

Executive summary

Action 6 of the BEPS Project identified treaty abuse, and in particular treaty shopping, as one of the principal sources of BEPS concerns. Owing to the seriousness of treaty shopping, jurisdictions have agreed to adopt, as a minimum standard, measures to address it, and to subject their efforts to an annual peer review. In 2018, the first peer review concluded that although few of the reported agreements met the minimum standard, many jurisdictions had begun in earnest to tackle the problem, principally by signing the multilateral instrument¹ (MLI).

This second peer review reveals that, by 30 June 2019, 91 Inclusive Framework members had begun to update their bilateral treaty network and were implementing the minimum standard. The data compiled for this peer review demonstrate that the MLI has been the tool used by the vast majority of jurisdictions that have begun to implement the minimum standard. By 30 June 2019, the MLI had already modified around 60 bilateral agreements.² The MLI's impact was expected to increase quickly as jurisdictions ratified it and that number has, as of 1 January 2020, increased to 180 bilateral agreements. Further, the MLI's coverage is also expected to increase as other jurisdictions with a large network of tax treaties are considering joining it.³

The success of the MLI as a tool to implement Action 6 minimum standard is clear: by 1 January 2020, 93 jurisdictions had signed the MLI, 38 had ratified it, and it had modified 180 bilateral tax treaties. Once all signatories have ratified the MLI, around 65% of all agreements between Inclusive Framework members will be modified by the MLI to include the minimum standard (and other BEPS treaty related provisions). Other jurisdictions have expressed interest in signing the MLI and, if all waiting agreements⁴ become covered tax agreements, this figure could be as high as 85%.

In light of the experience in conducting the peer reviews, the peer review methodology will be reviewed in 2020.

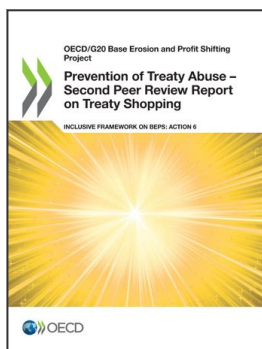
Notes

¹ Formally, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.

² As the MLI was not in force at the time of the first peer review, it had not updated any treaties at that time.

³ For instance, Bahrain, Jordan, Lebanon, North Macedonia, Thailand and Viet Nam, jurisdictions with large tax treaty networks, have expressed their intention to join the MLI in the future.

⁴ A “waiting agreement” is an agreement that has been listed under the MLI by only one of the treaty partners and is therefore waiting for the other partner to sign the MLI to create a match.



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