

**THE IMPACT OF CFA'S PARTNERSHIP PROGRAM WITH NON-OECD ECONOMIES**

**A SELF ASSESSMENT BY NOE PARTNERS IN 2002-2003**

	<b>Treaty Negotiation, Policy and Application</b>	<b>Transfer Pricing Legislation and Administration</b>	<b>Other Areas of Tax Policy and Administration</b>
<b>Europe</b>			
1	<ul style="list-style-type: none"> <li>• Our knowledge for developing tax treaty policy have been built through OECD events</li> <li>• The OECD events have been the most important source to develop technical and professional knowledge and negotiating skills for negotiating tax treaties</li> </ul>	<ul style="list-style-type: none"> <li>• The actual transfer pricing provisions in the new Income Tax Law are based on the OECD transfer pricing guidelines</li> <li>• The Transfer Pricing Regulation, and explanatory materials have been drafted based on the OECD transfer pricing guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• OECD is the main source in training our staff in international taxation</li> <li>• Influenced professional formation of our tax policy and administration experts</li> <li>• Establishing contacts with OECD countries and participants from other countries</li> </ul>
2	<ul style="list-style-type: none"> <li>• OECD experts have assisted our country to formulate and devise a tax treaty concept</li> <li>• OECD events on selecting negotiation tactics was very important to us</li> <li>• Materials for OECD events and the OECD Commentary are a basis for explanatory documents that we have prepared for regional tax inspections to ensure adequate interpretation and enforcement of tax treaties</li> </ul>	<ul style="list-style-type: none"> <li>• Developing TP policy based on OECD Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• We have used some of the OECD approaches, in particular, the event on the taxation of small and medium businesses</li> <li>• The creation of a department for major taxpayers was influenced by OECD events on Auditing Corporations</li> <li>• OECD materials have been used to develop training manuals</li> </ul>
3	<ul style="list-style-type: none"> <li>• In negotiating tax treaties and in applying and interpreting tax treaties use was made of knowledge and skills acquired at OECD events</li> </ul>	<ul style="list-style-type: none"> <li>• Work is underway to draft the law on TP and in the process we shall take into account OECD TP Guidelines as well as the expertise of staff who participated in the OECD events</li> </ul>	<ul style="list-style-type: none"> <li>• Benefited from a broad range of other issues and trends in the international taxation</li> <li>• In drafting the Tax Code we made use of the OECD recommendations, particularly in the area of international taxation</li> <li>• Knowledge and skills acquired in the course of the OECD events had a positive impact including indirect taxation, international tax evasion, VAT and e-commerce</li> </ul>

4	<ul style="list-style-type: none"> <li>• OECD events influenced our Non-Member positions and triggered some changes in our Tax Treaty Model</li> <li>• The exchange of opinions and discussions during the events clarify a lot of problems that Bulgaria had in applying Art 5, 7, 12 and in classifying some types of income</li> </ul>	<ul style="list-style-type: none"> <li>• Just starting to deal with transfer pricing problems</li> </ul>	<ul style="list-style-type: none"> <li>• The materials from OECD events are sometimes used in preparation of internal training courses</li> <li>• Tax policy was changed and legislation was enacted to deal with taxation of PE and allocation of income to PE, income of residents and non-residents and transfer pricing (no legislation yet)</li> </ul>
5	<ul style="list-style-type: none"> <li>• Use the OECD Model as a base</li> <li>• Case study in OECD events were useful in treaty negotiations</li> </ul>	<ul style="list-style-type: none"> <li>• The OECD transfer pricing guidelines are used as a basic framework and they have been useful in field audits</li> </ul>	<ul style="list-style-type: none"> <li>• Events on tax collection, design of tax laws, financial institutions and auditing multinationals have been used to improve our tax administration</li> <li>• Connection with representatives from other tax administrations were beneficial</li> <li>• Introduced withholding tax and transfer pricing provision as a result of OECD events</li> </ul>
6	<ul style="list-style-type: none"> <li>• OECD events provided useful information to formulate our tax treaty draft provisions</li> <li>• OECD explanatory notes and commentaries affect our negotiating strategies and help find suitable solutions for problems</li> </ul>	<ul style="list-style-type: none"> <li>• MOF has issued a regulation on application of transfer pricing that is comparable with OECD Guidelines</li> </ul>	<p>Tax officials have taken into account the experiences of other countries shared during the OECD seminars when</p> <ul style="list-style-type: none"> <li>- introducing CFC rules</li> <li>- providing more detailed regulations concerning pension contributions and benefits</li> <li>- setting up limits for tax incentives</li> <li>- changes in principles of auditing</li> <li>- introducing the substance over form principle in tax administration</li> <li>- improving electronic filing services</li> </ul>
7	<ul style="list-style-type: none"> <li>• Recommendations on tax treaty policy were given to the government based on experiences gained at OECD events</li> <li>• We use experience of OECD events in negotiating tax treaties</li> </ul>	<ul style="list-style-type: none"> <li>• We use experience acquired during OECD events in improving treatment of transfer pricing</li> <li>• OECD events are very helpful in administering transfer pricing and for preparation of explanatory materials for public use</li> </ul>	<ul style="list-style-type: none"> <li>• The OECD events are very helpful in preparation of explanatory materials for public use</li> </ul>

8	<ul style="list-style-type: none"> <li>• Whereas we adopted many OECD approaches, we have not yet participated in any of the OECD events</li> </ul>	<ul style="list-style-type: none"> <li>• Whereas we adopted many OECD approaches, we have not yet participated in any of the OECD events</li> </ul>	<ul style="list-style-type: none"> <li>• The newly established International Taxation Division and the authority delegated to it was influenced by the OECD's approach to Mutual Agreement Procedures, treaty interpretation and the procedure for exchange of information.</li> </ul>
9	<ul style="list-style-type: none"> <li>• The Model Tax Convention was elaborated in close co-operation with OECD experts</li> <li>• In developing tax treaty policy we used the events given at the OECD multilateral tax centres</li> <li>• OECD practice and experience studied during the events was also used in drafting of the regulations on application of treaty benefits</li> <li>• Explanations received during the events have been used to prepare materials on application of tax treaties for taxpayers</li> </ul>	<ul style="list-style-type: none"> <li>• The elaboration of the regulations on price adjustment in transactions between related parties was based on materials and knowledge obtained at events on transfer pricing and other OECD materials</li> </ul>	<ul style="list-style-type: none"> <li>• The following legislative changes were made based on materials and knowledge obtained in OECD seminar <ul style="list-style-type: none"> <li>- Introduction of indirect methods of income determination</li> <li>- Introduction of "tonnage tax"</li> <li>- Introduction of new regulations for application of tax treaty benefits</li> <li>- Progressive reduction of enterprise income tax rate</li> <li>- Introduction of valuation methods</li> </ul> </li> <li>• Tax Administration reform was carried out since 1998 and the background for the reform was experience and knowledge obtained in various OECD events</li> </ul>

10	<ul style="list-style-type: none"> <li>• The information introducing schemes of combating international tax avoidance presented during the OECD events have been taken into account in making decisions on the tax treaty partners as well as in improving the tax treaty model</li> <li>• Information provided during the various OECD events and workshops on international taxation is taken into account in the process of preparing the commentary on tax treaty</li> </ul>	<ul style="list-style-type: none"> <li>• Taking into account information provided during the OECD events as well as various material made available by the OECD, we established the right of the tax administrator to adjust the value of the transactions between the associated persons in new legislation</li> <li>• The information provided during the OECD events in particular with the view to the practical experience of the OECD countries will to the great extent contribute to the efficiency of the training in transfer pricing</li> <li>• The information provided during the OECD events and workshops as well as OECD guidelines on transfer pricing will considerably contribute to the preparation of the explanatory notes on transfer pricing</li> </ul>	<ul style="list-style-type: none"> <li>• The information provided as well as best practises of the OECD countries presented during the OECD events and the yearly OECD Global forums was taken into account when <ul style="list-style-type: none"> <li>- introducing in the new Law on Profit Tax basic provisions dealing with harmful tax competition and international tax avoidance.</li> <li>- improving the concept of the “permanent establishment” and incorporating the basic provisions of transfer pricing and controlled foreign companies legislation</li> <li>- drafted the new <u>Law on Real Estate Tax</u></li> <li>- contributed to the process of incorporating the provisions incorporating substance over form and auditing of multinationals in the new Law on Tax Administration</li> </ul> </li> </ul>
11	<ul style="list-style-type: none"> <li>• Never attended OECD events</li> </ul>	<ul style="list-style-type: none"> <li>• Never attended OECD events</li> </ul>	<ul style="list-style-type: none"> <li>• Have benefited from attendance at Global Forum Working Group on Effective Exchange of Information and Global Forum on Taxation – Joint AD Hoc Group on Accounts</li> </ul>
12	<ul style="list-style-type: none"> <li>• The OECD seminars assists in revising of the draft of the convention and the enlargement of the tax treaties networks</li> <li>• The OECD seminars relating to simulating of the negotiation of the tax treaties were very highly appreciated – skills of the negotiators are improved by this kind of seminar</li> <li>• The explanations received from OECD seminars are useful in answering to the taxpayers requests</li> </ul>	<ul style="list-style-type: none"> <li>• The three main transfer pricing methods have been included in our legislation</li> </ul>	<ul style="list-style-type: none"> <li>• OECD guidelines and principles were used in the following new laws <ul style="list-style-type: none"> <li>- transfer pricing</li> <li>-concept of permanent establishment</li> <li>- taxation of individuals carrying out dependent activities</li> </ul> </li> <li>• A bureau for exchange of information for tax treaties was set up taking into consideration the explanations and the materials received from OECD</li> </ul>

13	OECD events have led to improvements in development of tax treaty policy, negotiation, application and interpretation of tax treaties	<ul style="list-style-type: none"> <li>OECD events have led to improvements in development of transfer pricing policy, administration of transfer pricing and preparation of materials for public use</li> </ul>	
14	<ul style="list-style-type: none"> <li>Changes to Model were presented and discussed at the OECD events</li> <li>OECD events provided us with specific knowledge and helped us in identifying important questions that have to be cleared in full in treaty negotiation, help us formulate the proper wording of some Articles, provided us with important experiences and practical solutions to the problems that have already arisen in the application of tax treaties</li> <li>Materials presented at OECD events are of a great importance in preparing explanatory materials relating to tax treaty application</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge and experiences gained at OECD events were helpful and very useful for us in preparing the draft of the new CIT Law on transfer pricing</li> <li>Practical examples discussed during the events were very helpful in preparing transfer pricing regulations</li> </ul>	<ul style="list-style-type: none"> <li>Participation and involvement in OECD events provided us with access to important data on recent developments in international taxation which enabled us to prepare drafts in such a way that they meet international standards</li> <li>New laws aimed at meeting international standards were prepared considering the tax policy of the OECD member countries and that is where the OECD events and materials proved as indispensable support</li> </ul>
15	<ul style="list-style-type: none"> <li>OECD events have been used to improve tax treaty policy, in concluding tax treaties and their enforcement, issuance of tax resident certificates and non-resident withholding tax reduction (exemption)</li> <li>OECD workshop materials are used when conducting negotiations with other countries, in enforcement and interpretation of tax treaties</li> </ul>	<ul style="list-style-type: none"> <li>State Tax Service has set up a Working Group to draft transfer pricing regulation based on OECD guidelines</li> </ul>	<ul style="list-style-type: none"> <li>OECD events and materials have been used in providing services to taxpayers, in conducting tax audits, in training specialists and in the process of general tax administration</li> <li>Information received from other countries (such as the Baltic countries on transfer pricing policy) has been very useful</li> </ul>
<b>Latin America</b>			
1	<ul style="list-style-type: none"> <li>OECD events provide understanding of intention of treaty provisions and when it may be necessary to modify a particular provision in negotiation</li> </ul>	<ul style="list-style-type: none"> <li>Transfer pricing rules are based on OECD model. Case studies are very helpful for cases where residents of treaty partners are involved</li> </ul>	<ul style="list-style-type: none"> <li>Benefited from OECD events in developing its tax havens policy because we have designed defensive measures for which OECD surveys have been very useful</li> </ul>

2	<ul style="list-style-type: none"> <li>• During 2003 the Minister of Economy is evaluating our international tax treaty network. The OECD Global Forum has contributed significantly to this purpose</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer pricing laws enacted 2 years ago, we are developing the rest of the regulations and training auditors</li> </ul>	<ul style="list-style-type: none"> <li>• We introduced changes in our legislation as a result of participation in OECD forums on harmful tax competitions</li> <li>• OECD Model Convention and the Global Forums gave us the opportunity to recognise the progress of the international community in taxation matters</li> </ul>
<b>Asia</b>			
1	<ul style="list-style-type: none"> <li>• We use suggestions and recommendations given in the OECD Model in our practice and apply the newly developed texts when negotiating tax treaties</li> <li>• We use some text in OECD Model when preparing explanatory materials</li> </ul>	<ul style="list-style-type: none"> <li>• We use some materials of OECD Model for reference to develop China's transfer pricing policy</li> <li>• OECD events have been of great help especially the case study shows the way of choosing comparable information and distinguishing different associated transactions</li> <li>• We cite OECD course materials when preparing explanatory materials for public use and internal training</li> </ul>	<ul style="list-style-type: none"> <li>• We have used OECD events to make numerous changes in improving taxpayer services – including setting up a taxpayer service department and tax auditing for international enterprises</li> <li>• We are in the process of unifying tax policies concerning foreign and domestic enterprises.</li> <li>• Further changes to tax policy and laws will be made in accordance with OECD materials and international practices</li> </ul>
2	<ul style="list-style-type: none"> <li>• Participants benefit from improving their overall understanding of policy issues, and their understanding of the benefits a treaty may bring in facilitating sustainable economic development</li> <li>• Events also helped make aware of various international tax avoidance problems</li> <li>• Improve the competency of treaty negotiators</li> <li>• Leads to a level of common understanding on relevant treaty issues and enhance the feasibility of concluding treaties between non-member countries</li> </ul>	<ul style="list-style-type: none"> <li>• We have proposed an amendment to the Tax Law based on the OECD transfer pricing guidelines. The regulation also obliges the taxpayer to apply for advance price arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Allow us to keep track of new global trends in tax policy and make appropriate adjustments to our tax system whenever international tax policy changes</li> </ul>

3	<ul style="list-style-type: none"> <li>• The participants appreciated the high standard and experience of the instructors and found the negotiation skills learnt from the course practical and beneficial</li> <li>• OECD events on tax treaties enhance our understanding of the commentaries</li> <li>• Discussions held at OECD events formed valuable references when tax treaties are negotiated with the particular participants' countries in future</li> </ul>	<ul style="list-style-type: none"> <li>• Notwithstanding the absence of specific legislation on transfer pricing in the country, we find OECD events on transfer pricing most helpful in our application of the arm's length principle to evaluate the pricing arrangements between associated companies</li> </ul>	<ul style="list-style-type: none"> <li>• Some of the course materials formed the basis of our own study which has been published as practice guide</li> <li>• Participating in OECD events help us keeping abreast of the developments on various tax issues as well as being better informed of the developments in other tax regimes</li> <li>• OECD events on tax treaties and exchange of information have been most helpful in our negotiation with our potential treaty partners</li> </ul>
4	<ul style="list-style-type: none"> <li>• OECD events improve our tax treaty management as they enhance the understanding of underlying principles of the various Articles and its paragraphs</li> </ul>	<ul style="list-style-type: none"> <li>• We have not officially issued but in developing and preparing the Transfer Pricing Policy we have used the methodology as prescribed in the OECD transfer pricing guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• The OECD audit programme has facilitated our policy and administration procedures from formal assessment to self assessment</li> </ul>
5		<ul style="list-style-type: none"> <li>• We have introduced the simple transfer pricing rule in tax law and prepared transfer pricing guidelines for tax inspectors</li> </ul>	<ul style="list-style-type: none"> <li>• Change transfer pricing rules based on OECD guidelines and adopt thin capitalisation rules</li> <li>• Develop training materials based on OECD course materials</li> </ul>
6	<ul style="list-style-type: none"> <li>• Events on tax treaties provided opportunities for understanding certain OECD country's positions and concepts, gave us insights on the likely problems that could arise if the drafting of the provisions are not tight enough</li> </ul>	<ul style="list-style-type: none"> <li>• We follow closely the OECD's principle on what is arm's length basis</li> <li>• The events provide to a certain extent experiences on how some of the practical difficulties could be resolved</li> </ul>	<ul style="list-style-type: none"> <li>• Uses OECD materials on tax treatment of Electronic Commerce</li> <li>• We do use OECD's overall developments in the area of international taxation as reference materials</li> </ul>
7	<ul style="list-style-type: none"> <li>• Discussions in the OECD events on the principles underlying treaty provisions are very useful.</li> </ul>	<ul style="list-style-type: none"> <li>• New international taxation unit has been established and we will be able to make use of the OECD events to improve the treatment of transfer pricing in the future</li> </ul>	
8	<ul style="list-style-type: none"> <li>• Tries to follow the OECD Model to lessen the dispute</li> </ul>	<ul style="list-style-type: none"> <li>• We apply Arm's Length Principle as well as TP Methodologies in OECD Transfer Pricing Guidelines in formulating its new taxation ruling on transfer pricing. The OECD events have been used to develop our transfer pricing events for the department's officials</li> </ul>	<ul style="list-style-type: none"> <li>• We have adopted the OECD Transfer Pricing Guidelines in formulating our new taxation ruling on transfer pricing.</li> </ul>

9	<ul style="list-style-type: none"> <li>• OECD events were used to guide regional tax offices to concretise tax policies on recognised tax treaties and guide taxpayers to implement their liabilities</li> <li>• Use knowledge and experience obtained from OECD event in negotiation</li> </ul>	<ul style="list-style-type: none"> <li>• We are developing transfer pricing policy</li> <li>• We have used OECD transfer pricing policy in providing regulations (Circulars)</li> </ul>	<ul style="list-style-type: none"> <li>• OECD materials have been used <ul style="list-style-type: none"> <li>- to study and revise the process of VAT administration</li> <li>-as research materials to determine whether to switch from official to self assessment system</li> </ul> </li> </ul>
<b>Africa</b>			
1			<ul style="list-style-type: none"> <li>• Benefited from attendance at the Global Forum events since 2000</li> <li>• Attended meetings of TAGs on E-Commerce</li> </ul>
2	<ul style="list-style-type: none"> <li>• OECD events have been used to revise draft DTA, information circular and training</li> <li>• OECD events have helped develop better understanding of treaty articles and commentaries have been used to convince negotiating partners, taxpayers and practitioners on the appropriateness of certain events of action</li> </ul>	<ul style="list-style-type: none"> <li>• We have approached the OECD for assistance over transfer pricing guidelines</li> <li>• Principles and knowledge acquired are being used to scrutinise transactions</li> <li>• OECD materials were used in tax circular currently being developed</li> </ul>	<ul style="list-style-type: none"> <li>• OECD materials have been used to develop information circular and taxpayer education, training of staff and strengthening of tax treaty agreements, more efficient audit procedure</li> <li>• Tax policy and law are being reviewed by a government appointed body</li> </ul>
3	<ul style="list-style-type: none"> <li>• Country model developed taking into account advances proposed by the OECD in areas such as exchange of information, Art 14, assistance with collection</li> <li>• OECD model also used to create a model for the SADC region</li> <li>• Areas discussed during typical negotiations have been facilitated by experience gained from OECD events</li> <li>• Publication of material (eg. place of effective management) for public</li> </ul>	<ul style="list-style-type: none"> <li>• Use OECD events (and other international publications) to improve transfer pricing policy</li> </ul>	<ul style="list-style-type: none"> <li>• OECD materials were used in the following <ul style="list-style-type: none"> <li>- Changing from a source-based income tax system to a residence-based income tax system</li> <li>- CFC legislation</li> <li>- CGT legislation</li> </ul> </li> <li>• Using the policy work/design on harmful tax competition in the SADC Tax Subcommittee as theoretical basis</li> <li>• OECD materials used in SA's work on tax incentives, CFC legislation</li> <li>• GF facilitates networking and discussion of problem areas</li> </ul>