Recommendation of the Council concerning the Model Tax Convention on Income and Capital
Background Information
THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Recommendation of the Council of 23 July 1992, concerning the Model Tax Convention on Income and on Capital [C(92)122/FINAL];


CONSIDERING the need to remove the obstacles that international juridical double taxation presents to the free movement of goods, services, capital, and persons between the Member countries of the OECD by the conclusion of conventions between them for that purpose;

CONSIDERING also the need to harmonise existing bilateral conventions on the basis of uniform principles, definitions, rules, and methods; to agree on a common interpretation; and to extend the existing network of such conventions to all member countries and where appropriate to non-Member countries;

CONSIDERING that efforts made in this direction by Member countries have already produced substantial results and that the proposed revisions to the Model Tax Convention will make it possible to confirm and extend existing international co-operation on tax matters;

TAKING NOTE of the Model Tax Convention on Income and on Capital (hereinafter referred to as the "Model Tax Convention") and the Commentaries thereon, which (as modified by the 1994 Report) are attached to this Recommendation as an Appendix(*), which may be amended from time to time hereafter;

I. RECOMMENDS the Governments of Member countries:

1. To pursue their efforts to conclude bilateral tax conventions on income and on capital with those Member countries with which they have not yet entered into such conventions, and to revise those of the existing conventions between them that may no longer be in keeping with present-day needs;

2. When concluding new bilateral conventions or revising existing bilateral conventions between them, to conform to the Model Tax Convention, as interpreted by the Commentaries thereon.

II. INVITES the Governments of Member countries:

1. To notify the Organisation of the text of any new or revised tax conventions on income and on capital concluded with each other or with non-Member countries;

2. To continue to notify the Committee on Fiscal Affairs of their Reservations on the Articles and Observations on the Commentaries.

III. INSTRUCTS the Committee on Fiscal Affairs to continue its ongoing review of situations where the provisions set out in the Model Tax Convention or the Commentaries thereon may require modification in the light of experience gained by Member countries, and to make appropriate proposals for periodic updates.


* Owing to its volume the text of the Appendix is not reproduced as an attachment but is available on request from the OECD Publications Service.
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All substantive OECD legal instruments, whether in force or abrogated, are listed in the online Compendium of OECD Legal Instruments. They are presented in five categories:

- **Decisions** are adopted by Council and are legally binding on all Members except those which abstain at the time of adoption. They set out specific rights and obligations and may contain monitoring mechanisms.

- **Recommendations** are adopted by Council and are not legally binding. They represent a political commitment to the principles they contain and entail an expectation that Adherents will do their best to implement them.

- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.

- **International Agreements** are negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.

- **Arrangement, Understanding and Others**: several other types of substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.