



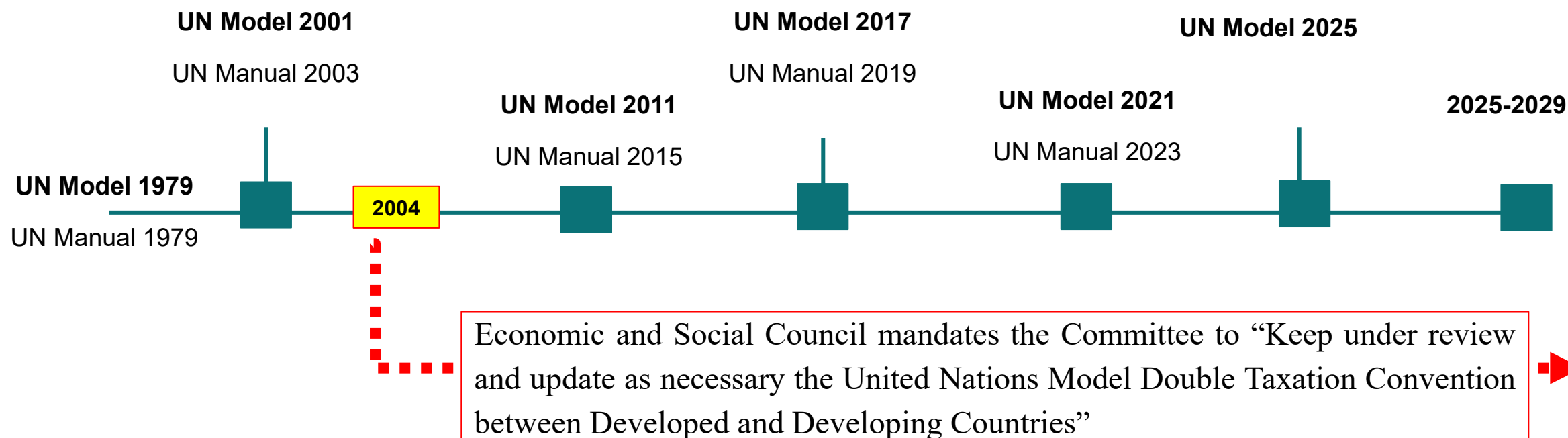
United Nations Committee of Experts on International Cooperation in Tax Matters

Secretariat Note on the update of the United Nations Model Tax Convention

Agenda

- Prior Work in the Area of the UN Model
- Identified Gaps and Proposed UNTC Outputs
- Relationship with Other Workstreams & SDGs
- Committee Decision Factors for Prioritization
- Summary of Options for Committee's Consideration

Prior Work in the Area of the UN Model



The United Nations Model Tax Convention is uniquely tailored to the needs of developing countries. Over time, the UN Model has placed increasing emphasis on the taxing rights of source countries, particularly in the case of income from cross-border services.

Identified Gaps and Proposed UNTC Output

2025 UN Model.

- Article 5A (Income from the Exploration for, or Exploitation of, Natural Resources)
- Article 12C (Insurance Premiums)
- Article 12AA (Fees for Services)
- New paragraph 3 of Article 1 (“subject-to-tax rule”)
- Revised Article 12 (“Royalties” definition), re-ordering of Article 8 alternatives, and additions to Article 25 regarding the relationship between tax treaties and other agreements; and other changes in the Commentary

Topics recommended by the 2021 – 2025 Committee for further work

- (a) The taxation of a permanent establishment under articles 7 and 24;
- (b) How source rules based on place of payment should be applied when an agent or other person makes a payment on behalf of the person bearing the economic burden of the payment;
- (c) The definition of “income from immovable property”, including in the case of mineral royalties;
- (d) Whether certain aspects of the commentary should be revisited in the light of the adoption of the “subject-to-tax rule” in the new paragraph 3 of article 1;
- (e) Article 21 (Other income), including its scope and source rules.

Identified Gaps and Proposed UNTC Output

Topics recommended by the 2021 – 2025 Committee and related inputs for further work

- a) The taxation of a permanent establishment under articles 7 and 24;
 - Clarifications of the force of attraction rule in Article 7(1) and in the commentaries of various articles as 11(4)(b), article 12(4)(b), among others.
 - Attribution to Service PE rule and article 7(4). Exploring the potential for fractional and formulary apportionment of profits from cross-border services to jurisdictions with above-threshold presence.
- b) How source rules based on place of payment should be applied when an agent or other person makes a payment on behalf of the person bearing the economic burden of the payment;
 - Update the Commentary in articles 11, 12, 12AA, 12B and 12C on the concepts of “paid by” and “arising in”.
 - Clarification of the difference between “arising” and “deemed to arise” in the articles dealing with passive income (i.e., article 10, 11, 12 etc.).
- c) The definition of “income from immovable property”, including in the case of mineral royalties;
- d) Whether certain aspects of the commentary should be revisited in the light of the adoption of the “subject-to-tax rule” in the new paragraph 3 of article 1;
- e) Article 21 (Other income), including its scope and source rules.

Identified Gaps and Proposed UNTC Output

Potential work in relation with Article 5 (Permanent Establishment)

- Revision of the definition of “permanent establishment”, possibly to include non-physical permanent establishments.
- Related suggestions:
 - A re-evaluation of the tax nexus rule set on Article 5 in relation to the taxation of cross-border services.
 - Replacing the concept of PE by Significant Economic Presence (SEP).
 - Evaluation of additional thresholds and nexus that trigger taxable presence beyond the physical presence of the service provider, like revenue-based thresholds, user-based thresholds, or digital presence-based thresholds.

Identified Gaps and Proposed UNTC Output

Ideas for future work on the UN Model

- Updating article 22 (Capital) to make it more consistent with article 13 (Capital gains)/ and add more refinement to the treaty rules on the taxation of wealth.
- Broader definition of Royalties in article 12 to include “any copyright”.
- Possible guidance regarding the application of domestic law definitions of “dividends” under article 10.
- A re-evaluation of the allocation rule set out in article 6.
- Evaluation of the need for adoption of second source rule in the article dealing with passive income.

Relationship with Other Workstreams & SDGs

The proposed workstream is interlinked with other potential workstreams and will require close coordination & collaboration

- The Digitalized Economy
- Extractives Industries
- Dispute Avoidance and Resolution

Strengthening fair and effective tax systems advances the Sustainable Development Goals (“SDGs”). The proposed work would contribute to



SDG 10 (reduced inequalities by enabling developing countries to capture fair revenue shares from cross-border economic activity).



SDG 17 by strengthening global partnerships and advancing transparency, domestic resource mobilization and international tax cooperation

Committee Decision Factors for Prioritization

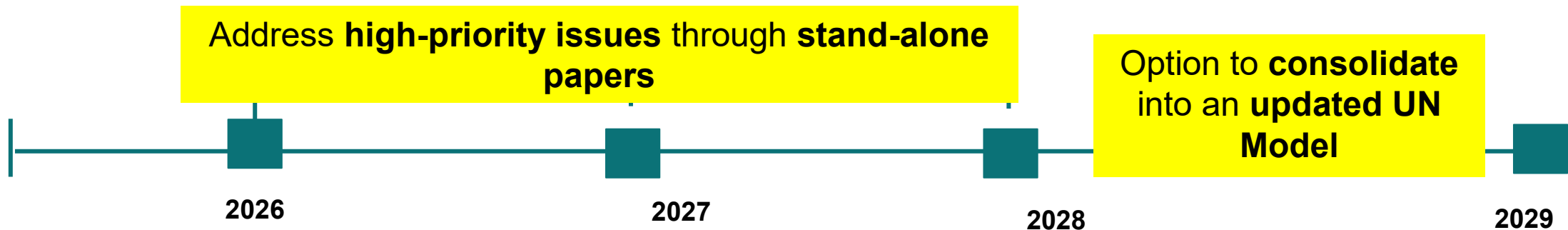
Priority-Setting Criteria

- Strengthen **developing countries'** negotiating **positions**
- **Reduce disputes** and support **DRM** and **SDGs**
- Ensure **clarity and readiness** for resolution
- Align with **other workstreams**

Initial Focus Areas

- Issues recommended by the previous Subcommittee.
- Update **Commentary** affected by changes adopted at the **Thirtieth Session**
- Select additional issues with **country demand** and **DRM** **relevance**

Work Modality and Timeline



Summary of Options for Committee Consideration

The Committee is asked to decide:

1. Whether to **establish a subcommittee** to undertake work on the UN Model
2. Whether to **approve the draft mandate**
3. What are the **Committee's priorities for the work** among the various issues identified.

Summary of Options for Committee Consideration

Mandate

The Subcommittee is mandated to consider, make recommendations, and provide proposed drafting for the next update of the United Nations Model Tax Convention (the Update) focusing on issues of greatest relevance to developing countries.

The Subcommittee will report to the Committee at each session, beginning with the Thirty-second Session (March 2026). By the Thirty-fourth Session (March 2027), the subcommittee will recommend whether a 2029 Model update should be produced.

The Subcommittee will make recommendations on the content of the substantive revision to the UN Model no later than the Thirty-seventh Session (October 2028).

In undertaking its work, the Subcommittee shall consult broadly with academia, international organizations working in the field, civil society, and industry stakeholders.



**Thank you for your
attention!**