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AD HOC GROUP OF EXPERTS ON INTERNATIONAL
COOPERATION IN TAX MATTERS
Eighth meeting
Geneva, 15-19 December 1997

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

Annotated provisional agenda

1. Opening of the meeting
2. Remarks by the Director and the Secretary of the Group
3. Election of officers
4. Adoption of the agenda and organization of work

The substantive items of the provisional agenda have been determined on the basis of specific recommendations made by the Ad Hoc Group of Experts on International Cooperation in Tax Matters at its seventh meeting (see ST/SG/AC.8/1995/L.1).

5. Updating of the United Nations Model Double Taxation Convention Between Developed and Developing Countries and the Manual for Negotiation of Bilateral Tax Treaties Between Developed and Developing Countries

The updating of the above-mentioned documents, published in 1980, is an important task, especially in view of the revision of the Organisation for Economic Cooperation and Development (OECD) model convention and other model conventions. The objective is to initiate the process of updating both the Convention and the Manual with a view to improving the bilateral tax treaties and enhancing resource mobilization.

6. New financial instruments

The question of taxation of new financial instruments is extremely complex. Since derivatives are sophisticated financial instruments, conventional tax enactments can facilitate the use of derivatives in planning tax avoidance

strategies, and may at the same time hinder useful market activities in derivatives. It may not be possible to frame tax legislation that would perfectly mirror the market in all its manifestations. At its seventh meeting, the Group of Experts deferred detailed discussion until it could consider the OECD report on the subject that is still under preparation.

7. Transfer pricing

Transfer pricing in relation to financial transactions between multinational corporations and their associate concerns has assumed considerable importance in ensuring the equitable distribution of tax revenues to both developed and developing countries.

The Group is aware of the "Transfer pricing guidelines for multinational enterprises and Tax administrations", which were issued by OECD in July 1995 and subsequently amended. The Group wishes to bring transfer pricing issues to the attention of the meeting.

In particular, it is necessary to focus attention on the question of appropriate taxation of the profits disclosed by different enterprises of the same group located in different countries and avoidance of double taxation of some profits by two or more countries, especially in view of the problems connected with the transfer pricing policies followed by multinational enterprises and the diversion of profits into tax havens or low-tax-rate countries or to countries where unutilized losses are stored. The Group may wish to examine the discussion papers on this item.

8. Tax havens, with special reference to exchanges of information

The utilization of offshore/low-tax States by residents and corporations to reduce their tax liability is posing an increasing threat to both developed and developing countries. Moreover, the tax exemption granted by some tax-haven countries in relation to specific sources of income, such as capital gains, is also creating considerable difficulties in finalizing double taxation avoidance agreements. Since business and financial transactions that make use of entities situated in tax havens are appreciably reducing tax revenues to both developed and developing countries, it would be desirable to discuss the issue at the present meeting.

9. Other matters

If time permits, it is proposed to allow about half a day for a brief general discussion of any matters that members may wish to bring to the attention of the Group of Experts, possibly for more detailed discussions at a later meeting; members who wish to raise such matters are requested to inform the Secretary-General of them in advance, if possible.

10. Arrangements for the ninth meeting

Working arrangements for the ninth meeting and matters for its consideration will be discussed.
