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Global Tax Alert

OECD hosts webcast to provide update on its tax work during COVID-19 crisis

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Executive summary

On 4 May 2020, the Organisation for Economic Co-operation and Development (OECD) Secretariat hosted a webcast to provide an update on its current work related to the COVID-19 crisis and to explain how the OECD has adapted its work on other projects because of the crisis. In response to the COVID-19 crisis, the OECD is providing support to countries by gathering information on the responsive tax policy and tax administration actions that countries are taking and by analyzing cross-border tax issues that are arising. In parallel, the OECD continues its work on the full range of ongoing tax projects.

Regarding the project on addressing the tax challenges of the digitalization of the economy, it was reported on the webcast that progress is being made toward the objective of reaching agreement with respect to Pillar 1 and Pillar 2 by the end of 2020. However, due to COVID-19, the meeting of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), which comprises the 137 jurisdictions participating in this project, that was planned for July 2020, together with the interim target of agreement on key policy features of new rules, has been postponed to October 2020. It was also noted that work on the project will continue into 2021.

Detailed discussion

The OECD has been hosting tax webcasts regularly to provide updates on recent and upcoming developments in the OECD's international tax agenda. On 4 May 2020, the OECD hosted its 15th webcast in this "OECD tax talks" series. The webcast covered the following key topics:

1. COVID-19 related tax work
2. Tax transparency developments
3. BEPS Actions 13 and 14 developments
4. Digitalized economy project developments
5. Other updates and next steps

COVID-19 related tax work

Publications and database

Since the COVID-19 outbreak, the OECD has been publishing on its [website](#), reports and other materials related to responsive tax developments to help taxpayers and countries during the crisis.

The OECD maintains a database that catalogues the tax measures that have been implemented by countries around the world in response to COVID-19. The database covers more than 100 jurisdictions and is regularly updated.

The OECD Forum on Tax Administration has published two reports related to COVID-19 developments: the first report¹ contains examples of tax administrative measures being taken by tax administrations globally to support taxpayers and the second report² describes core business continuity considerations for tax administrations in the crisis.

The OECD also has published an *OECD Secretariat Analysis of Tax Treaties* and the *Impact of the COVID-19 Crisis*. As a result of the containment measures adopted by governments around the globe, many cross-border workers are unable to physically perform their duties in their country of employment. This unusual situation raises tax issues that could affect how the right to tax is divided between countries, which is governed by international tax treaty rules that delineate taxing rights. The Secretariat Analysis provides guidance on permanent establishment and residence issues based on the provisions of the OECD Model Tax Convention.³

Report to G20

At the request of the Saudi G20 Presidency, the OECD prepared a [report](#), "Tax and Fiscal Policy in Response to the Coronavirus Crisis," in connection with the virtual meeting

of the G20 Finance Ministers and Central Bank Governors on 15 April 2020. The report describes the emergency tax and fiscal policy measures being introduced by countries worldwide and discusses how tax and fiscal policies can cushion the impact of continued containment and mitigation policies and subsequently support economic recovery. The report finds that governments have taken decisive action to contain and mitigate the spread of the virus and to limit the adverse impacts on their citizens and their economies. However, the report indicates that further and coordinated action to preserve economic capacity and protect the most vulnerable will be needed. The report notes that specific support will be necessary for developing countries, including through international coordination, financial support and adaptation of tax rules that benefit all countries.

According to the report, countries should explore all options, including revamping old tools and introducing new ones. The report expresses the view that, in a post-crisis environment with rising pressure on public finances, it is likely that addressing the tax challenges of the digitalization of the economy through new rules for taxing digital activity (Pillar 1) and new minimum tax rules (Pillar 2) will take on greater prominence for countries. The report notes that increased use of digital services taxes and the need to collect more revenues could provide new impetus to efforts to reach agreement on both Pillar 1 and Pillar 2. The report further notes that international tax cooperation will be essential to prevent tax disputes from turning into trade wars that would harm economic recovery.

Request for further work and guidance

The OECD Secretariat reported that the OECD has received requests regarding guidance on transfer pricing issues related to COVID-19. Because the circumstances of the COVID-19 crisis is creating novel transfer pricing issues for taxpayers and tax administrations, the Inclusive Framework is exploring the development of agreed guidance on these issues, which likely would be issued later this year or early next year. The OECD Secretariat indicated that input from stakeholders on the issues that should be covered by this additional guidance is welcome and can be sent to ctp.contact@oecd.org.

Tax transparency developments

The OECD Secretariat provided an update on the Global Forum's ongoing work on the Common Reporting Standard (CRS) peer review process. With respect to the Automatic Exchange of Financial Account Information (AEOI), the September 2020 CRS exchange deadline has been extended

to the end of December 2020. However, jurisdictions are encouraged to exchange earlier if they are able. Also, the review of the legal frameworks for approximately 100 jurisdictions has been completed. With respect to the Exchange of Information on Request (EOI), 69 peer reviews have already been released and 9 additional reports are in the pipeline to be released in summer. Due to the COVID-19 crisis, the launch of new reviews has been delayed by six months. With the aim of supporting international cooperation during the crisis, the Global Forum is planning to release new toolkits on the multilateral Convention on Mutual Administrative Assistance in Tax Matters, matters related to the operation of an EOI unit, and confidentiality matters related to AEOI.

The OECD is also continuing its work on tax transparency for the sharing and gig economy. The OECD had released in February a consultation [document](#) on model rules for reporting of data by platform operators with respect to sellers in the so-called sharing and gig economy⁴ and has received comment submissions in response. The work on drafting of the Model Rules is now in the final stage, taking into account the input received. The Secretariat indicated that it expects that the Model Rules will be released before summer.

The Secretariat also noted that as the Financial Technology (FinTech) sector is evolving rapidly, in particular in the cryptocurrency and stablecoin space, it is important that this sector is subject to adequate tax transparency. In this regard, the OECD is working on a due diligence, reporting and exchange framework, inspired by the CRS and the work of the Financial Action Task Force.

BEPS Actions 13 and 14 developments

The BEPS Action 13 final report set out a mandate for a 2020 review of country-by-country reporting (CbCR). The OECD in February released a public consultation [document](#) on the review of CbCR⁵ and has received comment submissions in response. The public consultation meeting that had been scheduled for 17 March 2020 but was cancelled because of COVID-19 has now been re-scheduled as a virtual meeting on 12-13 May 2020. The OECD Secretariat also noted that a second phase could be added to the 2020 review later in order to consider changes to CbCR that could support the work on Pillar 1 and Pillar 2, recognizing the limits on the appropriate use of CbCR information.

On BEPS Action 14 on improving mutual agreement procedures (MAP), the Secretariat stated that good progress has been made on the peer review process so

far and additional peer review reports are expected to be published in June 2020. It is possible that there will be a public consultation later in the year regarding ongoing discussions on the minimum standard, methodology and statistics framework. The Secretariat also noted that it will also be necessary to link this work on improving MAP with the work on the digitalized economy project given the need for enhanced tax certainty to be part of any consensus on that project.

Digitalized economy project developments

With respect to the ongoing work on the digitalized economy project, the OECD Secretariat stressed that there is an increased need for a consensus-based solution under Pillar 1 as there is strong risk of increased proliferation of digital services taxes which could potentially lead to trade conflicts during a severe worldwide economic crisis. The Secretariat referred to the [communiqué](#) issued in connection with the recent virtual meeting of the G20 Finance Ministers and Central Bank Governors, which expressed their commitment to continue to tackle the global challenges, “notably those related to addressing the tax challenges arising from the digitalization of the economy and enhancing access to opportunities.”

With respect to the project timeline, the Secretariat indicated that the objective continues to be to deliver a consensus-based solution at the end of the year. However, the Inclusive Framework meeting planned for July 2020 has been postponed to early October 2020 because of the COVID-19 crisis. This effectively shifts the associated interim target deadline for the Inclusive Framework to reach agreement on some key features of the proposals to the new meeting date. The Inclusive Framework will have a virtual meeting in July 2020 for an update on the technical progress being made on both Pillars 1 and 2 through ongoing virtual meetings of the relevant Working Parties and the Steering Group. The Secretariat also indicated that documents providing more technical details of the proposals under both Pillars are expected to be released publicly in the summer.

With respect to the economic impact assessment, the Secretariat indicated that work continues and that they expect to be in a position to release updated information by the end of summer. The revenue estimates and the modeling tools are being refined based on the ongoing discussions on scope and design. Additionally, work is being done on an assessment of the impact of the proposals on investment costs and an assessment of the economic

implications of what could occur if a consensus-based solution is not achieved. The impact assessment also will be updated for the economic changes resulting from the COVID-19 crisis, including losses for many firms, higher profits for some firms, potentially higher reliance on digital activity, and the need for increased government revenues.

Other updates and next steps

The OECD Secretariat provided an update on the work of the Platform for Collaboration on Tax – a joint initiative of the International Monetary Fund, OECD, United Nations, and World Bank Group. In March 2020, it launched a new [integrated website](#) that provides information on how low- and middle-income countries can strengthen their tax systems and mobilize the domestic revenue they need to address some of their urgent development challenges, including the COVID-19 crisis. The Secretariat also noted that the final version of the toolkit “Offshore Indirect Transfers” is to be published soon.⁶ The toolkit provides analysis of, and options for, the tax treatment of offshore indirect transfers of assets, in essence, the sale of an entity owning an asset located in one country by a resident of another.

In addition, the Secretariat indicated that the Tax Transparency in Africa report and the Tax Inspectors Without Borders annual report are expected in June 2020 and the Annual Progress Report on BEPS is expected in July 2020.

Implications

As the COVID-19 crisis evolves, the OECD is taking on new work related to the crisis and is adapting its ongoing work in light of the crisis. The OECD webcast provided an overview of all of the ongoing tax work, including some adjustments in timing because of the COVID-19 crisis. The OECD’s technical work on a broad range of projects continues through virtual meetings of the country delegates and through virtual sessions with stakeholders.

Importantly, the complex issues underlying Pillar 1 and Pillar 2 of the digitalized economy project are the subject of ongoing policy and technical discussions among the Inclusive Framework jurisdictions. The OECD and participating countries are continuing to work toward agreement on proposals for fundamental changes in the global international tax architecture under which multinational businesses operate. It is expected that this project will take on heightened importance for some countries in light of the circumstances of the COVID-19 crisis, including the increasing global activity on digital services taxes and the revenue pressures that many governments are likely to face coming out of the crisis. The delay of the next decision-making meeting of the Inclusive Framework from July to October 2020 provides an extended window for companies that are interested in engaging with the OECD and policymakers at both national and multilateral levels on the business implications of these proposals. Given the significant implications of the international tax changes under discussion, businesses should monitor OECD developments closely over the coming months.

Endnotes

1. <https://www.oecd.org/coronavirus/policy-responses/tax-administration-responses-to-covid-19-measures-taken-to-support-taxpayers/>.
2. https://read.oecd-ilibrary.org/view/?ref=128_128290-cy6mbvet5x&title=Tax-administration-responses-to-covid-19-business-continuity-considerations.
3. See EY Global Tax Alert, [OECD Secretariat issues guidance on impact of the COVID-19 crisis on treaty-related issued](#), dated 10 April 2020.
4. See EY Global Tax Alert, [OECD releases consultation document on model rules for data reporting by platform operators for sellers in the sharing economy](#), 27 February 2020.
5. See EY Global Tax Alert, [OECD releases Consultation Document on the review of Country-by-Country Reporting](#), dated 11 February 2020.
6. See EY Global Tax Alert, [The Latest on BEPS](#), dated 17 June 2019.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Belastingadviseurs LLP, Rotterdam

- ▶ Ronald van den Brekel ronald.van.den.brekel@nl.ey.com
- ▶ Marlies de Ruiter marlies.de.ruiter@nl.ey.com
- ▶ Maikel Evers maikel.evers@nl.ey.com

Ernst & Young Belastingadviseurs LLP, Amsterdam

- ▶ David Corredor-Velásquez david.corredor.velasquez@nl.ey.com
- ▶ Konstantina Tsilimigka konstantina.tsilimigka@nl.ey.com

Ernst & Young LLP (United States), Global Tax Desk Network, New York

- ▶ Jose A. (Jano) Bustos joseantonio.bustos@ey.com
- ▶ Jean-Charles van Heurck jean-charles.van.heurck1@ey.com

Ernst & Young LLP (United States), Washington, DC

- ▶ Barbara M. Angus barbara.angus@ey.com

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