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### **Publication of comments received on the OECD Model Tax Convention 2017 Update**

The OECD published the comments received on the 2017 update on the Model Tax Convention (“MTC”). Draft contents was released on 11 July 2017 with respect to the changes in relation to paragraph 13 of the Commentary on Article 4 MTC (tie-breaker rule for Article 4(2)c MTC; changes to paragraphs 17 and 19 (regarding the meaning of ‘habitual abode’); the addition of new paragraph 1.1 to the Commentary on Article 5 MTC (relevant for interpretation of the ‘permanent establishment’ definition); and, the deletion of parenthetical reference from subparagraph 2a) of Article 10.

The public comments received by the OECD on the above changes to the Model Tax Convention are available to download at the following [link](#).

OECD plans to approve and publish the full contents of the OECD Model 2017 Update at the end of year.

### **Estonian EU presidency to focus on digital economy tax issues**

The Estonian government, currently presiding with the Council of the European Union, will focus its efforts on finding a European solution for taxation of the digital economy and the US-tech companies with taxable presence in Europe. Solutions are likely to be discussed at an informal meeting of European finance ministers to be held 15 – 16 September in Tallinn.

A spokesperson for the Estonian EU presidency speaking for Bloomberg said that the EU looks into possibilities to come up with new tax rules that will prevent the non-taxation of profits for technology companies.

Dmitri Jegorov, the Estonian Finance Ministry Undersecretary for Tax and Customs Policy confirmed for Bloomberg that attention of the Estonian Presidency will be directed towards a separate agreement on the terms of what constitutes a permanent establishment. The presidency conclusions will feed into the OECD’s next proposals expected in 2018.

### **France and Germany to propose CCTB solution**

The upcoming September meeting in Tallinn will likely see the EU finance ministers discussing a new CCTB proposal of the French and German government. The French Finance Minister Bruno Le Maire said that President Macron is in favour of simpler rules for corporate taxation which will serve European economic interests much firmly.

During the summer months, France has been working with the German government to come up with a simplified bilateral CCTB proposal no later than 2018 that should serve as basis for tax (rates) harmonisation within the Eurozone. A multilateral agreement is possible within the EU, with a possibility for other EU member countries to join at a later stage. Under the so-called 'enhanced cooperation' procedure at least nine EU member states can do so, with voluntary participation of other EU countries.

Earlier this year, the European Commission proposed introducing a type of formulary apportionment in the EU in a form of CCCTB proposal, accompanied by a CCTB proposed directive.

The next formal ECOFIN meeting is scheduled for 10 October in Luxembourg.

#### **White House focuses on tax reform**

President Trump's administration will concentrate its efforts on securing a tax reform working with Congress Republicans, focusing on the international tax side of the reform. According to FT and Bloomberg, a shift to territorial tax system and deemed repatriation are key elements with wider support. Measures are also considered in BEPS context, with minimum tax on income from intangible property and exemption of 95 percent from US tax on foreign earnings that have been subject to tax in another jurisdiction and would allow repatriation at a reduced rate.

Senate majority leader Mitch McConnell confirmed the projected timeline for tax reform last week. In the meantime, a letter from Democratic Senators to President Trump followed outlining the conditions for bipartisan support of tax reform.

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*The selection of the remitted material has been prepared by  
Piergiorgio Valente / Aleksandar Ivanovski / Mary Dineen / Filipa Correia*

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