

Table of Contents

<i>Table of Cases</i>	xv
<i>List of Abbreviations</i>	xxvii
1. Introduction	1
1. Taxation and Statehood	2
2. Terminology	3
2.1 English as the lingua franca	3
2.2 International law of taxation	4
2.3 International tax law	5
2.4 The international tax regime	6
3. History of the International Tax Regime	6
3.1 The international tax regime until 1920	7
3.2 The League of Nations as the leading international tax organization in and after the 1920s	8
3.3 The post-Second World War phase and the rise of the OECD in the 1950s and 1960s	9
3.4 The G20 in the driver seat in the new century	11
3.5 Excursus: development aid and the international tax regime	12
4. Institutions and Main Actors	14
4.1 Introduction	14
4.2 The UN and its work on taxation	15
4.3 The OECD and its work in the field of taxation	16
4.4 The Inclusive Framework	18
4.5 The Global Forum	18
5. Sovereignty in Tax Matters	19
5.1 Sovereignty in international law	19
5.2 Jurisdiction to tax	22
5.2.1 The genuine link as a connective factor in international tax law	22
5.2.2 Worldwide and territorial taxation	23
5.2.3 Source and residence—terminology	25
5.3 Double income taxation is systemic	26

x Table of Contents

2. Sources of the International Law of Taxation	28
1. Overview	28
2. The International Tax Law Regime—a Treaty-based Regime	29
2.1 Interpretation of tax treaties	29
2.1.1 Grammatical element (textual approach)	30
2.1.2 Teleological element (purposive interpretation)	31
2.1.3 Systematic element (contextual interpretation)	32
2.1.4 Supplementary means of interpretation (Art 32 VCLT)	33
2.1.5 Relevance of the domestic laws	33
2.1.6 The value of the OECD and UN commentaries	36
2.2 Multilateral and bilateral tax treaties	38
2.3 Double tax treaties	40
2.3.1 Model conventions	40
2.3.2 The importance of the domestic laws	40
2.3.3 Steps in the application of a double tax treaty	41
2.3.4 Scope of the convention	46
2.3.5 Allocation rules	50
2.3.6 Special provisions	99
2.3.7 Final provisions	111
2.4 Double tax treaties with respect to taxes on estates and inheritances	112
2.5 Treaties regulating mutual assistance in tax matters	112
2.5.1 The Convention on Mutual Administrative Assistance in Tax Matters	112
2.5.2 Exchange of information on request	113
2.5.3 Automatic exchange of information	115
2.5.4 Spontaneous exchange of information	116
3. Customary International Tax Law	117
3.1 Traditional requirements	117
3.2 State practice	118
3.3 <i>Opinio iuris</i>	119
3.4 Examples from a tax perspective	120
3.4.1 Preliminary remarks	120
3.4.2 Interpretation principles according to Art 31 VCLT	121
3.4.3 Prohibition of juridical double taxation	121
3.4.4 Non-taxation of diplomatic and consular personnel	122
3.4.5 Arm's length principle	123
3.4.6 The principal purpose test	123
3.4.7 Fiscal transparency	124
4. General Principles of International Tax Law	125
4.1 Introduction	125
4.2 Examples from a tax perspective	126

4.2.1 Abuse of law	126
4.2.2 Estoppel	128
4.2.3 Collision rules	129
5. Soft Law and Its Importance for International Tax Law	130
5.1 Terminology	130
5.2 Soft law and its effectiveness	131
5.3 Soft law in the field of taxation	133
6. EU Law and Taxation	134
6.1 Introduction	134
6.2 The fundamental freedoms and taxation	135
6.2.1 Introduction	135
6.2.2 Scope	135
6.2.3 Priority	137
6.2.4 The right comparison	139
6.2.5 Justifications	140
6.2.6 Proportionality	142
6.3 Specific topics	143
6.3.1 Deductions and allowances	143
6.3.2 Cross-border offset of losses	147
6.3.3 Dividend taxation	149
6.3.4 Thin capitalization	151
6.3.5 Controlled foreign corporation	152
6.3.6 Exit taxation	152
6.4 State aid and taxation	155
6.4.1 In general	155
6.4.2 Application to advanced pricing agreements	156
6.5 Secondary EU law	158
6.5.1 Direct taxation and the directives	158
6.5.2 Indirect taxation and the directives	163
6.5.3 Further projects	164
3. Relationship with other Areas of International Law	166
1. Trade Law	167
1.1 Introduction	167
1.2 Some preliminary remarks on the WTO	168
1.2.1 Agreements of the WTO	168
1.2.2 Non-discrimination principle	169
1.3 Taxation of goods: the General Agreement on Tariffs and Trade	170
1.3.1 Overview	170
1.3.2 Treatment of internal taxes	170

xii Table of Contents

1.4	Taxation of services: the General Agreement on Trade in Services	177
1.4.1	Overview	177
1.4.2	Treatment of taxes on services	178
1.5	Tax subsidies: Agreement on Subsidies and Countermeasures (and the GATT)	180
1.5.1	Overview	180
1.5.2	Tax relief as a subsidy under Art 1 SCM	181
1.5.3	Treatment of export tax relief	182
1.5.4	Treatment of tax relief upon use of domestic inputs	184
1.5.5	Treatment of other tax reliefs	186
1.6	Conclusions	188
2.	Investment Treaty Law	189
2.1	Introduction	189
2.2	Some preliminary remarks on bilateral investment treaties	189
2.2.1	Overview	189
2.2.2	Contents of bilateral investment treaties	191
2.2.3	Relevance of case law	191
2.3	Scope of bilateral investment treaties	192
2.3.1	Preliminary note	192
2.3.2	Personal scope	192
2.3.3	Objective scope	195
2.4	Substantive provisions	198
2.4.1	Full protection and security and fair and equitable treatment	198
2.4.2	National treatment and most-favoured nation	199
2.4.3	Expropriation	201
2.4.4	Umbrella clause	202
3.	Human Rights Law	203
3.1	Human rights and the international tax regime	203
3.2	The European Convention on Human Rights and tax matters	205
3.3	Procedural rights	205
3.4	Substantive rights	207
3.4.1	Equality (including ability to pay)	207
3.4.2	Taxpayers' property rights	209
3.4.3	Further substantive rights	210
4.	Tax Rules in Non-tax Agreements	210
4.1	Tax provisions and status of forces agreements	211
4.2	Tax provisions in headquarters agreements between international organizations and their host state	213

4. Conceptual Problems	214
1. Success and Failure in the International Cooperation regarding Tax Matters	214
1.1 Success of the international tax regime	214
1.2 Failures of the international tax regime	215
1.3 What are the reasons for the failure of the international tax regime?	217
1.3.1 The missing value-based framework	217
1.3.2 The guiding principles of international tax policy are flawed	218
1.3.3 Institutional difficulties in a dynamic set-up	221
2. The Most Pressing Issues	223
2.1 Measures against aggressive tax planning	223
2.1.1 Harmful tax regimes	224
2.1.2 The Base Erosion and Profit Shifting Project	225
2.1.3 The years following the Base Erosion and Profit Shifting Project	228
2.2 Taxing the digital economy	230
2.2.1 Overview	230
2.2.2 The specifics of the digital economy	230
2.2.3 Potential solutions for value-added-tax-related problems	231
2.2.4 Potential solutions for corporate-income-related problems	232
2.3 Formulary apportionment as the silver bullet?	237
2.3.1 Introduction	237
2.3.2 Arguments in favour of and against the formulary system	238
2.3.3 Income allocation and redistribution	240
2.3.4 Why destination-based systems are preferable	242
2.4 Taxation and the Paris Agreement	244
<i>Index</i>	247