

OECD Recommendation on the Application of Value Added Tax/Goods and Services Tax to the International Trade in Services and Intangibles

Adherence by non-OECD Members

THE VAT/GST RECOMMENDATION

- The OECD Recommendation on the Application of the Value Added Tax /Goods and Services Tax to the International Trade in Services and Intangibles [\[OECD/LEGAL/0430\]¹](#) (hereafter the “VAT/GST Recommendation”) was adopted by the OECD Council in 2016 on the proposal of the Committee on Fiscal Affairs (CFA). It is the first internationally agreed framework for the application of VAT/GST to cross-border trade that aspires to global coverage. It was developed in recognition of the fact that the VAT/GST challenges of international trade as exacerbated by the digitalisation of the economy require a globally coordinated response.
- It embodies the [International VAT/GST Guidelines \(“Guidelines”\)](#), which were developed by OECD Members together with a large number of non-Members and other stakeholders. They were endorsed by the high-level officials of 104 jurisdictions and international organisations at the [third meeting of the Global Forum on VAT in 2015](#). In particular, the Guidelines:
 - Set forth common principles for the consistent VAT/GST treatment of the most common types of international transactions, focusing in particular on trade in services and intangibles;
 - Build on the generally accepted principles of VAT/GST neutrality and on the destination principle for determining the place of taxation;
 - Include the recommended principles and mechanisms to address the challenges for the collection of VAT/GST on cross-border sales of digital products, which had been identified in the context of the OECD/G20 Project on Base Erosion and Profit Shifting (BEPS Project);
 - Do not aim at detailed prescriptions for national legislation. They provide guidance to jurisdictions in developing national legislation with a view to facilitating a coherent application of national VAT/GST systems to international trade taking into account their specific economic, legal, institutional, cultural and social circumstances and practices;
 - Aim at minimising the potential for double taxation and unintended non-taxation in the application of VAT/GST to the international trade in services and intangibles and supporting tax authorities in the implementation of regimes and mechanisms for the efficient and effective collection of VAT/GST.

¹ Available on the Compendium of OECD Legal Instruments at <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0430>

STATUS OF THE VAT/GST RECOMMENDATION AND ADHERENCE

- OECD Recommendations are not legally binding but practice accords them great moral force as representing a political commitment to the principles they contain and entail an expectation that Adherents will do their best to implement them.
- OECD Recommendations are open to adherence by interested non-OECD Members.
- Adherence does not imply any assessment or certification of implementation of the provisions of the Recommendation.

WHY TO ADHERE?

- Adherence to the VAT/GST Recommendation conveys a strong signal of the Adherent's political commitment to align its VAT/GST policy with the internally agreed standards for the application of VAT/GST to international trade in accordance with the principles of VAT/GST neutrality and of destination-based taxation.
- In addition, Adherents will be able to participate in the regular reporting on the implementation of the Recommendation and in any future discussions on the revision of the Recommendation and the Guidelines.

HOW TO ADHERE?

- The intention to adhere to the Recommendation should be communicated to the OECD Secretariat through a letter addressed to the Secretary-General of the OECD stating that the country wishes to adhere to the Recommendation (a model letter is available on request). The letter should be signed by an authorised representative of the government and contain information regarding how the current or planned a) legislations, b) policies and c) practices align with the principles set out in the Recommendation.
- Following completion of the OECD internal procedures, a letter signed by the OECD Secretary-General will confirm the adherence of the requesting country. The interested country will be considered as an Adherent to the Recommendation as of the date of the OECD Secretary-General's reply letter.

For more information please contact: ConsumptionTaxUnit@oecd.org