Comments on Draft Agenda of UN Tax Committee

Proposed Areas	Reasons for Priority	Expected Outcomes
Procedural issues for the Committee, including options for Committee consultations	Before starting the actual work on the substantive issues, the procedural hiccups need to be discussed at the outset.	Detailed Terms of References (TORs) related to the Working of Committees.
Article 8: International Shipping and Air Transport	The existing Article 8 provides two alternatives i.e. Alternative A which provides exclusive right of taxation to the contracting state where the enterprise is domiciled. The Alternative B(1) provides exclusive right of taxation to the enterprise of the contracting state from the operation of the aircraft. Alternative B(2) provides some additional rights of taxation to the source country. It is noteworthy that the enterprises of aircraft and shipping are located in such jurisdiction where either there is no taxation or minimal taxation. It is proposed that Alternative A may be done away with. Alternative B(1) & (2) may be amended to provide atleast 50% right of taxation to the source country.	The next update of the UN Model Tax Convention will address the issue.
Capital Gains Article 13(4): Taxation of the Extractive Industries	The investors of the developed world make investment in the extractive industries of the developing countries. The capital gain arising on the disposal of capital assets attributable to the extractive industries is manipulated through tax planning including indirect transfers.	The next update of the UN Model Tax Convention will address the issue including shares deriving percentage of their value from immoveable property.
Sovereign Wealth Funds	Although, the developing countries need investment, however, the same should not	The next update of the UN Model Tax Convention will address the issue.

	be at the cost of erosion of their tax base. Currently, the UN Model provides a blanket exemption to the sovereign wealth funds. Guidance is required here enabling the developing countries to tax sovereign wealth funds in some specific circumstances.	
Taxation issues related to Digitalized and Globalized Economy	Currently, the Inclusive Framework (IF) is working on Pillar 1 & Pillar 2 and is in the process of formulation of Multilateral Conventions (MC) for their implementation. Although, UN Tax Committee has come up with Article 12B, however, further guidance is needed where the developing countries have opted for Pillar 1 & Pillar 2.	-do-
Article 12: Royalties (Software and Digital Products)	Developing countries incur expenditure on account of royalties attributable to software and digital products. Guidance is required in this regard.	-do-
Wealth and Solidarity Taxes	Wealth and solidarity taxes are a major source of taxation.	International and domestic rules and regulations.
Indirect Taxes including Health Taxes	Indirect taxes including health tax are a major source of taxation.	-do-
Environmental and Environmentally Related Taxation	Climatic changes have brought about new issues related to environment which have consequential ramification for taxation.	-do-
Relationship of Tax, Trade & Investment Agreements	International Tax rules have direct relationship with trade and investment agreements, therefore, need coherence and harmony.	-do-
Transfer Pricing	Digitalization has brought about new challenges related to transfer pricing in services sector and intangibles viz-a-viz the traditional incidence	Detailed rules, regulations and guidance.

	in trading of goods.	
Increasing Tax Transparency	There is a dire need of spontaneous Exchange of Information besides automatic Exchange of Information and Exchange of Information on request.	-do-
Review and Possible Update of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries	Enhancing the negotiation skills coupled with substantive knowledge of the negotiator will ensure protection of the tax base of the developing country.	Updation and review of Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries.
Dispute Avoidance and Resolution	Prevention, avoidance and resolution of disputes provide window for smooth sailing of international tax rules.	Guidance on Article 25 of the UN Model Tax Convention and a research study on the success stories of Mutual Agreement Procedure (MAP).
Taxation and the Sustainable Development Goals	There is a direct relationship between the fiscal space and achievement of Sustainable Development Goals (SDGs).	Research and study on taxation and SDGs as guidance to developing countries.
Digitalization and Other Opportunities to Improve Tax Administration	Automation, digitization and digitalization reduce interaction between the taxpayer and tax collector coupled with instantaneous communication for fairness and transparency.	Research and study on digitalization and other opportunities to improve tax administration.
Capacity Building	Enhancing the capabilities and potentialities of the tax personnel of the tax administration of the developing countries is pivotal.	Training, workshops on capacity building.
Taxation and Corona Virus Disease (COVID-19): Pandemic and Post Pandemic Issues	COVID-19 has affected businesses and consequential taxation throughout the world.	Study and research on taxation and Corona Virus disease (COVID-19) pandemic and post pandemic issues.

3. The following new issues may be included in the Committee's work plan:

Areas	Reasons for Priority	Expected Outcomes
Article 6: Income from Immoveable Property	The assets of the developing countries have been siphoned off in foreign jurisdictions in the form of immoveable	Amendment of Article 6 of the UN Model Tax Convention.

	property. Currently, the taxation right is granted to the state of situs (where the immoveable property is situated). Although, additional right is also granted to the state where the owner of immoveable property (country of residence) is domiciled, however, the article needs to be amended to provide exclusive right of taxation to the state of residence (fiscal domicile of the owner of the immoveable property).	
Capital Gains Article 13(1): Disposal of Immoveable Property	The assets of the developing countries have been siphoned off in foreign jurisdictions in the form of immoveable property. Currently, the taxation right on capital gain is granted to the state of situs (where the immoveable property is situated). Although, additional right is also granted to the state where the owner of immoveable property (country of residence) is domiciled, however, the article needs to be amended to provide exclusive right of taxation to the state of residence (fiscal domicile of the owner disposing of the immoveable property).	Article 13 and its commentary.
Value Added Taxation (VAT) related to International Trade in Goods and Services	Digitalization has provided for a borderless flow of goods and services in respect of trade in goods and services which need to be tapped for chargeability and recovery of VAT.	Formulation of uniform guidelines for the registration of suppliers of goods and services, chargeability and payment of VAT.
Taxation of Transfer of Assets	Developed countries have formulated legislation related to the transfer of capital assets for taxation in the hands of transferor (estate taxation), transferee	Study and research on taxation of transfer of assets leading to increase in the revenue base of the developing countries.

	(inheritance taxation), transferor (gift taxation).	
Model Tax Information Exchange Agreement (TIEA)	Currently, automatic Exchange of Information (AEOI) relates only to financial accounts. There is a need of AEOI related to immoveable property, Residence by Investment (RBI), Citizenship by Investment (CBI), beneficial owners/controlling persons of legal persons/legal arrangements in order to determine the fiscal domicile and consequential taxation.	Model TIEA will be having such a provision.
Model Agreement related to Assistance in Collection &Recovery of Taxes	The assets created on account of proceeds of crime are parked in the foreign jurisdictions. The tax created is not recoverable from the non-availability of domestic assets of the tax evaders. Currently, there is no Model Tax Agreement for assistance in recovery of taxes. Efforts are being made bilaterally. Model Agreement will help achieving uniformity and coherence.	Model Agreement related to Assistance in Collection &Recovery of Taxes.