



AUSTRALIAN HIGH COMMISSION
PRETORIA

G20 Study Group session on “Taxation and the G20”

Hosted by the South African Institute of International Affairs

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Speaking notes: Ms Pamela Currie, Australian High Commission, Pretoria

- The G20 is working to strengthen the international tax system.
- We know that these systems have not kept pace with the changes in the global economy
 - because billions of dollars are lost each year due to profit shifting and illicit financial flows that could otherwise be invested in sustainable economic growth and development.
- Under Australia’s presidency in 2014, the G20 tax agenda covers three main themes:
 - one, addressing tax base erosion and profit shifting or ‘BEPS’
 - two, enhancing tax transparency through the automatic exchange of financial account information
 - and three, ensuring that low income and other developing countries can benefit from the work we are doing on addressing BEPS and promoting tax transparency.
- This year we have also supported further work on cooperation and collaboration between tax authorities to tackle cross-border tax issues that will complement work under all three themes of the G20 tax agenda.
- I would like to discuss progress on each of these areas – BEPS, automatic exchange and tax and development, in turn.

Addressing base erosion and profit shifting

- The G20 and the Organisation for Economic Co-operation and Development (OECD) have worked together to progress a two year, 15 point BEPS Action Plan
 - the Action Plan is designed to close gaps in the international tax system and bring it into line with modern business practices
 - this includes addressing parts of international tax rules that make it possible for companies to artificially shift income and profits away from the location where they are earned to reduce their tax bill
 - : the aim is to ensure that profits are taxed where economic activity occurs and value is created
 - it will also include proposals to increase transparency.
- This year we have seen the first seven deliverables that lay the foundation for the completion of the two-year Action Plan in 2015.

- At their September 2014 meeting, G20 Finance Ministers and Central Bank Governors welcomed the significant progress achieved towards the completion of the BEPS Action Plan
 - and committed to finalising all action items in 2015.

Automatic exchange of information for tax purposes

- A significant achievement for the G20 tax agenda during Australia's presidency has been in the area of increasing international tax transparency.
- At the February 2014 meeting of Finance Ministers and Central Bank Governors, G20 economies endorsed a concrete proposal to address cross-border tax evasion
 - in the form of the Common Reporting Standard (CRS) for automatic exchange of tax information (automatic exchange).
- The CRS will help tax administrations identify residents who use offshore accounts to hide their income
 - it will also help prevent the proliferation of inconsistent reporting arrangements.
- At their September 2014 meeting, Finance Ministers and Central bank Governors agreed to an Implementation Plan of this Standard, which will see it implemented by G20 countries by 2017 or end-2018.

Tax and development

- Australia recognises the acute consequences tax avoidance and evasion have for developing countries
 - and that effective revenue collection provides the most sustainable means to deliver services, finance infrastructure, and encourage jobs and investment growth.
- That is why the G20 Development Working Group is working to support developing countries to participate in, and benefit from, the G20's international tax agenda
 - with a focus on addressing BEPS and participating in automatic exchange
 - with the ultimate aim of capturing revenue on profits earned within their jurisdictions.

Addressing BEPS in developing countries

- We know that developing countries will face unique challenges in implementing the BEPS Action Plan
 - so this year we asked the OECD to lead the preparation of a [report of the impact of BEPS in low income countries](#)
 - G20 Finance Ministers and Central Bank Governors welcomed the report, which is now available online, in September 2014.
- This work reinforces the challenges developing countries will have in implementing international tax reforms, and that they require:
 - regular and proactive engagement in the G20/OECD BEPS processes, particularly for those that may otherwise find it difficult to participate in international meetings on tax issues;
 - tailored approaches to implement the outcomes of the BEPS Action Plan; and
 - assistance with overcoming obstacles to effectively implementing, and benefiting from, the outcomes of the BEPS Action Plan.

- These concerns were identified in OECD and other consultations with developing countries
 - including the March 2014 consultation with African countries, hosted by the African Tax Administration Forum and the South African Revenue Service.
- In response, the G20:
 - is working closely with the OECD to explore options for strengthening developing countries' involvement in both the design and implementation of reforms to address base erosion and profit shifting;
 - has called on international organisations and regional tax administration forums to develop practical toolkits to assist developing countries to implement the BEPS action items;
 - has instigated additional analysis on efficient and effective use of tax incentives for investment in low income countries; and
 - is exploring with the OECD and World Bank Group ways to support ongoing efforts to improve the availability of quality transfer pricing comparability data for developing countries.

Automatic exchange in developing countries

- The G20 recognises automatic exchange brings both opportunities and challenges for developing countries
 - and many developing countries will require longer timeframes to participate in automatic exchange.
- At their September 2014 meeting, G20 Finance Ministers and Central Bank Governors welcomed [a roadmap on automatic exchange for developing countries](#)
 - the roadmap was developed in partnership with the Global Forum on Transparency and Exchange of Information for Tax Purposes
 - it outlines an incremental approach developing countries can take to participate in automatic exchange.
- Piloting the roadmap will be the next key step for the G20 on this agenda
 - which G20 members have committed to support.

Conclusion

- I would like to take this opportunity to thank South Africa for its efforts as the G20 Development Working Group's lead co-chair on domestic resource mobilisation
 - through this role, South Africa has been working with Australia to lead the G20's work on tax and development, alongside co-facilitators Spain and the United Kingdom.
- The G20's work on BEPS and automatic exchange will complement existing tax-related capacity building efforts underway in developing countries through international organisations, regional tax administration forums and bilateral programs.
- This year, Australia has set up a [multi-year agenda on tax and development](#) that will extend into 2015 and beyond, to ensure that developing countries benefit from the work the G20 is doing to address cross-border tax avoidance and evasion.