Recommendation of the Council on the Use of Tax Identification Numbers in an International Context

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Background Information

The Recommendation on the Use of Tax Identification Numbers in an International Context was adopted by the OECD Council on 13 March 1997 on the proposal of the Committee on Fiscal Affairs. The Recommendation recommends that Adherents encourage non-resident recipients of income to disclose their residence country Tax Identification Number and instructs the Committee on Fiscal Affairs to develop an OECD Standard Certificate of residence.

THE COUNCIL,

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

HAVING REGARD to the Recommendation of the Council of 21 September 1977 concerning Tax Avoidance and Evasion [C(77)149/FINAL];

HAVING REGARD to the Recommendation of the Council of 23 September 1980 concerning a Standardised Form for Automatic Exchanges of Information under International Tax Agreements [C(81)39/FINAL];

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

HAVING REGARD to the Recommendation of the Council of 23 July 1992 concerning an OECD Standard Magnetic Format for Automatic Exchanges of Information under International Tax Agreements [C(92)50/FINAL];

HAVING REGARD to the joint Council of Europe/OECD Convention on Mutual Administrative Assistance in Tax Matters which came into force on 1 April 1995;

HAVING REGARD to the Recommendation of the Council of 13 March 1997 concerning an OECD Standard Magnetic Format for Automatic Exchanges of Information under International Tax Agreements [C(97)30/FINAL];

CONSIDERING the need to improve the effectiveness of exchange of information on cross-border income flows and thereby ensure that such income does not escape taxation;

CONSIDERING that all but five OECD Members have a Tax Identification Number and that mandatory disclosure of this number by non-residents in the source country would be the most effective method of enforcing the compliance on cross-border income flows;

I. RECOMMENDS:

1. That Members should encourage non-resident recipients of income to disclose their residence country Tax Identification Number (TIN). Members should consider making this disclosure mandatory. When it is mandatory for the recipient of income to disclose his residence country TIN to the payer of income, there should be a mandatory requirement for the payer to pass the TIN to the tax administration of the source country. Where the recipient of income discloses voluntarily his residence country TIN to the payer of income, Members should either consider making it a mandatory requirement for the payer to pass the TIN to the tax administration of the source country or adopt alternative means of tax compliance (e.g. withholding tax at a full rate subject to reduction if the recipient of income provides the payer with relevant means of identification). When a TIN is not provided, alternative means of identification should be required and strongly enforced;

2. That Members which do not issue residence country TIN should issue a special TIN, on a internationally consistent basis, for taxpayers investing abroad which would be accepted as a residence country TIN in the source country or to provide alternatives with an equivalent level of identification (such as a certificate of residence with a certification sequence number).

II. INSTRUCTS the Committee on Fiscal Affairs:

To develop an OECD Standard Certificate of residence which will contribute to the standardisation and increased transparency for the verification of fiscal status, and to monitor the Recommendation and to report back to the Council as appropriate.

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