

## Meeting with Members of the European Parliament FISC Committee

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*for delivery*

Thank you for inviting me to speak to you here today. It is a pleasure to be here. We at OECD have been pushing tax transparency and fair cross-border tax practices for a long time. Together with the G20, we have eliminated bank secrecy for tax purposes and have developed a global standard on automatic exchange on offshore financial account information, covering banks, funds, wealth management vehicles and capital-lined insurance products, in which now over 100 countries, including major financial centres and a rising number of developing countries, participate.

As part of the BEPS project, we agreed the on a global minimum standard to put an end to IP-boxes and other harmful preferential corporate regimes that lack substance. In order to ensure global implementation of the BEPS actions, we have put in place the G20/OECD Inclusive Framework which now has close to 140 members. As we speak today, the Inclusive Framework is the body that is in the midst of seeking to deliver a global consensus-based solution for the taxation of the digital economy and the global minimum corporate tax.

Of course, on all these topics we work very closely with the EU, with the Commission and Member States participating in all our meetings.

As globalisation is a dynamic process and as markets and technology continue to evolve, there is fresh work to be done to ensure that the progress made in recent years on tax transparency and fair global tax system does not get watered down.

Therefore, I would like to share a couple of thoughts with you today on two key areas that pose challenges. Firstly, I will speak about new digital financial products, in particular crypto-assets, e-money and central bank-issued digital currencies and the risks they may create to tax transparency.

In a second part, I will then turn to the impact that the increasingly digitalised economy has on personal income tax issues, a topic that has not been at the forefront of international tax policy in recent years, but that may become increasingly important as citizens and economies adapt to the Post-Covid world.

### **1. Digital financial products and tax transparency**

In my introduction, I outlined the major progress made in ending bank secrecy and putting in place a global network of automatic exchanges of information on financial accounts held abroad by taxpayers. The entire data collection and exchange system foreseen by the Common Reporting Standard (or CRS) is based on financial intermediaries, such as banks, insurers and fund managers, reporting the required information to the tax authorities.

While this approach works well in the traditional financial sector, new digital financial products put the existing architecture under pressure, for three main reasons.

Firstly, a new range of financial assets have emerged or are emerging that are either not or not fully covered by the CRS. These include cryptocurrencies, crypto-based tokens tracking or referencing assets in the real economy, crypto-based money products and other forms of e-money and finally central-bank issued digital currencies.

Secondly, new actors have entered financial markets that act as intermediaries for these new digital financial assets, including in particular crypto-exchanges, wallet providers, e-money issuers, mobile phone companies and even central banks contemplating a direct interaction with consumers.

Thirdly and finally, the cryptography-based technology underpinning a significant part of the new developments in the financial industry allows the holding and transfer of assets without the intervention of a financial intermediary. This is in particular true for the holding of crypto-assets, which can be done offline or through software applications.

For all these reasons, an upgrade to global tax transparency policies is needed to make sure that governments keep pace with developments in the financial sector and to avoid that the progress made is reversed.

We at the OECD are therefore in the midst of developing a standard in which all countries across the globe can participate that would require intermediaries involved in the exchange or transfer of crypto-assets, being the central players in the crypto-ecosystem, to report on the activities of taxpayers in this market.

At the same time, we are seeking to expand the CRS to also cover new financial products that can be used to store wealth, as an alternative to traditional bank accounts. This obviously included e-money products that allow a significant amount to be stored over time, as well as holdings of central-bank digital currencies.

As both the technical and political dimensions of this work are equally crucial for delivering a strong, coherent, single global standard that is applied by all relevant financial market jurisdictions, we look forward to working with the EU towards this enhanced global tax transparency framework in the near future.

## **2. Integrity of personal income tax in the Post-Covid world**

Before I conclude, I would also like to briefly share initial thoughts on the impact of the digitalisation of the economy, and its rapid acceleration during the pandemic, on the integrity of the personal income tax system.

In this respect, two dimensions seem of particular interest. Firstly, many working people, both employees and independents, have become a lot more mobile in terms of their work location, in particular when they work in the services sector. Beyond cross-border work scenarios (so-called “frontaliers”), there is an increasing number of digital nomads that can work from virtually any location in the world. Current international tax rules foresee that employment income is in principle taxed at the place where the work is physically delivered. This creates significant issues in terms of visibility, legal uncertainty and enforceability when people move across jurisdictions, leading potentially to either no taxation or risks of multiple taxation. This therefore seems a space in which multilateralism and a fresh coordinated approach adapted to the realities of the digital world could ensure both efficient taxation of employment income for government and legal certainty for taxpayers that work in a geographically-mobile manner.

Secondly and finally, the increased mobility of persons and the digital way in which we work also means that governments can more easily attract foreigners to live and work in their countries. This in particular applies to wealthy persons or executives and tax policy is an important element for being an attractive place

to live. This has led to a wide range of tax incentives, such as partial income exemptions, non-taxation of foreign income, low rate for expats etc. Combined with investment-based residency visas and passports, this can create a mix of incentives that raises issues from a global tax policy perspective. In light of these developments, and also against the background of the financial and economic repercussions of the pandemic, there may be merit in considering whether criteria for harmful personal income tax regimes could be crafted, potentially along the line of those that have been successfully applied over the last years in the corporate income tax space, focussing on preferences for foreign taxpayers, geographically-mobile assets and income and substance requirements.

This brings me to the end of my introductory remarks for this hearing. I thank you for listening and I look forward to the input by my fellow speakers and the upcoming discussion.

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