

**Outcome of the
7th session of the Committee of Experts on International Cooperation in Tax Matters
(Geneva, 24-28 October 2011)**

Executive Summary

Following 5 days of intense negotiations, the Committee of Experts on International Cooperation in Tax Matters adopted the **2011 Update of the United Nations Model Double Taxation Convention between Developed and Developing Countries**. This new revision of the UN Model has been long-awaited by the international community, especially by developing countries which seek assistance in the negotiation of modern bilateral double-tax treaties reflecting their current circumstances and policy priorities.

The annual session of the Committee was attended by 23 out of 25 members of the Committee, appointed by the Secretary-General in their personal expert capacity, as well as 105 observers, including 50 delegates representing 30 Governments. Other observers were from four intergovernmental organizations, 23 civil society organizations and 12 business sector entities.

The UN Model Tax Convention, as well as the OECD Model Tax Convention have had a profound influence on international treaty practice. These Models form the basis for most of the several thousand bilateral tax treaties between countries, which aim at protecting taxpayers against double taxation, with a view to improving the flow of international trade and investment as well as the transfer of tec

countries. The 2001 version of the Commentary had recommended that countries should follow the OECD Transfer Pricing Guidelines in applying the arm's length principle. Several experts from developing countries expressed the view that while there was no disagreement that the arm's length principle underlay the transfer pricing approach of the UN Model and that the OECD Guidelines were often referred to, the 2001 recommendation was too broadly stated. They insisted that the 2011 Update clarify that the Guidelines were only for guidance in applying the arm's length principle.

On the other hand, participants from developed countries felt that any departure from existing language would send signals that the UN might have different interpretation of Article 9 than the OECD, which would result in disagreements between parties to existing and future treaties and proliferation of double-taxation. There was also concern that it could undermine the ongoing work on the

country comments on the revised Model as a way of giving voice to non-OECD members, who were not able to comment on the OECD Model. The Committee decided to express these wishes in a draft resolution of ECOSOC, to be included in the report of the session.

Another important issue was the **Practical Manual on Transfer Pricing for Developing Countries**. Several draft chapters were presented and discussed. The complete draft Manual is expected to be adopted at the 2012 session of the