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Fundamental inequities in the allocation of taxing rights under tax treaties
Issues and Possible Solutions

1923 Economists' Report → 1927/1928 LoN Models → Mexico/London Models (1946)

1923 Economists' Report
- Movable Property — *Residence*
- Immovable Property — *Origin, Situs*

1927/1928 LoN Models
- Residence State — *General tax rights*
- Source State — *Exception; PE concept; passive income*

Mexico/London Models (1946)
- Mexico Model — *Source focus Business activity PE limited*
- London Model — *Residence focus, PE*

CEN, CIN, CON

Tax competition

Neutralities ⟷ Public good provision

Exclusive allocation

Balance both factors

CEN not > CIN
No CEN - limited credit

↑ *Productive use of tax revenue*
(if)
↑ *Need for public good*

Benefit theory — *More capital need – source country*

Economic allegiance — *Nature of transaction*

Value creation — *BEPS – market etc.*

- **Are tax treaties equitable re: allocation?**
- **Is the PE concept fair to source State?**
- **How to balance efficiency and equity arguments?**

TAXATION RIGHTS ⟷ **NEED FOR PUBLIC GOODS** ⟷ **SUSTAINABLE DEVELOPMENT GOALS**

SOLUTIONS
- **Expanding the PE concept – Digital PE, extensions to service PE**
- **Expanding beyond PEs – 'Business connection' – Mexico Model**
- **Structural overhaul – 'Revenue Sharing' treaties**