

G20 Finance Ministers and Central Bank Governors' meeting communiqué extends mandate of Inclusive Framework to continue negotiations on BEPS 2.0 project until mid-2021

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Executive summary

On 14 October 2020, the G20 Finance Ministers and Central Bank Governors met via videoconference. At the conclusion of the meeting, a joint communiqué (the [communiqué](#)) on key topics discussed at the meeting was issued. With respect to the ongoing G20/OECD project on addressing the tax challenges arising from the digitalization of the economy (the "BEPS 2.0 project"), the communiqué reaffirms the G20's commitment to making further progress on the two-pillar approach¹ and stresses the importance of addressing the remaining issues in order to reach a global and consensus-based solution by mid-2021.

The meeting took place two days after the release by the Organisation for Economic Co-operation and Development (OECD) of a series of detailed new documents related to the BEPS 2.0 project,² including an [OECD Secretary-General Tax Report](#) to the G20 Finance Ministers and Central Bank Governors on progress on the international tax agenda in general and the BEPS 2.0 project in particular.

Detailed discussion

As is typical, the meeting communiqué includes a paragraph on tax matters that are of interest to the G20 Finance Ministers and Central Bank Governors. It begins by stating their intention to continue their cooperation for a globally fair, sustainable, and modern international tax system. It acknowledges that the COVID-19 pandemic has impacted the work of addressing the tax challenges of the digitalization of the economy and welcomes the Reports on the Blueprints for [Pillar One](#) and [Pillar Two](#) (the Blueprints) that were released by the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on 12 October 2020, referring to the Blueprints as a solid basis for agreement. Importantly, the communiqué reiterates the G20 commitment to make further progress and urges the Inclusive Framework to address the remaining issues in order to reach a global, consensus-based solution by mid-2021.

In addition, the communiqué welcomes the progress made on tax transparency and expresses the continued support to developing countries in strengthening their tax capacity to build sustainable tax revenue bases. It welcomes the [report](#) approved by the G20/OECD Inclusive Framework on BEPS on the tax policy implications of virtual currencies that also was released on 12 October.

Implications

The communiqué expresses the continued interest of the G20 in getting to global consensus on new rules that will significantly change the international tax architecture under which multinational businesses operate. It also reflects the urgency of this objective. It is expected that this message will be further confirmed by the G20 Leaders during their meeting on 21-22 November.

The extension of the mandate to mid-2021 does raise questions regarding the implications for existing and pending Digital Services Taxes (DST). In particular, France has suspended the collection of its DST until the end of 2020 under the condition that a global agreement would be reached by then. In light of the new G20 timeline, it is expected that France will communicate soon on whether it will extend the suspension pending the continued OECD negotiations. Other countries have been contemplating potential action on new DST legislation by the end of the year. In addition, the European Commission may include discussion of a digital levy in the Commission Communication “Business Taxation for the 21st Century” that is expected to be released on 28 October 2020. Therefore, over the next few weeks, it will be important to monitor responses of individual G20 and non-G20 jurisdictions and the European Union to these G20 developments.

More generally, taxpayers should monitor the ongoing developments with respect to this important project and may want to consider taking the opportunity to engage with policy makers in the OECD and in G20 and other countries on the implications of changes being developed.

Endnotes

1. See EY Global Tax Alert, [OECD documents on BEPS 2.0 include new details and identify issues under consideration on Pillar One and Pillar Two](#), dated 7 February 2020.
2. See EY Global Tax Alert, [OECD's Inclusive Framework releases BEPS 2.0 documents and agrees to continue work with target of conclusion by mid-2021](#), dated 13 October 2020.

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