Seminar
"International Tax Cooperation for Financing of Sustainable Development and the Role of the UN Model Double Taxation Convention between Developed and Developing Countries"
Rome, Italy, 30 January 2013

Background

The desirability of promoting greater inflows of foreign investment to developing countries on conditions which are politically acceptable, as well as economically and socially beneficial has been frequently affirmed in resolutions of the General Assembly and the Economic and Social Council (ECOSOC) of the United Nations. Over the past decade, the relationship between the mobilization of financial resources for development and international tax cooperation featured prominently in the outcome documents of major United Nations conferences and summits on economic and social matters, including the 2002 Monterrey Consensus, the 2008 Doha Declaration on Financing for Development, as well as the outcomes of the 2009 Financial Crisis Conference and the 2010 MDG Summit.

The growth of investment flows between countries depends to a large extent on the prevailing investment climate. The prevention or elimination of international double taxation is a significant aspect of such a climate. International law places very few limits on the tax sovereignty of countries. As a result, income from cross-border investment and activities may generally be taxable both in the source country, which is the country where investment or other activity takes place, and in the residence country, which is the country of the investor or trader, according to their respective domestic tax laws. Double tax treaties are bilateral agreements between two countries, which allocate taxing rights over such income between these countries and thus aim at preventing double taxation of this income.

Double tax treaty models, as developed by international organizations, are generally used by countries as a basis for negotiations of their bilateral tax treaties. The two models most widely used as part of the continuing international efforts aimed at eliminating double taxation are: 1) the United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model); and 2) the OECD Model Tax Convention on Income and on Capital (OECD Model). These models formed the basis for most of the several thousands of tax treaties currently in force, thus providing a profound influence on international tax treaty practice.

An updated version of the UN Model was adopted by the ECOSOC Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee) at its seventh annual session in October 2011 and officially launched in March 2012. It culminates the work carried out by the UN Tax Committee over more than a decade, since the last revision of the UN Model in 1999. The main objective of this revision of the UN Model has been to take into account recent developments in the area of international tax policies of both developing and developed countries. Moreover, the updated UN Model further clarifies and improves the operation of its provisions aimed to prevent double taxation over income from cross-border investment and activities, and offers improved explanations to help countries make their own decisions on these important issues of tax policy and practice.

Seminar

The Seminar, organized by the Financing for Development Office (FfDO) of UN-DESA will be held at the premises of Libera Università Internazionale degli Studi Sociali Guido Carli, Aula G. Nocco, at Via Parenzo 11, Rome, Italy. It will address the relationship between international tax cooperation, including the role of bilateral double tax treaties and the double tax treaty models, and the financing for sustainable development. In this context, the main aspects of the UN Model and its recent update will be reviewed in detail. Moreover, the most significant similarities and divergences between the UN Model and the OECD Model will be discussed, particularly as they relate to the issue of to what extent a country should forego, under bilateral tax treaties, taxing rights, which would be otherwise available to it under domestic law, with a view to avoiding double taxation and encouraging investments. Finally, in view of the growing international concerns that Governments lose substantial tax revenue because of business planning schemes aimed at eroding the taxable base and/or shifting profits to locations where they are subject to favourable tax treatment, the relationship between tax treaties and these planning strategies will be addressed. Finally, strategies and modalities to effectively enhance international tax cooperation will be discussed.

Panelists will include: (1) representatives of the National Tax Administrations and Ministries of Finance in both developed and developing countries in different regions of the world, including members of the UN Tax Committee; (2) representatives of international organizations; and (3) representatives from the academia and the private.

The seminar will be open to the public. It will be held back-to-back with two other meetings, organized jointly by FfDO and the International Tax Compact (ITC) in Rome, on capacity development and tax treaty negotiation and administration. These meetings will be attended by several representatives from National Tax Authorities and Ministries of Finance, international and regional organizations of tax administrations and other relevant experts, especially from developing countries. All participants of the joint UN-ITC meetings will be invited to attend the Seminar.

Due to its scope and international dimension, the Seminar will be appealing to representatives from the development community, tax professionals and administrators working in the area of international taxation and their relevant organizations, both at local level and likely in the entire Mediterranean region.