



Negotiation of tax treaties to prevent base erosion with respect to rent and royalties (I)

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Capacity Building Unit
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<http://www.un.org/esa/ffd/>


Overview

- Introduction
- Preserving domestic law restrictions on the deduction of rent or royalties paid to non-residents
- Preserving domestic law restrictions on the deduction of royalties by non-residents in the country through a PE
- Taxation issues
- Taxation issues related to royalties paid to a PE in a third state

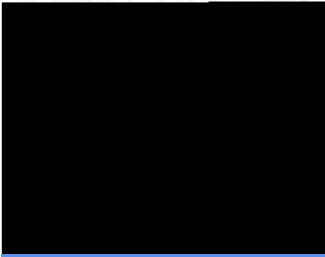
Introduction

- States that want to combat base erosion by non-residents through payments of rent and royalties ensure that their treaties allow them to "deduct" and tax these payments in certain circumstances
- Possible to include safeguards in treaties but difficult to include provisions that are not in OECD Model
- States will deal with some abuses through unilateral measures
- States will deal with some abuses through unilateral measures that taxing rights secured through unilateral measures available under domestic law

Preserving domestic law restrictions on
the deduction of rent or ro



Preserving domestic law restrictions on



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Addressing the concerns of the state of source

- The commentary of the OECD and potential abuses that may result from "shares" "debt-claims" rights or property establishments set up solely for that purpose in countries that offer preferential treatment to the income from such

idence exempts profits of such a permanent establishment situated in a third state the state may be concerned about having to tax the income with respect to the income derived from the permanent establishment

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Provision on rent and royalties in a third state

- As a result of the work on (EP) + tax abuse rule provision has been included in the & ' models in order to protect the state having to grant treaty benefits where income obtained by a permanent establishment situated in a third state is

residence
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included in the commentary

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- ii)* an enterprise of a contracting state deriving income from a permanent establishment situated in a third jurisdiction" and
- ii)* the profits attributable to that permanent establishment are exempt from tax in the first-mentioned state"

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