



BRUSSELS | FEBRUARY 2022

OECD Update on Pillar 1 & 2 Developments

The OECD held a [Tax Talks](#) webinar on 21 February concerning recent and upcoming developments in the OECD's international tax agenda, the first in almost a year, particularly focusing on updates on the two-pillar solution to tax challenges posed by the digital economy.

During the introduction to the Tax Talks update, Director of the Centre for Tax Policy and Administration at the OECD, Mr Pascal Saint-Amans informed attendees that consultations will continue to be launched in the coming months on the 14 building blocks which make up Pillar 1, namely:

- Revenue Sourcing & Nexus
- Tax Base
- Scope Test
- Exclusions - Extractives
- Exclusions - Regulated Financial Services
- Tax Certainty for Amount A
- Tax Certainty for Issues Related to Amount A
- Elimination of Double Tax
- Marketing and Distribution Profits
- Safe Harbour
- Withholding Taxes
- Administration
- Segmentation

- Unilateral Measures

Members of the Inclusive Framework aim to agree a multilateral convention by mid-2022. Input already received on the now closed consultation on [Draft Rules for Nexus and Revenue Sourcing](#) will be analysed and the OECD will finalise model rules based on this public input. The OECD also stressed that input on the newly launched consultation on the [Draft Model Rules for Tax Base Determinations](#) is welcome. Input is required on this consultation by 4 March 2022.

In relation to Pillar 2, Mr Saint-Amans noted that a model treaty provision to facilitate the subject to tax rule and draft multilateral instrument to facilitate the implementation of Pillar 2 will be released in late February/early March 2022, with one consultation to then take place on the STTR model rules and commentary and another which will focus on specific technical questions that may arise from implementing STTR in existing bilateral treaties. A further consultation on filing obligations for MNE groups, safe harbours and the ways to achieve a sensible compliance burden will follow in March 2022.

The slides and recording from the webinar will be made available on the [OECD website](#).

EU Council Reviews Tax Blacklist

On 24 February, the Council of the EU [reviewed](#) its List of Non-Cooperative Jurisdictions for Tax Purposes ("Blacklist"). No jurisdictions were added to the list during the review.

The following jurisdictions remain on the Blacklist: American Samoa, Fiji, Guam, Palau, Panama, Samoa, Trinidad and Tobago, US Virgin Islands and Vanuatu. The state of play in Annex II of the Blacklist also details steps taken by various jurisdictions to undertake reforms in order to comply with tax good governance standards. More detail on this can be found in the Code of Conduct (Business

Taxation) [report](#) to the Council of the EU.

The Blacklist is reviewed twice per year, and will next be reviewed in October 2022.

OECD to Establish New Inclusive Framework on Carbon Pricing

During the [Tax Talks](#) webinar on 21 February, Pascal Saint-Amans, Director of the Centre for Tax Policy and Administration at the OECD, announced that the OECD is launching a new inclusive framework on carbon pricing. This framework will address variety of issues, some of which were touched on in the [policy paper](#) released recently on the topic of decarbonising the economy by the OECD.

Mr Saint-Amans noted that a further Tax Talks Webinar will be held in the near future concerning the new inclusive framework and the particular focus of work it will undertake.

Applications Open: CFE Tax Advisers Europe's 2021 Albert J. Raedler Medal Award

Submissions are now invited for CFE's 2021 *Albert J. Rädler Medal Award*. The award was established in 2013 in order to encourage and reward academic excellence in European taxation, as well as to recognise Professor Albert J. Rädler's esteemed contribution to the field of taxation within Europe. In order to be eligible to apply, an applicant must have completed a Master's thesis in European taxation which received a distinction in the relevant calendar year, and be 30 years or under on the 31st December of that relevant year. The thesis should be written in English or, in the alternative, an English translation must be provided.

The successful applicant will be awarded with the medal at an Award Ceremony which will take place at the CFE Forum on 12 May 2022 in Brussels, Belgium. In addition to the Albert J. Rädler medal itself, the recipient will be offered travel costs in order to attend the 2022 CFE Forum, as well as a selection of premium technical literature from our partner IBFD.

Please send the applications until 18 March 2022 to the attention of Ms. Karima Baakil via email at: info@taxadviserseurope.org.

OECD Public Consultation on Draft Pillar I Nexus & Revenue Sourcing Rules

In February, the OECD held a consultation concerning [Draft Rules for Nexus and Revenue Sourcing](#) from the Pillar 1 solution to address the tax challenges arising from digitalisation and globalisation of the economy. This consultation concerns Amount A of Pillar 1. The OECD has now published the [public input](#) received during the consultation process.

The revenue sourcing rules will allow in-scope MNEs to identify the relevant market jurisdictions from which revenue is derived, and to apply the revenue-based allocation key. Under the OECD [agreement](#) reached in October 2021, revenue is sourced to the end market jurisdictions where goods or services are used or consumed.

Further consultations will be conducted in the coming months on the 14 building blocks which make up Pillar 1.

EU to Extend VAT Reverse Charge Mechanism

The European Commission has published a [draft proposal](#) to extend the application of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud. The draft Directive proposes to extend the application of the mechanism until the end of 2055.

The Explanatory Memorandum to the Directive notes that negotiations in the Council concerning the definitive VAT system are ongoing, and that it will not be possible for the system to enter into force by July 2022, and that an extension until the end of 2055 is required to allow for the negotiations and to prolong the anti-fraud measures.

Input can be provided on the proposal to extend the mechanism's application, via the [Have Your Say portal](#), until 7 April 2022.

Global Forum Publishes 2022 Capacity Building Report

The OECD's Global Forum has published its [2022 Capacity Building Report](#), celebrating the 10th anniversary of the Global Forum and reflecting on 10 years of capacity building programme and its achievements. The work of the Global Forum is key in aiding developing countries with tax evasion and other illicit financial flows.

Since its inception in 2011, the Global Forum has trained over 22,000 officials, including over 850 African officials through the "[Train the Trainer](#)" pilot programme, launched in 2021 under the umbrella of the [Africa Initiative](#), published [six news toolkits](#) to provide guidance on effectively implementing standards on transparency and exchange of information, and provided [five e-learning courses](#) since 2019, which have been completed by over 5 200 officials.

66 developing jurisdictions have also joined the [Convention on Mutual](#)

[Administrative Assistance in Tax Matters](#), with most developing countries have [satisfactorily implemented the EOIR standard](#). In addition, 36 of the 108 [jurisdictions committed to implement the AEOI standard](#) by 2021 are developing jurisdictions and 12 additional developing countries are committed to start exchanging by 2022-24. The Global Forum recently published a [new strategy](#) to accompany and encourage these positive developments.

European Parliament Adopts Resolution on Reducing EU VAT Gap

In February, the European Parliament adopted a [resolution](#) concerning the EU VAT Gap, noting that progress to reduce the VAT Gap in the EU reversed in 2020 and that additional challenges have been posed by the exponential growth of e-commerce since the corona pandemic began, demanding new strategic policy options now be adopted.

The Parliament in the resolution noted that failure at the EU Council level to agree on the proposed definitive VAT regime "is delaying important decisions on adapting VAT for the challenges we will face during the EU's economy recovery and whereas the absence of action means loopholes that could allow the VAT gap to grow have not been closed".

The Parliament in the resolution calls for a range of legislative action to be taken by the Commission and by the EU Council to progress reaching solutions fit for the issues posed by VAT fraud to the EU economy.

OECD Consultation on Draft Rules for Tax Base Determination Under Pillar I

The OECD opened a second public consultation in February to seek input on [Draft Model Rules for Tax Base Determinations](#), the second consultation concerning

the computation of Amount A under the Pillar 1 solution to address the tax challenges arising from digitalisation and globalisation of the economy.

As stated in the OECD consultation, the purpose of the tax base determinations rules is to establish the profit (or loss) of an in-scope MNE that will be used for the Amount A calculations to reallocate a portion of its profits to market jurisdictions. The rules determine that profit (or loss) will be calculated on the basis of the consolidated group financial accounts, while making a limited number of book-to-tax adjustments. The rules also include provisions for the carry-forward of losses.

Those who wish to provide feedback can submit comments until 4 March 2022 electronically in Word format by email to tfde@oecd.org, addressed to: Tax Treaties, Transfer Pricing and Financial Transactions Division OECD/CTPA.

Investment Tax Incentives Database

Following on from the creation of an online database which compiles information on corporate income tax (CIT) incentives for investment, the OECD has now published a paper setting out the methodology employed for the development of the database and on initial data collected using the database from 36 developing countries.

According to the OECD, "the data reveal that tax exemptions are the most widely used CIT instrument across the 36 countries and identifies notable differences between the incentives used within and outside of Special Economic Zones (SEZs). In 80% of countries covered, at least one tax incentive supports an area related to the Sustainable Development Goals".

The report can be accessed [here](#).

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