
Editorial

New OECD Model Tax Convention on Income and on Capital

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Since the revision of the 1963 OECD Model Double Taxation Convention on Income and on Capital in 1977, economic conditions changed substantially and new technologies and ways in which cross-border transactions are taking place emerged. Besides, new methods of tax avoidance and evasion developed. These developments as well as the growing globalisation and liberalisation of OECD economies increased the need to update and adapt the Model Convention.

The Committee on Fiscal Affairs and, in particular, its Working Party No. 1, examined after 1977 a number of issues in the field of international double taxation. The result of the work was laid down in various reports, some of which contained recommendations to amend the Model Convention and the Commentaries.

The new Model Convention takes into account the work undertaken by the Committee on Fiscal Affairs since 1977. Only minor changes have been made to the text of the Articles. On the other hand, the Commentaries on a number of Articles have been substantially amended and enlarged. However, the new Model does not represent a comprehensive revision of the 1977 Model but rather a first step of an ongoing revision process. It thereby is ensured that the Model will periodically be updated based on the issues dealt with by the Committee. In order to establish a list of priorities for future work, the revision process is opened and interested parties are invited to identify issues in respect of which changes, corrections or clarifications to the Model Convention or its Commentaries should be made.

Since the OECD Model Convention is not only used by OECD Member countries, periodic updates and amendments are extremely useful and necessary in order to conform with the evolution of international tax rules and principles. Therefore, the Committee on Fiscal Affairs decided to adopt the concept of an ambulatory Model.