

Intergovernmental Committee to draft a United Nations Framework Convention
on International Tax Cooperation and two early protocols

Workstream II

Protocol 1 on taxation of income derived from the provision of cross border services
in an increasingly digitalized and globalized economy

Draft Issues Note

Morocco's comments

Morocco aligns with the comments presented by the African group and would like to reiterate the following comments in its national capacity:

The Scope of the Protocol should be wide enough to cover digital services and services rendered through the use of new technologies.

The rules should be easy to administer for both tax administration and tax payers. Therefore, a solution based on gross income taxation should be prioritized. The tax rates should be low enough in a way that would equate a fair taxation on a net basis and would allow a residual taxation by the residence State. This would also address the concern of members deeming that taxing right should be reserved to the residence State in compensation for the expenses having been deducted and that are incurred for the purpose of furnishing the service.

Morocco supports that fair taxing rights be allocated to the State where the value is created and where the income is generated.

Morocco considers that the proxy based on physical presence is obsolete given the new business models and the use of new technologies in today's economy.

Morocco is of the view that the protocol should cover income taxes only. Morocco is also of the view that the discussion should not step beyond the mandate of the workstream and that the discussion of the taxation of goods within this protocol would be out of place.

Morocco reiterates its appreciation to the co-leads, Secretariat, and members for all the efforts in advancing the work and confirms its commitment to participate constructively in the discussions.