Treasury, OECD Officials Discuss International Tax Developments

by Christopher M. Netram

The OECD's 2005 tax agenda will focus on treaties, transfer pricing, and consumption tax issues, the OECD's Jeffrey Owens said in Washington on January 13, while Treasury's Barbara Angus said that the United States should continue reforming its international tax regime.

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Treasury International Tax Counsel Barbara Angus said January 13 that the United States should continue reforming its international tax regime and praised the OECD's role in the tax treaty process. Speaking at the same conference in Washington, Jeffrey Owens, director of the OECD Centre for Tax Policy and Administration, said the OECD's 2005 tax agenda will focus on treaties, transfer pricing, and consumption tax issues.

Angus praised the American Jobs Creation Act of 2004 (P.L. 108- 357) for updating international tax rules that were "woefully out of date," although she added that "the job is not finished." Guidance must still be promulgated "to ensure the most beneficial and appropriate implementation" of the Jobs Act, she said. While the law, which repealed the extraterritorial income exclusion, provides a good update to international tax rules, "a more fundamental reexamination" is appropriate, she said.

Angus cited recent government actions to expand and update the U.S. treaty network as "major accomplishments." However, getting a treaty in place doesn't accomplish anything "if the signatories don't abide" by their obligations, she said. The OECD assists in mitigating conflicts by providing a multilateral basis in which treaty partners may talk. In a multilateral context, countries are "more focused on finding the correct answer", rather than assessing winners and losers, as occurs in the bilateral context, Angus said. The United States, she said, must take the long view about what is best for its interest and the interests of the U.S. business community.

"Sometimes a clear answer is better than holding out for exactly where we want to be in an ideal situation," said Angus.

Staying Relevant

Owens said that it is "important to maintain the relevance" of the OECD transfer pricing guidelines issued in 1995. To make sure the guidelines stay fresh, he said that the OECD needs to continually extend the guidelines to new ways of doing business, monitor the application of the guidelines, and reach out to non-OECD countries to ensure consistency of principles.

"Frankly, there is much more we can do to get consistent application of the guidelines," said Owens, who stressed the need to continually monitor countries' application of transfer pricing rules. He cited the recently completed Mexican transfer pricing study as a successful way of monitoring, and said that he would "like the OECD to do more reviews."

The OECD also plans to address treaty issues during 2005, including changes to article 26 of the model tax convention and changes to the commentary on article 5. The article 5 changes will "clarify generally agreed views," Owens said. Consumption tax issues will also be on the agenda. From his conversations with the business community, Owens is "hearing that cross-border VAT issues are equally as important -- if not more important than -- cross-border income tax issues."

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