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Resolution of International Tax Treaty Disputes

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3/05/07--Boston College Law Professor Hugh Ault played a key role in reforming the resolution of international tax treaty disputes with the addition of an arbitration provision that will help avoid international double taxation for corporations operating in global markets. This is a critical concern because double tax burdens on international transactions can be an impediment to global trade and investment.

Ault, a specialist in taxation with an emphasis on international tax issues, is senior advisor to the Organization for Economic Cooperation Development’s (OECD) Centre for Tax Policy and Administration and has been involved in the OECD’s work on arbitration for many years. He led discussions with the private sector and delegates from OECD member countries to design an acceptable arbitration approach.

OECD member countries and global corporations use the standard mutual agreement procedure (MAP) to try to resolve tax disputes, but the number of cross-border disputes and complexity of cases has increased, resulting in a higher number of unresolved cases. This leads to costly double tax burdens. The proposed reform will allow for a supplemental process that provides for the arbitration of issues that remain unresolved after two years of negotiation in a MAP case. This will allow the cases to be resolved in a consistent fashion for both the governments involved and the taxpayers. Ultimately, the goal of including a supplemental process is to encourage countries and taxpayers to resolve their tax issues in the first MAP stage to save time and money spent on further arbitration.

The new arbitration provision will be added to the next edition of the OECD model income tax treaty.

When he is not teaching courses in business and international taxation at Boston College, Ault splits his time between Boston and Paris, as well as the University of Stockholm Centre for Commercial Law where he is a Senior Visiting Fellow.