



## **U.S. Business and the OECD** ***Committee on Fiscal Affairs & Centre for Tax Policy & Administration***

### **United States Council for International Business**

*American Affiliate of the Business & Industry Advisory Committee to the OECD (BIAC)*

The **Taxation Committee of the United States Council for International Business** works to enhance the competitiveness of U.S. business by promoting sound international tax policy and eliminate double taxation and other obstacles to international trade.

USCIB is the official U.S. business representative to the Business and Industry Advisory Committee to the OECD (BIAC). USCIB members work through BIAC to build international business consensus on priority taxation issues and ensure that these views influence the work of the OECD Committee on Fiscal Affairs (CFA). Here in the U.S., USCIB has an active dialogue with the U.S. Department of the Treasury on OECD tax issues, and we have actively supported the OECD and its tax projects on the Hill when necessary.

USCIB's unique international business network provides members with unparalleled access to the policy makers who set the taxation standards for the global economy. USCIB's Taxation Committee is chaired by Michael Reilly, Vice President of Taxation at Johnson & Johnson. The Committee's members are top tax executives from leading U.S. multinational companies, law firms and business associations.

### **Business & Industry Advisory Committee to the OECD**

*The Primary and Official Business Contact of the OECD CFA & CTPA*

The **BIAC Tax Committee** is the primary and official business contact for the OECD CFA and CTPA. The elimination of double taxation and the achievement of an internationally consistent implementation of widely accepted tax principles are the core objectives of the BIAC Tax Committee. The Committee's engagement with the OECD on its work to update the OECD Model Tax Convention and the 1995 OECD Transfer Pricing Guidelines are fundamental to achieving these objectives. OECD tax projects on attributing profits to a permanent establishment, dispute resolution, and consumption taxes are all key areas of ongoing BIAC-OECD co-operation.

Through USCIB's affiliation with BIAC, USCIB provides members with up to the minute information on OECD developments in priority areas and with valuable knowledge about how these developments might affect their businesses. The USCIB and BIAC ensure that U.S. businesses have access to an established mechanism to effectively influence the direction and outcomes of OECD taxation work. Specifically, the Business and Industry Advisory Committee to the OECD:

- Builds consensus among the global business community to ensure that businesses everywhere communicate with a strong and unified voice in all interactions with the OECD;
- Comments on and provides substantive input into OECD tax projects;
- Coordinates consultations between business executives and OECD government representatives on priority issues;
- Brings priority business tax issues to the attention of the OECD for consideration in its future work program.

## OECD Committee on Fiscal Affairs & Centre for Tax Policy and Administration

*Setting Tax Standards for the Global Economy*

The **Organization for Economic Cooperation and Development (OECD)** is an intergovernmental organization where the governments of 30 market democracies work together to address the economic and social challenges of the globalizing world economy.

The **OECD Committee on Fiscal Affairs (CFA)** contributes to setting standards in the international tax world: the OECD Model Income Tax Convention serves as the foundation of the global network of tax treaties, and the OECD's 1995 Transfer Pricing Guidelines are used as the basis for domestic tax legislation around the world. The CFA is made up of senior tax officials from the OECD member countries. It sets the OECD's work program in the tax area and provides a forum for exchanging views on international tax policy issues. The CFA work program is carried out by working parties of government experts.

The **OECD Centre for Tax Policy and Administration (CTPA)** is the Secretariat for the organization's work on taxation, providing support for the CFA and its Working Parties.

Priority OECD Working Parties		
OECD Taxation Body	Issue	OECD CTPA Staff
Committee on Fiscal Affairs	Tax Oversight Body / All	Jeffrey Owens
Working Party 1	Tax Treaty Issues	Mary Bennett / Jacques Sasseville
Working Party 6	Transfer Pricing	Mary Bennett / Caroline Silberstein
Working Party 9	Consumption Taxes / VAT/Services	David Holmes

### Core OECD Taxation Work

*Model Tax Convention, Transfer Pricing Guidelines, Consumption Tax Principles*

The ongoing work of the OECD to update both the Model Tax Convention and the Transfer Pricing Guidelines are major priorities for businesses. A new OECD consumption tax work program has the potential to help companies avoid double taxation on internationally traded services and intangible products.

The **OECD 1995 Transfer Pricing Guidelines** reflect the international consensus on transfer pricing and are used as the basis for domestic legislation around the world. The Guidelines are continuously reviewed and updated. BIAC works closely with the OECD to ensure that the Guidelines reflect the realities of today's complex global business environment. Current priority project for business: Attribution of Profits to a Permanent Establishment.

The **OECD Model Tax Convention** and the worldwide network of tax treaties based upon it help to avoid double taxation by providing clear consensual rules for taxing income and capital. Over 2000 bi-lateral tax treaties worldwide follow the principles and detailed commentary of the Model Treaty. The OECD works continually to resolve problems with interpretation and application of the Model Treaty and BIAC closely participates in this work. Current priority project for business: Clarifying the Definition of a Permanent Establishment (Article 5 of the OECD Model Tax Convention)

**Consumption Taxes** have spread rapidly around the world. Today most countries use this method of taxation. The OECD has begun work to improve the application of consumption taxes, such as value added taxes, to internationally traded services with a view to avoiding double and non-taxation. OECD analysis indicates that complexities in tax requirements are holding back the growth of trade and the ability of businesses to enter new markets. The objective of the work is to reach an international agreement upon the principles to be applied in the taxation of international trade in services – such as telecommunications, financial services and advertising. BIAC members are working closely with the OECD to ensure the success of this important effort, providing substantive input at each stage of the work.

## Business Gains from Working with the OECD on Tax Issues<sup>1</sup>

### General:

- Influencing the international policy across all tax areas addressed at OECD and the global tax agenda of governments.
- Developing international tax policies that reduce or eliminate double taxation.
- Facilitating relationships that contribute to minimizing conflicts between multinational enterprises and tax administrations across jurisdictions.
- Creating positive effects on the international trade and investment environment through removal of tax obstacles to cross-border transactions.

### Transfer Pricing:

- Business inputs to the monitoring of the OECD Transfer Pricing Guidelines can lead to a common understanding on international transfer pricing principles including greater certainty across jurisdictions.
- Business influences and assists in the development of new applications and modernization of the OECD Transfer Pricing Guidelines.

### Tax Treaty Work:

- Business influences the concepts and principles of the OECD Model Tax Treaty and the Commentary to the Treaty used worldwide to assist in bilateral treaty negotiations.

### Consumption Taxes / VAT:

- Business works with the OECD to identify and eliminate consumption tax problems and associated costs that can create obstacles to the international trade of goods, services and intangibles.

### E-Commerce Issues:

- Business input ensures that governments are creating policies that reflect changing and emerging on-line business models.
- Business actively participates in the permanent establishment and income characterization issues to ensure that they would be closely aligned with the needs of business.
- Business encourages tax administration to be made more efficient through Internet technologies.

### Dispute Resolution:

- Business cooperation leads to improved dispute settlement mechanisms via tools such as APA's.
- Business input can lead to a more effective Mutual Agreement Procedures including the possibility of supplementary dispute resolution mechanisms such as arbitration.

### Transparency and Information Exchange:

- Business gains from a legal and administrative framework which enables all countries to apply fairly and transparently their own tax legislation.
- Business gains from a process to ensure that legitimate businesses operate in a truly competitive environment that combats fraud and non-compliance.

### Combating Bribery:

- Business benefits from active OECD anti-bribery programmes conducted across OECD member and non-member jurisdictions.

### Tax Policy and Statistics:

- Business has access to internationally comparable data on tax burdens and structures.

### Cooperation with OECD Non-Member Countries:

- Business gains greater certainty of tax treatment globally as countries adopt OECD models and standards.

<sup>1</sup> Source – OECD CTPA / BIAC “The OECD’s Current Tax Agenda”