

**ECONOMIC
AND
SOCIAL COUNCIL**

**CONSEIL
ECONOMIQUE
ET SOCIAL**

UNRESTRICTED
E/C.2/38
14 April 1947
ENGLISH
ORIGINAL: ENGLISH
AND FRENCH

COMMITTEE ON ARRANGEMENTS FOR CONSULTATION WITH
NON-GOVERNMENTAL ORGANIZATIONS

RESOLUTION OF THE INTERNATIONAL CHAMBER OF
COMMERCE ON TAXATION

(Circulated to the members of the Council for their information in
pursuance of paragraph 2 of Chapter IV of the Report of the
Committee on Arrangements for Consultation with
Non-Governmental Organizations)
(E/43/Rev.2, 1 July 1946)

INTERNATIONAL CHAMBER OF COMMERCE
International Headquarters
38, Cours Albert 1er, Paris VIII

Group II
RB

Document No. 7780-or.
26.11.1947 lb

THIRTY-NINTH MEETING OF THE EXECUTIVE COMMITTEE
(1 April 1947, 10 a.m., 3 p.m., 2 April, 10 a.m.)
38, Cours Albert 1er, Paris

TAXATION

Approved by the Executive Committee for Submission for the Montreux
Congress of the International Chamber of Commerce

I. TAXATION AND ECONOMIC POLICY

At a time when the destruction and disorganization inherited from the
war are gradually being overcome, and every country in the world is eager
to promote the expansion of its production, trade and living standards,
the International Chamber of Commerce wishes to draw attention to the
important effect of taxation in general upon the attainment of these
objectives. Not only the various forms of taxation, but also the
proportion of the total national income withdrawn by taxation from the
private sector of the economy and devoted to public expenditures, have a
direct effect upon economic activity. The I.C.C. fully realizes that the

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exceptionally high burdens placed upon the various governments by the war and its immediate aftermath, have made it necessary to increase the load of taxation to unprecedentedly high levels. It warns, however, against maintaining these high levels of taxation any longer than circumstances warrant, lest the prosperous expansion of economic activity in the various countries be gravely jeopardized. Serious consideration should be given by the Fiscal Commission of the United Nations to this whole problem.

The I.C.C. wishes, furthermore, to direct attention to the importance of fiscal policy as an element of business cycle policy, a field in which a great deal of pioneering work is being carried out at the present time. The problem should be placed high on the agenda of the Fiscal Commission of the Economic and Social Council of the United Nations, and in the meantime the I.C.C.'s Committee on Taxation will continue its own investigations.

II. INTERNATIONAL DOUBLE TAXATION

1. Double taxation, that is to say, the taxation by more than one country of the same income or property, is a serious obstacle to the expansion of production and trade. Its elimination will not, in itself, create or make possible the flow of international trade; but its maintenance will impede and may even suppress the international trade which otherwise might exist. The impact of high taxation on business enterprise is already heavy enough, even when income or property is taxed only once; it may be fatal if taxes are doubly imposed.
2. Additional and urgent problems have been created by the introduction of special taxes such as taxes on wealth and on increases of wealth, designed to meet the emergency needs of countries that have suffered with particular severity from the war..
3. The ultimate objective is to arrive at a system by which income or property is taxed once and once only..

4. The perfect method of achieving this would be for each taxing authority to tax only the income and property which arises or is situated within its jurisdiction, and for each authority to have similar rules for allocating income and for determining the fiscal situation of property. The International Chamber of Commerce is aware that in present circumstances and for reasons of domestic policy, it is not practicable for all governments to so limit the field of their taxation. However, this represents an ideal which should influence alternative methods of achieving the objective sought.

5. Among immediately practicable methods of eliminating double taxation, the most effective is for each government to give unilateral relief by means of a foreign tax credit equal to the lower of the foreign or the home tax charged on the income or property. Such unilateral relief has the advantage of enabling business activity to develop in foreign territories on equal terms with domestic business, without being dependent on the success or failure of bilateral conventions with other countries.

Negotiations for bilateral treaties are then primarily the concern of the respective governments so as to regularize and simplify the administration of taxes.

6. Another important method of giving relief from double taxation lies in the conclusion of bilateral agreements. But, if they are to be effective, these agreements should be comprehensive, covering all possible sources of double taxation arising between the contracting parties. The I.C.C. strongly endorses the revised Model Bilateral Conventions drawn up by the Fiscal Committee of the League of Nations at its Tenth Session held in London in March 1946 and recommends their adoption by all countries contemplating the conclusion of bilateral treaties for the avoidance of double taxation. It welcomes the tendency in recent bilateral agreements to leave them open to the adhesion of other countries with interests similar to those of the main contracting parties.

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7. There is a tendency on the part of some governments to link double taxation negotiations with negotiations for gaining additional rights as to the exchange of information and the enforcement of the collection of taxes. The I.C.C. is of the opinion that these are independent issues. If special treaty provisions are necessary to deal with fraud or evasion, these should stand on their own merits. Likewise, the elimination of double taxation should stand on its own merits as a matter which is as much to the benefit of the governments concerned as it is of benefit to tax-payers. Double taxation inflicts losses on trade and therefore on the governments as tax-collectors. Its elimination should not be considered as a price paid for the introduction of even justifiable administrative provisions relating to fiscal evasion.

8. The International Chamber of Commerce notes with satisfaction that under the Proposed Charter of the I.T.O. of the United Nations (Article 61, 5), one of the functions of the Organization will be to promote agreements for the avoidance of double taxation. This holds out the hope that progress will be made by the I.T.O., in collaboration with the Fiscal Commission of the United Nations, towards uniformity and liberality in the provisions of bilateral treaties and towards the effective adoption by all countries of an international code for this purpose.
