

OECD/G20 Base Erosion and Profit Shifting Project

A Decade of the BEPS Initiative

An Inclusive Framework Stocktake Report to G20 Finance
Ministers and Central Bank Governors



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Abbreviations and acronyms

BEPS	Base Erosion and Profit Shifting
BEPS MLI	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting
BIAC	Business at OECD
CbC	Country-by-Country
CbCR	Country-by-Country Reporting
CFA	Committee on Fiscal Affairs
CFC	Controlled Foreign Company
CIT	Corporate Income Tax
DRM	Domestic Resource Mobilisation
EBIT	Earnings Before Interest and Taxes
ETR	Effective Tax Rate
FDI	Foreign Direct Investment
G20	The Group of Twenty
GDP	Gross Domestic Product
GloBE	Global Anti-Base Erosion Rules
GMT	Global Minimum Tax
GRP	Global Relations Programme on Taxation
ILR	Interest Limitation Rule
IMF	International Monetary Fund
Inclusive Framework	OECD/G20 Inclusive Framework on BEPS

IP	Intellectual Property
LVAS	Low-Value-Adding intra-group Services
MCAA	Model Competent Authority Agreement
MAP	Mutual Agreement Procedure
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
PCT	Platform for Collaboration on Tax
PE	Permanent Establishment
RTO	Regional Tax Organisation
SIDS	Small Island Developing States
SGIF	Steering Group of the Inclusive Framework
SME	Small and medium-sized enterprise
TIWB	Tax Inspectors Without Borders
TPG	Transfer Pricing Guidelines
TUAC	Trade Union Advisory Committee
Two-Pillar Solution	Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax
VAT/GST	Value Added Tax/Goods and Services Tax
WBG	World Bank Group

Executive summary

The Base Erosion and Profit Shifting (BEPS) Project was designed to address concerns that the international tax system had not kept pace with the realities of the modern global economy. Concerns over double non-taxation and erosion of corporate income tax bases became more acute following the financial crisis of 2008-2009 and its associated fiscal pressures. In response, in 2015, the package of measures to counter BEPS was published (the BEPS Package), containing 15 BEPS Actions that sought to bring more coherence, substance, transparency and certainty to the international tax system.

The BEPS Project led to an important change to the international tax policymaking landscape with the establishment of the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework). Launched in 2016 following a call from the G20 (the Group of Twenty), the Inclusive Framework brings its members – currently more than 145 jurisdictions – together to ensure the comprehensive implementation of the BEPS Package and to establish a level playing field in efforts to update the global tax architecture. This led to discussions under BEPS Action 1 on addressing the tax challenges arising from the digitalisation of the economy and the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (the Two-Pillar Solution). This report discusses the progress made in implementing the BEPS Package and its economic impact over the past decade. Progress with the Two-Pillar Solution, which was developed after the release of the original BEPS Actions, is beyond the scope of this report.

Overview of BEPS Actions

Coherence	Substance	Transparency/Certainty
Action 2: Neutralising the effects of hybrid mismatch arrangements – preventing hybrid mismatch arrangements from being used for BEPS activity while minimising impact on cross-border trade and investment	Action 6: Prevention of Tax Treaty Abuse (Minimum Standard) – developing model tax treaty provisions and recommendations to prevent treaty abuse	Action 11: Measuring and Monitoring BEPS – collecting and analysing data on the economic and fiscal effects of tax avoidance behaviour and on the impact of measures proposed under the BEPS Project
Action 3: Controlled Foreign Companies – reducing the incentive of taxpayers to shift income from a market country into foreign subsidiaries in a low-tax jurisdiction	Action 7: Permanent establishment status – preventing artificial avoidance of permanent establishment status in tax treaties through commissionaire structures and more	Action 12: Mandatory Disclosure Rules – requiring taxpayers and advisors to disclose aggressive tax planning arrangements to tax authorities
Action 4: Limitation on Interest Deductions – establishing rules that link an entity's net interest deductions to its level of economic activity within the jurisdiction	Actions 8-10: Transfer Pricing – guidance for applying the arm's length principle to intangibles, risks and capital and other high-risk transactions	Action 13: Country-by-Country Reporting (Minimum Standard) – ensuring MNEs report annually for each tax jurisdiction in which they do business
Action 5: Harmful tax practices (Minimum Standard) – countering harmful preferential regimes and improving transparency		Action 14: Mutual Agreement Procedure (Minimum Standard) – making tax treaty dispute resolution between jurisdictions more timely, effective and efficient
Cross-Cutting Actions		
Action 1: Digital Economy – dealing with the large range of tax challenges arising from the digitalisation of the economy		Action 15: Multilateral Instrument – implementing the tax-treaty related BEPS recommendations to address vulnerabilities in existing tax treaties

There is significant progress in implementing the four BEPS Minimum Standards, those measures whose implementation by all relevant jurisdictions is needed to avoid negative spillover effects across jurisdictions. Of the 15 BEPS Actions, four were deemed to be minimum standards. The results achieved with respect to the four minimum standards are outlined below:

- **BEPS Action 5 (Harmful Tax Practices):** More than 300 preferential regimes have been examined by the Inclusive Framework, and almost all the regimes that were found to pose BEPS risks have been amended or abolished, with only a few regimes still under review.
- **BEPS Action 6 (Prevention of Tax Treaty Abuse):** Over 95% of the agreements concluded by Inclusive Framework members (covering most of the global tax treaty network) are compliant or on track to become compliant with the Action 6 minimum standard.
- **BEPS Action 13 (CbCR):** 120 Inclusive Framework members have enacted Country-by-Country (CbC) legislation, covering nearly all large multinational enterprise (MNE) groups, and almost 4 650 bilateral relationships facilitate exchanges among nearly 100 jurisdictions.
- **BEPS Action 14 (Mutual Agreement Procedures (MAP)):** Over 500 treaties have been modified to include effective MAP provisions; access to MAP is now available in most eligible cases and MAP agreements are often effectively implemented. Many jurisdictions are closer to resolving MAP cases within an average of 24 months.

The implementation of the non-minimum standards has also been widespread and impactful. As of 2025, 56 jurisdictions have implemented controlled foreign company (CFC) rules consistent with Action 3, covering 78% of world outward foreign direct investment (FDI). As of 2025, 87 Inclusive Framework member jurisdictions had adopted ILRs aligned with Action 4, including 40 low- and middle-income countries, all together covering 90% of world Gross Domestic Product (GDP). Many Inclusive Framework members have strengthened transfer pricing practices or signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) which has been joined to date by 105 jurisdictions – representing 68% of global GDP.

The evidence shows that the BEPS Project has yielded tangible results. Despite limitations in data availability and areas where data quality is lower, and while other factors may be driving some trends in the data, there are indications of a positive economic impact of the BEPS Project across a variety of metrics:

- Profits and substance are better aligned; for example, the ratio of profits-to-employees for MNEs' operations in investment hubs has dropped by 27% in recent years.
- The sensitivity of the location of profits to tax rates, especially to very low tax rates, has declined by an estimated 12% to 40% relative to pre-2015 estimates. This suggests that business fundamentals are increasingly driving the location of MNE profits.
- Statutory corporate income tax (CIT) rates have stabilised in the last five years, suggesting an end to the downward trend observed over the prior 20 years.
- There is unprecedented transparency surrounding the tax planning of MNEs. Jurisdictions comprising 98% of world outbound foreign direct investment (FDI) have introduced CbCR, and jurisdictions accounting for 92% of world GDP are exchanging information on rulings.
- The steady expansion of the use of MAP to resolve disputes is strengthening tax certainty.

Evidence and shared experience from jurisdictional, business, labour, and academic stakeholder consultations largely shows that the BEPS Actions have allowed progress in reducing tax avoidance and improving compliance. However, some concerns remain about data gaps and complexity, and gaps in fully understanding the interactions between BEPS and broader economic activity, particularly for developing countries. Limited capacity is also a significant challenge for developing countries.

The BEPS Project is relevant for domestic resource mobilisation in developing countries, but its potential is not yet fully realised. Anti-avoidance measures may reduce tax avoidance and support corporate income tax revenues. The effectiveness of these measures in practice may depend on the capacity of the jurisdiction, availability of data or other factors that impact enforcement. It became apparent in the implementation phase that developing countries were not fully benefiting from the goals of the BEPS Project, due to factors such as resource constraints, rule complexity, and the breadth of the BEPS Actions. Therefore, significant focus over the past decade has been placed on building capacity and supporting developing countries engaged in addressing BEPS risks, including with legal implementation.

The Inclusive Framework has continued to reflect on how to advance the work on international tax while keeping the focus on BEPS implementation. Work on implementation of the BEPS Package has been ongoing since its launch, including after the launch of the Two-Pillar Solution. In April 2025, the Inclusive Framework agreed to continue to prioritise efforts in progressing BEPS implementation. As the Inclusive Framework embarks on its next phase of work, the Secretariat can support members as they continue to:

- Monitor the implementation and impact of the BEPS Project, including through continued publication of aggregated CbCR data and continued use of taxpayer microdata to analyse BEPS and address analytical and evidence gaps.
- Simplify and streamline Inclusive Framework processes in relation to the implementation of BEPS Actions to maximise efficiency and reduce burdens while maintaining the integrity of the system, as well as to ensure its operating procedures are responsive to the needs of its members.
- Support the implementation of BEPS Actions in developing countries (with an emphasis on ensuring access to CbC reports), recognising that each jurisdiction will have its own priorities and timelines. This will take place through capacity building and technical assistance, including through collaboration and co-ordination with development partners; in this regard, the work of the Platform for Collaboration on Tax should be supported.
- Support the implementation and administration of further measures to address challenges arising from the digitalisation of the economy, including guidelines to effectively collect value-added tax (VAT) on e-commerce.
- Ensure an open dialogue with a wide range of business, civil society and other relevant groups.

While design, implementation and enforcement challenges remain, the BEPS Project has changed the conversation on international tax and established new expectations for corporate responsibility and transparency. The work has created unprecedented transparency for tax administrations around the tax planning of MNEs and in doing so provided an opportunity for greater and more effective co-operation between tax authorities. The initial BEPS Actions modernised international rules and standards and paved the way for broader international co-operation, including with respect to the Two-Pillar Solution. There are today a far greater array of tools and initiatives to deliver tax certainty, which can provide not only dispute resolution but also dispute prevention, including through the co-ordinated application of common rules. Looking ahead, the Inclusive Framework is undertaking an evidence-based consideration of other issues that are of relevance to its members – such as global mobility and the interactions between tax policy, inequality and growth – that have connections with the BEPS agenda and wider policy relevance.

Part I The BEPS Project: Implementation and impact

1 Background

The BEPS Project was designed to address concerns that the international tax system had not kept pace with the realities of the modern global economy. These concerns relate to the risks associated with BEPS and became more acute following the financial crisis of 2008-2009 and its associated fiscal pressures.

The G20 called for action to address growing concerns about BEPS activity. From an initial mandate in 2012, the Organisation for Economic Co-operation and Development (OECD) reported to the G20 Finance Ministers and Central Bank Governors the following year on the impact of globalisation on jurisdictions' CIT regimes – the BEPS Action Plan.¹ The report recognised that taxation was at the core of jurisdictions' sovereignty but that the interaction of differing sets of domestic tax rules in international transactions led to gaps and frictions in some cases. While the international tax rules that sought to address these frictions produced appropriate results, and in many cases in a manner that respected tax sovereignty, they nevertheless created opportunities for BEPS by multinational enterprises (MNEs).

The globalisation of the economy further exacerbated BEPS risks. As the economy became more globally integrated over the past few decades, so did corporations, resulting in MNEs representing a larger proportion of global GDP and intra-firm trade representing a growing proportion of overall trade. There also was a shift from jurisdiction-specific operating models to global models based on matrix management organisations and integrated supply chains. Consequently, there has been increased importance of the services component of the economy, and of digital products that often can be delivered over the internet, along with the importance of intangibles in new business models.

The economic changes made it easier for businesses to separate the reporting of profits from the place where the value was created. Through BEPS activity, profits could be shifted away from jurisdictions where the substance of the business was located. The OECD estimated that BEPS activity was costing governments from 4-10% of CIT revenue or up to USD 240 billion annually due to profits not being taxed, being taxed at a lower rate, or benefitting from a reduced tax base (OECD, 2015^[1]).

The G20 made BEPS part of its international tax agenda. The growing threat to the CIT base could not be ignored and the G20 Leaders at the Saint Petersburg summit on 5-6 September 2013 welcomed the establishment of the BEPS Project:

We welcome the establishment of the G20/OECD BEPS Project and we encourage all interested countries to participate. Profits should be taxed where economic activities deriving the profits are performed and where value is created. In order to minimize BEPS, we call on member countries to examine how our own domestic laws contribute to BEPS and to ensure that international and our own tax rules do not allow or encourage multinational enterprises to reduce overall taxes paid by artificially shifting profits to low-tax jurisdictions.²

¹ OECD (2013), *Action Plan on Base Erosion and Profit Shifting*, OECD Publishing, <http://dx.doi.org/10.1787/9789264202719-en>.

² G20 Leaders' Communique, Saint Petersburg, <https://www.g20.utoronto.ca/2013/2013-0906-declaration.html#beps>.
G20 Leaders' Communique, Saint Petersburg <https://www.g20.utoronto.ca/2013/2013-0906-declaration.html#beps>.

As the work to address BEPS activity progressed, many recognised the increasing importance of seeking an expanded inclusive coalition of jurisdictions. In the two years following the Saint Petersburg Leaders' summit, a large coalition of interested jurisdictions – OECD and G20 countries as well as OECD accession countries, participants to the Committee on Fiscal Affairs (CFA) and 14 “invitees” (13 developing countries along with Croatia) – worked together to deliver on the G20 mandate. The process included broad consultation with business and labour groups, non-governmental organisations, think tanks and academia, as well as public and more targeted regional consultations. Developing countries also contributed through the OECD Task Force on Tax and Development, the OECD Global Relations Programme on Taxation (GRP), the various Global Fora (on tax treaties, transfer pricing and VAT) and through the United Nations (UN) Subcommittee on BEPS Issues for Developing Countries.

In 2015, the package of measures to counter BEPS was published (the BEPS Package). The BEPS Package included 15 BEPS Actions that sought to bring more coherence,³ substance, transparency and certainty to the international tax system and in doing so, better align the taxation of corporate profits with the place of value creation. Recognising the importance of these issues for developing countries, which tend to rely proportionately more on CIT revenue than OECD countries, the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework was established in 2016 following a call from the G20.⁴ The Inclusive Framework brought its members together, including a large number of developing countries, to ensure the comprehensive implementation of the BEPS Package and a level playing field in updating the global tax architecture.

Ten years on from the publication of the BEPS Package, this report takes stock of progress and assesses evolving challenges. The South African G20 Presidency marks the completion of a full cycle of G20 leadership since the global financial crisis in 2008-2009, and therefore G20 countries have an interest in taking stock of their key international tax priorities, including both BEPS and tax transparency.⁵ In the intervening decade since the publication of the BEPS Package, there has been significant progress in the implementation of the BEPS Actions. At the same time, BEPS challenges have evolved given the seismic changes in the global economic landscape and because the factors that gave rise to BEPS activity have accelerated.

The stocktake of the BEPS Project examines implementation, and economic and statistical evidence. The report uses information from the *OECD Corporate Tax Statistics database*⁶, which provides high-level indicators of BEPS activity, as well as a growing body of academic research looking at how the BEPS Actions affect BEPS activity but also the wider impacts on investment, competition, and inequality. While substantial evidence exists for some BEPS Actions, others are less well studied. Moreover, behavioural changes in response to the BEPS Project are ongoing and implementation is continuing in many jurisdictions. This means the quantitative evidence remains preliminary.

³ The BEPS Action Plan specified that new international standards must be designed to ensure the coherence of corporate income taxation at the international level because BEPS issues may arise directly from the existence of loopholes, as well as gaps, frictions or mismatches in the interaction of countries' domestic tax laws. 2013 Action Plan on Base Erosion and Profit Shifting - https://www.oecd.org/en/publications/2013/07/action-plan-on-base-erosion-and-profit-shifting_g1g30e67.html

⁴ G20 Leaders Antalya Summit, <https://www.gpfi.org/sites/default/files/documents/G20-Antalya-Leaders-Summit-Communiqu--pdf>

⁵ OECD (2025), *Taking Stock of Progress on Transparency and Exchange of Information for Tax Purposes: OECD and Global Forum Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/afddc8c5-en>.

⁶ <https://www.oecd.org/en/data/datasets/corporate-income-tax-rates-database.html>

Evidence on impact and views from stakeholders paint similar pictures. This report of the Inclusive Framework gathers and analyses the relevant data and academic literature, includes the input of its membership and has also benefitted from consultation with a wide range of business and civil society organisations. Several commenters acknowledged that BEPS Actions have impacted taxpayer behaviour and better aligned profits with economic substance. However, concerns were raised about complexity, costs, uneven implementation, and called for simplification, support for developing countries, and ensuring that reforms deliver clarity, predictability, and equitable outcomes for all stakeholders.

With this context and background in mind, Chapter 2 of the report provides an overview of the BEPS Package and its implementation. Chapter 3 discusses engagement with developing countries on BEPS issues. Chapter 4 provides a high-level summary of the economic impact analysis of the BEPS Project. Chapter 5 provides other perspectives on the impact of the BEPS Project. Finally, Chapter 6 provides conclusions and looks ahead to the future work on BEPS issues. Part II of this report is a Technical background report that contains a detailed economic analysis of the BEPS Project.

2 The BEPS Package and implementation

The BEPS Action Plan proposed a set of measures to effectively prevent double non-taxation as well as to address cases of no or low taxation associated with practices that artificially segregated taxable income from the activities that generated it. When the package of measures to BEPS (the BEPS Package) was agreed in 2015, this was the first time that such a wide range of jurisdictions – including all OECD and G20 members as well as developing economies and others – worked together to design common responses to international tax challenges. These actions (see Table 1) were designed to:⁷

- ensure the coherence of CIT at the international level
- realign taxation and relevant substance in light of changing business models and technological developments
- improve transparency, certainty and predictability for business.

Table 1. Overview of BEPS Actions

Coherence (see Sec. 2.1)	Substance (see Sec. 2.2)	Transparency/Certainty (see Sec. 2.3)
Action 2: Neutralising the effects of hybrid mismatch arrangements – preventing hybrid mismatch arrangements from being used for BEPS activity while minimising impact on cross-border trade and investment	Action 6: Prevention of Tax Treaty Abuse (Minimum Standard) – developing model tax treaty provisions and recommendations to prevent treaty abuse	Action 11: Measuring and Monitoring BEPS – collecting and analysing data on the economic and fiscal effects of tax avoidance behaviour and on the impact of measures proposed under the BEPS Project
Action 3: Controlled Foreign Companies – reducing the incentive of taxpayers to shift income from a market country into foreign subsidiaries in a low-tax jurisdiction	Action 7: Permanent establishment status – preventing artificial avoidance of permanent establishment status in tax treaties through commissionaire structures and more	Action 12: Mandatory Disclosure Rules – requiring taxpayers and advisors to disclose aggressive tax planning arrangements to tax authorities
Action 4: Limitation on Interest Deductions – establishing rules that link an entity's net interest deductions to its level of economic activity within the jurisdiction	Actions 8-10: Transfer Pricing – guidance for applying the arm's length principle to intangibles, risks and capital and other high-risk transactions	Action 13: Country-by-Country Reporting (Minimum Standard) – ensuring MNEs report annually for each tax jurisdiction in which they do business
Action 5: Harmful tax practices (Minimum Standard) – countering harmful preferential regimes and improving transparency		Action 14: Mutual Agreement Procedure (Minimum Standard) – making tax treaty dispute resolution between jurisdictions more timely, effective and efficient
Cross-Cutting Actions		
Action 1: Digital Economy – dealing with the large range of tax challenges arising from the digitalisation of the economy		Action 15: Multilateral Instrument – implementing the tax-treaty related BEPS recommendations to address vulnerabilities in existing tax treaties

⁷ See OECD (2016), *BEPS Project Explanatory Statement: 2015 Final Reports*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264263437-en>.

Four BEPS Actions were classified as “minimum standards” on the basis that implementation by all relevant jurisdictions was needed to avoid negative spillover effects across jurisdictions, e.g. inciting competition on tax rates, the loss of revenue, or leading to the implementation of unilateral measures. These minimum standards are Action 5 (Harmful Tax Practices); Action 6 (Tax Treaty Abuse); Action 13 (CbCR); and Action 14 (MAPs).

The introduction and continuation of periodic peer reviews of the four minimum standards by the Inclusive Framework is an accountability mechanism that ensures consistent implementation and has spurred positive changes. Given the importance of all jurisdictions implementing these minimum standards, members of the Inclusive Framework committed to implementing them and subjecting themselves to a peer review to ensure compliance (with the understanding that developing countries may require additional time).⁸ In order to ensure a level playing field in relation to consistent implementation of the four minimum standards, jurisdictions that are not members of the Inclusive Framework, are able to be identified by the Inclusive Framework as being relevant to the work (referred to as “jurisdictions of relevance”) and are reviewed according to the same criteria as apply to all other jurisdictions.

Although not minimum standards, the remaining BEPS Actions provide value in protecting a jurisdiction’s CIT base. These include reinforced international standards (Action 7 “Permanent Establishments” and Actions 8-10 “Transfer Pricing”), as well as common practices or best approaches (Action 2 “Hybrid Mismatch Arrangements”, Action 3 “Controlled Foreign Companies (CFCs)”, Action 4 “Interest Deductibility” and Action 12 “Mandatory Disclosure Rules”). As the implementation of these actions is not subject to a peer review, the data on their take-up is less comprehensive. Nevertheless, these measures have been put in place in varying degrees across a large majority of Inclusive Framework members (and in some non-members). Support is available to all members seeking to implement these measures (see overview of capacity building in Chapter 3). The following sections describe the BEPS Actions and their implementation. See the Technical background report for more detail.

2.1. Coherence

BEPS Actions 2, 3, 4 and 5 have been designed to bring more coherence to the international tax system by addressing specific risks and thus bring about more certainty for cross-border taxpayers. Action 2 addresses the disconnect between the rules in different jurisdictions that can be exploited to create hybrid mismatch arrangements used to generate phantom deductions or create “stateless” income (that is not taxed in any jurisdiction). CFC rules under Action 3 respond to the risk that taxpayers with a controlling interest in a foreign subsidiary can strip the base of their jurisdiction of residence and, in some cases, other jurisdictions by shifting income into a CFC. Without such rules, CFCs provide opportunities for profit shifting and long-term deferral of taxation. Excessive debt leverage on investments means that interest deductions – particularly in intragroup financing transactions – may erode the tax base beyond what would normally be commercially reasonable, which is addressed by Action 4. Action 5 focuses on those tax practices that have the effect of undermining the policy choices made by another jurisdiction and eroding other countries’ tax bases. In addition, Action 1 presented agreed guidelines for collecting value added tax/goods and services taxes (VAT/GST) on digital trade (see Box 1).

⁸ The peer review process for the four BEPS Minimum Standards requires jurisdictions to undergo regular assessments based on agreed Terms of Reference and a standardised methodology. This includes self-assessments via peer-review questionnaires and evaluations conducted by Inclusive Framework members, supported by the OECD Secretariat. The process assesses compliance with the agreed standards, identifies gaps, and provides support to jurisdictions in addressing recommendations. The results of the various peer review processes are published at the end of each peer review cycle, which encourages ongoing compliance.

There has been widespread implementation of BEPS Actions aimed at ensuring coherence of CIT at the international level. As of 2025, 45 jurisdictions self-reported having adopted measures consistent with Action 2, representing over three quarters of global GDP. As of 2025, 56 jurisdictions have implemented CFC rules consistent with Action 3, covering 78% of world outward FDI. Implementation of CFC Rules is more common in developed countries than in developing countries. Given the comparatively low outbound FDI from developing countries, the importance of CFCs for these countries may be more limited. Implementation of Action 4 has been amongst the most widespread of the actions that were not minimum standards. As of 2025, 87 Inclusive Framework member jurisdictions have adopted ILRs aligned with Action 4 (including 40 low- and middle-income countries), covering 90% of world GDP. To date, more than 300 preferential regimes have been examined by the Inclusive Framework under Action 5. Almost all of those regimes that were found to pose BEPS risks have been amended or abolished, with only a few regimes still under review.

Box 1. Action 1 and Value Added Tax (VAT)

The BEPS Package tackled a perceived gap posed by the digital economy involving value added tax. The Final Report on “Addressing the Tax Challenges of the Digital Economy” (the 2015 Action 1 Final Report, (OECD, 2015^[2]) presented agreed guidelines for addressing the value added tax/goods and services tax (VAT/GST) challenges of the digital economy that had been identified in the 2014 Action 1 Interim Report. These guidelines were subsequently complemented with detailed technical guidance on a series of issues. These included: the design and implementation of mechanisms for the collection of VAT/GST from non-resident online suppliers (2017); the role of online marketplaces and other digital platforms in the collection of VAT/GST on online sales (2019); and the VAT treatment of the sharing and gig economy (2021).

The rules on VAT/GST have filled an important gap in tax policy as it relates to digital trade. Together, these guidelines and accompanying technical guidance cover the core aspects of effective and internationally coherent policy design to ensure the proper collection of VAT/GST on digital trade in goods, services and intangibles, while minimising the double taxation risks that arise from an uncoordinated application of national VAT systems in the context of international trade.

The impact of the VAT/GST component of BEPS Action 1 has been both swift and substantial. To date, over 100 jurisdictions worldwide have implemented these solutions for collecting VAT/GST on digital trade, and many more are planning to do so. Positive results have been reported in terms of additional revenue collected and in achieving a level playing field between brick-and-mortar businesses and online merchants.

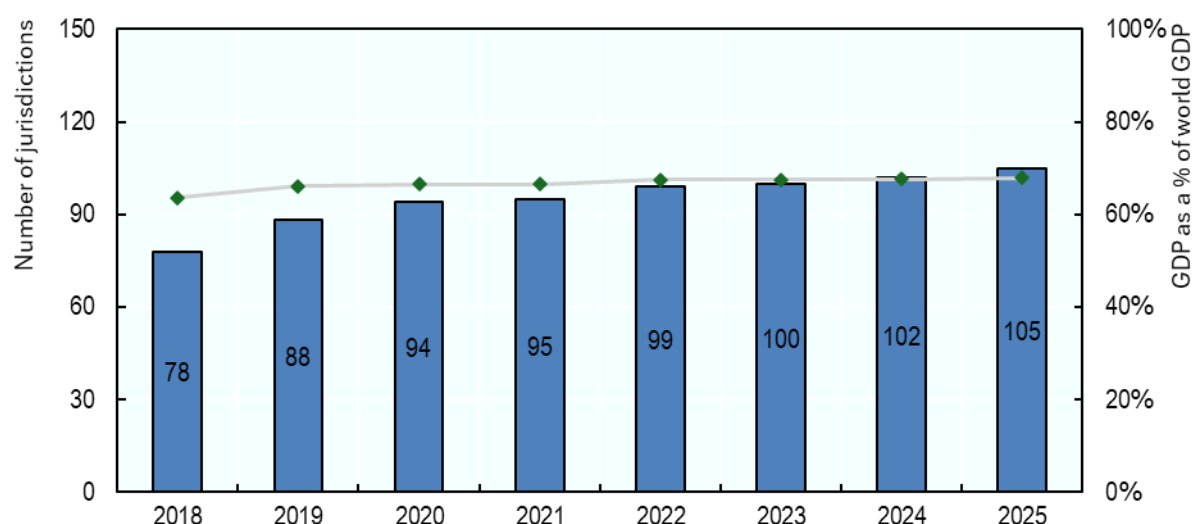
2.2. Substance

Tax treaties are intended to prevent double taxation, but their abuse can result in double non-taxation. Action 6 introduced a minimum standard for the prevention of tax treaty abuse, including through treaty shopping, ensuring that treaties are used for their intended purpose – avoiding double taxation without creating opportunities for tax avoidance or evasion. Currently, around 1 600 agreements concluded between Inclusive Framework members are compliant with this minimum standard. Overall, over 95% of the agreements concluded by Inclusive Framework members (covering most of the global tax treaty network) are either already compliant or on track to become compliant with the Action 6 minimum standard.

Various strategies have been used by multinational enterprises (MNEs) to artificially avoid having a taxable presence (i.e. permanent establishment [PE]) in a jurisdiction under tax treaties. MNEs have used strategies like artificially fragmenting activities that would otherwise form a coherent commercial whole, purely for the purposes of benefiting from limited exceptions to the PE definition. In using such strategies, taxpayers deprive the jurisdiction where the value is being created of the right to tax the profits attributable to the concerned activities. Various measures were developed as part of Action 7 to strengthen the definition of a PE in tax treaties to guard against such artificial avoidance strategies.

The BEPS Project also included multilateral solutions to implement tax treaty provisions efficiently. The BEPS MLI, developed under BEPS Action 15, offers concrete solutions for governments to close loopholes in international tax treaties by transposing results from the BEPS Project into bilateral tax treaties worldwide. The BEPS MLI allows governments to implement agreed minimum standards to counter treaty abuse and to improve dispute resolution mechanisms while providing flexibility to accommodate specific tax treaty policies. As of June 2025, nearly 40% of the agreements covered by the BEPS MLI – approximately 750 agreements – included at least one of the Action 7 measures by application of the BEPS MLI, signifying progress in strengthening PE definitions to curb tax avoidance. Action 7 measures are also being implemented in tax treaties through methods other than the BEPS MLI (i.e. as a result of bilateral negotiations to conclude new treaties or amend existing treaties). The chart below shows the history of participation in the BEPS MLI, which today has over 100 Signatories or Parties.

Figure 1. Total number of jurisdictions that are Signatories or Parties to the BEPS MLI



Source: OECD BEPS MLI database, last update in June 2025.

Transfer pricing rules needed to be updated to work more effectively in the modern, global economy. Actions 8-10 aim to align transfer pricing outcomes with value creation by establishing rules around the transferring of risk among, or allocating excessive capital to, MNE group members; and by establishing rules that prevent BEPS activities arising when MNE group members engage in transactions that would not normally occur between third parties.

The implementation of BEPS Actions 8-10 has been widespread and the outcomes have been incorporated into the OECD Transfer Pricing Guidelines (the TPG). The use of the arm's-length principle is very widespread globally, as is the use of the TPG: 117 Inclusive Framework jurisdictions, representing 96% of world GDP, have incorporated the arm's length principle in their legislation for transfer pricing purposes. Additionally, as of 2025, 102 Inclusive Framework jurisdictions covering 95% of world GDP are aligned with the TPG, as amended by Actions 8-10. Furthermore, 38 Inclusive Framework jurisdictions accounting for 54% of world GDP have adopted or indicated that they could apply the hard-to-value intangibles (HTVI) approach for transfer pricing purposes, and 47 Inclusive Framework jurisdictions accounting for 60% of world GDP have adopted or indicated that they could apply the simplified approach for pricing low-value-adding intra-group services (LVAS).

2.3. Transparency and certainty

Improving transparency in tax matters is essential for tax administrations to be able to properly apply their tax laws to taxpayers with global operations. The requirements under Action 5 for the exchange of information on certain tax rulings, Action 12 on Mandatory Disclosure Rules, and Action 13 on CbCR all seek to ensure that tax administrations have the information that they need in order to effectively administer their tax systems. The behaviour of taxpayers as well as policies enacted by governments can prevent tax administrations from having the full picture of a taxpayer's activities and the tax treatment applicable in other jurisdictions.

Peer reviews show broad implementation of the tax rulings transparency framework across jurisdictions. The latest peer reviews, published in 2024 in relation to the calendar year 2023, cover 136 jurisdictions.⁹ In total, 104 jurisdictions have fully implemented the standard and received no recommendations and 29 jurisdictions did not issue rulings within the scope of the review. As of 31 December 2023, over 26 000 tax rulings in the scope of the transparency framework had been issued by the jurisdictions being reviewed, with more than 58 000 exchanges of information in respect of those rulings.

CbC reports provide tax administrations with information that is crucial to performing transfer pricing and other BEPS risks analysis and has seen strong uptake. To date, 120 Inclusive Framework members have enacted CbCR legislation, covering nearly all large MNE groups.¹⁰ Almost 4 650 bilateral relationships facilitate exchanges among nearly 100 jurisdictions, allowing widespread use of CbC reports to assess risk. Initiatives to provide technical assistance for developing countries in implementing CbCR have been intensified in recent years and the OECD Secretariat is currently developing low-cost information technology (IT) solutions. Aggregated and anonymised CbCR data underpin OECD tax

⁹ Members of the Inclusive Framework that do not impose any CIT and therefore cannot legally issue rulings that would be relevant to the peer reviews, are not subject to review for Action 5 in respect of exchange of information on rulings.

¹⁰ Action 12, which also aimed to improve tax transparency by making recommendations on mandatory disclosure rules for aggressive tax planning strategies, has been implemented on a more limited basis worldwide, with 29 jurisdictions covering 48% of world GDP currently having mandatory disclosure regimes in place, largely concentrated in the European Union.

statistics and inform both academic research and policymaking, including assessments related to the Global Minimum Tax (GMT).

Ensuring tax certainty is necessary to alleviate double taxation and to make tax rules more conducive to international investment. Where disputes arise in a cross-border context, it is also essential that the tax administrations involved have a clear process and definitive timelines within which to resolve them. Action 14 on MAP provides this framework. Use of MAP has expanded steadily with the number of jurisdictions reporting at least one MAP case increasing from 51 to 96 between 2016 and 2023. Taxpayers also benefit from the enhanced transparency arising from the BEPS Project through peer reviews of tax administration practices and focus on strengthening dispute resolution processes.

2.3.1. Looking ahead

The BEPS Project has transformed the conversation on international tax by highlighting the positive interactions between national sovereignty and collective action in order to achieve domestic tax policy goals. Further work to address ongoing gaps in the international system, such as those arising from profit shifting, are now pursued through multilateral co-operation.

Broad implementation of the GMT is an important step towards continuing to address concerns around base erosion and profit shifting. The GMT is estimated to continue to reduce profit-shifting in years to come (Hugger et al., 2024^[3]). While data with which to assess the impact of the GMT will not be available for several years, having minimum corporate taxation as part of the international tax landscape would have seemed highly unlikely prior to the BEPS Project.

The Inclusive Framework is now exploring work on other issues identified as important to its members using a phased, evidenced-based approach. Areas such as global mobility of individuals, and the interaction between tax policy, inequality and growth have connections with the BEPS agenda but also impact government's policy orientations more broadly and the issues are being explored in the diagnostic project phases. The Inclusive Framework is also exploring further work to address concerns around the complexity of tax rules and how they can be simplified.¹¹

The Inclusive Framework has recently focused on simplifying processes and reducing burdens to ensure the BEPS actions remain fit for purpose. Building on the progress made, the Inclusive Framework has been taking steps to simplify its processes and reduce burdens for its members. Having regard to the state of implementation of the BEPS Actions, and the BEPS Minimum Standards in particular, the Inclusive Framework has sought to strike the best balance between ensuring that risks to the international tax landscape are addressed in a timely way without imposing undue burdens on its members. To that end, in recent years, the approach to the peer reviews of each of the four minimum standards has been revised. The revised approaches in each case ensure that the reviews focus on areas of risk or where improvements are needed, while limiting the review process in cases where progress has already been achieved.

- Action 5: (i) a revised methodology where a BEPS impact assessment is used as a first step to inform whether there is a need to continue a review of a certain preferential regime and (ii) the peer review of the transparency framework and monitoring of substantial activities in no or only nominal tax jurisdictions and non-Intellectual Property (IP) regimes will take place once every three years

¹¹ OECD (2025), *Enhancing Simplicity to Foster Tax Certainty and Growth: OECD Report to the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/086f71ab-en>.

instead of annually, with other monitoring aspects of the review having been discontinued given the limited BEPS risks presented.¹²

- Action 6: the frequency of the comprehensive peer review has been reduced to once every five years (with targeted assistance provided in the interim), streamlining administration and allowing resources to be refocused.
- Action 13: a simplified review process is now in place for jurisdictions with no changes to their CbCR frameworks.
- Action 14: a simplified peer review process for jurisdictions that do not have meaningful MAP experience, with the aim of assisting the jurisdictions to set up a more robust MAP programme for future MAP cases; while a full peer review process is in place for other jurisdictions, and these are reviewed once every four years.

Capacity building to support implementation of the BEPS Actions by enhancing technical skills and administrative tools remains a priority. Tailored support remains available across all the BEPS Actions (see Chapter 3 Engagement with Developing Countries). This is particularly for lower capacity members and is available in line with the priorities of the country, including a continued focus on improving access to CbC reports for developing countries.

¹² OECD (2025), *Recognising progress and reducing burdens in the BEPS minimum standards*, OECD, <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/beps/note-on-burden-reduction-in-the-beps-minimum-standards.pdf>.

3 Engagement with developing countries

Corporate income tax is a key source of revenue for developing countries, making addressing BEPS challenges especially relevant. Continuing to mobilise domestic resources is central for developing countries, who have lower tax to GDP ratios than OECD countries.¹³ CIT usually raises a larger share of total tax in developing countries than in developed countries, and securing CIT revenue is an important part of domestic resource mobilisation (DRM). BEPS is a global problem, and it is vital that all jurisdictions, including developing countries, are able to combat BEPS activities in their jurisdiction.

3.1. BEPS and developing countries

Understanding and addressing the needs of developing countries is important to ensuring that the package of measures to counter BEPS (the BEPS Package) is effective for them. The 2013 Action Plan on BEPS was a product of OECD countries working with the G20. Consequently, the representation of developing countries was limited to larger G20 developing countries and did not necessarily reflect the perspectives of the full range of developing country issues. For example, the challenges faced by small island developing states (SIDS) can be especially acute, given their particular circumstances – small population, reliance on imports, and vulnerability to external shocks and climate events.¹⁴ The formation of the Inclusive Framework acknowledged the importance of involving developing countries in the BEPS Project, emphasising that as the project represented a turning point in the history of international tax co-operation, it was essential to ensure its inclusivity and effectiveness by considering the perspectives of developing countries.

The G20 has championed further developing country inclusion in the implementation of the BEPS Package. Following the 2013 St. Petersburg Summit, G20 leaders endorsed the St. Petersburg Development Outlook (G20, 2013), which committed the G20 Development Working Group (DWG) to review relevant work on BEPS issues during 2014 in order to identify issues relevant to low-income countries (LICs) and consider actions to address them.¹⁵ The resulting report concluded that “BEPS has the potential to considerably impact on domestic resource mobilisation in developing countries.”¹⁶ Moreover, the report found that developing country reliance on corporation tax “means addressing BEPS

¹³ In 2022, the average tax-to-GDP ratio (total tax revenues including social security contributions as a percentage of GDP) for African countries in *Revenue Statistics in Africa* was 16.0% (OECD/AUC/ATAF, 2024^[152]). This is below the levels in Asia and the Pacific (19.3%), Latin America and the Caribbean (LAC, 21.5%), and OECD countries (34.0%).

¹⁴ See <https://www.un.org/ohrlls/content/about-small-island-developing-states>.

¹⁵ Saint Petersburg Development Outlook: <https://www.mofa.go.jp/files/000013959.pdf>.

¹⁶ OECD (2014), *Part 1 of a report to G20 Development Working Group on the impact of BEPS in Low Income Countries*, OECD Publishing, Paris, <https://doi.org/10.1787/95d7abb0-en>.

is an urgent domestic resource mobilisation matter and a strengthened capacity to address BEPS issues in turn strengthens effectiveness in other areas, including domestic tax avoidance.”¹⁷

Even prior to the creation of the Inclusive Framework, the work to develop the BEPS Package expanded to give a greater voice to developing countries. Based on the results of analysis prepared for the G20 DWG, in 2014, 14 countries were invited to work on the BEPS Project with OECD and G20 countries. Of these 14 “invitees,” 13 were developing countries,¹⁸ acknowledging the specific interests of developing countries in the discussion of BEPS issues and making policy standards and best practices more relevant and widely accepted by involving them in their development. In addition, there was also active engagement with developing countries through regional consultations – organised in co-operation with regional tax organisations (RTOs) – as well as global fora on tax treaties, transfer pricing and value added tax (VAT), and targeted seminars and workshops. This engagement has been critical to identifying the specific challenges and priorities of LICs with BEPS issues.

Global commitments further reinforced the need for inclusive tax co-operation. The 2015 Addis Ababa Action Agenda on Financing for Development included a commitment to ‘scale up international tax co-operation’ and underlined ‘the importance of inclusive co-operation and dialogue among national tax authorities on international tax matters.’¹⁹ The outcome of the Fourth International Conference on Financing for Development held in Sevilla, Spain, in 2025 includes a commitment to double the level of support to tax systems to strengthen DRM.²⁰

Taking an inclusive approach was important to ensure the BEPS Project was as effective as possible, although challenges remain for developing countries. Ultimately, while some developing countries were involved in the BEPS work through various mechanisms, the BEPS Actions may not have been aligned with their priorities in all cases. For example, the BEPS Minimum Standards may have less of an impact for developing countries than some of the other BEPS measures, such as Action 4 on limiting interest deductibility. Moreover, the pace and scale of the project was extremely challenging from the outset for developing countries. Developing countries in some cases were overwhelmed with new challenges on highly complex issues that did not necessarily reflect their priorities. As a result of these constraints, a significant effort has been made both to bring developing countries into the discussions and to provide tax capacity building support, while also streamlining processes, including adopting a more bottom-up approach to agenda-setting to ensure broader engagement and practical input from Inclusive Framework members.

3.2. Platforms for an inclusive tax dialogue

The Inclusive Framework was created to give developing countries a stronger voice in global tax discussions. The establishment of the Inclusive Framework in 2016 aimed to ensure the participation of developing countries in the implementation of the BEPS Package, and to ensure that they had a voice in addressing the remaining BEPS issues, including, for example, addressing the tax challenges arising from

¹⁷ OECD (2015), *Two-part report to G20 Development Working Group on the impact of BEPS in low income countries*, OECD Publishing, Paris, <https://doi.org/10.1787/07e106c0-en>.

¹⁸ Albania, Azerbaijan, Bangladesh, Croatia, Georgia, Jamaica, Kenya, Morocco, Nigeria, Peru, the Philippines, Senegal, Tunisia, and Viet Nam. As of the date of this report, only Bangladesh had not joined the Inclusive Framework.

¹⁹ Addis Ababa Action Agenda of the Third International Conference on Financing for Development, accessed at https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_69_31_3.pdf.

²⁰ See <https://financing.desa.un.org/document/ffd4-outcome-booklet-spread>.

the digitalisation of the economy. Developing countries today make up more than half of the members of the Inclusive Framework.

The Platform for Collaboration on Tax (PCT) plays a key role in addressing needs specific to developing countries. The PCT was also established in 2016 to facilitate further collaboration, especially on international taxation, between the International Monetary Fund (IMF), the OECD, the UN, and the World Bank Group (WBG). In this context, the G20 mandated the Platform Partners to prepare a series of toolkits on international tax challenges that had been identified as high priority for LICs, but that were not directly covered by the BEPS Actions. Five toolkits have been produced.²¹ They provide guidance on tax incentives, tax treaty negotiations, offshore indirect transfers, lack of access to transfer pricing comparables, and transfer pricing documentation. The toolkits have been integrated into other capacity-building programmes, including the GRP.

The PCT's recent work on tax incentives reflects new developments in international taxation, complementing the BEPS Project. The "Tax Incentives Principles"²², published on 19 May 2025, focus on how tax incentives are impacted by recent international tax developments, including the Global Anti-Base Erosion Rules (GloBE), and the introduction of a GMT. This is an update to the toolkit produced in 2015 developed by the IMF, OECD, WBG, and UN at the request of the G20 DWG.

The role of an OECD-based advisory group was revamped to foster global dialogue on international tax. To increase engagement with non-OECD members, the Advisory Group for Co-operation with Partner Economies, created in 1991, initially served as a forum for policy exchanges among officials and experts from Central and Eastern European countries, OECD members and international organisations, and to facilitate the exchange of views on bilateral and multilateral assistance programmes. The group evolved through the early 2000s to reflect the increasingly globalised dimension of the OECD work on tax. To align with the progress of the Inclusive Framework, its mandate – and its name "Advisory Group for Global Dialogue on Tax Matters" – were revised in 2021. The group is now open to all interested countries and jurisdictions and provides a platform to facilitate the sharing of developing countries' perspectives on the development of standards, best practices and guidance.

3.3. Implementation of BEPS Actions by developing countries

While many developing countries are effectively implementing BEPS Actions, some areas need more support. As noted in Chapter 2, the implementation of the BEPS Actions is strong across all Inclusive Framework members, particularly in respect of the minimum standards. This is true also for developing countries, but there are gaps that need to be addressed, in particular around the implementation of CbCR under Action 13. The current state of play is the following:

- **Action 5 – Countering harmful tax practices.** There is steady progress on Action 5 both on the review of preferential regimes and the transparency framework. Since the inception of the BEPS Project, 162 preferential regimes in developing countries have been reviewed, resulting in 93 being amended or abolished.
- **Action 6 – Preventing tax treaty abuse.** A total of 46 developing countries, including non-Inclusive Framework members, have signed the BEPS MLI with 32 having ratified it. This

²¹ See: <https://www.tax-platform.org/publications>

²² See <https://www.tax-platform.org/sites/pct/files/publications/Tax-Incentives-Principles.pdf>

represents less than half of the developing countries in the Inclusive Framework. The BEPS MLI presently covers around 900 bilateral tax treaties concluded by at least one developing country.

- **Action 13 – CbCR.** Thirty developing countries have fully implemented the CbCR standard. Of these 19 are non-OECD, non-G20 countries.²³ Among the different regions, it is noteworthy that very few jurisdictions in Africa have implemented the CbCR standard. Reinforced technical assistance – through on-site missions, technical workshops on IT solutions and effective use of CbC reports/data and dedicated sessions at regional events – has helped to reach this result.
- **Action 14 – Making dispute resolution mechanisms more effective.** Sixteen developing countries' simplified peer review reports on stage 1 were published in 2024 with MAP trainings taking place to help developing countries address MAP recommendations.

Developing countries may value other aspects of the BEPS Package beyond the minimum standards. For example, VAT often makes up a significant portion of the total taxes collected by developing countries; and 59 developing countries have implemented the OECD guidelines developed under Action 1. The OECD has offered assistance to jurisdictions worldwide, including developing economies. On a regional basis, there has been almost full implementation among developing countries in Europe, and strong implementation in Asia-Pacific, Africa, and the Americas. To support implementation in these regions, the OECD has delivered three Regional VAT Digital Toolkits, for Latin America and the Caribbean (2021), Asia-Pacific (2022) and Africa (2023), in close partnership with the WBG and development partners, including the African Tax Administration Forum (ATAF) and Asian Development Bank (ADB). They cover all the key implementation and operational aspects of VAT/GST reform directed at digital trade, taking account of each region's specific needs and circumstances. In parallel, a technical assistance programme has been launched that offers assistance to all interested jurisdictions to support the effective implementation of a comprehensive digital VAT/GST strategy.

Developing Countries are implementing interest limitation rules to counter BEPS activity. Interest limitation rules (ILRs) under Action 4 are of high importance to developing countries, and are broadly adopted across different income groups, with 38 middle- and lower-income jurisdictions implementing ILRs in 2024. Regionally, implementation is strongest among developing countries in Europe, followed by African and the Americas. Only 9 out of 32 developing countries in Asia-Pacific have introduced these rules – however, corporate tax may be of limited relevance to some of these jurisdictions. On the other hand, other BEPS Actions addressing coherence issues (Actions 2 and 3) have mainly been implemented by developed countries, which reflects that fact that these rules tend to be more relevant for economies with greater levels of outbound investment.

Manipulation of transfer pricing (addressed in BEPS Actions 8-10) is a significant BEPS risk and is considered by most developing countries to be amongst their highest priorities. There is widespread adoption of the arm's length principle - 117 Inclusive Framework jurisdictions, representing 96% of world GDP, have incorporated the arm's length principle in their legislation for transfer pricing purposes, including 28 developing countries. By 2025, there were 102 Inclusive Framework jurisdictions covering 95% of world GDP that are aligned with the TPG, 22 of which are developing countries.²⁴ RTOs have been active in

²³ Note that the definition of developing country for the purposes of this figure refers to both the DAC list (<https://www.oecd.org/en/topics/sub-issues/oda-eligibility-and-conditions/dac-list-of-oda-recipients.html>) and the World Bank list (<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>).

²⁴ This refers to jurisdictions that have either: a) introduced a reference to the Guidelines in their primary or secondary legislation, or administrative guidance; or b) have indicated that either their transfer pricing legislation is based on (or is otherwise consistent with) the Guidelines, that the Guidelines are used as a source of interpretation of their domestic transfer pricing legislation, or used as a practical tool to apply the arm's length principle.

supporting developing countries to effectively implement transfer pricing regimes (for example ATAF, see Box 2) and the work of the OECD/UNDP Tax Inspectors Without Borders (TIWB), in collaboration with international and regional partners, has helped developing country tax administrations collect more than USD 2.4 billion in additional tax revenue. This is an area where developing countries struggle to develop the specific skills needed to implement transfer pricing regimes, and capacity building efforts continue to be in high demand. Developing countries have advocated for a more simplified approach to applying the arm's length principle and the development of a simplified approach under Amount B of the Two-Pillar Solution was designed specifically to take into account the needs of low-capacity jurisdictions.

Over the years, the G20 has paid close attention to the challenges faced by developing countries in implementing BEPS Actions. In 2021, the Italian Presidency of the G20 asked for a report on BEPS and developing countries. That report concluded that there had been significant progress, but gaps remained and it made a number of specific recommendations around norms, governance and capacity building. The overarching recommendation of the report was for further assessments on the progress of developing countries to be conducted on a regular basis. The highest priority recommendations identified in the report were:

- For all stakeholders, including Inclusive Framework members, to reflect on how CbCR could be made more accessible to developing countries, while also protecting confidentiality of sensitive information.
- For development partners, including the G20, to support a major Inclusive Framework initiative to be launched in early 2022, to provide capacity-building support to ensure developing countries can adopt and implement the agreement on the taxation of the digitalising economy and the GMT, in an appropriate and timely fashion.
- For all Inclusive Framework stakeholders to reflect on governance arrangements to ensure a broad and systematic inclusion of developing countries. This could include appropriate representation in the leadership of the Inclusive Framework and its subsidiary bodies.
- For all Inclusive Framework stakeholders to consider integrating Working Party No. 9 (WP9) into the scope of the Inclusive Framework. This recommendation was made in light of the growing importance of VAT/GST and the cross-overs between the work of the OECD Committee on Fiscal Affairs' WP9 on Consumption Taxes and the Inclusive Framework.

Efforts on expanding access to CbC reports and supporting implementation of the GMT in developing countries are continuing. The 2021 report was followed up in 2022 and 2023. The 2023 report noted that the prior recommendations remained valid and identified four key targets for the future years around access to CbCR, implementation of the GMT, and related capacity building and technical assistance programmes.²⁵ In response to the recommendations, additional capacity building has been provided to support developing countries in the implementation of CbCR and the GMT. As a result, 30 developing countries now fully implement CbCR, including 19 that are non-OECD, non-G20 members – an increase of 16 since the 2021 report.

The Inclusive Framework is bringing a flexible approach to supporting implementation of CbCR. Recognising the need for further work in this area, but also the fact that developing countries must choose between competing priorities in light of their available resources, the Inclusive Framework agreed in 2025 to invite each low-income or middle-income Inclusive Framework member to identify its preferred timeframe for implementing the necessary conditions to obtain access to CbC reports from a number of options (i.e. within two years, in three to four years, or over a longer timeframe by choosing not to join

²⁵ OECD (2023), *G20/OECD Roadmap on Developing Countries and International Taxation Update 2023: OECD Report to the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/4fc33451-en>. Pp 7-8 and 29, for the list of recommendations included in the 2021 Report.

either group at this time but retaining the option to join later). The OECD Secretariat is engaging with each country opting to work towards implementation within two years or in three to four years to agree an action plan and provide tailored support to maximise the likelihood of the country achieving this goal.

Concrete progress has been achieved on assistance with the implementation of the GMT. The pilot programmes on the GMT and tax incentives have been effective. Currently, ten developing countries are enacting GMT legislation for 2024 or 2025. Building on lessons learned from the pilot programmes, the Inclusive Framework launched a new series of multilateral, interactive workshops in 2024 with further rounds scheduled for 2025, as well as bilateral support planned through 2025 and 2026.

Process improvements are designed to improve inclusiveness and participation. Following the recommendations in the report, the Inclusive Framework quickly moved to add a co-Chair from a non-OECD developing country with a specific role to help amplify the voices of developing countries in the Inclusive Framework. At the Inclusive Framework plenary in Cape Town in April 2025, members agreed to a set of proposals to enhance the Inclusive Framework's operating processes to improve the ability for all members to participate effectively in the work.

More efforts to build capacity are needed. Moving forward, the demand for tax capacity building will continue to be very high. The Seville Commitment issued as part of the Fourth Financing for Development Conference promises to double assistance for DRM, and international tax capacity can play an important role in that. Co-operation and collaboration among development partners will also help to ensure that assistance is effective and delivered efficiently. Capacity building programmes should be evaluated to ensure that they are relevant and provide value for developing countries. As noted below, an independent evaluation found the OECD's tax and development work to be highly relevant and effective.

3.4. Supporting participation and building tax capacity

Supporting participation and building tax capacity help domestic resource mobilisation. International tax issues are complex and the rules that govern taxation of foreign multinational enterprises (MNEs), such as transfer pricing or controlled foreign company rules, often require specialised knowledge and skills. Tax administrations in most developing countries have limited resources in this regard and require significant capacity building on an on-going basis.

In the past decade, the OECD, in partnership with other international organisations, has put in place a wide-ranging framework of tax capacity building support for developing countries (see Table 2). Beyond the work of the PCT and the Advisory Group for Global Dialogue on Tax Matters, this included multilateral trainings through the OECD's GRP, bilateral support on key BEPS issues (particularly around transfer pricing) and the niche support of the TIWB Initiative.²⁶ These collaborations have been effective, with case studies illustrating how governments in developing countries are tackling tax avoidance with the support of tools and capacity-building initiatives.²⁷

²⁶ Tax and Development at the OECD, 2009- 2024,

https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/05/tax-and-development-at-the-oecd_45580ad4/9db734bc-en.pdf.

²⁷ See the OECD Tax and Development case study Strengthening the capacity to tackle tax avoidance in Kazakhstan <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-and-development/strengthening-the-capacity-to-tackle-tax-avoidance-in-kazakhstan.pdf>. The Kazakhstan bilateral BEPS capacity-building programme has been running since 2020. It is focused on transfer pricing and runs in parallel with the ongoing OECD/UNDP TIWB programme, centred on the mining sector and financial transactions. Together these programmes have provided

Table 2. OECD Tax and Development in numbers

EUR 41 billion	increased revenues in developing countries from offshore tax investigations, Exchange of Information on Request, use of Common Reporting Standard data, Automatic Exchange of Information-related voluntary disclosure programmes and others
USD 2.4 billion	increased revenues in developing countries from TIWB (2012-2024)
110 000+	officials trained through the Global Relations Programme on Taxation (2009-2024)
45 000+	officials trained through the Global Forum on Transparency and Exchange of Information for Tax Purposes capacity-building programme (2011-2023)
3 000+	officials trained through the Academy for Tax and Financial Crime Investigation
172	members of the Global Forum on Transparency and Exchange of Information for Tax Purposes (96 developing countries)
151	jurisdictions participating in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (75 developing countries)
145+	members of the Inclusive Framework (73 developing countries)
135	economies in OECD Global Revenue Statistics Database (87 developing countries)
126	signatories of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (49 developing countries)
105	jurisdictions that have joined to the BEPS MLI (46 developing countries)
113	signatories of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (42 developing countries)
91	jurisdictions provided with bilateral support in exchange of information (2012-2023)
72	countries in carbon pricing database (35 developing countries)
70	developing countries with TIWB programmes (2012-2024)
63	developing countries that have received bilateral support in transfer pricing and BEPS since 2012
29	tax administrations providing expertise to a TIWB programme
22	OECD members providing details on their tax treatment of aid to OECD hub
19	developing countries (non-OECD, non-G20 countries) able to receive country-by-country reports
19	developing countries with ongoing/completed TIWB-criminal investigation programmes
8	languages used in OECD tax training

Source: OECD.

An independent evaluation found the OECD's tax and development work to be highly relevant and effective. Increasingly, tax and development work has become integrated with the OECD's work on tax generally. The OECD adopted a mainstreaming strategy for its tax and development work in 2019, which was the subject of an independent evaluation conducted in 2024. The evaluation was based in large part on a survey that polled hundreds of respondents including developing country officials, OECD staff, donors and development partners. These results were balanced with information from interviews and programme documents and evaluated against five criteria: relevance; coherence; effectiveness; sustainability; and efficiency. Overall, the evaluation concluded that:

The OECD's tax and development efforts are widely viewed as impactful and complementary to the work of other development partners. Across the three main components (work on BEPS, work on non-BEPS issues, and the Global Forum on Transparency and Exchange of Information for Tax Purposes), survey responses are strongly positive... and positive impacts are seen across both individual skills and organisational improvements, as well as additional revenues and improving developing countries' ability to engage in

traditional capacity building, including training – especially on financial transactions – as well as hands-on assistance with carrying out transfer pricing audits

international dialogue on taxation. The work of the programme is also seen as complementary to those of other development partners.²⁸

Support for developing countries can be improved by helping them prioritise and sequence tax reforms. A key area for improvement according to the evaluation is to better support developing countries to prioritise, plan and sequence support so as to improve the ‘value for money’ for them and help ensure that countries can implement reforms effectively and sustainably. This issue is inherent to the BEPS Project, given that its priorities did not necessarily reflect the priorities of developing countries, and the work to support developing countries is recognising this.

3.5. The role of regional tax organisations and other development partners

Regional engagement ensures more coherent co-operation and more inclusive dialogues on international tax. Well before the creation of the Inclusive Framework in 2016, the OECD was working with RTOs, development banks, and other international partners to support capacity building and outreach tailored to regional contexts and priorities. This longstanding commitment has ensured that regional perspectives are increasingly reflected in international tax co-operation. In particular, the work of ATAF has been instrumental in giving a voice to African concerns and contributing to capacity building on the African continent (see Box 2).

Regional engagement helps ensure developing countries can participate effectively in the evolving international tax environment. As the international agenda continues to move forward with BEPS Actions and the Two-Pillar Solution, including the GMT, developing countries face both opportunities and challenges. Regional-level dialogue makes the Inclusive Framework process more inclusive and accessible by allowing tailored discussions on priority issues, regular feedback, and better addressing regional priorities by aligning technical support with local need.

Regional meetings offer a platform for discussion, consultation, training, and broader participation. The Inclusive Framework has committed to regular regional touchpoint events to enhance communication, transparency and inclusiveness. These touchpoint meetings complement ongoing regional engagement efforts, together forming a comprehensive mechanism for global co-operation on international tax issues. Held after each Steering Group of the Inclusive Framework (SGIF) meeting, they ensure that non-SGIF members stay informed about its discussions, facilitate bottom-up input into the Inclusive Framework agenda-setting, and support decision-making for the Inclusive Framework plenary.

²⁸ See: SEO report, <https://www.seo.nl/en/publications/evaluation-of-oecd-tax-and-development-programme/> page 17.

Box 2. ATAF contributions to countering BEPS activity

The African Tax Administration Forum (ATAF), working very closely with its members, has played a critical role in supporting on implementation of targeted BEPS Action Plans including Action 1, Action 4, Action 6, Action 7, Actions 8 to 10, and Action 13. This contribution has been in the form of:

- **Support in legislative reforms:** ATAF has published guidance and model legislation (“Suggested Approaches”) on a range of BEPS topics, for any country to adapt and use in drafting the respective domestic legislations. These Suggested Approaches include: *Suggested Approach to Drafting Transfer Pricing Legislation including Documentation Rules*, *Suggested Approach to Drafting Interest Deductibility Legislation* and *Suggested Approach to Drafting Permanent Establishments Legislation*. To date at least 30 legislative reforms have been made in Africa based on these Suggested Approaches, and these have also been a reference point for developing countries outside Africa.
- **Capacity building:** ATAF has provided capacity building programmes with a large number of ATAF member countries. These have included training events, country specific technical assistance including direct audit assistance on transfer pricing and other international tax issues.
- **Advocacy:** ATAF also represents African perspectives in the Inclusive Framework and its technical working groups, ensuring the voices of Africa are heard and used as the BEPS work has been continued to be shaped. ATAF also briefs its members on these discussions, including with published policy briefs and technical notes on BEPS issues to assist members in understanding and engaging in the discussions as well as in making the necessary policy decisions.

Whilst there is limited information to determine the specific revenue impact of these Action Plans in Africa as well as to assess the impact of BEPS activities, through these efforts, there has been significant increase in legislative reforms, audit activities and revenue collections from multinational entities. ATAF considers, however, that more work needs to be done as BEPS risks still remain and aggressive structuring behaviour of some MNEs continues to pose significant risks of revenue loss for the continent.

Direct country support: As part of its strategic collaboration with the TIWB, ATAF has played a pivotal role in strengthening the capacity of African tax administrations to address BEPS. This partnership has not only facilitated the deployment of expert-driven, hands-on audit assistance but has also yielded significant revenue outcomes. Notably, through this joint effort, African countries have collectively raised an impressive USD 1.91 billion in additional tax revenue. This achievement underscores the impact of targeted international co-operation in enhancing domestic resource mobilisation and curbing illicit financial flows across the continent.

4 Economic impact assessment of the BEPS Project

This chapter summarises available evidence on the economic impact of the BEPS Project. An elaborated discussion of the material is contained in Part II of the report. The BEPS Project was designed to address a variety of BEPS strategies and to meet wider objectives, such as promoting a level playing field among jurisdictions, enhancing transparency and co-operation, and improving tax certainty to support cross-border investment. As a result, its success cannot be measured by a single indicator. The stocktake instead considers a range of outcomes, from reductions in profit shifting and increases in CIT revenues, over improved dispute resolution processes, to more predictable tax environments for businesses.

The impact of the evolving global economy on BEPS risks highlights the continued importance of BEPS measures. BEPS activity has impacts on competition between businesses, on productivity and on distributional outcomes. These impacts play out in an evolving global economy where the factors that can give rise to BEPS activities have increased over the past decade. These evolutions underscore the continuing value of the BEPS Actions and the importance of continuing to provide jurisdictions with the tools and resources to counter BEPS activity.

4.1. Economic impact of the BEPS Project

Evidence of the impact of the BEPS Project is broadly positive. The available data on the implementation of the various BEPS Actions and on economic trends relevant to BEPS activity, and the growing body of academic research on these issues, find that the BEPS Project has made progress towards its objectives through, e.g.:

- a decline in the misalignment of profit and economic substance;
- reduced inter-jurisdictional competition for investment through low tax rates;
- lower sensitivity of the location of profits to tax rates;
- increase in MNE transparency, which in turn leads to reduced BEPS activities;
- greater tax certainty.

Analysing the impacts of the BEPS Project has data challenges and this requires caveats to the findings. Firstly, aggregated and anonymised CbC reports data is only available as of 2016, making it difficult to establish baseline trends from the era before the BEPS Project. Secondly, the simultaneous implementation of multiple BEPS Actions complicates efforts to isolate the effects of individual measures. Thirdly, BEPS activities influence the available data itself in a variety of ways. For instance, the use of hybrid instruments can blur the line between debt and equity in economic data, or complex ownership chains can obscure differences between pass-through and other forms of FDI. Lastly, many forms of BEPS activity can only be identified by closely examining the details of intra-group transactions within MNEs, data on which is not widely available.

4.1.1. Decline in the misalignment of profit and substance

Evidence suggests that the BEPS Project has led to a greater alignment of profit and substance.

A key objective of the BEPS Project was to curb the misalignment of profits with the location of economic substance, and although measuring misalignment is challenging, evidence suggests that this misalignment has been reduced on average. For example, one commonly-used metric of misalignment is ratios of profits to employees. While a variety of economic factors besides BEPS activity can cause variation in this ratio, extremely high levels of profits to employees, which have been observed in investment hubs, are commonly considered evidence of BEPS. Since the launch of the BEPS Project, the ratio of profits to employees for MNEs' operations in investment hubs has dropped by 27%.²⁹ This may be evidence of reduced shifted profits or it may reflect the fact that the MNEs have sought to strengthen economic substance (i.e., tangible assets and employees) in these jurisdictions, or both.³⁰ The data show some continued misalignment, highlighting the need for continued implementation, but suggest a trend in the direction of aligning profits with real economic activity.

4.1.2. Less competition between jurisdictions through statutory tax rates

There are indications that the extent to which jurisdictions respond to competitive pressures by offering lower tax rates to attract investment has diminished. After two decades of steady declines, CIT rates across OECD and jurisdictions of the Inclusive Framework have stabilised since 2020. This could reflect the influence of the BEPS Project or jurisdictions' anticipation of the GMT. The trends could also stem from fiscal pressures in recent years, such as due to the COVID-19 crisis, recent global spikes in energy prices, or other structural factors in some Inclusive Framework members such as ageing populations. The significant expansion of income-based tax incentives, such as IP regimes, since around the year 2000 has plateaued since 2019. However, the use of zero-rate tax incentives, e.g. tax holidays, remains widespread amongst developing countries. Nonetheless, the implementation of the BEPS Project has coincided with evidence of a reduction in the use of CIT systems to attract investment through lower tax rates and generous incentives.

4.1.3. Lower sensitivity of profit to tax rates

Since the BEPS Project was launched, evidence shows that profit sensitivity to tax rates has declined. A key indicator of BEPS activity is the extent to which the location where MNEs realise their profits is impacted by the tax rate applied to those profits ("sensitivity" to tax rates). Unlike simple profit-to-substance ratios, these measures use econometric analysis to disentangle the role of tax factors from other determinants in shaping firm profitability, allowing a more precise analysis of tax planning behaviours. New OECD analysis presented in Part II of this report suggests that the sensitivity of profits to tax rates has declined following the onset of the BEPS Project.

4.1.4. Increased transparency leading to reduced BEPS activities

The BEPS Project has led to greater transparency. The introduction of CbCR under Action 13 has significantly enhanced tax transparency in respect of large MNEs, generally reducing BEPS activity and reducing MNE activity in low-tax jurisdictions. Empirical studies report modest increases in effective tax

²⁹ Investment hubs are defined here as jurisdictions with an FDI that is more than 150% of GDP ratio, following OECD (2020_[150]).

³⁰ These additional employees or assets may or may not be productivity enhancing.

rates for firms reporting CbCR.³¹ Research also shows a shift in profit allocation patterns and real business adjustments, such as reallocating employees or closing subsidiaries in low-tax jurisdictions. The exchange of information on tax rulings under Action 5 has led to greater transparency, especially in investment hubs, where both the volume of rulings and exchanges of information on rulings is highest. The data also show a decline in rulings issued by these jurisdictions following the introduction of rules consistent with Action 5, suggesting that past ruling practices posed possible BEPS risks.

4.1.5. Increased certainty

The implementation of BEPS Action 14 has improved the efficiency, effectiveness, and transparency of MAP, making dispute resolution timelier and more effective. Progress has been made in reducing backlogs of older, more complex cases, and jurisdictions have significantly increased public access to information on their MAP frameworks. However, challenges persist, including delays in transfer pricing cases, barriers to MAP access in some jurisdictions, and longer resolution times in developing countries, highlighting the need for continued capacity building.

Tax certainty is improving and may positively influence investment. Although econometric evidence remains limited, early studies suggest that effective MAP can support FDI, particularly for vertically integrated MNEs, and broader research and stakeholder feedback support the idea that tax certainty, a key objective of Action 14, positively influences investment decisions.

4.1.6. Economic impact of specific BEPS Actions

Most studies find that the BEPS Actions have reduced BEPS activity. It is difficult to isolate the economic impact of individual BEPS Actions and detailed quantitative analysis for each of the 15 BEPS Actions is not available. However, there are high-quality studies for some specific BEPS Actions which generally show that they have had a meaningful impact on curbing BEPS:

- Controlled foreign company (CFC) rules under Action 3 have been shown to significantly reduce profits booked in low-tax jurisdictions, particularly where little real economic activity exists.
- Taxable income has been shown to increase in jurisdictions introducing rules that limit the deductibility of interest under Action 4.
- The introduction of documentation requirements under Action 13 and revised transfer pricing rules under Actions 8–10 appear to have reduced profit shifting and increased CIT revenues in some cases.

The impact of BEPS Actions in individual jurisdictions is not homogenous. While most studies show that introducing BEPS Actions in a jurisdiction reduces BEPS activity in that jurisdiction, some studies in specific countries show limited or even no impact, suggesting that the impact of BEPS Actions varies across jurisdictions. Some studies also suggest that MNEs can plan around specific BEPS Actions by using other tax planning strategies, particularly in cases where a jurisdiction has not implemented all actions. Overall, the data support the view that the introduction of the BEPS Actions has contributed positively to reducing BEPS activity.

³¹ Studies where CbCR data were provided to tax authorities which were already in possession of substantial information on taxpayers' activities have shown more limited results.

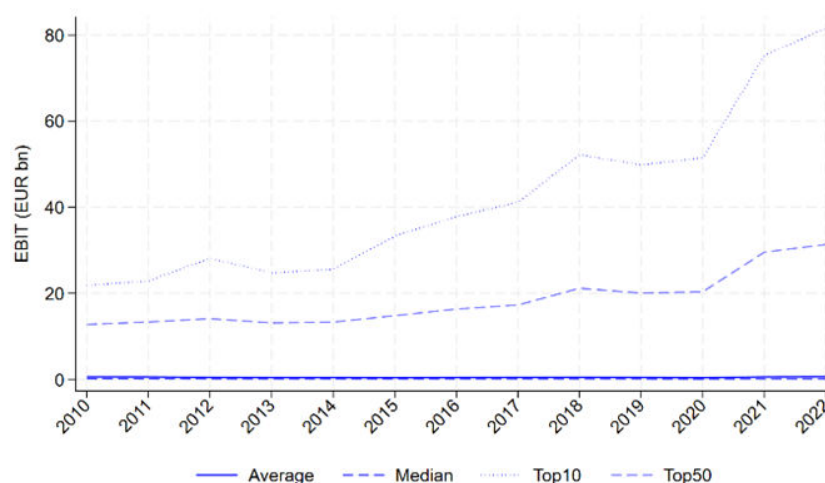
4.2. Broader impacts and ongoing relevance of countering BEPS activity

Recent studies highlight that BEPS activities can cause economic distortions beyond the tax system. Studies conducted since the BEPS Project have highlighted a range of economic impacts relating to competition, productivity, distributional and investment outcomes, linked to BEPS activities and the implementation of anti-avoidance rules. Regarding competition, studies suggest that BEPS activity can intensify existing imbalances between multinational and domestic firms, creating an unlevel playing field that may lead to worse outcomes for consumers, including through market concentration. Regarding productivity, some studies highlight the distortion of investment decisions that come with BEPS activity, which can reduce productivity gains. Regarding distributional outcomes, BEPS activities have been associated with rising inequality, with evidence suggesting links between aggressive tax planning, increased CEO compensation, and stagnant or declining worker wages. Finally, some studies have highlighted the impacts of implementation of BEPS Actions or similar rules on investment.

Economic factors that have increased risks of BEPS activity have increased in the past decade.

Continuing structural economic changes including MNE profitability, increased intangible-intensive business models, and accelerating digitalisation tend to be conducive to BEPS activity. There has been a sharp growth in profits (Figure 2), especially among “superstar” firms with dominant market positions, which studies have suggested is associated with higher levels of profit shifting. Rising profits are also strongly associated with intangible assets – such as IP and software – which are not only harder to value but also easily relocated across borders (Figure 3). At the same time, the expanding digital economy, where firms can earn substantial revenues and profits without a physical presence, provides greater opportunities to separate profits from value creation (Figure 4). These trends intensify competitive pressures faced by governments and all else being equal would increase the opportunities for MNEs to engage in BEPS activities.

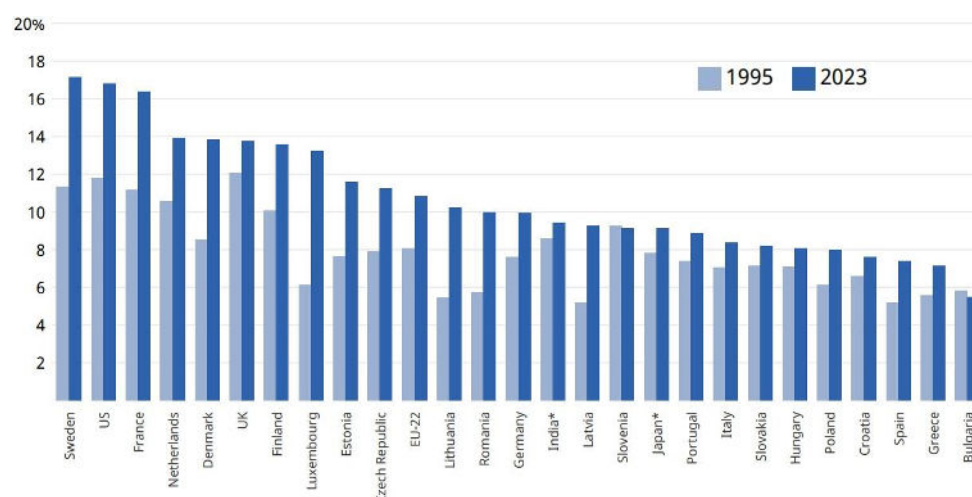
Figure 2. Profit levels of MNEs over the last decade: Average versus top firms



Note: The figure shows the average and median profit levels of all firms across a sample of large MNEs based on consolidated financial data taken from Orbis, as well as the average for the 10 and 50 firms with the highest profit level each year. Profit level corresponds to earnings before tax and interest payments (EBIT) deflated with country-industry-level value-added deflators. The sample contains the consolidated accounts of MNE groups in market sectors excluding agriculture, financial services and real estate (with main activity in NACE Revision 2 sectors 5 to 82, excluding 64-66 and 68) with operating turnover above EUR 750 million. MNE companies are identified based on Orbis ownership links data, as any corporate group with at least one subsidiary in a foreign jurisdiction. The overall sample used for the graphs is unbalanced, and firms included in the Top 10 and Top 50 samples are not the same across all years.

Source: Authors' calculations based on Orbis.

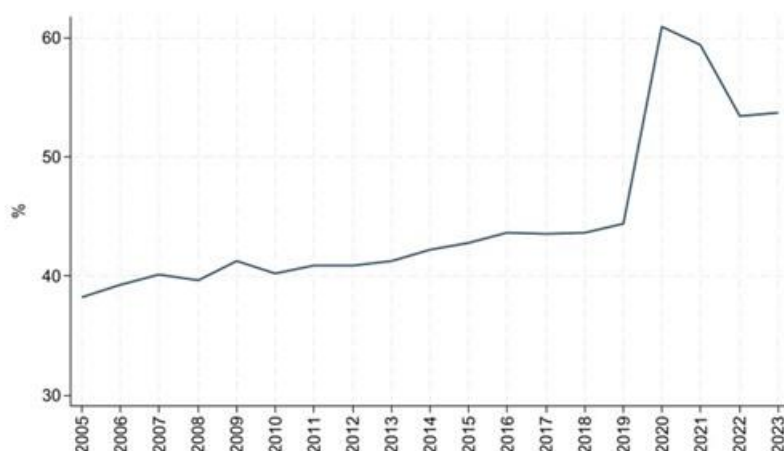
Figure 3. Intangible investment as a share of GDP (%), 1995 versus 2023



Note: For India, shares are for the years 2011 and 2020, respectively, owing to the unavailability of data before 2011 and beyond 2020. Data for India exclude the informal sector. For Japan, shares are for the years 1995 and 2021, respectively, owing to the unavailability of data beyond 2021. The indicator follows the National Accounts framework proposed by Corrado, Hulten and Sichel (2009), covering both unmeasured and measured intangible assets.

Source: WIPO-LBS Global INTAN-Invest Database, June 2024, (World Intellectual Property Organization, 2024^[4]).

Figure 4. Digitally delivered services exports, share of total trade in services



Note: WTO estimates on exports of services traded through computer networks, such as the Internet, apps, emails, voice and video calls, and digital intermediation platforms covering over 200 economies and regions following the definition of the World Trade organization Handbook on Measuring Digital Trade (https://www.wto.org/english/res_e/publications_e/digital_trade_2023_e.htm), as share of total services exports.

Source: https://www.wto.org/english/res_e/statistics_e/gstdh_digital_services_e.htm and https://www.wto.org/english/res_e/statistics_e/gstdh_commercial_services_e.htm.

4.3. Economic impact assessment of the BEPS Project in developing countries

BEPS activity is very relevant for developing countries. While the early empirical research on BEPS activity often concentrated on developed countries, there is a growing body of research specifically focusing on developing countries. One finding is that developing countries are more exposed to BEPS risks than developed countries, which may in part be attributable to capacity constraints that limit the ability of developing countries to administer anti-avoidance rules such as adequate transfer pricing rules. Developing countries' tax bases are also more exposed to BEPS risks because CIT typically comprises a larger share of their tax mix. Lastly, developing countries can face strong pressures from MNEs to erode their tax bases due to their reliance on inbound FDI to support investment.

There is evidence that anti-avoidance measures, especially transfer pricing rules, in developing countries can be impactful in constraining tax avoidance and supporting CIT revenue collection.

There is evidence that the introduction of transfer pricing rules can reduce transfer mispricing and raise CIT revenues in developing countries, and strong evidence that audit support can increase tax revenues in developing countries. The OECD/UNDP TIWB initiative, *in collaboration with other regional organisations*, has helped developing countries' tax administrations collect an additional USD 2.4 billion in revenues. There is also some evidence that ILRs, which have also been widely implemented by developing countries, reduce profit shifting.

4.4. Future work

Countering BEPS activity, and measuring the impact of BEPS Actions, will continue to be an important policy concern for tax administrations and policymakers. The economic factors that can increase the risks of BEPS activity may increase in future years, requiring continued monitoring and analysis of BEPS activity. Work to assess the economic impact of BEPS Actions by governments, academics and others will build as the implementation of BEPS Actions becomes more mature. Areas

where more research is needed include the assessment of administration and compliance costs, improving the understanding of the impact of BEPS Actions on investment and economic activity and better understanding the impact of some specific BEPS Actions.

The costs of implementing the BEPS Actions can pose particular challenges for developing countries. Commentators and Inclusive Framework delegates have highlighted the compliance and administration costs stemming from the implementation of the BEPS Actions, noting a need for simplification while maintaining progress and without undermining the integrity of the BEPS Minimum Standards. The Inclusive Framework has already put in place measures to reduce the burden of the peer review processes, and work is ongoing to address concerns around the complexity of tax rules and how they can be simplified.³² Economic studies of the compliance costs of the BEPS Actions, however, are rare as these costs are very difficult to measure.³³

Studies highlight the importance of multilateral action to address BEPS while limiting negative impacts on FDI. Studies also highlight how the implementation of BEPS Actions can come at a cost, making source jurisdictions less attractive for FDI, highlighting the importance of collective action on implementation to reduce the competitive disadvantages of unilateral implementation of BEPS Actions. Moreover, studies looking at the impact of BEPS activity on investment by MNEs also find a relatively limited impact of reduced BEPS activity on overall MNE investment, and a positive impact of tax certainty on the location of FDI, suggesting that co-ordinated action on BEPS may have limited costs in terms of investment, and may even support investment through increased tax certainty.

Despite the increasingly large number of studies on BEPS Actions, some areas remain understudied. For example, while hybrid mismatches have been identified as a mechanism for profit shifting and anecdotal reports from some jurisdictions suggest BEPS Action 2 has had a strong deterrent effect, there are limited empirical studies specifically assessing the impact. Action 12, which focuses on mandatory disclosure rules, has also received limited research attention, in part because its implementation has been concentrated in the European Union and because data on disclosures and exchanges are not readily accessible. Action 7, aimed at preventing the artificial avoidance of PE status, remains difficult to study empirically since PEs often do not appear in firm-level datasets commonly used in these studies. Finally, the economic impact of the BEPS MLI is still largely unexplored, with only a few exceptions. This may be due to the BEPS MLI's broad scope and the diversity and flexibility of its provisions, which complicates efforts to isolate the effects of individual components.

While precise data is not available yet, studies suggest that implementation of the GMT is likely to further reduce BEPS activity. The OECD's own economic impact assessment, as well as several other studies have suggested that BEPS activity could be reduced substantially due to the lower tax rate differentials across the Inclusive Framework, as higher minimum tax rates can reduce MNEs' incentives to engage in BEPS activities. While some studies have also highlighted the potential impacts of the GMT on investment, others have suggested that the scope of the GMT strikes an appropriate balance between revenues and compliance costs. Ongoing assessment of the impact of the GMT on profit-shifting will be important going forward.

³² OECD (2025), *Enhancing Simplicity to Foster Tax Certainty and Growth: OECD Report to the G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, <https://doi.org/10.1787/086f71ab-en>.

³³ Eichfelder and Vaillancourt (2014^[151]) provide an overview of the literature on compliance costs.

5 Perspectives on the impact of the BEPS Project

A variety of perspectives help fill evidence gaps and enrich the understanding of how BEPS Actions are working in practice. The stocktake has benefitted from the input of individual jurisdictions of the Inclusive Framework and consultations with other relevant, external groups. During the April 2025 Inclusive Framework plenary meeting, the OECD Secretariat and academic experts presented key outcomes of their analyses of the BEPS Project work.³⁴ Discussions among members of the Inclusive Framework then continued in smaller breakout groups. Business and labour groups also had the opportunity to provide their own take on how the BEPS Project had impacted their constituencies.

5.1. Country perspectives on the stocktake of the BEPS Project

Many jurisdictions perceive the BEPS Actions as helpful in reducing tax avoidance and improving compliance, though data remain limited and complexity persists. Although several delegates said that more time would be needed to fully evaluate the impacts of the BEPS Project, the overall view of the outcome is positive. Some jurisdictions are seeing increased revenue and better adherence to substance requirements, while aggressive tax planning strategies have decreased. Several developing countries have benefited from transfer pricing documentation and CbCR, as well as from rules to limit excessive interest deductions. However, challenges remain, such as data gaps and complexity. There is a shared need for more evidence-based assessments and better guidance to support further analysis.

Inclusive Framework members frequently identify a number of BEPS Actions that have had the most significant impact. The experience of many member jurisdictions suggests that, overall, the BEPS Actions that have had the most significant impact on revenue and taxpayer behaviour include Transfer Pricing Documentation and CbCR (Action 13), Limiting Base Erosion Involving Interest Deductions and Other Financial Payments (Action 4), Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance (Action 5), Preventing the Granting of Treaty Benefits in Inappropriate Circumstances (Action 6), and Making Dispute Resolution Mechanisms More Effective (Action 14). Transfer Pricing Documentation and CbCR, for example, have led to better risk assessments, resulting in more successful audits. Dispute Resolution has accelerated settlements, promoted better co-operation, and boosted taxpayer confidence. While minimum standards have had the greatest impact and remain a primary focus for reforms, other areas, such as transfer pricing and excessive interest deductions, were high priority and have had a positive impact (although linking them directly to revenue collection is difficult). The challenges of implementation were also acknowledged, with a number of jurisdictions noting the need to prioritise certain actions due to resource constraints.

³⁴ <https://www.oecd.org/en/about/news/announcements/2025/04/inclusive-framework-concludes-successful-meeting-in-south-africa.html>.

Member jurisdictions believe that the BEPS Project has significantly transformed the international tax system by promoting greater co-operation, tax certainty and transparency, and stability. The BEPS Project has led to stronger collaboration between tax administrations, improved consistency in tax rule application, and increased domestic compliance. Key outcomes include the shared understanding that profits and taxation should be aligned with the location of economic activities, a shift in tax planning away from aggressive strategies due to public perception risks, and a focus on maintaining a level playing field among countries to avoid tax competition.

5.2. Business and labour perspective on the impact of the BEPS Project

The view of business is that the BEPS Project has largely achieved its objectives. Business at OECD (BIAC) is the officially recognised institutional business stakeholder at the OECD and has been following the BEPS Project since its inception, providing insights and feedback from its membership through the process. The input of BIAC is that the widespread adoption of the BEPS Minimum Standards has contributed to a more stable, transparent, and equitable international tax environment. Many MNE groups now have a clear tax policy where they commit to behave in a responsible manner, in compliance with the regulations of the countries where they operate, most of which have implemented the BEPS Actions. A harmonised approach benefits both governments through better revenue protection and businesses through simplified and consistent compliance. BIAC is particularly appreciative of the work in driving the way forward on better access to MAP under Action 14.

More broadly, BIAC input indicates that the BEPS Actions have contributed to the move away from using low-substance/low-function holding companies. The relative stability of global corporate tax rates and greater consistency of standards following the BEPS initiative has, in some cases, allowed businesses to increasingly base their investment decisions on broader economic factors—such as political stability, currency controls, and labour costs.

However, BIAC points to a number of concerns that its members have voiced. First, the BEPS Actions have increased complexity, administrative burdens, and compliance costs. BIAC points to feedback suggesting that requirements could be streamlined, while achieving the same positive effects, to realise a more balanced outcome that more effectively considers compliance burdens. Another concern is that, rather than eliminating tax competition, the BEPS Project may have instead redirected it—towards direct incentives, tax credits, and other non-rate-based mechanisms, which may intensify with the implementation of the GMT. Finally, BIAC suggested that overly aggressive or inconsistent enforcement of new anti-abuse rules, and unclear or overly complex rules and requirements, could inhibit investment and growth. BIAC believes it would be helpful to review the BEPS Package from the perspective of simplification, enhancing tax certainty and reducing compliance costs to reduce administrative burden for both taxpayers and tax administrations. In addition, BIAC suggested that given the available evidence of behavioural changes and adoption of BEPS standards, future developments should focus on more targeted approaches with the objectives of simplification, enhanced certainty, and stability.

These views are consistent with wider business input. A range of external organisations from the business community have also provided feedback on the BEPS stocktake, representing business and professional associations around the globe. Across all responses, input was largely consistent with the BIAC views. Contributors recognised the significant impact of the BEPS Package in influencing taxpayer behaviour and better aligning profits with economic substance, including a clear reduction in profit shifting and more cautious tax planning strategies. Measures related to transparency, particularly CbCR (Action 13), and anti-avoidance rules such as those addressing hybrid mismatches, interest deductions, and treaty abuse (Actions 2, 4, and 6) were broadly viewed as effective in curbing aggressive tax planning. However, contributors also pointed out several common concerns, especially the growing complexity of the international tax system and the high administrative and compliance costs. They also noted uneven

implementation across jurisdictions. Many stressed the need for more simplification, and stronger support for developing countries. Several contributors emphasised the importance of proportionality and tax certainty, together with greater standardisation to maintain fairness and consistency across jurisdictions.

The perspective of labour shows both support for the BEPS Project but also identifies issues on the scope of the BEPS Project. The Trade Union Advisory Committee (TUAC) mission is to ensure that OECD actions meet the needs of working people. TUAC recognises the BEPS Action Plan as a landmark achievement in multilateral tax co-operation and has supported the BEPS Project since its inception. TUAC highlights some specific issues in respect of the BEPS Actions. For example, in respect of Actions 8-10, TUAC questions the continued reliance on the arm's length principle, arguing it does not fully reflect the unitary nature of MNEs. TUAC recognises the improvement in corporate tax transparency brought by BEPS Action 13, but advocates for public access to CbC reports to support accountability. In respect of the Two-Pillar Solution, TUAC expresses some concerns about whether the measures go far enough to address inequalities in the system. TUAC welcomes the G20's call to pursue further work on tax and inequality and would support a co-ordinated minimum tax on ultra-high-net-worth individuals. Finally, TUAC urges the OECD to maintain its core principles without expanding carve-outs that could weaken the international tax framework.

6 Conclusions and looking ahead

The BEPS Project has achieved many of its objectives, but there is more work to do. The BEPS Project was designed to address the consequences of an international tax system that had not kept pace with the realities of the modern global economy, where firms are more globalised and digitalised, and value is increasingly driven by intangibles. Evidence on the economic impact of the BEPS Project and the take-up of BEPS Actions shows that the project, carried out by the international community, has realised significant accomplishments. A strong track record of implementation has led to increased coherence, transparency and certainty. While a quantitative analysis of the BEPS Project remains challenging due to data and methodological constraints, there are a variety of data points that suggest positive impacts of the project:

- **Profits and substance are better aligned**, with, for example, the ratio of profits to employees for multinational enterprises (MNEs)' operations in investment hubs having dropped by 27% in recent years.
- **The sensitivity of the location of profits to tax rates, especially to very low tax rates, has declined**, by an estimated 12% to 40% relative to pre-2015 estimates. This suggests that business fundamentals are increasingly driving the location of MNE profits.
- **Statutory CIT rates have stabilised** in the last five years, suggesting an end to the downward trend observed over the prior 20 years.
- **There is unprecedented transparency surrounding the tax planning of MNEs** for tax authorities and policymakers. Jurisdictions comprising 98% of world outbound FDI have introduced CbCR, and jurisdictions accounting for 92% of world GDP are exchanging information on rulings.
- **The steady expansion of the use of MAP to resolve disputes is strengthening tax certainty**, with an expansion in MAP caseload across jurisdictions, as well as reduction in the backlog of legacy cases.

The latest available data show that BEPS challenges and competitive pressures remain. Macroeconomic trends, for example increasing digitalisation and increasing intangible-intensity, while beneficial economically, may have exacerbated BEPS risks. The data points to continued misalignment of profits and substance, namely that taxation is still not entirely aligned with the place of value creation.

The Inclusive Framework has continued to reflect on how to advance the work on international tax. Work on implementation of the BEPS Package has been ongoing since its launch including after the launch of the Two-Pillar Solution. In April 2025, the Inclusive Framework agreed to continue to prioritise efforts in progressing BEPS implementation. As the Inclusive Framework embarks on its next phase of work, the Secretariat can continue to support members to:

- **Monitor the implementation and impact of the BEPS Project**, including through continued publication of aggregated CbCR data, and continued use of taxpayer microdata to analyse BEPS issues, particularly to address the analytical gaps mentioned in this report, as well as to assess the impact of the GMT.
- **Continue its work to simplify and streamline Inclusive Framework processes** in relation to the implementation of BEPS Actions to maximise efficiency and reduce burdens while maintaining

the integrity of the system, as well as to ensure its operating procedures are responsive to the needs of its members.³⁵

- **Support the implementation of BEPS Actions in developing countries** (with an emphasis on access to CbC reports and the introduction of ILRs, recognising that each country will have its own priorities and timelines) through capacity building and technical assistance, including through collaboration and co-ordination with development partners. In this regard, the work of the PCT should be supported.
- **Support the implementation and administration of further measures to address challenges arising from the digitalisation of the economy**, including guidelines to effectively collect VAT on e-commerce.
- **Ensure an open dialogue with business, civil society and other relevant groups.**

While design, implementation and enforcement challenges remain, the BEPS Project has changed the conversation on international tax and established new expectations for corporate responsibility and transparency. The work has created unprecedented transparency around the tax planning of MNEs and in doing so provided an opportunity for greater and more effective co-operation between tax administrations. The initial BEPS Actions modernised international rules and standards and paved the way for broader international co-operation, including with respect to the Two-Pillar Solution. There are today a far greater array of tools and initiatives to deliver tax certainty, which can provide not only dispute resolution but also dispute prevention, including through the co-ordinated application of common rules. Looking ahead, the Inclusive Framework is undertaking an evidence-based consideration of other issues that are of relevance to its members – such as global mobility of individuals and tax, inequality and growth – that have connections with the BEPS agenda and wider policy relevance.

³⁵ See also OECD (2025), *OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors (G20 South Africa, October 2025)*, OECD Publishing, Paris, <https://doi.org/10.1787/56386016-en> and OECD (2025), *Recognising progress and reducing burdens in the BEPS minimum standards*, OECD, <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/beps/note-on-burden-reduction-in-the-beps-minimum-standards.pdf>.

Part II Technical background report

1 Background

1.1. Overview

This technical background report presents details of the economic impact assessment of the BEPS Project. It draws on the latest available data and the most up-to-date academic literature to assess the changes to the scale of BEPS activity and the associated revenue losses, the spillovers of BEPS activity on other economic outcomes, and the impact of the BEPS Actions on BEPS behaviour.

In spite of recent advances in data availability and a wealth of academic studies, measuring the impact of the BEPS Project remains challenging. A key difficulty lies in the absence of high-quality pre-BEPS Project benchmarks, which complicates efforts to construct a time series that might point to the impact of the project.³⁶ In addition, various structural forces have continued to exacerbate the pressures on the international tax system (see Section 1.4 below). This means that it is hard to build counterfactuals for assessing the impact of the project at a global level. These limitations mean that the metrics discussed here provide suggestive rather than definitive insights into changes in BEPS activities.

Among the two core aspects of BEPS – base erosion and profit shifting – shifted profit is in some respects more observable than base erosion. This is because profit misalignment can sometimes be inferred from anomalies like unusually high profits per employee in low-tax jurisdictions (see Section 2.1). However, assessing base erosion – the narrowing of tax bases through deductions, credits, or special regimes, or via mismatches in tax provisions between countries that can give rise to double non-taxation – is more complex. This challenge is magnified when trying to estimate effective tax rates on cross-border income, where aside from issues of data availability, there are challenging definitional issues on the source and character of income. Identifying the source of income, the characterisation of income flows, and ascribing income to various parties in an MNE group, which are all challenging for tax administrations, are also challenging for quantitative analysis.

Estimates of shifted profit have their limitations. Standard indicators do not account for risk-adjusted returns or functional intensity, both of which affect profitability and are often overlooked in simplified measures of profit shifting (Delpeuch et al., 2025^[5]; Becker, Johannesen and Riedel, 2020^[6]). Moreover, profit itself is not a neutral variable – its measurement can vary by accounting standard, tax treatment, and economic structure (Blouin and Robinson, 2020^[7]). Several key cross-border variables used in empirical studies – such as hybrid mismatches or permanent establishments (PEs) – are particularly difficult to measure, as the tax planning structures themselves often obscure the underlying data. As a result, the scale of and trends in BEPS activity remain challenging to quantify.

³⁶ CbCR data; arguably the most comprehensive source of data to analyse the activity of large MNEs, only existed after the BEPS Project, and suffered from data limitations in the early years of implementation (OECD, 2020^[146]). Orbis data, used in Section 2.3 to analyse profit-shifting before and after the launching of the BEPS Project, suffer from limitations in terms of country and data coverage. While studies have used macroeconomic data to provide high-level estimates of BEPS activity, these studies come with very strong assumptions to make the data tractable (Wier and Zucman, 2022^[30]) which leads to questions about their reliability.

Data availability on BEPS activity is improving but further progress would allow better impact assessments. CbCR provides an unprecedented global snapshot of where MNEs book profits versus where they perform substantive activities, although relatively few studies currently use the granular microdata.³⁷ Other micro-level datasets on cross-border activities are emerging but remain limited. Data for developing countries is improving but it still remains less available than in developed countries.³⁸ Commercial datasets like Orbis have improved yet still offer limited visibility into tax planning in both low-tax and lower-income jurisdictions. In addition, a lack of detailed payment-level data severely hampers analysis of bilateral treaties and withholding tax outcomes, though here as well, there are some studies using transactional data (Gabanathong et al., 2022^[8]; Wier, 2018^[9]).

While precise data is not available yet, studies suggest that the Global Minimum Tax (GMT) could further reduce BEPS activity. The OECD's own economic impact assessment has suggested that BEPS activity could be reduced by approximately 50% due to the lower tax rate differentials across the Inclusive Framework; higher minimum tax rates can reduce MNEs incentives to engage in BEPS activities (Hugger et al., 2024^[3]). Other studies have found similar conclusions (Bratta, Santomartino and Acciari, 2024^[10]; Boukal, Janský and Palansky, 2024^[11]). While some studies have also highlighted the potential impacts of the GMT on investment (Bilicka, Devereux and Güçeri, 2024^[12]), others have suggested that the scope of the GMT strikes an appropriate balance between revenues and compliance costs (Clifford, Miethe and Semelet, 2025^[13]).

1.2. Estimates of the size of BEPS activity

A substantial body of academic literature studies the extent and effects of BEPS activity. Many papers focus on the degree of shifted profit and the size of the associated revenue losses (for an overview of the literature, see e.g., Dharmapala (2014^[14]) and Beer, de Mooij and Liu (2020^[15]), or Lejour and Schindler (2024^[16])). This empirical literature can broadly be divided into two groups. The first studies the extent of BEPS activity at the firm level, while the second relies on more aggregated data. The two streams of literature have recently been summarised by Wamser et al. (2025^[17]) and Beer, Hanappi, and Loeprick (2024^[18]), also discussing the respective advantages and disadvantages of the different approaches. Generally, it is important to note that estimates of BEPS activity often rely on imputations and may not fully account for factors such as differences in profitability, productivity or functional intensity across countries and should therefore be taken with some caution.

Estimates of the size of BEPS activity vary depending on the study and methodology. One estimate on the extent of global profit shifting was included in the BEPS Action 11 report (OECD, 2015^[1]). It placed the revenue losses at 4-10% of total CIT revenues or USD 100-240 bn for the year 2014. Global revenue losses of a similar order of magnitude are found in some other studies, including recent research drawing on data from CbCR. For instance, Fuest et al. (2025^[19]) use firm-level CbCR data and estimate that, globally, 13% of MNE profit is shifted profit, resulting in revenue losses of close to USD 200bn. Garcia-Bernardo and Janský (2024^[20]) and Hugger et al. (2024^[3]) largely draw on data from the anonymised and aggregated CbCR statistics published by the OECD and again derive results of similar size.

Many estimates of the extent of BEPS activity use the responsiveness of profits to tax as a metric. Where BEPS activity is high, profits are likely to respond strongly to tax rate differentials and more profit

³⁷ Exceptions include Fuest, Hugger and Neumeier (2021^[147]) and Bratta, Santomartino and Acciari (2021^[148]), and Faccio et al. (2021^[149])

³⁸ Important initiatives in this regard are <https://www.wider.unu.edu/project/tax-research-development-phase-3> and <https://www.worldbank.org/en/programs/datax-lab>.

will be present in low-tax jurisdictions. In such cases, the semi-elasticity of profits to tax will be high.³⁹ The semi-elasticity of profits with respect to CIT rates is estimated to be around 0.8 to 1 in meta-studies (Heckemeyer and Overesch, 2017^[21]; Beer, de Mooij and Liu, 2020^[15]), with recent research pointing towards strong non-linearities in MNE responses to CIT rates (Bratta, Santomartino and Acciari, 2024^[22]; Dowd, Landefeld and Moore, 2017^[23]; Fuest et al., 2025^[19]). Collectively, these studies consistently show that corporate profits are more responsive to tax rate changes in countries with lower tax rates, indicating that profit shifting is especially pronounced when the tax incentive is greatest, as discussed further in Section 2.3.

A series of studies focuses on individual BEPS activities, such as transfer mispricing, the strategic use of intra-company loans and allocation of intangibles, or treaty-shopping. This literature is summarised e.g. by Beer, de Mooij & Liu (2020^[15]) and is discussed in Section below. However, there is limited comparative evidence on which BEPS activities are the largest drivers of revenue losses.⁴⁰ In addition, the extent to which different activities matter more or less in different country contexts or for different firms is also understudied.

While the early empirical research on BEPS activity often concentrated on developed countries, there is a growing body of research on developing countries. Early studies focused, in part, on developed countries due to data challenges in developing countries, as discussed above. More recent studies focusing on developing countries find that they are more exposed to BEPS activity than developed countries (Crivelli, Keen and de Mooij, 2016^[24]; Bustos et al., 2019^[25]; Johannesen, Tørsløv and Wier, 2020^[26]; Beer, Hanappi and Loeprick, 2024^[18]). In part, this might be attributable to capacity constraints limiting the ability of developing countries to administer anti-avoidance rules such as adequate transfer pricing rules (Bustos et al., 2019^[25]; Laudage Teles, 2023^[27]). At the same time, evidence highlights that anti-avoidance measures in developing countries can be impactful in constraining tax avoidance and supporting CIT revenue collection (Laudage Teles, Riedel and Strohmaier, 2023^[28]). This is particularly relevant given the significant contribution of CIT revenues to total tax revenues in many developing countries.

A long time series suggests that BEPS activity was rising over the years before the beginning of the BEPS Project. A historical view on BEPS activity is offered by Wagner and Zeume (2024^[29]), who study how the landscape of profit flows and major investment hubs has changed over time. Wier and Zucman (2022^[30]) find that the total size of BEPS activity rose slowly beginning in the 1980s, before sharply rising in the period from 2010 to 2015, but their data suggest a stabilisation of indicators of BEPS activity in the post-2015 period.

1.3. Spillovers from BEPS activity

The negative impacts of BEPS activities go beyond their impact on tax revenue. Early studies of base erosion and profit shifting primarily examined the impact on the location of reported profits and potentially associated losses of tax revenue. However, broader economic implications are also significant. An expanding body of literature has highlighted that BEPS activities not only shift tax bases but also alter firm behaviour in ways that distort the wider economy. These include changes to investment, employment, innovation, and market functioning. At the same time, BEPS Actions themselves can also impact firm behaviour.

³⁹ The semi-elasticity in this case is the percentage change in profits associated with a 1 percentage point change in a tax rate.

⁴⁰ With some exceptions, see e.g. Gabanathong et al. (2022^[8]).

The interaction between BEPS activity and the rest of the economy is less studied than the extent and nature of BEPS activity. Alstadsæter, Davies, Parenti, and Toubal (2024^[31]) provide an overview of the existing literature on this topic, and argue that base erosion and profit shifting can have real impacts on investment, innovation, and employment. In addition, they stress the potential impacts of BEPS activity on the performance of markets (where MNEs engaged in profit shifting can gain competitive advantages), and tax morale (which can suffer from reports on very low effective rates paid by large MNEs).

A first, key spillover is the impact of BEPS activities on the competitive landscape. MNEs – especially large firms – are best positioned to engage in BEPS activities. These ideas were examined in the initial BEPS Action 11 report and associated research (Sorbe and Johansson, 2017^[32]). However, the economic literature has expanded substantially in recent years. Evidence suggests that firms engaged in higher levels of profit-shifting are larger on average (Wier and Reynolds, 2018^[33]; Dowd, Landefeld and Moore, 2017^[23]). Their ability to shift profits across borders can reduce their effective tax rates and thereby lower their overall cost base. Evidence suggests that large affiliates typically pay lower effective tax rates compared to smaller firms (Bachas et al., 2023^[34]), and that MNEs report systematically lower profit rates compared to domestic firms (Bilicka, 2019^[35]). This confers a competitive advantage relative to smaller or purely domestic firms, which lack comparable tax planning capacity. Evidence also suggests that tax planning advantages have reinforced the market position of dominant firms, contributing to increased market concentration (Martin, Toubal and Parenti, 2024^[36]). In this way, BEPS activity can distort competition and undermine the functioning of markets, potentially worsening outcomes for consumers, as well as being a drag on growth. This connects to ongoing questions about rising market concentration and its potentially negative consequences for growth (De Ridder, 2024^[37]; Calligaris et al., 2024^[38]).

BEPS activity may distort the international allocation of capital and labour, potentially lowering overall productivity. When investment and business functions are structured to support tax minimisation rather than economic efficiency, firms may choose locations or organisational structures that are suboptimal from a productivity standpoint. Recent OECD work suggests that high-value business activities such as financing, holding of shares and holding of intangibles are more likely to take place in low-tax jurisdictions, while comparatively low-value-added functions such as sales are more likely to take place in high-tax jurisdictions (Delpeuch et al., 2025^[5]). Misallocation of capital and functions can hinder the diffusion of knowledge and innovation (Gopinath et al., 2017^[39]), and slow the reallocation of resources to more efficient uses. Such distortions are particularly concerning in light of the productivity slowdown observed in many advanced economies (Fernald, Inklaar and Ruzic, 2025^[40]; Goldin et al., 2024^[41]). Some studies have directly linked BEPS activities to reductions in productivity, showing that higher tax aggressiveness can limit capital reallocation and curtail productivity growth (Todtenhaupt and Voget, 2021^[42]). Moreover, BEPS activity complicates the accurate measurement of productivity at both firm and macroeconomic levels, as reported profits – and thus inferred value-added – can be artificially inflated or depressed due to BEPS activities (Bricongne, Delpeuch and Lopez-Forero, 2023^[43]; Guvenen et al., 2022^[44]).

BEPS activity is also linked to inequality. Firms that engage in aggressive tax planning often tend to channel the benefits to top executives and high-skilled workers rather than the broader workforce. Evidence shows that BEPS activity (i.e. an MNE having an affiliate in a low-tax jurisdiction) is associated with higher CEO compensation but not with higher wages for average workers (Souillard, 2022^[45]; Alstadsæter et al., 2022^[46]). This reinforces the view, supported by a broader literature on the incidence of CIT, that the incidence of CIT may be partially borne by labour (Fuest, Peichl and Siegloch Sebastian, 2018^[47]) while the benefits of reduced CIT accrue to those at the top of the income distribution (Dobridge, Landefeld and Mortenson, 2021^[48]; Risch, 2024^[49]). In this way, BEPS activity contributes not only to horizontal inequality between firms but also to vertical inequality within them.

There is some evidence that combating BEPS activity may reduce investment, though the effects of concerted action may be smaller than of unilateral action. By raising the effective tax burden on

multinational firms, stricter anti-avoidance measures may lower firms' after-tax profits from an investment and therefore reduce the attractiveness of jurisdictions for inbound investment (Feld and Heckemeyer, 2011^[50]). Empirical studies have found declines in investment and employment following the introduction of anti-BEPS rules (de Mooij and Liu, 2021^[51]; Buettner, Overesch and Wamser, 2018^[52]; de Mooij and Liu, 2020^[53]) suggesting a trade-off between reducing tax avoidance and attracting business activity. However, the evidence is mixed. While some firms do reduce local investment in response to anti-avoidance measures, some studies show little change at the consolidated group level (Knoll et al., 2021^[54]; Hanappi and Whyman, 2023^[55]; de Mooij and Liu, 2020^[53]), indicating that tax-motivated investment may be more about intra-group allocation than overall investment strategy levels. This suggests that while unilateral action to address BEPS activity may reduce relative competitiveness, concerted action may not.

1.4. Structural trends affecting BEPS activity

The incentives for MNEs to engage in BEPS activities are driven by various economic trends, many of which have continued to rise over time. Firstly, total profits of MNEs, especially for those at the top of the distribution, have risen sharply in recent decades, which has been associated with higher levels of profit-shifting (Dharmapala and Riedel, 2013^[56]; Schimanski, 2017^[57]). Secondly, the growing importance of intangible assets for MNEs may have intensified BEPS activities. This is because these assets are often difficult to value, and their location may be more responsive to taxation. Lastly, the digitalisation of the economy has exacerbated these challenges, as digital businesses such as social media platforms and online marketplaces can generate substantial revenue from a jurisdiction without a physical presence there, and more generally, it is difficult to determine the location of their value creation. As these economic trends have not abated in recent years, absent the BEPS Project it would be expected that BEPS activity would have risen over time. While these trends are largely positive in terms of the ongoing development of the economy, they do mean that the counterfactual scenario of a likely increase in BEPS activity needs to be considered when examining the impact of the BEPS Project.

1.4.1. Rising profitability of top firms

Profits of large companies, in particular large MNE groups, have been rising significantly over the past four decades. Various explanations have been forwarded for these trends, including increasing market concentration, economies of scale, and technological advancements. Research by Autor et al. (2020^[58]) shows that corporate concentration in the United States, measured by the sales share of the largest firms, has persistently increased since the 1970s, particularly in sectors like services and retail. Similar patterns have also been observed in Europe (Bajgar et al., 2019^[59]; Calligaris et al., 2024^[38]). This trend is closely linked to higher investment in R&D and information technology, which enhances productivity and output growth for dominant firms (Kwon, Ma and Zimmermann, 2024^[60]).

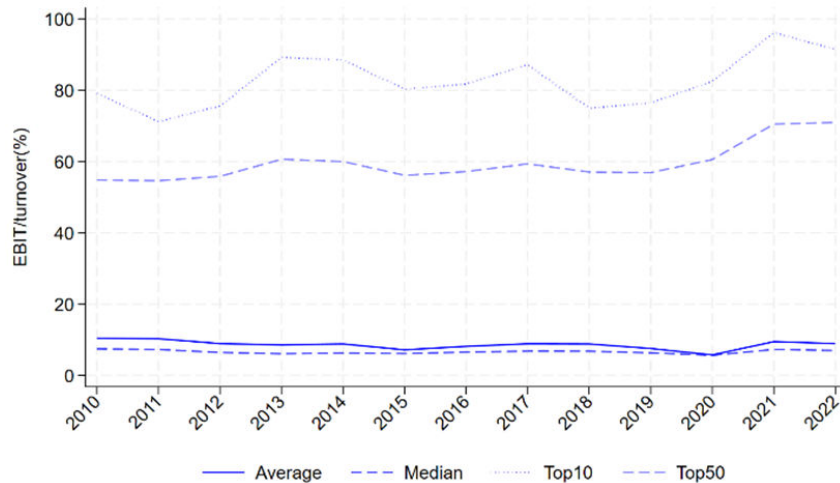
The rise in profitability is particularly pronounced among the most successful companies. Recent literature has documented the rise of 'superstar firms', i.e. highly productive and innovative firms, which often rely intensively on intangible assets (Bajgar, Criscuolo and Timmis, 2025^[61]). These firms typically operate globally and increasingly dominate certain product markets, especially in digitalised industries and industries characterised by winner-takes-all or winner-takes-most dynamics (Calligaris, Criscuolo and Marcolin, 2018^[62]; Gutierrez and Philippon, 2019^[63]). Figure 5 provides more details on heterogenous profit levels across sectors.

Rising profitability is also related to rising markups, or prices in excess of marginal cost. For example, De Loecker et al. (2020^[64]) provide detailed evidence of rising markups and profit rates in the US economy since the 1980s. Aggregate markups have risen from 21% above marginal cost in 1980 to 61% in 2016. The increase is driven mainly by the upper tail of the markup distribution: the upper

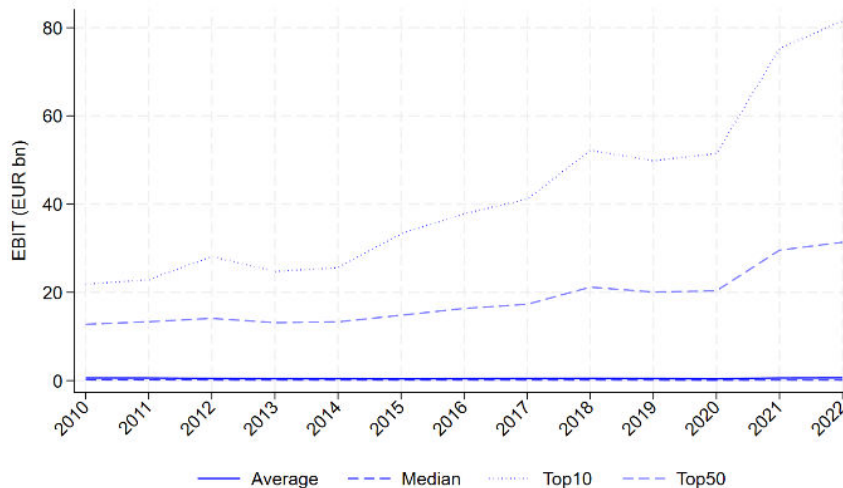
percentiles have increased sharply, while the median markup is stable. In the same period, the average profit rates of US firms have risen from 1% to 8%.

Figure 5. Profitability of MNEs over the last decade: average versus top firms

Panel A: Profitability ratio



Panel B: Profit level



Note: Panel A (resp. Panel B) shows the average and median profitability ratio (resp. profit level) of all firms across a sample of large MNEs based on consolidated financial data taken from Orbis, as well as the average for the 10 and 50 firms with the highest profitability ratio (resp. profit level) in each year. Profitability is measured as the ratio of EBIT to operating turnover. Profit level corresponds to EBIT deflated with country-industry level value added deflators. The sample in the chart contains the consolidated accounts of MNE groups in market sectors excluding agriculture, financial services and real estate (with main activity in NACE Revision 2 sectors 5 to 82, excluding 64-66 and 68) with operating turnover above EUR 750 million. MNE companies are identified based on Orbis ownership links data, as any corporate group with at least one subsidiary in a foreign jurisdiction. The overall sample used for the graphs is unbalanced, and firms included in the Top 10 and Top 50 samples are not the same across all years.

Source: Authors' calculations based on Orbis.

Evidence suggests that the profitability of superstar firms has continued to grow in recent years.

As illustrated in Figure 5, the top 50 profit-to-revenue ratios observed among large MNE firms increased from 54% to 71% on average between 2010 and 2022. Profit concentration among a small number of firms has also intensified: between 2010 and 2022, the average profit level (adjusted for inflation) of the 50 firms with the largest profits more than doubled, while one of the 10 largest profit firms nearly quadrupled. During

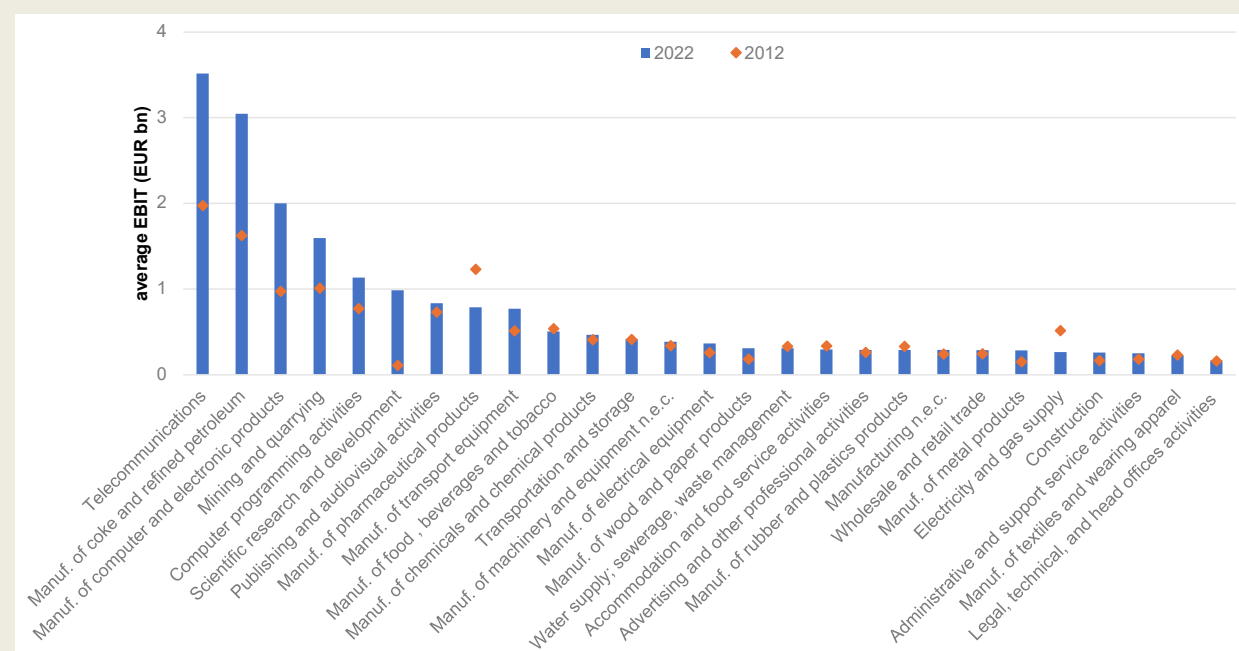
the same period, profitability dispersion has also widened at the lower end of the distribution (not shown in the figure), while median and average profitability have remained relatively stable.

Box 3. Evolution of profit levels and effective tax rates across sectors

Profit levels have increased on average over time in most sectors

Average profit levels tend to vary strongly across sectors, and disparities appear to have increased over the past decade (see Figure 6 below). While average profit levels have increased across most sectors over 2012-2022, particularly strong gains have been observed in digital sectors such as telecommunication services (NACE Rev. 2 61), manufacturing of computer, electronic and optical products (NACE Rev.2 26), and computer programming and information service activities (NACE Rev.2 62 and 63). Mining and quarrying sectors (NACE Rev.2 5 to 9) and manufacturing of coke and refined petroleum products (NACE Rev.2 19) also experienced sharp increases in profits, particularly in 2022, due to the surge in global energy prices triggered by Russia's war of aggression against Ukraine.

Figure 6. Average profit level by sector, 2022 and 2012



Note: Average profit level of all firms across a sample of large MNEs based on consolidated financial data taken from Orbis. Profit level corresponds to EBIT deflated with country-industry level value added deflators. The sample in the chart contains the consolidated accounts of MNE groups with operating turnover above EUR 750 million in market sectors excluding agriculture, financial services and real estate (with main activity in NACE Revision 2 sectors 5 to 82, excluding 64-66 and 68). The sector breakdown follows the A*38 aggregation of NACE Rev.2 activities. MNE companies are identified based on Orbis ownership links data, as any corporate group with at least one subsidiary in a foreign jurisdiction. MNE groups are categorized according to their primary activity. The fact that MNE groups may have different business lines or units operating in different sectors is not taken into account. The overall sample used for the graphs is unbalanced, and firms covered in the various sectors are not the same across all years.

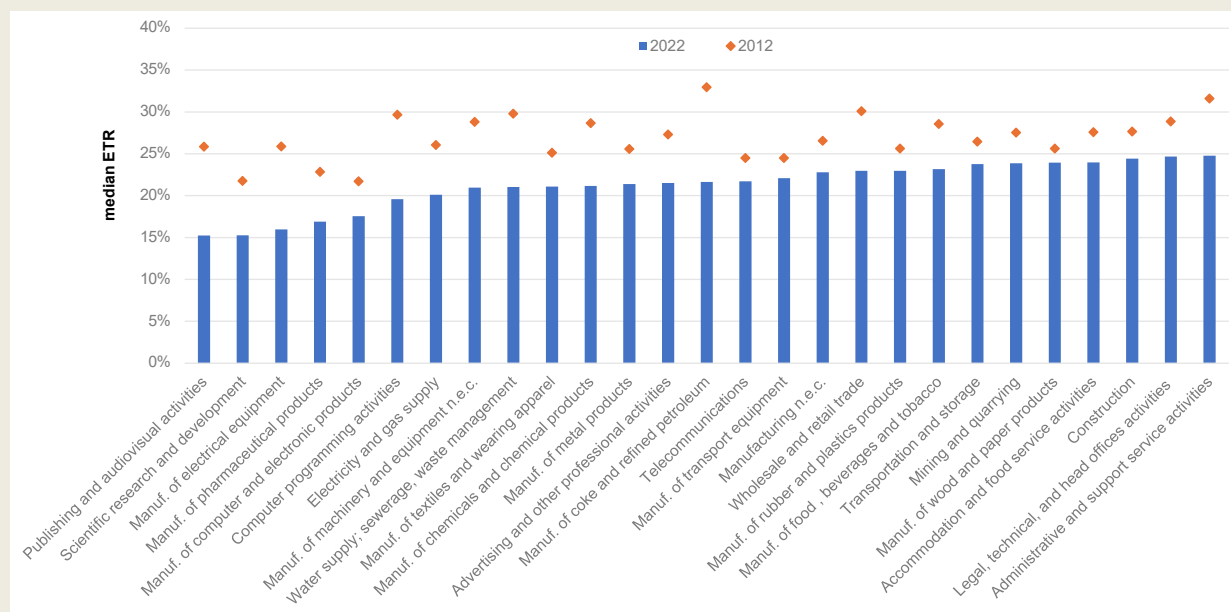
Source: Authors' calculations based on Orbis.

Effective tax rates vary strongly across sectors

Effective tax rates (ETRs) — measured as taxes paid over profit before tax — also show substantial variation across sectors. In 2022, the observed median ETR ranged from 15% in publishing, audiovisual and broadcasting activities (NACE Rev. 2 58 to 60) to 25% in administrative and support service activities

(NACE Rev.2 77 to 82) (Figure 7). Median ETRs have decreased in all industries over the past decade, with the strongest declines observed in publishing, audiovisual and broadcasting activities and manufacturing of electrical equipment (NACE Rev.2 27). These industries are typically characterised by high levels of intangible assets, which may contribute to the observed erosion in effective taxation.

Figure 7. Median Effective Tax Rate by sector, 2022 and 2012



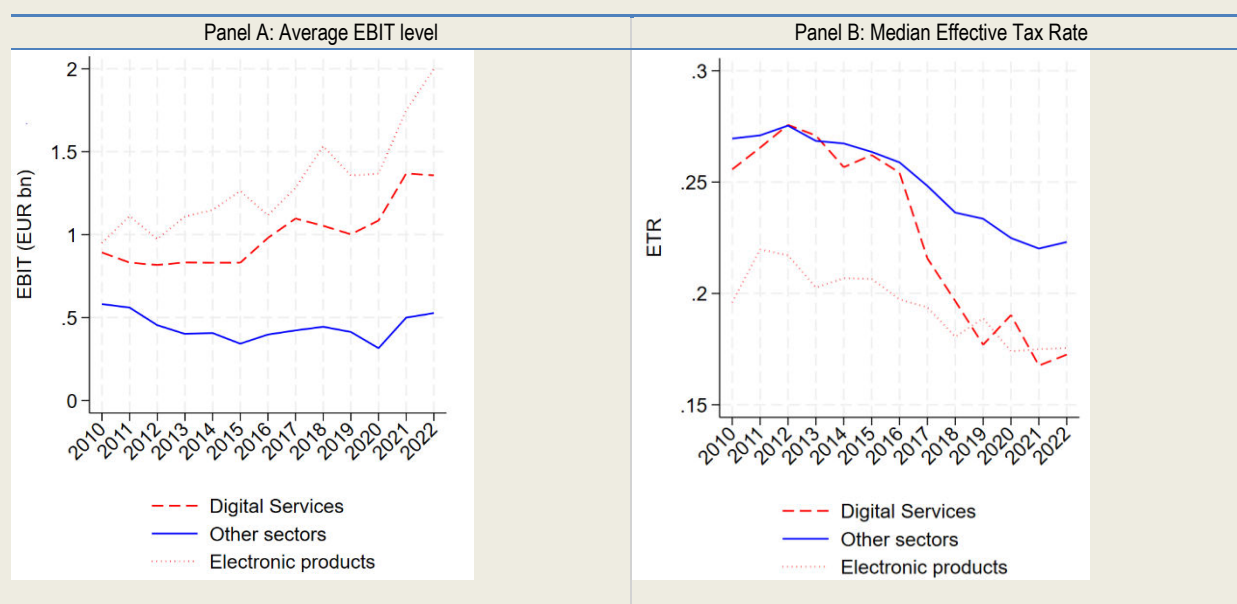
Note: Effective Tax Rate corresponds to the ratio of taxes paid over profit before tax, based on Orbis definitions.

Source: Authors' calculations based on Orbis.

Digital firms have seen their profit booming, while their effective tax rate has decreased significantly

Average profit levels in digital sectors have surged by 50% to 100% over the past decade, significantly outpacing other sectors where profits have been roughly stagnating. Over the same period, median ETRs have declined across all sectors, but the decline has been sharper for digital firms (Figure 8). This trend could reflect changes in effective taxation specific to the digital sector but is also partly driven by developments some larger jurisdictions where STRs have been reduced in recent years.

Figure 8. Average profit level and median effective tax rate of digital firms versus other sectors, 2012-22



Note: Digital services correspond to NACE Rev.2 sectors 58.2 (Software publishing), 62.03 (Computer facilities management activities), 62.09 (Other information technology and computer service activities) and 63.1 (Data processing, hosting and related activities; web portals), following the sector categorization of (OECD, 2020^[65]). Electronic products correspond to NACE Rev.2 sector 26 (Manufacture of computer, electronic and optical products). Only MNE groups with a primary activity in digital services or electronic products sectors are included. The fact that MNE groups may have different business lines or units operating in different sectors is not taken into account.

Source: Authors' calculations based on Orbis.

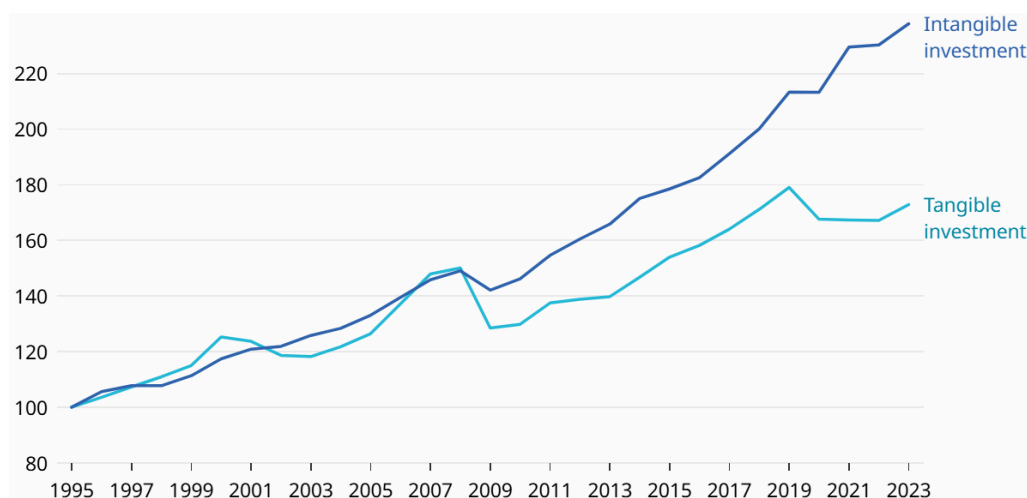
1.4.2. Rising intangible intensity

Over recent decades, investment in intangible assets, such as R&D, brand value, software and other IP, has grown significantly as a share of total investment. Recent trends can be seen in Figure 9. In 2023, intangible investment accounted for over 16% of GDP in highly intangible-intensive economies such as Sweden, the United States, and France (Figure 10). This shift reflects the increasing importance of knowledge-based and heavily digitalised industries, where value creation relies more on innovation, research, and data rather than traditional physical capital. Companies now allocate a greater portion of their resources to developing software, patents, trademarks, and other non-physical assets, making intangibles a dominant driver of corporate profitability.

The growing prominence of intangible assets presents challenges for international tax systems, particularly in the context of the risk it presents for BEPS activity. Unlike tangible assets such as factories or machinery, intangibles are highly mobile and can be easily transferred across borders within multinational corporations. This mobility allows MNEs to strategically allocate IP rights or other intangibles to low-tax countries, reducing their global tax burden. Furthermore, the valuation of intangibles is inherently complex, often lacking clear market benchmarks. This difficulty in assessing their true economic value creates opportunities for firms to manipulate transfer pricing, further exacerbating tax-avoidance risks.

Figure 9. Total intangible and tangible investment, 1995-2023

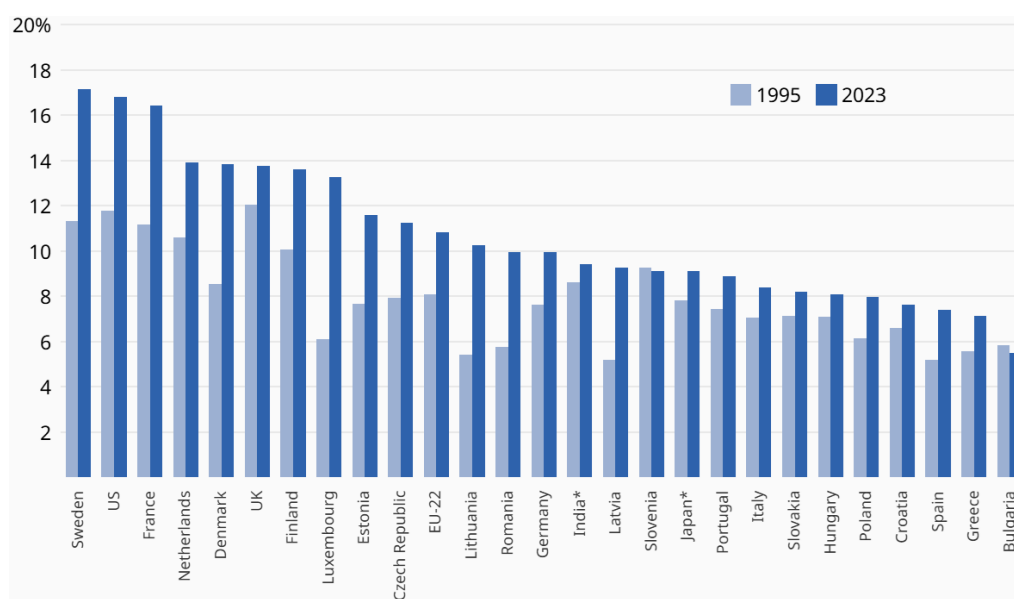
1995=100



Note: Intangible and tangible investment have been aggregated over the sample countries: EU-22, India, Japan, the United Kingdom and the United States. Estimates are in terms of chain-linked volumes (reference year 2015). The indicator follows the National Accounts framework proposed by Corrado, Hulten and Sichel (2009^[66]), covering both unmeasured and measured intangible assets.

Source: WIPO-LBS Global INTAN-Invest Database, June 2024, (World Intellectual Property Organization, 2024^[4]).

Figure 10. Intangible investment as a share of GDP (%), 1995 versus 2023



Note: For India, shares are for the years 2011 and 2020, respectively, owing to the unavailability of data before 2011 and beyond 2020. Data for India exclude the informal sector. For Japan, shares are for the years 1995 and 2021, respectively, owing to the unavailability of data beyond 2021. The indicator follows the National Accounts framework proposed by Corrado, Hulten and Sichel (2009^[66]), covering both unmeasured and measured intangible assets.

Source: WIPO-LBS Global INTAN-Invest Database, June 2024, (World Intellectual Property Organization, 2024^[4]).

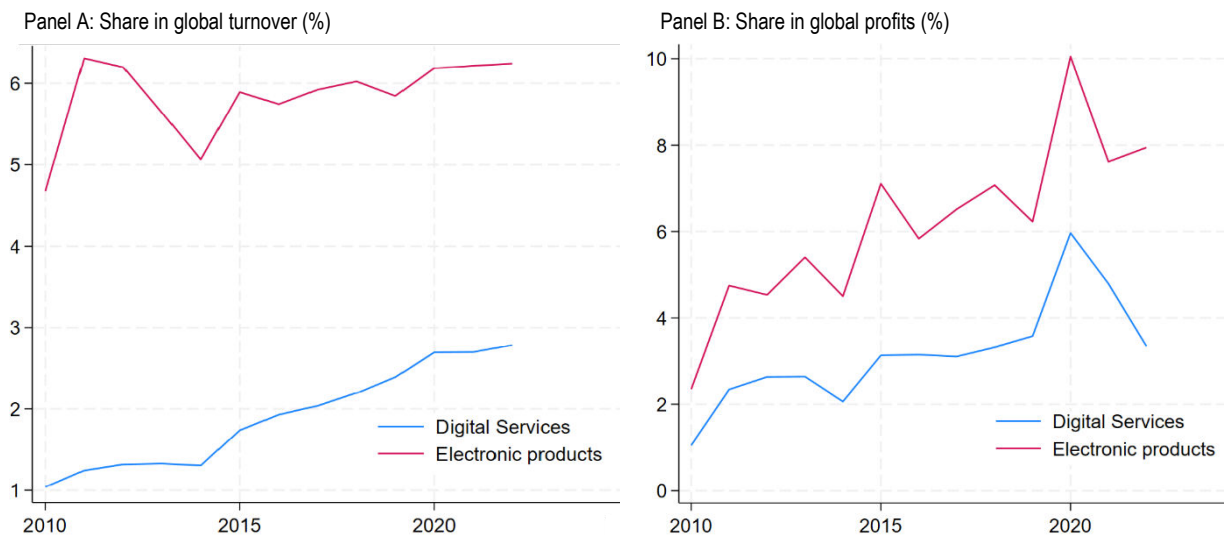
1.4.3. Rising digitalisation

The share of digital sectors in the economy has risen steadily over recent years, both in terms of profits and total sales. According to the *OECD Digital Economy Outlook 2024*, the information and communication technology sector grew by an average of around 6% between 2013 and 2023 in OECD countries, which is approximately three times faster than the total economy, although there are large differences across countries (OECD, 2024^[67]). The share of digital sectors in global MNE activity has also increased in the past decade, going from 6% to 9% of global MNE turnover from 2010 to 2022, and 3% to 11% of global MNE profits (Figure 11).

The share of digitally delivered services exports has also seen a significant increase. Global exports of digitally delivered services as a share of total trade services have risen steadily between 2005 and 2019. The COVID-19 pandemic has substantially accelerated this trend. During the pandemic, digitally delivered services increased to around 60% of total services exports. The pandemic-induced shift towards digital technologies provided a strong impetus for businesses and individuals to adopt or increase their use of digital tools. This acceleration seems to have continued post-pandemic (Figure 12).

Digitalisation offers great opportunities and benefits for economies and societies but also poses some challenges, in particular regarding BEPS risks. Firstly, the global economy is increasingly characterised by a high degree of intangible intensity, with investments in intangible assets becoming increasingly significant. As mentioned above, these intangible assets, such as IP and software, are more mobile and can be more easily transferred across borders within multinational corporations compared to tangible assets, thus making them more responsive to tax. Secondly, the value derived from user data has become a crucial component of many digital business models. The ability to collect, store, analyse, and transform data brings competitive advantages in many value chains, making it difficult to determine the location of value creation (OECD, 2015^[2]).

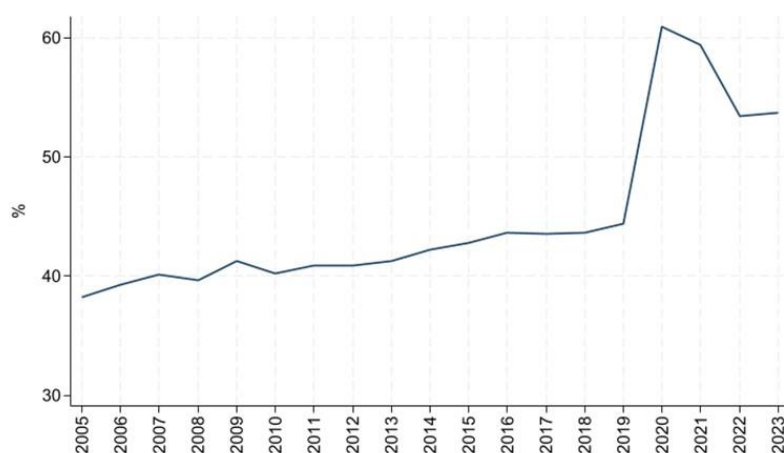
Figure 11. Share of digital sectors in global MNE activity (%)



Note: Digital services sectors correspond to NACE Rev.2 sectors 58.2 (Software publishing), 62.03 (Computer facilities management activities), 62.09 (Other information technology and computer service activities) and 63.1 (Data processing, hosting and related activities; web portals), following the sector categorisation of (OECD, 2020^[65]). Electronic products correspond to NACE Rev.2 sector 26 (Manufacture of computer, electronic and optical products). Only MNE groups with a primary activity in digital services or electronic products sectors are included. The fact that MNE groups may have different business lines or units operating in different sectors is not taken into account. In Panel B, profit corresponds to Profit Before Tax.

Source: Authors' calculations based on Orbis.

Figure 12. Digitally delivered services exports, share of total trade in services



Note: WTO estimates on exports of services traded through computer networks, such as the Internet, apps, emails, voice and video calls, and digital intermediation platforms covering over 200 economies and regions following the definition of the Handbook on Measuring Digital Trade (https://www.wto.org/english/res_e/publications_e/digital_trade_2023_e.htm), as share of total services exports.

Source: https://www.wto.org/english/res_e/statistics_e/gstdh_digital_services_e.htm and https://www.wto.org/english/res_e/statistics_e/gstdh_commercial_services_e.htm.

2 Indicators of BEPS activity

This chapter presents a range of high-level indicators to shed light on the economic impact of the BEPS Project. Using a mix of CbCR data, firm-level microeconomic data and statutory and effective tax rate data, explores trends in key indicators in the period following the launch of the BEPS Project, and where available, the period before the launch of the BEPS Project. The discussion focuses on three key areas:

- trends in indicators of alignment of profits and economic activity;
- trends in statutory and forward-looking effective tax rates, and the use of tax incentives;
- trends in the sensitivity of various measures of profit to taxes.

These high-level indicators have limitations in assessing the overall economic impact of the BEPS Project. They are too aggregated to provide evidence on any specific BEPS Action, nor do they provide evidence on the impact of the BEPS Project as a whole. High-level measurements of tax certainty, the level playing field, and reductions in administration costs are not readily available. The indicators presented in this chapter also do not provide any evidence on the impact of the spillovers of BEPS activity that are discussed in the previous section. A more detailed discussion of the impacts of each BEPS Action is contained in the next section. Finally, many of these data series only go up to a few years after 2015, and even fewer years after the BEPS Actions were comprehensively implemented. It remains too early to assess definitively the impact of the BEPS Project.

With these caveats in mind, most of these trends point in a positive direction, suggesting positive impacts of the BEPS Project. The data suggest that misalignment of profits and value creation may be receding, suggesting MNEs may be shifting less profit to low-tax jurisdictions. Data on the sensitivity of profit to tax show the same thing; that tax rates may be less of a driver of the location of profits than in the period before the launch of the BEPS Project. The data suggest that after years of declines, CIT rates may be stabilising, suggesting that there may be reduced efficacy of using certain parts of the CIT system to attract highly mobile profits, in spite of structural factors that may be increasing competitive pressures (see previous section). Finally, the data suggest that MNEs may be reducing the share of their total activities in investment hubs.

The data also suggest that there is scope for continued progress. While the data point to reduced misalignment between profits and proxies for economic substance, they show that misalignment remains. The data do not show that MNE ETRs have risen in the period following the launch of the BEPS Project, though this was not necessarily a goal of the project. It is important to note that almost all of these data points precede the advent of the GMT, which was designed to ensure a level playing field and to put a floor under tax competition, thereby curbing the so-called race to the bottom on corporate tax rates while also addressing the remaining BEPS issues. Moreover, MNE restructuring in response to anti-avoidance measures may take time. Lastly, as discussed below, implementation of BEPS Actions, while very widespread, remains ongoing. These factors all suggest that there may be continued progress in the coming years, and that continued monitoring and evaluation is important.

2.1. Misalignment

A key measure of BEPS activity as outlined in the Action 11 report is the misalignment of profits and economic substance. A key goal of the Project, especially the ‘substance’ actions, was to limit the extent to which jurisdictions could shift profits where no value was being created, i.e. where no substantive activities were being carried out. The Action 11 report highlighted that separation of profits and substance was a key indicator of BEPS activity.

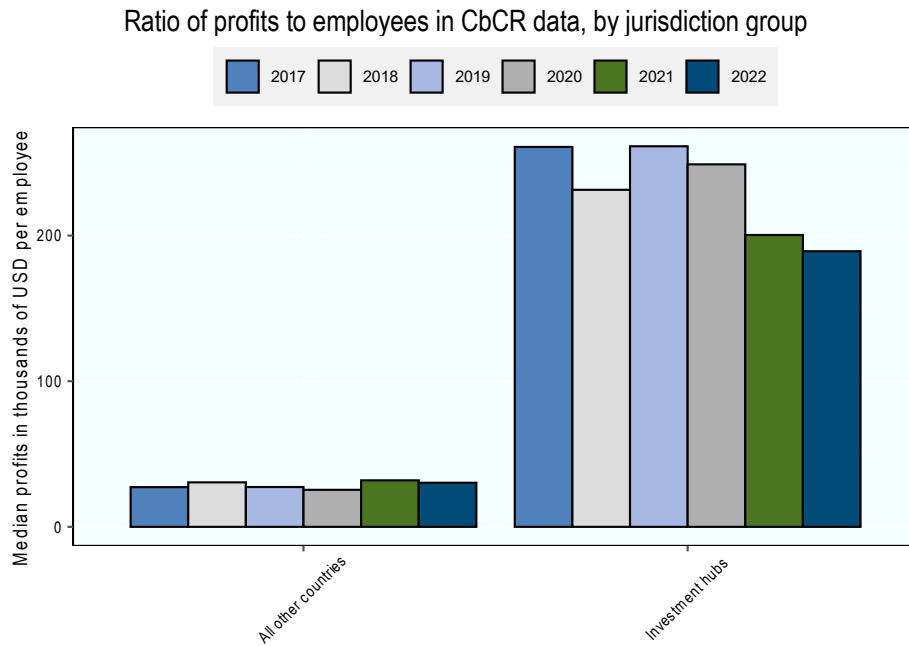
To assess the impact of the BEPS Project, it is useful to examine ratios of profits to substance using CbCR data. Global data on MNE profits and substantive activities were lacking at the time of the Action 11 Report. However, the introduction of CbCR provides a global perspective on profit location relative to the location of economic substance.

There are a variety of data challenges using CbCR data to evaluate ratios of profits to value creation. First, as discussed above, there is no CbCR data in the period prior to the launch of the BEPS Project. Second, even if such data were available, assessing the precise impact of BEPS Actions on profit-to-substance ratios would be challenging because there is no readily available counterfactual for such global data – we cannot know what would have been the evolution of profit-to-substance ratios in the absence of the BEPS Project, and the location of both profits and substance can be driven by a large number of economic factors besides the BEPS Actions. Third, the available measures of economic substance commonly used for this purpose are imperfect, and do not take into account differences in productivity, functional intensity, risk or other factors that can drive profits. A further challenge in using these data to assess the impact of the BEPS Project is the turbulent economic period that they cover, mostly notably the period of the COVID-19 pandemic. For these reasons, these indicators can only provide a high-level indication of trends in BEPS activities and the impact of the BEPS Project on them.

Notwithstanding caveats, one indicator of profit misalignment used in the literature is the ratio of profits to employees, which historically has been disproportionately high in investment hubs and low-tax jurisdictions. Profit-to-employees ratios in investment hubs declined by 27% relative to their 2017 value (Figure 13), suggesting a greater alignment of profits and economic substance.

The proportion of related-party revenues to total revenues – a measure of intra-group transactions often used for profit shifting – has declined in investment hubs with zero tax rates. While no decline can be observed in investment hubs overall, Figure 14, Panel B shows that there has been a decline in related party revenues in investment hubs with zero tax rates. The data are aggregated at the country level, and so cannot show whether there are reductions in misalignment at the MNE level. Moreover, the time series is short and a wide variety of factors could be impacting the trends as discussed above. However, this decline could suggest a decline in profit shifting activities in the most recent years.

Figure 13. Ratios of profits to substance

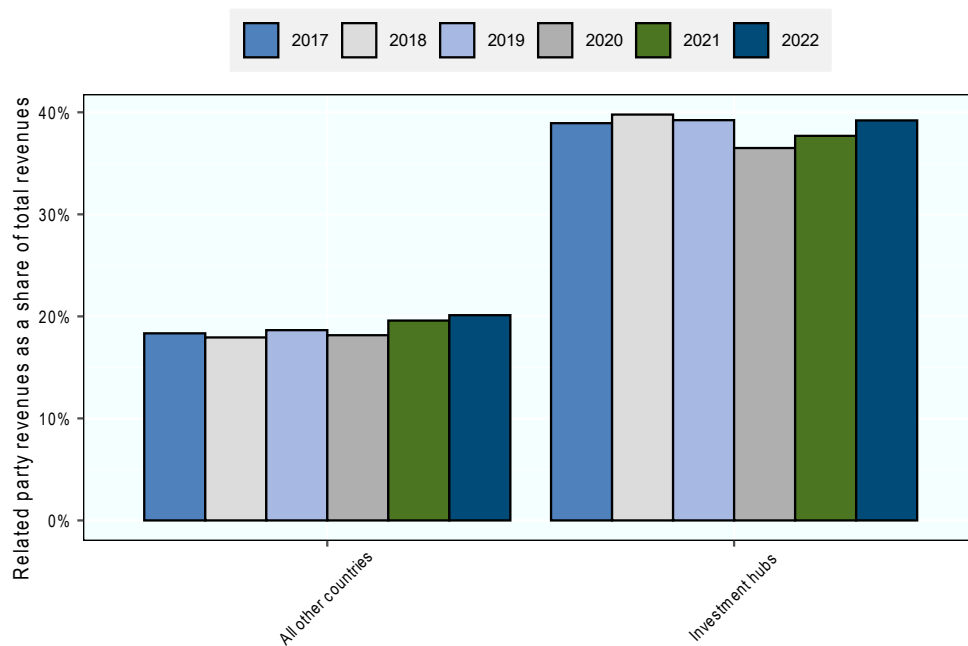


Note: Data are based on a balanced panel of CbCR data to ensure the results are not driven by changes in jurisdictions providing CbCR data. Investment hubs are jurisdictions with inbound FDI of more than 150% of GDP. The definition is based on 2020-2023 FDI data.

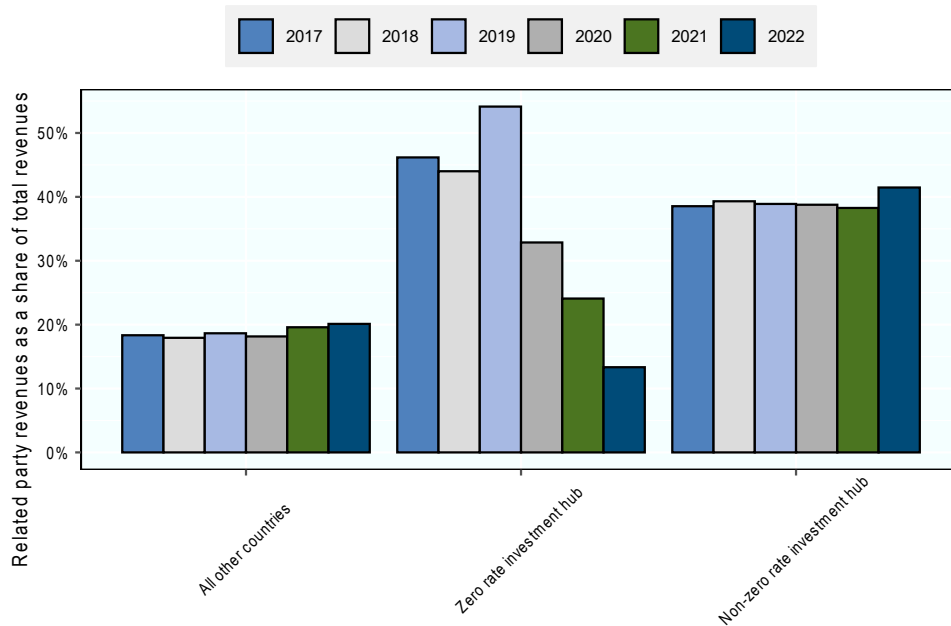
Source: OECD Corporate Tax Statistics Database.

Figure 14. Ratio of related party revenues to total revenue in CbCR data

Panel A: Ratio of related party revenues to total revenue, by jurisdiction group



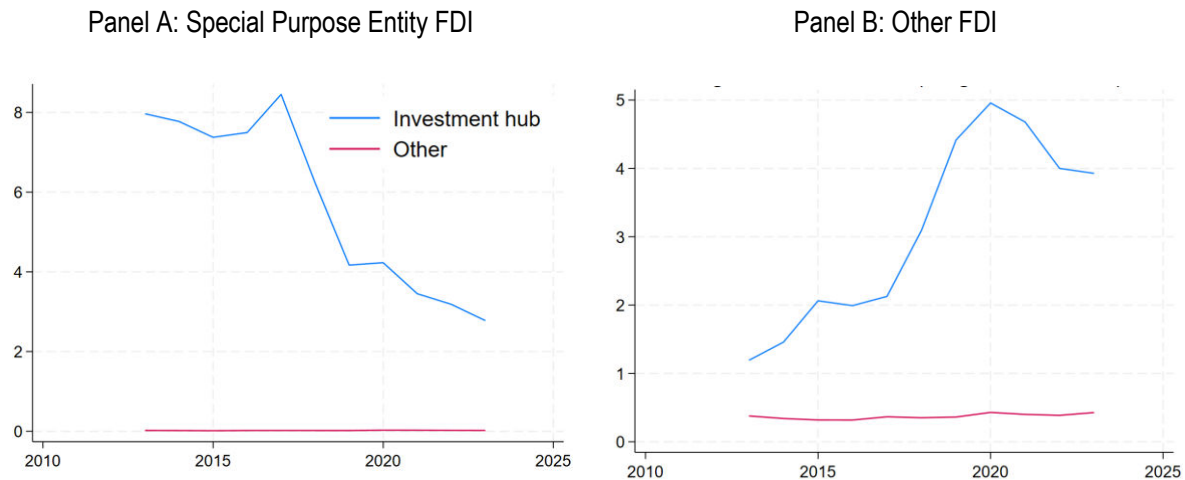
Panel B: Ratio of related party revenues to total revenue, by jurisdiction group, disaggregated investment hubs



Note: Data are based on a balanced panel of CbCR data to ensure the results are not driven by changes in jurisdictions providing CbCR data. Investment hubs are jurisdictions with inbound FDI of more than 150% of GDP. The definition is based on 2020-2023 FDI data. Source: OECD Corporate Statistics.

FDI data provide additional insights into substance-based economic activity. The OECD's investment data disaggregate FDI into pass-through or Special Purpose Entity (SPE)-based FDI, and other FDI. The OECD Benchmark Definition of Foreign Direct Investment (OECD, 1996^[68]) describes SPEs as “legal entities that have little or no employment, or operations, or physical presence in the jurisdiction in which they are created by their parent enterprises which are typically located in other jurisdictions (economies)”. Country coverage of the breakdown of FDI into SPE and non-SPE investment is limited. However, the data show differences in FDI that have limited economic substance (Figure 15).⁴¹

⁴¹ These issues are discussed further in Hohmann et. al. (2024^[122]).

Figure 15. Cross border FDI to GDP Ratios, SPE and non-SPE FDI

Note: The figure shows the weighted average inward FDI positions to GDP ratios in OECD investment hubs and other OECD countries that also report this data over 2013-2023. Special Purpose Entities (SPE) FDI refers to FDI from conduits or look-through companies, i.e. corporate shells with no substance and no real links to the local economy, and Other FDI refers to FDI from non-SPE entities. For a more detailed definition, refer to the OECD Benchmark Definition of Foreign Direct Investment, Third Edition. Jurisdictions excluded from this sample do not report a breakdown of SPE and non-SPE FDI for the years covered.

Source: Calculations based on OECD FDI data. GDP in constant (2015) USD is taken from the World Bank.

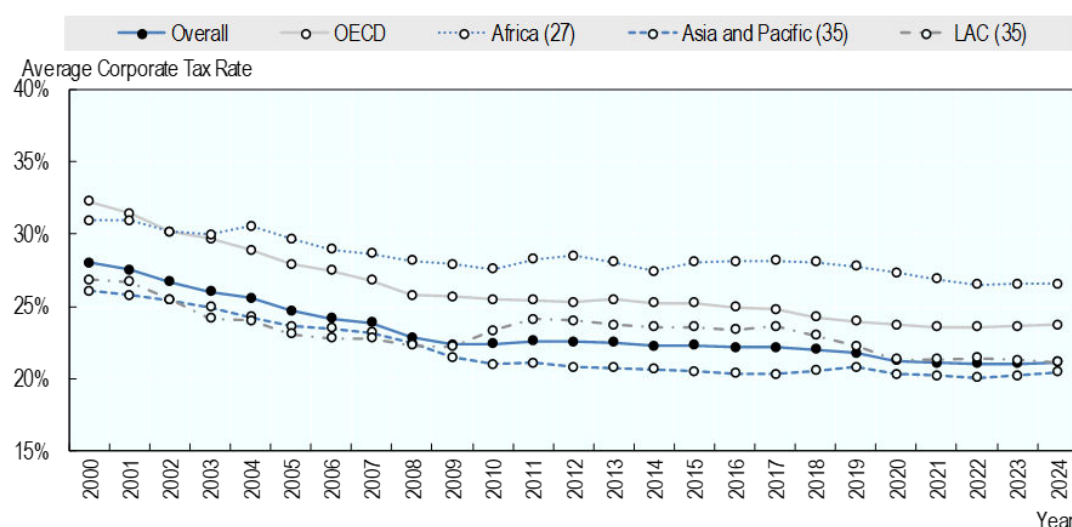
The observed decline in pass-through FDI suggests a reduction in profit without economic substance. Pass-through FDI – investments routed through SPEs with no economic substance – has declined sharply, by approximately 65%, in investment hubs. However, the sharp increase in non-pass-through FDI suggested MNEs moved to substantiate at least some of their activities in low-tax jurisdictions. In particular, the reduction in investment through jurisdictions lacking economic substance suggests that firms may be responding to policy changes by either repatriating profit to higher-tax jurisdictions, but also by increasing substantive operations in low-tax locations.

2.2. Tax competition

Recent trends suggest some moderation in tax competition among governments through statutory CIT rates. Since 2000, there has been a decline in statutory CIT rates across OECD member states and the three regional groupings considered (Figure 16). Although averages have decreased across all groups, significant differences can be observed. The average statutory CIT rate declined the most for OECD members (a decline of 8.6 percentage points, from 32.3% in 2000 to 23.7% in 2024), while Africa and Asia and the Pacific had the highest (26.5%) and lowest (20.4%) averages in 2024, respectively. However, between 2019 and 2024, statutory CIT rates have stabilised, the average across all jurisdictions covered only declined slightly, from 21.7% to 21.1%. This could reflect the impact of the BEPS Project or anticipatory effects of the GMT.

Tax incentives for research and development (R&D) and innovation have gained importance as a form of tax competition. In some cases, governments combine tax incentives for innovation inputs, such as R&D expenditures, with incentives for innovation outputs, such as patent income. However, given that R&D can give rise to intangibles which are hard to value and easier than tangible assets to shift across borders, governments have faced more competitive pressure to attract and retain intangible assets.

Figure 16. Average statutory corporate income tax rates by region

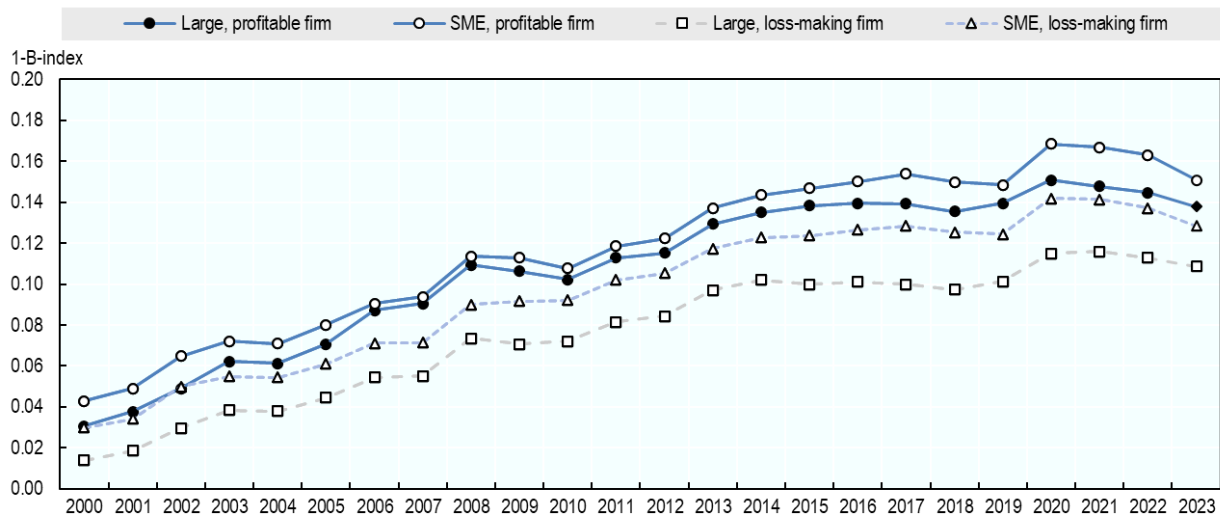


Source: OECD Corporate Tax Statistics.

Tax incentives targeting R&D expenditures (expenditure-based tax incentives) are widespread and have become more generous over the last two decades, with recent data indicate a slow-down. Between 2000 and 2023, the number of OECD countries that provide expenditure-based tax incentives increased from 33 to 38. Figure 17 provides an overview of the evolution of implied marginal tax subsidy rates for small and medium-sized enterprises (SMEs) and large firms, both profitable and loss-making, from 2000 to 2023 for OECD countries. The marginal tax subsidy rates for all firm types increased until 2013. Subsidy rates have consistently been higher for profitable firms than for loss-making firms and more generous for SMEs compared to large firms. Since 2014, the data suggest that implied subsidies stabilised until experiencing a large increase (around 1.6 percentage points) in 2020 during the COVID pandemic and have since declined.

While there has been a steady increase in the use of income-based tax incentives, the trend appears to have stabilised in recent years. Over the past twenty years, there has been a growing number of countries offering tax incentives on incomes from R&D and innovation activity (Figure 18). These income-based tax incentives appear mostly in the form of IP regimes in OECD and EU countries. However, though there was some heterogeneity in the magnitude of year-on-year changes following the BEPS Action 5 introduction in 2015, the trends seem to have stabilised since 2019.

Figure 17. Evolution of the implied marginal tax subsidy rates R&D, 2000-2023



Note: Data and notes: <https://oe.cd/ds/rdtax>. Modelling assumes a nominal interest rate of 10%. Implied marginal tax subsidy rates for R&D, based on the B-Index indicator (1-B-Index), provide a synthetic indicator of the expected generosity of the tax system towards an extra unit of a firm's R&D investment. The more generous the R&D tax incentive is, the greater the value of the implied tax subsidy.

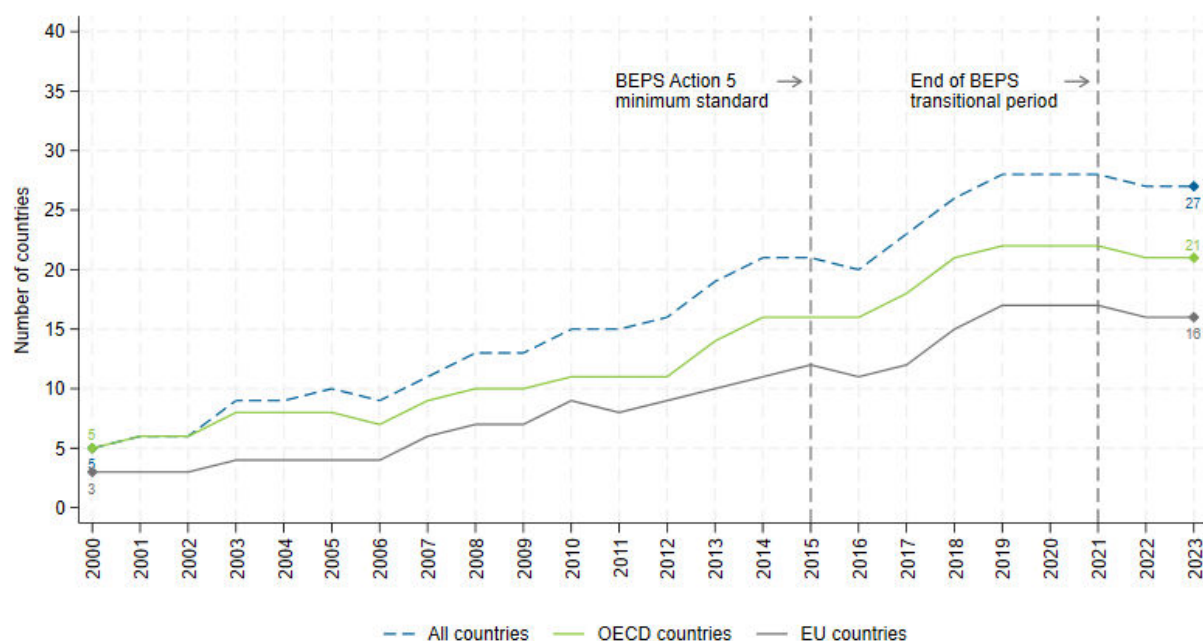
Source: OECD (2023), R&D Tax Incentive Database, <http://oe.cd/rdtax>, April 2023.

The Effective Average Tax Rates (EATRs) data for internally generated R&D intangibles provides further support for these trends. R&D intangibles can typically benefit from ex-ante tax support (e.g., expenditure-based tax incentives like tax credits). EATRs would be lower where firms can combine both forms of support (OECD, 2023^[69]). Accounting for the increasing introduction of income-based tax incentives (IBTIs) shows a steady decline in EATRs for R&D intangibles over time (Figure 19). In other words, the rise in IBTIs has globally reduced the taxation of the income from some R&D intangibles. In OECD countries, the average EATR for internally generated R&D intangibles dropped from 23.3% to 12.7% between 2000 and 2023. However, in line with the other trends, the rates are suggested to have stabilised in recent years.

Taken together, evidence through 2023 suggests a stabilisation in the use of CIT systems to attract investment. As indicated above, average statutory CIT rates have stabilised in recent years, albeit at their lowest point since 2000. The use of tax incentives for R&D also appears to have stabilised. These trends suggest a stabilisation in competitive pressures.

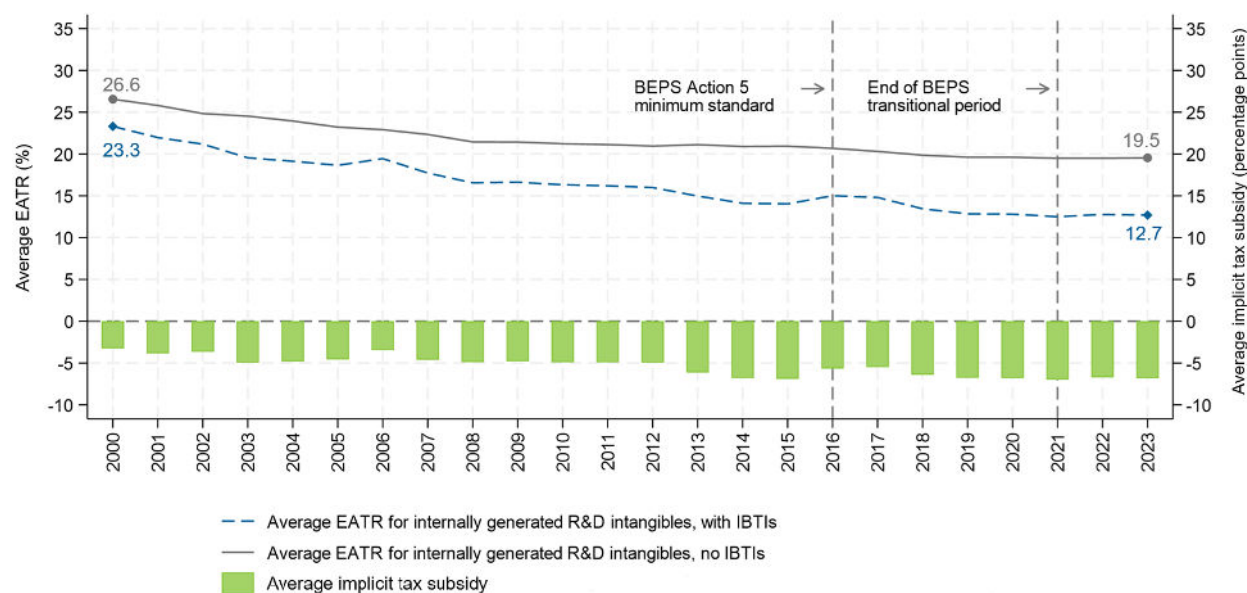
However, there is evidence that competitive pressures remain. Figure 20 shows data on the use of tax incentives for a set of countries from the OECD Investment Tax Incentives Database. The data show that tax incentives remain a popular tool among Inclusive Framework members, despite uncertainties about their effectiveness (OECD, 2025^[70]). The use of tax incentives, in particular income-based instruments, such as tax holidays, remains a widespread form of incentive policy, especially in developing countries. Finally, Figure 21 highlights downward trends in the consolidated ETRs of large MNEs in recent years. While the key goal of the BEPS Project was not to raise ETRs, a reduction in profit-shifting may have been expected to raise ETRs. It is likely that these reductions in ETRs are driven by specific tax reforms in some G7 countries, as ETRs of MNEs headquartered outside the G7 have been relatively stable.

Figure 18. Number of countries offering tax support to the incomes from R&D and innovation activities



Source: González Cabral et al. (2023), <https://doi.org/10.1787/dae3cd5c-en>.

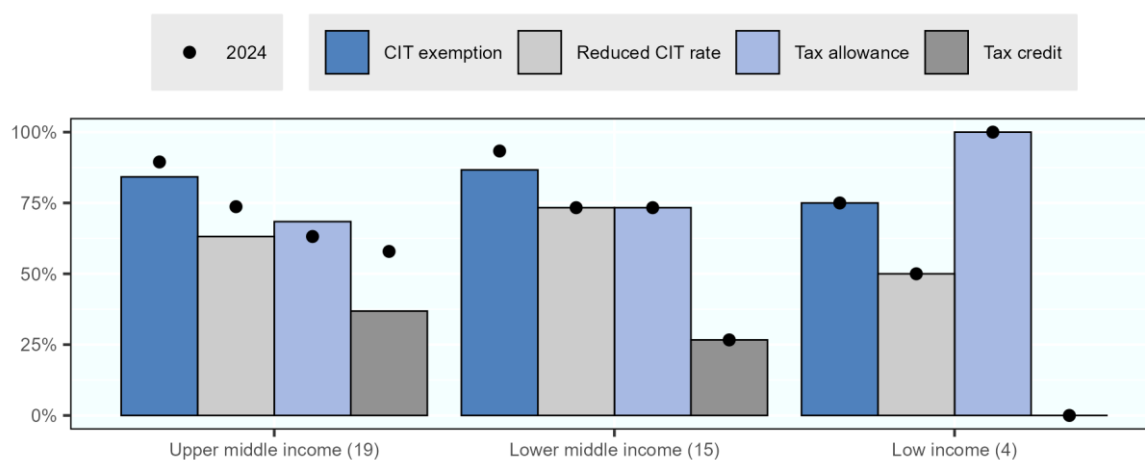
Figure 19. EATR and implied tax subsidies for internally generated R&D intangibles, OECD countries, 2000-2023



Note: The chart reports the unweighted average EATR across all 38 OECD countries over time, including those that do not offer income-based tax incentives. It accounts for both IP regimes and dual-category regimes. Where income-based tax incentives are available at the central and subnational government level in a given year, only the central level income-based tax incentives enter the OECD average. Additional notes are available in OECD Corporate Tax Statistics.

Source: OECD Corporate Tax Statistics.

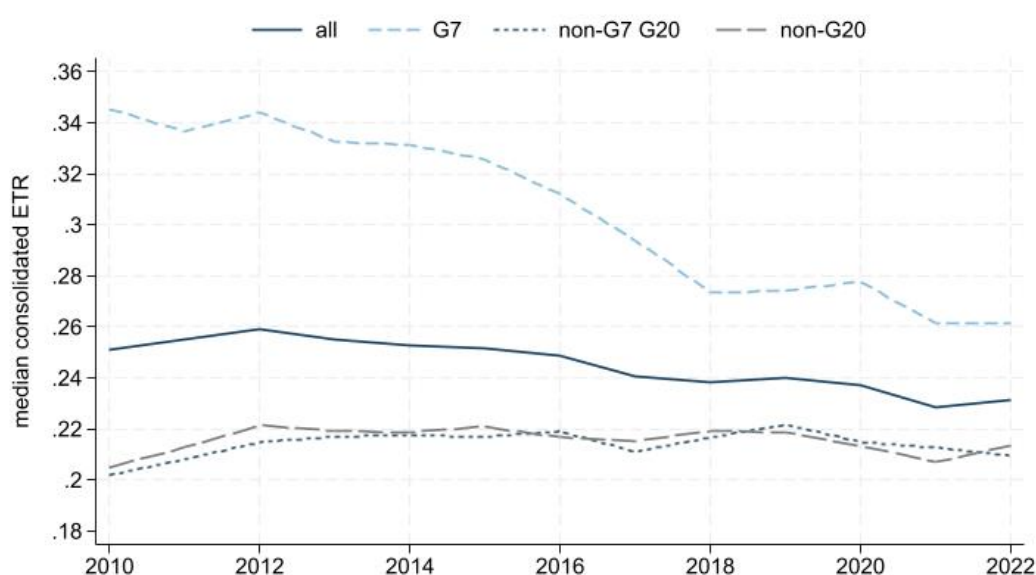
Figure 20. Share of jurisdictions with at least one tax incentive, by instrument (%)



Note: Graph shows data for Inclusive Framework members as of 16 April 2025. Income-groups based on World Bank Country and Lending Groups for the 2024 fiscal year, based on the Historical classification by income, accessed <http://databank.worldbank.org/data/download/site-content/OGHIST.xlsx>. Bars refer to 2022 data, dots refer to 2024 data.

Source: OECD Investment Tax Incentives Database, based on information on 40 Inclusive Framework jurisdictions and 327 tax incentives as of 1 July 2022 and 415 tax incentives as of 1 July 2024.

Figure 21. Consolidated ETRs from large MNEs, by year and jurisdiction group



Note: Median ETRs across a sample of large MNEs based on consolidated financial data taken from Orbis. The sample includes MNEs which exceeded EUR 200 m revenue in any of the years 2017-2022.

Source: OECD calculations based on the Orbis database.

2.3. Tax sensitivity of profit

BEPS activities by multinational companies have often been assessed by examining how firms adjust their reported profits in response to differences in local CIT rates. Profit levels may vary due to real economic factors – such as changes in investment, market conditions, or the broader economic environment – but also because of profit-shifting strategies designed to minimise tax liabilities. Past research has sought to isolate this tax-related channel and has used the resulting estimated profit elasticities – combined with various calibration assumptions – to assess the global revenue impact of international tax planning, as highlighted in the 2015 OECD *BEPS Action 11 report* (OECD, 2015^[1]).

Various counterbalancing trends may have caused tax planning behaviours and profit elasticities to evolve over time. On the one hand, the introduction of the OECD's BEPS Actions, and other anti-avoidance reforms implemented by countries, may have reduced firms' ability to shift profits freely. However, as detailed in Section 1.4, structural changes in the global economy, such as rising profitability, greater digitalisation, and the growing importance of intangible assets, may have strengthened incentives for tax planning, even in the face of new rules. Whether profits have become more or less elastic to taxation over time is ultimately an empirical question, which this subsection seeks to examine.

2.3.1. Existing literature

The literature estimating profit elasticities for CIT is extensive and has developed over several decades, beginning with pioneering studies in the early 1990s (Grubert and Mutti, 1991^[71]; Hines and Rice, 1994^[72]). More recent examples include estimates based on a wide range of data sources and geographic coverage, e.g. estimates by Huizinga and Laeven (2008^[73]) based on European MNEs data from Amadeus, by Clausing (2016^[74]) based on U.S. MNEs data from the Bureau of Economic Analysis, by Johansson et al. (2017^[75]) using Orbis firm-level data, or Garcia-Bernardo and Jansky (2024^[20]) using aggregate CbCR data. Several literature reviews, including the ones by Dharmapala (2014^[14]) or by Heckemeyer and Overesch (2017^[21]), summarise the wide range of findings.

Empirical studies typically model profits as a function of capital and labour inputs, combined with information on the absolute or relative level of local CIT. The latter generally corresponds to the difference between the statutory tax rate in the host country and that in the parent jurisdiction or in the jurisdictions of other affiliates of the same group. This function can be estimated either using firm-level datasets (e.g. Orbis data or CbCR microdata) or macro-level datasets (e.g., CbCR aggregate data). Micro-data studies are generally considered to offer stronger identification strategies, as they allow better controls for confounding variables, although they often suffer from limited geographic or time coverage. In contrast, aggregate data can offer broader coverage – particularly for activities taking place in investment hubs – but may blur tax-specific effects and reflect systematic differences in firms that invest in low-tax countries. This may mean that they may yield higher estimates of profit-shifting elasticity (Bilicka, Devereux and Güçeri, 2024^[76]; Beer, Hanappi and Loeprick, 2024^[18]).

Recent research has highlighted significant non-linearities in the elasticity of corporate profits with respect to tax rate changes. This means that firms concentrate their profit-shifting activities in countries offering especially low tax rates.⁴² Bratta, Santomartino and Acciari (2024^[22]) model these non-linearities by including both quadratic and cubic terms in their regression analysis, revealing that the sensitivity of profits to tax rates is not constant but varies across the tax rate spectrum. Similarly, Dowd, Landefeld and Moore (2017^[23]) incorporate a quadratic term and examine interactions with investment hub status, finding that profit shifting responds much more strongly to tax rate changes in low-tax jurisdictions. Fuest et al. (2025^[19]) advance this approach by employing restricted cubic spline functions, allowing for a flexible, data-

⁴² Hines and Rice (1994^[72]) already noted a stronger effect of tax on profit shifting at lower levels of taxation.

driven estimation of how profit responses to tax rates evolve across different tax levels. Collectively, these studies consistently show that corporate profits are more responsive to tax rate changes in countries with lower tax rates, indicating that profit shifting is especially pronounced when the tax incentive is greatest.

The following analysis builds on this existing literature by reproducing profit elasticity estimates using a longer panel of firm-level data than has been previously used. It also explores potential non-linearities in the relationship between profits and tax rate differentials. It then examines how these elasticities have evolved over time, providing new insights into the changing dynamics of international tax planning.

2.3.2. Empirical framework

Baseline specification

The link between corporate effective tax rates and MNE investment is estimated at the firm level using the same approach as in Johansson et al. (2017^[75]), whose analysis underpins the OECD's estimates of global revenue losses from international tax planning published in the *BEPS Action 11 report* (OECD, 2015^[1]). Specifically, the following equation is estimated on a panel of MNE entities across countries:

$$Profitability_{f,g,c,i,t} = \beta(STR_{c,t} - STR_{groupavg_{g,c,i,t}}) + \gamma X_{f,g,c,i,t} + \delta_t + \delta_i + \delta_c + \varepsilon_{f,g,c,i,t}$$

where $Profitability_{f,g,c,i,t}$ is the profitability of firm f , belonging to the corporate group g , and operating in country c , industry i , in year t . In the baseline specification, profitability is defined as the ratio of profit before tax over total assets, based on unconsolidated firm accounts. $X_{f,g,c,i,t}$ is a vector of determinants of real profitability, which includes firm or group-specific characteristics, such as size, position in the group (group headquarters, other parent company or entity without affiliate) and a dummy for entities belonging to patenting groups. It also includes a number of macroeconomic variables, such as GDP growth, exchange rate, inflation and GDP per capita. $(STR_{c,t} - STR_{groupavg_{g,c,i,t}})$ is the difference between the statutory tax rate in country c and year t and the unweighted average of the statutory tax rates in the countries where the multinational group g is represented. The tax sensitivity of profit is measured by the coefficient β , which is expected to be negative if profits are shifted to lower-tax countries. Finally, δ_t , δ_i and δ_c correspond to time, industry and country fixed effects and $\varepsilon_{f,g,c,i,t}$ is the residual term.

The analysis includes a variety of different metrics of profitability and other robustness checks.

In order to ensure consistency with previous estimates, the preferred measure of profitability in the following analysis is the ratio of profit before tax over total assets.⁴³ However, other measures of profitability are also used in robustness checks, including the level of profit before tax (in log), the ratio of profit before tax over employment, and the same measures replacing profit before tax by operating profit (also called EBIT, i.e. earnings before interest and taxes).⁴⁴ In addition, other robustness checks are conducted, replacing the statutory tax rate differential variable with the statutory tax rate in the entity's jurisdiction, and testing different fixed effect structures (adding country-year, group-level or firm-level fixed effects). It is not

⁴³ As noted by Johansson et al. (2017^[75]), profit before tax reported in a firm's profit and loss account can differ from taxable profit for a number of reasons, such as differences in the timing of recognition of income and expenses (e.g. different capital depreciation rules), in the definition of income or because taxable profit may reflect past losses being carried forward. Nevertheless, profit reported in financial accounts and taxable profit should generally be affected in the same direction by profit shifting, making reported profit a relevant proxy for taxable profit in this context.

⁴⁴ Because EBIT excludes interest income and interest expenses, the effect found using this indicator only reflects the part of profit shifting that is not associated to financing structures, i.e. it measures the effect from transfer pricing, royalty payments, etc. A smaller coefficient is therefore expected.

straightforward, a priori, which fixed effect structure is best suited to isolate the effect of tax rate differentials on profits. Different specifications capture distinct dimensions, from cross-country or within-country variation over time, to differences across entities exposed to different statutory tax rates within the same group. Finally, since profitable firms have more incentives to shift profits than loss-making firms, the equation is estimated both on the full sample of firms and in the sample restricted to profitable firms.

Non-linearities

The analysis in the Action 11 Report is also extended to consider non-linearities. In order to test for the presence of non-linearities, the same equation is estimated including a quadratic term for the tax rate differential variable, as proposed in recent studies by Bratta, Santomartino and Acciari (2024^[22]) or Garcia-Bernardo and Janský (2024^[20]):

$$\begin{aligned} \text{Profitability}_{f,g,c,i,t} &= \beta_1(\text{STR}_{c,t} - \text{STRgroupavg}_{g,c,i,t}) + \beta_2(\text{STR}_{c,t} - \text{STRgroupavg}_{g,c,i,t})^2 + \gamma X_{f,g,c,i,t} + \delta_t + \delta_i \\ &+ \delta_c + \varepsilon_{f,g,c,i,t} \end{aligned}$$

Based on the findings from these studies, the coefficient of the main tax differential variable is expected to be negative, indicating a negative sensitivity of profit to CIT, while the coefficient of the quadratic term is anticipated to be positive, suggesting that this sensitivity is particularly pronounced in countries with very low CIT rates and comparatively lower in those with higher CIT rates.

The two above-mentioned studies use the log of profit as a dependent variable – de facto excluding loss-making firms from the sample. In order to ensure consistency with these studies, the above equation is estimated on the sample restricted to profit-making firms.

Evolution over time

The analysis studies how profit elasticities have evolved over time. This is examined through two main exercises. The first one consists in interacting the tax differential variables with a dummy variable taking the value one in the years following 2014 (i.e. the introduction of the BEPS Project) and zero in years up to and including 2014:

$$\begin{aligned} \text{Profitability}_{f,g,c,i,t} &= \beta_1(\text{STR}_{c,t} - \text{STRgroupavg}_{g,c,i,t}) + \beta_2(\text{STR}_{c,t} - \text{STRgroupavg}_{g,c,i,t}) * 1_{\text{year} \geq 2015} \\ &+ \gamma X_{f,g,c,i,t} + \delta_t + \delta_i + \delta_c + \varepsilon_{f,g,c,i,t} \end{aligned}$$

While the coefficient of the main statutory tax rate (STR) differential variable is expected to be negative, a positive (respectively negative) coefficient for the interactive term would indicate that profit elasticities – our proxy for profit-shifting behaviours – have diminished (respectively increased) in the years following the introduction of the BEPS Project compared to early years of the sample period. The same interaction is applied to the quadratic term, to study the evolution of non-linearities in profit elasticities over time.

To get a more detailed picture of the evolution of profit elasticities over time, a second exercise interacts the STR differential variable with dummies for each year in the sample. This takes the following form:

$$\begin{aligned} \text{Profitability}_{f,g,c,i,t} &= \beta_1(\text{STR}_{c,t} - \text{STRgroupavg}_{g,c,i,t}) + \sum_{i=2000}^{2022} \beta^i(\text{STR}_{c,t} - \text{STRgroupavg}_{g,c,i,t}) * 1_{\text{year}=i} \\ &+ \gamma X_{f,g,c,i,t} + \delta_t + \delta_i + \delta_c + \varepsilon_{f,g,c,i,t} \end{aligned}$$

where the obtained coefficients β^i are then used to plot the trend of profit elasticities over time.

2.3.3. Data and descriptive statistics

Data sources and cleaning

The empirical analysis is primarily based on the Orbis database, a firm-level dataset commercialised by Moody's Analytics - Bureau Van Dijk. Orbis contains financial information from firms' balance sheets and income statements, both at the consolidated and unconsolidated levels, as well as comprehensive information on ownership links between firms. Orbis data were used to identify corporate group structures and to calculate the profitability ratio at the entity level (unconsolidated accounts). The analysis is restricted to firms which are part of MNE groups. The Orbis database provides granular information on the activities of MNE groups across jurisdictions and on the allocation of profits and economic substance within these groups.

Orbis coverage is imperfect, especially at the subsidiary (unconsolidated account) level, but also in terms of ownership links. The sample of countries included is determined by the availability of information on profits and total assets. The final sample covers MNE subsidiaries in 55 jurisdictions, mostly in Europe.⁴⁵ These subsidiaries may, however, have their ultimate parent headquartered in any jurisdiction worldwide. The dataset covers all non-agricultural, non-financial business industries.⁴⁶ Years between 2000 and 2022 are included, with unequal coverage across firms and jurisdictions.

Subsidiaries are assigned to their respective corporate group based on ownership links observed in the last year of the sample. This is done using information on the Global Ultimate Owner (GUO) with a 50% ownership threshold. Only GUOs of corporate nature are considered (i.e. industrial companies, banks, financial companies or insurance companies) to avoid assigning to the same group two independent firms which could be owned by the same individual or government entity. MNE groups are defined as corporate groups having entities in at least two jurisdictions.

The Orbis data are cleaned using a number of common procedures. The cleaning follows suggestions by Kalemli-Ozcan et al. (2024^[77]) and previous OECD experience (Gal, 2013^[78]; Millot et al., 2020^[79]; Johansson et al., 2017^[75]). Steps taken include keeping accounts that refer to the entire calendar year, using harmonised consolidation level of accounts, dropping observations with missing information on key variables as well as outliers identified as implausible changes or ratios. Additional cleaning steps were applied for the purpose of the present analysis. Extreme values of profitability ratios were excluded (observations constituting the top and bottom 2.5% of values of profitability).

Data on jurisdictions' statutory tax rates are taken primarily from the OECD Corporate Tax Statistics database. This is complemented by tax rates from the Tax Foundation for a small number of jurisdictions. This allows for the construction of the tax differential variable, which is key to this analysis.

A number of control variables are included. Information on patents from the OECD PATSTAT database is matched with the Orbis data and used to build a patenting group control variable. A patenting group is defined as having a stock of patents of at least ten patents at one point in the sample period (assuming a 15% depreciation rate for patents).⁴⁷ The macroeconomic variables are sourced from the World Bank's World Development Indicators database.

⁴⁵ European jurisdictions comprise the highest numbers of observations, with Italy, France and Spain being the best covered. Coverage of US firms is poor at the unconsolidated level but good at the consolidated level. Ownership links are also assumed to be relatively well covered.

⁴⁶ This means all industries are included except NACE Revision 2 codes below 5, above 82 or between 64 and 66.

⁴⁷ <https://www.epo.org/en/searching-for-patents/business/patstat>.

Descriptive statistics

The final sample is an unbalanced panel spanning 23 years (2000-2022) and 55 countries and containing over 3.5 million entity-year observations. This represents more than 434 000 distinct entities belonging to nearly 141 000 distinct MNE groups. Basic statistics on the main variables of interest for the final sample are presented in Table 3. The number of observations varies across years, with increasing coverage over the years (Table 4). Most subsidiaries are not observed in all years, due mainly to variation in Orbis coverage.

Table 3. Descriptive statistics of main variables in the final sample

Variable	Minimum	1 st quartile	Mean	Median	3 rd quartile	Max	Std. deviation
Profit (loss) before tax (million EUR)	-2 240 000 000	0.02	-631	0.30	1.69	48 700	1 190 000
Profit/total assets	-0.52	0.02	0.08	0.06	0.14	0.54	0.12
Statutory Tax Rate (STR)	0.09	0.21	0.27	0.28	0.31	0.52	0.07
STR differential	-0.34	-0.03	-0.01	0.00	0.02	0.32	0.05

Note: Profit before tax is strongly skewed towards the negative values due to a few subsidiaries, mostly Chinese entities, with very high losses, resulting in a negative average value for the total sample.

Source: Calculations based on Orbis, OECD Corporate Tax Statistics, and Tax Foundation.

Table 4. Number of observations in the final sample, per year

Year	Number of subsidiaries	Number of MNE groups
2000	62 374	28 531
2001	70 203	32 092
2002	83 843	37 438
2003	90 255	39 883
2004	104 523	45 132
2005	107 582	46 840
2006	128 880	54 632
2007	139 215	58 791
2008	141 308	59 985
2009	142 596	60 555
2010	134 858	56 904
2011	147 450	61 890
2012	161 640	67 019
2013	156 920	65 165
2014	173 536	69 700
2015	188 816	74 029
2016	205 850	78 475
2017	217 105	81 600
2018	221 705	83 151
2019	224 855	83 919
2020	221 711	82 960
2021	214 244	81 179
2022	164 082	68 267
2000-2022	152 328	61 658

Source: Calculations based on Orbis.

2.3.4. Results

Baseline results

Table 5. Baseline regression results

	(1)	(2)	(3)	(4)	(5)
<i>Dependent variable</i>	<i>PBT/total assets</i>				<i>log (PBT)</i>
STR differential	-0.175***	-0.0848***	-0.0800***	-0.0407***	-0.976***
Dummy for group headquarters	-0.00665***	-0.00535***	-0.00525***	0.00308***	-0.0886***
Dummy for other parent entities	9.17e-05	0.000514	0.000504	0.000611*	0.0572***
Patenting group dummy	0.00821***	0.0107***	0.0108***	0.00134*	0.193***
Inflation	0.00154***	0.000680***		0.000588***	0.00590**
GDP growth rate	0.00249***	0.00145***		0.00153***	0.0116***
Log (GDP per capita)	0.0206***	0.0187***		0.0132***	0.0989***
Exchange rate (USD/local currency unit)	8.89e-06***	-3.71e-06		-9.34e-07	0.000133*
Log (Total assets)	-0.00410***	-0.00401***	-0.00406***	-0.00379***	0.890***
Constant	-0.0731***	-0.0505	0.144***	0.00242	-2.008***
Industry FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES
Country FE	NO	YES	YES	YES	YES
Country*Year FE	NO	NO	YES	NO	NO
Group FE	NO	NO	NO	YES	NO
Observations	3,320,251	3,320,251	3,324,870	3,305,560	2,892,567
R-squared	0.039248	0.051062	0.062172	0.232400	0.740164

Note: All regressions are ordinary least squares (OLS). *** indicates significance at the 1% level, ** at the 5% level and * at the 10% level. Robust standard errors are corrected for clustering at the country-year level.
Source: OECD calculations based on Orbis.

The analysis confirms a negative relationship between profitability and the CIT rate differential with other affiliates within the group. This relationship holds with a wide range of robustness checks. As shown in Table 5, it is robust across various fixed effects structures (including industry and year, as well as country, country-year, or group fixed effects). It is also robust to using different measures of profitability, such as the log of profit before tax, replacing profit before tax with EBIT, or using various profitability ratio denominators such as profit per employee. Further robustness checks include replacing the total assets control with fixed assets and employment (all in log) and considering the absolute level of STR instead of the STR differentials. The results also hold when loss-making firms are excluded from the sample. Finally, the findings are robust when using a balanced sample spanning from 2000 to 2022 or 2010 to 2022, or keeping only firms that have been present in the sample for at least ten years.

Non-linearities

The analysis also tends to confirm the presence of non-linearities in the relationship between profit and tax rates. As shown in Table 6, the quadratic term of the tax differential variable exhibits a positive sign. This coefficient becomes significant when firm fixed effects are included in the regression, indicating a convex form of the profit elasticity function with respect to tax rates (Figure 22). This suggests that profits react more strongly to changes in tax rates in countries with lower tax rates.

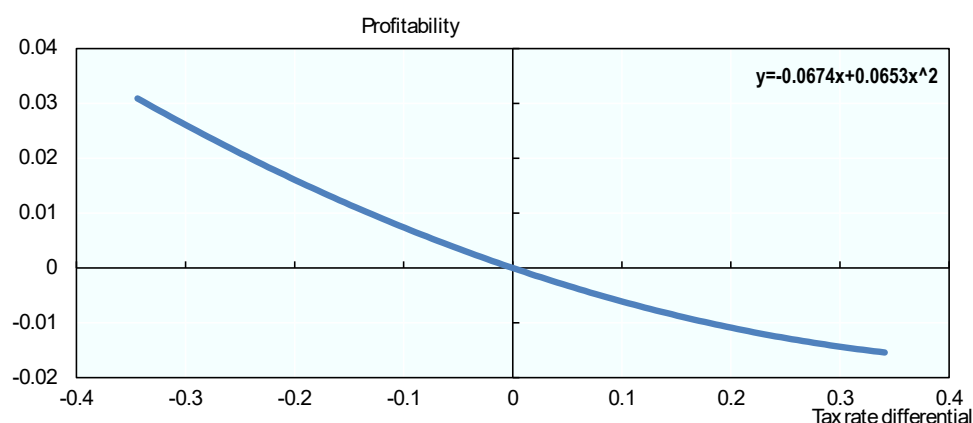
Table 6. Profit sensitivity to the corporate tax rate differential: non-linear effects

	(1)	(2)	(3)	(4)
<i>Dependent variable</i>	<i>PBT/total assets</i>		<i>Log (PBT)</i>	
STR differential	-0.0674***	-0.0351***	-0.927***	-0.341***
(STR differential) ²	0.0653	0.166***	0.857	1.719**
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES
Firm FE	NO	YES	NO	YES
Observations	2,805,265	2,745,095	2,892,567	2,832,839
R-squared	0.0974	0.534	0.740	0.872

Note: All regressions are ordinary least squares (OLS) and also include the same controls at the firm-, group- and country-level as in Table 5. They are estimated on the sample restricted to profit-making firms. *** indicates significance at the 1% level, ** at the 5% level and * at the 10% level. Robust standard errors are corrected for clustering at the country-year level.

Source: OECD calculations based on Orbis.

Figure 22. Effect of STR differential on MNE entities' profit, quadratic form



Note: The equation represented corresponds to regression (1) in Table 6, estimated on profit-making firms with country, industry and year fixed effects. Each point on the curve represents the predicted value of profitability for a given tax rate differential. The higher the tax rate differential (i.e. the difference between the statutory tax rate in the affiliate's country and the average statutory rate the group is exposed to), the lower is the predicted profitability of the affiliate. For example, the predicted profitability of an affiliate is 0.9 pp higher (1.6% versus 0.7%) when the tax rate differential is equal to -20pp than when it is equal to -10pp.

Source: OECD calculations based on Orbis data.

Evolution over time

The analysis finds evidence for a downward trend in the sensitivity of the location of profits to tax rates. The first step involves comparing the tax sensitivity of MNE entities' profits before and after the introduction of the BEPS Project in 2015. As presented in Figure 23, the sensitivity of profit to tax rates is notably lower after 2015. This difference is statistically significant at the 1% level when estimated on the sample restricted to profit-making firms. Additionally, estimates incorporating the quadratic form indicate that the reduction in profit sensitivity post-2015 is most pronounced in countries with very low tax rates. Further analysis could examine other structural approaches beyond the use of the quadratic term.

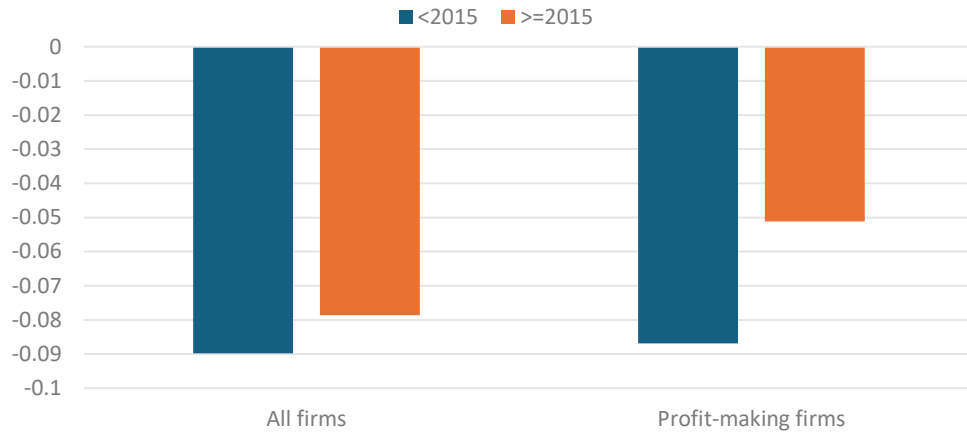
The analysis also finds a downward trend in the sensitivity of profit-location to tax when looking on a year-by-year basis. A final step of the analysis consists of investigating the full-time trend of MNE's profit sensitivity to tax, by interacting the STR differential variable with year dummies. The results are presented in Figure 24. The analysis reveals a U-shaped trend in profit elasticities over time since 2000, with a decrease up to 2011 followed by an increase. This trend remains robust across the following robustness checks: estimating the equation with various fixed effect structures; using different profit measures (EBIT or profit before tax) or profitability ratios; considering either the statutory tax rate level or differential; excluding loss-making firms from the sample; and excluding earlier years of the sample or focusing only on firms present in the sample for at least ten years.

The results suggest a positive impact of the BEPS Project. Several reflections arise from these findings. First, these results suggest that levels of profit shifting have been lower in the years following the launch of the BEPS Project than before, although the fact that the most negative profit elasticities were observed in 2011, suggests that anti-avoidance measures implemented at the national level have been effective in curbing BEPS activities even before the introduction of the BEPS Project. The results also suggest very low (not significantly different from 0 at the 5% level) profit sensitivity to tax at the end of the sample. While it is plausible that profit-shifting behaviours have decreased due to the introduction of various anti-avoidance measures by countries, the observed low sensitivity could also suggest that profit-

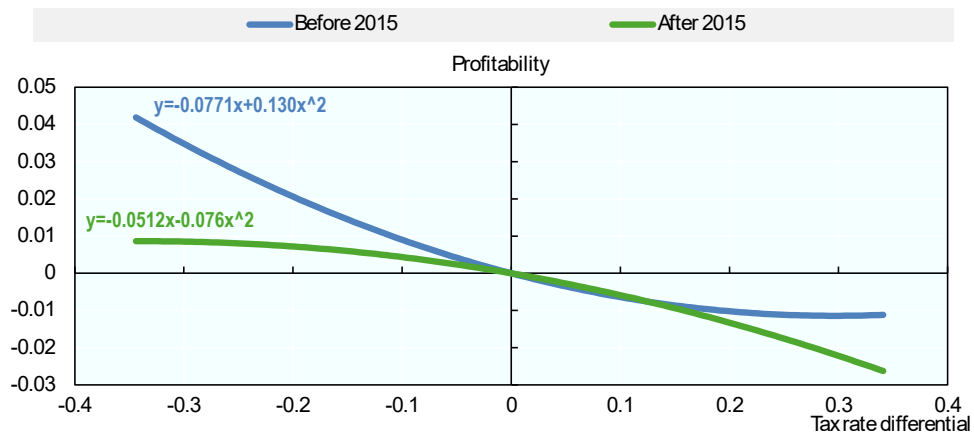
shifting channels have evolved. These new channels may not be adequately captured through traditional profit elasticity estimations.

Figure 23. Effect of STR differential on MNE entities' profitability, before and after 2015

Panel A: Linear form



Panel B: Quadratic form

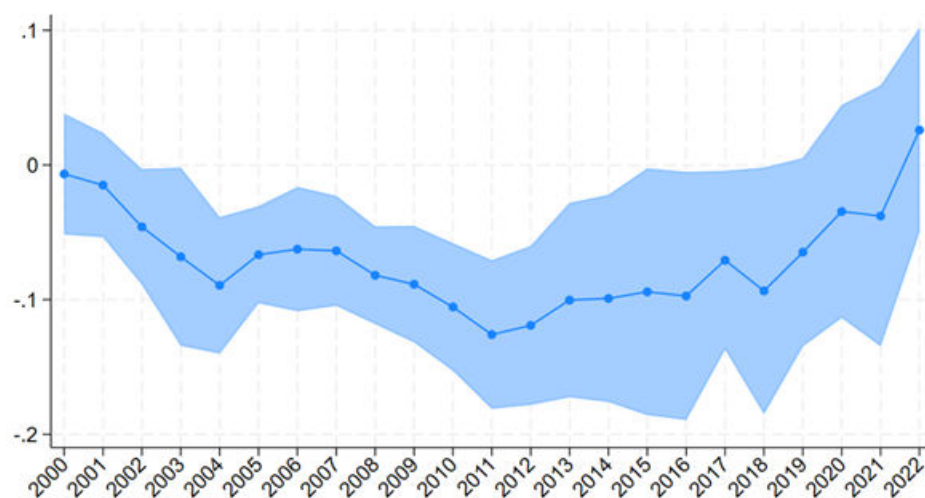


Note: The estimates are obtained by refining the baseline equation by interacting the tax rate differential variables with the post-2015 dummy. These equations are estimated with country, industry and year fixed effects and standard errors clustered at the country-year level. Panel A presents the results of the equation estimated on the whole sample and on the sample restricted to profit-making firms. The results shown in Panel B correspond to the equation estimated on the sample restricted to profit-making firms.

Source: OECD calculations based on Orbis data.

Figure 24. Effect of STR differential on MNE entities' profit over time

Average marginal effect and 95% confidence interval



Note: The marginal effects estimates are obtained by refining the baseline equation by interacting the tax rate differential with year dummies. The equation is estimated on all firms with country, industry, year and country-year fixed effects and standard errors clustered at the country-year level.

Source: OECD calculations based on Orbis data.

3 Evidence on the impact of BEPS Actions

This section discusses the available empirical evidence on the impact of different BEPS Actions. Each section provides some background on the key issues the Action is designed to address, and the key steps required as part of each Action. Each section then discusses the status of implementation of each Action, as well as the empirical evidence on the impact of each Action.

The availability of evidence of the impact of the BEPS Project on BEPS activity varies by action, with some actions more comprehensively studied than others. Academic evidence is quite robust on the impact of Actions 3, 4, and 13. However, there are very few or no published academic economic studies on Actions 2, 7, and 12, likely due to data limitations. In regard to Actions 6 and 15, there is also limited literature. For Actions 1, 5 and 14, there is limited academic evidence. However, the analysis has been able to draw on survey information provided to delegates of the CFA's Working Party No. 9, the Forum on Harmful Tax Practices, and the Forum on Tax Administration MAP Forum. For Actions 8-10, there is limited evidence on the impact of the specific actions, though there is an increasing body of evidence on the impact of transfer pricing more generally. As Action 11 concerns the economic impact of the BEPS Project itself, it is not covered in this report.

3.1. Action 1 and the VAT Guidelines

3.1.1. Issue addressed by the Action

Action 1 of the BEPS Action Plan includes a strong focus on VAT on digital services. Under Action 1 - "Addressing the tax challenges of the digital economy" – provides for the following work to be undertaken on value added tax and goods and services tax (VAT/GST): "Issues to be examined include, but are not limited to, [...] how to ensure the effective collection of VAT/GST with respect to the cross-border supply of digital goods and services" (OECD, 2013^[80]). A first report on "Addressing the Tax Challenges of the Digital Economy" was released in 2014 (the 2014 Action 1 Report), which concluded that: "The collection of VAT in business-to-consumer (B2C) transactions is a pressing issue that needs to be addressed urgently to protect tax revenue and to level the playing field between foreign suppliers relative to domestic suppliers" (OECD, 2014^[81]).

Two main VAT/GST challenges were identified. The first challenge was the strong growth in online sales of services and digital products, particularly to private consumers, on which no or an inappropriately low amount of VAT was levied. This was due to the absence of effective provisions to impose VAT/GST on such supplies under traditional VAT rules. The 2014 BEPS Action 1 Report found that two core issues needed to be addressed in this context. First, reform was needed of existing VAT/GST rules to create a legal basis for jurisdictions to assert the right to levy VAT/GST on the services and intangibles consumed within their territory, including where these items were sold by non-resident online businesses. It was important that these rules be based on a clear and coherent set of guidelines and principles to minimise risks of double taxation or non-intended non-taxation and to facilitate compliance

and administration. Second, jurisdictions would need to implement a mechanism to ensure the effective collection of VAT/GST on services and intangibles sold by non-resident online businesses. It was recognised that compliance with such a mechanism would need to be made reasonably simple to limit compliance burdens, particularly for small and medium online businesses.

The second challenge was the strong growth of the volume of imports of low-value goods purchased from non-resident online businesses, on which VAT/GST was not collected effectively under the traditional customs procedures. This meant that these goods often entered jurisdictions untaxed: Many jurisdictions implemented a VAT/GST exemption for imports of low-value goods, as the administrative cost of collecting the tax was likely to outweigh the revenue collected. At the time when these exemptions were introduced, however, internet shopping did not exist and the level of imports benefitting from import VAT/GST relief was relatively small. Strong increases in e-commerce (see Section 1.4 Rising Digitalisation) caused a significant and rapid growth in the volume of low-value imports of goods on which VAT/GST was not collected. This resulted in rapidly growing VAT/GST revenue losses and unfair competitive pressure on domestic businesses. It also created an incentive for domestic retailers to relocate abroad in order to sell free of VAT/GST, with potential added negative impacts on domestic employment and direct tax revenues. The 2014 Action 1 Report observed that jurisdictions might be able to address this issue if they were to make significant improvements to the efficiency of collecting the VAT/GST on these low-value imported goods. This would notably allow them to review or repeal their import-VAT/GST relief regime.

3.1.2. What the Action proposed

The Final Report on “Addressing the Tax Challenges of the Digital Economy” (the 2015 Action 1 Final Report, (OECD, 2015^[2])) presented agreed guidelines for addressing the VAT/GST challenges of the digital economy that had been identified in the 2014 Action 1 Report. These guidelines were subsequently complemented with detailed technical guidance on a series of issues. These included: the design and implementation of mechanisms for the collection of VAT/GST from non-resident online suppliers (2017); the role of online marketplaces and other digital platforms in the collection of VAT/GST on online sales (2019); and the VAT treatment of the sharing and gig economy (2021). Together, these guidelines and accompanying technical guidance cover the core aspects of effective and internationally coherent policy design to ensure the proper collection of VAT/GST on digital trade in goods, services and intangibles. Key guidelines include:

- **Guidelines for creating a legal basis allowing jurisdictions to assert the right to levy VAT/GST on services and intangibles that non-resident businesses provide to customers within their territory**, by reference to the customer’s “usual residence” (business-to-consumer supplies) or the customer’s “place of permanent business presence or establishment” (business-to-business supplies).
- **Guidelines for creating a legal basis to impose VAT/GST collection obligations on non-resident businesses making supplies remotely to customers in a jurisdiction’s territory** (“vendor collection regime”).
- **Guidance on the design and implementation of a VAT/GST registration and collection mechanism for non-resident businesses** to fulfil their VAT/GST-collection obligations, supported by online processes, and limiting obligations to what is strictly necessary for the effective collection of the VAT/GST to facilitate compliance.
- **Guidance for the implementation of a requirement for digital platform operators to collect and remit the VAT/GST on the respective online sales made through their platforms by non-resident businesses** (“full VAT liability regime”).
- **Guidance for the design and implementation of a policy that extends the vendor collection regime to online sales of low-value imported goods.** This reform imposes an obligation upon

non-resident suppliers and digital platforms to collect the VAT/GST on these sales at the point of sale and to remit the tax to the jurisdiction of importation. This allows jurisdictions to ensure that these goods can no longer be sold VAT/GST-free by non-resident businesses while significantly enhancing the efficiency of VAT/GST collection.

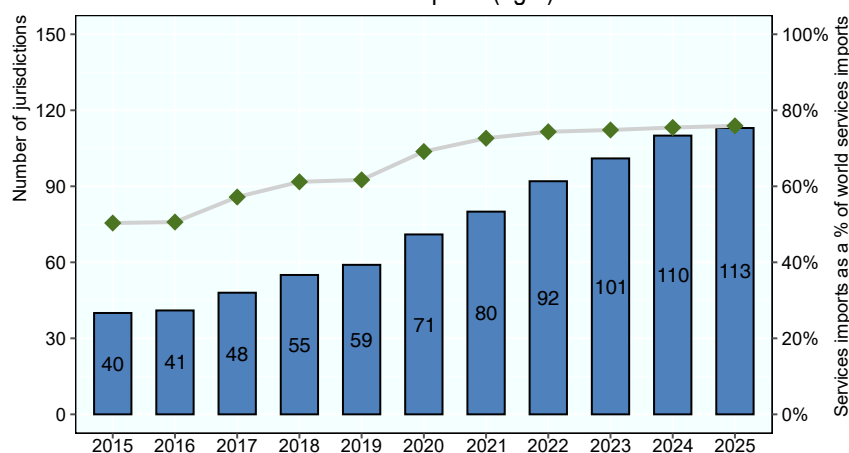
3.1.3. Implementation status

The impact of the VAT/GST component of BEPS Action 1 has been both swift and substantial. A global survey in 2017 had already observed that “The adoption of the Guidelines seems to have jump-started the process of adapting VAT/GST rules to the challenges of the digital economy as a number of countries/jurisdictions have, or are in the process of, implementing new rules that largely conform to the OECD Guidelines...” (KPMG International, 2017^[82]). A 2021 International Monetary Fund (IMF) technical paper on the imposition and collection of VAT on digital trade (Brondolo, 2021^[83]) similarly observed that “In recent years, countries have taken actions to improve the collection of VAT on imported digital services. These actions have been guided by the OECD report International VAT Guidelines [sic] which sets out recommendations for collecting VAT on cross-border supplies of services (including digital services) and intangibles.” To date, over 100 jurisdictions worldwide have implemented these solutions for collecting VAT/GST on digital trade, and many more are planning to do so (Figure 25).

The OECD has offered assistance to jurisdictions worldwide, including developing economies, on the implementation of reforms for the effective collection of VAT/GST on digital trade. It has delivered three Regional VAT Digital Toolkits, for Latin America and the Caribbean (2021), Asia-Pacific (2022) and Africa (2023), in close partnership with the WBG and regional organisations. They cover all the key implementation and operational aspects of VAT/GST reform directed at digital trade, taking account of each region’s specific needs and circumstances. In parallel, a technical assistance programme has been launched that offers assistance to all interested jurisdictions to support the effective implementation of a comprehensive digital VAT/GST strategy.

Figure 25. Implementation of the VAT component of BEPS Action 1

Number of jurisdictions that implemented VAT reforms directed at digital services (left) and their share of world services imports (right)



Note: The bars reflect the number of Inclusive Framework and non-Inclusive Framework members implementing Action 1 (left axis) and the diamonds correspond to the share of these jurisdictions in world services imports (right axis).

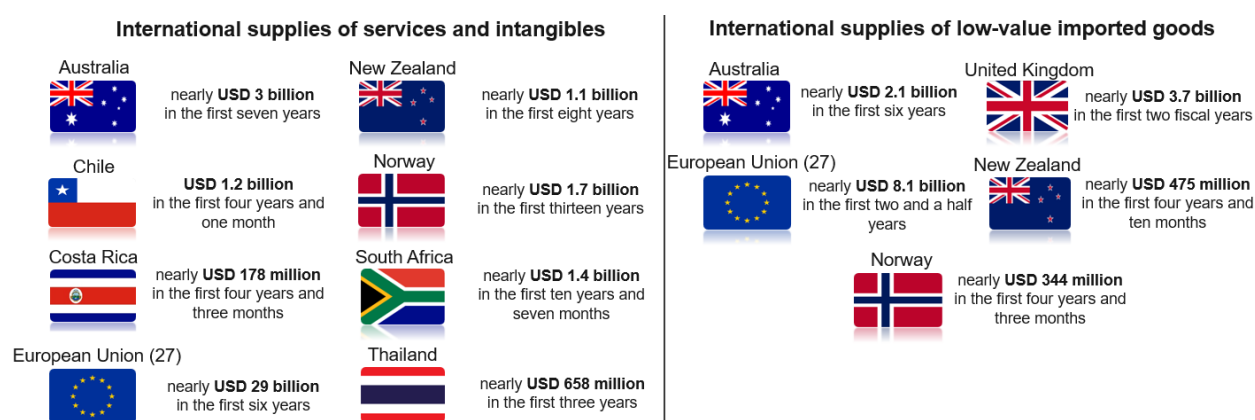
Source: OECD elaboration based on information reported to the Secretariat in the context of the OECD Working Party No. 9 on Consumption Taxes and public data sources, last update in August 2025, and OECD-WTO BATIS database, accessed in March 2025.

3.1.4. Impact of BEPS Action 1

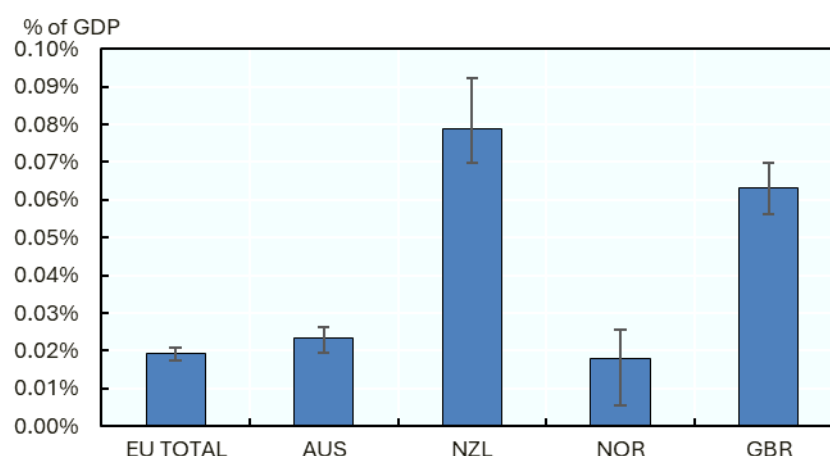
Positive results have been reported in terms of additional revenue collected and in achieving a level playing field between brick-and-mortar businesses and online merchants. Figure 26 illustrates the significance of these measures, presenting available revenue data for some of the early adopters of these reforms as well as for jurisdictions that adopted them more recently. It is important to note that this data is limited to the VAT/GST revenues collected from non-resident businesses following VAT/GST reform. They do not reflect the impact of behavioural responses by online businesses that have been reported by jurisdictions that implemented these reforms. In particular, they do not reflect the impact of online businesses moving onshore and establishing themselves in market jurisdictions after having lost the advantage of VAT/GST-free sales, notably seeking closer engagement with their customers.

Figure 26. Tax revenue gains from BEPS Action 1 VAT measures

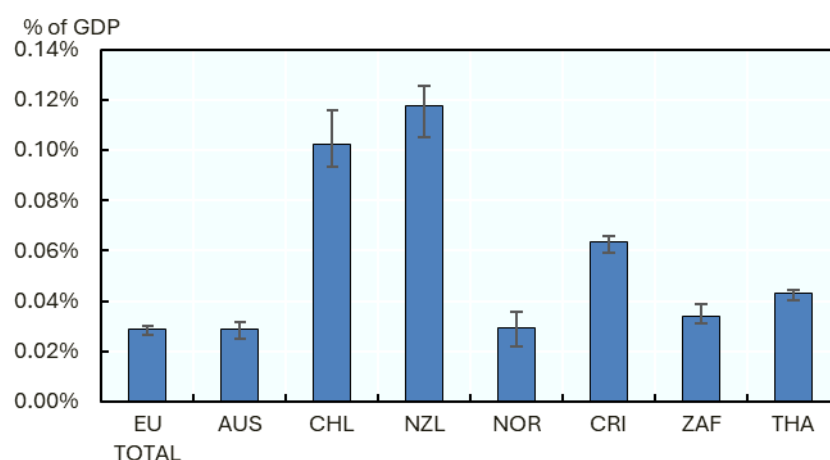
Panel A: Revenue gains, implementation of VAT/GST guidelines, USD



Panel B: Revenue gains, implementation of VAT/GST guidelines on international supplies of low-value imported goods, percentage of GDP



Panel C: Revenue gains, implementation of VAT/GST guidelines on international supplies of services and intangibles, percentage of GDP



Note: USD conversion is based on the OECD's 2024 official exchange rates. For Thailand, the period average rate for 2023, taken from the World Bank's database is used for conversion.

Source: OECD elaboration based on information reported to the Secretariat in the context of the OECD Working Party No. 9 on Consumption Taxes, as well as currency conversion rates from OECD ([OECD Data Explorer • Annual Purchasing Power Parities and exchange rates](https://data.oecd.org/consumption-taxes/annual-purchasing-power-parities-and-exchange-rates)) and the World Bank (<https://data.worldbank.org/>).

The BEPS Action 1 initiative has led to significant advancements in the collection of VAT/GST on digital trade. This has helped to address key challenges related to online sales of services and digital products and imports of low-value goods purchased from non-resident online businesses. With over 100 jurisdictions implementing these measures, the reforms have successfully increased tax revenue and created a more level playing field between online and brick-and-mortar businesses.

3.2. Aggressive tax planning: Actions 2, 3, and 4

3.2.1. Action 2: Hybrid Mismatch Arrangements

Issue addressed by the Action

Action 2 of the BEPS Project focused on neutralising the effect of cross-border hybrid mismatch arrangements that produce multiple deductions for a single expense, or a deduction in one jurisdiction with no corresponding taxation in the other jurisdiction, in respect of payments made under a hybrid financial instrument or payments made to or by a hybrid entity. For instance, such an arrangement could be characterised when a subsidiary located in Country A issues a financial instrument that is classified as debt under the laws of Country A, while the same instrument is treated as equity by its parent entity in Country B. As a result, the payment allows the subsidiary to claim an interest deduction in Country A while the payment received is considered a distribution on equity and is exempt from tax in Country B. Another example involves mismatches arising from the use of hybrid entities. The subsidiary located in Country A may be treated as a corporation under the laws of Country A, allowing it to claim a deduction, while being treated as a transparent partnership by its parent entity under the laws of Country B, which allows it to claim the same deduction. In such cases, the same payment may give rise to a duplicate deduction in both jurisdictions. These arrangements enabled MNEs to reduce their overall tax burden by taking advantage of inconsistencies between domestic tax laws.

What the Action proposed

To address these challenges, the 2015 BEPS Action 2 Report recommended two key approaches. First, the Action 2 Final Report (OECD, 2015^[84]) recommended domestic law measures to align the tax outcomes under a hybrid financial instrument or entity with its treatment in the counter-party jurisdiction. These rules neutralise hybrid mismatches by either denying deductions or including income in tax bases where double non-taxation would otherwise arise. Second, the Report recommended revising the OECD Model Tax Convention to introduce provisions to ensure that the benefits of tax treaties are only granted in appropriate cases, recognising also that certain recommendations resulting from the work on BEPS Action 6 would also play an important role in addressing certain issues with hybrid mismatches. These tax treaty measures were implemented through the BEPS MLI developed pursuant to Action 15.

Implementation status

Since the publication of the Action 2 recommendations, significant progress has been made in implementing anti-hybrid rules. As of 2025, 45 jurisdictions, most of them high-income countries, self-reported having adopted measures consistent with Action 2, representing over three quarters of global GDP. This is consistent with the analysis of the OECD in 2014 that this issue was of comparatively lower priority to developing countries than other base protection measures. This may be because these more sophisticated tax planning mechanisms are less commonly used in developing countries, and/or that developing countries have lower capacity to identify and neutralise these relatively more complicated rules (OECD, 2014^[85]).

Impact of BEPS Action 2

Despite the widespread adoption of anti-hybrid measures, there is little empirical evidence assessing their effectiveness. The nature of hybrid mismatches – where transactions or entities are classified differently across jurisdictions – makes reliable data collection challenging. Empirical evidence indicates that the rules in certain jurisdictions allowed MNE taxpayers to lower their effective foreign tax rates, which may lead to a reduction in domestic employment and earnings (Garrett, Ohn and Suárez Serrato, 2020^[86]; Hardeck and Wittenstein, 2018^[87]). This suggests that tax savings achieved through such structures do not translate into increased domestic economic activity, but rather encourage a shift of operations abroad, effectively eroding the domestic tax base without offsetting benefits at home.

3.2.2. Action 3: Strengthening Controlled Foreign Company (CFC) Rules

Issue addressed by the Action

MNEs can use controlled foreign companies to avoid taxation or defer it indefinitely, by shifting income to affiliates located in lower tax jurisdictions. Given increased territoriality in international tax rules, low-taxed income in CFCs could increasingly escape additional taxation in the residence jurisdiction (Matheson, Perry and Veung, 2014^[88]; Langenmayr and Liu, 2022^[89]), in the absence of CFC rules.⁴⁸ CFC rules have a long history prior to the BEPS Project, with the first such rules enacted by the United States in 1962.

⁴⁸ This has been accompanied by widespread introduction of CFC rules as well as other forms of minimum taxation of foreign income such as the US GILTI regime, as well as, in recent years, the Global Minimum Tax.

What the Action proposed

The BEPS Action 3 Report (OECD, 2015^[90]) provided recommendations for the design of CFC rules, to combat profit-shifting by enabling jurisdictions to tax income earned by foreign subsidiaries on a current basis. The Action 3 Report provided a framework consisting of six key building blocks for effective CFC rules:

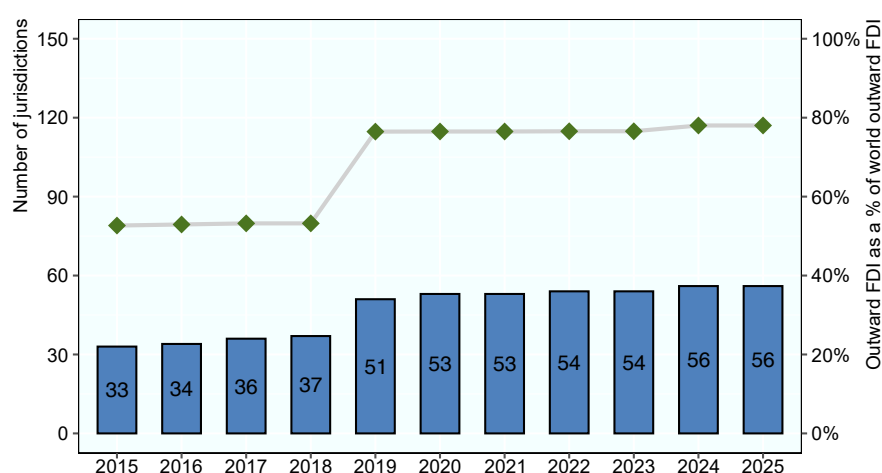
- Definition of a CFC: Establishing clear criteria for identifying foreign subsidiaries subject to CFC rules.
- CFC Exemptions and Thresholds: Allowing for reasonable exceptions where necessary, such as *de minimis* thresholds.
- Definition of Income: Identifying the types of income that should be subject to CFC rules, such as passive income.
- Computation of Income: Ensuring alignment between domestic and foreign income calculations.
- Attribution of Income: Determining how CFC profits are attributed to the parent company.
- Prevention and Elimination of Double Taxation: Implementing mechanisms to mitigate the risk of double taxation.

Implementation status

As of 2025, 56 jurisdictions have implemented CFC rules consistent with Action 3, covering 78% of world outward FDI; this was up from only 33 in 2015 (Figure 27). Implementation of CFC rules is more common in developed countries than in developing countries, with 34 high-income jurisdictions implementing CFC rules in 2025 against only 17 middle- and lower-income peers. However, given the comparatively limited outward FDI from developing countries, the importance of CFCs for these countries may be more limited (see also OECD (2014^[85])).

Figure 27. Implementation of CFC rules consistent with BEPS Action 3

Number of jurisdictions with CFC rules in place (left) and their share of world outward FDI (right)



Source: OECD's 2025 Survey on the implementation of BEPS Actions 2, 3, 4 and 12, last update in September 2025, and OECD and IMF FDI statistics.

Impact of BEPS Action 3

Empirical studies provide comparatively strong evidence that CFC rules reduce profit shifting.⁴⁹

Schenkelberg (2020^[91]) finds that weaker CFC rules lead to increased pre-tax earnings booked in low-tax European jurisdictions. This result aligns with findings of Clifford (2019^[92]), who found that financial profits booked by foreign affiliates subject to CFC rules declined by about 13%, using data from 2003 to 2013 for a broader set of CFC rules. Using firm-level data from 2010 to 2020, Hansen et. al (2023^[93]) provide further evidence that CFC rules effectively constrain profit shifting, estimating a semi-elasticity of 0.22 – implying that a 10 percentage point increase in the effective tax rate in a low-tax jurisdiction reduces pre-tax profits booked in that jurisdiction by 2.2%. These effects were seen with respect to affiliates that had no or very little substantial business activities in low-tax jurisdictions (reflecting the scope of CFC rules that often apply with respect to the level of substance in the jurisdiction).

Some evidence highlights the impact of CFC rules on MNEs' investment behaviour as well as profit-shifting behaviour. Hansen et. al. found that MNEs did not necessarily repatriate their profits and activities to the parent jurisdiction in response to CFC rules. However, they better aligned the location of their profits with locations where they had substantial business activities. This behavioural response is consistent with the findings of Egger and Wamser (2015^[94]) who examine the real economic effects of CFC rules exploiting discontinuity in the tax rates faced by German MNEs. Their results show that tax revenue assessed for MNEs increased overall in connection with CFC rules and show a decline in fixed assets located in foreign jurisdictions.

Together, these studies suggest that CFC rules are effective in curbing profit shifting and better aligning taxation and substantial economic activities. This can be seen in a reduction of profits recorded in lower tax jurisdictions, and/or behavioural change in MNEs adapting their investment patterns or relocating real economic activities in a way that improves the alignment between profit and substantial activities.

3.2.3. Action 4: Limiting Base Erosion Involving Interest Deductions

Issue addressed by the Action

The use of excessive debt financing is another driver of base erosion and profit shifting. MNEs can exploit interest deductions to reduce their tax burden by shifting profits through high levels of debt. High levels of debt and the associated interest payments can reduce the taxable income of an affiliate in a high-tax jurisdiction. Conversely, large interest payments can be made to an affiliate in a low-tax jurisdiction, shifting taxable profits there. Profit-shifting strategies based on debt typically take three forms: excessive third-party debt in high-tax jurisdictions, intragroup loans generating disproportionate interest deductions, and the use of debt financing to create tax-exempt income.

What the Action proposed

To counteract these issues, the 2015 BEPS Action 4 Report (OECD, 2015^[95]) recommended a set of rules to limit excessive interest deductions:

- **Fixed Ratio Rule:** Restricting net interest deductions to a percentage (within a corridor of 10 to 30%) of earnings before interest, tax, depreciation and amortisation (EBITDA) to prevent excessive leverage;

⁴⁹ A more comprehensive survey of the literature on CFC rules than is possible in this report is provided in Overesch et al. (2024^[145]).

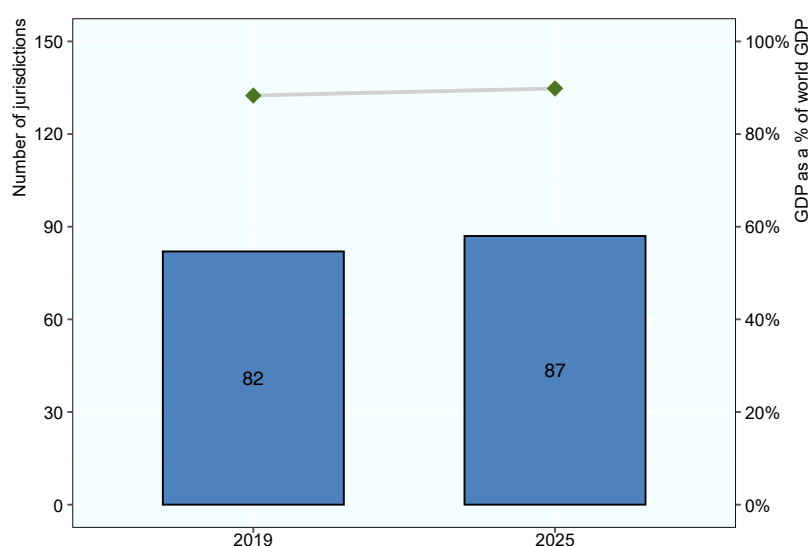
- Group Ratio Rule: Allowing net interest deductions in excess of the amount permitted under the Fixed Ratio Rule for entities in highly leveraged groups, up to the group's net third party interest/EBITDA ratio if higher;
- Additional Measures: Carve-outs for public-benefit projects, *de minimis* thresholds for entities with low interest expenses, and provisions for carrying forward disallowed interest deductions.

Implementation status

Implementation of Action 4 has been among the most widespread of the actions that were not minimum standards. As of 2025, 87 Inclusive Framework member jurisdictions have adopted ILRs aligned with Action 4, covering 90% of world GDP (Figure 28). Unlike CFC rules, ILRs are broadly adopted across different income groups, with 40 middle- and lower-income jurisdictions implementing ILRs in 2025.

Figure 28. Implementation of Interest Limitation Rules consistent with BEPS Action 4

Number of jurisdictions with ILR in place (left) and their share of world GDP (right)



Source: OECD's 2025 Survey on the implementation of BEPS Actions 2, 3, 4 and 12, last update in September 2025, and OECD and IMF GDP statistics.

Impact of BEPS Action 4

Action 4 builds on existing rules that limited the excessive claiming of interest deductions, such as thin capitalisation rules and earnings-stripping rules. However, the Action 4 common approach was a type of earnings-stripping rule. Empirical research suggests that thin capitalisation (TCRs) and earnings-stripping rules (ESRs) play a role in curbing BEPS activity by restricting excessive interest payments to related entities in low-tax jurisdictions and reducing excessive leverage.

For the post-2015 period, most studies confirm that the rules of Action 4 protect tax bases, though some others fail to find statistically significant effects. Studies carried out prior to the BEPS Project confirmed the impact of interest-stripping rules. Blouin et al. (2014^[96]) provided additional evidence on the effectiveness of TCRs using data from U.S. MNEs (1982–2004). Their findings indicated that restrictions on affiliates' debt-to-assets ratios lowered this ratio, while borrowing restrictions from parent entities reduced the parent-to-equity ratio. In contrast, Bashir et al. (2024^[97]) fail to identify significant effects on

reported profits or tax remittances from MNEs in Uganda following the implementation of an anti-avoidance rule targeting profit shifting through debt, due to the significant share of MNEs incurring losses and benefiting from carry-forward of disallowed interest, or incurring interest expenses that did not exceed the 30% limit in place in Uganda. This may suggest that ILRs may not be effective in isolation, where other profit-shifting channels remain, as MNEs may substitute through different channels (Saunders-Scott, 2015^[98]; Goerdts and Eggert, 2022^[99]; Nicolay, Nusser and Pfeiffer, 2018^[100]).

Other economic literature on interest deduction rules suggests that these measures, while effective in terms of tax base protection, can also reduce inbound investment. Some evidence indicates that they may hinder real investment, as firms face increased borrowing costs and constraints on debt-financed expansions due to these rules (Buettner, Overesch and Wamser, 2018^[52]; de Mooij and Liu, 2020^[53]). Before the introduction of BEPS Action 4 in 2015, (de Mooij and Liu, 2020^[53]) analysed the effects of TCRs using Orbis data from 2006 to 2014. They found that the introduction of TCRs reduced multinationals' investment in fixed assets by 20% on average. The impact intensified as firm leverage increased, with stricter safe-harbor thresholds amplifying the effect. However, as these studies have focused on research on TCRs prior to the introduction of Action 4, this is a question for further study. Moreover, one study highlighted that evidence on the impact of unilateral adoption may differ from multilateral adoption. While the latter may reduce relative competitiveness, more widespread adoption is likely to improve welfare as relative competitiveness is not affected in the same way. This again highlights the benefits of collective action to counter BEPS activity.

Together, these studies suggest that Action 4 has had a significant impact on protecting tax bases from erosion through excessive interest deductions. However, some issues would benefit from further study. This includes the interactions of the rules with losses, spillover effects from the introduction of these rules on other profit-shifting channels, and the impact on wider economic impacts on investment.

3.3. Harmful Tax Practices: Action 5

3.3.1. What the Action proposed

The BEPS Action 5 minimum standard on harmful tax practices introduces enhanced substantial activity requirements for preferential regimes and enhances tax transparency through the exchange of information on certain tax rulings. The minimum standard (OECD, 2015^[101]) encompasses three distinct workstreams. The first focuses on preferential regimes based on criteria such as whether the regime is ring-fenced to exclude the domestic market or there is a lack of transparency or substantial activity requirements. The second focuses on assessing no or only nominal CIT jurisdictions to ensure they enforce substantial activity requirements, accompanied by certain exchange of information obligations for entities raising substance-related concerns. The third concerns the transparency framework for the spontaneous exchange of information on certain tax rulings.

The BEPS Action 5 minimum standard reinforced the work of the Forum on Harmful Tax Practices (FHTP) regarding substantial activity requirements for preferential regimes, and later for no or only nominal tax jurisdictions. The FHTP's work of reviewing preferential regimes started in 1998, when the OECD was called to develop measures to counter the distorting effects of harmful tax competition on investment and financing decisions as well as the erosion of national tax bases. Over the years, the FHTP has reviewed preferential regimes that provide benefits to business income from geographically mobile activities. In 2015, the work on harmful tax practices was refined in the context of the BEPS Project with a focus on requiring substantial activity for any preferential regime, thereby introducing the nexus approach as a requirement for substantial activity in IP regimes. The substantial activities factor was extended to no or only nominal tax jurisdictions (OECD, 2018^[102]). Since the start of the BEPS Project, the FHTP has reviewed more than 330 preferential regimes and 12 no or only nominal tax jurisdictions.

Finally, the BEPS Action 5 report includes a minimum standard on the spontaneous exchange of information on tax rulings in respect of certain tax rulings that may create the risk of BEPS activity (“transparency framework”). The Inclusive Framework developed a framework for compulsory spontaneous information exchange with respect to rulings related to preferential regimes, transfer pricing rulings (including advanced pricing agreements), unilateral downward adjustment rulings, PE rulings and related party conduit rulings.

Over the years, the FHTP has carried out three separate reviews and monitoring processes for each workstream using a consistent methodology. As a minimum standard, members of the Inclusive Framework and jurisdictions of relevance identified by the FHTP commit to implementing the minimum standard and to participating in the peer reviews undertaken by the FHTP. A further description and the results of these workstreams are set out below.

3.3.2. Implementation and impact of BEPS Action 5

Preferential tax regimes: Review of compliance with BEPS Action 5 minimum standard

The FHTP’s review process has ensured that existing and new regimes meet the substantial activity requirements and the other key factors of the minimum standard.⁵⁰ As at December 2024, the FHTP has reviewed 332 regimes for compliance with the standard since the start of the BEPS Project.⁵¹ Out of these 332 regimes, 48% had at first review design features that were inconsistent with the minimum standard, and they have to date been abolished, amended or deemed not harmful (Figure 29). The remainder of the regimes were either abolished at first review or deemed to have no harmful features. Taken together, as of December 2024, 97% of the 332 regimes reviewed by the FHTP since the start of the BEPS Project have been abolished, amended or otherwise do not pose a BEPS risk (Figure 30). The remainder are under review or in the process of being amended or abolished. Out of the 332 regimes, around 40% have been abolished. This could be an indication that, as designed, they provided limited value for investment or provided benefits only to foreign income or investors. As at December 2024, 31 new regimes have been designed in compliance with the minimum standard, which shows the awareness of jurisdictions about the need to comply with the standard.

⁵⁰ The FHTP’s key factors are: (i) the regime imposes no or low effective tax rates on income from geographically mobile financial and other service activities (gateway criterion), (ii) the regime is ring-fenced from the domestic economy, (iii) the regime lacks transparency, (iv) there is no effective exchange of information with respect to the regime and (v) the regime fails to require substantial activities.

⁵¹ Under the FHTP’s current methodology, the review process begins with a review of the relevant legislation underpinning the regime against the FHTP criteria, alongside an open dialogue among FHTP members. If the regime is deemed potentially harmful due to legislative deficiencies, the FHTP conducts an economic assessment to determine whether the regime has harmful economic effects. If it is found to be actually harmful, the jurisdiction is required to amend or abolish the regime according to the FHTP’s established timelines.

Figure 29. Progression of regimes that were initially inconsistent with the minimum standard



Note: The chart covers regimes for which the first decision when entering the FHTP review process was deemed to have some elements of non-compliance with the standard that required amending. This makes a total of 159 regimes out of the 332 regimes reviewed by the FHTP as of December 2024. The chart shows the status of these regimes at their first decision and the last decision reached by the FHTP on the regime. The remainder of regimes were either not harmful, out of scope or not operational or belonging to categories monitored by the FHTP. Figure 30 shows all the 332 regimes by decision.

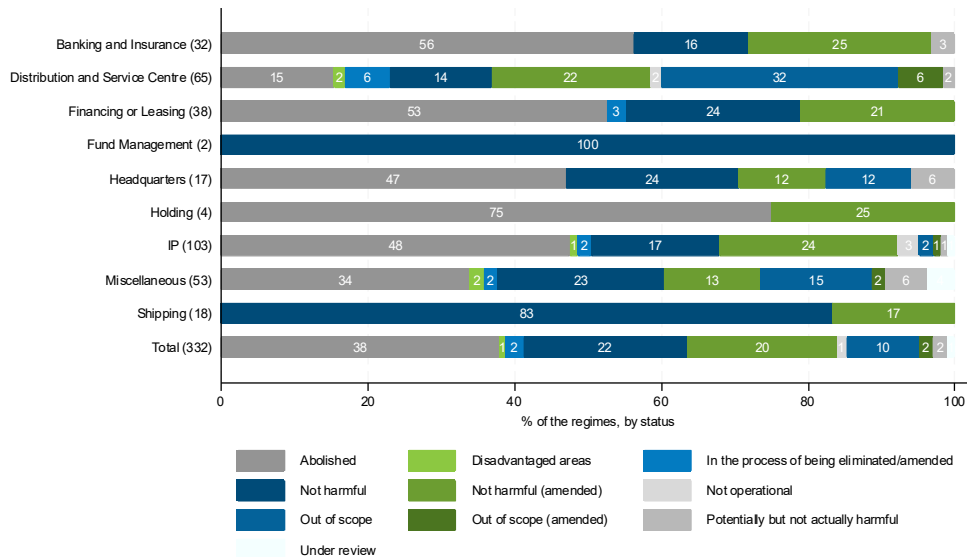
Source: OECD FHTP peer review, 2015 to December 2024.

Jurisdictions' decisions to amend, replace or abolish vary by regime type and depend on the underlying policy goals. Most of the regimes reviewed by the FHTP targeted IP income as well as distribution and service centre regimes (Figure 30). The share of abolished regimes is higher for regimes targeting banking and insurance or financing or leasing regimes compared to other categories followed by IP regimes. For IP regimes, the decision to amend or abolish depended on whether the regime was targeted only for IP income or also targeted non-IP income. The substantial activities requirements were introduced through a formula – the nexus ratio – that directly links the tax benefits of IP income to the activity of the taxpayer (Box 1 in González Cabral, Appelt and Hanappi (2022^[103])). Some regimes targeting non-IP income, e.g. special economic zones, include or do not explicitly exclude support for IP income (dual category regimes). Rather than complying with the more stringent nexus requirements for IP regimes, most of these regimes eliminated IP as qualifying income.⁵² IP regimes like innovation or patent boxes were more likely to be amended or replaced by compliant regimes. Compliance with the minimum standard

⁵² As of December 2024, 103 regimes provided tax benefits initially to the income from IP, 59 regimes provided support to non-IP income (dual category regimes), 44 regimes were purely IP regimes. Out of the 44 IP regimes, 9 regimes (20%) were abolished, 17 regimes (39%) were amended to comply with the minimum standard and 16 regimes (36%) were considered already in compliance with the minimum standard. Out of the 59 dual category regimes, 27 regimes were abolished altogether (IP and non-IP). For the remainder 32 regimes, 13 regimes (40%) abolished the IP component of their regime and continued providing benefits to non-IP income, 8 regimes (25%) were amended to comply, and 2 regimes (6%) were considered compliant with the standard and the remaining are either in the process of being eliminated/amended, not operational or belong to monitored categories. Out of those jurisdictions that abolished the IP component in other regimes, three jurisdictions introduced a standalone IP regime in later years.

requires reflection from jurisdictions as to the policy goal of their regimes. IP income was at times incidentally included in scope for regimes that were not intending to target that type of activity. This could give rise to windfall gains for investors, to profit-shifting risks and to an inefficient targeting of public funds.

Figure 30. Regimes reviewed by FHTP, 2015-25, by type and compliance



Note: The total number of regimes by type is displayed by the label. Within each regime type, the bars display the percentage of the regimes by the FHTP peer review decision.

Source: FHTP peer review, 2015 to December 2024.

The FHTP also conducts a monitoring process to ensure that the implementation of certain aspects of regimes in practice effectively meets the standard. The FHTP currently reviews (i) certain aspects of IP regimes,⁵³ (ii) potentially harmful but not actually harmful regimes, (iii) disadvantaged areas regimes, (iv) grandfathered non-IP regimes and (v) substantial activity requirements for non-IP regimes. The monitoring process gives the FHTP an opportunity to reopen the review of a regime in case there are indications that the implementation of the regime in practice would not meet the FHTP's requirements.

The BEPS Action 5 minimum standard has curtailed tax benefits from the use of IP regimes in situations where certain BEPS risks could arise. Tax has been shown to significantly affect the location of IP ownership (Griffith, Miller and O'Connell, 2014^[104]). In the absence of development conditions, there is evidence of transfers of particularly high-valued IP to benefit from the preferential rates for IP income (Ciaramella, 2023^[105]; Gaessler, Hall and Harhoff, 2021^[106]). BEPS Action 5 has curtailed tax benefits from IP regimes in situations where certain BEPS risks could arise. Through the nexus ratio, BEPS Action 5 increased the link between the taxpayers' expenditures and the share of income qualifying for R&D support. Implicit tax subsidies through income-based tax incentives for simply acquiring IP have decreased by 72% on average between 2015 and 2022 across all OECD countries (González Cabral et al., 2023^[107]).

Amendments to comply with the minimum standard have affected the generosity of existing regimes but IP regimes continue to expand post BEPS Action 5. Amendments to comply with the BEPS Action 5 minimum standard led to a slight increase in the taxation of qualifying R&D intangibles. In

⁵³ The third category of IP assets and the rebuttable presumption.

some cases, the tightening of generosity was accompanied by a decrease in the preferential tax rates or expansion of qualifying income and assets (González Cabral et al., 2023^[107]).⁵⁴ This shows a degree of alignment with the boundaries established by BEPS Action 5, homogenising the design of IP regimes. BEPS Action 5 made no recommendation with respect to the use of IP regimes as a general matter of tax policy, provided the IP regimes are designed in line with the minimum standard. To date, the availability of income-based tax incentives to R&D and innovation incomes have continued to expand after BEPS Action 5 (OECD, 2025^[108]), despite evidence on their effectiveness being mixed (Hall, 2019^[109]).⁵⁵

While the minimum standard seeks to ensure there is substance in a jurisdiction in order for a taxpayer to benefit from low tax rates, behavioural reactions are less studied. Aside from the evidence relating to the transfer of IP assets, evidence on the impact of introducing substance requirements to benefit from tax incentives is scarce.⁵⁶ In particular, the minimum standard establishes tight substance requirements for IP regimes, through the nexus ratio, while for non-IP regimes substance is required to be adequately compared to the core income generating activities.

Substance in no or only nominal tax jurisdictions

Since 2019, the FHTP reviews and monitors substantial activities in no or only nominal tax jurisdictions. Originally, 12 jurisdictions were identified as in scope of the standard, however one jurisdiction was removed after it introduced a corporate income tax.⁵⁷ The first legislative review of these jurisdictions took place in 2019. The first monitoring exercise followed afterwards, with the first monitored year being 2020. As of February 2024, all 11 jurisdictions' enacted legislation is compliant with the substantial activity requirements.

Compliance with the substantial activities requirements has significantly improved since the first monitoring year 2020. The FHTP can give a jurisdiction recommendation in one or more of three areas monitored under the monitoring elements (statistical data, compliance programme and exchange of information). Such recommendations highlight areas of improvement or increased monitoring. In the first year of the monitoring exercise covering the year 2020, only four out of the 12 jurisdictions received no recommendations, meaning that the other eight jurisdictions received "hard or soft recommendations". During the last monitoring exercise, covering the year 2023, only one of the 11 jurisdictions has a "hard recommendation" to address in relation to its enforcement of these requirements, and three others have "soft recommendations" to certain issues (e.g. in respect of the collection of statistics). For the other jurisdictions, the standard is met, and no issues were identified.

⁵⁴ The EATR for internally generated R&D intangibles increased between 2015 and 2022 by 0.7 percentage point to an average EATR of 5.9% for OECD countries for regimes existing pre-Action 5. The number of qualifying assets and income has increased in half of the countries covered between the time of introduction and 2022 (González Cabral et al., 2023^[107]). 11 regimes provide relief to category three assets in 2023, which is a qualifying asset category under Action 5 for small taxpayers (OECD, 2025^[108]).

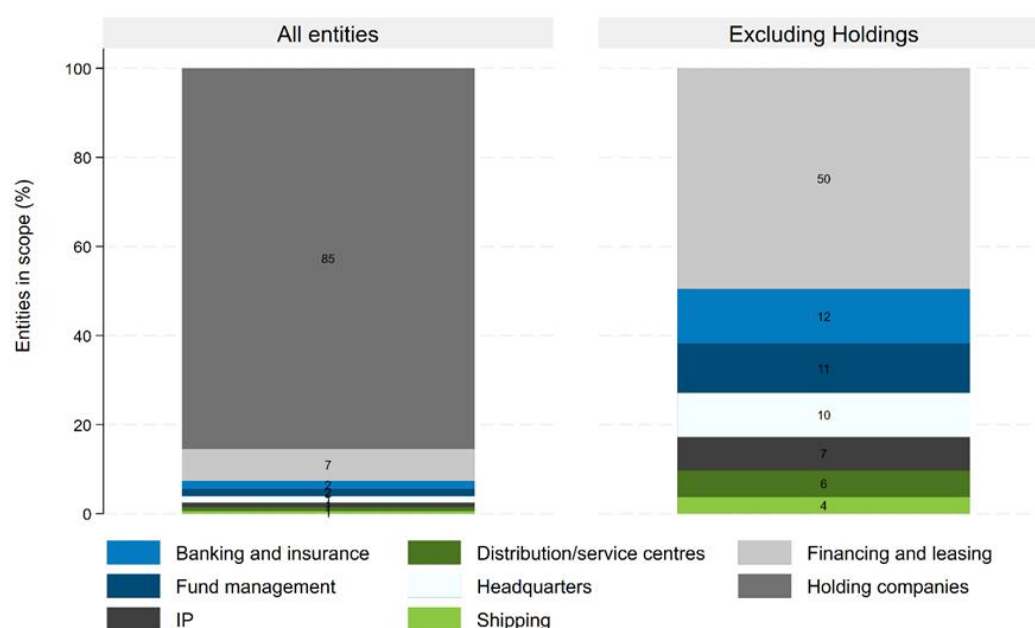
⁵⁵ The number of OECD countries offering tax support to the incomes from R&D and innovation activity increased from five in the year 2000, to 21 OECD countries in 2015 and 27 in 2023.

⁵⁶ A notable exception is a recent study investigating the introduction of employment requirements in the Free Trade Zone of Madeira finds that while employment figures remained constant, some firms exited the market while for workers that stayed the probability of working for multiple firms or part time increased and experience a wage increase (Cabral et al., 2025^[144]).

⁵⁷ Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands. The FHTP concluded that the United Arab Emirates is no longer a no or only nominal tax jurisdictions since the introduction of a corporate income tax in June 2023.

The minimum standard has brought more transparency into the activities in no or only nominal tax jurisdictions, including through both data reporting and exchange of information. The annual monitoring process has allowed for more transparency in the type of activities conducted in no or only nominal tax jurisdictions. Such information was very scarce before the introduction of the minimum standard. Out of all entities in scope, 85% perform holding activities, with a small role of distribution and service centres and IP, each constituting around 1% of all in-scope entities in these jurisdictions (Figure 31). Besides holding activities, financing and leasing and banking and insurance tend to be the most common activities. The data highlight that there is heterogeneity in the types of activities performed in these jurisdictions, pointing to different specialisation patterns. Some activities are more concentrated in certain jurisdictions while others are more spread out. For holding activities and headquarters functions, more than 70% of entities are located in a single jurisdiction; the rest of the activities exhibit lower concentration. Finally, the spontaneous exchange of information which is required in certain circumstances has also led to greater transparency. To date, no or only nominal tax jurisdictions have undertaken more than 5,000 exchanges of information on in-scope entities, including in cases of non-compliance and cases where exploiting IP assets presents a higher risk of not meeting the substantial activities requirements. These exchanges allow receiving jurisdictions to identify risks and undertake compliance activities.

Figure 31. Activities of entities in scope in no or only nominal tax jurisdictions, 2022



Note: The chart refers to entities in scope of the substantial activity factor for no or only nominal tax jurisdictions for geographically mobile activities. Data refers to 2022 and to 11 jurisdictions in scope in 2022.

Source: FHTP no or only nominal tax jurisdictions annual monitoring questionnaires.

Exchange of information on rulings

BEPS Action 5 ensures that there is an effective process to identify and exchange information on rulings in the scope of the transparency framework. The peer review process, which started in 2017, includes a peer review of those jurisdictions that can legally issue rulings in the scope of the transparency framework. The review focusses on the processes that the jurisdiction has in place for the identification of rulings in scope and exchange jurisdictions, the exchange of information process and the confidentiality

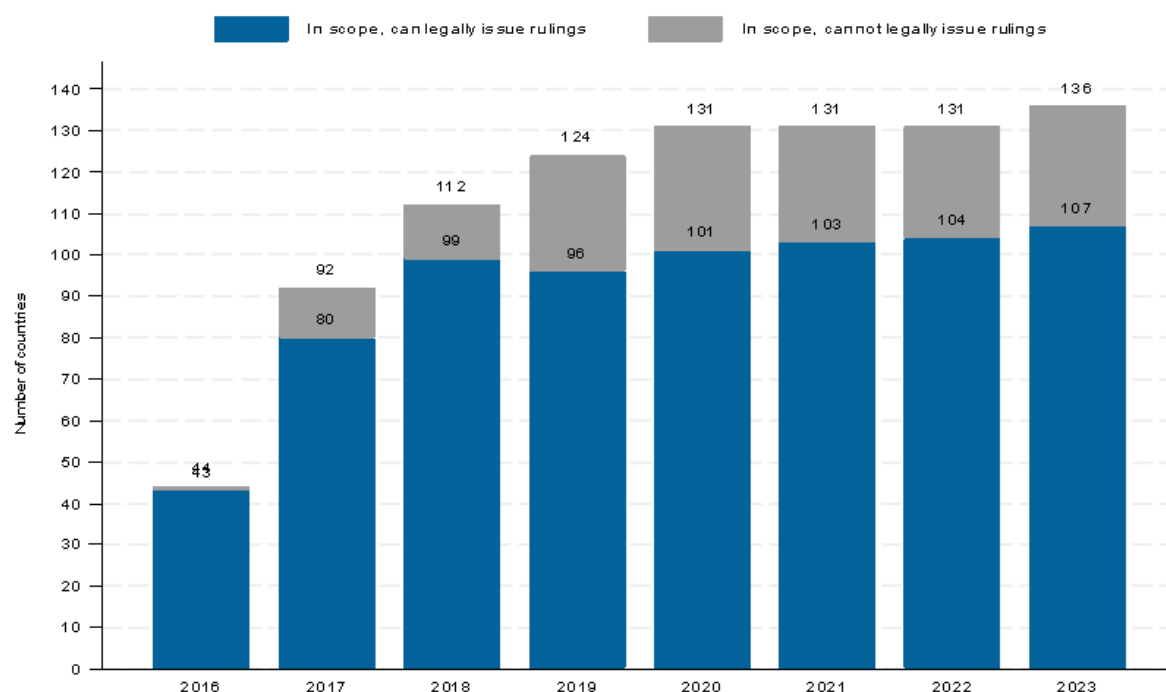
requirements. It also considers specific exchanges of information with respect to IP regimes that were identified in the BEPS Action 5 report.

The number of jurisdictions in the scope of the transparency framework has expanded over time with the growth in Inclusive Framework membership. For the year 2023, 136 jurisdictions are in the scope of the FHTP Transparency Framework with 29 being unable to issue rulings in the scope of the transparency framework. The other 107 jurisdictions exchanged information on 4,000 rulings in 2023 and represent 92% of GDP in 2023 (Figure 32). Out of the 136 reviewed jurisdictions, 104 did not receive any recommendations. Among the jurisdictions that issued more than 10 rulings in total, seven received a recommendation.

A significant number of exchanges of information on rulings take place every year, indicating greater tax transparency, particularly from investment hubs. The transparency framework currently applies to five categories of rulings and to rulings that were issued within a certain time period (i.e. ‘past’ and ‘future’ rulings) (OECD, 2015^[101]; OECD, 2021^[110]). Over time, the number of annual exchanges on rulings stays relatively constant aside from earlier years when the trend is affected by exchanges of information on past rulings (Figure 33). Past rulings could date back as early as 2010 for the first set of countries in scope of the transparency framework. Exchanges are consistently higher in investment hubs than in non-hub jurisdictions. The average number of exchanges per jurisdiction equals 300 in hubs and 70 in non-hubs in 2023. As of December 2024, there have been around 58,000 exchanges over about 26,000 rulings, where more than 50% of exchanges related to rulings issued in investment hubs.

Ruling practices have slowed down in certain investment hubs. Rulings per se do not represent harmful tax practices, but exchanging information on rulings improves transparency. After the introduction of the transparency framework and the need to exchange, the average number of rulings issued in investment hubs declined from an average of around 90 rulings per jurisdiction and year to around 60 in the post-transparency period (Figure 34). The reverse trend is observed for non-hubs. This may point to some misuse of ruling practices in the past. Some empirical evidence links ruling practices to lower tax payments by MNEs (Egger, Strecker and Zoller-Rydzek, 2020^[111]; Huesecken and Overesch, 2019^[112]). Exchanges from investment hubs are consistently higher than for non-hubs.

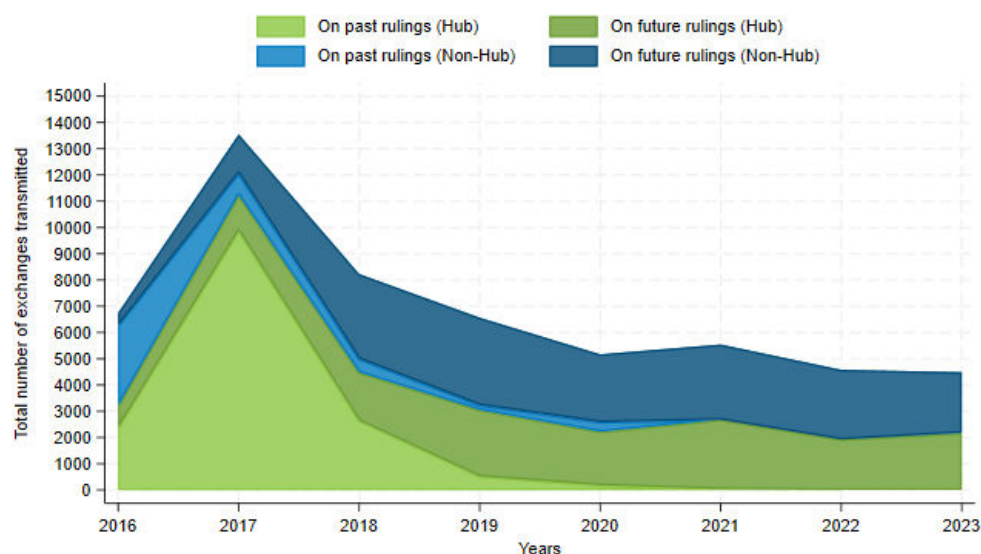
Figure 32. Number of countries in scope of the transparency framework



Note: Timelines for implementing the transparency framework vary with the time of joining the Inclusive Framework which leads to the increasing number of jurisdictions in the chart. This includes changes in the definitions of past and future rulings (OECD, 2021^[110]).

Source: OECD FHTP Transparency Framework. Peer Review Documents.

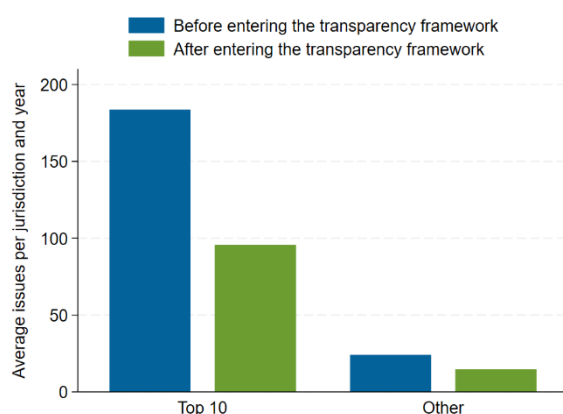
Figure 33. Total number of exchanges on information on rulings, past and future rulings, by jurisdiction group



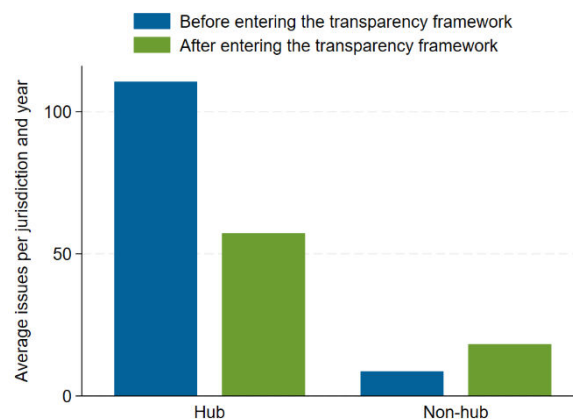
Source: OECD FHTP Transparency Framework. Peer Review Documents, 2017-24.

Figure 34. Average number of rulings issued, pre- and post-entering the BEPS Action 5 transparency framework, by jurisdiction group

Panel A: Top 10 compared to other jurisdictions



Panel B: Hubs compared to non-hubs



Note: The number of countries in scope of the transparency framework varies with the membership to the Inclusive Framework. The number of jurisdictions under the scope of the transparency framework is held constant in 2017 (74 jurisdictions, 61 are non-hubs and 13 are hubs). Jurisdictions had to report on prior rulings (past rulings) issued after a cut-off date. The definition of past rulings and the cut-off date also changes over time. For jurisdictions reporting in 2016, past rulings referred to rulings issued as far back as 1 January 2010; for jurisdictions entering in scope in 2017, past rulings can refer to rulings issued as early as 1 January 2012. To calculate the average number of rulings before entering the transparency framework, past rulings are divided by six years for jurisdictions in scope in 2016 and by five years for those entering in 2017. The after entering the transparency framework period refers to years 2017-23. The year 2016 is left out as 2017 represented the most complete membership year.

Source: OECD FHTP Transparency Framework. Peer Review Documents, 2017-24.

3.4. Tax Treaties: Actions 6, 7 and 15

3.4.1. Issue addressed by the Actions

BEPS Actions 6, 7, and 15 were designed to address BEPS issues in the area of tax treaties and, in the case of Action 15, to facilitate the implementation of treaty-related BEPS measures more broadly. The actions aimed to combat tax treaty abuse (Action 6); address certain strategies for avoiding a taxable presence (“permanent establishment”) (Action 7); and develop a multilateral instrument to facilitate the swift implementation of the treaty-related BEPS measures in existing tax treaties (Action 15). BEPS Action 6 resulted in a minimum standard for addressing tax treaty abuse, including through treaty shopping. One example of the use of this practice by MNEs is the routing of investments through entities established in jurisdictions with favourable tax treaty networks – known as “conduit countries” – with the principal purpose to minimising or eliminating withholding taxes on income flows from the ultimate host country of the investment. Given the significant influence of tax treaties on MNE investment decisions, addressing treaty shopping is crucial for maintaining the integrity of the international tax system (Lee and Kim, 2022^[113]; Janský, Láznicka and Palanský, 2021^[114]).

Existing academic research has documented the prevalence of treaty shopping among MNEs. The first step in analysing this practice involves identifying conduit countries by assessing tax treaty networks and estimating the potential tax benefits of channelling profits through specific jurisdictions (Lejour, 2021^[115]; van ’t Riet and Lejour, 2025^[116]). Large inflows of FDI into these conduit nations are often interpreted as evidence of treaty shopping (Weyzig, 2012^[117]; Petkova, Stasio and Zagler, 2019^[118]). In particular, “phantom FDI” – investment in corporate entities with no substantial business activity or genuine

economic ties to the local economy – is found to account for nearly 40% of global FDI (Damgaard, Elkjaer and Johannesen, 2024^[119]).

The economic consequences of treaty shopping are significant, potentially leading to considerable tax revenue losses, particularly in developing countries (Janský and Šedivý, 2019^[120]; Beer and Loeprick, 2020^[121]). Addressing these challenges through BEPS measures is essential for curbing tax avoidance and ensuring a fairer distribution of tax revenues worldwide.

3.4.2. What the Actions proposed

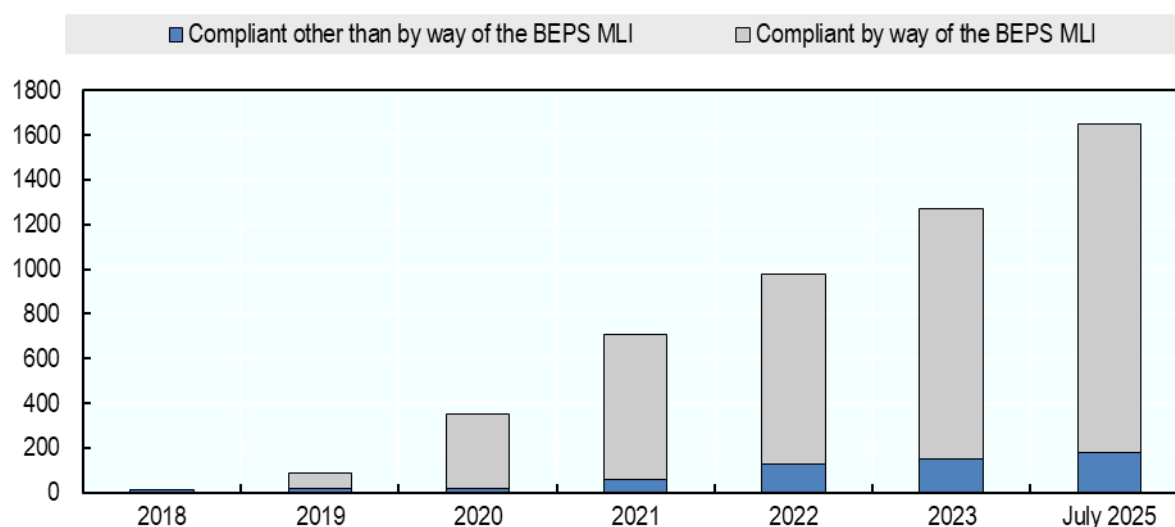
BEPS Actions 6, 7, and 15 had a series of key goals. They were introduced to: address the challenges raised by treaty abuse, including through treaty shopping, by tightening rules for the entitlement to treaty benefits (Action 6); reinforce aspects of the PE definition to prevent the artificial avoidance of PE status (Action 7); and develop a multilateral instrument to swiftly and efficiently modify tax treaties to include these and other measures (Action 15). More precisely:

- **Action 6 (Prevention of Tax Treaty Abuse)** introduced a minimum standard for the prevention of treaty abuse, including through treaty shopping, ensuring that tax treaties are used for their intended purpose – avoiding double taxation without creating opportunities for tax avoidance or evasion. The minimum standard included measures such as the Principal Purposes Test (PPT) and Limitation on Benefits (L) clauses to restrict access to treaty benefits for certain types of entities and in respect of artificial tax arrangements.
- **Action 7 (Definition of PE)** introduced changes to parts of the definition of a PE to prevent MNEs from artificially avoiding PE status and thus escaping taxation in certain jurisdictions. By modifying certain criteria that determine whether a business has a taxable presence in a jurisdiction, this action limited MNEs' ability to structure operations in ways that artificially avoid triggering such a presence and the attendant tax obligations.
- **Action 15 (BEPS MLI)** led to the development of the BEPS MLI, a legal instrument that allows multiple tax treaties to be modified simultaneously, ensuring widespread adoption of treaty-related BEPS measures, including those developed through the work on Actions 6 and 7, without the need to renegotiate each bilateral treaty individually. The BEPS MLI was also used to incorporate treaty-related measures from Actions 2 and 14.

3.4.3. Implementation status

Implementation of Action 6, a BEPS Minimum Standard, has been extremely widespread. As of July 2025, around 1 600 agreements concluded between Inclusive Framework members were compliant with the Action 6 minimum standard (Figure 35). Overall, over 95% of the agreements concluded by Inclusive Framework members (covering most of the global tax treaty network) were either already compliant or on track to becoming compliant with the minimum standard.

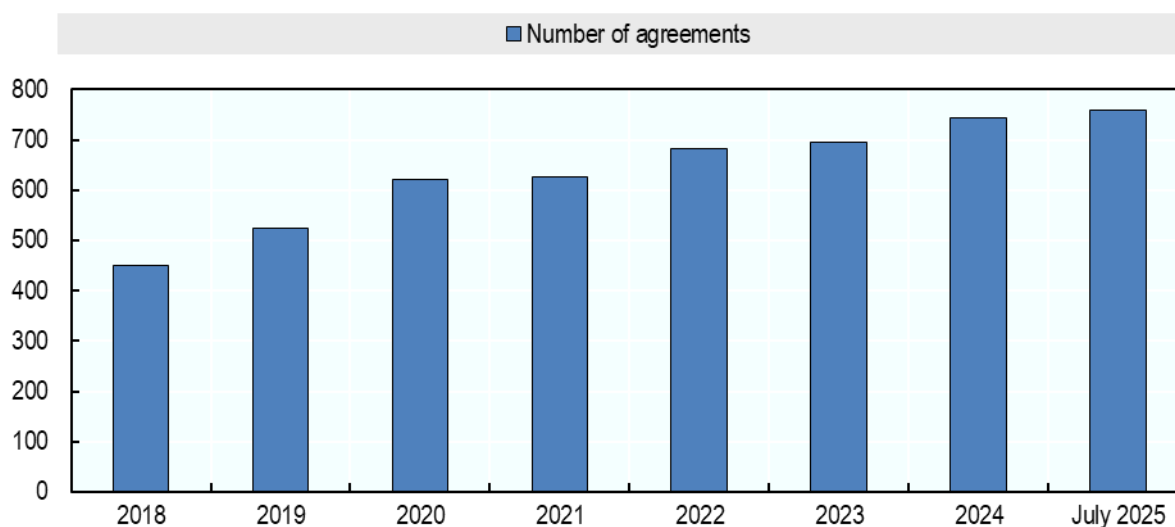
Figure 35. Number of compliant agreements with the Action 6 minimum standard concluded between Inclusive Framework members



Source: OECD Prevention of Tax Treaty Abuse - Peer Review Reports, last update in March 2024, OECD BEPS MLI database, last update in July 2025, and OECD estimates based on unpublished information discussed at OECD Working Party No. 1 on Tax Conventions and Related Questions (IF format).

BEPS Action 7 has also been widely implemented. As of July 2025, nearly 40% of the agreements modified through the BEPS MLI (around 750 tax treaties) included at least one of the Action 7 measures (Figure 36), signifying progress in reinforcing the PE definition to curb tax avoidance through the artificial avoidance of PE status. This statistic does not cover agreements that contain Action 7 measures that were adopted other than by application of the BEPS MLI (e.g. through bilateral negotiation).

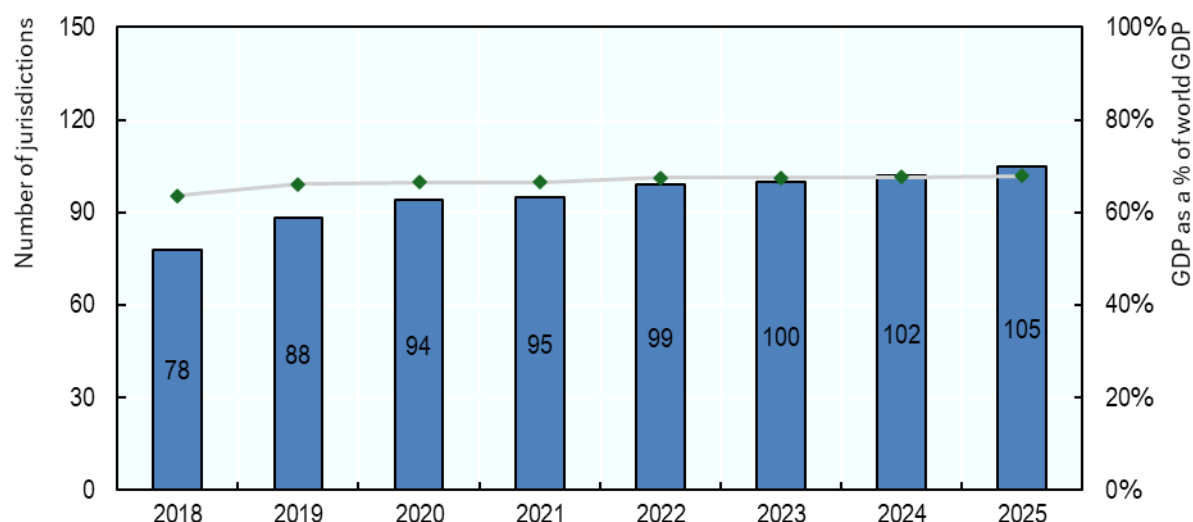
Figure 36. Number of agreements to be modified by at least one BEPS Action 7 measure under the BEPS MLI



Source: OECD BEPS MLI database, last update in July 2025.

The BEPS MLI under Action 15 has gained widespread adoption, with 105 jurisdictions – representing 68% of global GDP – having joined the instrument as of July 2025 (Figure 37). This demonstrates significant international commitment to addressing treaty abuse and strengthening global tax rules. It is also worth noting that many jurisdictions are implementing measures from Actions 6 and 7 in their double taxation agreements in ways other than under the BEPS MLI (e.g. in the text of newly concluded agreements or through bilateral amendments to update existing agreements).

Figure 37. Total number of jurisdictions that are Signatories or Parties of the BEPS MLI



Source: OECD BEPS MLI database, last update in June 2025.

3.4.4. Impact of BEPS Actions 6, 7 and 15

Although comprehensive data on the long-term impact remains limited, initial evidence suggests that BEPS Actions 6, 7, and 15 have resulted in MNEs strengthening the economic substance of their operations in certain investment hubs. A recent study by Hohmann, Merlo, and Riedel (2024^[122]) indicates that BEPS measures have contributed to significant reductions in pass-through FDI, a key indicator of the potential of treaty shopping activities (see also Figure 15 in Section 2.1).

Studies suggest that challenges persist, and gaps in the treaty network continue, highlighting the need for continued implementation to curtail BEPS activity. Although all the investment hubs in the Inclusive Framework have joined the BEPS MLI and implemented the Action 6 minimum standard, adoption of the BEPS MLI is not yet complete across all jurisdictions in the Inclusive Framework (although alternative approaches to Action 6 compliance also exist), which may leave potential opportunities for treaty shopping pending implementation of the Action 6 minimum standard by all Inclusive Framework members. Moreover, even if all Inclusive Framework members implement the Action 6 minimum standard in their treaties with other Inclusive Framework members, treaty-shopping concerns could remain because of gaps due to non-implementation of the above standard by non-Inclusive Framework members. MNEs do appear to be adjusting to respond to Action 6 by expanding real economic activities in conduit jurisdictions to avoid triggering anti-abuse rules adopted as part of implementation of the minimum standard while maintaining their existing organisational structures. In particular, the data suggest very sharp declines in FDI through special purpose entities, or firms without economic substance, highlighting the role of Action 6 in permitting treaty benefits to be denied to certain arrangements in appropriate cases. However, while stronger tax treaty rules were expected to reduce overall FDI in conduit jurisdictions, no substantial decline in overall FDI has been observed in either conduit or non-conduit countries.

There is little available economic evidence on the impact of Action 7. This is likely related to the challenges of gathering data on PEs. Because these do not file particular accounts, they are usually not present in firm-level datasets usually used by economists.

In summary, the implementation of treaty-related actions from the BEPS Project is increasingly widespread, though empirical evidence is scarcer compared to other actions. While there is some evidence that Actions 6, 7, and 15 have made substantial progress in limiting treaty abuse and redefining tax treaty provisions, available evidence is limited, and studies suggest that challenges may remain. Additional research will be necessary in assessing the long-term effectiveness of these measures in curbing tax avoidance through treaty shopping.

3.5. Transfer Pricing: Actions 8-10

3.5.1. Issues addressed by the Actions

The arm's length principle is the internationally accepted standard for transfer pricing determinations. It is embodied in Article 7 and Article 9 of the OECD and UN Model Tax Treaties, and in virtually all double taxation treaties. The TPG and the 2010 OECD Report on the Attribution of Profits to Permanent Establishments (PEs) provide guidance on how to apply those articles.

BEPS Actions 8-10 required the guidance on the arm's length principle to be clarified and strengthened. Historically, the arm's length principle has proven useful as a practical and balanced standard for tax administrations and taxpayers to evaluate transfer prices between associated enterprises, and to prevent double taxation. However, with the perceived emphasis on contractual allocations of functions, assets and risks in the guidance issued prior to the launch of the BEPS Project, the application of the arm's length principle has proven vulnerable to manipulation, in particular with regard to the allocation of profits derived from risk assumption and intangible assets. BEPS Actions 8-10 were geared towards addressing these challenges.

3.5.2. What the Actions proposed

BEPS Actions 8-10 introduced significant changes to the TPG to ensure that transfer pricing outcomes align with value creation. These changes included several key elements:

- **Action 8 (Intangibles).** This action addressed BEPS opportunities available to MNEs by moving the ownership of intangibles among group members. It also introduced a specific approach to overcome information asymmetries between tax administrations and taxpayers in relation to transactions involving hard-to-value intangibles.
- **Action 9 (Risk and Capital)** This action emphasised that mere contractual assumption of risk is not determinative of how to allocate profits. Instead, companies must demonstrate control over risks and have the financial capacity to bear the consequences of those risks. Action 9 also addressed the level of returns to funding provided by a capital-rich MNE group member, where those returns do not correspond to the level of activity undertaken by the funding company.
- **Action 10 (Other High-Risk Transactions).** This action addressed BEPS opportunities resulting from transactions which are not commercially rational (re-characterisation). It also clarified the use of transfer pricing methods to prevent diversion of profits from the most economically important activities of the MNE group. Finally, with the introduction of the simplified approach to low value-adding services, Action 10 curtailed the use of certain types of intragroup payments (such as management fees and head office expenses) to erode jurisdictions' tax bases.

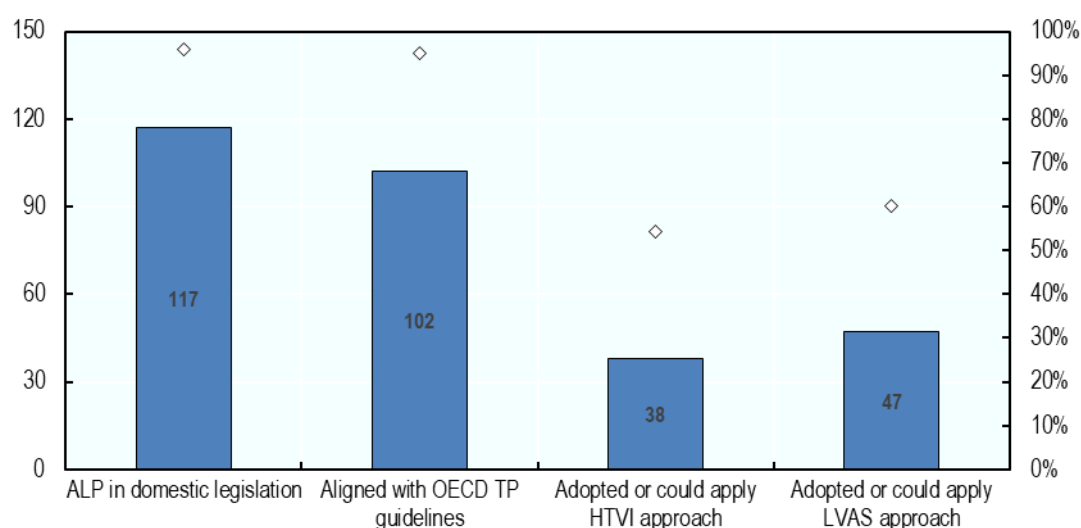
3.5.3. Implementation status

Actions 8-10 have been implemented through the TPG. The outcomes of BEPS Actions 8-10 have been incorporated into the TPG, leading to the substantial revision of practically the totality of the guidance (except for the guidance on traditional transactional transfer pricing methods and comparability analysis). Therefore, the general implementation of the arm's length principle and the extent to which the TPG are followed by jurisdictions constitute appropriate indicators of the status of implementation of BEPS Actions 8-10.

Use of the arms-length principle is very widespread globally, as is the use of the TPG. One hundred and seventeen Inclusive Framework jurisdictions, representing 96% of world GDP, have incorporated the arm's length principle in their legislation for transfer pricing purposes (Figure 38). Additionally, as of 2025, 102 Inclusive Framework jurisdictions covering 95% of world GDP are aligned with the TPG, as amended by Actions 8-10. Furthermore, 38 Inclusive Framework jurisdictions accounting for 54% of world GDP have adopted or indicated that they could apply the hard-to-value intangibles (HTVI) approach for transfer pricing purposes, and 47 Inclusive Framework jurisdictions accounting for 60% of world GDP, have adopted or indicated that they could apply the simplified approach for pricing LVAS.

Figure 38. Implementation of BEPS Actions 8-10

Number of jurisdictions implementing transfer pricing rules (left) and their share in world GDP (right) in 2025



Note: In 11 jurisdictions, the adoption of HTVI and LVAS approaches could not be determined; accordingly, these jurisdictions were classified as not implementing these approaches.

Source: OECD Transfer Pricing Country Profiles, last updated in August 2025, consultations with selected jurisdictions, and International Tax Institutions (ITI) Database, April 2024; GDP and FDI data from IMF and OECD databases, accessed in February 2025.

Adoption of the arm's length principle and the TPG reflects significant global alignment with the OECD's policies in the area of transfer pricing. Additional progress is expected as tax administrations continue to develop the necessary legislative frameworks and administrative capacity to fully integrate these measures. The degree of compliance and practical application of the TPG remains an area of ongoing monitoring and assessment by the OECD.

More recent and comprehensive information on the implementation of BEPS Actions 8-10 and related transfer pricing practices is available in the OECD Transfer Pricing Country Profiles. These

updates will provide a more comprehensive view of global progress and highlight areas requiring further harmonisation and enforcement efforts.

3.5.4. Impact of BEPS Actions 8-10

Assessing the impact of BEPS Actions 8-10 presents several challenges due to the nature of their implementation. These amendments were introduced through modifications to the TPG at different points in time. In addition, to the different approaches taken by jurisdictions in implementing the TPG domestically, it is challenging to determine a single point in time in which the outcomes of BEPS Action 8-10 started being implemented by Inclusive Framework jurisdictions. Moreover, these revisions and updates to the TPG were introduced at the same time as other approaches developed under other actions of the BEPS Action Plan, also aimed at preventing BEPS activity. As a result, distinguishing the specific effects of these changes from broader trends in international tax compliance is difficult.

Despite these challenges, available evidence suggests that the implementation of transfer pricing rules has contributed to a reduction in profit-shifting. A study by Beer and Loeprick (2015^[123]) found that the introduction of transfer pricing documentation requirements led to a 50% reduction in profit-shifting behavior. Similarly, research by Laudage Teles et al. (2023^[124]) indicates that the introduction of transfer pricing rules was associated with an increase in CIT revenues of approximately 5%–8%. However, not all studies align with these positive assessments; with some country-specific studies suggesting limited impacts (Bustos et al., 2019^[25]). This could suggest that the effectiveness of the TPG in practice may depend on the capacity of the jurisdiction or other factors around the enforcement of the TPG; and capacity building may be important alongside legal implementation.

3.6. Transparency and CbCR: Action 13

3.6.1. Action 13 – Country-by-Country Reporting

Issues addressed by the action

The lack of quality data on CIT and MNE activity has been a major limitation to effectively measuring and addressing BEPS activity. This made it difficult for authorities to carry out transfer pricing assessments on transactions between linked companies and even more difficult to carry out audits. Obtaining reliable information on the foreign operations of MNE groups, in particular MNEs headquartered outside a jurisdiction, has proven difficult for tax administrations, which in turn makes assessing whether the transactions of a particular MNE group pose risk to that jurisdiction challenging.

A key component of the transparency pillar of the BEPS Project was to develop a three-tiered approach to transfer pricing documentation. This comprises the local file, master file, and CbC report. The three-tiered approach provides a number of benefits to tax administrations and MNEs, namely increased transparency, consistency in the approach to transfer pricing documentation, and the ability for risk assessments to be better performed. Only the CbC report forms part of the Minimum Standard of Action 13 and its aim was to enhance transparency for tax administrations, while balancing the compliance costs for business.

What the Action proposed

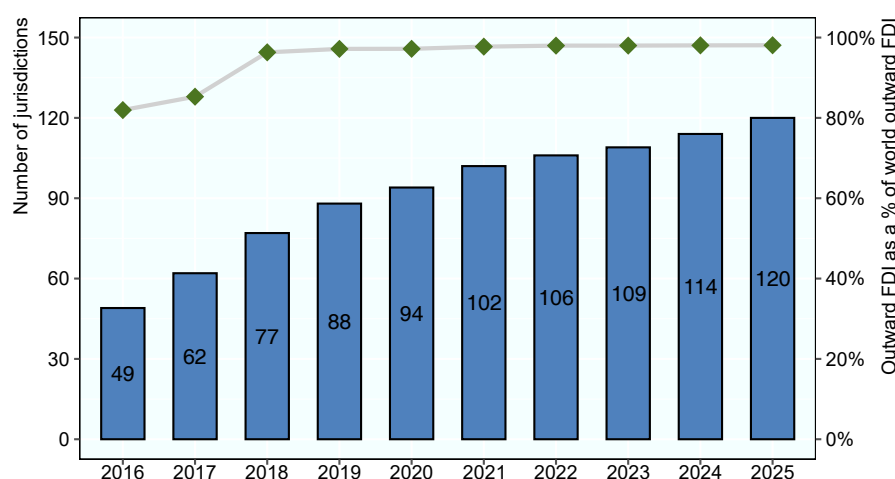
Under BEPS Action 13, all large MNEs with consolidated group revenue above the EUR 750 million threshold are required to prepare a CbC report.⁵⁸ This report should contain aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which they operate. The CbC report is shared with tax administrations in these jurisdictions (via automatic exchange of information), for use in high-level transfer pricing and BEPS risk assessments.

To facilitate the implementation of the CbC Reporting standard, the BEPS Action 13 report includes a CbC Reporting Implementation Package. This consists of (i) model legislation which could be used by countries to require the ultimate parent entity of an MNE group to file the CbC report in its jurisdiction of residence including backup filing requirements and (ii) three model Competent Authority Agreements that could be used to facilitate implementation of the exchange of CbC Reports.

Implementation status

The implementation of the Action 13 minimum standard is well advanced, with the Inclusive Framework members successfully ensuring that CbC reports are filed and exchanged in line with the minimum standard.⁵⁹ The number of jurisdictions that have introduced a CbC reporting filing obligation for ultimate parent entities of MNE groups resident in their jurisdiction has been continuously increasing. To date, 120 Inclusive Framework members have introduced CbC reporting, covering 98% of world outward FDI (see Figure 39) and thereby capturing virtually all MNE groups that meet the filing threshold (noting that even where not covered by a reporting obligation in their residence jurisdiction, MNEs can otherwise be required to file a CbC report through local filing requirements).

Figure 39. Number of jurisdictions implementing mandatory CbCR filing (left) and their share of world outward FDI (right)



Source: BEPS Action 13 peer review documents, last updated in February 2025, and OECD and IMF FDI statistics.

⁵⁸ The EUR 750 million threshold could be replaced by another applicable threshold roughly equivalent to EUR 750 million in January 2015.

⁵⁹ Action 12, which also aimed to improve tax transparency by making recommendations on mandatory disclosure rules for aggressive tax planning strategies, has been implemented on a more limited basis worldwide, with 29 jurisdictions covering 48% of world GDP currently having mandatory disclosure regimes in place, largely concentrated in the European Union.

The number of jurisdictions receiving CbC reports is less than the full Inclusive Framework, though it is rising steadily. In total, 83 Inclusive Framework members are in a position to receive CbC reports on foreign MNE groups,⁶⁰ while others have made substantial progress in achieving this position and are at varying stages of implementation. Within the Inclusive Framework, 75 jurisdictions are considered to be developing countries, and 30 of these jurisdictions have implemented all elements of the Action 13 Minimum Standard to be able to receive CbC reports on foreign-headed MNE groups. The remaining 45 developing country Inclusive Framework members are at varying stages of implementation. The demand for capacity building for these lower-capacity jurisdictions remains high, and the Secretariat continues to support developing economies at all stages of implementation. In addition, in 2023, the first CbC-specific pilot was launched through the OECD/UNDP TIWB Initiative.

As of March 2025, over 4,650 relationships are in place for the exchange of CbC reports. Even where an MNE group is not headquartered in a participating jurisdiction, the framework for CbC reporting provides an incentive for the group to file a CbC report in a participating jurisdiction on a voluntary basis (via a “surrogate parent entity”) in order to minimise the risk of triggering separate “local filing” obligations across multiple jurisdictions.

Impact of BEPS Action 13

Action 13 increases the transparency of the global activities of large MNEs for tax administrations, and some studies suggest it has an impact on BEPS activity, although more research is needed. In a survey of the literature on such transparency reforms, Olbert, Spengel & Weck (2024^[125]) conclude that CbCR and similar measures generally reduce BEPS activities and MNE presence in investment hubs. Studies from Joshi (2020^[126]) and Hugger (2024^[127]) focusing on Action 13 specifically, find that CbCR leads to an increase in consolidated effective tax rates of in-scope MNEs by around 1-2 percentage points, with stronger effects for ex-ante more tax aggressive firms. These studies also show that the effects of profit shifting did not fully materialise upon implementation, potentially because it takes some time for MNEs to adapt their structures. Nessa et al. (2025^[128]) focus on the effects of CbCR on US MNEs and find no significant evidence on BEPS activities. This is attributed to strong pre-existing reporting requirements in the US context, implying that CbCR provides less incremental information in these contexts. Doeleman, Langenmayr and Schindler (2024^[129]) argue that CbCR introduces a substitution effect which could lead to a re-structuring of profit-shifting patterns with reduced shifting from lower-tax jurisdictions and relatively more shifting from higher-tax jurisdictions to investment hubs. De Simone & Olbert (2022^[130]) study the real responses to CbCR. The authors document a reallocation of employees and assets in response to CbCR, as MNEs substantiated their tax-avoidance activities. MNEs also reduced the appearance of aggressive tax practices by closing subsidiaries in jurisdictions with preferential regimes and investment hubs.

Besides the intended effects on BEPS activity, CbCR also had additional, potentially unintended effects. Afrin et al. (2024^[131]) found a reduction in takeover premiums for firms affected by CbCR, which the authors attribute to a reduction in information frictions in M&A processes. Hugger (2024^[127]) documents regulatory avoidance in the context of CbCR as some MNEs avoid or postpone the reporting requirement, e.g. by delaying revenue growth to remain under the revenue threshold. In their survey of the literature, Olbert, Spengel & Weck (2024^[125]) stress that despite the findings on reduced BEPS activity, there is not

⁶⁰ In order to be entitled to receive CbC reports on foreign-headed groups under AEOI, a jurisdiction must: (i) have implemented a domestic filing obligation; (ii) have activated exchange relationships under the CbC multilateral competent authority agreement (MCAA) or bilateral qualifying competent authority agreements (QCAAs); (iii) have been reviewed against the AEOI standard by the Global Forum on Transparency and Exchange of Information for Tax Purposes with no serious recommendations; and (iv) have controls in place to ensure the appropriate use of CbC reports.

yet conclusive evidence on the cost-benefit ratio of tax information exchange more broadly. The authors thus call for more research, particularly investigating unintended effects and the effects on non-haven countries. This could also relate additional dimensions, such as proprietary costs which can be relevant in particular for public reporting requirements (Hoopes, Robinson and Slemrod, 2024^[132]), but may also play a role for the currently private CbCR reporting framework.

At the same time, the CbCR data has proven to be a valuable resource in measuring and monitoring BEPS (Action 11). Anonymised and aggregated CbCR statistics form an integral part of the OECD's Corporate Tax Statistics (OECD, 2024^[133]). Several academic papers studying BEPS activity draw on these aggregated CbCR statistics (Garcia-Bernardo, Janský and Tørsløv, 2021^[134]; Garcia-Bernardo and Janský, 2024^[20]; Delpeuch et al., 2025^[5]) a number of papers also draw on firm-level CbCR to study MNEs and BEPS activities (Bratta, Santomartino and Acciari, 2024^[22]; Fuest et al., 2025^[19]). The information generated through Action 13 is also of high relevance to inform CIT policy. Aggregated CbCR data forms the basis of recent impact assessment work of the OECD and others on the impact of the GMT and other international CIT reform options (Hugger, González Cabral and O'Reilly, 2023^[135]; Hugger et al., 2024^[3]) and has also informed this report (see Section 2). CbCR data can be a valuable source in an individual jurisdiction's impact assessment (Brockmeyer, Dom and Zawisza, 2025^[136]).

3.7. Dispute Resolution: Action 14

3.7.1. Issue addressed by the Action

The effective and efficient prevention of double taxation is critical to building an international tax system that supports economic growth and economic integration. Recognising that the BEPS Actions, as well as the growing interconnectedness of the global economy, could introduce elements of uncertainty that should be minimised as much as possible, improving dispute resolution mechanisms was identified as a crucial component of the BEPS Project and of a well-functioning tax treaty network more generally (OECD, 2015^[137]).

As globalisation increased, cross-border business and international labour mobility meant that taxpayers in multiple jurisdictions faced rising tax disputes due to inconsistent interpretation of tax treaties. This resulted in heightened risks of uncertainty for taxpayers as well as unintended double taxation in some cases. Action 14 sought to address concerns that existing dispute resolution mechanisms were inefficient, exacerbating risks of uncertainty and unintended double taxation and resulting in prolonged and unresolved tax conflicts.

The main issues Action 14 sought to address were a need to strengthen the lack of efficiency and effectiveness of the MAPs. Procedural bottlenecks and lack of enforcement mechanisms meant that many MAP cases took years to resolve or remained unresolved indefinitely. The increasing complexity of international tax arrangements, transfer pricing disputes, and differing domestic interpretations of treaty provisions further complicate the already lengthy resolution process. Additionally, some countries did not provide adequate access to MAP and had no binding resolution mechanism in place, generating uncertainty for businesses and increasing compliance costs.

3.7.2. What the Action proposed

To address these challenges, the 2015 Action 14 final report set out key objectives to improve the efficiency, effectiveness, and timeliness of dispute resolution mechanisms (OECD, 2015^[137]). The primary focus was on the MAP, a key tax-dispute resolution provision based on Article 25 of the OECD Model Tax Convention which offers taxpayers a means of recourse when they believe they have been taxed not in accordance with the terms of the tax treaty. The 2015 final report includes the Action 14

minimum standard on dispute resolution, consisting of specific measures to remove obstacles to an effective and efficient MAP, as well as complementary best practices. The minimum standard includes clear and objective criteria allowing for the assessment and review in the monitoring process:

Ensuring that treaty obligations related to the mutual agreement procedure are fully implemented in good faith and that MAP cases are resolved in a timely manner;

Ensuring the implementation of administrative processes that promote the prevention and timely resolution of treaty-related disputes; and;

Ensuring that taxpayers can access MAP when eligible.

Action 14 also includes other important components beyond the minimum standard. These include establishing peer review and monitoring processes to assess compliance with MAP-related commitments and promoting best practices among jurisdictions. In addition, some countries have committed to adopting mandatory and binding arbitration to ensure resolution of cases when MAP discussions fail.

3.7.3. Implementation status

Implementation of Action 14 has progressed strongly since 2015. This is reflected by the increasing number of jurisdictions reporting MAP cases (Figure 40), which suggests higher confidence in MAP as an approach to resolving disputes. Between 2016 and 2023, the number of jurisdictions reporting at least one MAP case has increased from 51 to 96.⁶¹ The number of MAP cases in inventory has grown by an average of 9% per year from 2016 to 2023, while the number of resolved cases has increased by 10% annually. Nevertheless, MAP activity remains concentrated, with over 70% of cases arising in ten jurisdictions and around 90% in 25 jurisdictions (Figure 42). It is also concentrated in high-income economies, which accounted for 85% of total MAP cases in 2023, while middle-income economies represented 15% of cases and low-income countries had no MAP cases (Figure 41). This could reflect fewer complex disputes occurring in developing countries, but it could also suggest that continued work needs to be done to ensure that MAP becomes a viable dispute resolution option in developing countries.

Capacity-building efforts have been stepped up to address specific needs of developing countries. Recognising the specific challenges faced by many developing countries regarding MAP, such as the lack of established practices for settling disputes with large taxpayers conducting complex international transactions or capacity to deal with lengthy cases, targeted training and capacity building efforts are frequently offered to competent authorities worldwide. These trainings, offering both a theoretical and case study-based approach, aim to allow developing countries to enhance their MAP capabilities and to provide a platform to foster greater collaboration between the members of these authorities.

3.7.4. Impact of BEPS Action 14

The peer reviews under the Action 14 minimum standard, as well as the MAP statistics, suggest that MAP has overall become more efficient, effective and timely. The MAP system appears to have adapted well to the rising caseload. The average resolution time, while rising, has remained below the 24-month target for post-2015 cases (Figure 43). While the average resolution time for MAP cases has increased, this may reflect countries prioritising older (and often more complex) cases, with pre-2016 cases mechanically having longer resolution times (9.5 years on average for the cases resolved in 2023). At the same time, there has been a steady process in reducing the backlog of pre-2016 cases, which have fallen steadily over recent years (Figure 43).

⁶¹ In the 2023 MAP statistics, 94 jurisdictions had at least one case reported in end inventory. Two jurisdictions reported no case in end inventory but opened and closed at least one case during the year.

Pursuant to the Action 14 minimum standard, an unprecedented amount of documentation on the jurisdiction's MAP frameworks is now available to the public. These data include (i) rules, guidelines and procedures for accessing and using MAP; (ii) a country MAP profile;⁶² (iii) consistent MAP statistics; (iv) peer review reports under the minimum standard. To increase transparency and accessibility, this information is now consolidated into a single yearly publication (OECD, 2023^[138]).

Overall, while Action 14 has led to improvements in dispute resolution processes, some challenges remain. Continued efforts are needed to further enhance the efficiency and accessibility of MAP, while some jurisdictions continue to impose restrictions on accessing MAP or struggle to meet the 24-month target, in particular with respect to transfer pricing cases. There is some evidence that cases involving developing countries take longer to complete. Time to completion across all cases is 50 months for upper-middle-income countries, 33 months for lower-middle-income countries, and 30 months for high-income countries. This could reflect the need for continuing capacity building for developing countries. At the same time, these figures may not represent a 'steady state' picture of the MAP system, as many countries have begun entering MAP for the first time over the period.

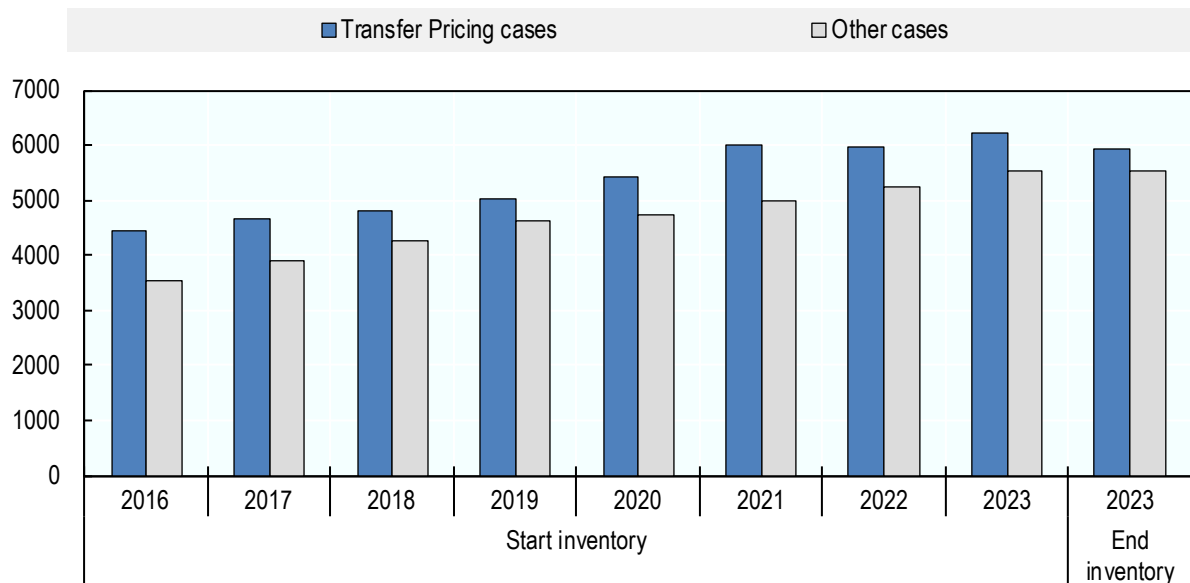
While there is limited econometric evidence on the impact of Action 14, early evidence suggests that effective MAP can support FDI. A study by Petutschnig and Zhang (2023^[139]) finds that effective MAP components and indicators of good MAP practices are associated with higher probability of MNEs choosing a jurisdiction to invest in. Additionally, vertically integrated MNEs appear to benefit more from effective MAP resolution than horizontally integrated MNEs. Peer reviews have proven effective in identifying gaps and fostering accountability, as reflected in OECD reports and taxpayer surveys from the International Bureau of Fiscal Documentation.

While the empirical evidence on Action 14 is scarce, more evidence highlights the positive impact tax certainty can have on investment more generally. Research suggests that tax uncertainty negatively affects investment decisions (Edmiston, Mudd and Valev, 2003^[140]; Edmiston, 2004^[141]; Gulen and Ion, 2016^[142]). Additionally, Fox et al. (2022^[143]) found that subsidiaries of U.S. MNEs reduced investment in fixed assets by 1.7% in countries with higher future tax enforcement uncertainty. This highlights the positive impact of this aspect of the BEPS Project for FDI.

⁶² MAP profiles are published on a public platform on the OECD website following an agreed template.

Figure 40. MAP inventory evolution

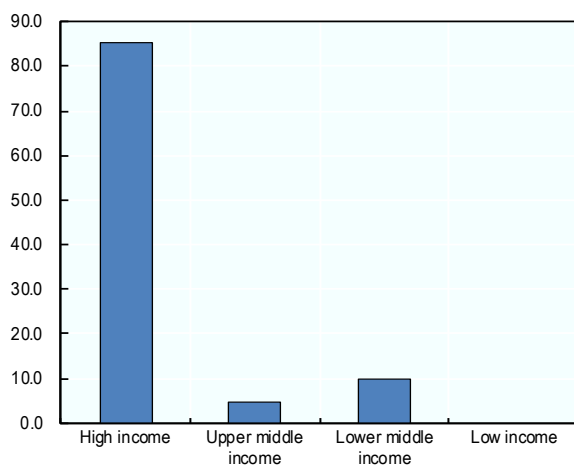
Number of MAP cases



Source: OECD MAP Statistics, November 2024.

Figure 41. Cases in inventory, by income group

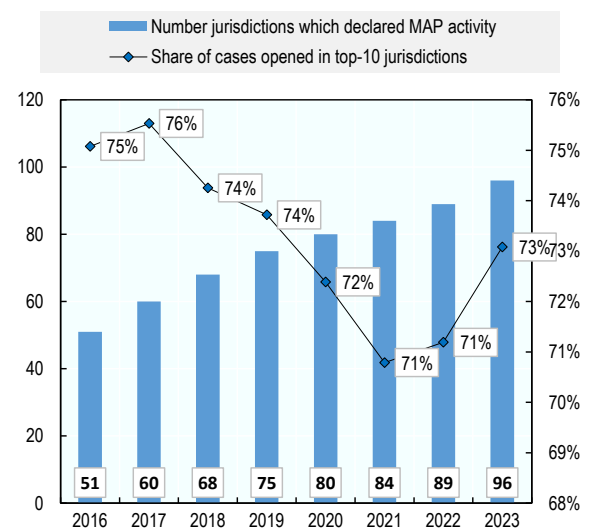
Share of cases in inventory at the end of 2023



Source: OECD MAP statistics, November 2024.

Figure 42. MAP activity across jurisdictions

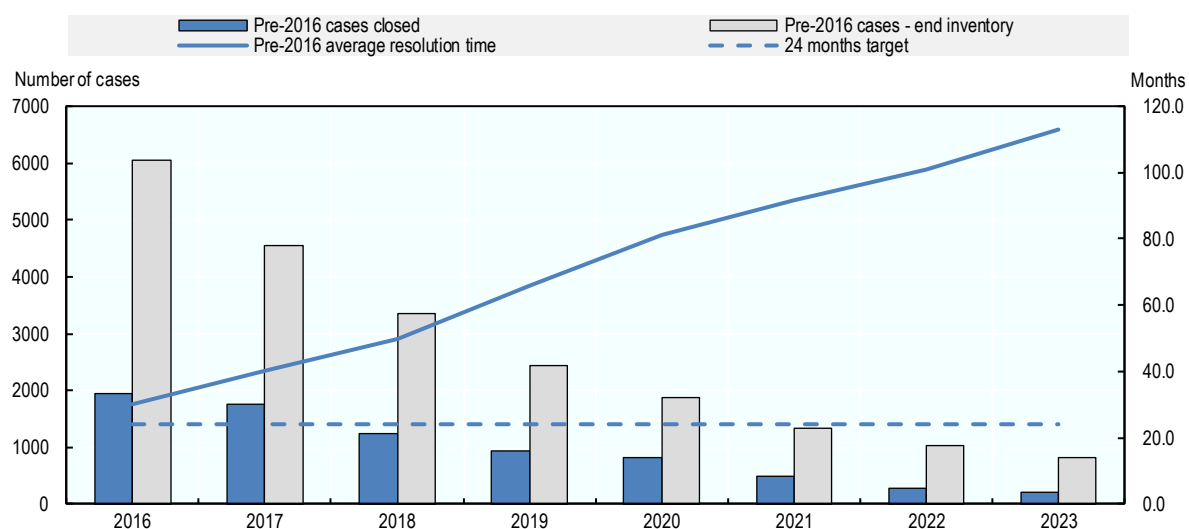
Number of jurisdictions with at least 1 case opened or closed during the year and share of cases opened in top 10 jurisdictions



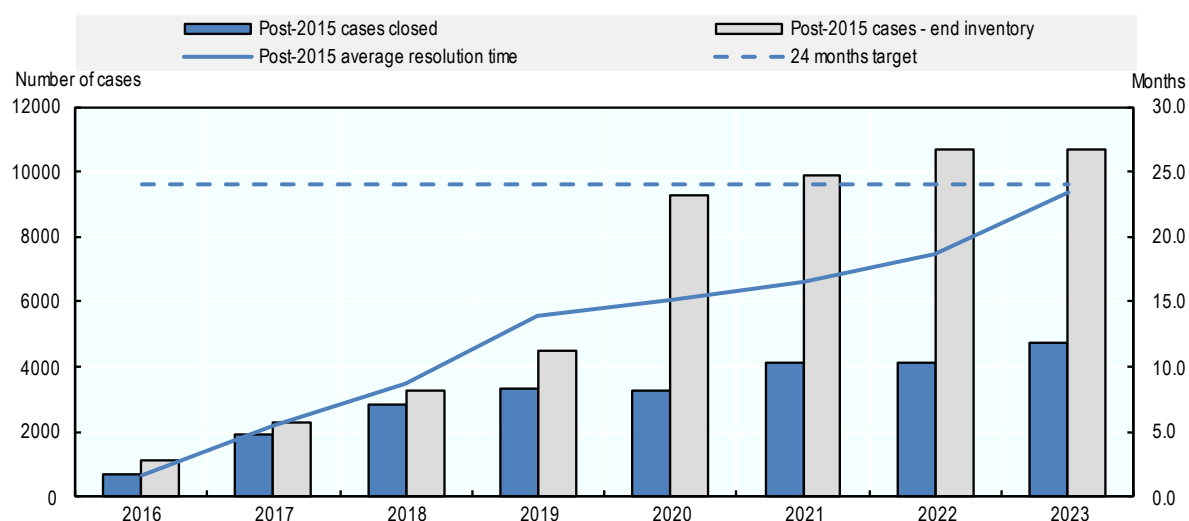
Source: OECD MAP statistics, November 2024.

Figure 43. Average time to resolution across pre-2016 and post-2015 MAP cases

Panel A. Number of pre-2016 cases closed and at end-inventory per year compared to average time to resolution



Panel B. Number of post-2015 cases closed and at end-inventory per year compared to average time to resolution



Note: The graphs show the sum of transfer pricing cases and other cases.

Source: OECD MAP Statistics, November 2024.

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A Decade of the BEPS Initiative

An Inclusive Framework Stocktake Report to G20 Finance Ministers and Central Bank Governors

The base erosion and profit shifting (BEPS) Project was designed to address concerns that the international tax system had not kept pace with the realities of the modern global economy. Ten years following the publication of the BEPS package of 15 measures to counter tax avoidance, this report takes stock of the progress made in implementing the BEPS measures and the economic impact these changes have had. The report shows how the BEPS Project has changed the conversation on international tax and established new expectations for corporate responsibility and transparency, strengthening collaboration between tax authorities and enhancing tax certainty through the definition and co-ordinated application of common international tax rules. This report was prepared by the Inclusive Framework ahead of the October 2025 meeting of G20 Finance Ministers and Central Bank Governors under the South African G20 Presidency.