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**Economic and Social Council
Committee of Experts on International
Cooperation in Tax Matters**

Third session

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**Proposal for amendments to article 5 of the United Nations
Model Double Taxation Convention between developed and
Developing States**

Corrigendum

Annex 1, B. Commentary on the paragraphs of Article 5

Page 9

After the quoted paragraph 6 insert three quoted subparagraphs of the same
Commentary

6.1 As mentioned in paragraphs 11 and 19, temporary interruptions of activities do not cause a permanent establishment to cease to exist. Similarly, as discussed in paragraph 6, where a particular place of business is used for only very short periods of time but such usage takes place regularly over long periods of time, the place of business should not be considered to be of a purely temporary nature.

6.2 Also, there may be cases where a particular place of business would be used for very short periods of time by a number of similar businesses carried on by the same or related persons in an attempt to avoid that the place be considered to have been used for more than purely temporary purposes by each particular business. The remarks of paragraph 18 on arrangements intended to abuse the 12 month period provided for in paragraph 3 would equally apply to such cases.

6.3 Where a place of business which was, at the outset, designed to be used for such a short period of time that it would not have constituted a permanent establishment but is in fact maintained for such a period that it can no longer be considered as a temporary one, it becomes a fixed place of business and thus - retrospectively - a permanent establishment. A place of business can also constitute a permanent establishment from its inception even though it existed, in practice, for a very short period of time, if as a

consequence of special circumstances (e.g. death of the taxpayer, investment failure), it was prematurely liquidated.

Quoted paragraph 7

For the existing text substitute

7. For a place of business to constitute a permanent establishment the enterprise using it must carry on its business wholly or partly through it. As stated in paragraph 3 above, the activity need not be of a productive character. Furthermore, the activity need not be permanent in the sense that there is no interruption of operation, but operations must be carried out on a regular basis.

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