International Tax Reform

01/07/2021 – 130 countries and jurisdictions have joined a new two-pillar plan to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate.

130 countries and jurisdictions, representing more than 90% of global GDP, joined the Statement establishing a new framework for international tax reform. A small group of the Inclusive Framework's 139 members have not yet joined the Statement at this time. The remaining elements of the framework, including the implementation plan, will be finalised in October.

The framework updates key elements of the century-old international tax system, which is no longer fit for purpose in a globalised and digitalised 21st century economy.

The two-pillar package – the outcome of negotiations coordinated by the OECD for much of the last decade – aims to ensure that large Multinational Enterprises (MNEs) pay tax where they operate and earn profits, while adding much-needed certainty and stability to the international tax system.

Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.

Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.

The two-pillar package will provide much-needed support to governments needing to raise necessary revenues to repair their budgets and their balance sheets while investing in essential public services, infrastructure and the measures necessary to help optimise the strength and the quality of the post-COVID recovery.

Under Pillar One, taxing rights on more than USD 100 billion of profit are expected to be reallocated to market jurisdictions each year. The global minimum corporate income tax under Pillar Two – with a minimum rate of at least 15% – is estimated to generate around USD 150 billion in additional global tax revenues annually. Additional benefits will also arise from the stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

"After years of intense work and negotiations, this historic package will ensure that large multinational companies pay their fair share of tax everywhere," OECD Secretary-General Mathias Cormann said. "This package does not eliminate tax competition, as it should not, but it does set multilaterally agreed limitations on it. It also accommodates the various interests across the negotiating table, including those of small economies and developing jurisdictions. It is in everyone's interest that we reach a final agreement among all Inclusive Framework Members as scheduled later this year," Mr Cormann said.

Participants in the negotiation have set an ambitious timeline for conclusion of the negotiations. This includes an October 2021 deadline for finalising the remaining technical work on the two-pillar approach, as well as a plan for effective implementation in 2023.

Further information on the continuing international tax reform negotiations is also available at: https://oe.cd/bepsaction1.

Media enquiries should be directed to Pascal Saint-Amans (+33 1 4524 9108), Director of the OECD Centre for Tax Policy and Administration, or to Lawrence Speer (+33 1 4524 7970) in the OECD Media Office (+33 1 4524 9700).

Working with over 100 countries, the OECD is a global policy forum that promotes policies to preserve individual liberty and improve the economic and social well-being of people around the world.

Reforming agricultural policy

22/06/2021 – Agricultural support has continued to grow worldwide in recent years, but is often failing to meet its stated aims of improving food security, livelihoods and environmental sustainability, according to a new report from the OECD.

Agricultural Policy Monitoring and Evaluation shows that the 54 countries monitored – including all OECD and EU economies, plus 11 key emerging economies – provided on average USD 720 billion of support to agriculture annually over the 2018-20 period.

Consumers paid for more than one-third of the annual support, or USD 272 billion, through higher prices, in the form of market price support, while taxpayers paid for the remaining USD 447 billion, through budgetary transfers.

Just 6% of all budgetary transfers to the sector, or USD 26 billion per year, was spent on agricultural innovation systems, despite their high social returns. Investments in agricultural innovation, biosecurity and infrastructure accounted for only USD 76 billion, or 17% of support to agriculture, despite their strong potential to boost sustainable productivity growth and improve resilience – key channels for ensuring food security, viable livelihoods and sustainable resource use.

In contrast, half of support to agriculture is market distorting, inequitable and harmful to both the environment and global food security, according to the report. In addition to the USD 272 billion of market price support, this includes USD 66 billion of annual budgetary transfers linked to output or to the unconstrained use of variable inputs, such as energy or fertiliser.

"Only one in six dollars of budgetary support to agriculture globally is spent in ways that are effective in promoting sustainable productivity growth and agricultural resilience," said OECD Director for Trade and Agriculture Marion Jansen. **"Most support is either ineffective in improving the performance of food systems, or even harmful. As we emerge from the COVID-19 pandemic, governments should make agricultural innovation central to their support for the sector."**

The OECD report underlines that much of the support offered today is *inefficient* at transferring income to farmers; *inequitable*, as benefits are weighted toward large producers; and *environmentally harmful*, as it often damages water quality and biodiversity and increases resource use and greenhouse gas emissions. Market price support – and the associated use of border measures – also harms food security at the global level by impeding the efficient allocation of resources, undermining the role of trade in moving food from surplus to deficit regions and contributing to increased price volatility in international food markets.

Further distortions to global markets also come from policies in small number of countries that suppress prices for some or all commodities. This negative price support amounts to USD 104 billion per year transferred away from producers.

Food systems around the world face the formidable "triple challenge" of providing safe, nutritious food to a growing world population, providing livelihoods along the food chain, and improving sustainability, by protecting natural resources such as land, water and biodiversity, and reducing greenhouse gas emissions.

The OECD report proposes three reforms to ensure that agricultural policies accelerate progress toward addressing the "triple challenge" faced by food systems and better support sustainable productivity growth and improved resilience:

- Phase out price interventions and market distorting producer support.
- Target income support to farm households most in need, and where possible incorporate such support into economy-wide social policies and safety-nets.
- Re-orient public expenditures towards investments in public goods – in particular innovation systems.

About the OECD Agricultural Policy Monitoring and Evaluation report

The OECD's annual Agricultural Policy Monitoring and Evaluation report provides up-to-date estimates of government support to agriculture for all 38 OECD members (including Costa Rica, which joined the Organisation in May 2021) and the European Union as a whole, plus key emerging economies: Argentina, Brazil, People's Republic of China, India, Indonesia, Kazakhstan, the Philippines, the Russian Federation, South Africa, Ukraine, and Viet Nam.

On 5 July 2021, the OECD and the United Nations Food and Agriculture Organization will issue the 2021-2030 edition of the *OECD-FAO Agricultural Outlook*. The Outlook will provide a comprehensive medium-term baseline for projections for agricultural commodity markets at national, regional and global levels, along with an analysis of the COVID-19 impacts.

► More information on Agricultural Policy Monitoring and Evaluation at the OECD

For further information, journalists are invited to contact Lawrence Speer in the OECD Media Office (+33 1 45 24 79 70).

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OECD launches Housing Policy Toolkit

14/06/2021 – Access to affordable and decent housing is vital for good health, job opportunities and life satisfaction, but housing remains one of the most complex policy challenges facing societies today. Governments must do more to ensure universal access to affordable, high-quality, environmentally sustainable housing, according to the OECD.

The COVID-19 crisis has uncovered how unevenly housing is distributed across population groups, and has worsened the adverse impacts of poor housing conditions, notably on the most vulnerable.

Launched in 2018, a wide-ranging **OECD Housing Project** has gathered comparative evidence, analysis and policy recommendations to help governments make housing more affordable, more energy-efficient and better adapted to people’s needs.

“Housing is much more than just a place to live,” said **OECD Secretary-General Mathias Cormann**. “It is the single largest household budget item and a key element in both economic performance and well-being.”

“The OECD Housing Policy Toolkit we are presenting today will help policymakers design better housing policies that address the reality of developments in housing markets, such as the affordability challenge, and improve the considerable effect housing policy has across societies,” Mr Cormann said.

With housing prices in many countries rising dramatically – lodging costs now absorb more than a third of the budget of the poorest 20%, compared with only a quarter of the budget of the top 20% – and public investment at historically low levels, four key priority areas emerge from the Toolkit.

First, **unlocking additional supply** will be key to meeting both current and future housing challenges. More public investment in energy-efficient social housing would ease housing difficulties, especially for households on low or unstable incomes. Building green social housing can also act as a catalyst for the energy transition of the construction industry as a whole.

Second, **land-use reforms,** such as the removal of overly tight building restrictions or minimum parcel size requirements, can reduce obstacles to new residential construction. Decisions on land use and planning must be made based on the needs of whole metropolitan areas rather than via a piecemeal district-by-district approach. Such reforms would put a brake on the strong upward trend in real house prices that has been widespread among OECD countries for the past four decades.

Third, **greater flexibility in regulations over landlord-tenant relations**, including rent control, can encourage investment in housing. Over the past year, these restrictions have been tightened to protect tenants hit hard by the Covid-19 crisis. Over time, the Toolkit’s overview report notes, such measures can discourage the supply of rental housing, ultimately making access to rental more difficult, especially for those on low or unstable incomes.

Fourth, **application of stringent environmental standards**, to achieve agreed greenhouse gas emission reduction targets and upgrade the energy efficiency of the existing housing stock, will be essential. This may put upward pressure on housing construction costs or rental prices, but these investments will translate to lower heating costs and preserve the long-term value of the houses.

The ***Housing Policy Toolkit*** includes:

- An overview report, ***Brick by Brick: Building Better Housing Policies***, which identifies policy levers that can enhance the efficiency, inclusiveness or sustainability of housing markets. It highlights ways

to bring progress across these objectives and also discusses addressing trade-offs that can arise among them.
- A ***Dashboard of Housing Indicators***, which gathers indicators allowing policymakers to compare outcomes and policy settings across countries by topic.
- A set of ***Country Snapshots*** offering national overviews of housing conditions and policies.

Further information on OECD Housing Week, 14-18 June 2021

A central policy objective of the OECD Housing Project is to ensure access to quality housing at affordable cost. Recent progress can be charted with new updates to cross-country indicators in the ***OECD Affordable Housing Database***, covering the housing market, housing conditions and affordability, and public policies to facilitate affordable housing in more than 40 countries worldwide.

The update to the Affordable Housing Database will be released Wednesday 16 June.

OECD Secretary-General Mathias Cormann will deliver opening remarks to a high-level housing policy roundtable on **Wednesday 16 June**, beginning at 14:00 CEST (12:00 GMT), followed by a keynote speech by **Italy's Minister for Sustainable Infrastructure and Mobility Enrico Giovannini**.

The first panel, **Mobilising the OECD Housing Policy Toolkit to future-proof housing markets**, from 14:10 to 15:25, will include a presentation by **Luiz de Mello, Director of Policy Studies in the OECD Economics Dept.,** followed by a panel discussion with various ministerial and high-level speakers.

A second panel, **Investing in affordable and social housing to facilitate an inclusive economic recovery**, from15:25 to 16:30, will include introductory remarks by **Stefano Scarpetta, OECD Director for Employment, Labour and Social Affairs**, followed by a panel discussion with global housing policy experts.

To register for the Housing Policy Roundtable, please go to:
https://meetoecd1.zoom.us/webinar/register/WN_o8UCtIlzRz618_AvEICeUA

For further information on the OECD Housing Project, or to request interviews, contact Lawrence Speer in the OECD Media Office (+33 1 4524 9700).

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Mathias Cormann starts term at OECD

Mathias Cormann was appointed as the Secretary-General of the OECD on 1 June 2021, for a five-year term.

Office of the Secretary-General

The Office of the Secretary-General provides support to the Secretary-General in the exercise of his functions and the fulfillment of his mandate, including the preparation of his daily activities, missions abroad and overall coordination of the work of the OECD Secretariat. The Office is lead by the Chief of Staff. The Secretary-General is assisted in his function by OECD Deputy Secretaries-General.

A landmark step forward on tax

05/06/2021 – OECD Secretary-General Mathias Cormann welcomed today's ground-breaking agreement by G7 Finance Ministers on key elements of international tax reform designed to address the tax challenges of the digitalisation and the globalisation of the economy.

"Governments around the world need to be able to raise the necessary revenue to fund the essential public services and support that their populations require and expect, in a way that is efficient, least distorting and also fair and equitable", said Mr. Cormann.

"The combined effect of the globalisation and the digitalisation of our economies has caused distortions and inequities which can only be effectively addressed through a multilaterally agreed solution.

"Today's consensus among the G7 Finance Ministers, including on a minimum level of global taxation, is a landmark step toward the global consensus necessary to reform the international tax system.

"There is important work left to do. But this decision adds important momentum to the coming discussions among the 139 member countries and jurisdictions of the OECD/G20 Inclusive Framework on BEPS, where we continue to seek a final agreement ensuring that multinational companies pay their fair share everywhere."

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