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

# 2019 G7 Biarritz Summit Interim Report

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

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015

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

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

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## 15. Trade: Tax Policy

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

*G7 Biarritz Leaders' Declaration*

### Assessment

| | No Compliance | Partial Compliance | Full Compliance |
|---|---|---|---|
| Canada | | 0 | |
| France | | 0 | |
| Germany | | | +1 |
| Italy | −1 | | |
| Japan | −1 | | |
| United Kingdom | −1 | | |
| United States | −1 | | |
| European Union | −1 | | |
| Average | −0.50 (25%) | | |

### Background

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

The OECD is an organization of 36 countries that formed in 1961 and was preceded by the Organisation for European Economic Cooperation, founded in 1948.[1328] It works on numerous topics, including tax, trade, and regulatory reform through more than 300 committees and expert groups, and holds an annual Ministerial Council Meeting.[1329] Within its work on tax, OECD areas of focus include "aggressive tax planning," which refers to tax avoidance and evasion,[1330] consumption taxes, transfer pricing, financial crime, fiscal federalism, and tax certainty and assurance. Throughout these areas, domestic tax base erosion and profit shifting (BEPS), whereby businesses "artificially shift profits" to jurisdiction with less taxation, is a particular concern since it is estimated to cause the loss of 4-10 per cent of global corporate tax revenue annually. This is being addressed by the OECD/G20 Inclusive Framework on BEPS, a collaboration of over 135 countries and jurisdictions.[1331]

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

[1328] Who we are, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. http://www.oecd.org/about/history/.
[1329] Organizational Structure, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. https://www.oecd.org/about/structure/.
[1330] Aggressive Tax Planning, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. https://www.oecd.org/tax/aggressive/.
[1331] Base Erosion and Profit Shifting, Organization for Economic Co-operation and Development (Paris) No publication date. Access Date: 13 October 2019. http://www.oecd.org/tax/beps/.

including through a commitment to establish binding mandatory arbitration in order to ensure that the risk of double taxation does not act as a barrier to cross-border trade and investment."[1332]

On 27 May 2016, the G7 Ise-Shima Leaders' Declaration stated that leaders "remain committed to lead the [implementation of the G20/OECD BEPS package] by example." Leaders reaffirmed the "G20's call on all relevant countries including all financial centres and jurisdictions to implement the standard on automatic exchange of information by committed deadline and to sign the Multilateral Convention, as well as the request to the OECD to establish the 'objective criteria to identify non-cooperative jurisdictions with respect to tax transparency.'"[1333]

On 27 May 2017, the G7 Taormina Leaders' Communiqué stated that leaders "commit to tackling all forms of corruption and tax evasion, as a means of reinforcing public trust in governments and fostering sustainable global growth."[1334]

On 9 June 2018, the Charlevoix G7 Summit Communiqué stated that leaders committed to "exchange approaches and support international efforts to deliver fair, progressive, effective and efficient tax systems" and to "continue to fight tax evasion and avoidance by promoting the global implementation of international standards and addressing base erosion and profit shifting."[1335]

Also on 9 June 2018, the Charlevoix Commitment on Equality and Economic Growth similarly stated that leaders committed to "share approaches and support global efforts to make the tax system fair to everyone and facilitate tax collection by addressing base erosion and profit shifting and other forms of tax avoidance and continuing to work on tax capacity building to advance sustainable development." As well, it is stated that leaders "will promote the global implementation of international standards regarding financial accounts and beneficial ownership in order to fight tax evasion."[1336]

On 18 July 2019, international taxation concerns were discussed in the Chair's Summary of the G7 Finance Ministers and Central Bank Governors' Meeting in Chantilly, France. Finance ministers "agreed that it is urgent to address the tax challenges raised by the digitalization of the economy and the shortcomings of the current transfer pricing system" and "fully supported a two-pillar solution to be adopted by 2020 through the work programme endorsed by the G20 Leaders." The first pillar would develop "administrable and simple" rules to address new business models to reinforce tax certainty and limit aggressive tax planning, complemented by "robust and effective tax dispute resolution through mandatory arbitration," while the second pillar would develop a minimum level of effective taxation similar to the United States' Global Intangible Low-Taxed Income regime.[1337]

## Commitment Features

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

[1332] Leaders' Declaration: G7 Summit, G7 Information Centre (Toronto) 8 June 2015. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html.
[1333] G7 Ise-Shima Leaders' Declaration, G7 Information Centre (Toronto) 27 May 2016. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2016shima/ise-shima-declaration-en.html.
[1334] G7 Taormina Leaders' Communiqué, G7 Information Centre (Toronto) 27 May 2017. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2017taormina/communique.html.
[1335] The Charlevoix G7 Summit Communiqué, G7 Information Centre (Toronto) 9 June 2018. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2018charlevoix/communique.html.
[1336] Charlevoix Commitment on Equality and Economic Growth, G7 Information Centre (Toronto) 9 June 2018. Access Date: 13 October 2019. http://www.g7.utoronto.ca/summit/2018charlevoix/growth-commitment.html.
[1337] Chair's Summary: G7 Finance Ministers and Central Bank Governors' Meeting, G7 Information Centre (Toronto) 18 July 2019. Access Date: 13 October 2019. http://www.g7.utoronto.ca/finance/190718-summary.html.

state institutions and "international taxation" refers to the global system of taxing transactions and entities that transcend national boundaries. Since this specific commitment is about a future action that is difficult to measure, this commitment will be interpreted in a similar manner to the "Financial Regulation: International Taxation" commitment from the G20 Research Group's Buenos Aires Summit Compliance Report, for which the specific commitment was "We will continue our work for a globally fair, sustainable, and modern international tax system based, in particular on tax treaties and transfer pricing rules."[1338] That commitment from the Buenos Aires Summit Compliance Report focused on the the G20 members' actions to address BEPS under the OECD/G20 BEPS package.[1339]

There are three component areas for this commitment: the first two include either national-focused or international-focused actions to build a fairer and more modern international tax system under the OECD/G20 BEPS package, and the third includes actions taken as part of the process of adopting the OECD's "Unified Approach" to deal with Pillar One BEPS issues. Pillar One issues include those surrounding solutions for determining where tax should be paid and on what basis, as well as the portion of profits that should be payable in the consumer's jurisdiction.[1340]

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

### Scoring Guidelines

| | |
|---|---|
| −1 | G7 member takes action in one or none of the three areas of improving national tax systems OR improving international tax systems OR cooperating in the adoption of the new OECD "Unified Approach." |
| 0 | G7 member takes action in at least two of the three commitment areas of improving national tax systems OR improving international tax systems OR cooperating in the adoption of the new OECD "Unified Approach." |
| +1 | G7 member takes action in all three commitment areas of improving national tax systems AND improving international tax systems AND cooperating in the adoption of the new OECD "Unified Approach." |

*Compliance Director: Christopher Sims*
*Lead Analyst: Zhenglin Liu*

### Canada: 0

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

[1338] Buenos Aires Leaders' Declaration, G20 Research Group (Toronto) 1 December 2018. Access Date: 13 October 2019. http://www.g20.utoronto.ca/2018/2018-leaders-declaration.html.
[1339] 2018 G20 Buenos Aires Summit Compliance Report, G20 Research Group (Toronto) 26 June 2019. Access Date: 13 October 2019. http://www.g20.utoronto.ca/compliance/2018buenosaires-final/16-2018-g20-compliance-tax.pdf.
[1340] Action 1: Tax Challenges Arising from Digitalisation. OECD (Paris) No publication date. Access Date: 13 October 2019. https://www.oecd.org/tax/beps/beps-actions/action1/.

On 29 August 2019, Canada deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).[1341] The MLI is a multilateral convention intended to simplify the process of amending bilateral tax treaties in accordance with the principles of base erosion and profit shifting and has already been ratified by 85 jurisdictions.[1342]

On 1 September 2019, Minister of International Trade Diversification Jim Carr announced that modernized Canada-Israel Free Trade Agreement (CIFTA) came into force.[1343] Changes to CIFTA include further reduction of tariffs in agri-food industries, as well as the inclusion of provisions on gender, small and medium-sized enterprises and the environment.[1344]

On 9 December, Finance Minister Bill Morneau confirmed plans to impose a 3 per cent digital services tax on digital companies with worldwide revenues of at least CAD1 billion and Canadian revenues of more than CAD40 million.[1345] The tax is designed to combat tax avoidance by international digital companies and will take effect on 1 April 2020.[1346]

Canada has taken actions to move towards improving national tax systems and improving international tax systems, but has taken no action in cooperating in the adoption of the new OECD "Unified Approach."

Thus, Canada receives a score of 0.

*Analyst: Tony Xun*

**France: 0**

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

On 26 August 2019, President Emmanuel Macron stated that France's digital services tax (DST) would be eliminated during a conference with U.S. President Donald Trump.[1347] President Macron also declared that if the OECD framework recommends the implementation of a new international

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[1341] Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting coming into force in Canada, Ernst and Young LLC (Ottawa) 25 September 2019. Access date: 20 December 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/tax/tax-alerts/2019/ey-taxalert2019no40.pdf.

[1342] Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting coming into force in Canada, Ernst and Young LLC (Ottawa) 25 September 2019. Access date: 20 December 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/tax/tax-alerts/2019/ey-taxalert2019no40.pdf.

[1343] Statement by Minister Carr on modernized Canada-Israel Free Trade Agreement now in force, Global Affairs Canada (Ottawa) 1 September 2019. Access date: 20 December 2019. https://www.canada.ca/en/global-affairs/news/2019/08/statement-by-minister-carr-on-modernized-canada-israel-free-trade-agreement-now-in-force.html.

[1344] CIFTA modernization to take effect 1 September 2019, Ernst and Young LLC (Ottawa) 28 August 2019. Access date: 20 December 2019. https://www.ey.com/Publication/vwLUAssets/Tax_Alert_2019_No_34/$FILE/TaxAlert2019No34.pdf.

[1345] Canada to move ahead with digital services tax plan -finance minister, Reuters (Ottawa) 9 December 2019. Access date: 20 December 2019. https://www.nasdaq.com/articles/canada-to-move-ahead-with-digital-services-tax-plan-finance-minister-2019-12-09.

[1346] Canada to move ahead with digital services tax plan -finance minister, Reuters (Ottawa) 9 December 2019. Access date: 20 December 2019. https://www.nasdaq.com/articles/canada-to-move-ahead-with-digital-services-tax-plan-finance-minister-2019-12-09.

[1347] G7 leaders' declaration addresses international tax, France discusses future of French Digital Services Tax, EY Tax Insights (Paris) No publication date. Access date: 18 December 2019. https://taxinsights.ey.com/archive/archive-news/g7-leader%E2%80%99s-declaration-addresses-international-tax-france.aspx.

digital services tax system then any DST that has been paid by multinational companies would be refunded.[1348]

On 27 September 2019, the French government released its draft Finance Bill for 2020, which reduces a proposed French corporate income tax rate decrease for large companies.[1349] The draft Finance Bill also proposes several steps to implement the European Union Anti-Tax Avoidance Directives and decreases a domestic research and development tax credit.[1350] Following a decision by the Court of Justice of the European Union, the bill proposes to allow entities in certain jurisdictions in a tax loss position to claim refunds on some French withholding taxes.[1351]

On 20 November 2019, the French Council of Economic Analysis, an official French organization that analyzes, tracks and offers proposals on French tax policy in line with the stance of the French government, proposed to "impose a minimum tax rate on the profits of multinationals, as well "as require that a portion of the profits of multinationals be taxed where their consumers or internet users are located."[1352]

On 26 November 2019, French Finance Minister Bruno Le Maire defended the proposal for a 12.5 per cent minimum global tax rate in a speech at the OECD.[1353] This is in line with the rate at which foreign profits by American companies are taxed in the United States, but substantially lower than the average effective tax rate faced by large companies in France.[1354]

On 6 December 2019, Le Maire rejected a United States proposal for a "safe harbor regime" in the context of OECD negotiations on international tax reform.[1355] According to Le Maire, the proposal would enable companies to opt out of the proposed reforms, which include moves away from such structures as arms'-length transfer pricing.[1356]

On 11 December 2019, the French government unveiled details of a planned pension system overhaul. President Macron has expressed his desire to replace the current complex system with a

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[1348] G7 leaders' declaration addresses international tax, France discusses future of French Digital Services Tax, EY Tax Insights (Paris) No publication date. Access date: 18 December 2019. https://taxinsights.ey.com/archive/archive-news/g7-leader%E2%80%99s-declaration-addresses-international-tax-france.aspx.

[1349] French Government releases draft Finance Bill for 2020, EY Global Tax Alert (Paris) 1 October 2019. Access date: 18 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--french-government-releases-draft-finance-bill-for-2020.

[1350] French Government releases draft Finance Bill for 2020, EY Global Tax Alert (Paris) 1 October 2019. Access date: 18 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--french-government-releases-draft-finance-bill-for-2020.

[1351] French Government releases draft Finance Bill for 2020, EY Global Tax Alert (Paris) 1 October 2019. Access date: 18 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--french-government-releases-draft-finance-bill-for-2020.

[1352] International Corporate tax, Government of France (Paris) 20 November 2019. Access date: 18 December 2019. https://www.gouvernement.fr/en/international-corporate-tax.

[1353] La France pour un impôt mondial minimum de 12,5 % sur les entreprises, Les Echos (Paris) 26 November 2019. Access date: 18 December 2019. https://www.lesechos.fr/monde/enjeux-internationaux/la-france-pour-un-impot-mondial-minimum-de-125-sur-les-entreprises-1150934.

[1354] La France pour un impôt mondial minimum de 12,5 % sur les entreprises, Les Echos (Paris) 26 November 2019. Access date: 18 December 2019. https://www.lesechos.fr/monde/enjeux-internationaux/la-france-pour-un-impot-mondial-minimum-de-125-sur-les-entreprises-1150934.

[1355] France rejects U.S. proposal on international tax reform, NASDAQ (Paris) 6 December 2019. Access date: 18 December 2019. https://www.nasdaq.com/articles/france-rejects-u.s.-proposal-on-international-tax-reform-2019-12-06.

[1356] France rejects U.S. proposal on international tax reform, NASDAQ (Paris) 6 December 2019. Access date: 18 December 2019. https://www.nasdaq.com/articles/france-rejects-u.s.-proposal-on-international-tax-reform-2019-12-06.

unified scheme, so that all workers have similar pension rights.[1357] According to the Associated Press, the current pension plan in France is complex, and the new one aims to "to adapt to a more flexible labor market," as well as make "the new system financially sustainable in the long-term."[1358]

France has taken actions to move towards improving national tax systems and cooperating in the adoption of the new OECD "Unified Approach," but has taken no action in improving international tax systems.

Thus, France receives a score of 0.

*Analyst: Qiyu Zhou*

**Germany: +1**

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

On 9 October 2019, the federal cabinet approved the draft Act Introducing a Reporting Obligation for Cross-Border Tax Arrangements. The new act enables the fiscal administration and lawmakers to identify base erosion and profit shifting (BEPS) practices at an early stage and to close unintended loopholes rapidly.[1359] The new reporting obligation includes a variety of measures, following the BEPS process, to be implemented by the German government to increase transparency, prevent harmful tax competition, and combat tax fraud and avoidance.[1360]

On 18 November 2019, the German Ministry of Finance set up a new task force to combat tax fraud and tax avoidance.[1361] This new special unit will detect illicit tax schemes and large-scale tax fraud attempts like the Cum-Ex arrangement, a large tax fraud case in which billions of euros of tax revenue was lost because of the practice of claiming multiple tax refunds on the same security.[1362]

On 9 December 2019, Germany and Singapore amended the 28 June 2004 Agreement for Avoidance of Double Taxation to bring the agreement in line with the principles of BEPS.[1363] The amendments reduce the withholding tax rate charged for cross-border divided, the withholding tax rate on interest, and updates exchange of information provisions in line with international standards.[1364]

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[1357] France's pension overhaul: a look at the planned changes, Associated Press News (Paris) 11 December 2019. Date of access: 3 January 2020. https://apnews.com/2b83ffd527798d28e31bc61b898fafc7.

[1358] France's pension overhaul: a look at the planned changes, Associated Press News (Paris) 11 December 2019. Date of access: 3 January 2020. https://apnews.com/2b83ffd527798d28e31bc61b898fafc7.

[1359] New reporting obligation will create greater fairness in taxation, Federal Ministry of Finance (Berlin) 9 October 2019. Access Date: 19 December 2019. https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2019/2019-10-09-fair-taxation.html.

[1360] New reporting obligation will create greater fairness in taxation, Federal Ministry of Finance (Berlin) 9 October 2019. Access Date: 19 December 2019. https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2019/2019-10-09-fair-taxation.html.

[1361] Germany To Launch Special Anti-Tax Fraud Unit, Tax-News (Sussex) 26 November 2019. Access Date: 19 December 2019. https://www.tax-news.com/news/Germany_To_Launch_Special_AntiTax_Fraud_Unit____97426.html.

[1362] Task force to combat tax fraud and tax avoidance: frequently asked questions, Federal Ministry of Finance (Berlin) 21 November 2019. Access Date: 19 December 2019. https://www.bundesfinanzministerium.de/Content/EN/FAQ/faq-tax-fraud-tax-avoidance.html.

[1363] Singapore, Germany Add BEPS to DTA, Tax-News (Sussex) 10 December 2019. Access Date: 19 December 2019. https://www.tax-news.com/news/Singapore_Germany_Add_BEPS_Amendments_To_DTA____97449.html.

[1364] Singapore, Germany Add BEPS to DTA, Tax-News (Sussex) 10 December 2019. Access Date: 19 December 2019. https://www.tax-news.com/news/Singapore_Germany_Add_BEPS_Amendments_To_DTA____97449.html.

On 10 December 2019, German Finance Minister Olaf Scholz sent his plans for a new financial transaction tax to ministers from nine other EU member states. The draft sought to levy a tax of 0.2 per cent of the transaction value of purchases of shares in large registered European companies at over EUR1 billion. The proposed financial transaction tax is intended to make financial markets more stable by discouraging excessive risk-taking and to raise tax revenue.[1365]

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

Thus, Germany receives a score of +1.

*Analyst: Gongjun (Katie) Gao*

**Italy: −1**

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

On 16 December 2019 the Italian upper chamber approved the Budget Law 2020, which was sent to the Lower Chamber for approval.[1366] The law includes an amendment to the digital services tax, which was introduced by the Budget Law 2019 but had not been implemented.[1367] The updated law will come into force on 1 January 2020. The law stipulates that a 3 per cent tax will be imposed on certain business-to-consumer and business-to-business digital services.[1368] It also stipulates increased measures to fight tax evasion through higher prison sentences, sanctions for retailers who do not accept credit cards, and stronger restriction on the use of cash in transactions.[1369]

Italy has taken actions to improve national tax systems but has taken no action towards improving international tax systems or cooperating in the adoption of the new OECD "Unified Approach."[1370]

Thus, Italy receives a score of −1.

*Analyst: Sarah Howe*

[1365] Germany's Plans for a Financial Transaction Tax, Tax Foundation (Washington) 16 December 2019. Access Date: 19 December 2019. https://www.mof.gov.sg/policies/tax-policies/international-tax/Press-Releases-and-Announcements-on-Singapores-bilateral-tax-treaties/singapore-and-germany-sign-protocol-amending-the-agreement-for-avoidance-of-double-taxation.
[1366] Italy: Digital services tax, changes made during legislative process, KPMG (Amstelveen) 19 December 2019. Access date: 20 December 2019. https://home.kpmg/us/en/home/insights/2019/12/tnf-italy-digital-services-tax-changes-made-during-legislative-process.html.
[1367] Italy: Digital services tax proposed to apply beginning 1 January 2020, KPMG (Amstelveen) 17 October 2019. Access date: 20 December 2019. https://home.kpmg/us/en/home/insights/2019/10/tnf-italy-digital-services-tax-apply-beginning-1-january-2020.html.
[1368] Italy: Digital services tax proposed to apply beginning 1 January 2020, KPMG (Amstelveen) 17 October 2019. Access date: 20 December 2019. https://home.kpmg/us/en/home/insights/2019/10/tnf-italy-digital-services-tax-apply-beginning-1-january-2020.html.
[1369] Factbox: Key tax and spending measures in Italy's 2020 budget, Reuters (Rome) 4 November 2019. Access date: 20 December 2019. https://www.reuters.com/article/us-italy-budget-factbox/factbox-key-tax-and-spending-measures-in-italys-2020-budget-idUSKBN1XE1MI.
[1370] Non-compliance was determined after searching news.google.com, factiva.com, theguardian.com, bloomberg.com, and reuters.com, and mef.gov.it.

**Japan: −1**

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

On 30 August 2019, the Governments of Japan and the United States exchanged instruments of ratification for the entry into force of the Protocol Amending Tax Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.[1371]

On 10 September 2019, the Governments of Japan and Uzbekistan initiated the first round of negotiations for the amendment of the current tax convention in Tokyo.[1372]

On 13 September 2019, the Governments of Japan and Uruguay signed a tax convention clarifying the scope of taxable income in the two countries so as to eliminate double taxation arising between the two countries and prevent international tax evasion and avoidance.[1373]

On 20 September 2019, the Governments of Japan and Uzbekistan agreed in principle to implement a new tax convention replacing their existing convention.[1374] The new convention seeks to reinforce and introduce provisions for clarifying the scope of taxation in the two countries.[1375]

On 1 October 2019, the Governments of Japan and Morocco agreed in principle to implement a tax convention between the two countries to eliminate international double taxation and prevent tax evasion and avoidance.[1376]

On 18 November 2019, the Governments of Japan and Peru signed a tax convention to eliminate double taxation and prevent international tax evasion and tax avoidance.[1377]

On 28 November 2019, the Governments of Japan and Ecuador exchanged diplomatic notes regarding the their tax conventions, which will come into force on 29 December 2019.[1378]

On 6 December 2019, the Governments of Japan and Serbia agreed in principle to implement a tax convention between the two countries to eliminate international double taxation and prevent tax evasion and avoidance.[1379]

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[1371] Protocol Amending Tax Convention with the United States Entered into Force, Ministry of Finance (Tokyo) 30 August 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190830usa.htm.

[1372] Negotiations for Tax Convention with Uzbekistan will be Initiated, Ministry of Finance (Tokyo) 9 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/190909uzb.htm.

[1373] Tax Convention with Uruguay was Signed, Ministry of Finance (Tokyo) 17 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190917urg.htm.

[1374] New Tax Convention with Uzbekistan Agreed in Principle, Ministry of Finance (Tokyo) 20 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190920uzb.htm.

[1375] New Tax Convention with Uzbekistan Agreed in Principle, Ministry of Finance (Tokyo) 20 September 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190920uzb.htm.

[1376] Tax Convention with Morocco Agreed in Principle, Ministry of Finance (Tokyo) 1 October 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191001mor.htm

[1377] Tax Convention with Peru was Signed, Ministry of Finance (Tokyo) 19 November 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191119per.htm

[1378] Tax Convention with Ecuador will Enter into Force, Ministry of Finance (Tokyo) 29 November 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191129ecu.htm

On 12 December 2019, the Governments of Japan and Jamaica signed a tax convention to eliminate double taxation and prevent international tax evasion and tax avoidance.[1380]

Japan has taken actions to improve international tax systems but has taken no action towards improving national tax systems or cooperating in the adoption of the new OECD "Unified Approach."[1381]

Thus, Japan receives a score of −1.

*Analyst: Gongjun (Katie) Gao*

### United Kingdom: −1

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

On 1 October 2019, the United Kingdom signed the UK/Gibraltar Double Taxation Agreement, which will come into force in July 2020.[1382]

On 2 October 2019, an amending protocol to the UK/Cyprus Double Taxation Agreement entered into force.[1383]

On 21 October 2019, the 2016 United Kingdom–United Arab Emirates Double Taxation Convention, which is in force, was modified by Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).[1384] The MLI is a multilateral convention intended to simplify the process of amending bilateral tax treaties in accordance with the principles of base erosion and profit shifting and has already been ratified by 85 jurisdictions.[1385]

On 5 November 2019, the 1967 Luxembourg-UK Double Taxation Convention, which is in force, was modified by the MLI.[1386]

On 15 November 2019, the 2004 UK-Georgia Double Taxation Agreement, the 1978 Canada-UK Double Taxation Convention, and the 1993 India-UK Double Taxation Convention were modified by the MLI.[1387,1388,1389]

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[1379] Tax Convention with Serbia Agreed in Principle, Ministry of Finance (Tokyo) 6 December 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191206ser.htm

[1380] Tax Convention with Jamaica was Signed, Ministry of Finance (Tokyo) 12 December 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20191212jam.htm

[1381] Non-compliance was determined after searching news.google.com, factiva.com, theguardian.com, bloomberg.com, and reuters.com.

[1382] 2019 Gibraltar-UK Double Taxation Agreement, UK Government (London) 22 October 2019. Access Date: 21 December 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841182/2019_Gibraltar-UK_Double_Taxation_Agreement___not_in_force.pdf.

[1383] Cyprus: Tax Treaties, UK Government (London) 21 October 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/cyprus-tax-treaties.

[1384] United Arab Emirates: Tax Treaties, UK Government (London) 21 October 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/united-arab-emirates-tax-treaties#history.

[1385] Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting coming into force in Canada, Ernst and Young LLC (Ottawa) 25 September 2019. Access date: 20 December 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/tax/tax-alerts/2019/ey-taxalert2019no40.pdf.

[1386] Luxembourg: Tax Treaties, UK Government (London) 5 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/luxembourg-tax-treaties#history.

On 4 December 2019, Prime Minister Boris Johnson stated that he would press ahead with the planned April 2020 introduction of a 2 per cent digital services tax despite the backlash French President Emmanuel Macron has received from U.S. President Donald Trump over France's similar tax.[1390]

On 16 December 2019, the 2016 Colombia-UK Double Taxation Convention came into force.[1391]

The United Kingdom has taken actions to improve international tax systems but has taken no action towards improving national tax systems or cooperating in the adoption of the new OECD "Unified Approach."[1392]

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

*Analyst: Wayne George*

### United States: −1

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

On 30 August 2019, the Governments of Japan and the United States exchanged instruments of ratification for the entry into force of the Protocol Amending Tax Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.[1393]

On 30 October 2019, the Cypriot Tax Department announced that it was negotiating a Competent Authority Agreement for the exchange of Country by Country reports with the United States.[1394] Country by Country reporting involves all large multinational enterprises being required to prepare a country by country report with aggregate data on the global allocation of income, profit, taxes paid, and economic activity among the tax jurisdiction which it operates.[1395]

On 31 October 2019, the United States Internal Revenue Service (IRS) added Singapore to the list of countries with which the United States was in negotiations for a Competent Authority Agreement for

[1387] Georgia: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/georgia-tax-treaties.
[1388] Canada: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 21 December 2019. https://www.gov.uk/government/publications/canada-tax-treaties.
[1389] India: Tax Treaties, UK Government (London) 15 November 2019. Access Date: 22 December 2019. https://www.gov.uk/government/publications/india-tax-treaties#history.
[1390] Boris Johnson sticks with UK digital tax plan despite the risk of US tariffs, CNN (London) 4 December 2019. Access Date: 3 January 2020. https://www.cnn.com/2019/12/04/tech/boris-johnson-digital-tax-trump/index.html.
[1391] Colombia: Tax Treaties, UK Government (London) 18 December 2019. Access Date: 22 December 2019. https://www.gov.uk/government/publications/colombia-tax-treaties.
[1392] Non-compliance was determined after searching news.google.com, factiva.com, theguardian.com, bloomberg.com, and reuters.com.
[1393] Protocol Amending Tax Convention with the United States Entered into Force, Ministry of Finance (Tokyo) 30 August 2019. Access Date: 19 December 2019. https://www.mof.go.jp/english/tax_policy/tax_conventions/press_release/20190830usa.htm.
[1394] Cyprus issues announcement regarding bilateral Competent Authority Agreement with the United States, Ernst and Young (Nicosia) 8 November 2019. Access Date: 20 December 2019. https://globaltaxnews.ey.com/news/2019-6397-cyprus-issues-announcement-regarding-bilateral-competent-authority-agreement-with-the-united-states.
[1395] Action 13: Country by Country Reporting, OECD (Paris) No publication date. Access Date: 23 December 2019. https://www.oecd.org/tax/beps/beps-actions/action13/.

automatic Country by Country reports.[1396] The IRS is in the process of negotiating Competent Authority Agreements with eight other countries.[1397]

On 2 December 2019, the Office of the United States Trade Representative released a Section 301 Investigation regarding France's digital services tax (DST).[1398] It proposed to place tariffs on French goods such as champagne, handbags, and cheese in retaliation for the DST, arguing that it unfairly targets technology companies from the United States.[1399]

On 3 December 2019, Secretary of the Treasury Steve Mnuchin announced that the United States no longer supported key elements of the OECD's compromise proposal to overhaul the rules for allocating the profits of multinationals for tax purposes and related issues of countries' taxing rights in the context of the "Unified Approach."[1400] Rather, Mnuchin proposed creating a "safe-harbor regime" in a letter to OECD Secretary General José Ángel Gurría.[1401]

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

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

*Analyst: Wayne George*

## European Union: −1

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

On 27 September 2019, European Union commissioner-designate Margrethe Vestager signalled her intention to "act alone" in implementing a EU digital tax if no agreement on the topic is reached by the end of 2020.[1402] Commissioner-designate for taxation Paolo Gentiloni also commented that he

[1396] The Latest on BEPS and Beyond, Ernst and Young (New York) 19 November 2019. Access Date: 20 December 2019. https://www.ey.com/gl/en/services/tax/international-tax/alert--the-latest-on-beps-and-beyond---november-2019.

[1397] Country by Country Reporting Jurisdiction Status Table, Internal Revenue Service (Washington) 5 December 2019. Access Date: 20 December 2019. https://www.irs.gov/businesses/country-by-country-reporting-jurisdiction-status-table.

[1398] US vows 100% tariff on French Champagne, cheese, handbags over digital tax, CNBC (Englewood Cliffs) 2 December 2019. Access Date: 3 December 2019. https://www.cnbc.com/2019/12/03/us-vows-100percent-tariffs-on-french-champagne-cheese-over-digital-tax.html.

[1399] US vows 100% tariff on French Champagne, cheese, handbags over digital tax, CNBC (Englewood Cliffs) 2 December 2019. Access Date: 3 December 2019. https://www.cnbc.com/2019/12/03/us-vows-100percent-tariffs-on-french-champagne-cheese-over-digital-tax.html.

[1400] Treasury Secretary Mnuchin warns of new global taxes, opposes digital service duty, CNBC (Englewood Cliffs) 4 December 2019. Access Date: 20 December 2019. https://www.cnbc.com/2019/12/04/treasurys-mnuchin-warns-of-global-taxes-opposes-new-digital-duties.html.

[1401] Treasury Letter OECD Digital Services Tax, KPMG (Washington) 3 December 2019. Access Date: 20 December 2019. https://home.kpmg/content/dam/kpmg/us/pdf/2019/12/treasury-letter-oecd-digital-services-tax.pdf.

[1402] EU ready to act alone on digital tax if no global deal in 2020, Reuters (Brussels) 27 September 2019. Access Date: 3 January 2020. https://www.reuters.com/article/us-eu-economy-gentiloni/eu-ready-to-act-alone-on-digital-tax-if-no-global-deal-in-2020-idUSKBN1WC15D.

would attempt to prevent individual EU members from vetoing tax decisions as occurred in March 2019 during negotiations over a proposed digital tax.[1403]

The European Union has taken no actions to improve international tax systems, improve national tax systems or cooperate in the adoption of the new OECD "Unified Approach."[1404]

Thus, the European Union receives a score of −1.

*Analyst: Aryan Agarwal*

[1403] EU ready to act alone on digital tax if no global deal in 2020, Reuters (Brussels) 27 September 2019. Access Date: 3 January 2020. https://www.reuters.com/article/us-eu-economy-gentiloni/eu-ready-to-act-alone-on-digital-tax-if-no-global-deal-in-2020-idUSKBN1WC15D.
[1404] Non-compliance was determined after reviewing eur-lex.europa.eu, eesc.europa.eu, europarl.europa.eu, cor.europa.eu, ec.europa.eu, and euractiv.com.