# Table of Contents

Foreword vii

List of Abbreviations xvii

VAT/GST Model Tax Convention 1

## Part One

Introduction

## Part Two

VAT/GST Double (Non-)Taxation and Possible Remedies

### Chapter 2: VAT/GST Double (Non-)Taxation 27

2.1. The rise of a problem 27
2.2. Defining double taxation 35
2.3. Causes of double (non-)taxation 37
2.4. Intra-Community double (non-)taxation outside scope of book 46

### Chapter 3: Strategies Against VAT Double (Non-)Taxation 49

3.1. Categorizing strategies to prevent VAT double (non-) taxation 49
3.2. Non-coordinated unilateral measures 50
3.3. Coordinated unilateral measures – The way of the OECD 54
3.4. Bilateral measures 57
3.5. Multilateral measures that only limit taxing rights 65
3.6. Multilateral measures that lead to harmonization 69

### Chapter 4: Best-Suited Strategy Against VAT Double Taxation: A Mix of Instruments 73

### Chapter 5: Extension of Existing Income Tax Treaties to VAT/GST? 79

5.1. The problem of “person”, “resident” and “liable to tax” 79
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.2</td>
<td>The need to distinguish between supplies of tangible goods and other supplies</td>
<td>138</td>
</tr>
<tr>
<td>11.3</td>
<td>Proxies for supplies and imports of tangible property</td>
<td>140</td>
</tr>
<tr>
<td>11.4</td>
<td>Proxies for other supplies</td>
<td>141</td>
</tr>
<tr>
<td>11.5</td>
<td>Distinction between supplies of services to business (B2B) and non-business customers (B2C)</td>
<td>143</td>
</tr>
<tr>
<td></td>
<td>11.5.1. Rationale for a distinction</td>
<td>143</td>
</tr>
<tr>
<td></td>
<td>11.5.2. Treatment of input taxed business customers and non-business customers registered for VAT</td>
<td>146</td>
</tr>
<tr>
<td></td>
<td>11.5.3. Verification of customer status and jurisdiction</td>
<td>149</td>
</tr>
<tr>
<td>11.6</td>
<td>Fixed establishments</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td>11.6.1. The role of fixed establishments</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td>11.6.2. Fixed establishment vs OECD permanent establishment</td>
<td>155</td>
</tr>
<tr>
<td></td>
<td>11.6.3. Treatment of internal dealings irrelevant for distributive rules of a VAT treaty</td>
<td>161</td>
</tr>
<tr>
<td>11.7</td>
<td>Supplies involving more than two persons</td>
<td>165</td>
</tr>
<tr>
<td>11.8</td>
<td>Group taxation</td>
<td>168</td>
</tr>
</tbody>
</table>

**Chapter 12: Criteria for the Design and Evaluation of VAT/GST Treaty Rules**  
12.1. EU place of taxation rules as starting point for analysis | 171  
12.2. Criteria for design and evaluation of distributive rules | 173  

**Part Four**  
A Separate, Independent VAT/GST Treaty

**Chapter 13: Income Tax Treaties as Starting Point for Development of a VAT/GST Treaty**  
13.1. Use of concept and structure of income tax treaties | 177  
13.2. Private international law not an alternative | 178  

**Chapter 14: Scope of the Treaty**  
14.1. Personal scope | 181  
14.2. Limitation of scope to cases where a contracting state maintains right to tax | 187  
14.3. Substantive scope | 190  
14.4. Territorial scope | 195  
14.5. Temporal scope | 196  

xi
Table of Contents

Chapter 15: The Problem of Unintentional Double Non-Taxation 199

Chapter 16: Definitions 203

16.1. The purpose of definitions 203
16.2. Definitions in the VAT treaty 210
   16.2.1. Supply 210
   16.2.2. Supplies of tangible goods 211
   16.2.3. Supplies of services 214
   16.2.4. Mixed supplies 216
   16.2.5. Person 217
   16.2.6. Business 217
   16.2.7. Non-business 222
   16.2.8. Business-to-business (B2B) and business-to-consumer (B2C) supplies 222
   16.2.9. Supplier 223
   16.2.10. Customer 224
   16.2.11. State where a person is located 224
   16.2.12. “Competent authority” and “national” 234
   16.2.13. Fixed establishment 235
   16.2.14. Terms defined elsewhere in this book 238
   16.2.15. Further terms that could be defined if considered necessary 240
   16.2.16. Terms that need not be defined because they should generally be clear 242

Chapter 17: Distributive Rules 243

17.1. The function and system of distributive rules 243
17.2. Rules for supplies of tangible goods 249
   17.2.1. VAT treaty distributive rule 249
   17.2.2. General considerations 250
   17.2.3. EC VAT Directive 250
   17.2.4. Substantive jurisdiction 252
   17.2.5. Neutrality 252
   17.2.6. Compliance burden 254
   17.2.7. Compliance supervision and enforcement jurisdiction 255
   17.2.8. Simplicity and certainty 257
   17.2.9. Other considerations 259
17.3. Rules for supplies of services and intangible goods to non-taxable persons (B2C) 261
17.3.1. General considerations 261
17.3.2. The basic rule (B2C) 263
   17.3.2.1. VAT treaty distributive rule 263
   17.3.2.2. Role and relation to special rules 263
   17.3.2.3. EC VAT Directive 264
   17.3.2.4. Substantive jurisdiction 264
   17.3.2.5. Neutrality 265
   17.3.2.6. Compliance burden 266
   17.3.2.7. Compliance supervision and enforcement jurisdiction 267
   17.3.2.8. Simplicity and certainty 268
   17.3.2.9. Fixed establishment 269
   17.3.2.10. Other considerations (international passenger transport) 271
17.3.2.11. Conclusion 273
17.3.3. Special rules (B2C) 274
   17.3.3.1. Justifications for special rules 274
   17.3.3.2. Services that can be performed from a remote location 275
      17.3.3.2.1. General considerations 275
      17.3.3.2.2. Substantive jurisdiction 277
      17.3.3.2.3. Neutrality 278
      17.3.3.2.4. Compliance burden 282
      17.3.3.2.5. Compliance supervision and enforcement jurisdiction 284
      17.3.3.2.6. Simplicity and certainty 288
      17.3.3.2.7. Fixed establishment 291
      17.3.3.2.8. Conclusion 291
   17.3.3.3. Services that are performed at or connected with a place that is easily determinable 293
      17.3.3.3.1. General considerations 293
      17.3.3.3.2. Substantive jurisdiction 294
      17.3.3.3.3. Neutrality 295
      17.3.3.3.4. Compliance burden 296
      17.3.3.3.5. Compliance supervision and enforcement jurisdiction 297
      17.3.3.3.6. Simplicity and certainty 300
      17.3.3.3.7. Fixed establishment 302
      17.3.3.3.8. Other considerations 302

xiii
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.3.3.3.9. Conclusion</td>
<td>304</td>
</tr>
<tr>
<td>17.3.3.4. Services connected with the importation of tangible goods</td>
<td>305</td>
</tr>
<tr>
<td>17.3.3.4.1. Services connected with the importation of tangible goods</td>
<td>312</td>
</tr>
<tr>
<td>17.3.3.4.1.1. EC VAT Directive</td>
<td>312</td>
</tr>
<tr>
<td>17.3.3.4.1.2. VAT treaty distributive rule</td>
<td>313</td>
</tr>
<tr>
<td>17.3.3.4.1.3. Further comments</td>
<td>313</td>
</tr>
<tr>
<td>17.3.3.4.2. Services physically connected with immovable property</td>
<td>314</td>
</tr>
<tr>
<td>17.3.3.4.2.1. EC VAT Directive</td>
<td>314</td>
</tr>
<tr>
<td>17.3.3.4.2.2. VAT treaty distributive rule</td>
<td>315</td>
</tr>
<tr>
<td>17.3.3.4.2.3. Further comments</td>
<td>315</td>
</tr>
<tr>
<td>17.3.3.4.3. Transport</td>
<td>319</td>
</tr>
<tr>
<td>17.3.3.4.3.1. EC VAT Directive</td>
<td>319</td>
</tr>
<tr>
<td>17.3.3.4.3.2. VAT treaty distributive rule</td>
<td>320</td>
</tr>
<tr>
<td>17.3.3.4.3.3. Further comments</td>
<td>320</td>
</tr>
<tr>
<td>17.3.3.4.4. Hiring of means of transport</td>
<td>321</td>
</tr>
<tr>
<td>17.3.3.4.4.1. EC VAT Directive</td>
<td>321</td>
</tr>
<tr>
<td>17.3.3.4.4.2. VAT treaty distributive rule</td>
<td>323</td>
</tr>
<tr>
<td>17.3.3.4.5. Services for which the place of performance can easily be determined</td>
<td>323</td>
</tr>
<tr>
<td>17.3.3.4.5.1. EC VAT Directive</td>
<td>323</td>
</tr>
<tr>
<td>17.3.3.4.5.2. VAT treaty distributive rule</td>
<td>325</td>
</tr>
<tr>
<td>17.3.3.4.5.3. Further comments</td>
<td>325</td>
</tr>
<tr>
<td>17.3.3.4.6. Cultural, artistic, sporting, scientific, educational, entertainment and similar activities</td>
<td>326</td>
</tr>
<tr>
<td>17.3.3.4.6.1. EC VAT Directive</td>
<td>326</td>
</tr>
<tr>
<td>17.3.3.4.6.2. VAT treaty distributive rule</td>
<td>327</td>
</tr>
</tbody>
</table>
17.3.4.6.3. Further comments 327

17.3.4.7. Services that can be provided from a remote location 329
  17.3.4.7.1. EC VAT Directive 329
  17.3.4.7.2. VAT treaty distributive rule 333
  17.3.4.7.3. Further comments 334

17.3.4.8. Services by intermediaries 336
  17.3.4.8.1. EC VAT Directive 336
  17.3.4.8.2. VAT treaty distributive rule 337

17.4. Rules for supplies of services and intangible goods to taxable persons (B2B) 337
  17.4.1. The basic rule (B2B) 337
    17.4.1.1. VAT treaty distributive rule 337
    17.4.1.2. General considerations 338
    17.4.1.3. EC VAT Directive 341
    17.4.1.4. Substantive jurisdiction 342
    17.4.1.5. Neutrality 345
    17.4.1.6. Compliance burden 347
    17.4.1.7. Compliance supervision and enforcement jurisdiction 349
    17.4.1.8. Simplicity and certainty 352
    17.4.1.9. Fixed establishment 353
    17.4.1.10. Conclusion 362
  17.4.2. Special rules (B2B) 363
    17.4.2.1. Justification for special rules 363
    17.4.2.2. Services connected with the importation of tangible goods 364
      17.4.2.2.1. General considerations 364
      17.4.2.2.2. Substantive jurisdiction 365
      17.4.2.2.3. Neutrality 366
      17.4.2.2.4. Compliance burden 366
      17.4.2.2.5. Compliance supervision and enforcement jurisdiction 367
      17.4.2.2.6. Simplicity and certainty 368
      17.4.2.2.7. Fixed establishment 368
      17.4.2.2.8. Other considerations 368
      17.4.2.2.9. Conclusion 369
    17.4.2.3. Services where distinction between B2B and B2C would risk abuse and cause disproportional compliance burden for the supplier 369
Table of Contents

17.5. Supplies of tangible goods and services on board ships, aircraft or trains 374
   17.5.1. VAT treaty distributive rules 374
   17.5.2. Arguments for a special rule 376
17.6. Undisclosed agents 377
   17.6.1. VAT treaty distributive rule 377
   17.6.2. Arguments for a special rule 378

Chapter 18: Associated Businesses 383

Chapter 19: Methods to Avoid Double Taxation 389

Chapter 20: Non-Discrimination and Administrative Cooperation 393
   20.1. Non-Discrimination (article 24 of the OECD Model) 393
      20.1.1. General applicability 393
      20.1.2. Discrimination based on nationality 394
      20.1.3. Discrimination in the taxation of permanent establishments 395
      20.1.4. Other paragraphs of article 24 of the OECD Model 404
      20.1.5. Conclusion: A separate non-discrimination provision in a VAT treaty 405
   20.2. Mutual Agreement Procedure (article 25 of the OECD Model) 407
   20.3. Exchange of Information (article 26 of the OECD Model) 412
   20.4. Assistance in the Collection of Taxes (article 27 of the OECD Model) 420

Part Five
   Conclusion

Chapter 21: Conclusion 429

References 433

Other Titles in the IBFD Doctoral Series 471