

Tax 3 Committee Hearing

How double taxation agreements impact developing countries' capacity to generate domestic revenue

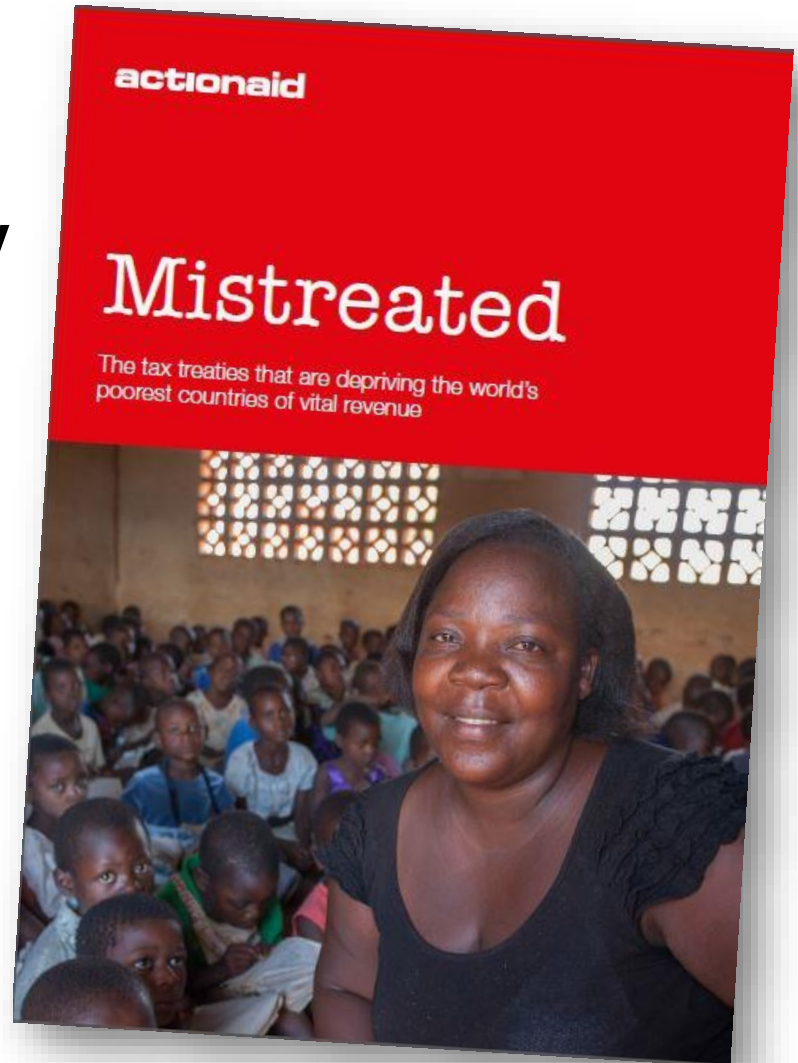
September 26, 2018

Hannah Brejnholt Tranberg

Tax Policy and Programme Manager, ActionAid Denmark

Three tax rights that urgently need to be restored :

- **Profit tax**
- **Withholding tax**
- **Capital gains tax**

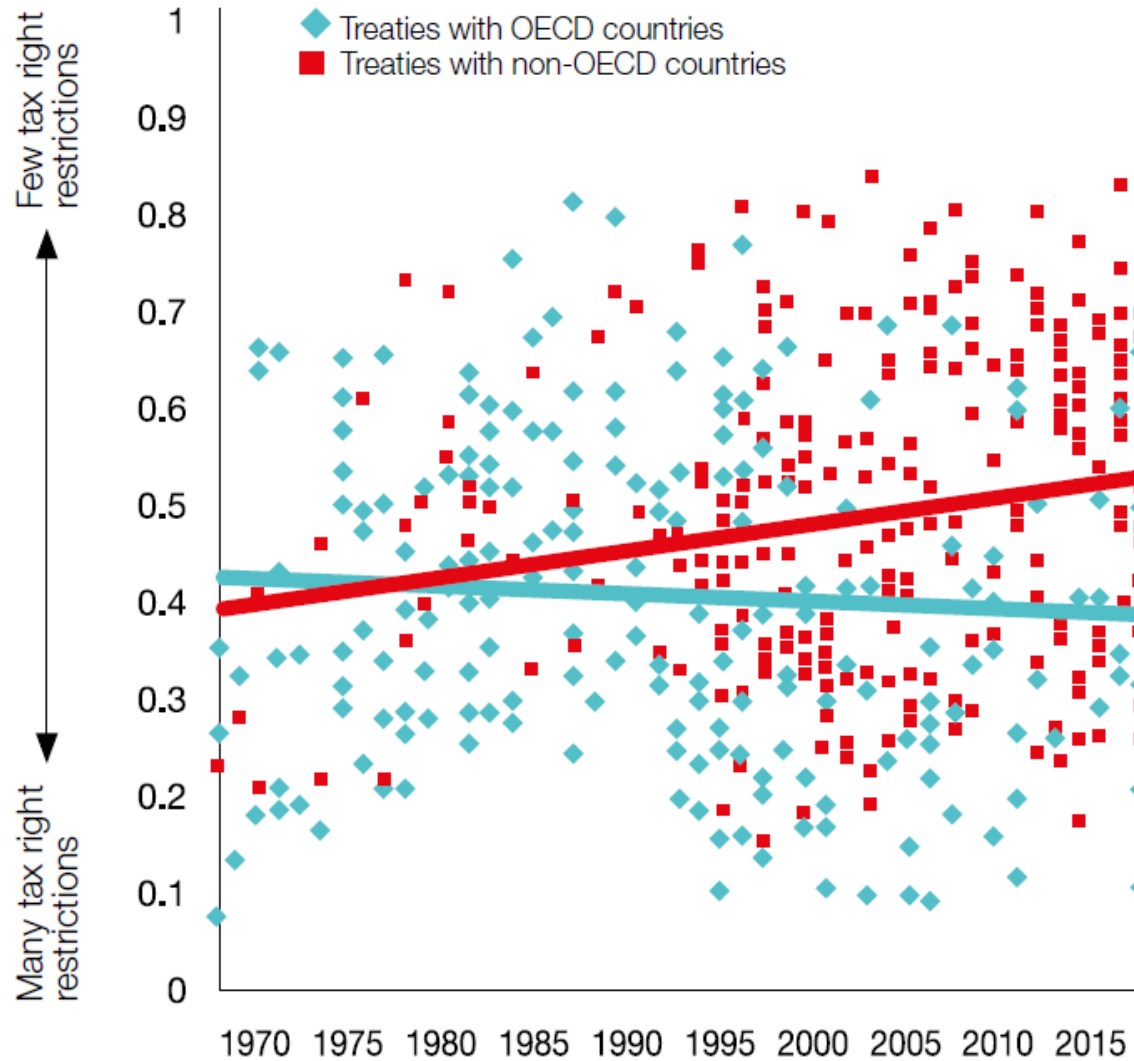


Bangladesh is one of the world's poorest countries. Each year, its tax treaties give US \$85 million to multinational companies in richer countries through a tax cut. This money could have paid for health services for 3.4 million Bangladeshis.

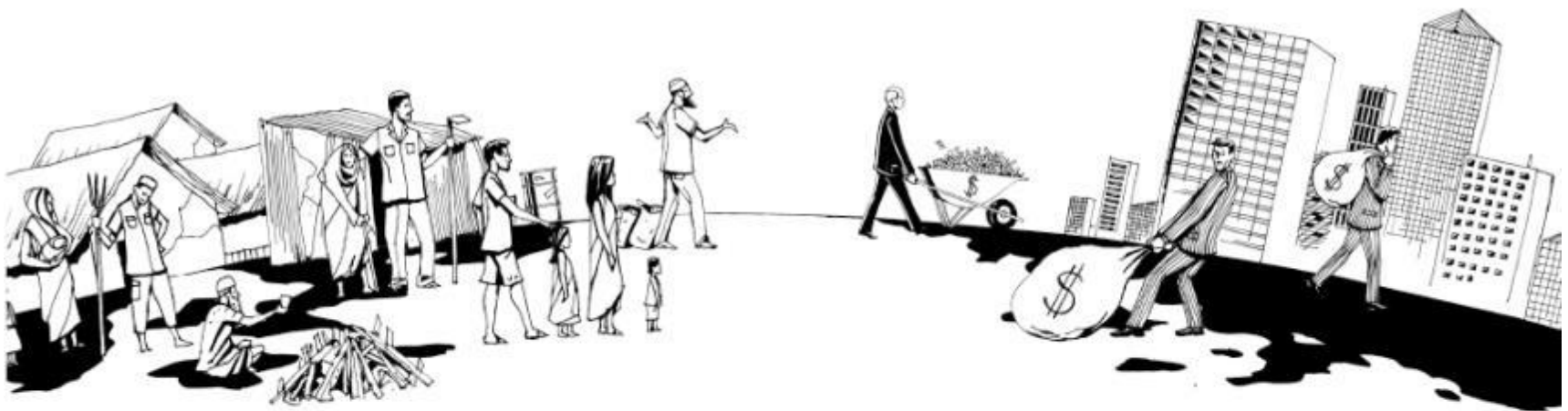


**Tax treaties cost developing countries
billions of dollars every year.**

#taxpaysfor



Tax treaties with the club of the world's richest countries – the OECD - are stopping poorer countries' power to tax multinational companies more than others. And it's been getting worse over time.



Tax treaties are deepening global inequality.

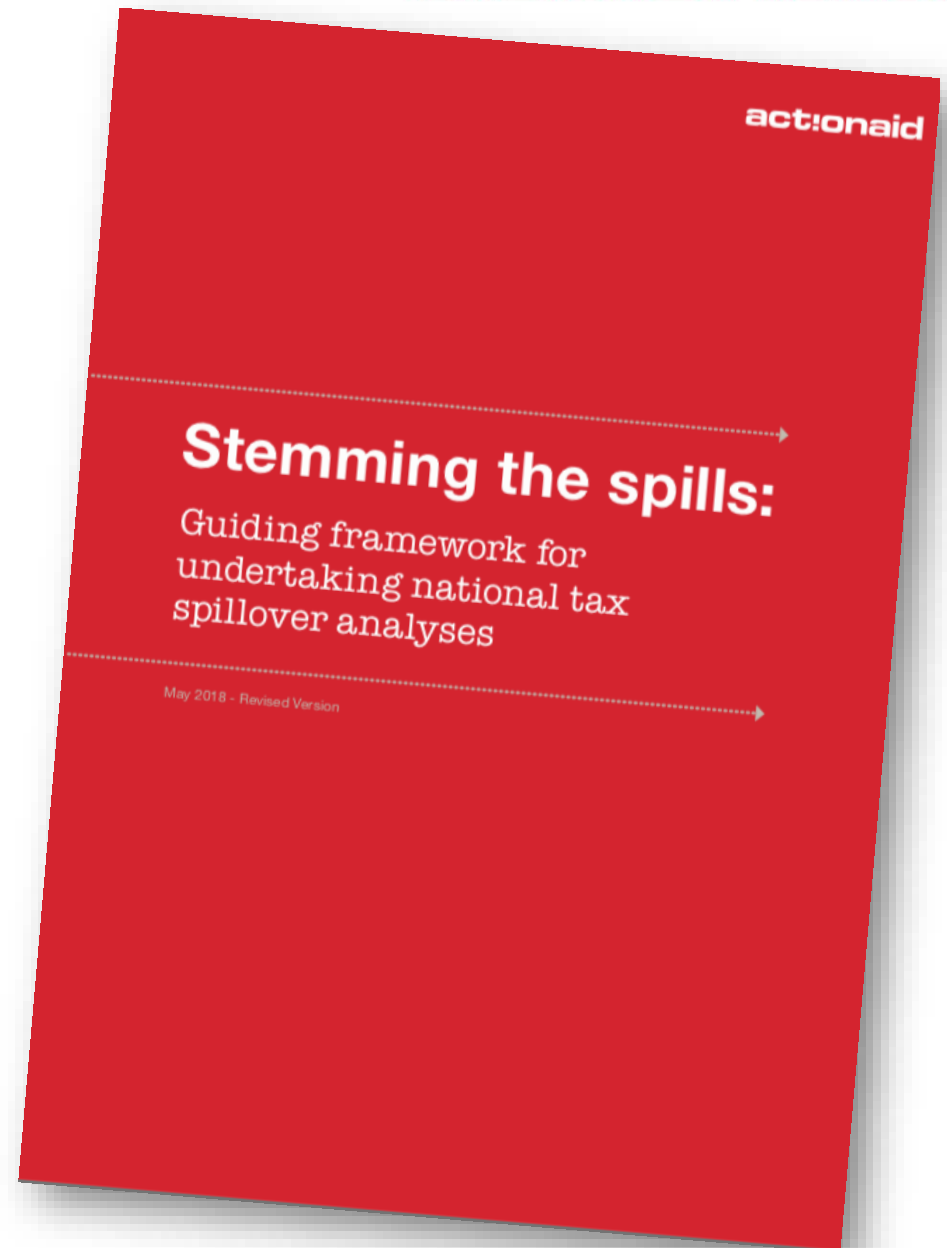
#taxpower

The total withholding tax lost in
Malawi and its journey to Australia



Recommended scope:

- **Domestic rules** incl. international cooperation
- **Double taxation treaties** (DTTs)
- **Transparency** measures
- **International cooperation**
- **Development finance institutions** (DFIs) policies



ActionAid briefing on The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting

Background

As part of the base erosion and profit shifting (BEPS) process which was initiated in 2013, the OECD was tasked to come up with recommendations on different areas of international tax standards.¹ One of the outcomes of the process was a Multilateral Convention (MC-BEPS)² to implement changes to tax treaties. Countries around the world are now being encouraged to sign this Convention, which is also known as the Multilateral Instrument (MLI). The Convention is meant to implement the following changes to tax treaties:

- Prevent hybrid mismatches
- Prevent treaty abuse
- Strengthen Permanent Establishment definitions
- Amend dispute resolution provisions

Any country can sign up to the Convention but no country has to. There is also a long list of reservations that countries can make against individual provisions in the Convention if they do sign up to it. Countries are also free to withdraw from the Convention at any time.

¹ For full details about the BEPS project, see <http://www.oecd.org/tax/beps/> and ActionAid's assessment from 2015 https://www.actionaid.org.uk/sites/default/files/publications/beps_-_patching_up_a_broken_tax_system_0.pdf

² www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-beps.htm

Thank you for your attention

