Policy Framework and Country Model

United Nations

“Capacity Building on Tax Treaty Negotiations”

Rome, 28-29 Jan 2013
• All countries would find it beneficial to have a tax treaty policy framework and its own model tax treaty
• Policy Framework allows negotiators to know priorities, hard limits, preferences and areas of flexibility
• Country Model reflects preferences and sets out preferred text, rates etc
Policy Framework for developing countries

- Should take account of
  - International tax norms as reflected in OECD and UN Model, eg. structure, objectives, scope, approaches, language etc
  - Strike a balance between protecting revenue and encouraging inbound investment
Policy Framework (2)

- Domestic economic factors, such as main sources of revenue, areas of anticipated future growth, etc.
- Domestic tax policy and law
  - Relevant but not determinative! Treaties prevail in the event of inconsistency
- Ability of tax administration to administer treaty provision
Policy Framework (3)

- Know what you want and why you want it!
- Know what you can agree to and what is your bottom line
- Keep in mind the overall ‘package’
Country Model

- **Language**
  - Generally negotiated in English but most non-English speaking countries will want an official version in their own language

- **Structure**
  - Generally follow OECD and UN Models