



Committee of Experts on International Cooperation in Tax Matters

Twenty-sixth session, New York, 27-30 March 2023

**CRP 12 - Proposal for the inclusion of a general “subject to tax” rule in the United Nations Model DTC**

Interventions by the South Centre

- The South Centre welcomes the adoption of the Subject to Tax Rule (STTR) in the UN Model Tax Convention, and believes it is a far better alternative than the version presently being developed in the OECD Inclusive Framework under Pillar Two.
- South Centre has the following comments to offer in respect of paragraph 5 (revised provision of the STTR, proposed to be incorporated as Article 1(3) of the UN Model):
  - Commentary may mention that the exemptions from application of STTR provided for under subparagraph (c) of the proposed paragraph 3 of Article 1 may be kept at a bare minimum by the developing countries, otherwise the objective of STTR may get defeated.
- Paragraph 12 of the Commentary (on the proposed paragraph 3 of Article 1) which provides an alternative view by allowing application of this provision only to base eroding payments or mobile income between related parties, may be removed altogether, as such a provision does not address BEPS concerns in entirety, hence should not be an alternative view for developing countries to even discuss.
- Paragraph 8 of the Note - South Centre requests that consequential changes under contemplation to certain portions of the Commentary on Article 1 should not dilute or compromise those provisions that deal with various anti-abuse rules.
- South Centre requests that STTR provisions may be incorporated in the UN Model DTC at the earliest so as to speedily implement them through the UN Multilateral Instrument under contemplation.