

Report on recent US international tax developments - 26 April 2019

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The United States (US) Internal Revenue Service (IRS) recently published a [revised version](#) of its US "Tax Treaty Table 1" on its website. Tax Treaty Table 1 lists the income tax and withholding rates on income other than personal service income, including rates for interest, dividends, royalties, pensions and annuities, and social security payments. The table is referenced by, but no longer included in IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*. The revised table generally contains updates and clarifications, including treaty rate eligibility requirements and changes or corrections of certain treaty rates on interest income, among other changes.

The IRS included cautionary notes in the revised table to remind users that, although Table 1 is a convenient reference tool used by many withholding agents for withholding rates, it should not be viewed as a substitute for the greater details provided in the relevant tax treaty provisions. The table is also not a comprehensive guide to all eligibility requirements for every treaty rate of tax or exemption listed. EY Global Tax Alert, [US IRS publishes a 2019 revised Tax Treaty Table 1 with numerous updates and footnote clarifications](#), dated 19 April 2019, provides further details.

The Organisation for Economic Co-operation and Development (OECD) published, on 25 April, the 10th edition of the full version of the OECD Model Tax Treaty. The full version includes the full text of the Model Treaty as it read on 21 November

2017. It further includes articles, commentaries, non-OECD member positions, recommendations of the OECD Council and historical notes and background reports.

The United Nations Subcommittee on Tax Challenges Related to the Digitalization of the Economy recently prepared a paper for the Committee of Experts on International Cooperation in Tax Matters for its 18th Session on 23-26 April. The Subcommittee noted that its work is independent of ongoing work in other forums, most notably the OECD. The report, which proposes a general workplan and guiding principles, addresses tax treaty issues, domestic law, and value added tax issues.

The Subcommittee identified the tax challenges of the digitalization of the global economy as fundamentally about the inability of the “source jurisdiction” under the physical presence criteria of tax treaties “to tax business profits of certain *new* business models not requiring a *physical* presence in the market to derive such profits.” The paper describes possible approaches for addressing these challenges, particularly in respect of developing countries. The paper was guided by the following principles: avoiding both double taxation and non-taxation; a preference for taxing income on a net basis where practicable; and simplicity and administrability.

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