



Recommendation of the Council
concerning the Model Tax
Convention on Income and
Capital

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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];

HAVING REGARD to the Report of the Committee on Fiscal Affairs of 25 January 1994 on the Revision of the Model Convention [DAFFE/CFA(94)11] (hereinafter referred to as "the 1994 Report");

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.

IV. DECIDES to repeal the Recommendation of the Council C(92)122/FINAL of 23 July 1992.

* 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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