CONCEPT NOTE

BRIEFING ON THE IMPLICATIONS OF TREATY RESTRICTIONS OF TAXING RIGHTS ON SERVICES, ESPECIALLY FOR DEVELOPING COUNTRIES

Introduction

Services which are intangibles can be delivered remotely to users without the need for a fixed place of business in source jurisdictions. Certainly, services have become increasingly important for economic development and occupy an increasingly dominant share of GDP in economies worldwide but international tax rules favor non-resident or foreign service providers to the disadvantage of local companies.

Due to unequal levels of economic development and transformation, developed countries are net exporters of services while developing countries are net importers of services, especially high value services. The OECD Model Tax Convention which is designed to promote the interests of developed countries contains no provisions for source taxation of services. The UN Model Tax Convention on the other hand contains a number of such provisions, such as Articles 5(3)(b) (Service Permanent Establishment), 12A (Fees for Technical Services), 12B (Automated Digital Services), etc. It follows therefore that an income tax treaty between a developing and developed country that has provisions identical to the OECD Model Tax Convention will result into significant revenue loss for the developing country.

In order to devise a methodology on how developing countries can quantify the revenue losses through tax treaty restrictions on services, the South Centre published a study commissioned by the Independent Commission for Reform of International Corporate Taxation titled "The Implications of Treaty Restrictions of Taxing Rights on Services, Especially for Developing Countries".

The study takes a case-study approach and seeks to quantify the revenue losses for Kenya and four South Centre Member states: Argentina, Brazil, Colombia and Nigeria. The study provides a novel methodology through which South Centre Member States and other developing countries can quantify their revenue losses through treaty restrictions on services. The event will present the results of the study so developing countries can make more informed decisions during treaty negotiations and better safeguard their taxing rights on services.

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TENTATIVE AGENDA

12 March 2025

15:00 – 17:00 (CET)

Registration Link:

https://us06web.zoom.us/meeting/register/mvBWTwEISmm0hmcCDBixUA

Agenda

Sessions indicated in Central European Time (CET)

Time	Topic	Speaker
15:00 – 15:05	**Welcome remarks and context setting**	Dr. Carlos Correa, Executive Director, South Centre
15:05 – 15:15	**Opening remarks**	H.E. Mr. Leslie Ramsammy, Ambassador of Guyana to the UN in Geneva
15:15 – 16:10	**Presentation of Methodology and Key Findings**	Prof. Sol Picciotto Faith Amaro Veronica Grondona
16:10 – 16:30	**Respondent**	Mr. Kehinde Kajesomo Deputy Director, Treaties and International Tax Policy Division, Federal Inland Revenue Service, Nigeria (FIRS)

16:30 – 17:00	**Questions and Answers**	**Moderator:** Anne Wanyagathi Maina, Research Consultant – Tax, South Centre Tax Initiative, South Centre