

## **COMMENTS**

### **OF THE RUSSIAN FEDERATION ON THE CO-LEADS' DRAFT ISSUES NOTE (27 JUNE 2025) INTERGOVERNMENTAL NEGOTIATING COMMITTEE ON THE UN FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION**

#### **WORKSTREAM I: THE FRAMEWORK CONVENTION**

The Russian Federation reiterates its gratitude to the Co-leads, the Secretariat, and colleagues in the Workstream I (WSI) for the engaged and insightful discussions and would like to provide with the following comments.

#### **Abstract**

Russia advocates for the language of commitments to be rather broad to allow for flexibility and to address all the concerns that have been expressed or could be concerned in future.

On the other hand, acknowledging the optional nature of Protocols, we would call for elaborating of the commitments that establish general principles and approaches on the subject of the commitment which could be a distinct rule apart of optional protocols.

The Convention should clearly establish the fundamentals necessary to enact practical rules to address the existing tax challenges rather than simply to be of the declarative character.

We also propose to include the issue of transparency/exchange of information in commitments in order to ensure the effective implementation of Framework Convention.

#### **General Comments**

##### **a. Commitment on Effective prevention and resolution of tax disputes**

With respect to the issues note on whether there are additional concerns that should be addressed in addition to what has been outlined in paragraph 9 we believe that effective dispute prevention and resolution mechanisms require robust cross-border information exchange. Therefore, we propose to include an additional characteristic of dispute prevention and resolution mechanisms, namely, transparency in the commitment.

Transparency based on effective exchange of information is one of the milestone for achievement of fairness and justice in the dispute resolutions.

##### **b. Fair allocation of taxing rights, including equitable taxation of multinational enterprise**

##### ***Place of Business Activity***

Russia believes that the elements included in paragraph 14 do not fully provide a useful outline of a commitment on this topic as the commitment includes the following statement:

“There might also need to be some explanation of how to determine where business activity takes place in light of digitalization and other new business models.”

We consider this issue to be an essential question that needs to be clarified and determined in the issue note.

***Additional concerns regarding the fair allocation of taxing rights that should be addressed in the Framework Convention***

In paragraph 12 of the issues note Russia proposes to reflect one of crucial issue raised by many participants - treaty restrictions on taxation of services as the key factor preventing fair allocation of taxing rights. Double taxation treaties pose significant limitation on taxing rights of the source countries.

In addition, the commitment on the fair allocation of taxing rights needs to include the question of collection mechanism for the taxation of cross-border services. Russia supports a withholding tax mechanism which has similar features to the withholding tax on services under Article 12AA of the UN Model Convention.

**c. Sustainable development**

**Capacity building (Para 18):**

Russia supports the Sevilla Commitment (18 June 2025) (para 1) aiming at the support in modernization of revenue administration. We believe that digitalization and investments in information technology systems as well as broadly institution, technological and human capacity building contribute to sustainable development and should be included as an approach in international tax cooperation under Framework Convention .

**Information Exchange (Para 18):**

Russia considers that the information exchange for tax purposes needs to be approached as more inclusive, flexible and innovative international tax cooperation standard in Framework Convention. Otherwise, the issue of administrative support for ongoing international tax reforms could be omitted.