2019 G20 Osaka Summit Interim Compliance Report

Prepared by
Sofia Lopez and the G20 Research Group
University of Toronto
Toronto
and
Irina Popova and the Center for International Institutions Research
Russian Presidential Academy of National Economy and Public Administration,
Moscow

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"The University of Toronto … produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit … I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what."

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

Munk School of Global Affairs
Trinity College at the University of Toronto
1 Devonshire Place, Room 209N
Toronto, Ontario M5S 3K7
Canada
www.g20.utoronto.ca

G20 RESEARCH GROUP
@G20rg

Centre for International Institutions Research at the Russian Presidential Academy of National Economy and Public Administration
11 Prechistenskaya nabarezhnaya
Moscow, Russia 119034
www.ranepa.ru/eng/ciir

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7. International Taxation: Digitalization

"We will redouble our efforts for a consensus-based solution [on addressing the tax challenges arising from digitalization] with a final report by 2020."

G20 Osaka Leaders' Declaration

Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia	−1		
Brazil		0	
Canada	−1		
China	−1		
France		0	
Germany		0	
India			+1
Indonesia		0	
Italy			+1
Japan			+1
Korea	−1		
Mexico		0	
Russia		0	
Saudi Arabia	−1		
South Africa	−1		
Turkey		0	
United Kingdom			+1
United States	−1		
European Union			+1
Average	−0.10 (45%)		

Background

On 19 July 2013, the Organisation for Economic Co-operation and Development (OECD) issued the Action Plan on Base Erosion and Profit Shifting (BEPS).[1208] On 6 September 2013, at the St. Petersburg Summit, the G20 leaders fully endorsed "the ambitious and comprehensive Action Plan — originated in the OECD — aimed at addressing base erosion and profit shifting with mechanism to enrich the Plan as appropriate," welcomed "the establishment of the G20/OECD BEPS project" and encouraged all interested countries to participate.[1209] Implementation details of the BEPS Action Plan developed thereafter constitute the BEPS package with 15 actions that equip governments with the necessary domestic and international instruments to ensure that profits are taxed where economic activities that generate the profits are performed and where value is created.[1210] The BEPS package also gives businesses greater certainty by reducing disputes over the application of international tax rules and by standardizing compliance requirements. The OECD/G20 Inclusive Framework on

[1208] Action Plan on Base Erosion and Profit Shifting, Organisation for Economic Co-operation and Development, 19 July 2013. https://www.oecd.org/tax/beps/action-plan-on-base-erosion-and-profit-shifting-9789264202719-en.htm
[1209] G20 Leaders' Declaration St. Petersburg, G20 Information Centre (Toronto), 6 September 2013. Access Date: 4 April 2020. http://www.g20.utoronto.ca/2013/2013-0906-declaration.html
[1210] BEPS Actions, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. https://www.oecd.org/tax/beps/beps-actions/

BEPS was established to expand the coverage of measures to tackle BEPS and brings together 137 countries and jurisdictions to collaborate on implementing its recommendations.[1211] Commitments to address BEPS have been reiterated at all subsequent G20 summits since St. Petersburg.

Commitment Features

This commitment refers to BEPS Action 1 "Tax Challenges Arising from Digitalisation." It is currently the top priority for the OECD/G20 Inclusive Framework. In May 2019, the Inclusive Framework issued the Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy.[1212] It explores technical design implementation issues that must be refined to develop a comprehensive and consensus-based solution, and includes proposals for the two challenges facing international income tax in the digital economy: changing the allocation of taxing rights through a coherent and concurrent review of the profit allocation and nexus rules (Pillar 1) and remaining BEPS issues and minimum taxation (Pillar 2).[1213] Given the focus of the commitment on developing "a consensus-based solution" and achieving a final report in 2020, compliance requires G20 member contribute to the discussions on the tax challenges of digitalization through, inter alia, participation in OECD public consultations.[1214]

The commitment also requires taking domestic measures to address the challenges of BEPS in line with recommendations on Action 1 that have already been finalized by the OECD. This refers specifically to the area of value-added taxes and goods and services taxes (VAT/GST). Relevant recommendations have been integrated into the 2016 International VAT Guidelines.[1215] Further guidance for implementation was provided by the 2017 report on Mechanisms for the Effective Collection of VAT/GST Where the Supplier Is Not Located in the Jurisdiction of Taxation[1216] and the 2019 report on The Role of Digital Platforms in the Collection of VAT/GST on Online Sales.[1217]

[1211] OECD/G20 Inclusive Framework on BEPS, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. https://www.oecd.org/tax/beps/flyer-inclusive-framework-on-beps.pdf

[1212] Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy, Organisation for Economic Co-operation and Development, 31 May 2019. https://www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm

[1213] Action 1 Tax Challenges Arising from Digitalisation, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. https://www.oecd.org/tax/beps/beps-actions/action1/

[1214] Planned stakeholder input in OECD tax matters, Organisation for Economic Co-operation and Development. Access Date: 4 April 2020. https://www.oecd.org/tax/planned-stakeholder-input-in-oecd-tax-matters.htm

[1215] International VAT/GST Guidelines, Organisation for Economic Co-operation and Development, 12 April 2017. https://www.oecd.org/ctp/international-vat-gst-guidelines-9789264271401-en.htm

[1216] Mechanisms for the Effective Collection of VAT/GST: Where the Supplier Is Not Located in the Jurisdiction of Taxation, Organisation for Economic Co-operation and Development, 2017. http://www.oecd.org/tax/tax-policy/mechanisms-for-the-effective-collection-of-VAT-GST.pdf

[1217] The Role of Digital Platforms in the Collection of VAT/GST on Online Sales, Organisation for Economic Co-operation and Development, 20 June 2019. https://www.oecd.org/tax/beps/the-role-of-digital-platforms-in-the-collection-of-vat-gst-on-online-sales-e0e2dd2d-en.htm

Scoring Guidelines

−1	G20 member does not address tax challenges arising from digitalization by not contributing to the final report on Pillars 1 and 2 or by implementing any BEPS Action 1 VAT/GST recommendations.
0	G20 member addresses tax challenges arising from digitalization by contributing to the final report on Pillars 1 and 2 OR by implementing any BEPS Action 1 VAT/GST recommendations.
+1	G20 member addresses tax challenges arising from digitalization by both contributing to the final report on Pillars 1 and 2 AND by implementing any BEPS Action 1 VAT/GST recommendations.

Centre for International Institutions Research

Argentina: 0

Argentina has partially complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 30 September 2019, Argentina implemented a new system to electronically register sales, purchase, assignments, exports and imports of goods and services, locations and benefits, called the "Digital VAT Book." Taxpayers are obliged to electronically register their operations through this regime.[1218]

On 13 November 2019, Argentina issued the initiative on withholding value-added tax (VAT) on e-commerce goods and services purchased by consumers from foreign providers. It withholds an amount equivalent to VAT where a payment provider facilitates the payment. As well as VAT, there is an income tax withholding requirement. The new law requires credit and debit card holders, and well as banks making electronic transfers, to split the VAT element when the vendor is not a taxable person in Argentina. This brings non-residents into the tax system for goods, services and electronic services.[1219]

Argentina has taken no actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2. However, several VAT measures were implemented in accordance with BEPS Action 1 VAT/GST recommendations during the compliance period.

Thus, it receives a score of 0.

Analyst: Irina Popova

Australia: −1

Australia has failed to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

No legislative changes reflecting the recommendations of the BEPS Action 1 in Australia have been registered during the monitoring period.

Australia did not make any progress in addressing tax challenges arising from digitalization.

[1218] Resolución General AFIP N° 4597/2019, Boletín Oficial (Buenos Aires) 1 October 2019. Access date: 20 May 2020. http://biblioteca.afip.gob.ar/dcp/REAG01004597_2019_09_30

[1219] Argentina confirms e-commerce Withholding VAT, Avalara 13 November 2019. Access date: 20 May 2020. https://www.avalara.com/vatlive/en/vat-news/argentina-confirms-e-commerce-withholding-vat.html

Therefore, it receives a score of −1.[1220]

Analyst: Andrei Sakharov

Brazil: 0

Brazil has partially complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 10 July 2019, the Senate proposed a bill to amend the tax regime in Brazil. According to this bill, consumption taxes would be replaced with one single tax on consumption of goods and services, following the international standards of value-added tax. This tax would be originally set at a uniform reference rate for each federative entity, to be applied indistinctly to all transactions involving tangible or intangible assets. The final tax burden is expected to reach the initial rate of 25 per cent after a 10-year term of transition. Two concerns related to the tax reform are being voiced by digital economy companies. The first is that they would have to cope with a significant tax hike if the 25 per cent is confirmed. In return, the reform seeks to increase security for investors and provide transparency to consumers, who will bear the tax burden. Another worry relates to the criteria and mechanisms for identifying the jurisdiction of consumption. It is difficult to implement the destination principle with respect to services and intangibles, because they cannot be subject to border controls in the same way as goods. The rules should ensure there is clarity and certainty for both business and tax administrations and that compliance is kept as simple as possible with minimal costs involved.[1221]

Brazil has taken no action to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 were registered. Howevver, several VAT measures were implemented in accordance with BEPS Action 1 VAT/GST recommendations during the compliance period.

Thus, it receives a score of 0.

Analyst: Irina Popova

Canada: −1

Canada has failed to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 22 October 2019, the government indicated its intent to introduce a 3 per cent digital services tax on the income of certain sectors of the digital economy, which would replicate the one proposed by France. The tax would only apply to targeted advertising services and digital intermediation services where the worldwide revenues of the business are at least USD1 billion and Canadian revenues are more than USD40 million.[1222]

However, no subsequent legislative changes reflecting the recommendations of the BEPS Action 1 have been registered during the monitoring period.

No legislative changes reflecting the recommendations of the BEPS Action 1 have been registered during the monitoring period.

[1220] Websites of the Australian Taxation Office, national government, tax analysts as well as open sources were searched.
[1221] Proposta De Emenda À Constituição nº 110 de 2019, Brazilian Senate 10 july 2019/ Access date: 20 May 2020. https://www12.senado.leg.br/ecidadania/visualizacaomateria?id=137699
[1222] Taxation of the digitalized economy, KPMG (Amstelveen) 20 December 2019. Access Date: 18 May 2020. https://tax.kpmg.us/content/dam/tax/en/pdfs/2019/digitalized-economy-taxation-developments-summary.pdf.

Canada did not make any progress in addressing tax challenges arising from digitalization.

Thus, it receives a score of −1.[1223]

Analyst: Andrei Sakharov

China: −1

China did not comply with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting.

No evidence of China taking steps to address issues of tax challenges arising from digitalization was found within the monitoring period.

Thus, China receives a score of −1.

Analyst: Alexander Ignatov

France: 0

France has partially complied with the commitment on taxation of digital economy regarding base erosion and profit shifting.

On 11 July 2019, France's Senate approved the introduction of a digital services tax. It is retroactively applicable as from 1 January 2019. A 3 per cent tax applies on gross revenues deriving from the provision of a digital interface (i.e., intermediation services), and targeted advertising and transmission of data collected about users for advertising purposes.[1224]

On 30 March 2020, the French Tax Authority issued draft guidance on the score and computation of the new digital services tax and the related compliance issues. Services subject to the tax include targeted online advertising, including the sale of user data; and online digital intermediation services such as platforms and marketplaces. Each category has its own set of rules in terms of territoriality and computation of the ratio of French-deemed services (the French presence ratio).[1225]

France addressed tax challenges arising from digitalization by introducing a nationally levied tax.

Thus, it is awarded a score of 0 for partial compliance.

Germany: 0

Germany has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 7 October 2019, the Ministry of Finance published Guidance Letters 2019/858190, 2019/0858465 and 2019/0858488 explaining the value-added tax (VAT) obligations for online marketplace facilitators. The Ministry of Finance reminds marketplace facilitators that they can be

[1223] Websites of the Canada Revenue Agency, national government, tax analysts as well as open sources were searched.
[1224] INSIGHT: France's Digital Services Tax Goes Ahead, Bloomberg Tax 29 July 2019. Access date: 20 May 2020. https://news.bloombergtax.com/daily-tax-report-international/insight-frances-digital-services-tax-goes-ahead-1
[1225] France issues comprehensive draft guidance on digital services tax, the Society of Trust and Estate Practitioners (London) 16 April 2020. Access date: 15 May 2020. https://www.step.org/news/france-issues-comprehensive-draft-guidance-digital-services-tax

held liable under certain conditions for the unpaid VAT resulting from the delivery of items from entrepreneurs legally justified on the marketplace provided by them.[1226]

On 25 October 2019, the upper house of the German parliament accepted for consideration a bill to reduce bureaucratic burden for taxpayers. Among other things, the measure would exempt new businesses from monthly VAT invoicing obligations in the year of formation and the following year between 1 January 2021 and 31 December 2026. The bill would further increase the VAT registration threshold for domestic companies.[1227]

Germany has contributed to the development of a consensus-based solution, however no publicly available evidence was found showing Germany contributed to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the compliance period. However, several VAT measures were implemented in accordance with BEPS Action 1 VAT/GST recommendations during the compliance period.

Thus, it receives a score of 0.

Analyst: Andrey Shelepov

India: +1

India has fully complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 1 April 2020, so-called equalization levy was introduced in India. This approach to taxation of digital economy is one of the three options included into the possible ways to reform digital taxation according to the Organisation for Economic Co-operation and Development (OECD). The tax is 2 per cent and it is imposed on 1) online sale of goods owned by the e-commerce operator, 2) online provision of services provided by the ecommerce operator, 3) online sale of goods or provision of goods facilitated by the e-commerce operator (i.e., when the operator provides a platform for others to supply goods or provide services), 4) any combination of the above.[1228]

On 1 April 2020, the Finance Act for 2020 was released and it provided for: 1) a deferral of the definition of significant economic presence to 1 April 2022, with the expectation that the OECD will soon reach a consensus and provide an updated workplan for the digital economy; 2) the expansion of source rules to include income from advertisements that target Indian customers, income from the sale of data collected from India, and income from sale of goods and services using such data collected from India, which will take effect from 1 April 2021, although for attribution in relation to significant economic presence, the amendment will take effect from 1 April 2022.[1229]

India has implemented several domestic measures to address the tax challenges of the digitalization of the economy and actively participates in the OECD process.

[1226] Inside Indirect Tax, KPMG (Washington) December 2019. Access date: 20 May 2020. https://tax.kpmg.us/content/dam/tax/en/taxwatch/pdfs/2019/inside-indirect-tax-december-2019.pdf

[1227] Inside Indirect Tax, KPMG (Washington) December 2019. Access date: 20 May 2020. https://tax.kpmg.us/content/dam/tax/en/taxwatch/pdfs/2019/inside-indirect-tax-december-2019.pdf

[1228] India Issues Notification that New Digital Services Equalization Levy in Force, Orbitax (San Francisco). Access date: 15 May 2020. https://www.orbitax.com/news/archive.php/India-Issues-Notification-that-18553

[1229] Indian Finance Bill 2020, Government of India (Delhi) 1 April 2020. Access date: 15 May 2020. https://www.indiabudget.gov.in/doc/Finance_Bill.pdf

Thus, it receives a score of +1.

Analyst: Irina Popova

Indonesia: 0

Indonesia has partially complied to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 19-20 November 2019, tax officials and stakeholders from the Asia Pacific countries (including representatives of Indonesia) convened for a regional meeting on tax and digitalization co-hosted by the Asian Development Bank in collaboration with the Organisation for Economic Co-operation and Development (OECD) in the Philippines; the final statement of the meeting supports the application of simplification measures throughout the consideration of both the Pillar 1 and Pillar 2 proposals, as well as measures which promote certainty, and highlights the importance of inclusiveness in the process of international standard setting, of the prevention and resolution of double taxation and taxation disputes more generally.[1230]

In October-December 2019, as reported by OECD, Indonesia's officials and stakeholders provided per OECD's requests comments on the Secretariat's proposal for a "Unified Approach" under Pillar One[1231], and on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two.[1232]

Indonesia actively participates in the OECD-led process on taxation of digital economy, but no domestic measures were registered yet.

Thus, it receives a score of 0.

Analyst: Pavel Doronin

Italy: +1

Italy has fully complied to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 20 September 2019, the Italian Tax Agency, hosted a conference to discuss the challenges arising from taxation of the digital economy, the 2020 future BEPS project revision and on the European Union action plan on telematic collection of value-added tax. The conference favoured the exchange of opinions and the sharing of experiences among national officers and experts serving by the Organisation for Economic Co-operation and Development (OECD) and the European Commission.[1233]

[1230] Tax officials and stakeholders from Asia-Pacific meet in the Philippines to discuss proposals to address the tax challenges of the digitalisation of the economy, OECD 22 November 2019. Access date: 21 March 2020. https://www.oecd.org/tax/beps/tax-officials-and-stakeholders-from-asia-pacific-philippines-to-discuss-proposals-to-address-tax-challenges-digitalisation-of-the-economy.htm
[1231] Public comments received on the Secretariat Proposal for a "Unified Approach" under Pillar One, OECD 15 November 2019. Access date: 21 March 2020. https://www.oecd.org/tax/beps/public-comments-received-on-the-secretariat-proposal-for-a-unified-approach-under-pillar-one.htm
[1232] Public comments received on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two, OECD 3 December 2019. Access date: 21 March 2020. https://www.oecd.org/tax/beps/public-comments-received-on-the-global-anti-base-erosion-globe-proposal-under-pillar-two.htm
[1233] Diritto tributario transnazionale: momenti di riflessione sui progressi, Fisco Oggi 20 September 2019. Access date: 20 August 2020. https://www.fiscooggi.it/rubrica/attualita/articolo/diritto-tributario-transnazionale-momenti-riflessione-sui-progressi

On 27 December 2020, the Budget Law 2020 was published in the Official Gazette.[1234] According to the law, from 1 January 2020 a 3 per cent digital services tax (DST) is applied in Italy on gross revenue from advertising on a digital interface, multilateral digital interface that allows users to buy or sell goods and services, the transmission of user data generated from using a digital interface. The DST is applied to both resident and non-resident companies with total revenue in the prior year of at least EUR750 million and total revenue from digital services supplied in Italy of at least EUR5.5 million.[1235] If an agreement is implemented within the OECD, the Italian Digital Services Tax will be repealed and replaced with the international measures.

Italy addressed tax challenges arising from digitalization by introducing a nationally levied tax.

Thus, it is awarded a score of +1 for full compliance.

Analyst: Andrei Sakharov

Japan: +1

Japan has fully complied with the commitment on taxation of digital economy regarding base erosion and profit shifting (BEPS).

On 19-20 November 2019, tax officials and stakeholders from the Asia Pacific countries (including representatives of Japan) convened for a regional meeting on tax and digitalization co-hosted by the Asian Development Bank in collaboration with the Organisation for Economic Co-operation and Development (OECD) in the Philippines; the final statement of the meeting supports the application of simplification measures throughout the consideration of both the Pillar 1 and Pillar 2 proposals, as well as measures which promote certainty, and highlights the importance of inclusiveness in the process of international standard setting, of the prevention and resolution of double taxation and taxation disputes more generally.[1236]

In October-December 2019, as reported by OECD, Japan's officials and stakeholders provided per OECD's requests comments on the Secretariat's proposal for a "Unified Approach" under Pillar One[1237], and on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two.[1238]

On 12 December 2019, Japan's ruling coalition issued the document outlining the coalition's view on the OECD-led international efforts to update the international tax rules to address the digitalization of the economy and has asked the Japanese government to follow these principles in international

[1234] LEGGE 27 dicembre 2019, n. 160, the Official Gazette (Roma) 27 December 2019. Access Date 18 May 2020. https://www.gazzettaufficiale.it/eli/id/2019/12/30/19G00165/sg.

[1235] Taxation of the digitalized economy, KPMG (Amstelveen) 20 December 2019. Access Date: 18 May 2020. https://tax.kpmg.us/content/dam/tax/en/pdfs/2019/digitalized-economy-taxation-developments-summary.pdf.

[1236] Tax officials and stakeholders from Asia-Pacific meet in the Philippines to discuss proposals to address the tax challenges of the digitalisation of the economy, OECD 22 November 2019. Access date: 23 March 2020. https://www.oecd.org/tax/beps/tax-officials-and-stakeholders-from-asia-pacific-philippines-to-discuss-proposals-to-address-tax-challenges-digitalisation-of-the-economy.htm

[1237] Public comments received on the Secretariat Proposal for a "Unified Approach" under Pillar One, OECD 15 November 2019. Access date: 23 March 2020. https://www.oecd.org/tax/beps/public-comments-received-on-the-secretariat-proposal-for-a-unified-approach-under-pillar-one.htm

[1238] Public comments received on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two, OECD 3 December 2019. Access date: 23 March 2020. https://www.oecd.org/tax/beps/public-comments-received-on-the-global-anti-base-erosion-globe-proposal-under-pillar-two.htm negotiations.[1239] In particular, the document calls the Japanese government to play a leading role in building global consensus around new international tax rules and emphasizes that:

1. The objective of the negotiations should be to create a stable and predictable investment environment for companies, which means the solution must be agreed on timely, while uncoordinated unilateral tax measures will increase uncertainties for cross-border expansion of businesses and suppress legitimate business activities;
2. Any solution addressing digitalization of the economy should create a level playing field among businesses and contribute to maintaining and improving the international competitiveness of Japanese companies;
3. Any new rules should be reasonable and clearly defined to prevent unexpected effects on businesses;
4. Any new rules should avoid excessive administrative burden on taxpayers and avoid double taxation, with a strong dispute prevention and resolution mechanisms;
5. The international tax update should address the corporate tax competition problem arising from the fact that the shift of profits related to intangible assets to tax havens has become increasingly easier, while small businesses and individuals do not have access to the same cross-border tax planning opportunities.

Japan has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 VAT/GST recommendations.

Thus, it receives a score of +1.

Analyst: Pavel Doronin

Korea: −1

Korea has not complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

On 16 December 2019, the government announced the expansion of taxation on electronic services provided by foreign providers. The Finance Ministry plans to set up a task force to study the digital tax on advertising by global internet companies and draft relevant tax measures.[1240]

On 20 January 2020, the government announced its intention to impose a 20 per cent tax on cryptocurrencies. The ordering to review taxation plan had been given to the Ministry of Economy and Finance.[1241]

Korea demonstrates its intention to tackle the issues of taxation arising from digitalization in accordance with the BEPS Action 1. However, no specific action has been fully implemented to the moment.

[1239] Japan stakes out position in OECD-led international tax negotiations, MNE Tax 28 January 2020. Access date: 23 March 2020. https://mnetax.com/japan-stakes-out-position-in-oecd-led-international-tax-negotiations-37476
[1240] Taxation of the digitalized economy, KPMG 20 December 2019. Access date: 18 May 2020. https://tax.kpmg.us/content/dam/tax/en/pdfs/2019/digitalized-economy-taxation-developments-summary.pdf
[1241] S. Korea considering imposing 20% tax on cryptocurrencies, the Korea Herald (Seoul) 20 January 2020. Access date: 18 May 2020. http://www.koreaherald.com/view.php?ud=20200120000204&np=61&mp=7

Thus, Korea receives a score of −1.

Analyst: Alexander Ignatov

Mexico: 0

Mexico has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 31 October 2019, Mexico's Congress approved a tax legislative package for 2020, which includes amendments to the value-added tax (VAT) law among others. Concerning VAT, the legislation includes measures that aim to increase the efficiency of VAT collection, and clarify that revenue from certain digital or e-commerce services provided to Mexican residents from abroad, by entities not having an establishment in Mexico, will be subject to VAT in Mexico. In such situations, the test will be whether the recipient of the services is a resident of Mexico. The new measures add a set of registration and reporting obligations for foreigners providing these types of services, as well as rules for calculating VAT derived from the digital operations. Additionally, the concept of digital intermediation services (that is, services conducted by third parties) is added to the VAT law.[1242]

Mexico has taken measures to address the tax challenges of digitalization described in BEPS Action 1 VAT/GST recommendations. However, no facts of Russia's actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the Organisation for Economic Co-operation and Development have been registered during the compliance period.

Thus, it receives a score of 0.

Analyst: Irina Popova

Russia: 0

Russia has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 30 September 2019, the Russian Ministry of Finance published the General Guidelines for Budget, Tax and Customs Tariff Policy for 2020 and the Planning Period of 2021 and 2022. The Guidelines propose a number of tax initiatives to promote a competitive environment and stable fiscal conditions. These include changes in tax law, including the introduction of a tax on digital corporations aimed to ensure that to ensure that their profits are taxed in the jurisdiction of their consumers' location.[1243]

Russia has taken measures to address the tax challenges of digitalization described in BEPS Action 1 VAT/GST recommendations. However, no facts of Russia's actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the Organisation for Economic Co-operation and Development have been registered during the compliance period.

[1242] Mexico: Tax reform 2020, VAT on services provided from digital platforms, KPMG (Washington) 5 November 2019. Access date: 20 May 2020. https://home.kpmg/us/en/home/insights/2019/11/tnf-mexico-tax-reform-2020-vat-services-digital-platforms.html

[1243] General Guidelines for Budget, Tax and Customs Tariff Policy for 2020 and the Planning Period of 2021 and 2022, Ministry of Finance of Russia 30 September 2019. Access Date: 15 May 2020. https://www.minfin.ru/common/upload/library/2019/10/main/ONBNiTTP_2020-2022.pdf.

Thus, it receives a score of 0.

Analyst: Andrey Shelepov

Saudi Arabia: −1

Saudi Arabia has not complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

As of January 2020, Saudi Arabia is an associate of the Organisation for Economic Co-operation and Development Steering Group of the Inclusive Framework on BEPS.[1244]

Saudi Arabia participates in the Inclusive Framework on BEPS through the Organisation for Economic Co-operation and Development. However, not enough evidence was found to show Saudi Arabia addressed issues of tax challenges arising from digitalization within the monitoring period.

Thus, Saudi Arabia receives a score of −1.

Analyst: Alexander Ignatov

South Africa: −1

South Africa has not complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

No evidence of South Africa taking steps to address issues of tax challenges arising from digitalization was found within the monitoring period.

Thus, South Africa receives a score of −1.

Analyst: Alexander Ignatov

Turkey: 0

Turkey has partially complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

On 1 March 2020, the Law on Digital Service Tax and Amendment of Certain Laws and the Decree Law entered into force in Turkey. The digital service tax includes as follows:

- All kinds of advertisement services provided to users in digital platform,
- Digital services provided any audible, visual or digital content and such content to be listened, watched or recorded via electronic devices,
- Providing and operating digital interface which allows users to interact with others, including for the delivery of goods or services between users.[1245]

The digital service tax in Turkey is 7.5 per cent.[1246]

[1244] Composition of the Steering Group of the Inclusive Framework on BEPS, Organisation for Economic Co-operation and Development, January 2020. Access Date: 24 September 2020.
[1245] Turkey: Digital Service Tax Enters into Force On 1 March 2020 11 February 2020. Access date: 21 March 2020. https://www.mondaq.com/turkey/Tax/892420/Digital-Service-Tax-Enters-Into-Force-On-1-March-2020
[1246] Turkey: Digital Service Tax Enters into Force On 1 March 2020 11 February 2020. Access date: 21 March 2020. https://www.mondaq.com/turkey/Tax/892420/Digital-Service-Tax-Enters-Into-Force-On-1-March-2020

Turkey has taken measures to address the tax challenges of digitalization described in BEPS Action 1 VAT/GST recommendations. However, no facts of Turkey's actions to address tax challenges arising from digitalization by contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2 within the Organisation for Economic Co-operation and Development have been registered during the compliance period.

Thus, it receives a score of 0.

Analyst: Pavel Doronin

United Kingdom: +1

The United Kingdom has fully complied with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

In July 2019, the UK government reaffirmed its strong support to the Organisation for Economic Co-operation and Development (OECD) process and welcomed the steps to hold public consultations on BEPS Action 1 and the agreement to a without prejudice program of work to take forward a detailed examination of the different proposals for reform. The government also published some criteria for the agreement to be reached within the OECD, so it takes into account the UK's interests.[1247]

On 1 April 2020, the UK introduced the digital services tax. The new 2 per cent tax is imposed on the revenues of search engines, social media services and online marketplaces which derive value from UK users. The tax originates from the OECD BEPS project, specifically, Action 1. If an agreement is reached within the OECD, the UK Digital Services Tax will be repealed and replaced with the international measures. At present, the UK government plans to review the tax again in 2025.[1248]

The UK has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 recommendations for value added tax and goods and services tax.

Thus, it receives a score of +1.

Analyst: Andrey Shelepov

United States: −1

The United States has failed to comply with the commitment on international taxation regarding base erosion and profit shifting (BEPS).

No legislative changes reflecting the recommendations of the BEPS Action 1 have been registered during the monitoring period.

The United States did not make any progress in addressing tax challenges arising from digitalization.

[1247] Digital Services Tax: response to the consultation, HM Treasury July 2019. Access Date: 3 April 2020. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816389/DST_response_document_web.pdf.

[1248] Introduction of the Digital Services Tax, UK Government 11 March 2020. Access Date: 3 April 2020. https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax.

Thus, it receives a score of −1.

Analyst: Andrei Sakharov

European Union: +1

The European Union has fully complied with the commitment on addressing tax challenges arising from digitalization regarding base erosion and profit shifting (BEPS).

On 28 October 2019, the Presidency of the European Union invited the Economic and Financial Affairs Council to discuss the state of play at the EU level as well as the way forward in light of the dynamic nature of the work of the Organisation for Economic Co-operation and Development (OECD). The council was invited to examine initial findings on EU law compatibility of the solutions discussed at OECD level, building on the work done by the Commission on this, work on impact analyses should continue as a priority and to that end member states should cooperate with the European Commission to the extent possible.[1249]

On 6 December 2019, the European Commission's Directorate General for Taxation and Customs organized an event on "VAT in the Digital Age" in Brussels, Belgium. This event brought together stakeholders working in the field of value-added tax (VAT) to reflect on the opportunities and challenges that new technologies bring in the area of VAT. In particular, the potential of using advanced technologies such as blockchain in the VAT area will be discussed. The seminar also provided a chance to share recent experiences from EU member states on how they use digital solutions for VAT reporting, collecting and fraud-detection.[1250]

On 18 December 2019, the European Parliament issued resolution on fair taxation in a digitalised and globalised economy: BEPS 2.0. In the resolution it called on each member state and the European Commission to make their positions publicly known on the OECD Secretariat's proposals for Pillar 1 and Pillar 2, called on the European Commission and the member states to agree on a joint, ambitious EU position for the OECD negotiations and called on the European Commission and the Council to prepare the legal base for incorporating the outcome of an international deal into EU law and to present a legislative proposal as soon as possible.[1251]

On 21 January 2020, finance ministers had an exchange of views on tax challenges arising from digitalisation. They took stock of the progress achieved in the context of the OECD, both on the reallocation of profits of digitalized businesses (Pillar 1) and on the general reform of international corporate taxation (Pillar 2). The debate confirmed that an international solution on digital taxation was the best way forward, as it would prevent fragmentation and unilateral measures. Ministers acknowledged that the OECD was working against a tight deadline to reach a global consensus by the end of 2020, and many highlighted the importance of making good use of the current political momentum. The presidency concluded that it would continue attending international meetings on

[1249] Note from Presidency Permanent Representatives Committee/Council, Council of the European union (Brussels) 28 October 2019. Access date: 19 May 2020. https://data.consilium.europa.eu/doc/document/ST-13405-2019-INIT/en/pdf

[1250] VAT in the Digital Age, European Commission (Brussels) 6 December. Access date: 19 May 2020. https://ec.europa.eu/taxation_customs/events/vat-digital-age_en

[1251] European Parliament resolution of 18 December 2019 on fair taxation in a digitalised and globalised economy: BEPS 2.0, European Parliament (Strasbourg) 18 December 2019. Access date: 19 May 2020. https://www.europarl.europa.eu/doceo/document/TA-9-2019-0102_EN.html this issue. It will organisz technical discussions in the council in order to prepare, as far as possible, negotiations taking place at the OECD and address member states' concerns.[1252]

The EU has made progress in addressing tax challenges arising from digitalization both contributing to the development of a consensus-based solution with a final report by 2020 on Pillars 1 and 2, and implementing BEPS Action 1 VAT/GST recommendations.

Thus, it receives a score of +1.

Analyst: Irina Popova

[1252] Economic and Financial Affairs Council, 21 January 2020, Council of the European Union (Brussels) 21 Access date: 19 May 2020. https://www.consilium.europa.eu/en/meetings/ecofin/2020/01/21/