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2017 UPDATE TO THE OECD MODEL TAX CONVENTION

Dear Working Party No. 1,

Thank you for the opportunity to comment on the Draft 2017 update to the OECD Model Tax Convention (the “2017 Update”) issued 11 July 2017. We acknowledge and thank the OECD for the time and effort put into this draft.

Overall, BIAC welcomes the four changes to the OECD Model Tax Convention in the 2017 Update with considerable support for the addition of new paragraph 1.1 to the Commentary on Article 5. BIAC strongly supports this language which indicates that registration for the purposes of a value added tax (“VAT”) or goods and services tax (“GST”) is, by itself, irrelevant for the purposes of the application and interpretation of the permanent establishment definition.

BIAC believes that registering for VAT or GST should not have negative implications for income taxes and would encourage the OECD to strengthen this proposition further by ensuring that the addition to paragraph 1.1 cross-references the similar provisions in the OECD VAT Guidelines and the Base Erosion and Profit Shifting (“BEPS”) Action 1 Final Report.

Again, we thank you for the opportunity to comment on the 2017 Update, and look forward to working with you further.

Sincerely,

Alan McLean
Deputy Chair BIAC Tax Committee