



Committee of Experts on International Cooperation in Tax Matters

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

**CRP 14 - Proposal for revision to Article 8 (Alternative B)**

Interventions by the South Centre

- Support the views of developing countries that a workable provision allowing for source-State taxation of income from international traffic under Article 8 of UN Model DTC is an urgent need of the hour as it would support their endeavour to more easily negotiate treaties and incorporate such provisions through bilateral negotiations.
- Source taxation of both aircraft and international shipping industries is important; the shipping industry in particular has contributed to the inflation/cost-of-living crisis through capitalizing on supply chain disruptions. Both industries have benefitted from unfair public funded bailouts.
- Tax avoidance by the shipping industry has also arguably led to overcapacity in the sector. This in turn has contributed to environmental damage through increased GHG emissions and overfishing.
- Objection that sourcing revenue is difficult in practice no longer holds true; detailed revenue sourcing rules under Amount A of Pillar One have been developed by the OECD and can be seen in Schedule E of the July 2022 Progress Report on Amount A as an example.
- Support deletion of Alternative A in Article 8, as many shipping and airline companies are registered in tax havens and thus escape taxation entirely.
- South Centre is of the view that the use of containers is widespread in shipping and air transport and to a large extent, their use is inextricably linked to these sectors, hence, any rental income therefrom may be included in Article 8 rather than in Article 12 (that being said, this proposition may not have any impact on rental income from containers in 'rail and road' sectors, which may continue to fall under Article 12 as "consideration...for the use of, or the right to use, industrial, commercial or scientific equipment").