THE COMMITTEE ON INTERNATIONAL ECONOMIC POLICY

in cooperation with

THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

International Double Taxation

By

PAUL DEPERON

1945

The immediate aim of the Committee on International Economic Policy is to further the serious and competent consideration of the issues which confront all the free peoples of the world and which imply their useful cooperation in reconstructing their economy after the victory of the United Nations.

To that end the Committee will welcome the cooperation of all organizations and individuals who are interested, and will be happy to receive the comments and suggestions which it hopes that the publication of a series of papers from its Advisory Committee on Economics may call forth.

The Committee looks forward to an exchange of views and data with all other committees engaged in postwar studies.

THE COMMITTEE ON
INTERNATIONAL ECONOMIC POLICY
405 West 117th Street
New York 27, N. Y.

February 21, 1945

THE ADVISORY COMMITTEE ON ECONOMICS

to

THE COMMITTEE ON INTERNATIONAL ECONOMIC POLICY

The following study by Paul Deperon, Member of the Secretariat of the League of Nations and Secretary of the Fiscal Committee, is one of a series prepared for the Advisory Committee on Economics to the Committee on International Economic Policy. The views expressed in each of these studies are those of the author.

INTERNATIONAL DOUBLE TAXATION

SUMMARY

Discriminatory taxation of foreign business and investment and international double taxation, i.e., concurrent taxation by two or more countries of the same income, estate or other taxable object, are practices that must be avoided or corrected if the spirit of the Atlantic Charter is to prevail in economic and financial intercourse after the war.

The solution of these difficulties has to be sought through measures of internal legislation and also through special tax treaties if only on account of the complexity of the technical questions which are involved in the mutual adjustment of national tax systems which is thus required. Such tax treaties must in the first place take into account the present differences in the economic development, commercial and financial position, and the structure of the respective tax systems of the countries concerned. In the second place, they must assure reciprocity in the concessions by a country to another country or to the taxpayers of that country in order to assure an equitable and sound tax treatment for individuals and corporations under the jurisdiction of both countries.

Largely as a result of the work undertaken by the League of Nations since 1921, there existed before the war in Europe a fairly complete network of treaties for the avoidance of international double taxation and fiscal evasion, and the United States joined that movement in the 'thirties.

The latest results of the work of the Fiscal Committee have been codified at a regional tax conference held in July, 1943, in Mexico City. This conference presented the results of its labors in the form of three coordinated model conventions covering the various aspects of international tax relations. These models are destined to serve as a basis in negotiations between national tax authorities. They proceed from the fundamental conception that a balance has to exist between the taxing rights of the country where a taxpayer is resident and of that where his property or the source of his income is situated. The recommendations made concerning the suppression of fiscal evasion should prove of value for the development of international trade not only because they render more acceptable to national treasuries the sacrifices involved in the elimination of double taxation but also because they discourage unsound financial transfers.

Several countries have recently entered into more or less formal negotiations on the basis of the new model conventions and the provisions of the latter have been indorsed by the Third Conference of the Inter-American Bar Association.