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**Ad Hoc Group of Experts on International
Cooperation in Tax Matters
Tenth meeting
Geneva, 10-14 September 2001**

**Draft report of the Tenth Meeting of the Ad Hoc Group of
Experts on International Cooperation in Tax Matters**

Draft Report of the Discussions on 10 September 2001 in the Tenth Meeting of the Ad Hoc Group of Experts on International Cooperation in Tax Matters

The meeting started with an obituary reference to Mr. Hillel Skurnik, representative of the Government of Finland to the Ad Hoc Group of Experts, who passed away on 3 August 2001. Mr. Bouab, Secretary of the Group of Experts, referred to the long and effective services rendered by Mr. Skurnik in tax legislation and international taxation to both the Government of Finland and to the United Nations Ad Hoc Group of Experts on International Cooperation in Tax Matters. Mr. Bouab referred particularly to the profound knowledge and dedication of Mr. Skurnik to international taxation and to his distinguished services to the Ad Hoc Group of Experts as rapporteur. The members of the Ad Hoc Group of Experts observed a minute of silence in the memory of Mr. Skurnik.

Mr. Bouab welcomed the members to the 10th meeting despite their pressing preoccupations. He presented to the members of the Group of Experts the new edition of the United Nations Model Convention (2001) and the draft United Nations Manual on the Negotiation of Tax Treaties between Developed and Developing Countries, which will be examined during the 10th meeting. Copies of the revised Model Double Taxation Convention between Developed and Developing Countries have been sent to government agencies, professional bodies, universities and academic and other higher learning institutions as well as to Members and Observers of the Ad Hoc Group of Experts. The Group of Experts will carry out periodic revisions of the Model Convention as the exigencies require.

Referring to the other items on the agenda, relating to transfer pricing, new financial instruments, taxation of electronic commerce, and mutual assistance in tax collection, Mr. Bouab expressed the hope that the members of the Group of Experts will find the subjects of topical interest and will exchange views on the developments taking place in this area since the last meeting of the Ad Hoc Group of Experts.

The Chairman of the Ad Hoc Group of Experts referred to the meeting of the Steering Committee held in Beijing, PRC, on 23-27 April 2001. He expressed gratitude to the Chinese Government for its kind hospitality. The Steering Committee had been appointed by the Ad Hoc Group of Experts during its 8th meeting in December 1997 and had been entrusted with the task of reviewing and updating the draft Model Convention and Manual. Accordingly, the Steering Committee devoted extensive efforts and time reviewing the draft of the Manual prepared by the Secretariat.

The Secretariat reviewed the draft revision of the manual formulated by the Steering Committee at its meeting in Beijing. It provided a general summary of the main issues addressed in the manual and noted that the latter together with the newly published Model Convention had made revisions that were necessary to remove obsolete provisions and clarify the meanings of the Convention. The Manual addresses some issues that arose after the Model Convention had been approved by the Ad Hoc Group of Experts, such as the omission by the OECD of article 14 (Independent Personal Services) from its revised model. At this stage the Manual did not address in detail the various current issues, such as e-commerce and new financial instruments, which are currently topics of discussions by the Ad Hoc Group of Experts.

It was observed that the process of globalization affected various developing countries in different ways. It was also noted that part I of the Manual was intended to provide a general background for negotiators from developing countries and economies in transition and to give a justification for the position taken by the developing countries in favour of greater taxation at source. Part II of the Manual reproduces articles of the United Nations Model Convention (2001), provided excerpts from the United Nations Commentary, and gave some references to developments that have occurred since the current model was approved by the Ad Hoc Group of Experts. Part III is an update of materials included in the original manual dealing with the negotiation process and other topics.

The Chairman then invited comments from the members and other participants. One member sought to clarify that the Commentary on the Model Convention was the primary document and had priority over the Manual. That point was fully accepted. It was suggested that the two documents serve somewhat different functions. The Manual is intended to give guidance to tax officials negotiating tax treaties on behalf of developing countries and economies in transition and to serve as an educational function in government training programmes. The Commentary's primary function is to interpret the Model Convention. The Commentary, nevertheless, can serve as a valuable document in the negotiating process because understanding the meaning of the Model Convention is an important aspect of negotiating.

Some members noted that the globalization and international taxation included references that might be still under further consideration by various institutions forums and organizations. Others suggested that that section was intended to present a balanced summary of an issue which was referred to by the Millennium Declaration, namely, "*... the central challenge we face today is to ensure that globalization becomes a positive force for all the world's people ... only through broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalization be made fully inclusive and equitable.*" In this connection it was noted that the Manual is intended for tax negotiators from developed, developing and transitional economies and its usefulness will be limited if it avoided mention of matters that negotiators feel was not entirely compatible with their views.

It was pointed out that the Steering Committee in its Beijing meeting had given extensive review to the draft manual, which is before the Group of Experts for further discussion. To enable the Members of the Ad Hoc Group of Experts to formulate appropriate recommendations for the revision of the Manual it was agreed that such a review be postponed till the end of the meeting and that detailed suggestions for revisions should be submitted in writing. Accordingly it was agreed that the Ad Hoc Group of Experts will consider agenda items on transfer pricing, new financial instruments, taxation of electronic commerce, and mutual assistance in tax collection.
