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G20 Research Group
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at the National Research University Higher School of Economics, Moscow
present

2013 St. Petersburg G20 Summit Final Compliance Report

7 September 2013 to 30 September 2014

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Contents

Preface ... 3
Introduction and Summary ... 6
Table 1: 2013 G20 St. Petersburg Summit Commitments Selected for Compliance Monitoring ... 8
Table 2: 2013 G20 St. Petersburg Final Compliance Scores ... 10
Table 3: 2013 G20 St. Petersburg Summit Final Compliance by Country ... 11
Table 4: 2013 G20 St. Petersburg Summit Final Compliance by Commitment ... 11
Table 5: G20 Compliance by Member, 2008-2013 ... 12
Appendix: General Considerations ... 14
1. Macroeconomics: Investment ... 16
2. Macroeconomics: Credit Access ... 51
3. Trade ... 75
4. Financial Regulation: Tax Avoidance ... 100
5. Food and Agriculture: Food Price Volatility and Sustainable Agriculture ... 122
6. Climate Change ... 181
7. Energy: Clean Technology ... 198
8. Labour and Employment: Labour Policies ... 228
9. Labour and Employment: Vocational Training Programs ... 300
10. Crime and Corruption ... 329
11. Development: Tax Administration ... 363
12. Employment: Job Creation ... 391
13. Employment: Education ... 420
14. Macroeconomic Policy: Small and Medium-Sized Enterprises ... 446
15. Development: Green Growth ... 469
16. Development: Remittances ... 491

4. Financial Regulation: Tax Avoidance

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

G20 St. Petersburg Leaders Declaration

Assessment

	Lack of Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia			+1
Brazil	-1		
Canada			+1
China		0	
France		0	
Germany			+1
India		0	
Indonesia		0	
Italy			+1
Japan		0	
Korea		0	
Mexico			+1
Russia			+1
Saudi Arabia	-1		
South Africa			+1
Turkey		0	
United Kingdom		0	
United States			+1
European Union			+1
Average	+0.25		

Background

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

At the 2008 Washington Summit, the Action Plan to Implement Principles for Reform, drawing upon the work of the Organisation for Economic Co-operation and Development (OECD), outlined G20 leaders' support for short-term actions to strengthen surveillance of cross-border firms and medium-term actions to promote tax information exchange and transparency.[456]

G20 leaders' call for transparency and information exchange was reiterated in the 2009 London Summit. Countries were urged to "adopt the international standard for information exchange endorsed by the G20 in 2004 and reflected in the United Nations Model Tax Convention."[457]

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

At the 2009 Pittsburgh Summit, G20 leaders supported the expansion of the Global Forum on Transparency and Exchange of Information, and called for the initiation of a peer review process of international cooperation by February 2010. The Forum focused on improving tax transparency and facilitating the exchange of information to help countries enforce their tax laws and protect their tax base.[458] The support was re-emphasized in the 2010 Toronto Summit.[459]

In the 2010 Seoul Summit, the issue of tax evasion was framed in a developmental context. As part of the Multi-Year Action Plan on Development, G20 leaders asked the OECD, UN, International Monetary Fund, the World Bank and regional organizations to make recommendations to developing countries for strengthening tax policies to broaden tax base and combat tax avoidance and evasion.[460]

The increasing emphasis on growth, especially private sector growth, amongst the G20 nations in the post-crisis summits has raised concerns that substantial tax revenue are lost due to "schemes aimed at eroding the taxable base or at shifting profits to locations where they are subject to a more favourable tax treatment."[461] The growing gap between multinational enterprises' effective tax rate and statutory rate of the countries in which the multinational enterprise operate prompted two major OECD releases.

On 1 February 2011, the OECD released its Tackling Aggressive Tax Planning through Improved Transparency and Disclosure. This document outlined strategies and approaches to deal with aggressive tax planning. It was approved by all OECD members and gave a definitive framework to the issue of tax avoidance.[462]

On 5 March 2012, OECD issued Hybrid Mismatch Arrangements: Tax Policy and Compliance Issues, which recommended action regarding international tax loopholes. The report pointed out that "aggressive tax planning — untaxed income, multiple deductions and other forms of international tax arbitrage — is a growing concern for all governments."[463]

At the 2012 Los Cabos Summit, G20 leaders affirmed their support for the ongoing work of the OECD. For the first time, as part of an official summit commitment, the focus on tax issues was expanded beyond tax evasion to also include the need to prevent base erosion and profit shifting.[477] The G20 committed to enhance interagency cooperation to tackle illicit flows and to implement an automatic information exchange.

On 19 July 2013, the OECD issued the Action Plan on Base Erosion and Profit Shifting at the request of the G20. This report was later formalized in the St. Petersburg Summit by G20 leaders as the present commitment.[464]

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[458] G20 Leaders Statement: The Pittsburgh Summit, G20 Information Center 24 September 2009. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2009/2009communique0925.html

[459] The G20 Toronto Summit Declaration, G20 Information center 27 June 2010. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2010/to-communique.html

[460] Annex II: Multi-Year Action Plan on Development, G20 Information Center 12 November 2010. Access Date: 1 March 2014. http://www.g20.utoronto.ca/2010/g20seoul-development.html

[461] Base erosion and profit shifting, World Commerce Review, June 2012. Access Date: 1 March 2014. http://www.oecd.org/ctp/WCRVol6Issue2_BEPS.pdf

[462] Tackling Aggressive Tax Planning through Improved Transparency and Disclosure, OECD 1 February 2011. Access Date: 1 March 2014. http://www.oecd.org/ctp/exchange-of-tax-information/48322860.pdf

[463] Hybrid Mismatch Arrangements: Tax Policy and Compliance Issues, OECD 5 March 2012. Access Date: 1 March 2014. http://www.oecd.org/ctp/exchange-of-tax-information/hybridmismatcharrangementstaxpolicyandcomplianceissues.htm

[464] BEPS Reports, OECD 19 July 2013. Access Date: 1 March 2014. http://www.oecd.org/ctp/beps-reports.htm

Commitment Features

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

Tax avoidance, harmful practices, and aggressive tax planning are defined as actions of multinational enterprises to avoid bearing their fair share of the tax burden through eroding the taxable base or shifting profits to locations where they are subject to a more favourable tax treatment.[465]

To tackle tax avoidance, harmful practices, and aggressive tax planning, G20 members have agreed to work on initiatives aligned with the OECD's Action Plan on Base Erosion and Profit Shifting (BEPS).[466]

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

- Address tax challenges of the digital economy
- Neutralise the effects of hybrid mismatch arrangements
- Strength controlled foreign company rules
- Limit base erosion via interest deductions and other financial payments
- Counter harmful tax practices more effectively, taking into account transparency and substance
- Prevent treaty abuse
- Prevent the artificial avoidance of permanent establishment status
- Assure that transfer pricing outcomes are in line with value creation for intangibles, risks and capital, and other high-risk transactions
- Establish methodologies to collect and analyse data on BEPS and actions to address it
- Require taxpayers to disclose their aggressive tax planning arrangements
- Re-examine transfer pricing documentation
- Make dispute resolution mechanisms more effective
- Develop a multilateral instrument.[467]

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

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

To take steps to ensure existing domestic and international tax rules do not allow or encourage multinational enterprises to reduce overall taxes paid by artificially shifting profits to low-tax jurisdictions.[468]

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

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

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

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

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

Scoring Guidelines

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

Lead Analyst: Jessica Coper

Argentina: 0

Argentina has partially complied with its commitment.

Although Argentina is not a member of the Organisation for Economic Co-operation and Development (OECD), it does participate in the OECD's forum on tax issues. Though Argentina has made no public statements about the OECD report, its Ministry of Finance is working on a project that proposes provisions regarding local income tax law to prevent base erosion and profit shifting.[469] It has also cooperated with other governments to terminate tax treaties.[470]

On 10 January 2014, Argentina's tax authority (AFIP) published a "white list" of jurisdictions or countries for which Argentina's transfer pricing rules will not apply. The white list recognizes the countries or territories that are cooperative for exchanging tax information with Argentina, thus, they are considered to receive tax transparency.[471] Countries not on the list would receive undesirable tax treatment under Argentine domestic law. The main purpose of the white list is to encourage effective exchange of tax information.[472]

Until the end of 2013, Argentina has terminated tax treaties with Chile, Spain and Switzerland. The termination agreements impact existing cross-border structures and/or ongoing planning by multinationals with operations and investments.[473]

On 20 March 2014, Argentina and Switzerland signed a new tax treaty for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital. The purpose of the new treaty is to provide reduced withholding rates on dividends, interest, royalties, and capital gains. The new treaty will also allow for the exchange of information in accordance with the international standard for mutual

[469] Tax Management International Forum, Bloomberg BNA (London) September 2013. Date of Access: April 7 2014. http://www.pbklaw.ch/files/TAX_FORUM_0913.pdf
[470] Argentina terminates three tax treaties, EY T Magazine 2 January 2013. Date of Access: April 8 2014. http://tmagazine.ey.com/insights/argentina-terminates-three-tax-treaties/
[471] Argentina - "White list" is published; transfer pricing implications, KPMG Global 10 January 2014. Date of Access: April 7 2014. http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Pages/2014-1/argentina-white-list-is-published-transfer-pricing-implications.aspx
[472] Argentina's White List Now Available, Tax News 17 January 2014. Date of Access: April 8 2014. http://www.tax-news.com/news/Argentinas_White_List_Now_Available____63370.html
[473] Argentina terminates tax treaties wiht Chile and Spain,PwC 16 July 2012. Date of Access: April 8 2014. http://www.pwc.com/us/en/tax-services-multinationals/newsletters/latin-american-tax/argentina-tax-treaties-with-chile-spain.jhtml

administrative assistance. The treaty still requires ratification by both the Argentina congress and parliament in Switzerland before it can enter into force.[474]

Argentina was awarded a score of 0 for working together with other governments to tackle tax avoidance.

Analysts: Pei Zhao and Eddie Kawooya

Australia: +1

Australia has fully complied with the commitment to take actions in some of the 15 BEPS issues and by cooperating with other governments.

The Australian Taxation Office (ATO) coordinates international efforts to tackle local and multinational tax evasion. It also investigates corporate tax avoidance issues at local companies.[475]

On 16 April 2014, the ATO released two new draft transfer pricing Taxation Rulings and two new draft Practice Statements, which represents the ATO's first documented view on how the new transfer pricing laws (subdivisions 815-B and 815-C).[476]

The Australian 2013-2014 budget outlined how the government will address profit shifting by multinations through a number of actions. Firstly by tightening and improving the integrity of several aspects of Australia's international tax arrangements, particularly by tightening and improving the effectiveness of the thin capitalisation rules including changing all safe harbour limits and extending a worldwide gearing test to inbound investors. By increasing the *de minimis* threshold from $250,000 to $2 million of debt deductions which will reduce compliance costs for small business. By better targeting the exemption for foreign non-portfolio dividends received by Australian companies; and by removing the provision allowing a tax deduction for interest expenses incurred in deriving certain exempt foreign income. The Government will consult with industry on the implementation of this measure and the Australian Taxation Office will commence consultation with taxpayers and industry to progress any guidance material.[477]

The budget also outlined that the Government will improve the integrity of the corporate tax system by addressing a number of issues relating to consolidated groups that were identified by the Board of Taxation. The law will be amended to ensure that, non-residents are not able to buy and sell assets between consolidated groups to allow the same ultimate owner to claim double deductions, that certain deductible liabilities are not taken into account twice; and that consolidated groups cannot access double deductions by shifting the value of assets between entities. The Government will consult on the development of the legislation.[478]

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[474] Argentina, Switzerland sign new tax treaty, EY 27 March 2014. Date of Access: September 3 2014. http://www.ey.com/Publication/vwLUAssets/Argentina,_Switzerland_sign_new_tax_treaty/$FILE/2014G_CM4303_Argentina, Switzerland sign new tax treaty.pdf

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

[476] Australia issues draft tax guidelines regarding transfer pricing documentation, penalities and reconstruction, Ernst and Young 17 April 2014. Date of Acces: 14 November 2014. http://www.ey.com/GL/en/Services/Tax/International-Tax/Alert--Australia-issues-draft-tax-guidelines-regarding-transfer-pricing-documentation--penalties-and-reconstruction.

[477] Australian Government, Budget Measures 2013-2014, Part1 Review Measures, Date of Access: 11 November 2014. http://www.budget.gov.au/2013-14/content/bp2/html/bp2_revenue-10.htm

[478] Australian Government, Budget Measures 2013-2014, Part1 Review Measures, Date of Access: 11 November 2014. http://www.budget.gov.au/2013-14/content/bp2/html/bp2_revenue-10.htm

The Government will amend the existing Offshore Banking Unit (OBU) regime to better target genuine mobile financial sector activities and address integrity issues with the current regime. The measure will, treat dealings with related parties, including the transfer of transactions between an OBU and a related domestic bank, as ineligible for OBU treatment. Treat transactions between OBUs, including between unrelated OBUs, as ineligible for OBU treatment. Ensure that other provisions of the income tax law interact appropriately with the OBU provisions; and tighten the current list of eligible OBU activity. The Government will consult with industry to develop recommendations to address concerns with the allocation of expenses between OBU and non-OBU activities and on issues raised by the *Johnson Report*.[479]

The Government will provide $109.1 million over four years to the Australian Taxation Office to increase compliance activity targeted at restructuring activity that facilitates profit shifting opportunities.[480]

The Government will close a loophole that enables sophisticated investors to engage in 'dividend washing' from 1 July 2013.[481]

The Australia Parliament passed legislation in September 2014 to further tighten the excessive debt deduction rules and close other loopholes in the system. This Bill tightens the debt limit settings in the thin capitalisation rules to ensure that multinational do not allocate a disproportionate amount of debt to their Australian operations.[482]

On 28 April 2014, Australia and the United States signed an intergovernmental agreement to reduce the burden on Australian financial institutions in complying with the United States' Foreign Account Tax Compliance Act (FATCA). FATCA is an information-reporting regime. The conclusion of this treaty-status IGA will help Australian financial institutions comply with FATCA. It reduces the overall burden on Australian business, minimises costs by simplifying due diligence requirements and broadens arrangements between the Australian Tax Office and the US Internal Revenue Service. The IGA will also improve existing tax information-sharing arrangements between Australia and the United States, for the purpose of preventing tax evasion. This will help to enhance the integrity of both countries' tax systems.[483]

As G20 chair, Australia has been playing a leading role in guiding the OECD's BEPS work. Australian Treasurer, Joe Hockey along with Secretary-General of the OECD Angel Gurria and the Tax Commissioner for Australia, Chris Jordan reiterated the importance of tackling tax avoidance and other international tax issues. "An important part of our G20 agenda, hugely important part, is devoted to international tax and how we can improve the quality of information exchanged between countries in relation to tax paid by individuals and multinationals. And we have a three pronged agenda. Firstly to address base erosion and profit shifting and that is reflected in the work of the OECD, which we will talk about today. The second area is tackling tax avoidance and promoting tax transparency, particularly

[479] Australian Government, Budget Measures 2013-2014, Part1 Review Measures, Date of Access: 11 November 2014. http://www.budget.gov.au/2013-14/content/bp2/html/bp2_revenue-10.htm
[480] Australian Government, Budget Measures 2013-2014, Part1 Review Measures, Date of Access: 11 November 2014. http://www.budget.gov.au/2013-14/content/bp2/html/bp2_revenue-10.htm
[481] Australian Government, Budget Measures 2013-2014, Part1 Review Measures, Date of Access: 11 November 2014. http://www.budget.gov.au/2013-14/content/bp2/html/bp2_revenue-10.htm
[482] Australian Government, Tax and Superannuation Laws Amendment (2014 Measures No. 4) Bill 2014, Date of Access: 11 November 2014. http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr5318_ems_486a76c1-1ca5-4c25-8cf5-860f13020b8b%22
[483] The Honourable Joe Hockey, Treasurer of the Commonwealth of Australia, Signing of Tax Agreement with the United States, 28 April 2014, Date of Access: 11 November 2014. http://jbh.ministers.treasury.gov.au/media-release/017-2014/

through the automatic exchange of information and we'll talk about that. And the third area is working in particular with developing economies, so that they can benefit from the work undertaken. And in our G20 meeting over the next few hours, we will be talking about these sorts of initiatives."[484]

Australia fully complied with the commitment by taking actions in some of the 15 BEPS issue areas and cooperation with other governments on tax avoidance issues.

Analysts: Pei Zhao and Gurion De Zwirek

Brazil: -1

Brazil has failed to comply with its commitment on tax avoidance.

Brazil, which is not a member of the Organisation for Economic Co-operation and Development (OECD), imposes unique standards for tax evaluation. Although Brazil "considers conclusions reached and the orientation prescribed by the report base erosion and profit shifting (BEPS) a valuable source for future tax law," it has failed to apply the tax policies recommended by the report.[485] Brazil has its own transfer pricing methods, different from the internationally accepted arm's-length principle.[486,487]

There is no indication that Brazil has taken steps to reform its own tax rules to be aligned with standards set by other countries to improve coordinating efforts.

Thus Brazil has been awarded a score of -1.

Analysts: Pei Zhao and Eddie Kawooya

Canada: +1

On 5 February 2014, Canada signed an exchange of information agreement with the United States, which is to mitigate the imposition of obligations on Canadian companies by the US Foreign Account Tax Compliance Act.493 The agreement was ratified on 27 June 2014.[494]

On 1 April 2014, Canada signed a protocol with Belgium that included provisions reflecting the standard developed by the OECD for the exchange of tax information.[495]

On 1 July 2014, Canada signed a protocol with the United Kingdom stating that the countries will exchange tax information by the standard developed by the OECD.[496]

On 11 February 2014, Finance Minister Jim Flaherty tabled the 2014 Federal Budget. It explicitly discussed the initiative on base erosion and profit shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD) and announced plans to tackle tax avoidance, such as the use of insurance swaps traded between foreign affiliates of Canadian taxpayers and third parties. It also introduced measures to strengthen tax compliance and improve fairness.[497,498] The government

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[484] G20 Australia 2014, Australian Treasurer Joe Hockey, OECD Secretary-General Angel Gurria and Australian Tax Commissioner Chris Jordan, joint press conference, Cairns, 20 September 2014, Date of Access: 11 November 2014. https://www.g20.org/news/transcripts/australian_treasurer_joe_hockey_oecd_secretary_general_angel_gurr%C3%ADa_and_australian

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

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

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

announced a four-month consultation period to help define the focus of its work on international tax issues. Moreover, the budget outlined measures relating to nearly all of the actions in OECD's BEPS Action Plan.[499]

One of the proposed measures in the budget is to address treaty shopping, which has been on the government's agenda since August 2013, when the Department of Finance issued a consultation paper on the problem and possible solutions.[500] This unilateral amendment to domestic law would in effect override bilateral treaties, which might undermine one of the BEPS project's main goals -namely, to avoid global tax chaos caused by unilateral actions by national governments. On 29 August 2014 the Department of Finance announced in a press release that "After engaging in consultations on a proposed anti-treaty shopping measure, the Government will instead await further work by the Organisation for Economic Co-operation and Development and the Group of 20 (G-20) in relation to their Base Erosion and Profit Shifting initiative."[488]

Canada has taken steps to address the issues outlined in the BEPS Action Plan and has cooperated with other states to fight tax avoidance.

Canada is, therefore, awarded a score of +1.

Analysts: Theodora Mladenova and Gurion De Zwirek

China: 0

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

On 25 January 2014, Wang Jun, the Chinese mainland tax commissioner, indicated that China will step up international cooperation to combat tax evasion. Major actions have been taken since 2012, with Beijing recovering 30 times more taxes than the amount recovered in 2008.[489]

On 15 February 2014, China and Russia reached an agreement on tackling tax evasion. Russian tax agencies will have the ability to request information from their Chinese counterparts, enabling both countries to decrease the amount of taxes lost due to information mismatch.[490]

On 29 July 2014, General Office of China's State Administration of Taxation (SAT) began tax anti-avoidance investigations by issuing an internal notification which requires tax bureaus to investigate substantial amounts of service fees and royalty payments from 2004 to 2013.[491]

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

Analyst: Pei Zhao

[488] Department of Finance Consults on Draft Tax Legislation, Department of Finance Canada 29 August 2014. Date of Access: 15 November 2014. http://www.fin.gc.ca/n14/14-113-eng.asp.

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

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

[491] China begins tax anti-avoidance investigations on substantial amounts of service fee and royalty payments, EY Global.3 September 2014. Date of Access: 6 October 2014. http://www.ey.com/GL/en/Services/Tax/International-Tax/Alert--China-begins-tax-anti-avoidance-investigations-on-substantial-amounts-of-service-fee-and-royalty-payments

France: 0

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

In November 2013, France signed an anti-tax evasion agreement with the U.S. Treasury.[492]

On 10 February 2014, French President François Hollande indicated that France would try to harmonize taxes with the United States. He further stated that tax optimization, especially by multinational Internet giants, must be called into question on both a European and a global level.[493]

On 27 January 2014, the 46th French-German Economic and Financial Council announced that it will welcome economic reform strategies recently announced in France and Germany. It encouraged both countries to tackle erosion and profit shifting (BEPS) and to promptly adopt and implement the future standard on automatic exchange of information in order to increase transparency and improve the fight against tax fraud and evasion.[494]

On 26 June 2014, French Finance Minister Michel Sapin and his Swiss counterpart, Eveline Widmer-Schlumpf, agreed in Berne, Switzerland to join forces and to "bring their cooperation in line with standards set out by the Organization for Economic Co-operation and Development (OECD)." The two ministers also pledged to continue cooperating on tax fraud and evasion and to improve the exchange of information on judicial requests.[495]

On 21 September 2014, the meeting of G20 finance ministers and central bank governors held in Cairns, Australia addressed the issue known as "the patent box" which is the unfair use of tax breaks on profits generated from patented research after 1 April 2013.[496]

France has worked in cooperation with foreign governments to tackle tax evasion by multinational enterprises. However, there is no evidence that France has made efforts to tackle BEPS through the framework of its domestic laws.

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

Analysts: Jose Isla and Vitali Selivanov

Germany: +1

Germany has fully complied with its commitments to tackling tax avoidance, harmful practices, and aggressive tax planning.

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[492] U.S. Treasury signs pact with France for anti-tax evasion law, Reuters (UK) 14 November 2014. Date of Access: 24 October 2014. http://uk.reuters.com/article/2013/11/14/usa-tax-fatca-idUKL2N0IZ18I20131114

[493] McDonal's denies French Tax Allegation, Reuters (New York) 24 January 2014. Date of Access: 19 October 2014. http://www.reuters.com/video/2014/01/22/mcdonalds-denies-french-tax-allegations?videoId=276531756

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

[495] Swiss agree to widen cooperation with France on tax evasion, Reuters UK Edition (London), 25 June 2014. Date of Access: 19 October 2014. http://uk.reuters.com/article/2014/06/25/uk-switzerland-tax-france-idUKKBN0F02HP20140625

[496] France pushes moves within G20 to resolve unfair use of patent boxes, The Daily Mail (London), 21 September 2014. Date of Access: 19 October 2014. http://www.dailymail.co.uk/wires/reuters/article-2763962/France-pushes-moves-G20-resolve-unfair-use-patent-boxes.html#ixzz3FNzGyv6g

It has taken individual and collective action to tackle the 15 issues identified in the OECD's Action Plan on Base Erosion and Profit Shifting (BEPS). Germany has also cooperated with other governments to prevent double non-taxation due to gaps that exist between countries' tax rules.

On 27 November 2013 the coalition German government formed between the Christian-Democrats and the Social Democrats agreed upon new tax policies. These policies focus on combatting tax evasion, harmful tax practices and protecting tax revenue. In terms of combatting cross-border transfers of profits and harmful tax competition, the government referred to several measures it would take in addition to supporting the OECD BEPS initiative. These initiatives include: "limitations of the tax deductibility of payments made to recipients that lack sufficient substance/activities; creation of a public register for taxpayers holding economic ownership in trust structures; and allowing licensing payments to be deductible only if the payment is subject to minimum taxation at the level of the foreign recipient."[497] The coalition agreement also mentions that Germany would support an initiative for the "introduction of common corporate taxation within the EU, based on the CCTB project."

On 27 January 2014, the 46th French-German Economic and Financial Council announced that it would welcome economic reform strategies recently announced in France and Germany. It also encourages both countries to tackle base erosion and profit shifting, as well as the requirement to promptly adopt and implement the future standard on automatic exchange of information in order to increase transparency and fight against tax fraud and evasion. Germany is also working with France to make joint proposals "to reach a compromise on a common scheme of taxation for financial transactions, within the next months with all our partners from the enhanced cooperation. The target is to ensure a fair contribution of financial markets to tax revenues, improving financial stability and harmonizing national legislations while fully preserving monetary policy mechanisms and funding to the economy."[498]

On 27 September 2014, Wolfgang Schaeuble, the German Finance Minister announced that he was working on closing a tax loop hole whereby German firms could misrepresent foreign profits from patented research and minimize tax bills.[499]

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

Analyst: Stephanie Lim

India: 0

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

On 18 September 2013, India signed a double taxation avoidance agreement with Latvia to prevent income tax evasion by entities in both countries.[500] The agreement states that business profits will be taxable in the source country if the activities of an enterprise constitute a permanent establishment there.

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

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

[499] Germany may close foreign 'patent box' tax loophole – report. UK Reuters (London). 27 September 2014. Date of Access: November 5 2014. http://uk.reuters.com/article/2014/09/27/uk-germany-taxavoidance-patentbox-idUKKCN0HM0BY20140927

On 22 December 2013, sources from the Indian government confirmed that the Prime Minister's Office had approved the posting of an Indian revenue service officer in Cyprus in an effort to tackle black money flowing from the island nation.[501] Such action came after the decision by the Indian government to classify Cyprus as a notified jurisdictional area for failing to provide information requested by Indian tax authorities under the taxation treaty. Following the decision, all payments made to Cyprus were subject to a 30 per cent withholding tax and Indian authorities receiving money from there were required to disclose the source of funds.

On 21 February 2014, India's finance secretary, Arvind Mayaram, "pressed for automatic exchange of key financial information and greater cooperation among G20 nations to effectively address tax problems and protect the integrity of the taxation system."[502] Mayaram also emphasised the need to perceive automatic exchange of information as a means to combating tax avoidance: "Automatic exchange of information should not only address tax evasion, it should also address tax avoidance … tax avoidance should be seen as part of the problem."

On 23 September 2014, commenting on the Communiqué[503] by the G20 Finance Ministers and Central Bankers at Cairns, Mayaram said: "We support further coordination and collaboration by our tax authorities on their compliance activities on entities and individuals involved in cross-border tax arrangements."[504]

India has been awarded a score of 0 for cooperating with foreign governments in combating tax avoidance.

Analyst: Luciano Xavier

Indonesia: 0

Indonesia has partially complied with its commitment to tackle tax evasion.

On 25 September 2013, Indonesia signed a tax information exchange agreement with San Marino.[505] However, it has not yet come into effect.

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

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

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

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

[503] Communiqué, Meeting of G20 Finance Ministers and Central Bank Governors, Cairns, September 21, 2014. Date of Access: 14 October 2014 http://www.g20.utoronto.ca/2014/2014-0921-finance.html

[504] New G20 Initiative Gives India Boost in Fight Against Tax Avoidance, India Briefing (New Delhi) 23 September 2014. Date of Access: 14 October 2014 http://www.india-briefing.com/news/g20-initiative-india-tax-avoidance-9048.html/

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

established, and agreement was reached that the Forum will continue to monitor implementation of the transparency and exchange of information standards.[506]

On 1 April 2014 the Indonesian Minister of Finance issued regulation No. 60/PMK.03/2014, which further regulates the procedures associated with the exchange of tax information. The regulation stipulates that exchange can be carried out through several channels, which can be initiated by a relevant unit under the authority of the Directorate General of Tax (domestic request) or by a country/jurisdiction partner (foreign request).[507]

Indonesia has cooperated with the World Bank on the Project for Indonesian Tax Administration Reform. Through its reform project, Indonesia aims to "increase taxpayer compliance and improve good governance in tax administration." The project is closed on 25 September 2014.[508]

Indonesia has been awarded a score of 0 for taking some steps to tackle tax avoidance.

Analyst: Pei Zhao

Italy: +1

Italy has fully complied with its commitments to fight tax avoidance.

In December 2013, Italian Parliament passed the "Google tax" law, which requires Italian companies to purchase their Internet ads from locally registered companies, instead of units based in tax havens such as Ireland, Luxemburg or Bermuda. Although the law is put forth as a means to fight tax evasion, some criticize it for being little more than a revenue scheme for the government and also for being illegal.[509]

In January 2014, Italy signed an anti-tax evasion agreement with the U.S. Treasury.[510]

On 1 January 2014 the Italian government introduced "Stability Law" forbidding cash payment for certain types of goods and services in the interest of increasing the traceability of payments in Italy and thereby reducing the opportunities for tax evasion.[511]

On 24 January 2014 the Italian government approved a new legal structure aimed encouraging self-declaration of capital held abroad and at improving the exchange of tax information.[512]

In 2014 Italian prosecutors have been working on a number of high profile tax evasion cases. In April 2014 fashion designers Domenico Dolce and Stefano Gabbana have each been sentenced to 18-month

[506] Global Forum moves towards automatic exchange of tax information and transparency, OECD 22 November 2013. Date of Access: 20 April 2014. http://www.oecd.org/indonesia/global-forum-moves-towards-automatic-exchange-of-tax-information-and-transparency.htm
[507] Tax Flash, Price Waterhouse Cooper, May 2014. Date of Access: 7 August 2014. http://www.pwc.com/id/en/taxflash/assets/taxflash_2014-07.pdf
[508] Project for Indonesian Tax Administration Reform (PINTAR), The World Bank 11 April 2014. Date of Access: April 20 2014. http://www.worldbank.org/projects/P100740/project-indonesian-tax-administration-reform-pintar?lang=en
[509] Italy approves 'Google Tax' on Internet Companies, Bloomberg (New York), 23 December 2013. Date of Access: 19 October 2014. http://www.bloomberg.com/news/2013-12-23/italy-approves-google-tax-on-internet-companies.html
[510] U.S. Treasury signs anti-tax evasion pact with Italy, Reuters (New York) 10 January 2014. Date of Access: 19 October 2014. http://www.reuters.com/article/2014/01/10/usa-tax-italy-idUSL2N0KK21Y20140110
[511] Italy Stops Cash Payments in 2014 to Combat Tax Evasion, Tax News 31 December 2013. Access Date: 19 October 2014. http://www.tax-news.com/news/Italy_Stops_Cash_Payments_in_2014_To_Combat_Tax_Evasion____63172.html
[512] Italy to Regularize Undeclared Foreign Caputal, Tax News 29 January 2014. Date of Access: 21 February 2014. http://www.tax-news.com/news/Italy_to_Regularize_Undeclared_Foreign_Capital_63510.html

terms for tax evasion charges.[513] At trial, a Milan tax court had ruled in favour of Italy's tax authority, Agenzia delle Entrate, findingt hat Dolce and Gabbana had engaged in a "conduct of abuse with the only goal of obtaining a fiscal advantage."[514] Currently Italian authorities are also investigating the personal finances of Prada's co-chief executives Miuccia Prada and Patrizio Bertelli who have been told of an investigation "regarding the accuracy of certain past tax filings by them as individuals, in respect of foreign owned companies."[515]

Italy has been awarded a score of +1 for tackling tax evasion domestically, as well working in collaboration with other jurisdictions.

Analysts: Jose Isla and Vitali Selivanov

Japan: 0

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

On 21 April 2014, Japan hosted and participating in the Fifth International Monetary Fund-Japan high-level tax conference for Asian countries. The conference discussed international taxation issues and "assessed the importance of international corporate tax spillovers and reflected on how they can best be addressed.[516]

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

On 5 December 2013, Japan and Sweden signed a Protocol amending their current income tax treaty. This Protocol introduces provisions for preventing tax avoidance through limitation on benefits provision and main purpose test provisions, etc.[517]

In January 2014, Japan signed an agreement on avoiding double taxation and income-tax evasion with Oman. This agreement aims to regulate taxes for Omani and Japanese individuals and companies operating in either countries and improve economic and legislative environment of both countries.[518]

In late April 2014, Japanese Tax Commission identified double non-taxation resulting from certain redeemable preference shares. This review was conducted in accordance with Action 2 from the BEPS

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[513] Italian court gives Dolce and Gabbana suspended 18-month jail term in tax case, Reuters (US), 30 April 2014. Access Date of Access: October 23, 2014. http://www.reuters.com/article/2014/04/30/us-dolce-gabbana-sentence-idUSBREA3T0KW20140430

[514] Court Upholds Prison Sentence For Dolce & Gabbana On Tax Evasion Charges, Forbes 03 April 2014. Date of Access: 19 October 2014. http://www.forbes.com/sites/kellyphillipserb/2013/04/03/dolce-gabbana-fined-millions-for-tax-evasion/

[515] Italy targets Prada chiefs in tax probe, Financial Times 29 September 2014. Date of Access: 19 October 2014. http://www.ft.com/intl/cms/s/0/2903752e-478a-11e4-8c50-00144feab7de.html#axzz3FOLcprfB

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

[517] Japan- Protocol signed with Sweden, KPMG Global 9 December 2013. Date of Access: 20 October 2014. http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Pages/japan-protocol-signed-with-sweden.aspx

[518] Sultanate and Japan sign double taxation avoidance agreement, Muscat Daily (Muscat) 11 January 2014. Date of Access: 20 October 2014. http://www.muscatdaily.com/Archive/Business/Sultanate-and-Japan-sign-double-taxation-avoidance-agreement-2ugv

Action Plan. The Japanese Cabinet Office posted a discussion paper and outlined certain tax issues for consultation.[519]

Japan is awarded a score of 0 for taking some steps to tackle tax avoidance.

Analyst: Pei Zhao

Korea: 0

Korea has partially complied with its commitments to tackling tax avoidance, harmful practices, and aggressive tax planning.

On 17 September 2013, Korea in conjunction with Hong Kong signed a tentative tax deal, which would allow Korea to obtain information on suspected Korean tax evaders. In addition, "Korea's National Tax Service will impose a tax rate of 10 per cent on income from investments made by Hongkongers in Korea. To prevent double taxation, Hong Kong's Inland Revenue Department will then deduct the amount of income tax the investors paid in South Korea."[520]

As of 18 February 2014, the National Tax Agency has investigated 61 cases of offshore tax evasion and has collected W135 billion in fines.[521]

On 26 June 2014, the National Tax Agency further investigated 56 cases of tax evasion and issued a total of W12.3 billion in fines.[522]

Korea has been awarded a score of 0 for cooperating with other governments to tackle tax evasion.

Analyst: Stephanie Lim

Mexico: +1

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

On 17 October 2013, Mexico's Chamber of Deputies passed a revised version of the tax reform provisions, which were introduced by the federal government in September of that year. The reforms, passed by Congress in October and by the Senate in November, will become active in January. Their main aim is to increase government revenue and to tackle tax avoidance, especially pertaining to Maquiladoras.[523,524,525,526] The Mexican government has been working on anti-avoidance measures concerning supply chain conversions at least since September 2012.[527]

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[519] Japan - Possible BEPS-related implications under foreign dividend exclusion rule, KPMG Global 5 May 2014. Date of Access: May 8 2014http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxnewsflash/pages/2014-1/japan-possible-beps-related-implications-under-foreign-dividend-exclusion-rule.aspx

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

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

[522]NTS starts probe of tax evaders. Korea Joongang Daily (Seoul). 26 June 2014. Date of Access: October 5, 2014. http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=2991167

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

On 14 January 2014, Mexico City hosted the "Fight against Base Erosion and Profit Shifting Seminar." Oscar Molina Chie, Head of the Large Taxpayers Unit of the Tax Administration Service (SAT), said the goal of the seminar was to make clear how tax authorities will approach BEPS. Starting January 2014, SAT began publishing a list of noncompliant taxpayers on their web site.[528]

On 25 April 2014, the Finance Ministry of Mexico and the US Treasury department officially agreed on a revised version of the US-Mexico Foreign Account Tax Compliance Act Intergovernmental Agreement, which was first signed in 2012.[529,530]

Mexico has taken active steps to address BEPS and has cooperated with other governments to fight tax avoidance.

Therefore, Mexico has been awarded a score of +1 for complying with its commitment.

Analysts: Theodora Mladenova and Eddie Kawooya

Russia: +1

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

On 12 December 2013, Russian President Vladimir Putin in his Address to the Federal Assembly proposed some steps to address the challenges of offshore economic activity. In particular, he suggested that companies registered in foreign jurisdictions should not be allowed to use government support measures and state guarantees as well as fulfil government contracts.[531] He also instructed the government to ensure that companies that are registered in offshore jurisdictions and belong to Russian owners or whose ultimate beneficiaries are Russian nationals are taxed in accordance with Russian laws.[532]

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

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

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

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

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

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

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

[531] Presidential Address to the Federal Assembly, President of Russia 12 December 2013. Date of Access: 19 September 2014. http://eng.kremlin.ru/news/6402.

[532] List of instructions following the Address to the Federal Assembly, President of Russia 27 December 2013. Date of Access: 19 September 2014. http://kremlin.ru/assignments/20004.

On 9 January 2014, Russian Prime Minister Dmitry Medvedev instructed the Ministry of Finance, Ministry of Economic Development, Ministry of Justice and Federal Antimonopoly Service of Russia to develop legislative amendments providing for measures to tackle offshore business activities outlined in the President's Address to the Federal Assembly.[533]

On 30 April 2014, First Deputy Prime Minister Igor Shuvalov adopted an action plan to address tax avoidance. The plan includes concrete measures to be implemented by the Russian Government in 2014-2015 for improving anti-BEPS legislation.[534]

On 26 August 2014, Russian Ministry of Finance published the draft federal law on amending Part I and Part II of the Tax Code of the Russian Federation (concerning taxation of the profits of controlled foreign companies and foreign entities). The draft law provides for the taxation of offshore companies in accordance with the Russian legislation.[535]

On 15 February 2014, China and Russia reached an agreement on tackling tax evasion. Russian tax agencies will have the ability to request information from their Chinese counterparts, enabling both countries to decrease the amount of taxes lost due to information mismatch.[536]

On 17 March 2014, Russian Deputy Finance Minister Sergey Shatalov announced that several offshore jurisdictions including British Virgin Islands, Bermuda, the Isle of Man and Jersey proposed to sign tax information exchange agreements with Russia. He positively assessed the initiative and mentioned that Russia would definitely sign these agreements.[537]

Russia has taken measures to tackle BEPS within the framework of its domestic legislation. Thus, it receives a score of +1.

Analyst: Andrey Shelepov

Saudi Arabia: -1

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

Saudi Arabia has agreed to participate in the Action Plan on Base Erosion and Profit Shifting (BEPS) produced by the Organisation for Economic Co-operation and Development (OECD) to tackle tax avoidance as an associate.[538] However, Saudi Arabia's domestic policies have not caught up with its BEPS commitments. According to the Financial Security Index, Saudi Arabia does not require

[533] On implementing the instructions following the Address of the President to the Federal Assembly on 12 December 2013, Government of Russia 9 January 2014 Date of Access: 19 September 2014.http://government.ru/orders/9591.

[534] National action plan to address tax evasion and identifying beneficial owners of companies, Federal Financial Monitoring Service 30 April 2014. Access Date: 19 September 2014. http://www.fedsfm.ru/documents/rfm/1087.

[535] Draft Federal Law On Amending Part I and Part II of the Tax Code of the Russian Federation (concerning taxation of the profits of controlled foreign companies and foreign entities), Russian Ministry of Finance 2 September 2014. Date of Access: 19 September 2014. http://minfin.ru/common/upload/library/2014/09/main/proj_FZ_izm_NK.pdf.

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

[537] Russian Deputy Finance Minister Sergey Shatalov at the Conference in the Framework of the Russian Business Week, Russian Ministry of Finance 17 March 2014. Access Date: 19 September 2014. http://www.minfin.ru/ru/press/speech/index.php?id_4=21235.

[538] G20: World leaders back international action against tax avoidance and evasion, HM Treasury (London) 6 September 2013. Date of Access: 27 February 2014. https://www.gov.uk/government/news/g20-world-leaders-back-international-action-against-tax-avoidance-and-evasion

disclosure to authorities when resident paying agents make payments to non-residents, and that it does not have a tax credit system to deter tax-evasion.[539]

There is no evidence that Saudi Arabia has reformed its domestic tax policy or cooperated with other governments to tackle tax avoidance, harmful practices and aggressive tax planning.

Thus, Saudi Arabia has been awarded a score of -1.

Analysts: Madeline Torrie and Sasha Boutilier

South Africa: +1

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

On 12 October 2013, South Africa joined a pilot project launched by the United Kingdom that intends to increase the exchange of tax information among signatories in an effort to "ensure the correct payment of tax."[540]

On 11 November 2013, Pravin Gordhan, minister of finance, endorsed the G20 commitment regarding tax avoidance, and stated that South Africa "has gone further than this commitment and will be an early implementer of the standard alongside Australia, France, Germany, Italy, Mexico, Spain and the UK."[541]

On 26 February 2014, during the annual budget speech, Gordhan mentioned that the Davis Tax Committee had "also started working on base erosion and profit shifting — trends that are under scrutiny internationally."[542] The committee was established on 25 July 2013 to address, among other matters, concerns about base erosion and profit shifting "in the context of corporate income tax, as identified by the OECD and the G20."[543]

South Africa has adopted domestic and international measures to encourage transparency and cooperation among G20 members on international tax matters that aim to inhibit tax avoidance by multinational enterprises.

Thus, South Africa has been awarded a score of +1.

Analyst: Luciano Xavier

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[539] Financial Secrecy Index Report on Saudi Arabia, Tax Justice Network, November 7 2013. Date of Access: 27 February 2014. http://www.financialsecrecyindex.com/PDF/SaudiArabia.pdf

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

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

[542] 2014 Budget Speech by Minister of Finance Pravin Gordhan, National Treasury Republic of South Africa (Pretoria) 26 February 2014. Date of Access: 19 December 2014. http://www.treasury.gov.za/documents/national%20budget/2014/speech/speech.pdf

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

Turkey: 0

Turkey has partially complied with its commitment to tackle tax evasion. Since September 2013, it has failed to tackle tax voidance in its domestic law.

On 14 April 2014, Recep Tayyip Erdogan, Prime Minister of Turkey, accused Twitter of avoiding tax payments on advertising services to local customers. The Turkish government aims to have Twitter open a representative office in Turkey, so that Twitter's USD35 million advertising revenue in Turkey would be taxed. Erdogan has also indicated that Turkey will deal with other international companies, such as Twitter, YouTube and Facebook, which do not comply with Turkey's tax rules.[544]

On 9 July 2014, Turkey signed a double tax avoidance agreement with Vietnam.[545]

Turkey has been awarded a score of 0 for signing the tax avoidance agreement with Vietnam.

Analyst: Pei Z

United Kingdom: 0

The United Kingdom has partially complied with its commitments to tackling tax avoidance, harmful practices, and aggressive tax planning.

It has taken individual and collective action to tackle the 15 issues identified in the OECD's Action Plan on Base Erosion and Profit Shifting (BEPS). The United Kingdom has not cooperated with other governments to prevent double non-taxation due to gaps that exist between countries' tax rules.

As an avid supporter of the OECD's Action Plan on BEPS, the United Kingdom works closely with the OECD and the EU to reform the taxation of the digital economy.[546] It views transfer pricing as a key mechanism to combat BEPS.

On 5 December 2013, two changes to the UK's CFC rules in Finance Bill 2014 came into effect. The first one is designed to tackle profits that multinationals earn from intra-group lending. The second one strengthens an existing anti-avoidance provision.[547]

Although the United Kingdom officially supports the OECD's Action Plan on Base Erosion and Profit Shifting and works closely with the OECD to reform taxation of the digital economy, on 26 February 2014 it has set more lenient conditions for branches of Chinese and other non-European investment banks.[548]

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[544] Turkey accuses Twitter of 'tax evasion', calls for local office, Reuters 14 April 2014. Date of Access: April 20 2014. http://www.reuters.com/article/2014/04/14/us-turkey-twitter-idUSBREA3D0TY20140414

[545] Vietnam, Turkeyink double tax agreement, The Voice of Vietnam (Vietnam) 9 July 2014. Date of Access: October 19 2014. http://english.vov.vn/Economy/Vietnam-Turkey-ink-double-tax-avoidance-agreement/278720.vov

[546] "Base Erosion and Profit Shifting: Key UK Issues", Skadden. 16 January 2014. Date of Access: February 26 2014. http://www.skadden.com/insights/base-erosion-and-profit-shifting-key-uk-issues

[547] CFC finance company exemption changes to prevent profit shifting, Mazars. 1 April 2014. Date of Access: 23 October 2014. http://blogs.mazars.com/letstalktax/2014/04/01/cfc-finance-company-exemption-changes-to-prevent-profit-shifting/

[548] Britain sets lighter conditions for foreign investment bank branches, Reuters UK (London) 26 February 2014. Date of Access: February 26 2014. http://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2014/2014-01-27-PM-4-DFFWR-ENG.html

On 29 September 2014, British finance minister, George Osborne declared that he would lead efforts to identify cases of tax avoidance by multinational corporations.[549]

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

Analyst: Stephanie Lim

United States: +1

The United States has fully complied with its commitment to take steps to tackle tax avoidance, harmful practices, and aggressive tax planning.

On 29 November 2013, the United States and the Cayman Islands signed an exchange of information agreement related to taxes. The objective of the agreement is to allow easier enforcement of domestic tax laws of both countries through exchanging information that allow determination, assessment and collection of taxes of individuals and companies. In particular, article 5 of the agreement provided for exchange of information upon request, article 6 concerned automatic exchange of information, article 7 on spontaneous exchange of information, and article 8 on permission for representatives to enter the other country's territory to examine records.[550]

Between November 2013 and August 2014, the United States signed over thirty bilateral agreements with foreign jurisdictions, with the aim to improve exchange of information and to enforce the Foreign Account Tax Compliance Act (FATCA).[551]

On 4 March 2014, President Barack Obama released the budget plan for the 2015 fiscal year. The budget proposed to "eliminate loopholes in the [US] business tax code" and to begin "reforming the international tax system." The aim of the reform is to "prevent US companies from shifting profits overseas and [to] prevent foreign companies operating in the United States from avoiding the taxes they owe."[552] The changes would particularly affect companies in the digital market, levying immediate taxes on corporate income from the sales of digital items or services.[553] However, as the budget has not been approved by Congress, none of the proposed measures has been implemented.

On 26 June 2014, the United States and China announced an agreement that sends tax reports for American financial accounts registered at Chinese banks to the United States Internal Revenue Service. Under the agreement, American financial accounts will report taxes directly to the Chinese government, who will then report them to the American government.[554]

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[549] Update 1-UK's Osborne vows crackdown on tax-avoidance tech firms, Reuters UK (London). 29 September 2014. Date of Access: October 5, 2014. http://www.reuters.com/article/2014/09/29/britain-politics-osborne-tech-idUSL6N0RU33C20140929

[550] Agreement between the government of the United States of America and the Government of the Cayman Islands for the Exchange of Information relating to taxes, US Department of the Treasury 29 November 2013. Date of Access: 10 March 2014. http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/Treaty-Cayman-Islands-11-29-2013.pdf

[551] FATCA Timeline Library, EY. Date of Access: 24 October 2014. http://www.ey.com/GL/en/Industries/Financial-Services/Banking---Capital-Markets/FATCA--overview-and-timeline

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

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

[554] China, US pact to curb offshore tax evasion, China Daily 6 June 2014. Date of Access: 6 October 2014. http://usa.chinadaily.com.cn/us/2014-06/30/content_17626297.htm

On 1 July 2014, FATCA came into effect. The statute "requires foreign financial institutions to report U.S.-owned accounts to the Internal Revenue Service or face, in some cases, a 30 percent withholding tax on their U.S.-source income."[555]

On 22 September 2014, the United States Treasury Department tightened tax rules to prevent tax inversion, the process wherein a company reincorporates in another country to save on taxes. The changes tightened rules under five sections of the American tax code. The changes include closing a loophole that allows an inverted company to completely avoid paying American tax, and preventing inverted companies from restructuring a foreign subsidiary to access the subsidiary's earnings without paying tax.[556]

The United States has worked to tackle tax avoidance both within the framework of its domestic laws and though cooperation with other governments. It has thus been awarded a score of +1 for complying with its commitment.

Analysts: Grace Gao and James Flynn

European Union: +1

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

Due to Europe's long-standing commitment to economic integration, there is a history of evolving international tax regulation in the region. In 1988, the Organization for Economic Co-operation and Development (OECD) and the Council of Europe (not an EU institution) developed the Convention on Mutual Administrative Assistance in Tax Matters, which was open to members of both organizations. In 2010 it was amended by Protocol and was opened to all countries. The Convention is enthusiastically advanced by the G20 and currently has over 60 signatories. Its main goal is to promote transparency in tax matters and automatic exchange of information internationally.[557] The EU has been active in the elimination of harmful tax regimes and is en route to having a comprehensive system for automatic exchange of information.[558] The EU's structure, however, may impose a legislative impediment on the implementation of the Action Plan.[559]

On 22 October 2013, the European Commission created a High Level Expert Group on Taxation of the Digital Economy to work on Action 1 of the BEPS Action Plan: "Address the challenges of the

[555] Draft Form 1099 Instructions Reflect FATCA; IRS Updates Q&A on IGA Registration Rules, Bloomberg 26 September 2014. Date of Access: 8 October 2014. http://www.bna.com/draft-form-1099-n17179895465/

[556] Treasury Announces First Steps to Reduce Tax Benefits of Corporate Inversions, United States Treasury Department 22 September 2014. Date of Access: 7 October 2014. http://www.treasury.gov/press-center/press-releases/Pages/jl2647.aspx

[557] Convention on Mutual Administrative Assistance in Tax Matters, OECD (Paris) April 2014. Date of Access: 30 March 2014. http://www.oecd.org/tax/exchange-of-tax-information/conventiononmutualadministrativeassistanceintaxmatters.htm

[558] Fighting tax evasion: Commission proposes widest scope of automatic exchange of information within the EU, European Commission (Brussels) 12 June 2013. Date of Access: 30 March 2014. http://europa.eu/rapid/press-release_IP-13- 530_en.htm

[559] EU Legislations – BEPS Action Plan Constrained?, Transfer Pricing Associates (Amsterdam) 19 August 2013. Date of Access: 30 March 2014. http://www.tpa-global.com/news/2013/08/19/eu-legislation-ndash-beps-action-plan-constrained

digital economy."[560] Its first report was sent to the Commission on 28 May 2014. It is meant to guide EU digital taxation policy.[561]

On 23 October 2013, the European Commission introduced a new standard value-added tax (VAT) return, to increase tax efficiency in the EU and tackle tax avoidance, among other things. The new measure was decided on after a study of the VAT gap, which showed an average increase over the period 2007-2011.[562,563]

On 25 November 2013, the European Commission adopted a proposal to close loopholes in the Parent-Subsidiary Directive, in a move to tackle corporate tax avoidance.[564] On 2 April 2014, the European Parliament voted to support the proposed revision; however, the parliament's vote is not binding.[565]

On 6 February 2014, the Platform for Tax Good Governance met to discuss recommendations for third country governance standards, put forward by the European Commission in early 2013. The mandate of the platform is to monitor countries' progress in fighting aggressive tax planning and tax heavens.[566,567]

On 24 March 2014, the Council of the European Union adopted a revision of the EU Savings Tax Directive, with the aim to better fight tax evasion. It is meant to improve the exchange of information relating to savings income. It builds on previous work on proposals for an automatic exchange of information and enlarges the scope to new types of financial instruments, which generate interest income.[568]

On 11 June 2014, the European Commission announced that it had opened three investigations "to examine whether decisions by tax authorities in Ireland, The Netherlands and Luxembourg with regard to the corporate income tax to be paid by Apple, Starbucks and Fiat Finance and Trade comply with the

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[560] Taxing the Digital Economy: Commission creates Expert Group to guide EU approach, European Commission (Brussels) 22 October 2013. Date of Access: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-983_en.htm
[561] Taxation of the Digital Economy: High-level Expert Group presents final report, European Commission 28 May 2014. Date of Access: 6 October 2014.
[562] Standard VAT Return: Easing life for businesses and improving tax compliance, European Commission (Brussels) 23 October 2013. Date of Access: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-988_en.htm
[563] VAT Gap: Frequently asked questions, European Commission (Brussels) 19 September 2013. Date of Access: 30 March 2014. http://europa.eu/rapid/press-release_MEMO-13-800_en.htm
[564] Tackling Tax Avoidance: Commission tightens key EU corporate tax rules, European Commission (Brussels) 25 November 2013. Date of Access: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-1149_en.htm
[565] Report on the proposal for a Council directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, European Parliament (Strasbourg) 23 March 2014. Date of Access: 30 March 2014. http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2014-0243+0+DOC+XML+V0//EN
[566] Platform for Tax Good Governance, European Commission (Brussels) 22 January 2014. Date of Access: 30 March 2014. http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/good_governance_matters/platform/meeting_20140206/tax_havens.pdf
[567] Fighting tax evasion: Commission sets up a Platform for Tax Good Governance, European Commission (Brussels) 23 April 2013. Date of Access: 30 March 2014. http://europa.eu/rapid/press-release_IP-13-351_en.htm
[568] Council adopts new rules on the taxation of savings income, Council of the European Union (Brussels) 24 March 2014. Date of Access: 30 March 2014. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/141817.pdf

EU rules on state aid." The investigation is focused on whether certain companies "have received significant tax reductions by way of 'tax rulings' issued by national tax authorities."[569]

On 20 June 2014, the Council of the European Union agreed on a tax rule change that would "prevent the double non-taxation of corporate groups deriving from hybrid loan arrangements." The amendment closes a loophole that allows corporations to exploit mismatches between national tax rules and avoid paying taxes on certain types of profits.[570]

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

Analysts: Theodora Mladenova and James Flynn

[569] State aid: Commission investigates transfer pricing arrangements on corporate taxation of Apple (Ireland) Starbucks (Netherlands) and Fiat Finance and Trade (Luxembourg), European Commission 11 June 2014. Date of Access: 7 October 2014. http://europa.eu/rapid/press-release_IP-14-663_en.htm
[570] Council agrees to close tax loophole for corporate groups, Council of the European Union 20 June 2014. Date of Access: 7 October 2014. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/143274.pdf