations. **Known as base-erosion and profit-shifting, or BEPS, these schemes undermine the fairness and integrity of tax systems**, allowing businesses that operate across borders to gain a competitive advantage over domestic enterprises either by avoiding becoming part of the tax base or by shifting profits offshore. The OECD conservatively estimates that every year, USD 100 to 240 billion in corporate tax revenue is lost to BEPS.

Although the stakes are high for governments around the world, OECD and non-OECD alike, **for developing countries BEPS is of particular significance as they rely more heavily on corporate income tax than developed countries do**, particularly from multinational enterprises. Moreover, their local taxpayers are less likely to comply voluntarily with the tax laws when they see multinational corporations legally avoiding having to pay their fair share.

In 2015, the OECD and G20 delivered a comprehensive package of 15 BEPS Actions to support governments in addressing base erosion and profit shifting (the BEPS Package). **Ensuring that developing countries are able to benefit from the BEPS Package is a key component of domestic resource mobilisation** in those countries. Moreover, the success of the BEPS Package as a response to tax avoidance by MNEs depends on it being implemented by all relevant jurisdictions. The Inclusive Framework on BEPS was established in 2016 to further this goal. The Inclusive Framework invites non-OECD and non-G20 countries alike to participate in the BEPS-related work of the OECD's Committee on Fiscal Affairs on an equal footing, including to date 66 developing countries. All members of the Inclusive Framework, including developing countries, are in the process of implementing the BEPS Package.

Meanwhile, the calls to consider new international tax norms to tackle the tax challenges posed by the digitalisation of the economy have grown more urgent. Developing countries recognise the importance of being actively engaged in the discussions aimed at reaching a consensus-based solution and facilitating this participation is a high priority for the OECD.

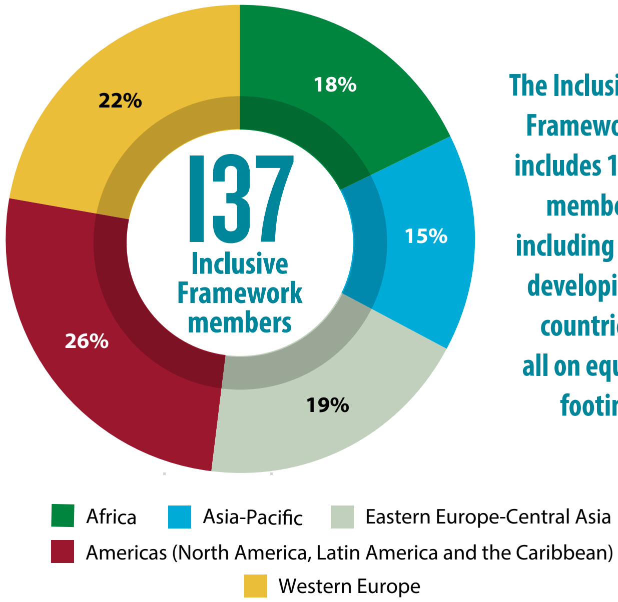
This section provides an overview of developing country participation in the Inclusive Framework and the OECD's work in assisting developing countries' implementation of the BEPS Package, as well as on how the Inclusive Framework is working with developing countries to address the challenges of digitalisation.

PARTICIPATION IN THE OECD/G20 INCLUSIVE FRAMEWORK

When the BEPS Package was developed, there was continuous consultation with a wide variety of stakeholders, including developing countries, other non-OECD economies and civil society. Following the adoption of the BEPS Package and the evolution of the work towards the implementation phase, it became apparent that having all relevant jurisdictions at the table was critical to the success of the project. **The Inclusive Framework was established to give all relevant jurisdictions a say in this agenda.** The issues were of particular relevance to developing countries, given the impact of BEPS on their economies. All members of the Inclusive Framework participate on an equal footing with their G20 and OECD member counterparts. The Inclusive Framework held its inaugural meeting in Kyoto, Japan in 2016 and, by the end of 2019, had 137 members, including 66 developing countries.

The Steering Group of the Inclusive Framework currently includes deputy chairs from China and Nigeria, as well as members from Brazil, Côte d'Ivoire, Georgia, India, Jamaica, Senegal and South Africa. This high-level participation in the governance of the Inclusive Framework has meant increasing input from developing countries in the development of international standards on corporate taxation, particularly on the taxation of the digitalising economy. A growing number of developing countries are actively participating in key meetings, such as those of the Task Force on the Digital Economy (TFDE).

Several International Organisations are active Observers to the Inclusive Framework. This allows for more coordinated and targeted capacity building in the implementation of the BEPS outcomes. Regional tax organisations, such as the African Tax Administration Forum (ATAF), the Cercle de réflexion et d'échange des dirigeants des administrations fiscales (CREDAF), and the Centro Interamericano de Administraciones



The Inclusive Framework includes 137 members including 66 developing countries, all on equal footing.

Tributarias (CIAT), play an important role in the BEPS Project, together with international organisations such as the International Monetary Fund, the United Nations and the World Bank Group. The impact of regional organisations in the Inclusive Framework can be seen in the role ATAF played in 2019 in coordinating the African perspective in technical discussions, resulting in the inclusion of simplified methods in the transfer pricing guidance on financial transactions. (see Annex A for a full list of Members and Observers).

In 2019, the contribution of the Inclusive Framework as a '*forum for collaboration for tackling tax avoidance, improving the coherence of international tax rules and ensuring a more transparent and fair tax environment*´ was noted by the United Nations General Assembly[1]. Also in 2019, in recognition of the OECD's efforts to support international tax work in Africa, the Organisation was awarded the honour of best international partner at the ATAF 10th anniversary conference.

IMPLEMENTING THE BEPS ACTIONS

The BEPS Package provides 15 Actions that equip governments with the domestic and international instruments to tackle tax avoidance. These instruments are available to all countries, and provide significant opportunities for developing countries to improve their taxation of MNEs. For example, the multilateral *Convention to Implement Tax Treaty Related Measures to Prevent Base*

1 See UN document A/74/379/Add.6

Erosion and Profit Shifting (the Multilateral Instrument, or MLI) provides a way to update tax treaties to prevent treaty abuse on a multilateral basis, avoiding the need for intensive bilateral negotiations. Action 4 provides a way to address excessive interest deductions, a significant problem in many developing countries.

Support for developing countries in implementing the BEPS Package has always been core to the Inclusive Framework's mandate, as many developing countries have limited capacity, and can benefit from assistance. This support takes a variety of forms, including bespoke Induction Programmes to help countries identify and implement priority BEPS measures, support in the peer review processes relating to the BEPS minimum standards (see below *Implementing the BEPS Minimum Standards*), and supporting developing countries to ensure they can effectively participate in the ongoing standard-setting processes.

Induction Programmes

Bespoke Induction Programmes to support new Inclusive Framework members in implementing their BEPS priority measures have played an important role in capacity building. Induction Programmes are demand-driven and the countries or jurisdictions requesting them set their own priorities, which often go beyond the minimum standards. **These programmes foster political buy-in for legislative changes by ensuring that key decision makers understand the advantages of policy change, that they understand international developments, and can monitor progress.**

The outreach and assistance provided to each country reaches more than just tax officials, often involving a wider stakeholder group, such as high-level engagement with ministers, parliamentarians or other key political decision makers. This is particularly valuable where a jurisdiction must bring in significant legislative reforms to implement BEPS Actions or to ensure that Ministry officials have the full support of their government to engage effectively in the Inclusive Framework meetings and discussions.

Induction Programmes have been launched in 39 countries. While these programmes have traditionally been bilateral initiatives, in 2019 a regional approach was used for the first time to support a number of low capacity, small island developing states (SIDS) in the Caribbean. This regional BEPS Induction Workshop for the Caribbean was held as a response to requests for capacity building and technical assistance from SIDS in that region. The workshop took place in Saint Vincent and the Grenadines on September 2019 and focused on the implementation of the four BEPS minimum standards, particularly on harmful tax practices and treaty abuse. Other key BEPS priorities including transfer pricing and the digitalisation of the economy were also discussed. In addition, the OECD provided an update on capacity building initiatives in place.

The regional approach maximised the efficiency and effectiveness of the workshop, particularly in light of the size of many of the participating jurisdictions. Thirty-five delegates attended the event, representing 14 Caribbean jurisdictions and the Caribbean Community (CARICOM) Secretariat. The multilateral nature of the event was practical and efficient, since many of the technical issues addressed were of common interest to all participating jurisdictions. At the same time, the event allowed sufficient time and flexibility for tailored, bilateral support to address individual needs and priorities.

In 2019, a total of 11 new BEPS Induction Programmes were launched and four high level visits attended by ministers or vice ministers were carried out.

Implementing the BEPS Minimum Standards

The effective implementation of the BEPS package rests on a foundation of four minimum standards, which all Inclusive Framework members, including developing countries, are expected to implement. These four actions are minimum standards because a failure to implement them has the potential to create negative spillovers affecting the tax bases of other jurisdictions. Given their significance for the global level playing field, the Inclusive Framework conducts peer reviews to evaluate the proper implementation of these standards in each jurisdiction. Almost all Inclusive Framework member jurisdictions have participated in the relevant peer review processes in relation to the minimum standards and have made changes where required.

BEPS Action 5 (Harmful Tax Practices) – Action 5 contains two related but distinct requirements: one with respect to preferential tax regimes, and one on transparency

that requires the exchange of information on tax rulings. Both requirements are peer reviewed by the Forum on Harmful Tax Practices (FHTP). In respect of preferential tax regimes, Inclusive Framework members recognise that certain features of preferential regimes can erode the tax base not only of the host country, but also spillover to other jurisdictions, such as encouraging the shifting of profits to jurisdictions where no value is created. Developing countries can suffer from the proliferation of preferential regimes, as a result of pressures to offer tax incentives, many of which do not generate the anticipated economic growth and employment. The implementation of the Action 5 standard has led to the dismantlement or amendment of a significant number of these incentives, in many cases to satisfy the requirements for substantial economic activities in the host country. In 2019, 25 developing countries were reviewed for the preferential regimes requirement and 50 developing countries were among the Inclusive Framework members reviewed in regards to exchange of rulings. The OECD Secretariat is active in supporting developing countries to meet the requirements and respond to recommendations made in the course of the peer reviews.

BEPS Action 6 (Treaty Abuse) – Action 6 identified treaty abuse, and in particular treaty shopping, as one of the most important sources of base erosion and profit shifting by MNEs. Taxpayers that engage in treaty shopping and other types of treaty abuse undermine tax sovereignty by claiming treaty benefits in inappropriate circumstances, thereby depriving countries of tax revenues. Treaty abuse can be acute for developing countries, particularly where taxpayers claim benefits of a reduced withholding tax rate in inappropriate circumstances. Through 2019, 59 developing countries have been peer reviewed under the Action 6 minimum standard and overall are making good progress in the implementation of the tax treaty-related BEPS measures. However, **the 2019 Inclusive Framework peer review process on Action 6 also shows that the countries that so far have not taken steps to counter treaty abuse are primarily developing countries, which may be suffering from treaty shopping and may face challenges in implementing the standard**. Moreover, many countries are relying on using the MLI, which has been signed by 94 jurisdictions, to implement Action 6.

Assisting Cabo Verde to meet the minimum standard on harmful tax practices

Cabo Verde joined the Inclusive Framework in November 2018. In 2019, the FHTP reviewed Cabo Verde for compliance with Action 5 and identified three preferential tax regimes as having harmful features: the International Financial Institution, the International Business Centre and the International Shipping regimes. Cabo Verde agreed with the assessment and committed to amend the regimes.

With the support of a bespoke OECD Induction Programme, Cabo Verde was able to analyse the potential impact of changes to ensure an appropriate balance between protecting the domestic tax base and attracting foreign direct investment, as well as a technical process of legislative drafting.

The reforms entailed:

- The abolition of the International Financial Institution regime;
- Amendments to the International Business Centre regime to remove benefits for geographically mobile business income, to strengthen substantial activities requirements and to remove ring-fencing features; and
- Amendments to the International Shipping regime to strengthen substantial activities requirements and to remove ring-fencing features.

Cabo Verde completed the reforms well ahead of the deadline provided and the FHTP approved Cabo Verde's legislative changes in June 2019. Cabo Verde is now compliant with the BEPS Action 5 standard.

However, for developing countries that have signed the MLI, the ratification process can be challenging and so far, only 5 developing countries have ratified the MLI out of 47 ratifications in total. Co-ordination between the ministries of finance and foreign affairs is essential for progress. Induction Programmes by the OECD Secretariat have been used in some cases to raise political awareness or help resolve technical issues.

BEPS Action 13 (Transfer-Pricing Documentation) – Also known as Country-by-Country (CbC) Reporting, Action 13 requires improved and better-coordinated transfer pricing documentation to increase the quality of information provided to tax administrations and limit the compliance burden on businesses. In 2019, 63 developing countries participated in a peer review of the Action 13 minimum standard. Of these, 10 have no (further) recommendations. **The OECD Secretariat is continuing to support the remaining developing countries to implement effective CbC reporting regimes and to benefit from the information contained in CbC reports.** This support includes assistance in drafting CbC reporting legislation or supporting regulations. More intensive, hands-on support is often needed to enable limited capacity countries to exchange CbC reports. In this regard, assistance from the Global Forum in meeting confidentiality requirements is a critical element.

BEPS Action 14 (Mutual Agreement Procedure) – Action 14 recognises that actions to counter BEPS must be complemented with actions that ensure certainty and predictability for businesses and individuals. It was therefore necessary to develop robust dispute settlement resolution processes across jurisdictions. Developing countries with limited or no international tax disputes subject to the Mutual Agreement Procedure (MAP) can apply for deferral of their Action 14 review until 2020. Most developing countries are in this position, and assistance is available upon request.

Capacity Building Activities

In recent years, the OECD Secretariat helped to build capacity in 37 developing countries through demand-led bilateral programmes to support the implementation of the BEPS Package as well as partnering with the United Nations Development Programme (UNDP) to provide hands-on audit support to tax administrations through its innovative Tax Inspectors Without Borders (TIWB) initiative.

Main challenges for developing countries in implementing the BEPS Actions

Developing countries often face far more fundamental challenges in addressing BEPS risks than developed countries. This is due to issues such as weak legislation, out-dated tax treaties and limited capacity in their tax administrations. This often leads to more abusive tax avoidance by some MNEs in developing countries. Addressing these challenges is difficult for the following reasons:

- Lack of political awareness and understanding of the need for changes to tax legislation and double taxation agreements in many developing countries as shown by the lack of ratification of legal instruments.
- Technical knowledge and expertise on the complexities of international taxation issues is often in the tax administration rather than the Ministry of Finance, which exacerbates the difficulties in building political support for legislative changes.
- The priorities for developing countries are often not the BEPS minimum standards but other BEPS issues such as introducing transfer pricing and interest deductibility legislation.
- Developing countries feel limited ownership of the BEPS Actions as few were directly involved in the BEPS project.

Addressing these concerns is a top priority for the Inclusive Framework. The programmes that have been put in place go a long way to responding to these issues in concrete ways, including the OECD Induction Programmes, supporting participation in meetings and events, regional consultations, and in particular support for developing countries' input into the work on addressing the tax challenges arising from digitalization.

TABLE 1. **Cumulative Impact (2012-2019) of OECD Bilateral Support on BEPS to Developing Countries as at 31st December 2019**

Country	Legislative changes made or in process	Organisational restructuring	Skills built	Additional tax collected	Signed Convention on Mutual Administrative Assistance in Tax Matters	Joined Inclusive Framework	Requested TIWB support
Albania	Yes	No	Yes	Yes	Yes	No	Yes
Armenia	Yes	No	No	No	No	No	No
Bangladesh	Yes	No	No	No	No	No	No
Benin	Yes	No	No	N/A	Yes	Yes	Yes
Botswana	Yes	Yes	Yes	Yes	No	Yes	Yes
Burkina Faso	In process	No	No	No	Yes	Yes	Yes
Cambodia	Yes	Yes	Yes	N/A	No	No	Yes
Cameroon	Yes	No	Yes	N/A	Yes	Yes	Yes
Colombia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Côte d'Ivoire	Yes	No	No	N/A	No	Yes	Yes
DRC	No	No	Yes	N/A	No	Yes	No
Egypt	Yes	Yes	Yes	N/A	No	Yes	Yes
Ethiopia	Yes	No	Yes	No	No	No	Yes
Gabon	In process	No	No	N/A	Yes	Yes	Yes
Georgia	Yes	No	No	N/A	Yes	Yes	Yes
Ghana	Yes	Yes	Yes	N/A	Yes	No	Yes
Jamaica	Yes	Yes	Yes	No	Yes	Yes	Yes
Kazakhstan	Yes	No	Yes	N/A	Yes	Yes	No
Kenya	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lesotho	Yes	No	Yes	N/A	No	No	Yes
Liberia	Yes	No	Yes	N/A	Yes	Yes	Yes
Malawi	Yes	Yes	Yes	N/A	No	No	Yes
Mauritania	Yes	No	Yes	N/A	Yes	No	No
Mongolia	Yes	Yes	Yes	N/A	Yes	Yes	Yes
Morocco	In process	No	Yes	N/A	Yes	Yes	No
Nigeria	Yes	No	Yes	Yes	Yes	Yes	Yes
Peru	Yes	Yes	Yes	No	Yes	Yes	Yes
Rwanda	Yes	No	Yes	N/A	No	No	Yes
Senegal	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sri Lanka	Yes	Yes	Yes	Yes	No	Yes	Yes
Eswatini	In process	No	Yes	N/A	No	Yes	Yes
Tunisia	Yes	No	Yes	N/A	Yes	Yes	Yes
Uganda	Yes	No	Yes	Yes	Yes	No	Yes
Ukraine	Yes	Yes	Yes	No	Yes	Yes	Yes
Viet Nam	Yes	Yes	Yes	Yes	No	Yes	Yes
Zambia	Yes	No	Yes	Yes	No	Yes	Yes
Zimbabwe	Yes	No	Yes	Yes	No	No	Yes

Source: OECD – CTPA based on bilateral support activities conducted 2012–2019

Direct assistance to developing countries on transfer pricing and other BEPS issues

Direct assistance continued **in 2019, with 29 countries benefitting from support in the implementation of the BEPS Actions and international transfer pricing norms through tailored, country-level assistance**. In many cases, this support was provided in partnership with regional and international organisations. In particular, ATAF, the European Commission (EC) and the World Bank Group (WBG) are strong partners in capacity building for developing countries.

These programmes, which are usually focused on transfer pricing (regularly the top international tax priority for developing countries), also address other BEPS-related issues, so that **a holistic approach is taken to building capacity and improving tax collection (see table 1)**. Programmes typically include engaging with key stakeholders to ensure a strong strategic basis for potential reforms, as well as 'on-the-ground' support for implementation. Other important aspects include fostering greater awareness of the BEPS measures and assisting countries with their implementation plans. In some cases, the programme has involved supporting senior officials in the Ministry of Finance and tax administrations in gaining political support to join the Inclusive Framework and to participate actively in the work on the tax challenges of the digitalisation of the economy. The programmes have also provided assistance to countries that are not yet members of the Inclusive Framework, such as current work in Cambodia, Rwanda, Uganda and Zimbabwe.

COUNTRY-LEVEL AUDIT SUPPORT – TAX INSPECTORS WITHOUT BORDERS

The joint OECD and the UNDP initiative – Tax Inspectors Without Borders (TIWB) – is providing practical and immediate support to developing countries, with a strong link to the BEPS and wider tax avoidance agenda. The objective of the TIWB Initiative is to enable sharing of tax audit knowledge and skills with tax administrations in developing countries through a targeted, real time "learning by doing" approach. One significant result has been that the initiative has helped developing country tax administrations raise over USD 532 million since 2012[2]. **TIWB supports domestic resource mobilisation and strengthens tax administration, particularly when used in combination with other capacity building and technical assistance initiatives and tools**. In 2019, TIWB experienced accelerated programme growth and consolidated strong partnerships.

In 2016, the TIWB Governing Board set a target of 100 TIWB programmes launched by 2020. By the end of 2019, the initiative had 28 completed programmes, 44 programmes underway and 23 programmes in the pipeline (for a total of 95) and is thus well on its way to achieving this target. Notably, 23 new programmes were launched in 2019.

2. TIWB Newsletter, Volume 4, May 2020. http://newsletter.oecd.org/files/amf_oecd/project_5/TIWB/newsletter-tiwb-vol-4.html

In April 2019, **the TIWB Governing Board approved an expansion, on a pilot basis, into new areas of tax assistance: criminal investigation; effective use of AEOI data; joint audits; and tax treaties**. Five new criminal investigation pilot programmes were initiated during the year in Armenia, Colombia, Kenya, Pakistan and Uganda.

Strong partnerships

A growing emphasis was placed on promoting South-South co-operation in 2019, with Morocco joining India, Kenya, Mexico, Nigeria and South Africa as TIWB Partner Administrations committed to deploying their tax officials as experts on TIWB programmes. In total, TIWB has implemented 11 South-South co-operation programmes in nine countries: Botswana, Cameroon, Colombia, Eswatini, Ghana, Liberia, Uganda, Zambia and Zimbabwe.[3]

Partnerships with regional and international actors including ATAF, CIAT, *Cercle de Réflexion et d'Échange des Dirigeants des Administrations Fiscales* (CREDAF) and the FTA, have been critical in promoting South-South co-operation and ensuring that TIWB programmes complement wider capacity building efforts. Specifically, these organisations have welcomed South-South co-operation and have facilitated opportunities and/or discussions between developing country tax administrations within the same region, leading to the strengthening of South-South dialogue and encouraging future collaboration.

3. South-South co-operation programmes have been implemented between Zimbabwe – South Africa, Zambia – South Africa, Uganda – South Africa (roster expert), Uganda – India, Liberia – Nigeria, Ghana – South Africa, Eswatini – India, Colombia – Mexico, Cameroon – Morocco, Botswana – South Africa (industry expert), and Botswana – Kenya.

TIWB as part of ongoing assistance in Uganda

In Uganda, a bilateral technical assistance programme began in 2016, in close collaboration with ATAF. Following a review of Uganda's transfer pricing legislation and interest deductibility rules, revised transfer pricing and interest deductibility legislation (based on the Action 4 recommended approach) were drafted and the latter was enacted in 2018. New transfer pricing penalties were introduced in June 2017.

The TIWB programme has further assisted Uganda with the deployment of a South African transfer pricing expert.

FIGURE 1. **Cumulative Regional Reported Revenue Increases from TIWB Assistance, 2012 to 31 December 2019**

Source: TIWB Secretariat

Broader impact

As previously noted, TIWB audit assistance has already yielded over USD 532 million in additional tax revenue. Jurisdictions report that on-going audits conducted with TIWB support have resulted in significant further assessments that will likely generate substantial results in 2020.

TIWB programmes should not, however, be evaluated strictly in terms of the revenues raised by tax administrations. There are broader impacts including skills transfer, development of tools and processes, organisational improvements and increases in taxpayer compliance, which point to longer-term, sustained impact. These additional benefits of the learning-by-doing approach will have a long-lasting impact and pay dividends for years to come.

PARTICIPATION OF DEVELOPING COUNTRIES IN DEVELOPING A CONSENSUS-BASED SOLUTION TO ADDRESS THE TAX CHALLENGES OF THE DIGITALISATION OF THE ECONOMY

Changes in the global economy and ways of doing business continue to multiply with the growing impact of digitalisation, bringing a number of fundamental challenges to the international tax system. **The traditional rules based on physical presence and the arm's length principle may no longer adequately reflect substance and value-creation**, particularly in highly digitalised businesses or those that rely heavily on interactions with users or markets.

Addressing these challenges has been an integral part of the OECD's work on BEPS but efforts have intensified in recent years. In 2019, the Inclusive Framework, including its developing country members, approved a programme of work based around two "pillars" aimed at building a consensus-based long-term solution.

Briefly, **Pillar One would provide market or user jurisdictions with a share of the profits of an MNE group** that are considered to arise as a result of the group's interactions with the market or its users and be based on agreed formulaic approach (Amount A). This would provide a new taxing right that does not exist under the current rules. **Pillar One would also provide for the greater use of simplified, fixed margins to approximate arm's length outcomes for certain baseline activities** (Amount B). Finally, Pillar One would continue to ensure that profits recorded in a jurisdiction align with any additional activities undertaken there, and would be **supported by robust dispute prevention and resolution mechanisms** (Amount C).

Pillar Two, known as the "GloBE" proposal, is effectively a minimum corporate tax that aims to ensure that all profits of MNE groups are adequately taxed somewhere in the world. Comprised of a number of components to ensure a comprehensive tax 'net', the proposal includes measures to 'top up' the tax on group profits, or deny treaty benefits or deductions for payments to related parties where the corresponding income is not adequately taxed.

DEVELOPING COUNTRY CONCERNS WITH THE PROCESS TO ADDRESS THE TAX CHALLENGES ARISING FROM THE DIGITALISATION OF THE ECONOMY

Unsure how much they will benefit from new taxing rights.	They may be outmatched in any disputes that arise.
The rules may be too complicated for them to administer effectively.	Debates are moving too fast for them to have a real say.

Discussions in 2019 suggest that, put together, **Pillar One and Two contain much that is attractive to developing countries**, including additional taxing rights and simplification measures that will lessen the burden on thinly resourced tax administrations. While developing countries are largely supportive, **there are also aspects of these proposals where developing countries need to defend their interests and make sure their voices are heard**. The OECD Secretariat has canvassed its developing country members extensively through the activities described below to identify their main concerns.

Active Support for Developing Countries

The Inclusive Framework has been active in supporting developing countries as they navigate these debates and ensure they have adequate information to form their views and effectively contribute to the decisions of the Inclusive Framework. Throughout 2019, the Inclusive Framework has worked proactively to facilitate developing countries' active engagement in the negotiations, both by raising awareness and providing technical support through supplementary briefings – particularly prior to key meetings – as well as one-on-one discussions and regional outreach. A key tool has been the work of the OECD in estimating the economic impact of the proposals. These estimates are invaluable for policy-makers in the Inclusive Framework as they evaluate proposals iteratively as they emerge in negotiations *(see box for details)*.

In the second half of 2019, with the Inclusive Framework's intensification of work on developing a consensus-based long-term solution, efforts to ensure outreach and broad consultation also ramped up.

Economic impact assessment: guiding policy discussions on the tax challenges of a digitalised economy

To ensure that developing countries actively participate in building consensus-based solutions to the tax challenges of the digitalisation of the economy, it is crucial that they understand the impact of these potential solutions on their economies and on their tax bases. **The OECD Secretariat has worked to assist Inclusive Framework member jurisdictions in making informed decisions**, through the provision of sophisticated economic and revenue impact analyses to Inclusive Framework members. The provision of this analysis, including jurisdiction-specific revenue analysis, is especially important to developing countries who might not be able to carry out such analysis by themselves.

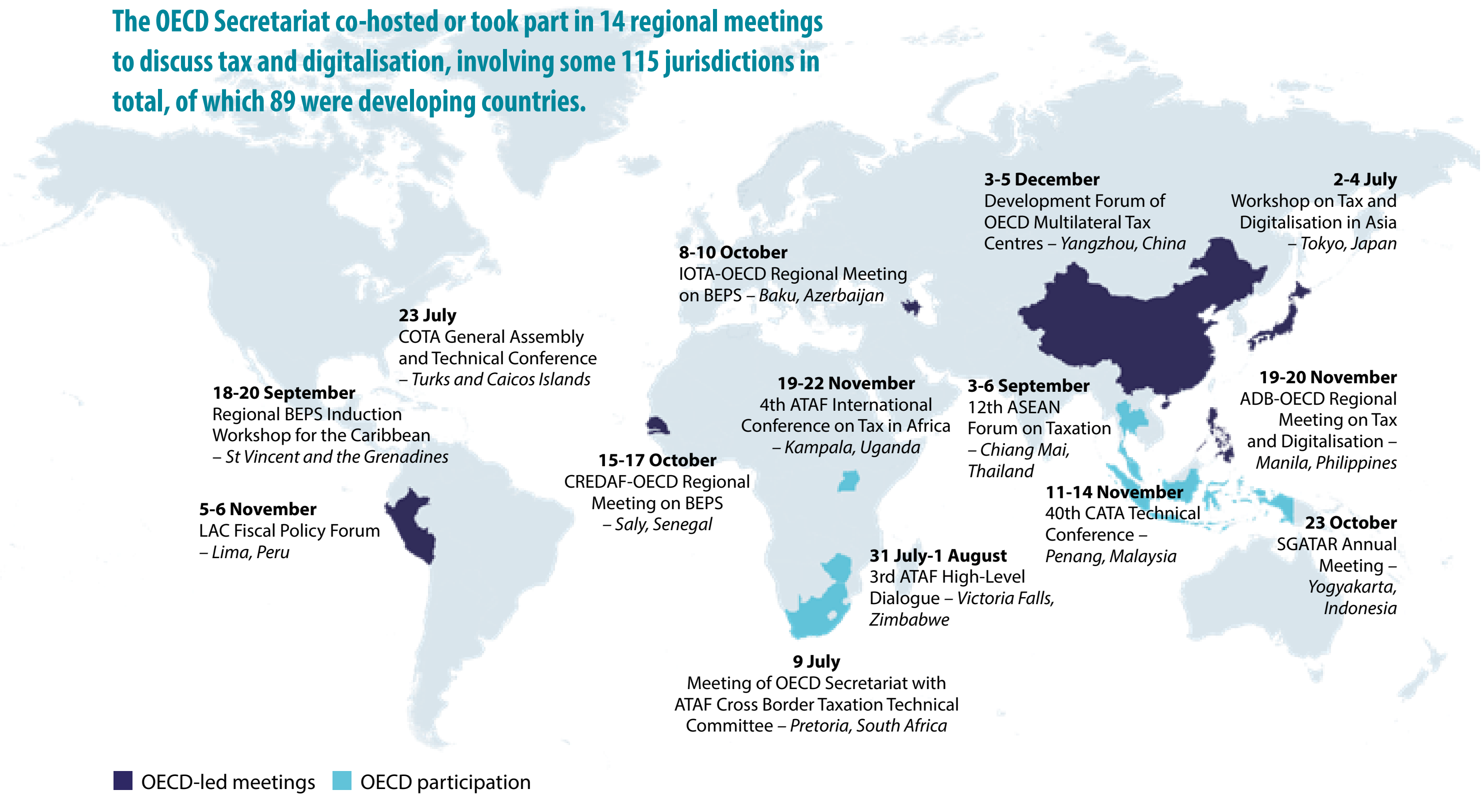
In many cases, **specific additional analysis has been undertaken to support developing countries.** For example, where key data sources (e.g. Activities of Multinational Enterprises (AMNE) statistics) are unavailable for non-OECD countries, the OECD has carried out additional analysis to ensure that the coverage of the analysis includes all Inclusive Framework member jurisdictions. The OECD has regularly briefed a range of developing countries on how key policy parameters will affect jurisdictions at different income levels and has carried out additional analysis on how key policy aspects (e.g. nexus thresholds, global revenue thresholds, and the undertaxed payment rule) would impact developing countries so that informed choices can be made.

To ensure that each Inclusive Framework member jurisdiction understands how the proposals would affect their tax revenues, revenue estimation tools built by the Secretariat have been made available to each Inclusive Framework member. **These tools are tailored to each jurisdiction, and allow policy makers to estimate the likely range of impacts from the various scenarios under discussion**.

Revenue estimation tools for Pillar One and Pillar Two have been created and provided to over 80 Inclusive Framework members together with support on how the tool can be used to consider the impact of different assumptions and design features, as well as how to interpret the results. **Developing countries have been encouraged to use the tool and are being provided with additional assistance to support their use of it, where needed**.

The OECD recognises that the results of the economic impact assessment will change depending on the final decisions taken by the Inclusive Framework on key design features such as the scope of the measures, revenue, profitability and nexus thresholds, and the allocation percentage. To this end, **revised tools will be circulated to Inclusive Framework member jurisdictions to take into account of the ongoing discussions of the Inclusive Framework**. The OECD will continue to provide additional support to developing countries to help them interpret and understand the results from the analysis.

FIGURE 2. **Regional outreach events on tax and digitalisation, 2019**



The OECD Secretariat co-hosted or took part in 14 regional meetings to discuss these issues, involving some 115 jurisdictions in total, of which 89 were developing countries.

In addition to regional outreach and consultation events, a programme of pre-meetings ahead of key Inclusive Framework meetings for lower capacity countries has been instituted. These Inclusive Framework pre-meetings provide a briefing to participants on the principle issues to be discussed at the meeting and access to technical specialists from the OECD Secretariat who can clarify the proposals and answer questions. These pre-meetings also provide a forum for developing countries to exchange views with peers from around the Inclusive Framework ahead of the formal plenary. Further informal pre-meeting briefings have also been provided in support of developing country members of the Steering Group of the Inclusive Framework, given the accelerated pace of their discussions on addressing the tax challenges of digitalisation. The novel nature of the proposals, as well as the accelerated timeframe involved, has led to the development of tailor made support strategies for individual jurisdictions as well as a dedicated help desk to explain the proposals, answer questions and provide immediate feedback.

Developing countries' perspectives on proposals to address the tax challenges of digitalisation

As with OECD/G20 member countries, within developing countries a range of perspectives exists on the proposals. In particular, larger countries with more capacity are likely to have different concerns compared to smaller, more limited capacity countries. Understanding the perspectives of other countries and reaching comp-romise remains a key challenge, especially as many developing countries cannot always devote the resources needed to assess the likely implications of the proposals. With the extensive discussions, events and interactions with developing countries on these issues over the past 18 months, the OECD Secretariat has identified the major concerns that they have. Understanding and responding to these concerns will be fundamental to reaching consensus on a long-term solution to the tax challenges arising from the digitalisation of the economy.

Developing countries' perspectives on proposals to address the tax challenges of the digitalised economy

PILLAR ONE: the unified approach

- In 2019, the OECD Secretariat's proposed 'unified approach' enjoyed widespread general support from developing countries, but questions remained as to its detailed and practical implementation.
- Some countries have expressed concerns that jurisdictions where incomes are lowest may not significantly benefit from proposals to allocate profits by reference to local sales. This also disadvantages economies where there may be significant economic value, but little or no local consumer sales revenue.
- The scope of the proposed Pillar One measures have been an area of particular concern, both in terms of principle and potential difficulties in practical implementation. For instance, some countries have suggested that the scope of the proposed measures under Pillar One should be broader than just "consumer facing" businesses. Most, however, agree that extractive industries and other commodities should be excluded. Many have expressed concern that disputes around which activities are within the scope of the proposal are likely to cause particular difficulties for lower capacity countries.
- Related, but not limited to questions of scope, many countries have expressed concerns at the complexity of the proposed measures and the likely difficulties they may face in verifying the necessary information from MNE groups, in particular to ensure compliance with respect to Amount A.
- Developing countries generally advocate for the use of greater simplification measures (including the proposed Amount B) but are wary of "safe harbour" " approaches, which may put lower capacity tax administrations at a (perceived) disadvantage relative to sophisticated multinational enterprises.
- A majority of developing countries are opposed to mandatory binding arbitration and while open to other options, many remain wary of other dispute resolution / prevention mechanisms, considering that they will be outmatched by more sophisticated, experienced, and higher capacity countries in the process.

PILLAR TWO: the Global anti-base erosion (GLoBE) proposal

- In 2019, awareness of the Pillar Two proposals appeared to lag behind that of Pillar One in some developing countries.
- Some developing countries have reported concerns that the proposed Pillar Two approaches may limit their ability to offer incentives to encourage foreign direct investment.
- Some developing countries, particularly those with high existing tax rates on corporate profits, question whether the Pillar Two measures would reduce the incentives for profit shifting, particularly if the minimum tax rate is not set sufficiently high.
- The hierarchy of the components included in the Pillar Two proposal remains key since if the Income inclusion rule operates first, source states could potentially be severely limited in the amount of additional tax they could derive from the Pillar Two proposal. Discussions on the role of the 'subject-to-tax' rule are ongoing and of particular interest to developing countries.
- Many developing countries advocate for no or only limited blending approaches under Pillar Two to limit tax planning opportunities and strengthen the effectiveness of the proposed minimum tax.

Beyond BEPS and EOI: Providing developing countries with the full range of OECD tools and expertise

As a result of the recent engagement of developing countries in the BEPS work and in the Global Forum, many new opportunities of where other OECD standards, data, guidance and expertise can help developing countries have been identified.

Tax crimes and other financial crimes

Maximising the information and tools developed in fighting tax evasion to help in the fight against other serious economic crimes, including corruption, money-laundering and financial fraud.

Tax Policy

Tax policy plays a crucial role in realising the SDGs. The OECD is providing tax policy analysis to a growing number of developing countries.

Revenue Statistics

The OECD is the leading repository for comparable tax revenue statistics that are vital to informed public policy decision-making.

Value-Added Tax

Value-added tax (VAT) is the most important source of tax revenue for most low-income and developing countries, and the OECD's standards and expertise in VAT are increasingly in demand from developing countries.

Environmental Taxes

Environmental taxes and fiscal reform are key elements to realising the Paris Agreement, areas of increasing interest to developing countries.

Tax Administration

The OECD's Forum on Tax Administration (FTA) brings together tax commissioners from both OECD and non-OECD countries to work together to identify, discuss and influence relevant global trends in tax administration and develop new ideas to enhance tax administration around the world.

Tax and Development Co-operation

The OECD prioritises the smooth co-ordination and alignment of policies between the OECD tax and development agenda and the broader development community, fostering collaboration and avoiding duplication of effort.

Overview of development work throughout the OECD's tax agenda in 2019

TAX CRIMES AND OTHER FINANCIAL CRIMES

Tax crimes undermine citizens' confidence in their governments, affect tax morale and deprive governments of revenues needed for sustainable development. The OECD's Task Force on Tax Crimes and Other Crimes (TFTC) works to improve co-operation among tax and law-enforcement agencies, including anti-corruption and anti-money laundering authorities. **The emerging standards on tackling tax crimes and other financial crimes produced by the TFTC are of great interest to developing countries committed to curbing illicit financial flows**. The OECD is increasing the opportunities for developing countries to both participate in the development of the standards, and in capacity building. TFTC meetings are regularly attended by Brazil, India and South Africa and developing countries such as Kenya and Uganda now also participate on a regular basis.

The OECD International Academy for Tax Crime Investigation was established in collaboration with the Guardia di Finanza Economic and hosted in the Financial Police School in Ostia, Italy. The Academy greatly improves the ability of developing countries to detect and investigate financial crimes, and recover the proceeds of those crimes, by developing the skills of tax and financial crime investigators through intensive training courses. Building on the success of the International Academy, the OECD has also established: the African Academy in Kenya in conjunction with the Kenya Revenue Authority; the Latin America Academy in Argentina with the collaboration of the Administración Federal de Ingresos Públicos; and in 2019, the Asia-Pacific Academy was inaugurated in Wako, Japan.

The Academy's content has been expanded to offer additional courses, including the first Train the Trainers event in Africa. To date, over 600 officials from more than 60 developing countries have received training as part of this initiative.

Further resources were also developed in 2019 to support all countries in addressing tax crimes. The OECD published the updated *Money Laundering and Terrorist Financing Awareness Handbook for Tax Examiners and Tax Auditors*[1] which provides practical guidance in four languages to tax examiners and tax auditors on detecting and reporting suspicions of money laundering and terrorist financing. A Maturity Model is also being established to help assess countries capabilities to investigate tax crimes and plan pathways to improvement.

2019 also saw the launch of six pilot Tax Inspectors Without Borders for Criminal Investigations (TIWB-CI) programmes, which seek to test how the TIWB model works in the context of combatting tax crime.

1 https://www.oecd.org/tax/exchange-of-tax-information/money-laundering-awareness-handbook.htm

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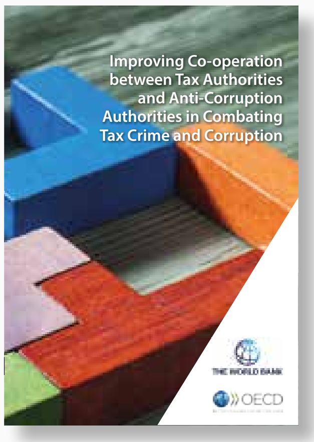

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TAX POLICY

Tax policy plays a crucial role in realising the Sustainable Development Goals (SDGs). A number of developing countries have commissioned the OECD to undertake tax policy reviews to support domestic reforms, most recently Morocco and Kazakhstan. In 2019, the OECD has paid particular attention to the significant challenges in funding the health goals of the SDGs, especially in countries transitioning between income category levels, as ODA reduces dramatically in the health sector during transition. **In order to identify tax policies to provide for more sustainable health financing, the OECD has begun working with countries in collaboration with the Global Fund for AIDS, TB and Malaria.**

A joint OECD-Global Fund project started in 2019 with two pilot countries – Morocco and the Republic of Côte d'Ivoire. The countries were selected based on the health challenges they face in achieving the health SDGs, the need for more public financing in the health sector, and the inter-ministerial discussions on health financing they had initiated. In Morocco, a multi-stakeholder group has been set up to prepare the transition to a higher income category levels, as ODA reduces dramatically in the health sector during such transitions. In the Republic of Côte d'Ivoire, an inter-ministerial platform was set up to steer the discussion on how to better finance the health sector. In both countries, **the projects aim at providing tax policy recommendations on how to better finance health systems** to feed the respective inter-ministerial discussions between the Ministries of Health and the Ministries of Finance and Budget.

REVENUE STATISTICS

Countries need reliable, up-to-date statistics on public revenue for assessing economic structures, designing tax and customs policies, implementing administrative reforms, and engaging in international dialogue and co-operation around tax policy. As the importance of taxation in international trade and development grows, so does the need for data that is comparable from country to country. To inform domestic and international tax analysis and policy-making, the OECD's Global Revenue Statistics project makes available high-quality, detailed, comparable statistical tax revenue data for countries worldwide.

Domestic resource mobilisation for health financing in Morocco

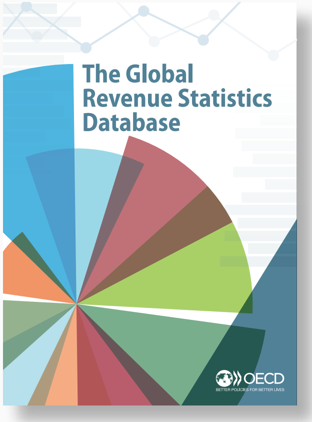
The OECD has been working with countries to analyse and advise on how tax policy can be best utilised to support the health goals of the SDGs. This is of particular concern for countries moving up to middle-income status, as the reductions in ODA for countries with rising incomes is often felt first in the healthcare sector. In recent years, Morocco has achieved increases in life expectancy and reductions in the rate of communicable diseases. However, Morocco remains far from reaching other health targets, such as maternal or infant mortality rates. The OECD has been working with Morocco to identify the main challenges and best options to address those challenges, culminating in a report, *Domestic resource mobilisation for health financing in Morocco* (OECD, 2020, forthcoming). A fact-finding mission was organised in 2019 in Rabat to discuss policy options with different stakeholders, including the Ministry of Health, the Ministry of Finance and Budget, civil society, and international organisations involved in the health system.

The report identifies two main challenges that face Morocco in meeting their health targets. First, total health expenditure accounted for only 5.2% of GDP (2017), which is similar to lower-middle income countries but lower than upper-middle income countries or neighbours such as Tunisia. Second, the health sector relies mostly on out-of-pocket expenditure (54% of total health financing), making the health system inequitable and regressive.

The report recognises that meeting the health targets will ultimately require an increase in public spending on health. It provides a roadmap for Morocco to meet this requirement, including recommendations on improving the design of specific taxes, such as social security contributions (which account for 20% of health financing), and on strengthening the role of tax revenues in health financing (by increasing domestic consumption taxes on products harmful for health, giving more prominence to environmental taxation, and improving the functioning of the VAT).

The options open to Morocco involve as many technical issues as political decisions on the priority of the country's healthcare system. The OECD will continue to work with Morocco as it navigates these choices and political debates.

Source: Domestic resource mobilisation for health financing in Morocco, OECD (forthcoming 2020).



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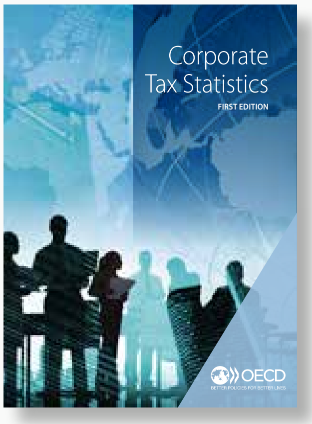

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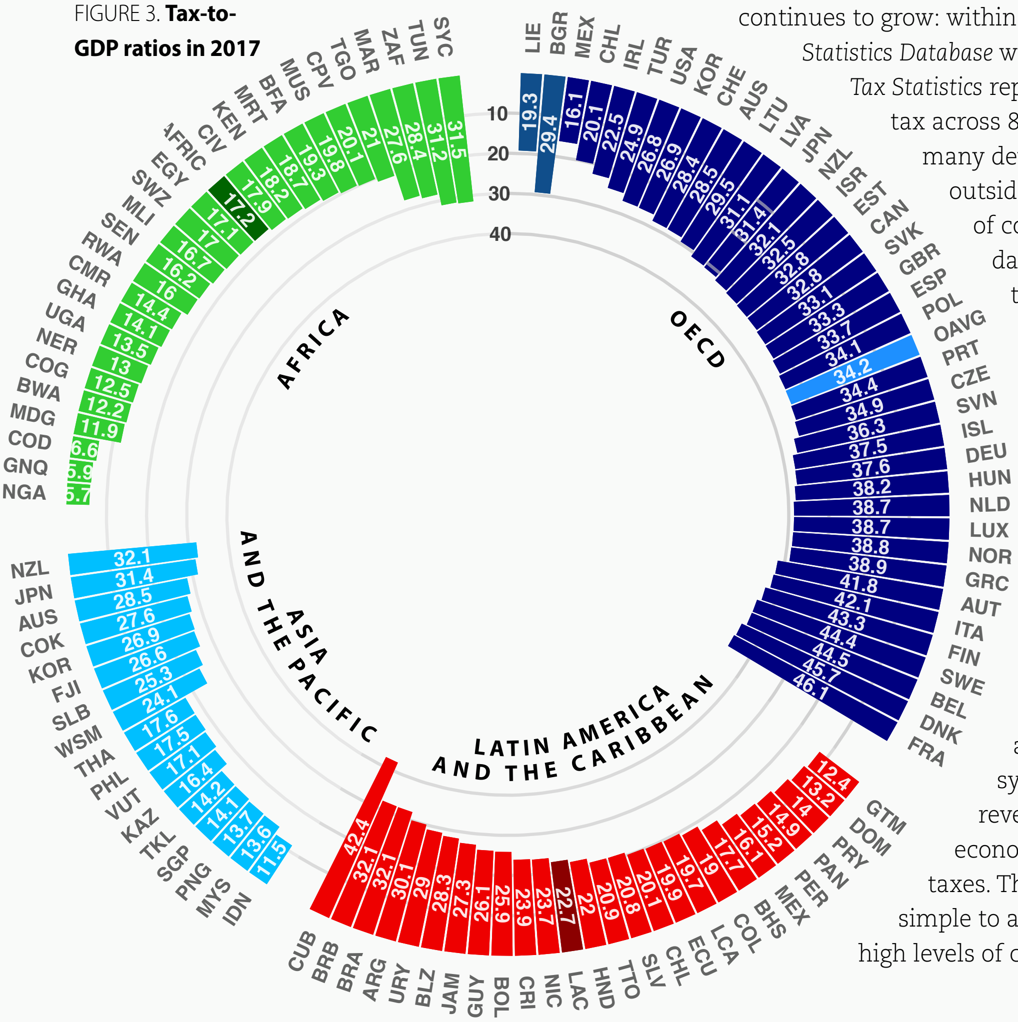
Statistics on tax revenue are the foundation for analysis of tax and customs policies. Comparable and reliable statistics are critical to undertake such analysis and to develop better tax policies. The *OECD Global Revenue Statistics database* continues to expand its coverage, comprising 98 countries by end 2019. The trends in tax-to-GDP ratios in Africa, based on the 26 countries in the database, raise some concerns, as progress appears to have stalled at 17.2%, while Latin America and the Caribbean showed a small increase of 0.2% to 22.8%. With enhanced coverage, the use of the database continues to grow: within the OECD, the *Global Revenue Statistics Database* was used for the first *Corporate Tax Statistics* report, comparing corporation tax across 88 jurisdictions, including many developing countries; and outside the OECD a growing number of countries are using the database to assess and analyse their tax systems.

FIGURE 3. **Tax-to-GDP ratios in 2017**



VALUE ADDED TAX DESIGN AND OPERATION

Value Added Tax (VAT) is the most important source of tax revenue for most low-income and developing countries, on average accounting for around one-quarter of their total tax revenue. When well designed and well operated, VAT systems can raise significant revenue with less damage to economic activity than many other taxes. They also can be relatively simple to administer and as such foster high levels of compliance.

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In March 2019, the 5th meeting of the OECD's Global Forum on Value Added Tax highlighted the increased interest and engagement from developing countries in the international VAT standards on e-commerce, with over 100 countries and jurisdictions attending, and strong endorsement of the plan to develop regional toolkits for the design and implementation of VAT on e-commerce goods and services.

The OECD and WBG have agreed that one approach to meet the needs and demands of developing countries to address the VAT challenges of digitalisation is to develop detailed regional e-commerce toolkits providing practical and effective measures tailored to the specific circumstances of the region, using a collaborative and inclusive approach.

These VAT e-commerce toolkits will be based on international best practice, and will be designed to address countries' specific needs and circumstances, taking into account the local administrative organisation and capacity. The intention is that this guidance can quickly and effectively be implemented at country-level within each region.

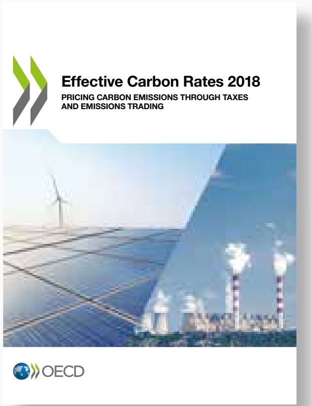
Partnerships for these toolkits have now been established in Latin America and the Caribbean and Asia-Pacific, and initial workshops have been held. In addition, first steps have been taken to establish direct capacity building pilot programmes for countries requiring assistance in implementing the international VAT standards.

TAX AND THE ENVIRONMENT

Effective environmentally-related taxes will be a key part of country responses to meeting the Paris Agreement and the environment focused SDGs. **The OECD has, over many years, developed the most advanced statistics on taxing energy use and effective carbon pricing; this is now being expanded to cover an increasing number of developing countries.** In 2019, the OECD successfully extended the Taxing Energy Use methodology and software environment to incorporate all relevant energy-use related subsidies into the dataset and the country graphs. The extended framework will continue to be a source of detailed information on energy and carbon taxes, and now additionally identify the principal subsidies for domestic energy use. This is important because subsidies on energy use counteract the effects of taxes, reducing incentives for energy conservation and fuel switching.

The revised framework is more tailored to the developing country context, where energy use related subsidies can sometimes have an important effect on retail prices, especially in oil-exporting countries. If data are available for a country, the framework can be employed to illustrate the potential price effects of subsidy removal, carbon tax and VAT reform, and is a useful starting point for discussing the impacts of broader energy sector liberalisation. This new methodology was successfully piloted with Egypt, providing the basis for continued expansion of country coverage in the coming years.

Following Egypt's successful proof-of-concept, the OECD has begun incorporating more developing countries into the dataset and developing joint energy tax and subsidy profiles for selected developing countries and



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emerging economies. The extension focuses on countries that have shown an initial interest in energy tax and fossil fuel subsidy reform as gauged by participation in initiatives such as the Coalition of Finance Ministers for Climate Action, the Carbon Pricing Leadership Coalition and the Friends of Fossil Fuel Subsidy Reform. The candidate countries span the globe:

- **Africa**: Republic of Cote d'Ivoire, Egypt, Ghana, Kenya, Morocco, Nigeria
- **Latin America and the Caribbean**: Costa Rica, the Dominican Republic, Ecuador, Guatemala, Jamaica, Uruguay
- **Asia**: Philippines, Sri Lanka

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TAX ADMINISTRATION

The Forum on Tax Administration (FTA) is a platform for tax commissioners from 53 OECD member and non-member countries, including 16 developing country members. Their aim is to engage in dialogue with their counterparts as well as with key stakeholders (including business and individual taxpayers, tax intermediaries, tax policy makers and financial regulators). It promotes and supports co-operation among countries and works with other OECD fora, as well as international and regional tax organisations.

The expertise within the FTA can be of great benefit to developing countries and efforts continue to make it available to those most in need. For the developing country members of the FTA, the peer-to-peer learning opportunities are significant and new initiatives are being implemented to facilitate this.

The digitalisation of tax administration is an issue of growing interest to developing countries. The COVID-19 pandemic is further highlighting the necessity for digitalised tax administration. The FTA is developing work in this area, and has been consulting with countries, regional tax organisations and international organisations to map the existing tools and guidance, and develop a report that will cover all stages of digital strategy design and implementation. This report will be integrated into the FTA Tax Administration 2030 project, aligning this development focused work with the overall work of the FTA on technology in tax administration.

More broadly, **the FTA is increasingly incorporating the needs and requirements of developing countries into its output**. One example of this is the FTA Maturity Model Series, which is a set of stand-alone maturity models covering both functional areas of tax administration, such as auditing and human resource management, as well as more specialised areas such as enterprise risk management, analytics and the measurement and minimisation of compliance burdens.

The FTA continues to support its Capacity Building Network, creating a space for FTA members that provide assistance in tax administrations in developing countries to share experiences and identify tools and processes to improve impact.

International Survey on Revenue Administration (ISORA)

The ISORA survey is a multi-organisation international survey that collects national-level information and data on tax administration. It is governed by four partner organisations: CIAT, the IMF, IOTA and the OECD. For the 2018 survey, the ADB also agreed to participate. The 2018 ISORA survey collected data for fiscal years 2016 and 2017 and more than 150 administrations completed the survey. The ISORA data can be accessed by officials from all participating tax administrations via the RA-FIT data portal, allowing officials to compare different aspects of their tax administration with their peers and learn from others.

The ISORA data is also used to prepare the OECD Tax Administration Series, which provides wide-ranging comparative information on the performance of 58 advanced and emerging tax administrations (including 16 developing countries), as well as an analysis of the major trends and developments in tax administration.

TAXATION AND DEVELOPMENT CO-OPERATION

While much of the OECD work on tax and development is focused on the technical needs of finance ministries and revenue authorities, the OECD is also supporting the development community as it improves its engagement on tax, pioneering work with multi-stakeholder interest, and deepening partnerships with other international organisations working on tax.

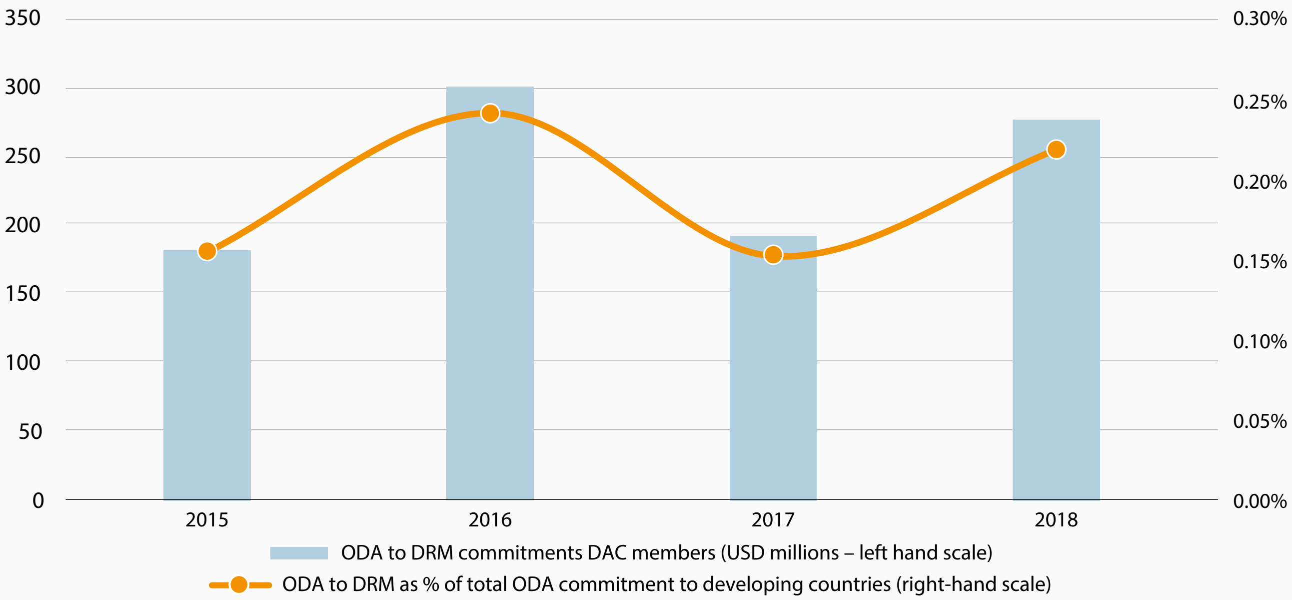
Both the SDGs and the Addis Action Agenda include commitments on development co-operation on Domestic Resource Mobilisation (DRM), and the signatories to the Addis Tax Initiative (ATI) have made additional commitments. To support these commitments the OECD is improving the monitoring of the OECD Development Assistance Committee (DAC) members Official Development Assistance (ODA) in this area. Four years of data are now available, figure 4 shows the level of support has fluctuated in those years, and remains a tiny share of overall ODA.

In addition to monitoring assistance provided, the OECD is also supporting DAC members as they examine how they approach tax and development across government. In 2019, a survey was conducted on Whole of Government approaches to tax and development (report forthcoming in 2020). In addition, the DAC agreed to take forward work to increase the transparency of tax exemptions on ODA funded goods and services, complementing work being undertaken at the UN (with OECD involvement) to provide guidelines on the tax treatment of aid.

Since the establishment of the Task Force on Tax and Development in 2010 the OECD has encouraged multi-stakeholder dialogue on a range of issues in tax and development. In 2019 the OECD focused on tax morale – what drives the intrinsic motivation to pay tax. A multi-stakeholder conference was held in January, with participation from over 65 countries, representing governments, parliaments, academia, business and civil society. This conference highlighted the demand from many stakeholders for greater research and debate on the various drivers of tax morale, to which the OECD is contributing.

Following the publication in September of the report, *Tax Morale: What drives people and businesses to pay tax,* a broader work stream has been developed through 2019, which focuses on taxpayer education and perceptions among tax officials on how MNE and Big 4 behaviour stands up to the voluntary principles set out by various business groups. Preliminary results show that perceptions of MNE behaviour vary regionally, for example the chart opposite shows that while over 70% of tax officials in the OECD perceive the majority of MNE/large businesses as responding to requests for information on time, this falls to just over

FIGURE 4. **Official Development Assistance to Domestic Revenue Mobilisation, 2015-2018**



Source: OECD Creditor Reporting System

50% in Latin America and the Caribbean, and even lower in Africa (see figure 5). Further analysis is being undertaken on these results, and will be available later in 2020.

The OECD seeks to work in partnership wherever possible; as a result most tax and development projects are delivered with others. **One of the most important partnerships is the** Platform for Collaboration on Tax (PCT)**, which brings together the IMF, OECD, UN and WBG, as the four main international organisations working on tax.** In 2019, the PCT provided greater clarity on how the four partners work together, including a mapping of the diagnostic tools available, and increased the commitment to joint work in countries implementing Medium-Term Revenue Strategies (MTRS).

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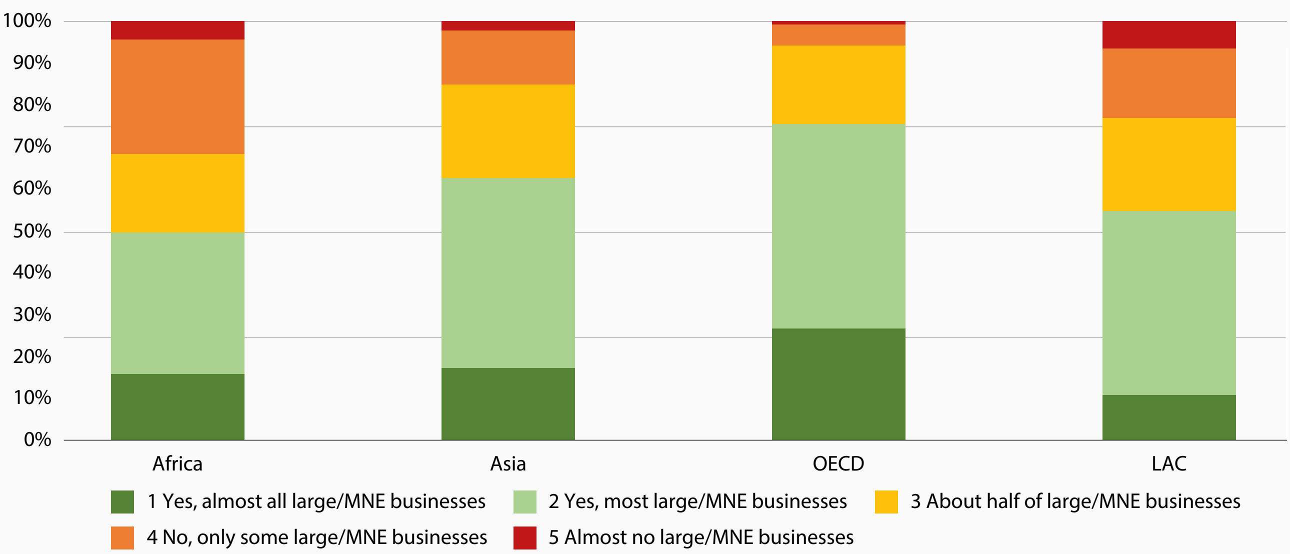
FIGURE 5. **Response to the question *'When thinking about the large businesses/MNEs in your country, how accurate is the following statement: Large businesses/MNEs respond to information requests from the tax authority within the time limits specified'***



Source: OECD survey of 1240 tax officials from 139 jurisdictions

The OECD's Global Relations Programme on Tax

The OECD's Global Relations Programme on Tax (GRP) was established in 1992 as the main conduit for OECD non-member countries to engage with the Committee on Fiscal Affairs and its work, through the provision of training and policy dialogue events. **Today, the GRP delivers more than 50 multilateral events each year, helping to equip tax officials from developing countries with the knowledge and skills necessary to face their most pressing international tax challenges,** as well as raising awareness of other available forms of support, such as TIWB.

Since February 2019, the GRP has been offered in three formats:

1. **FACE-TO-FACE EVENTS**, primarily delivered through the OECD Multilateral Tax Centres (MTCs) located in Europe (Ankara, Budapest and Vienna), Latin America (Mexico City) and Asia (Seoul and Yangzhou). In 2019, GRP events took place in 21 global locations around the world, including in the OECD Key Partners countries.[1] These events allow for wide-spread dissemination of the OECD standards in specific regions.

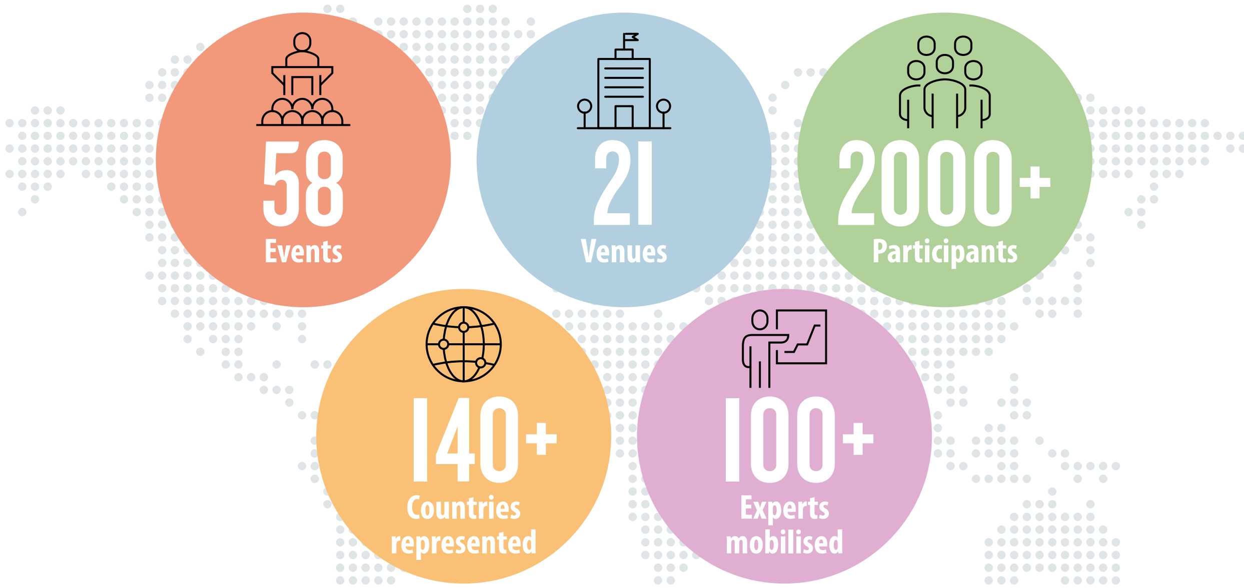
2. **E-LEARNING WITH THE KNOWLEDGE SHARING PLATFORM (KSP_{TA})**, an integrated online global tool developed by the Canada Revenue Agency (CRA) to promote the practical sharing of tax knowledge and expertise among tax officials around the world. E-learning has had a significant impact in reaching a wider audience under the GRP. During its first 9 months, 5 176 tax officials were trained through the GRP e-learning programme. This number is equivalent to 172 face-to-face events.

3. **BLENDED LEARNING EVENTS** where the participants complete online training before attending the face-to-face event. Ten face-to-face events were delivered under a blended learning approach in 2019, covering a number of international tax topics, including transfer pricing, EOI, tax treaties, BEPS minimum standards and other BEPS actions.

OECD member countries generously provided 74 experts to GRP events in 2019. **South-South co-operation in the GRP was introduced in 2018 and strengthened throughout 2019, with experts from Argentina, India, Indonesia and South Africa delivering events.**

1. The OECD Key Partners include Brazil, China, India, Indonesia and South Africa.

2019 GLOBAL RELATIONS PROGRAMME ON TAX: FACE TO FACE MEETINGS BY NUMBERS



2019 GLOBAL RELATIONS PROGRAMME ON TAX: E-LEARNING MODULES

E-learning modules offered in 2019	English	French	Spanish
Basic concepts of Transfer Pricing	🟢	🟢	🟢
BEPS minimum standards	🟢	🟢	🟢
Global Forum: Exchange of information as a tool to combat tax evasion	🟢	🟢	🟢
BEPS Actions 2, 3, 4, 12: Hybrids, interests and CFCs	🟢	🟢	🟢
Introduction to tax treaties	🟢	🔴	🟢
Toolkit on comparables for TP analyses	🟢	🔴	🟢
Fighting tax crime: The ten global principles	🟢	🔴	🔴
The international VAT/GST guidelines	🟢	🔴	🔴

PROMOTING STRONGER PARTNERSHIPS

The GRP increasingly links its work to partnerships with the relevant regional tax organisations and international organisations in order to ensure that training meets the local requirements and targets regional priorities. These partnerships focused on the critical areas for capacity building in each of the regions and were strengthened throughout 2019 under the GRP.

The number of events delivered under a strategic partnership increased: 21 joint events in 2019, compared to 12 in 2018, and 5 in 2017.

Joint events took place in every region (see Annex B for full list) and involved the following partners: ADB, ATAF, Commonwealth Association of Tax Administrators (CATA), Center of Excellence in Finance (CEF), CIAT, Consejo de Ministros de Hacienda o Finanzas de Centroamérica (COSEFIN), GIZ, IMF, International Bureau of Fiscal Documentation (IBFD), IGF, IOTA, PITAA, SARS, SGATAR, UN, WBG, WCO.

Tax transparency

– the Global Forum's work with developing countries

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is charged with promoting the effective implementation of the international standards of transparency and exchange of information for tax purposes, through monitoring implementation of the standards, undertaking peer reviews, developing tools and assisting members to implement the standards effectively. Through its technical assistance programme, the Global Forum assists jurisdictions around the world in fighting tax evasion and avoidance, tackling illicit financial flows and securing the integrity of their tax systems. In the past decade, the global implementation of the international standards of tax transparency has helped Global Forum members identify approximately EUR 102 billion in additional revenue (tax, interest, penalties) through voluntary disclosure programmes and offshore tax investigations, including EUR 27 billion in developing countries.

The Global Forum's assistance programme rests on three complementary objectives:

1. RAISE THE PROFILE OF TAX TRANSPARENCY AND EOI THROUGH INCREASED POLITICAL ENGAGEMENT;
2. ENSURE EFFECTIVE IMPLEMENTATION OF THE TAX TRANSPARENCY STANDARDS;
3. ENHANCE PRACTICAL USE OF THE TAX TRANSPARENCY AND EOI TO SERVE REVENUE MOBILISATION.

Significant progress was achieved on each of these objectives in 2019.

The international standards of tax transparency: EOIR and AEOI

Exchange of information on request (EOIR) allows tax authorities to obtain specific information from their counterparts in another jurisdiction. The EOIR standard requires a tax authority to provide, on request, any information that is "foreseeably relevant" for the administration or enforcement of the domestic tax laws of another tax jurisdiction, or for carrying out the provisions of a relevant tax agreement.

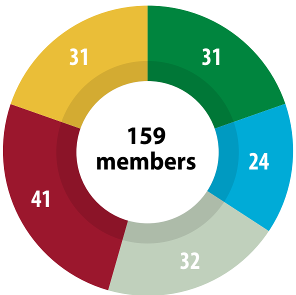
Automatic exchange of financial account information (AEOI) deepens co-operation between tax authorities by requiring financial institutions to disclose, automatically and on an annual basis, information on financial accounts they maintain for non-residents to their tax authorities under the globally agreed Common Reporting Standard, which in turn exchange this information with the tax authorities of the account holders' country of residence.

AN INCREASING POLITICAL ENGAGEMENT

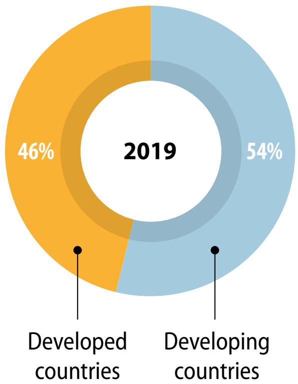
More than half of the Global Forum's members are from developing countries. New members in their overwhelming majority are developing countries. All new members joining in 2019 were developing countries – Guinea, Honduras, Jordan, Namibia, and Viet Nam.

In November 2019, the Global Forum celebrated its 10th anniversary in Paris, attended by more than 500 delegates, including over 60 Ministers, many of whom were from developing countries. Separate ministerial-level regional meetings were successfully organised for African and Latin American delegations. These events highlight the progress made in 2019 in ensuring high-level political engagement with Global Forum members, which is essential to the success of the Global Forum's work, particularly with developing countries. Political outreach and engagement remain a top priority, as the Global Forum's 10th year has also been marked by the expansion and strengthening of its technical assistance work.

The various strands of the Global Forum's engagement with developing countries have been structured through bespoke Induction Programmes since 2015, providing each new member of the Global Forum with a tailored schedule of comprehensive assistance. The 34 Global Forum Induction Programmes underway continue to be rolled out in stages as agreed with the jurisdictions,



Regional balance



A majority of Global Forum members (86 out of 159) are developing countries. Almost of all them have received some form of technical assistance over the past ten years.

TECHNICAL ASSISTANCE PROVIDED BY THE GLOBAL FORUM

LEGAL FRAMEWORK ASSISTANCE ON EOIR AND AEOI

- Legal gap analysis, advice and drafting assistance (legislation, regulations and guidance)
- Workshops and seminars
- Assistance to join the Convention on Mutual Administrative Assistance in Tax Matters (MAC).

POLITICAL ENGAGEMENT AND REGIONAL OUTREACH

- Ministerial and other highlevel events
- Engagement with domestic political leaders and regional organisations.
- Pre-membership support with policy decision-making and training on joining the Global Forum and the standards.

OPERATIONAL ASSISTANCE FOR THE IMPLEMENTATION OF EOIR AND AEOI

- Training and coaching of tax compliance officers and tax officials
- Support for setting up an EOI infrastructure (EOI unit, manual and tools)
- Regional and bilateral seminars on effective data use.

CONFIDENTIALITY AND DATA SAFEGUARDS

- Gap analysis, advice, project support and technical implementation of ISM arrangements
- Coaching and onsite assessment of confidentiality requirements.
- Multilateral and regional training events

with 10 Induction Programmes launched in 2019. Each Induction Programme begins with an onsite, high-level launch focused on securing the political commitment necessary for a successful engagement. Other Global Forum members receive *à la carte* assistance covering their specific needs and priorities.

A REGIONAL APPROACH

The Global Forum uses a regional approach to meet the high demand for capacity building. A key cog of this work is the Africa Initiative. Recognising the special circumstances of African countries, which suffer the greatest loss from illicit financial flows, **the Global Forum, in 2014, together with a number of its African members launched the Africa Initiative. This initiative is designed to encourage engagement and participation in international tax co-operation and ensure African countries enjoy the benefits of the tremendous improvements in the global tax transparency and exchange of tax information**. This in turn supports the achievement by African countries of two specific Sustainable Development Goals: domestic resource mobilisation and the fight against illicit financial flows.

In 2019, the publication of the first annual report of the Africa Initiative (Tax Transparency in Africa – Africa Initiative Progress Report 2018) kick-started a year of achievement with the African Union Commission becoming observer to the Global Forum and partner of the Africa Initiative along with the African Development Bank, ATAF, CREDAF and WBG.

In addition, Morocco, Tunisia, Cabo Verde, Egypt, Kenya and Djibouti signed the Yaoundé Declaration[1] on tackling illicit financial flows through international tax co-operation, bringing the number of signatory jurisdictions to 29.

1. https://www.oecd.org/tax/transparency/yaounde-declaration.pdf

"The fight against illicit financial flows and tax evasion through tax transparency is now one of the priorities of our tax agenda and the Global Forum is providing us with precious assistance in formulating policies and developing instruments to this end."

Mr Moussa Sanogo –
Minister to the Prime Minister, responsible for the Budget and of the State Portfolio, Côte d'Ivoire

African Initiative Ministerial Meeting, Paris, France, 25 November 2019

THE PRACTICAL IMPACT OF TAX TRANSPARENCY WORK IN AFRICA

23
TRAINING EVENTS
organised in Africa and attended by 1 085 officials

192
EOI REQUESTS
sent in 2018 (38 in 2014)

x3
INCREASE TO THE EOI NETWORK
of African countries since 2013 as a growing number of them are joining the multilateral tax Convention (MAC)

300+
MILLION US DOLLARS
additional revenue gained by two African members from voluntary disclosure programmes set up prior to their first AEOI exchanges

22+
MILLION US DOLLARS
additional revenue collected through EOIR by five African members

In the Middle East, Lebanon attained an EOIR rating of Largely Compliant[2] after a strong engagement with the Techinical Assistance programme. Jordan, which became a member in 2019, is benefiting from an Induction Programme and has committed to implement AEOI by 2023.

The Global Forum's LAC collaborative framework brings together the resources of the WBG, IADB and CIAT to assist Latin American and the Caribbean members of the Global Forum to implement the tax transparency standards. In March 2019, the joint publication of the Beneficial Ownership Implementation Toolkit[3] was a major achievement. Costa Rica and the Dominican Republic attained ratings of Largely Compliant in their 2019 EOIR peer reviews. Three trainings were also provided to improve the use of EOI tools to combat cross-border evasion. Dominican Republic, El Salvador and Ecuador ratified the MAC.

2. Global Forum members are reviewed for their compliance with the EOIR standard and are given an overall rating of Compliant, Largely Compliant, Partially Compliant or Non-Compliant. For more information please visit: https://www.oecd.org/tax/transparency/exchange-of-information-on-request/ratings/

3. https://www.oecd.org/tax/transparency/beneficial-ownership-toolkit.pdf

Feedback on Global Forum Assistance in Lebanon

"We have been supported by the Global Forum Secretariat since 2016, and I have to say that this was a major asset for us that helped complying with the EOIR standard and implementing AEOI. They assisted us as well in the whole process of joining the MAC and the MCAA. They accompanied us in every milestone with high professionalism. Their approach was firm but fair. They were able to understand the complex environment in which we are working, including the permanent disruption in the functioning of our institutions, which shows a great deal of seriousness. They also acted on the ground and went into every detail. Every person from the technical assistance team was extremely helpful and their presence was always an encouragement. They were responsive to any question or detail we needed to inquire about, and were always mindful of the next steps. In view of the above, I can only congratulate each one of them for their great job, and the forum as a whole for bringing together such an impressive team."

Mr Alain Bifani – Director General of the Ministry of Finance, Lebanon

A topic of the November 2018 Ministerial Roundtable on Leveraging International Tax Cooperation for Public Good, held in Punta del Este, Uruguay, was the need to promote a whole of government approach to tax evasion and corruption and to give a new impetus to the Global Forum's standards in the region. The result was the Punta del Este Declaration, which was signed by 4 jurisdictions at the Roundtable in 2018, but now counts signatures from 11 Latin American jurisdictions: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Panama, Paraguay, Peru and Uruguay.

The Global Forum has partnered with the Asian Development Bank to deliver its technical assistance in the Asia-Pacific region. In the Pacific, the extensive joint support through advice and onsite EOIR peer review simulations provided by the Global Forum Secretariat and ADB in 2018/19 produced results in 2019: the Federated States of Micronesia, the Marshall Islands, Nauru, and Samoa all attained ratings of Largely Compliant in their EOIR peer reviews. Six training seminars were provided in the region in 2019. In addition, Thailand has committed to implement AEOI by 2023. Mongolia joined the MAC and Papua New Guinea has been accepted to accede to it.

There has been a steadily growing interest in tax transparency and exchange of information – particularly AEOI – **in Eastern Europe and Central Asia**. The MAC was signed by Bosnia and Herzegovina and Montenegro and signed and ratified by Serbia, and ratified by the Republic of North Macedonia in 2019. Various multilateral and bilateral TA and outreach activities aimed at supporting

FIGURE 6. **Evolution in the number of EOI requests sent by African countries since 2014**

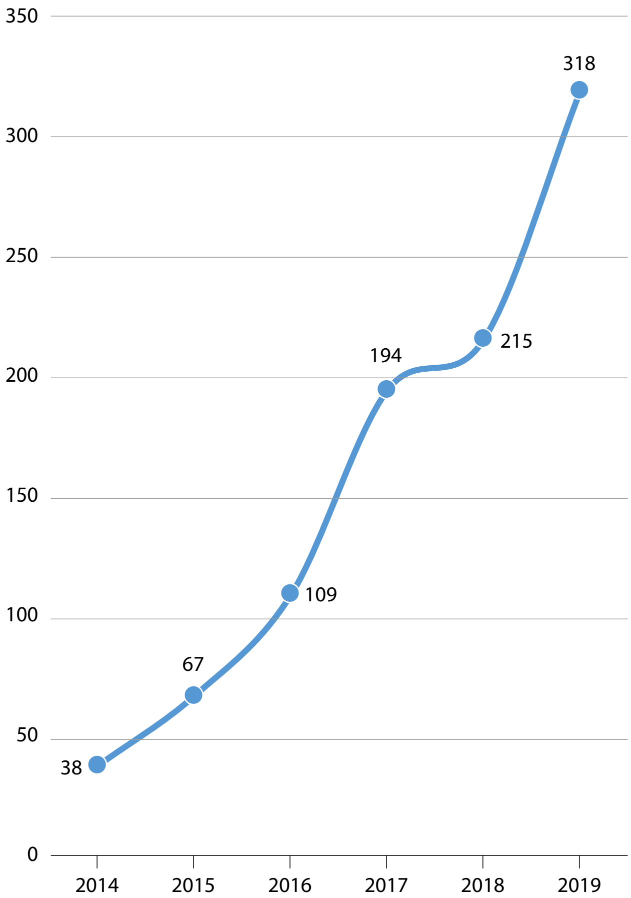
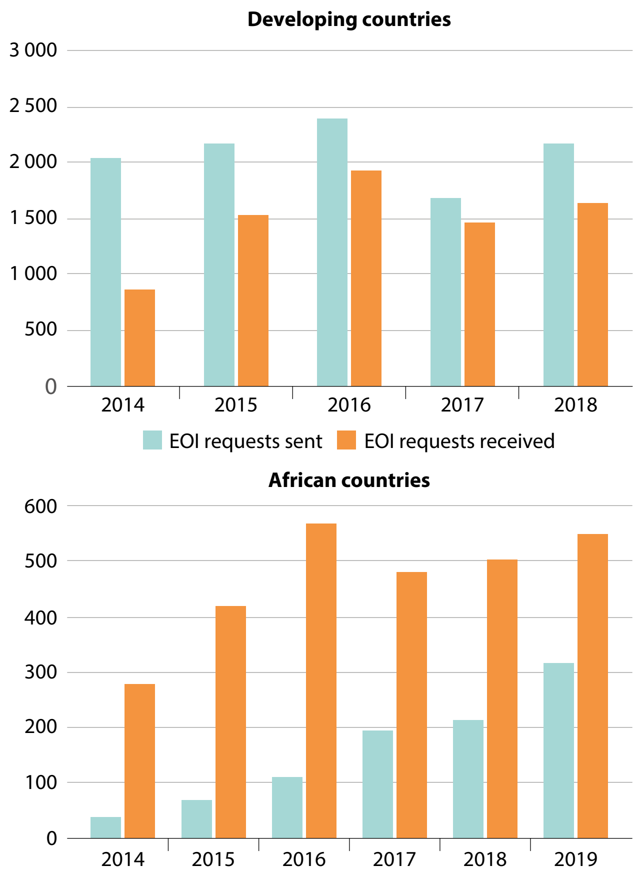


FIGURE 7. **EOI requests sent and received by African countries and developing countries since 2014**



Note: The graphs reflect the situation for the 33 African countries that have provided data and the figures reported by Global Forum members through the 2019 Global Forum Survey (about 50% of all members have responded).

Source: Responses provided to questionnaire by African countries and OECD (2019), Transparency and Exchange of Information for Tax Purposes Multilateral Co-operation Changing the World, 10th anniversary report.

political commitments and implementation of the AEOI Standard, including support in drafting legislation, with industry consultations and on Information Security Management were carried out. In the meantime, Montenegro has committed to implement AEOI by 2023.

HELPING DEVELOPING COUNTRIES IMPLEMENT AEOI

Developing country members are subject to the same commitments and peer review processes, except that developing countries that do not host a financial centre were not required to commit to commencing AEOI by 2018. **AEOI related technical assistance, particularly with legislative drafting and industry consultation, played a major role in getting developing countries with a financial centre across the line**. With the support of technical assistance, over 30 of these countries delivered standard-aligned legislation on time, which supported their timely exchanges. In parallel, extending the benefits of AEOI to developing countries without a financial centre has been a driving force of the technical assistance programme.

The Global Forum published a Plan of Action for Developing Countries' Participation in AEOI, which reinforced the pace and expanded the scope of assistance to advising on data safeguarding and administrative measures for AEOI. In line with this plan, more than 40 countries were provided with guidance and support.

In 2019, the key priorities were to assist with information security management, the effective use of Common Reporting Standard (CRS) data (three workshops were held in 2019) and advancing AEOI implementation in Africa.

Supporting Peru on EOIR and AEOI

"Peru has been receiving technical assistance from the Global Forum Secretariat and the World Bank Group in its efforts to implement the international standards on exchange of information. The assistance has been given in relation to EOI on request and more recently AEOI, since Peru has committed to begin exchanges of Country by Country (CbC) Reports in 2019 and financial account information under the CRS in 2020 and is working hard to achieve these goals. For this purpose, a team from both organisations visited Peru both in 2018 and 2019 to discuss confidentiality and data safeguards for AEOI and the information security management practices in the Peruvian Tax Administration. During those visits, officials of the Tax Administration strengthened their understanding of the importance of the exchanged information and its confidentiality as a fundamental aspect that must be adequately guaranteed through appropriate policies, procedures and systems. The Tax Administration in Peru has since worked on its internal policies and instruments for exchanges of information in line with the AEOI standard and is now looking forward to a positive review from the Global Forum that would enable Peru to receive CRS and CBC information."

Ms Patricia Checa – Head of the Mutual Administrative Assistance in Tax Matters Office, National Superintendency of Customs & Tax Administration, Peru

A view of 2020 and beyond

In 2019, the OECD took an important step by making the full range of OECD expertise, tools and resources more systematically available to developing countries. While support for the implementation of the international standards on BEPS and tax transparency remain central to the OECD's capacity building efforts, more and more developing countries are benefitting from work in areas such as tax and crime, tax policy and statistics, and value-added taxes.

In 2020, the OECD will continue to expand its offerings and provide a full range of capacity building support to developing countries. The emergence of the COVID-19 pandemic, however, has been disruptive and governments and international organisations alike have had to adjust priorities to reflect a new and rapidly evolving reality. **The OECD has been proactive in developing materials and resources to guide policymakers and tax administrators in their response to the pandemic.** This includes the creation of an up-to-the minute database on tax policy responses to the COVID-19 pandemic in over 100 countries[1] and publications on how tax administrations around the world are responding to support taxpayers[2] and ensure business continuity[3]. Building on this work, the OECD Secretary-General delivered a report to the G20 Finance Ministers and Central Bank Governors on 15 April 2020, *Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience*[4].

More work is in progress to meet the high demand for advice and guidance. These resources are available to all governments as they work to address pressing immediate concerns as well as to understand what the new normal might look like in the future. For developing countries, these challenges are magnified due to a lack of resources and the additional pressure to continue to raise revenue to fund essential services. Under these circumstances, the need for the training and other capacity-building activities that the OECD provides becomes even more acute.

Recognising the urgency, the Global Relations Programme on Tax and the Global Forum Secretariat accelerated their programmes of virtual training early in 2020 and to date have delivered 16 courses to more than 4 700 officials, with many more in the works. These courses include training on international tax, transfer pricing comparables, exchange of information, beneficial ownership implementation, tax and crime as

1. www.oecd.org/tax/tax-policy/
2. Tax administration responses to Covid-19: support for taxpayers https://read.oecd-ilibrary.org/view/?ref=126_126478-29c4rprb3y&title=Tax_administration_responses_to_COVID-9_Measures_taken_to_support_taxpayers
3. Tax administration responses to Covid-19: business continuity https://read.oecd-ilibrary.org/view/?ref=128_128290-cy6mbvet5x&title=Tax-administration-responses-to-covid-19-business-continuity-considerations
4. Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience, OECD 2020. http://www.oecd.org/tax/tax-policy/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience.htm

well as the tax policy and tax administration responses to the COVID-19 pandemic. Demand has been very high and the OECD has been able to train double the number of officials through the first half of 2020 than in 2019. To support the virtual classes, e-learning offerings through the KSPta are being expanded and additional toolkits are being developed. Regardless of when governments return to normal business practices, the OECD plans to continue to invest in e-learning, particularly the virtual classroom, where it can have significant impact and reach the widest number of clients.

These efforts are focused on the near and medium term, but the predictions for the world economy indicate that the effects of the crisis will be long lasting, and will require a more fundamental re-examination of tax policies and administration. **Domestically, this means that many countries will need to strive to increase their tax to GDP ratios.** For example, average tax-to-GDP ratios in Africa are around 17% compared to the average of 34% in OECD countries.This will include efforts at formalising the economy – bringing more people into the tax and social protection systems – increasing the use of property and carbon taxes, and improving the performance of personal income tax, especially on the richest.

The current crisis also affords the opportunity to assess changes in tax administration. For example, the step changes that digital technology in tax collection can make to the overall efficiency of tax systems and increased revenues stands out as an issue where learning between countries could be accelerated.

International support for capacity development in all areas of tax administration and tax policy development therefore remains essential and must be stepped up. However, the current crisis also provides the opportunity for a deeper reflection on the current state of play. Crucially, it appears that many low income and low capacity countries remain uncertain about the extent to which the direct benefits of the reforms in the international tax standards, particularly regarding the taxation of multinational enterprises, flow to them.

In his report delivered to the G20, the OECD Secretary-General made the strong case for a re-evaluation of the tax and development agenda. **Five years after the BEPS Project, and ten years after the establishment of the Global Forum, the time is right to assess the benefits for low-income countries**. **There is considerable support for the Inclusive Framework to take stock of how the BEPS work has benefited these countries**, starting with measures such as Country-by-Country reporting and tax treaty abuse provisions. The efficacy of the international network of exchange of information for low-income countries could also be reviewed. **The work could entail the development of proposals that would address their particular needs, in the form of a new deal on international taxation as part of the international effort to rebuild economic life in the post COVID-19 era.**

Whatever the future holds, the more systematic approach embraced by the OECD to support developing countries in 2019, building on decades of engagement, will be crucial to meeting even higher demand in 2020 and beyond. ■

Annexes

Annex A – Membership of the OECD/G20 Inclusive Framework on BEPS

Complete list of Members of the OECD/G20 Inclusive Framework on BEPS as at December 2019[7]

Albania
Andorra
Angola
Anguilla
Antigua and Barbuda
Argentina
Armenia
Aruba
Australia
Austria
The Bahamas
Bahrain
Barbados
Belgium
Belize
Benin
Bermuda
Bosnia and Herzegovina
Botswana
Brazil
British Virgin Islands
Brunei Darussalam
Bulgaria
Burkina Faso
Cabo Verde
Cameroon
Canada
Cayman Islands
Chile
China (People's Republic of)
Colombia
Congo
Cook Islands
Costa Rica
Côte d'Ivoire
Croatia
Curaçao
Czech Republic
Democratic Republic of the Congo
Denmark
Djibouti
Dominica
Dominican Republic
Egypt
Estonia
Eswatini
Faroe Islands
Finland
France
Gabon
Georgia
Germany
Gibraltar
Greece
Greenland
Grenada
Guernsey
Haiti
Honduras
Hong Kong, China
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Italy

Jamaica
Japan
Jersey
Jordan
Kazakhstan
Kenya
Korea
Latvia
Liberia
Liechtenstein
Lithuania
Luxembourg
Macau, China
Malaysia
Maldives
Malta
Mauritius
Mexico
Monaco
Mongolia
Montenegro
Montserrat
Morocco
Namibia
Netherlands
New Zealand
Nigeria
North Macedonia
Norway
Oman
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Poland
Portugal
Qatar
Romania
Russian Federation
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
San Marino
Saudi Arabia
Senegal
Serbia
Seychelles
Sierra Leone
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turks and Caicos Islands
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Viet Nam
Zambia

List of Observers of the OECD/G20 Inclusive Framework on BEPS

African Development Bank (AfDB)

African Tax Administration Forum (ATAF)

Asian Development Bank (ADB)

Commonwealth Association of Tax Administrators (CATA)

Centro Interamericano de Administraciones Tributarias (CIAT)

Cercle de Reflexion et d'Echange des Dirigeants des Administrations Fiscales (CREDAF)

European Bank for Reconstruction and Development (EBRD)

Inter-American Development Bank (IADB)

International Monetary Fund (IMF)

Intra-European Organisation of Tax Administrations (IOTA)

Pacific Islands Tax Administrators Association (PITAA)

United Nations (UN)

World Bank Group (WBG)

World Customs Organization (WCO)

Annex B – List of joint Global Relations Programme on Tax events with relevant regional tax organisations and international organisations

OECD-ADB Audit and Investigation: Fighting Tax Crime in Asia	(30 January – 1 February 2019)
OECD/WCO Transfer Pricing and Customs Valuation	(4 – 8 March 2019)
CEF/OECD Transfer Pricing Guidelines	(12 – 14 March 2019)
OECD/ATAF MAP Workshop	(25 – 29 March 2019)
ATAF/OECD MLI Workshop	(8 – 12 April 2019)
OECD/CIAT/COSEFIN/GIZ Transfer Pricing in the Consumer Goods Industry in the Central American Region	(14 – 16 May 2019)
OECD/SARS/ATAF Exchange of Information Last Mile: An Auditor's Perspective	(20 – 23 May 2019)
OECD/CATA/PITAA/ADB Tax Avoidance and Evasion	(3 – 7 June 2019)
CATA/OECD TOIT-Treaty Workshop	(1 – 5 July 2019)
OECD/ADB Strategic Workshop on Tax and Digitalisation	(2 – 4 July 2019)
OECD/UN Treaties Negotiation Workshop	(15 – 19 July 2019)
OECD/WBG Doing Business and Taxpayers Services	(15 – 19 July 2019)
OECD/ATAF Advanced Transfer Pricing Workshop	(19 – 23 August 2019)
OECD VAT Guidelines on Digital Economy	(16 – 20 September 2019, with IBFD experts)
OECD/IOTA/WBG Toolkit on Addressing Comparable Data for Transfer Pricing Analysis	(14 – 18 October 2019)
OECD/CIAT/IGF International Taxation and the Mining Industry	(18 – 21 November 2019)
OECD/ADB Exchange of Information as a Tool to Combat Offshore Tax Evasion	(18 – 22 November 2019)
OECD Train the Trainers on BEPS and Transfer Pricing	(18 – 22 November 2019, with IBFD experts)
OECD-ADB Challenges and Opportunities in Implementing International Tax Standards in the Pacific	(21 November 2019)
OECD/IOTA Handling Mutual Agreement Procedure cases	(26 – 28 November 2019)
SGATAR/OECD Training on Exchange of Information	(11 – 12 December 2019)

Countries and organisations supporting the tax and development activities featured in this report

Financial contributions provided by

Multilateral training centres provided by

Argentina, Austria, The People's Republic of China, Hungary, Italy, Japan, Kenya, Korea, Mexico and Turkey

Expertise provided by

Argentina, Australia, Austria, Belgium, Bulgaria, Canada, France, Finland, Germany, Hungary, India, Indonesia, Ireland, Italy, Japan, Kenya, Liechtenstein, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, the Slovak Republic, South Africa, Spain, Switzerland, Turkey, the United Kingdom and the United States

Partner organisations

African Development Bank, African Tax Administration Forum, Asian Development Bank, Centro Interamericano de Administraciones Tributarias, Cercle de réflexion et d'échange des dirigeants des administrations fiscales, Inter-American Development Bank, International Monetary Fund, Intra-European Organisation of Tax Administrations, The Pacific Community, Pacific Islands Tax Administrators Association, United Nations, World Bank Group, World Customs Organization

This report sets out the range of the OECD's work with developing countries in 2019. The OECD's work has evolved from modest efforts in the 1990's to reflect the global nature of the tax policy and administration issues that come with a globalised economy. Today, the OECD provides a wide variety of assistance to developing countries to ensure that they benefit from advances in tax co-operation and transparency. While supporting developing countries in the fight against tax evasion and avoidance has been the main priority in its capacity-building work, in 2019, the OECD extended its reach to include the full range of its tax policy and administration work as part of its development agenda. This provides developing countries with world-class expertise on tax, high quality internationally comparable data, tailor-made guidance and tools, and direct capacity building support.

OECD
BETTER POLICIES FOR BETTER LIVES

For more information:

ctp.contact@oecd.org

www.oecd.org/tax

@OECDtax