Enhancing Simplicity to Foster Tax Certainty and Growth

OECD Report to the G20

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Table of contents

Executive summary

Taxation of cross-border business activity is inherently complex for taxpayers and governments. Taxpayers operating across borders must understand, comply with and bear the consequences of the interactions of multiple sovereign tax systems. Governments drafting rules that deal with taxation of cross-border income need to consider the impact of the interaction of multiple tax systems on taxpayer behaviour and on their tax base.

This inherent complexity can be mitigated by effective international co-operation designed to avoid double taxation, remove barriers to cross-border activity, and promote certainty.

Significant reforms to the cross-border business taxation landscape have taken place, particularly over the last decade, many of which were championed by the G20. To promote certainty and stability and improve the integrity of the cross-border business tax system, jurisdictions across the world have made legislative and administrative changes in various aspects, including with respect to transfer pricing, treaties, and anti-base erosion rules. Considerable progress in addressing base erosion and profit shifting and improving certainty has been achieved. (OECD, 2025[1])

In the current environment, complexity in the cross-border business taxation landscape remains challenging. In part this reflects the increased integration of the global economy and related supply chains and the sophistication of business models (including the significance of intangible property). It is also a function of the speed of changes to the cross-border business taxation rules that have taken place in recent years, as well as their extensive and often detailed nature. The importance of consensus building amongst jurisdictions and stakeholders, critical to the effectiveness and inclusivity of multilateral co-operation in tax matters, can itself drive complexity.

Lower capacity jurisdictions in particular have expressed their concern about complexity, including the administrability of rules, and the collateral impact on the ability to protect their tax base. In some instances, concerns about complexity may hinder the adoption of new rules in the first place – because of perceived administration challenges or incompatible designs given unique needs. As such, complexity can pose a direct challenge to domestic resource mobilisation efforts.

Taxpayers also have concerns about complexity and the related costs of compliance. This includes the concern that compliance costs can be excessive relative to the tax at stake; the costs drain resources that can otherwise be used in the business; and the concern that complexity increases the risk of disputes.

There is therefore a need for international organisations such as the OECD and Inclusive Framework, and domestic governments to consider simplification. Benefits of simplification can include:

- Improving ease for taxpayers in implementing the rules and reducing cost of compliance;
- Improving the ease of administration, which can reduce costs for tax administrations or, over time, allow for deployment of tax administration resources elsewhere;
- Wider and more consistent adoption of common rules by a larger and more diverse group of jurisdictions;

- Promoting voluntary compliance and improving investor confidence and growth;
- Enabling greater consistency in interpretation of the rules which can prevent and limit tax disputes, avoid double taxation and build greater trust in tax systems.

In pursuing simplification, there is also a recognition of the need to balance other policy objectives which may pull in a different direction. For instance, an overly simple rule may not be sufficiently clear or fair in its application to vastly different fact patterns. Equally, an overly simple rule might be more susceptible to abuse and negatively shape taxpayer behaviour in unintended ways.

This report, prepared at the request of the South African G20 presidency, considers ways to bring simplification, foster tax certainty and reduce compliance costs in the cross-border business tax system for both taxpayers and tax administrations.

Chapter 1 of the report acknowledges the inherent complexities in the taxation of cross-border business activities and describes the contribution this report is intended to make. Chapter 2 discusses the hallmarks of simplicity and drivers of complexity in the context of the domestic rules which form the foundation for implementing multilaterally agreed solutions and outputs. Chapter 3 explores the additional drivers of complexity that arise in in the context of multilateral co-operation, the relevance of multilateral co-operation for reducing complexity, and the progress to date in using tools for promoting simplicity and certainty in context of multilateral co-operation. Chapter 4 then suggests opportunities and areas for further focus to reduce complexity in the context of multilateral co-operation.

The conclusion and next steps in Chapter 5 identify areas where further work could be explored, in consultation with interested jurisdictions, organisations and business. Given the relevance of this topic to many stakeholders, this report invites further development of the ideas presented. Further consultation with lower capacity jurisdictions in particular would be crucial to ensure that their experiences and priorities are adequately taken into account.

The analysis in this report draws on relevant academic literature, guidance and recommendations of the OECD Regulatory Policy Committee, discussions at the April 2025 Cape Town Plenary, as well as subsequent discussions with a range of jurisdictions in the Inclusive Framework. It is also informed by the Secretariat’s experience over recent years, including in providing capacity building with lower capacity jurisdictions.

This report is delivered to G20 Finance Ministers and Central Bank Governors under the South African presidency.

1 Introduction

Inherent complexities in the taxation of cross-border business activity

Tax compliance associated with cross-border investment activity is inherently more complex than tax compliance relating to purely domestic activity, because of the interaction of multiple tax regimes and tax administrations.

Without some degree of co-ordination amongst governments, taxpayers operating across borders will be exposed to disparate substantive rules and a myriad of filing and reporting obligations, often resulting in high levels of complexity and elevated risks of double taxation.

In addition, without co-ordinated action, risks of double taxation together with elevated complexity, may lead investors to favour domestic versus foreign investment (so-called "home bias"). (Maurice Obstfeld, 2000[2]). Similarly, artificially low taxation, or risks of double non-taxation can also affect investment decisions. However, the allocation of investment on such a basis can be distortive and a drag on global growth. From an economic perspective, investment should ideally flow based on consideration of economic factors that can best support productivity and growth, as well as provide benefits of other spillovers to economies, such as knowledge and skills transfers. (Mercer-Blackman, Xiang and Khan, 2021[3]), (Ahn, Aiyar and Presbitero, 2025[4]).

Amongst the many considerations that policy makers take into account in business taxation is the need to ensure that tax systems do not interact in a manner that distorts investment or interferes with growth. This increases complexity for governments: governments drafting rules that deal with taxation of cross-border income should reflect on the interaction of their own rules with the rules imposed in other jurisdictions, and how that may impact taxpayer behaviour and the ability to protect their tax base.

This inherent complexity, for taxpayers and policy makers alike, can be mitigated by effective multilateral co-operation. Multilateral co-operation reduces the potential for both double taxation and non-taxation. For example, the Model Tax Convention and the Transfer Pricing Guidelines provide a consistent set of concepts to reduce the risks of double taxation; and other co-ordinated solutions such as those agreed as part of the BEPS Package can reduce complexity relative to un-coordinated unilateral action.

Multilateral co-operation can also create stability and facilitate knowledge sharing, research and technical capacity building, which can better inform policy makers as they make their choices. In some areas, the most effective way to act is through multilateral co-operation, in particular in areas where it is the best way to achieve a level playing field.

It is important, however, that the by-products of multilateral co-operation (e.g. model rules and standards) do not themselves exacerbate complexity. The process for securing multilateral co-operation on tax – moving from discussions to consensus, to model rules suitable for a diverse range of economies, to domestic implementation by multiple regulatory bodies – can itself drive complexity. Similarly, achieving consensus taking into account the perspectives of a diverse range of economies, varying in size, economic structure and levels of development, also potentially increases complexity.

While multilaterally co-ordinated solutions can reduce complexity, there is also a recognition that the solutions developed over the last ten years, including in the BEPS Project and the Two Pillar Solution, have increased the pace and scale of change in international rules. Guarding against complexity therefore needs to be a key consideration in multilateral discussions on cross-border business taxation.

This report

The focus of this report is on ways to improve the design of cross-border business income taxation rules in the context of multilateral tax co-operation (which mainly affects the large business taxpayer segment) to deliver more simplicity. Different considerations may arise for other parts of the taxpayer population (such as individuals, start-ups and small businesses), and for other tax types (such as consumption taxes and personal income taxes), which are beyond the scope of this report. The ideas suggested in this report focus on the design of the rules themselves, however, it is always the case that the administration of the rules remains a critical area of simplicity in practice.[1]

This report seeks to complement the wider tax certainty agenda, including the ongoing, substantial work on dispute prevention and dispute resolution. It seeks to do so by enhancing efforts at the 'front end' of the life cycle of developing cross-border business taxation rules to contribute to greater tax certainty, and in turn, investment and growth.

By setting out initial ideas and opportunities for ways that the OECD and Inclusive Framework could further enhance simplification, this report also seeks to contribute to efforts to support domestic resource mobilisation. As the World Bank has starkly noted: significant economic growth will be necessary to end poverty; the private sector is essential to growth; but business investment has stalled. An enabling environment for business (including high quality tax regulation and streamlined tax administration processes) is one element for the private sector to thrive and deliver that growth. (World Bank, 2024[5]), (OECD, 2025[6]), (Brys et al., 2025[7]), (OECD, 2019[8]).

[1] In this regard, significant work has been undertaken and is ongoing in the OECD Forum on Tax Administration relating to tax administration functions, such as on risk-based audits, co-operative compliance programmes and effective use of CbC reports, for example. As regards low capacity jurisdiction in particular, significant capacity building efforts are underway to support greater tax administration capability in applying cross-border business income taxation rules, by several international organisations and regional tax organisations. This includes training, hands-on audit support, guidance on tax administration functions, and support in digitalisation of tax administrations. These efforts are important not only to deliver the intended policy outcomes of the rules, but to contribute to a clear, coherent, internationally consistent and certain tax environment. Work has also been undertaken to understand tax morale in developing countries, including identifying tax administration tools that could improve trust and possibly improve certainty and compliance outcomes (OECD, 2022[26]).

2 Hallmarks of simplicity in tax rules

While multilaterally agreed solutions and outputs are part of the cross-border business tax landscape, it is the domestic law that taxpayers and tax administrations must apply. This chapter seeks to better understand the hallmarks that make cross-border tax rules in a domestic setting more or less complex. It explores the questions: what makes a rule a simple rule; and what drives complexity? This chapter first considers the scope of the "rule" in question; and then addresses the perception that length and complexity are largely identical. Finally, it sets out five dimensions of simple rules.

Evaluating hallmarks of simplicity

"Rules" in the context of business taxation

As a starting point, it is useful to clarify the "rule" under consideration. While rules have an underlying principle or policy intent,[2] these are not the rules themselves. Taxpayers need to know how to apply the rules to their own facts and circumstances; and a tax administration needs to know how to enforce the rules. In other words, while being explicit about the policy principle is important to providing context and clarity, legislating only the policy statement is not an option; it would result in confusion, because principles are often high level and void of real definition.

Details are therefore required. However, the rules that provide that necessary detail seldom exist in only the tax statute. They are often included in accompanying regulations, rulings, guidance, and case law, which may be accumulated over many years. This means that an evaluation of the "complexity" of the rule needs to take into account not only the tax statute, but the entire body of rules that surround it over time.

Length of the rule is not necessarily a measure of complexity

In any rulemaking, there is a challenge to provide sufficient details, and balance that with the need for brevity and ease of reading. Accepting the need for details, the question asked by some is whether too much detail is itself a cause of complexity.

There is a case to be made for separating the ideas of length and complexity. Lengthy rules are not necessarily a cause of complexity.[3] In practice, a short rule may in fact result in more complexity when it comes to its application. This is because it risks leaving too many details for resolution, either by the

[2] For example, that taxpayers must pay their fair share, or that taxation must be in line with value creation and economic substance and limit economic distortions as much as possible.

[3] While it may be true that shorter rules in some instances are more easily read and understood by an ordinary person, cross-border business taxation rules generally apply to large and multinational enterprises. These tend to have greater resources to manage detail, as they must be able to do for carrying out such a large-scale business. There is a challenge that remains for tax administrations to administer such rules, as discussed below.

taxpayer in negotiation with the tax administration, or for the judiciary. An approach where rules are short but omit critical details generally leads to less clarity about the meaning of the rules because:

- reading the text will not provide meaningful guidance;
- there are greater possibilities for arbitrage because different taxpayers will have more scope to plan and argue about the meaning of the words; and
- there is more opacity in how the rules are being applied in practice.

It is then left to the administration phase to resolve the meaning of the rule. In other words, shorter rules that do not include sufficient detail to achieve the intended objective result in a deferral of the complexity, rather than its resolution.

Dimensions of simple rules: Rules that are easy to understand

A number of features make rules easier (or harder) to understand, including: the structure and drafting; the interaction with existing rules; and the novelty and frequency of change.[4]

Structure and drafting: The structure and drafting of rules has a significant impact on how easy they are to understand.

In terms of structure, rules will be harder to understand, for example, where the provisions are dispersed over several separate amending instruments, there are exceptions within exceptions, cross-references to cross-references, or where discrete provisions applicable to a small sub-set of taxpayers are interspersed with the main provisions.

In terms of drafting, rules will be harder to understand, for example, where the language is unnecessarily obscure, the terms are subjective or undefined, or the text uses terms inconsistently.

Interactions with existing rules: As rules evolve to respond to changes in the economy, changing policy objectives, and lessons learned from past experiences, there is generally an accumulation of rules over time. Even where each standalone rule is well drafted, complexity may arise on account of the interaction of the rules with the existing legislative environment. For example, over time there may be multiple obligations that apply to the same taxpayer that are similar in concept or are seeking to achieve a similar policy objective, which are overlapping or duplicative in the detail of the obligations and / or information reporting requirements, or which may be contradicting (such as using different terminology and requiring data in different formats).[5]

This kind of complexity creates a patchwork of obligations and exceptions, which make it harder to navigate and understand. This complexity is further exacerbated because there is not only the body of tax rules applicable to taxpayers, but many other legal obligations which interact with one another and with the tax rules (such as interactions between regulatory, consumer protection, competition, and trade rules).

Novelty and frequency of change: Even the most sophisticated taxpayers and tax administrations will have difficulty in understanding rules when they are novel, changed too frequently, or are enacted without

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[4] Several of these challenges also drive uncertainty more generally. For example, as noted by (IMF / OECD, 2017[32]), key sources of uncertainty include policy design and legislation (such as complex and poorly drafted tax legislation and the frequency of legislative changes); challenges in administration of the rules (such as bureaucracy to comply with the rules and compliance costs, as well as inconsistent treatment by one tax administration, or by different tax administrations); dispute resolution (particularly the length of time to resolve cases); changes in business models; taxpayer behaviour; and the pace of changes to the cross-border business taxation rules that, although necessary, also created some level of instability.

[5] This issue is further explored in Chapter 4, on interactions with existing rules and rationalisation reviews.

sufficient time to prepare. Where rules are particularly novel or use novel terms, there may be more time required for understanding the new rules and transitioning from the existing rules. Similarly, frequency of change over time also makes it more challenging for taxpayers and tax administrations to keep up with the volume of new requirements and be equipped to develop a sound compliance approach.

Dimensions of simple rules: Rules that are easy to apply

Once a rule is well understood, simplicity will still depend on how easy (or how hard) it is to apply the rule in practice. The ease of application falls into two categories: ease for taxpayers to comply (which includes having the data to calculate and demonstrate compliance), and ease for tax administrations to administer (which turns on having capabilities to review taxpayer compliance).

Easy for taxpayers to comply: A significant aspect in understanding how easy it is for a taxpayer to apply a rule is whether the rules have been designed with regard to the compliance implications, such as whether data points are readily available, or whether they can be made available without incurring disproportionate costs and burdens. The question of ease of accessing the data can arise at both initial implementation stage and audit stage.

- Initial implementation stage: A rule would generally not be regarded as simple where it requires a significant system rebuild to be able to gather data points that do not already exist for commercial or other reasons. This system rebuild may be necessary, particularly where rules are innovative, but it also adds to the difficulty of applying the rules in practice (at least until that system is operational).
- Audit stage: A rule would generally not be regarded as simple where it requires significant amounts of additional data or documentation to interpret or substantiate the relevant tax calculation. This may be the case for very fact-intensive or subjective rules, which can result in more burdensome documentation requirements and more challenging audit processes. This can make it harder to apply the rules, because it increases the cost as well as the risk of dispute.

There may also be a need for taxpayers to engage external experts, to be able to manage the compliance requirements, including to access external data in some cases.[6]

Easy for tax administrations to administer: Simplicity in drafting does not automatically translate into simplicity in implementation. The effectiveness of a rule is also dependent upon the institutional capability of the tax administration to enforce and administer rules. (Somanathan and Natarajan, 2022[9]) In other words, the rules can create complexity where they have been designed without considering how the tax administration will administer the rules. Relevant issues to consider in terms of the capability to administer the rules includes:[7]

- Access to the relevant data to properly apply the rule, identify risks and verify compliance;
- Expertise to apply the rule to a business model or industry that requires specific knowledge;
- Availability of sufficient, trained staff to manage the more complex issues;
- Digital infrastructure and IT systems, which play a critical role in enabling efficient compliance, risk-based audits, and real-time reporting.

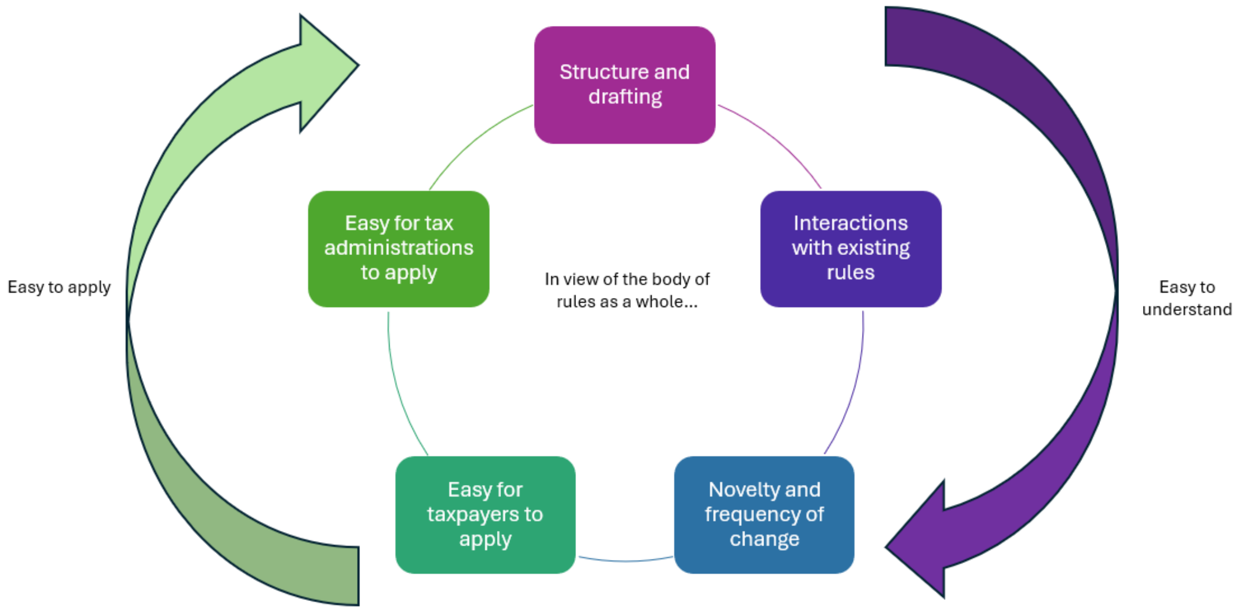
[6] Where taxpayers are larger businesses, this issue may be more easily managed in practice, particularly where the rules only apply to such larger business (e.g. by applying a threshold of revenue before the rule applies).

[7] Some jurisdictions are in the early stages of building audit capability, including accessing the relevant data. For such jurisdictions, even simplified rules that still depend on some level of data will present challenges.

These issues can create challenges where the rule requires more detailed analysis and judgements to apply it to each particular fact pattern, and / or where there is a lack of trust between the tax administration and taxpayer. (Kirchler, Hoelzl and Wahl, 2008[10]) Challenges with capability in the areas above can result in additional and expansive documentation requests made to taxpayers as a way to try to attain the necessary information or expertise to apply the rules, which also increases costs to tax administrations. It also increases the risk of inconsistent outcomes in audits because of the lack of relevant information to be able to apply the rules well each time.

A simpler rule for tax administrations could also be one that allows a tax administration to take full advantage of the compliance potential of technology-based solutions, such as those that automate certain parts of the data collection and analysis, those that involve more real time reporting, and those that reduce the costs of manual interventions.

Figure 2.1. Summary: Dimensions of simpler rules



Drivers of complexity in cross-border taxation rules

This part of the report explores policy objectives that apply in the context of cross-border business income taxation rules, which may be in tension with the goal of achieving more simplicity. Understanding the features of this environment helps to create greater appreciation of what is possible or appropriate in terms of simplification.

Those features include the baseline context in which business taxation applies; the decisions that are made within that context; and the rule-making process itself.

Baseline context: complex taxpayers

Large and multinational businesses are in many cases themselves particularly complex. For instance, they often have the largest corporate structures, a wide range of different entity types within that structure (each which may have their own applicable tax rules), complex and cross-border supply chains, heavy reliance on intellectual property, and / or bespoke financing arrangements, some of these inherited from acquisitions over time.[8] These features are highly specific to each business, and so much so that in some industries, specific tax rules are requested and devised to deal with separate sectors (such as extractives, aviation, shipping, financial services). In this context, an (over) simple rule may result in inequitable outcomes where it fails to provide appropriate differentiation between facts and circumstances of different taxpayers and economic structures.

The structural complexity of these large and multinational businesses then interacts with an increasingly complex global economy, where business models, digitalisation, and cross-border trade is itself complicated.

As tax policy makers come to terms with the complexity of business activity and business models, and businesses seek more certainty as to how the rules apply in these varied and complex scenarios, the result tends to be either an expansion in detail in the rules, or there may be an expansion in the detail contained in interpretive materials that arise from tax administration and adjudication processes.

Policy choices

It is within that context that policy choices are then made; both fundamental design choices and choices to deal with integrity concerns.

Policy design choices

There is a wide range of important policy decisions that need to be made in designing a tax system, including whether to tax on the basis of net income or gross revenue; whether certain expenses should be tax deductible or possibly be capped; whether to draw a distinction between the treatment of income and the treatment of capital, and between debt and equity; how taxing rights between jurisdictions will be allocated (such as the threshold for determining a permanent establishment); and where the incidence of taxation should lie. Some of these policy decisions require the creation of "synthetic" concepts, used only for tax, and which can lead to challenging line drawing exercises. (Schön, 2003[11])

Those policy choices on specific tax issues interact with the wider policy-making that takes place in an economy, given the role tax plays in generating the main source of government revenue and the role it has in shaping behaviour and reaching wider economic goals. The tax policy choices will, for example, be affected by decisions on the amount of revenue needed to fund a jurisdiction's spending needs; the role of tax in providing a competitive investment environment; and the role of tax in reaching distributional objectives, industrial policy and environmental goals, etc. These are important goals that the tax system may be asked to deliver, but they are also challenging to accomplish.

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[8] For example, separate rules may be needed to deal with different types of entities which may have different forms of fiscal transparency or tax residence (e.g. limited liability companies, limited liability partnerships); different types of operation in a market (e.g. representative offices, branches, permanent establishments, agents, commissionaires, contract-manufacturing, toll manufacturing); different types of financing arrangements (e.g. convertible debt, redeemable preference shares); different ways of managing risks (e.g. hedging of currency, hedging related to inventory); different forms of corporate structure (e.g. dual listed and stapled structures, joint ventures); different forms of mergers and acquisitions (e.g. asset acquisition, equity acquisition, reorganisations); different forms of holding and earning from intellectual property (e.g. cost contribution arrangements, embedded royalties); as well as tax rules and other regulatory rules that apply to specific industries (e.g. oil and gas, shipping, financial services, and rules for how they interact with the ordinary tax rules).

For example, certain tax incentives related to research and development may be introduced to stimulate a particular behavioural response (i.e. increased innovation activities) that are considered important in achieving wider economic effects. However, to achieve that goal, and align it with the general need to raise revenue, rules will need to be carefully targeted to reach the intended segment, focusing on stimulating new innovation rather than foregoing revenue on existing innovation. It would also need to be accompanied by significant additional expertise in administering those rules, such as expertise in evaluating innovation. In other words, an overly simple rule may be too blunt in shaping taxpayer behaviour in the intended ways.

The way in which a particular government will evaluate these policy design choices will likely change over time, in response to changing economic and other factors. The way these policy choices are made will also reflect a balance of considerations such as fairness, justice, accountability, and macro-economic needs; and these considerations may outweigh the importance of simplicity as an end in itself.

Integrity measures to respond to tax avoidance or unintended outcomes

Beyond those broader policy design choices, the experience of tax administrations suggests that there is a need for integrity measures to avoid the risk that a sub-set of the population may seek to undermine the policy intent of an applicable rule set, using new structures, schemes or unintended interpretations (or imperfections) of the rules. As the rules become more complex, so too do the avoidance techniques and therefore the need for responsive integrity measures. Separate from that, there may also be unintended or unforeseen behavioural shifts in response to rules that create integrity risks for the intended policy. For example, a policy choice made to tax income and capital differently can create behavioural changes in terms of how taxpayers structure their activities. Behavioural changes may then increase over time, as more taxpayers may seek to take advantage of the policy choice. This may require policy makers to revise the rule design to avoid these distortions. In addition, integrity rules can also result in uneconomic behaviour without positive fiscal implications, resulting in a "deadweight loss." For example, strict integrity measures about the treatment of losses could reduce the willingness of taxpayers to engage in riskier investments. While this unintended uneconomic behaviour itself is not an issue of complexity, it can even have wider adverse economic effects, contributing to complexity for tax policy makers. (Schön, 2003[11])

Addressing integrity issues will be necessary to ensure fairness in the rules, ensuring that compliant taxpayers do not end up bearing the tax burden while others reduce their liabilities. However, responding to complex avoidance techniques or unintended behavioural responses tends to require either a substantial volume of new rules to deal with them, or wide-ranging discretion for the tax administration (and adjudication processes) to deal with them.[9] This can also increase complexity disproportionately for all taxpayers, because it may require the full taxpayer segment to deal with a much bigger or more uncertain body of law in order to ensure that the few high-risk taxpayers do not avoid taxation.

Rule-making process

Features of the rule-making process can also drive complexity or affect the ability to deliver simplicity. These include the process for building consensus, whether the rule-making process prioritises simplicity, and time pressures.

Consensus building

Tax rule-making processes may require consensus-building amongst a range of stakeholders in order for the rules to be enacted. Given the interaction of tax rules with other important political issues such as budgetary constraints, spending needs, and wider economic policies and challenges, as well as

[9] See for example the discussion on anti-avoidance rules in (IMF / OECD, 2017[32]), page 45.

interactions with policies and rules set by other government bodies (such as in investment, environment, trade, natural resources, and others), that consensus may not always be easy to achieve. This process of reaching consensus typically involves compromises, which can result in complexity such as additional provisions to provide specific concessions or exceptions.

Absence of simplification from the rule design process

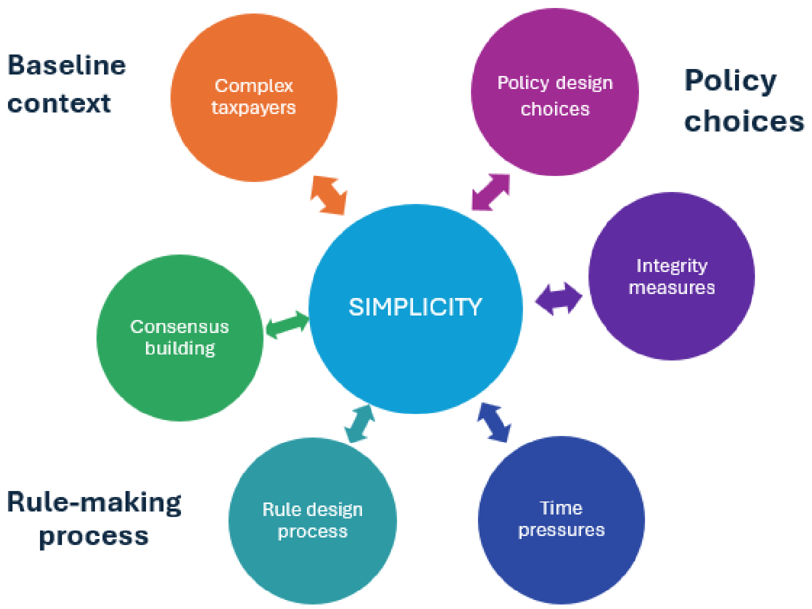
Law-making processes are often time-consuming and require many different actors to be involved. Unless political will has been generated at a governmental level for prioritising simplicity, many rule making processes do not add simplification in the process itself. This may be for reasons of urgency, or reasons of resources, but in any case it is challenging for rulemaking to specifically devote expertise and time to ensure the rules are as simple as possible.

Time pressures

Tax rules are often high profile in the political processes, and large business taxation has remained a focus of political processes in the recent past. Issues that rise to a high political and public profile often demand swift solutions. This demand may be for reasons of fairness, where there is a need to deal with a gap in the rules that, if not addressed, creates an unlevel playing field between taxpayers. This demand may also come from taxpayers, where there is a request to provide additional clarifications on rules that are already in effect, where that is necessary in order to meet the relevant compliance obligations on time.

These time pressures may leave limited scope for making the rules simpler. For example, the demand for a solution may not always allow for the additional steps to draft rules that take into account a wide range of stakeholder views and provide notice in advance, or to take time to attend to drafting that reduces unnecessary ambiguity or duplications.

Figure 2.2. Summary: Simplicity in its policy environment



3 The role of multilateral co-operation in reducing complexity

This chapter examines the role of multilateral co-operation in addressing tax complexity. It acknowledges that there can be further drivers of complexity in the multilateral co-operation process. Notwithstanding those challenges, it also highlights how multilateral co-operation can ultimately reduce inherent complexities in cross-border income taxation. It then explores the progress to date in the OECD and Inclusive Framework in using tools to promote simplification and enhance certainty in cross-border business taxation.

Additional drivers of complexity in the context of international co-operation

Where multilateral co-operation on cross-border business taxation rules is sought, there are additional challenges to ensuring simplicity beyond those encountered at the domestic level, discussed in chapter 2. For example, the challenges of building consensus also apply in a multilateral process. Where the intention is to arrive at a solution that can be applied in a coherent way in diverse jurisdictions around the world, and with the benefit of diverse perspectives and insights, it necessarily requires compromise amongst more jurisdictions. Compromise amongst a larger group of jurisdictions necessarily means taking more inputs, views, experiences and positions into account in the process. For instance, in a multilateral setting with over 100 jurisdictions involved, and if only every second jurisdiction had a particular concern, over 50 viewpoints will need to be addressed. However, consensus also ensures that all voices are heard and taken into account, which then provides the foundation for each jurisdiction to accept and implement the solution in their domestic context.

Similarly, the challenges of not having the resources and time to devote to simplification can be exacerbated in a multilateral setting. This is in part because the work of achieving consensus takes time. It can be a relatively long process to identify policy issues on which there is interest to work, to move with consensus to understand the issues and design solutions, to agree supporting materials such as model rules, and to then support implementation of the solution by a multiplicity of domestic bodies. The challenge of time pressures may also arise because the issues that are brought to the multilateral setting often have a reasonably high political profile. Given the politically sensitive and high-profile nature of these demanding tasks, time may be in short supply, and additional time spent on simplification may not be available.

However, there are also features of the multilateral co-operation process that can present unique challenges, as follows.

Navigating more diversity may be more challenging

The compromise that is necessary to reach a solution takes place in an environment where each individual jurisdiction will have approaches to tax rules that reflect their unique domestic circumstances and policy choices. The process will also bring together a diverse range of economies (in terms of size, as well as economic and political contexts), which will reflect concerns and aspirations of their own domestic stakeholders.

The challenge of arriving at a consensus in such a setting involves understanding and accommodating many more differences, such as different legal traditions, levels of resources, with varying emphasis placed on certain priorities (such as the importance of providing certainty to taxpayers in some jurisdictions, compared with a stronger focus on revenue collection in others), different cultures, and different political objectives. Bringing those together to arrive at a co-ordinated solution is fruitful because of the additional expertise and solutions that can be brought to bear on a policy problem, but it can also be challenging.

Devising solutions that can interact with existing domestic rules can be more challenging

When considering the structure and drafting of rules or outputs, there is also a need to take into account the fact that each jurisdiction's existing domestic legislative environment may look quite different, in terms of drafting style, structure, terminology and language, as well as constitutional processes and constraints that may apply.

That makes the ability to arrive at a multilaterally agreed output that can be adapted into a wide variety of domestic contexts more challenging.

Upfront detail is more often necessary to reduce risks of un-coordinated outcomes

An iterative approach where details are added in new regulations and case law over many years, as may apply in a domestic context, can be more challenging to apply in cross-border business taxation. This is particularly in cases where the relevant cross-border rules seek to arrive at internationally co-ordinated and coherent outcomes (such as allocation of taxing rights, obligations to relieve double taxation, or co-ordinated integrity measures). In order to deliver those outcomes, there may be a need to have more prescriptive rules upfront, reducing the risk of each domestic regulator or adjudicator acting alone and in a different direction and leading to fragmentation.

This approach provides clarity of expectations from the outset. This is because such rules will tend to have already anticipated, and provided for, more variations in fact patterns. While more prescriptive detail may require greater investment in upfront reading, and can be challenging for policy makers to digest in the first instance, it is designed to create more simplicity in the long run and may be the more viable way to work in the context of multilaterally co-ordinated solutions.

Even where more detail is provided, there is still a risk of divergence when each jurisdiction's domestic incorporation or interpretation of the rule is different (including on account of language translations), even where it is based on a common principle or standard. This can increase the challenge for taxpayers, not only in understanding the rules but also in their compliance efforts such as system rebuilds and ongoing documentation requirements. Where co-ordinated outcomes are sought, additional investment may then be needed, such as the provision of further international guidance, peer review processes, early certainty tools and dispute resolution mechanisms. This adds to the architecture and agreement needed at the multilateral level over time.

The extent to which the challenges outlined above are present will also depend on the level of international co-ordination that is sought. An output that provides information, research or best practices to consider will tend to have less pressure in terms of the challenges of multilateral consensus-building and provision of upfront detail; whereas a treaty or set of common rules will demand more. Some of these features that apply in the multilateral context cannot, or should not, be changed: for example, building consensus amongst a wide group of jurisdictions is more demanding but is necessary in order for changes in cross-border business taxation rules to be agreed and implemented. However, the importance of simplicity could be brought more to the fore when balancing some of the other features, as discussed further in chapter 4.

Benefits of multilateral co-operation in counteracting complexity in cross-border taxation

Notwithstanding these additional challenges, multilateral co-operation on tax is a foundational part of reducing complexity for taxpayers and governments. Without multilateral co-operation, cross-border business taxation would take the form of a fragmented system of over 200 separate jurisdictions' rules that apply to very complex contexts. Such a fragmented system creates complexity and compliance costs for businesses operating across multiple borders.

Where it is relevant, a multilaterally negotiated, coherent set of rules, standards or guidance that will be administered in a co-ordinated way brings a great deal of simplicity and certainty in the long term. Where a common understanding or core principles have been jointly developed, which then inform domestic or bilateral processes, friction and complexity will be reduced. Tax administrations and taxpayers are then able to apply a common set of concepts or more coherent approaches, instead of a multiplicity. This has been a core part of the OECD work on tax, to reduce tax-created barriers to cross-border trade and to promote certainty and stability. This includes, for example, the work to avoid double tax and reduce tax-created barriers to trade and investment, resulting in the OECD Model Tax Convention, and which now forms the basis for over 3,500 bilateral tax treaties. Similarly, the OECD developed the Transfer Pricing Guidelines, now used by over 90 countries, which aim at eliminating double taxation through securing consensus on the application of the arm's length principle. Alongside these initiatives, further work to increase coherence and therefore reduce complexity includes the Inclusive Framework's BEPS project, (OECD, 2025[1]). This has been complemented by a significant amount of capacity building and technical assistance, (OECD, 2025[12]) which seek to increase multilateral co-operation on tax, inform domestic policy making, and reduce the drivers of complexity in cross-border business taxation.

In other words, and while acknowledging that some of the outputs of the OECD and Inclusive Framework can themselves be challenging to navigate, including the outputs under the Two Pillar Solution, they seek to reduce the inherent complexity of the many, different unilateral approaches that would otherwise try to address the same policy concern.

A multilateral approach also offers other benefits, in addition to a reduction in fragmentation and un-coordinated outcomes. A multilateral process brings together expertise of more people with diverse skills, experience and insights. A complex problem is more effectively addressed by a group of 100+ experienced experts than by one or two jurisdictions alone. That, while challenging in some ways, also allows for the possibility of the most innovative and robust solutions to be reached on the most challenging questions to be solved, which can lead to improved solutions for all. For example, innovation in the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("the BEPS Multilateral Instrument") avoided the need for individual renegotiation of double tax treaties, offering a vastly simpler and cost-effective mechanism to implement an agreed change.

A multilateral solution can also create a more level playing field, which can reduce the complexity that individual jurisdictions face when they otherwise have to act alone. If there is one standard or expectation in place, there is much reduced scope for international arbitrage within the scope of that issue. That is because it removes certain issues from contention and thus removes the possibility of taxpayers 'shopping around' on that issue. It can also drive global improvements in outcomes when there is a common standard that the international community invests in, such as on the BEPS Minimum Standards where improvements have been seen around the world in transparency, reductions in tax induced distortions including tax arbitrage, and increased effectiveness in dispute resolution. (OECD, 2025[1])

In addition, agreeing multilateral solutions also opens the possibilities for tax administrations to collaborate and share their own costs and burdens. Where there are common concepts, rules and information returns, there is much greater scope for multilateral approaches to risk assessment, audit and resolution, and tax administrations are able to benefit from the experience of others. Similarly, where there is consistent domestic implementation of multilateral solutions, businesses can put in place processes and compliance frameworks that are applicable across multiple jurisdictions. That can reduce complexity and compliance cost that otherwise takes place in a fragmented system.

Multilateral tax co-operation, therefore, is an investment in long-term reduction of complexity and certainty, paving the way for domestic simplifications.

Tools for reducing complexity and promoting certainty: progress to date

Separately from the long-standing work to reduce complexity through improved co-ordination and coherence as discussed above, more specific and significant work has been undertaken by the OECD, Inclusive Framework and Forum on Tax Administration in support of the wider tax certainty agenda, and more recently also with a renewed focus on simplification. This recognises that simpler rules need to go hand in hand with effective forms of dispute prevention and resolution. When rules are simple, easy to interpret and easy to administer, outcomes are more predictable, and the risk of disputes is reduced, making simplicity the first dimension of tax certainty. The other two dimensions of tax certainty are:

- Dispute Prevention: Despite efforts to simplify, additional steps may still be needed to prevent disputes proactively. This involves equipping both taxpayers and tax authorities with tools to identify and prevent disputes before they arise.
- Dispute Resolution: Recognising that some level of dispute is inevitable, access to efficient, effective and timely dispute resolution processes is important.

Significant work has been undertaken on these dimensions of tax certainty, to contribute to a more co-ordinated cross-border business taxation system.

Dispute prevention: Extensive work has been undertaken by the Inclusive Framework and Forum on Tax Administration in the field of dispute prevention through dedicated tools and guidance, and capacity building efforts. This includes:

- Supporting the development and implementation of Bilateral and Multilateral Advance Pricing Arrangements ("APAs") programmes through guidance in the OECD Transfer Pricing Guidelines (OECD, 2022[13]), the Bilateral APA Manual (BAPAM) (OECD, 2022[14]) and Manual on the Handling of Multilateral MAPs and APAs ("MoMA"), (OECD, 2023[15]) and the publication of APA Statistics based on an agreed framework.[10]
- Guidance for conducting joint audits (OECD, 2019[16]) supported by capacity building.
- Promoting transparency and trust between tax authorities and taxpayers through co-operative compliance[11] with the publication of key frameworks by the FTA in 2013 (OECD, 2013[17]) and 2016 (OECD, 2016[18])
- Allowing tax administrations to focus their resources on high-risk transactions and exclude low-risk taxpayers from unnecessary scrutiny through more effective risk assessment. A number of products have been developed for this purpose including CbCR Reporting Handbooks, (OECD,

[10] See https://www.oecd.org/en/data/datasets/advance-pricing-arrangement-statistics.html and https://web-archive.oecd.org/2023-01-24/650168-advance-pricing-arrangement-statistics-reporting-framework.pdf

[11] More than 37 jurisdictions part of the FTA have implemented such programmes.

2017[19]) the Tax Risk Evaluation and Assessment Tool (TREAT),[12] Transfer Pricing Risk Overviews (TROves)[13] and the International Compliance Assurance Programme ("ICAP")[14] was created in 2018.

Dispute resolution: As highlighted in the MAP Statistics published since 2016,[15] taxpayers continue to use the Mutual Agreement Procedure to solve their treaty-based tax disputes. To facilitate improvements in this area, the FTA MAP Forum has undertaken considerable work including:

- Monitoring the implementation of the BEPS Action 14 Minimum Standard through a peer review process resulting in the publication of more than 230 peer review reports since 2016.[16]
- Supporting jurisdictions through dedicated training, including in conjunction with the United Nations, to further expand the effective implementation of dispute resolution mechanisms.
- Publishing guidance and toolkits including the MoMA and the Manual on Effective Mutual Agreement Procedure (MEMAP). (OECD, 2007[20])[17]
- Helping jurisdictions disseminate information on their MAP programme through the publication of MAP profiles and the Consolidated Information on MAP.[18]

The work on dispute prevention and dispute resolution has become a core part of the work on cross-border business taxation, with dedicated teams and work programmes to serve this agenda. Ongoing reflections and work are also reflected in the OECD Tax Certainty Days which have been held on an annual basis since 2019, bringing together business, policy makers and tax administrations to evaluate and advance the tax certainty agenda,[19] and the recent tax certainty roundtables which bring together government officials, business representatives, advisors and academics in an interactive discussion designed to improve tax certainty.

Turning to simplified substantive tax policy outputs and solutions, work that has been undertaken in recent years includes the following.[20]

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[12] Available on demand, this tool assists tax administrations in evaluating transfer pricing risks.

[13] These documents provide structured insights into risk indicators and data sources to tax administrations.

[14] See https://www.oecd.org/en/about/programmes/icap.html. This programme was launched in 2018 and now includes 18 participating jurisdictions.

[15] See https://www.oecd.org/en/data/datasets/mutual-agreement-procedure-statistics.html and https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/dispute-resolution/beps-action-14-on-more-effective-dispute-resolution-peer-review-documents.pdf#page=49.

[16] See (OECD, 2015[27]); https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/dispute-resolution/beps-action-14-on-more-effective-dispute-resolution-peer-review-documents.pdf#page=19 and https://www.oecd.org/en/topics/sub-issues/dispute-resolution-in-cross-border-taxation.html.

[17] An update to the MEMAP is currently being finalised by the FTA MAP Forum which will, among others, feature practical details relating to MAP arbitration.

[18] See https://www.oecd.org/en/topics/sub-issues/dispute-resolution-in-cross-border-taxation/mutual-agreement-procedure-profiles.html and https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/dispute-resolution/consolidated-information-on-mutual-agreement-procedures-2024.pdf.

[19] https://www.oecd.org/en/topics/sub-issues/tax-certainty-and-policy-implementation.html.

[20] Work has also been undertaken to improve and simplify the working processes in the Inclusive Framework. For example, the Inclusive Framework has undertaken a review of its operating procedures to ensure greater transparency, clarity of organisation and processes, and to devote efforts to reducing complexity. See also (OECD, 2025[24]) which

Simplified substantive solutions, guidelines and models, including:

- Simplification efforts in transfer pricing includes the work on Amount B, which is a simplified and streamlined elective approach to the application of the arm's length principle to in-country baseline marketing and distribution activities (OECD, 2024[14]). This drew on earlier efforts, such as the sample memoranda of understanding for low-risk functions and the guidance on low value intra-group services (OECD, 2022[15]).
- The Transfer Pricing Guidelines Reviews commenced in 2025, to provide an open forum for technical discussion and knowledge sharing on transfer pricing issues. The TPG Reviews facilitate discussion of practical issues that jurisdictions are facing in applying the OECD Transfer Pricing Guidelines, as well as to share successful domestic practices in relation to specific fact patterns. This provides an avenue for simplification by ensuring a more consistent application of the existing guidance, rather than necessarily seeking to publish new guidance.
- Efforts to improve simplification have also taken place, and are continuing at pace, in the context of the Global Minimum Tax. This includes the delivery of a transitional CbCR safe harbour, transitional simplified reporting within the context of the Globe Information Return (GIR), as well as concentrated efforts to develop a simplified effective tax rate safe harbour as well as simplifying the rules themselves.

Support in implementation: Work to simplify the translation of multilateral solutions into domestic law and domestic application have been made. That includes the provision of model rules (e.g. Country-by-Country Reporting and the Global Minimum Tax). It also includes multilateral solutions for incorporating changes to double tax conventions at rapid speed without requiring many bilateral negotiations (e.g. the BEPS Multilateral Instrument and the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule ("STTR Multilateral Instrument").[21] Extensive capacity building has also taken place to support translation of solutions into domestic contexts, including on rule implementation, administration and effective use of the rules in practice to improve revenue outcomes (OECD, 2025[12]).

Administrative burden reduction: The OECD Forum on Tax Administration (FTA) has published a maturity model to assist tax administrations in evaluating their capabilities in minimising compliance burdens. (OECD, 2022[17]). Outside of the tax area, substantial work has been undertaken on the removal of administrative burdens and “red tape,” such as duplicative or unnecessarily burdensome information reporting obligations. For example, the OECD Regulatory Policy Committee has developed significant knowledge and best practices in this area, relevant not only to tax but to all forms of government regulation.[22]

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relates to simplifications in the Inclusive Framework’s peer review processes that operate in connection with the BEPS Minimum Standards.

[21] See https://www.oecd.org/en/topics/sub-issues/beps-multilateral-instrument.html and https://www.oecd.org/en/topics/sub-issues/subject-to-tax-rule/multilateral-convention-to-facilitate-the-implementation-of-the-pillar-two-subject-to-tax-rule.html, which each come with explanatory statements, frequently asked questions and technical support from the Secretariat.

[22] See https://www.oecd.org/en/topics/administrative-simplification.html.

4 Opportunities to enhance tax simplicity and certainty: areas for further focus

This chapter sets out possible areas of further focus to reduce complexity in the context of multilateral co-operation in cross-border business taxation.[23] The common theme underpinning the ideas in this chapter is that simplicity can be improved where the process for designing solutions and outputs better takes into account the perspectives, needs and realities of the taxpayers and tax administrations that are the users of the rules from the outset. That could ensure greater understanding of the solutions and outputs from the start and a greater ability to comply once they are implemented in a domestic context, as well as improved design with the benefit of the expertise of these users.

While the opportunities set out in this report may also be of interest for domestic policy makers and could be used in the domestic context to facilitate simplification, this report does not make any direct recommendations to domestic policy makers. This recognises that each jurisdiction's decisions on the design of their tax system reflect a range of domestic specificities and interactions with other rules. That will also include consideration of the applicable legislative framework, legal traditions and approaches to taxpayer compliance.

The ideas in this chapter draw on existing work in the OECD, Inclusive Framework and the Forum on Tax Administration, the work of the OECD Regulatory Policy Committee, as well as lessons learned over recent years, not only in cross-border business taxation but also drawing on other areas, including the International VAT / GST Guidelines.[24] The purpose is to bring that learning together, and explore ways to

[23] Some of these opportunities also contribute to greater tax certainty more generally. For example, (IMF / OECD, 2017[32]) recommended the following as ways to improve tax certainty: (i) Tax policy design and legislation: early consultation, principle-based drafting, providing stakeholders with advance notice of changes, clarity of the organisation and drafting in legal provisions, and managing the frequency of changes; (ii) Tax administration: domestic tools for avoiding and resolving disputes; (iii) International aspects: multilateral co-operative compliance programmes, bilateral and multilateral advance pricing agreements, simultaneous tax examination and joint audit, continued progress on ensuring effective mutual agreement procedures, and ensuring more coherent international standards and guidance. Similarly, (OECD, 2019[8]) and (OECD, 2022[26]) recommended practical tools for improving trust between MNEs and tax administrations as a way to improve tax certainty, and therefore tax morale and tax compliance, including improving communication between tax administrations and MNEs, improving stakeholder engagement and dialogue with MNEs, using co-operative compliance approaches, and continuing to build capacity in tax administrations to develop more expertise and consistent outcomes for taxpayers.

[24] For example, many of the ideas set out in this chapter are in line with the way the work on the International VAT / GST Guidelines has been carried out, which has prioritised simplicity, proportionality, predictability, and certainty as

make the simplification efforts a more routine part of the multilateral discussions on tax, including at the OECD and Inclusive Framework.

A simplicity checklist

The ideas discussed in this chapter could be combined and act as a form of 'simplicity checklist,' subject to the further consultation noted in chapter 5. Not all of the suggestions would be necessary or relevant to every case, but as a framework they could be used at the international level, including in supporting the work of the OECD and Inclusive Framework and its Working Parties, to help to refine the approach to developing solutions and other outputs and ensure that any complexity that does remain is proportionate and deliberate.

Simplicity checklist

Process for designing solutions and outputs

1. **Impact assessment and problem diagnosis**. Has an impact assessment been considered to evaluate the underlying policy problem, and consider whether the expected benefits of a new rule justify the costs, including having regard to recent frequency of change? If not, is that justified by the circumstances, or have alternatives been considered to address capacity limitations?

2. **Early Consultations**. Has consultation with all relevant stakeholders taken place? Did that include consultation on the initial policy question, and again on the more detailed rules and drafting?

3. **Model Rule development and drafting**. Has the drafting been specifically designed with a dedicated function or review process to improve the ease of understanding?

4. **Interactions with existing rules**. Has an evaluation been undertaken to consider how the rule interacts with existing rules? Is a rationalisation process needed?

5. **Evaluating time pressures and using phased approaches**. Has sufficient time been given to complete steps 1-4? If not, is that justified by the competing policy priorities? Have phased approaches to project management been considered?

Substantive solutions and outputs

6. **Trade-offs between simplicity and other policy goals**. Are trade-offs between the benefits of simplicity and other policy goals well understood, deliberate and based on full information?

7. **Simplicity as a policy goal**. Is simplicity one of the policy goals that has been explicitly considered in devising the rule?

8. **Deliberate rule design**. Has the choice between more formulaic / programmable or more principle-based rules been fully explored, including how the upfront or subsequent complexity will be managed?

9. **Considering compliance realities of taxpayers**. Have the rules been designed to take into account compliance realities for taxpayers (e.g. thresholds, transition rules, initial penalty relief)?

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critical components of VAT compliance and administration, especially in a digital cross-border environment. See (OECD, 2017[28]).

10. **Supporting capacity and considering capacity constraints of different economies**. Have the rules been designed to take into account the capacity and resources of tax administrations (especially those with lower capacities)?

The remainder of this section discusses each of the items in the checklist in turn.

Process for designing solutions and outputs

1. Undertaking impact assessment and problem diagnosis

In an already complex environment, it is useful to assess the impact of a proposal in advance, to inform the choices about introducing a new rule. Every new rule creates costs, including the cost of lawmakers' time, and the costs for tax administrations and taxpayers in understanding, preparing and complying with the new rule, and potential costs that can result from unintended behavioural changes. This includes changes to rules that on their face would simplify a rule but may still come with the costs of introduction and adaptation by taxpayers.

An impact assessment should have regard to the scope of the change at issue, with more high-level impact assessment being used for smaller, incremental changes. For very significant changes, where possible this kind of impact assessment should: (OECD, 2020[21]), (OECD, 2025[22])

- Start at the inception phase of the regulation-making process;
- Clearly identify the problem to be solved, and the desired goals of the proposal;
- Identify and evaluate potential alternative solutions;
- Attempt to assess potential costs and benefits, both direct and indirect (for example, including not only direct compliance costs and revenue benefits, but also behavioural impact, equity implications, and avoidance opportunities);
- Be based on all available evidence and scientific expertise;
- Be developed transparently with stakeholders, and have the results clearly communicated.

By including impact assessment at the start of the work on a topic (rather than after a decision has already been made), and consulting widely in that process, there are improved chances for receiving feedback that can allow for a change in approach, if needed. That includes a chance to design the rule altogether differently, or not pursue it at all, which can strengthen the overall outcomes and avoid unnecessary complications.

Although it is challenging to gather comprehensive reliable evidence in relation to a proposed rule, using a cost–benefit analysis can help to rule out unnecessary complexity, having regard to the value of the new rules, and the cost of change and the costs of future compliance (for both taxpayers and tax administrations). That can be compared to the status quo, or compared to alternatives that may be a simpler way to achieve the same goal (such as updated interpretive guidance, or improved knowledge sharing and capacity building on existing rules to improve the outcomes to achieve a similar goal, if possible). The costs should also take into account the recent frequency of change, including whether members (both policy makers and tax administrations), as well as taxpayers, are already at capacity dealing with implementation of other recently introduced rules, given how frequency and novelty impact complexity.[25] Other costs and benefits that can be considered in the cross-border business taxation area include wider economic impacts (such as on growth, trade, and employment), as well as taxpayer

[25] See chapter 2, dimensions of simple rules: rules that are easy to understand.

behavioural changes (for example, if behavioural responses are likely to be similar across taxpayers, a more simple tax approach can be justified). However, it is also recognised that some of these benefits and costs are difficult to quantify, such as the benefits of ensuring a more level playing field in the rules or improving tax morale amongst the wider population, and the lack of quantitative data to conclude an impact assessment should not cause the proposal to stall. In order to have the best chance of gathering reliable data, the analysis should be undertaken with the benefit of input from a wide range of stakeholders.

In the context of multilateral business taxation frameworks, given that multilateral processes will add a degree of complexity to the process and the final output, this impact assessment could involve asking whether the benefits of a multilaterally co-ordinated rule outweigh those costs of the resources and time expended in the negotiation. Those benefits can include the ability to prevent double taxation or double non-taxation, the ability to ultimately reduce complexity for businesses who can apply a standardised set of rules, the possibilities for sharing the burdens of administration and providing multilateral tax certainty in respect of a common set of rules, and the advantages of having an outcome that will be upheld by the international community rather than individual jurisdictions having to negotiate rules alone.

In some cases, a full impact assessment may not be feasible to undertake. This could be, for example, because the urgency of the policy at stake does not allow for such a process. In such cases, the decision not to undertake a full impact assessment could be considered, documented and shared with members and other stakeholders.

Impact assessment could also be used after a rule is enacted. (OECD, 2020[23]) Governments cannot predict the future, or predict how taxpayer behaviour may change or how or economic impacts may arise in response to a new rule, and some of the impacts are likely to come to light only after the fact. This could be particularly relevant in cross-border business taxation where rules are innovative or are the first attempt to deal with a new problem. In addition to the issues identified above that could be considered, this after-the-fact impact assessment can take into account the results that members are able to identify, in terms of tax compliance, data from tax administrations and taxpayers as to the compliance costs, data on the disputes arising from the provision, and feedback from advisors on the scope of services required to support implementation of the rule. For very significant policy reforms, including an after-the-fact impact assessment (for example, after five or ten years) can be a very useful opportunity for evaluating not only whether the rule was effective in terms of the policy intentions, but also whether, in the light of the results of the rule (including actual behavioural changes and compliance costs) any compliance simplifications are possible. This can be done as an ad hoc review or can be pre-determined by including a review date in the rule itself.

2. Consulting early

There are many stakeholders that have an interest in new cross-border business taxation rules. That includes tax administrations who are responsible for the administration of the rule, taxpayers who will have to comply with the rule, other policy fora or experts (such as those in the OECD and in other international organisations) with responsibility for related areas or the same population of taxpayers (e.g. policy-making bodies and experts in regulatory, environment and natural resources investment, trade and competition) and other stakeholders such as the public, academia and civil society.

All of these stakeholders have different insights and expertise, including from legal, economic, commercial and compliance disciplines. Consultation offers an opportunity for mutual learning, which can lead to better policy outcomes because proposed rules can be improved with the benefit of greater knowledge. It can avoid unintended policy incoherence, where different policy experts may otherwise be operating at cross-purposes. Wide consultation embracing the expertise of different disciplines can be particularly useful as a way to gather expertise on specific industries or issues that require technical knowledge.

Engagements can take place in a range of formats, including written submissions, meetings, and specific industry working groups. A lesson learned over the course of the work of the OECD and Inclusive Framework is that it is useful for this stakeholder engagement to take place at three phases of the rule design process. First, a general consultation as the policy problem is first being articulated, even in advance of draft rules being prepared. This is an opportunity to gather feedback on the overall direction, and to generate alternatives that can be explored at an early stage. Second, throughout the process of the rules being drafted, perhaps working with a smaller, technical group that can provide specific drafting feedback and input on the compliance dimensions of different rule design alternatives. This also allows for more notice and time for taxpayers and tax administrations to start to prepare their necessary compliance systems, and to bring forward their questions, rather than this happening after the fact. Third, at the point the 'final' draft rules have been prepared, as an opportunity to obtain input from a wider group on the clarity of the language. Using these three different consultation phases enables the most scope for input and possible change, taking on the benefit of the input received.

Ongoing consultation between tax policy makers, tax administrations and taxpayers is also useful, as a feedback loop to shape future rule design. For example, in shaping the future scope of work on global mobility in the Inclusive Framework, the practical experiences of tax administrations and taxpayers will be sought early in the process, so that practical insights can inform future rule design.

There may be circumstances where a full consultation is not feasible given the time constraints, as noted in connection with time pressures under point 5 below.

3. Model Rule development and drafting

While they are not prescriptive, the provision of Model Rules can assist in simplifying the communication of agreed solutions, to serve as a common source of interpretation, and to assist with the domestic rule-making process. Further clarity could be provided in Model Rules, as follows.

Clarity in structure and drafting helps users of the rule understand what the rule means and what is expected of them, and it helps to avoid misinterpretation and mistakes. This upfront clarity is important in multilateral processes, to deliver as much coherence and consistency as possible when each jurisdiction takes the multilaterally agreed solution into their domestic context for adoption and application.

Clarity can also be improved in the drafting of the rules when:

- The organisation of the rules is well structured from a user-perspective. This includes that elements of the rules that only apply to a sub-set of taxpayers are grouped together (e.g. specific provisions related to the financial sector, or rules related to specific forms of entity or corporate structure). This avoids many taxpayers having to interact with those provisions at all, allowing them to focus on the core relevant provisions. Sign-posting and numbering of provisions, and breaking provisions down into its relevant numbered sub-parts can also assist in creating a clear structure. This approach to the structure then allows for more detail to be included, and therefore to allow more upfront clarity, without burdening many taxpayers with that detail because it is easy to navigate.
- The principle underpinning each part of the rule is explicit. By setting out the principle, those applying the legislation can be clearer on what is intended, and how to apply that principle to their own facts and circumstances. It gives users the destination, and not just the steps to get there. Furthermore, embedding a discipline of articulating the principle can help to improve the overall coherence of the rules, and enable readers to distinguish between separate rules that may otherwise appear to conflict with one another.
- There is precision in the words used (having regard to the intended audience of large business taxpayers). That includes:

  - Where possible, language should be specific and objective, rather than using vague or subjective terms;
  - The rule should include sufficient details so that it does not leave gaps, which place the burden on the taxpayer and tax administration to fill;
  - Terminology draws on existing defined terms or concepts, or where this is not possible, terms that are non-obvious or do not have an ordinary meaning should be defined;
  - The use of unnecessary jargon or overly formal language is avoided.
- Consistency throughout the drafting is also important to avoid misinterpretations. Ideally this should seek to ensure consistency with other existing rules, models, research and solutions.

A clarity review process can assist at the end of the rule design process. For example, it could help to involve a separate team that has technical tax knowledge and expertise in plain language communications to understand the rule design that has been agreed in principle, read the draft, and then have scope to provide feedback to the drafters to write it in as clear a way as possible. Using a team that has distance from the rule negotiation itself could help in arriving at clearer ideas of how to communicate. As this step requires additional time and resources in the process, it can be challenging to ensure it is used each time. Formally embedding it in the drafting process can help to ensure this step is routinely taken (such as requiring formal sign-off from the simplification team before advancing to finalisation).

Clarity can also be further enhanced through accompanying guidance. In particular where the rule deals with technically complex matters, plain language communications materials and worked examples can assist. The provision of this additional guidance is also an opportunity to provide the context of the problem that the rule is trying to solve.

Over time, as changes are made, the tax laws generally have more clarity for users if consolidated versions are produced (for example, the consolidated versions of the Commentary on the GloBE Model Rules). This reduces dispersion of rules or over-reliance on cross-references to separate rules that makes rules harder to read and understand.

Clarity can also be improved over time where practical issues arising from unclear language in rules are shared in a feedback loop back to the relevant policy team. For example, feedback from MAP cases highlighting difficulties or uncertainties in interpreting or applying certain tax treaty provisions, when shared with the treaty negotiation team, has supported potential future amendments to the treaty or shaped the approach taken in subsequent treaty negotiations. This kind of feedback could also take place in a more structured or regular way in the OECD and Inclusive Framework rule design processes.

These approaches to deliver more clarity can require additional time taken in the rule-making process. To assist in that process, a number of jurisdictions are already exploring the use of artificial intelligence in improving drafting (such as checking for consistency in terminology, improving the structure or producing explanatory materials). While at an early stage, this could support efficient ways to improve drafting clarity.

4. Interactions with existing rules and rationalisation reviews

Tax rules are added over time to respond to new challenges, new risks, a changing economy, and new measures agreed in multilateral processes. However, that can mean that there is a risk of duplications in rules that emerge over time. This could occur, for example, where there is a domestic approach taken to address a risk; then lessons are learned, and amendments or new rules are introduced; and then there is an internationally co-ordinated approach agreed to address that same risk area which is added to the domestic rules. For instance, the introduction of the Global Minimum Tax has raised questions about whether other anti-avoidance rules that a jurisdiction may have, and that cover similar risks, should be reconsidered.[26]

Apart from overlaps in substantive obligations, duplication can also arise where each new rule comes with its own set of information filing requirements. While on a standalone basis, each set of requirements may be necessary and logical, standing back and looking at the totality of information requirements that a taxpayer may have to comply with, and which a tax administration may collect (albeit perhaps in different departments) can reveal that there are opportunities for streamlining the information required, and in doing so, reduce the costs for taxpayers as well as simplifying information processing for tax administrations.

To address this, a periodic stocktake of the OECD or Inclusive Framework's tax rules could take place, to help members in evaluating duplicative requirements. This should also be done in consultation with stakeholders. Relevant questions to consider include: (OECD, 2020[23])

- Whether a valid rationale still exists for regulating (appropriateness);
- Whether the regulations achieved their objectives (effectiveness);
- Whether they have given rise to unnecessary costs or other unintended impacts (efficiency); and
- Whether modifications, removal or replacement are called for.

In considering whether modifications, removal or replacement is called for, regard should also be had to the possibility for new integrity risks to arise, as well as the costs (if any) of such modifications or replacement. This can be a challenging task to undertake, where the interacting rules are themselves complex, and in particular where the rules have international aspects, collaboration in this area can assist.

5. Evaluating time pressures and using phased approaches

There are cases where multilateral policy-making processes are under particular time pressures to conclude a new solution or rule on cross-border business taxation. That may be because there is a need to pass a new rule to fill an urgent gap in the existing rules (such as a significant integrity issue or compliance burden taxpayers are facing), or because there are particular expectations from members' own stakeholders, citizens and wider stakeholders.

Those timing pressures make simplification efforts challenging. On the other hand, where timing pressures are not present, there is more time to devote to the other ideas in the simplicity checklist, that can improve the overall outcome.

When embarking on a new cross-border business taxation rule, the timing pressures that apply to members could be considered, and the relative importance of designing the new solution in the short time frame, or taking more time for improving the simplicity of the rule could be weighed. This balance of considerations could be articulated to members and other stakeholders to determine whether adjustments to the timing are possible.

There may also be measures that could address time pressures in a more structural way. For example, agreeing a phased approach or 'roadmap' for new work areas or rules in advance could raise greater

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[26] See for example (OECD, 2022[29]). See also (OECD, 2024[30]) which included examples of where further work could be undertaken in this area, such as with respect to interactions with certain hybrids rules or duplicative reporting measures such as mandatory disclosure rules. See also consideration being given to this issue in the European Union, (2025), *Council Conclusions on a tax decluttering and simplification agenda which contributes to the EU's competitiveness,* https://data.consilium.europa.eu/doc/document/ST-6748-2025-INIT/en/pdf.

awareness of the time need to pass rules that have optimised simplicity.[27] That could ensure a regular pattern of first diagnosing the problem (as also noted in point 1 above), then developing a scoping proposal and workplan as a second phase of the work. That scoping and work plan would set out in advance to identify the changes that will be embarked upon, and for those changes to set a realistic timeframe for the relevant steps in the process (such as impact assessment, consultation, and drafting process). Such a plan would always need to allow exception for urgent issues but could create improved timelines for the general rule-making process.[28] A third phase would then focus on implementation of any agreed solutions.

Opportunities related to substantive solutions and outputs

6. Articulating trade-offs between simplicity and other policy goals

As noted above, there can be a tension between policy choices, integrity measures and simplicity.

For example, a policy choice was made to exclude extractives from the design of Pillar One Amount A, and to exclude investment entities from the Global Minimum Tax. The reasons for these policy choices reflected the consensus view that profits from natural resources should remain with the state of extraction (as opposed to a share of the taxing right being allocated to market jurisdictions), and to preserve the neutrality and efficiency of investment vehicles as compared to other investment structures. Those policy choices came with additional complexity, such as definitions to delineate extractive profits from profits related to subsequent downstream activities and drawing distinctions between investment entities and other entities. Those choices were made in full view of the complexity and were considered to be justified given the importance of the policy issue.

However, there may be other policy choices where the relative weight of the policy issue and the competing interest in simplicity is more finely balanced. In those cases, there may be more scope to reconsider the policy choice, such as undertaking the definitional line-drawing in a simpler way (or deciding not to pursue the policy choice at all).

In order to bring greater simplicity, the balance of these policy considerations could be more explicitly considered in the OECD and Inclusive Framework's discussions. Evaluating the relative importance of the policy issue and simplicity should be based on full information, resulting from impact assessment and consultation, feedback from past experiences in designing similar rules, experiences from international counterparts, or academic research. Including this as a discipline in the rule design process could bring greater awareness of the implications for simplicity, as well as bring greater clarity to the decisions that are made.

Separately, there may be a tension between integrity and complexity. Integrity measures usually demand more detail to guard against circumvention, or rules that provide more flexibility to the tax administration to address cases as they arise. Subsequent behavioural reactions of taxpayer may then prompt further anti-avoidance and integrity measures (whether amendments to the rule or new rules).

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[27] See for example the approach taken in the United Kingdom including a "single major fiscal event cycle"; HM Treasury (12 June 2025), Policy paper *Tax Policy Making Principles,* https://www.gov.uk/government/publications/tax-policy-making-principles/tax-policy-making-principles, and HM Treasury (30 October 2024), Policy Paper *Corporate Tax Roadmap 2024,* https://www.gov.uk/government/publications/corporate-tax-roadmap-2024.

[28] In circumstances where the enactment of the rule is urgent, and consequently the above steps were not able to be used, a review date could be built in to reconsider the rules, in order to allow time for the simplification efforts to take place after the fact, and allow for a possible revised, simplified version after that process had been able to be completed.

In considering the choices between integrity and simplicity, it is relevant to carefully balance these considerations. As integrity measures can come with higher compliance costs, the proposal for the rule design could be refined so that as much as possible the burden of the measure does not fall on all taxpayers but is best targeted to high-risk taxpayers. That could include, for example, greater research and understanding of the specific drivers of the integrity risk to better inform the targeting of the measure. It could also include exploring ways for taxpayers to be relieved from application of the rule by satisfying alternative criteria, such as participation in members' co-operative compliance programmes or rulings programmes (if they apply) or other transparency initiatives, that involve greater disclosure and transparency to the tax administration and stronger tax control frameworks and governance.

7. Including simplicity as a policy objective in decision-making

Simplification can be improved over time where the evaluation of policy choices explicitly considers simplicity as one of the policy factors to be weighed in the course of the discussions. By incorporating simplicity as an explicit policy goal (albeit amongst others), there are increased chances of finding opportunities where simplification in the rules is chosen as a priority, or can at least be better balanced against other considerations.

Including simplicity as an explicit policy goal can also help to generate support to allow the time necessary for simplification, reducing the pressures on the rule-making process.

This more deliberate investment and profile given to simplicity can also create a more deeply embedded natural culture of simplicity. While awareness of the importance of certainty has increased, more could be done to elevate the importance of actively considering simplicity throughout the process. [29]

8. Deliberate rule design

When it comes to the specific rule design there are different choices that will lend themselves to greater simplicity or lend themselves to other policy priorities. In the rule design process, the choices could be more deliberate from the outset of the design stage, including consideration of more objective rules, programmable rules, and providing more practical guidance. Each of these may present differently in terms of whether there is upfront simplicity (e.g. ease of reading shorter rules initially, or ease of implementation

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[29] At the domestic level, there are also several examples where jurisdictions have undertaken tax law simplification exercises. For example, India has undertaken a major tax law simplification exercise through the Income-tax Act, 2025, which has replaced the Income-tax Act, 1961. The objective was to make the law concise, clear, and easier to navigate, without changing underlying tax policy or rates. Key features of the redesign include reorganising the Act into 23 chapters with 536 sections, down from 47 chapters and 819 sections, using tables and formulae to present complex provisions, and simplifying drafting through shorter sentences and clearer definitions. The process involved extensive public consultation and review by a Select Committee of Parliament, whose recommendations were substantially incorporated before enactment. In parallel, a similar exercise is being carried out to simplify the Income-tax Rules and Forms, so that the entire compliance framework reflects the same principles of clarity and usability.

Similarly, the Australian Tax Law Improvement Project was developed, with the Treasury, Australian Taxation Office and Office of Parliamentary Counsel working together, and consulting widely in its rewrite of income tax provisions. Key features of the redesign of the provisions include providing a 'guide' to the Act to explain how to use and navigate the legislation, marking defined terms with an asterisk to act as a signpost, using the word 'you' instead of 'the taxpayer' (allowing for more simple language using the second person narrative style), including objects clauses and diagrams to briefly explain the purpose and provide a high-level summary of the contents of key parts, and seeking to ensure each word or phrase has a consistent meaning across the tax law and across other federal legislation. This has been supported with extensive training for policy makers and legislative drafters, and specific style manuals to provide guidance.

of principle-based rules) or subsequent simplicity (e.g. ease of applying rules in audit stage because compliance is largely programmable and self-executing). This consideration early in the discussions could also take into account the appropriateness of different rule design for different economies.

Using more objective rules

As noted in chapter 2, some of the sources of complexity arise in connection with applying the rule in practice. This can be because the rules require detailed judgements based on facts and circumstances, which can be more subjective to apply and increase the risk of dispute and require substantial volumes of information to be able to demonstrate compliance with the rules. These features can increase the costs of compliance for both taxpayers and tax administrations. While accuracy in tax rules is desirable, there are cases where the tipping point between accuracy and administrative costs is reached. For example, a rule may go to great lengths to be thoroughly accurate, but the ultimate tax liability may be relatively small, not justifying the costs of compliance.

Consideration could then be given to cases where it might be is appropriate to use more objective rules, such as rules that are more mechanical or formulaic. The use of more mechanical or formulaic rules has been a trend in cross-border business taxation rules in recent years, such as formulaic limitation on interest deductibility (BEPS Action 4), the “nexus approach” to intellectual property incentives (BEPS Action 5), as well as more mechanical rules such as Amount B and the Global Minimum Tax. Using more objective rules can reduce compliance and enforcement costs and can increase simplicity because it reduces the scope for complex fact-finding and judgements. It can also improve consistency in the application of the rules as between similar taxpayers and between jurisdictions.

Some jurisdictions and taxpayers may prefer using more facts and circumstances principles-based rules. The approaches can also be combined. For example, a more mechanical or formulaic rule could be included in the rule as a default, but taxpayers could have the option to use a more principle-based rule, although such an approach can require additional resources in the tax administration to administer both sets of rules.

Designing programmable rules

Large business and multinational enterprises tend to be more sophisticated businesses, which have resources to use advanced technology solutions to assist in tax compliance.

As tax administrations and businesses continue to embrace technology solutions to reduce costs and increase accuracy in their tax compliance processes, there is an opportunity to update and align rule-design with the way that taxpayers implement the rules. Where systems can be built to operate the calculations required by the rules without requiring additional interventions or a large number of fact-specific judgements, this can ultimately make the documentation and audit process much simpler in practice. It may result in cost savings for tax administrations, and improved compliance outcomes, because it can allow for a move to more to real time approaches and system assurance, and away from more manual transaction-based audit and verification.[30]

Designing rules that are programmable from the outset requires including compliance system design expertise in the rule design process. That requires tax policy makers, tax administrations, taxpayers, and software and compliance solution service providers to work together, bringing their collective expertise on policy design, accounting systems, enterprise resource planning software, coding and designing programmes, to bridge the gap between policy design and software solutions. This can allow for the rule

[30] This approach could also be of relevance in reducing compliance costs and tax gaps for other taxpayer types, such as small and medium enterprises.

design to achieve both the tax policy objectives and accommodate ways for technology-based compliance solutions to work. Where programmable rules are designed in a multilateral process, it might also allow for common technology solutions to be shared at low cost, making it easier for lower capacity tax administrations to apply.

Providing practical guidance

There may be rules for which a mechanical or formulaic approach is not used or not considered appropriate. In those cases, cross-border business taxation rules are generally designed with a level of generality to make them capable of application to the full taxpayer segment, rather than enacting substantial volumes of details for every different business. This approach can also provide greater flexibility to the tax administration to respond to issues over time, including integrity issues.

Where this type of rule design is chosen, it should also be acknowledged that complexities can arise when it is unclear how a rule is intended to apply to the specifics of a business model, especially when business models are rapidly evolving. Where taxpayers are left to apply uncertain rules, or rules with subjective notions, or rules which simply did not contemplate a particular fact pattern, there is more likely to be a risk of genuine, but different, interpretations of those rules.

As such, when working on this kind of rule design, it should be considered from the outset how practical guidance could be developed. A multilateral process for developing guidance could also reduce costs for tax administrations, as the application of the rules can support staff, rather than auditors having to struggle with a similar question from first principles each time. It can also improve consistency of outcomes, and therefore greater confidence for the sector as a whole, because the application of the rules is known and followed for all.

The development of such practical guidance, where considered useful, should be done in an ongoing way, to evolve with new business models. To ensure the most simplicity and certainty in the context of cross-border business taxation, such guidance could be developed in consultation with tax administrations and businesses to draw on a broader range of expertise and avoid fragmentation of approaches between jurisdictions.[31]

9. Considering compliance realities of taxpayers

The consultation with taxpayers and tax administrations (where possible, undertaken early in the rule design process) may lead to revisions in the approach taken to the substantive rules, to ensure that the compliance dimensions of the proposal are taken into account. In the context of cross-border business taxation rules developed in the OECD or Inclusive Framework, possible adjustments that could be considered include:

- Either delete a rule altogether or leave it as is, rather than pursuing frequent (even if small) amendments;
- In respect of a rule that is novel, which presents a higher level of complexity, the rule may be applied to those with more resources, either initially or permanently. Larger businesses tend to have more sophistication and resources to manage more complex rules and may also present the main risk that the rule is intended to cover. As such, it may be appropriate to focus on that segment for particularly innovative rules, such as by including a threshold for its application based on size (e.g. based on revenue). Such an approach will also reduce the number of taxpayers to which the tax administration needs to apply the rules, which can reduce administrative burdens.

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[31] See for example (International Institute for Sustainable Development and OECD, 2025[31])

- Considering a "pilot" approach in respect of new rules that are very different to existing rules or dealing with a very new problem. Applying new rules to a smaller scope of taxpayers at first and then allowing for an evaluation of the impact of those rules in practice allows taxpayers and tax administrations to learn from the compliance processes and possibly allow for revision to the rules before its extension to other taxpayers. It may even be possible to "beta test" draft rules before they have been finalised, for example, working with a group of volunteer taxpayers that are willing to share data on the compliance costs and other aspects relevant to impact assessment to inform the final form of the rules.
- Transition rules can be used to allow time for taxpayers to implement the necessary changes in their own compliance systems. For example, a simplified or approximate version of the rule could apply for the first years of application of the rule (such as one based on a short-hand formula based on existing data points), until the compliance systems are ready for a more fully-fledged version of the rule.
- Guidance on penalty relief can be given, particularly in the early years of applying a new rule. This allows for the reality that in some cases, it may be reasonable to allow a range of mistakes to be made in the initial learning period. Such penalty relief would be appropriate to consider only for accuracy-related penalties. Failure to file, failure to pay, and any intentional failures, should remain subject to ordinary penalties.
- Simplified safe harbours can be added, to make compliance easier where certain criteria are met that indicate the taxpayer is low risk, having regard to the policy problem at stake. This can allow for a shorter, more conservative and less accurate version of the rule, or simplified documentation requirements, that still provides comfort to policymakers that the intended policy objective is not undermined.

10. Supporting capacity and considering capacity constraints of different economies

Efforts at improving capacity of tax administrations will continue, including by and in partnership with other international and regional organisations, as an essential contribution to delivering simplicity in practice. This can continue to include capacity building and guidance across the full life cycle of rules in cross-border business taxation, from impact assessment, consultation, drafting and legislating, administration and verification, and effective use of the rules.

There may also be opportunities to better take into account capacity and resources of tax administrations (especially lower capacity or less experienced tax administrations) in the rule design itself. These sorts of adjustments in the rule design could be either as a permanent feature, or a transitional feature. At the same time the rule design process could also be informed by the potential that technology holds for tax administrations. For example, ways this could be done in the context of the OECD and Inclusive Framework could include:

- Simplified versions of the rule could be multilaterally co-ordinated and agreed, such as particular simplifications in appropriate cases using streamlined approaches (e.g. rules such as Amount B in transfer pricing).
- In a multilateral rule-design process, rules that require more data to support analysis of facts and circumstances could be combined with a commitment from other jurisdictions to share the necessary data (for example, to share publicly available data on relevant comparables for certain transfer pricing rules or engage in other forms of exchange of information, such as industry wide exchange of information).
- Rules that are based on an international common approach or standard could be designed to ensure the compliance burden largely rests on higher-capacity jurisdictions. For example, primary burden for auditing the rule could fall upon more experienced jurisdictions, who could then share

information on risks identified that arise in lower capacity jurisdictions. Importantly, lower capacity jurisdiction would retain full audit rights. Other approaches can involve collaborations in the compliance stage, such as through a joint or co-ordinated compliance process (e.g. the Amsterdam Dialogue in relation to the Global Minimum Tax).[32]

- Rules that take advantage of technology solutions could be considered, building on advances being made in the digitalisation of tax administrations (such as those for more real time reporting).
- Obligations to implement certain standards could be first evaluated against an economic risk filter, before requiring further efforts from a tax administration (for example, as agreed for reviews of preferential tax regimes under BEPS Action 5). Related to this, implementation schedules could be adjusted appropriately, also considering capacity and risk. (OECD, 2025[24])
- As tax administrations use increasingly digital tools for their risk assessment, audit and exchange of information, there may be opportunities for exploring common IT tools.[33]

[32] The Amsterdam Dialogue is a structured collaboration led by tax administrations, engaging businesses, academia, and other stakeholders to enhance Global Minimum Tax compliance and implementation. It is expected to be instrumental in minimizing the compliance burden (including on tax administration resources), foster compliance, as well as ensure certainty for MNEs operating across multiple jurisdictions that implemented the GMT rules. See https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-administration/outcome-statement-2024-fta-plenary-meeting.pdf

[33] For example, as part of the Amsterdam Dialogue in connection with the Global Minimum Tax, common IT tools and solutions will be explored, such as tools for validating the GloBE Information Return.

5 Conclusions and next steps

Making cross-border business taxation rules simpler and providing for more certainty where possible offers benefits to a range of stakeholders. However, given the context, competing policy drivers and other constraints, asking for simplicity will often be easier than delivering it.

The Secretariat is grateful for the G20 mandate to explore this very important topic, recognising its importance to growth and its relevance to all of its members. While there are important benefits that can arise if efforts focus on co-ordinated solutions instead of fragmentation in cross-border business taxation, there are also areas where more can be done in simplifying co-ordinated international outputs.

As a next step, the analysis and the ideas in this report could be tested and refined with a wider group of stakeholders, including interested jurisdictions, international and regional tax organisations, businesses and academics, with a view to validating and improving its analytical framework and conclusions. The outcome from this consultation exercise, together with this report, could then be discussed within different fora including the OECD Forum on Tax Administration and the Inclusive Framework to identify areas where members might be interested to take work forward, whether working individually, collectively and / or with other organisations and stakeholders.

This could include, for instance:

- **Testing the simplicity checklist**: The actions described in the simplicity checklist could be tested and refined.
- **Further capacity building, including in simplification:** While capacity building on cross-border business taxation will continue, there may be specific areas related to simplification that could be added to that offering. That could include supporting further impact assessment, recognising that lower capacity jurisdictions, in particular, may not have the data, expertise, organisational structure and resources to conduct impact assessment in cross-border business taxation rules, particularly where novel rules are being explored. (OECD and World Bank, 2025[25]), (OECD, 2025[22]) It could also include support on consultation, recognising that in some jurisdictions, consultations with taxpayers is not routinely undertaken, whether because of time pressures, lack of technical capacity, or a lack of trust. There may also be ways to support greater engagement between policy makers and legislative drafters during domestic legislative processes, given the technical nature of cross-border business taxation, and the relevance of ensuring multilaterally agreed solutions are incorporated effectively into domestic frameworks.
- **Model Rule development and drafting**: Improving model rule development and drafting within the Inclusive Framework, including adding a specific simplicity review process for final outputs.
- **Interactions with existing rules**: Interested jurisdictions could work together on areas where rationalisation reviews could be conducted, such as on the Global Minimum Tax and its impact on other BEPS measures.
- **Simplicity and integrity measures**: Further analysis could be conducted to support the improved targeting of integrity measures, to achieve the best balance between effectiveness and simplicity / compliance burdens.

- **Work on concrete simplifications:** For instance, given the importance of transfer pricing rules to many jurisdictions, work could be undertaken to explore further simplification in rule design, consistency in application, providing more practical guidance on challenging transfer pricing issues and exploring solutions relating to availability of data to tax administrations.
- **Advancing knowledge in designing programmable rules**: The OECD Forum on Tax Administration[34] or other fora could convene a group of experts from tax policy, tax administration, software solutions providers, and businesses to collaborate on how programmable rules can be designed, including exploring the potential for artificial intelligence in this area.

[34] The Forum on Tax Administration is commencing work on a project referred to as "Rules as code" as part of its wider work on digital transformation of tax administration. See Statement of Outcomes, Forum on Tax Administration Plenary 2024, https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-administration/outcome-statement-2024-fta-plenary-meeting.pdf.

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