Fundamental inequities in the allocation of taxing rights under tax treaties

**Issues and Possible Solutions**

1923 Economists’ Report

- Movable Property
- Immovable Property
- Residence

1927/1928 LoN Models

- General tax rights
- Source State
- Exception; PE concept; passive income

Mexico/London Models (1946)

- Source focus
- Business activity
- PE limited
- Residence focus, PE

Neutralities

- CEN, CIN, CON

Exclusive allocation

Balance both factors

Neutralities

- CEN not > CIN
- No CEN - limited credit

Public good provision

Productive use of tax revenue (if)

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