

## **IFA**

### **Panel Discussion on Abuse of Tax Treaties: Addressing Challenges and Promoting Fairness in International Taxation**

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#### **Objective:**

The objective of this panel discussion is to facilitate a comprehensive and insightful dialogue on the abuse of tax treaties, its implications, and potential solutions. The panel aims to engage tax practitioners, lawyers, academics, civil society representatives, and government officials to collectively address the challenges associated with treaty abuse and explore avenues for promoting fairness in international taxation.

#### **Briefing on the Topic:**

Tax treaties play a crucial role in regulating cross-border taxation, ensuring fair allocation of taxing rights between countries, and promoting economic cooperation. However, there has been growing concern about the abuse of tax treaties, wherein taxpayers exploit the provisions of these treaties for purposes contrary to their intended objectives.

Abuse of tax treaties encompasses practices such as treaty shopping, artificial avoidance of permanent establishment status, and improper use of tax treaty benefits, resulting in erosion of the tax base, revenue loss for countries, and an unequal distribution of tax burdens. Such abusive practices undermine the principles of tax fairness, transparency, and cooperation among nations.

Addressing treaty abuse requires a multi-dimensional approach involving legal, policy, and administrative measures. It necessitates a collaborative effort among tax professionals, legal experts, policymakers, and civil society stakeholders to develop effective strategies and reinforce international tax rules to prevent abuse, close loopholes, and ensure a fair and equitable international tax system.

#### **Proposed Questions to be Tackled:**

1. Understanding the Scope and Nature of Treaty Abuse:
  - What are the key forms and mechanisms of treaty abuse prevalent in the current international tax landscape?
  - How does treaty abuse impact national tax systems, economic development, and revenue mobilization efforts?
2. Legal and Policy Frameworks to Combat Treaty Abuse:
  - What legal and policy measures can be adopted at the national and international levels to counter treaty abuse effectively?
  - How can countries strengthen anti-abuse provisions in tax treaties and domestic legislation while maintaining a balance between combating abuse and facilitating legitimate cross-border transactions?
3. Enhancing Administrative Capacity and Cooperation:

- What steps can tax administrations and authorities take to detect and prevent treaty abuse effectively?
  - How can international cooperation, information exchange, and collaboration among tax authorities be enhanced to address treaty abuse challenges?
4. Balancing Tax Competition and Fairness:
- How can countries strike a balance between maintaining competitiveness and preventing abusive tax practices?
  - What role can tax policy play in reducing the incentives for treaty abuse and ensuring a level playing field for taxpayers?
5. Role of Civil Society and Public Awareness:
- How can civil society organizations, academia, and the public contribute to raising awareness about treaty abuse and advocating for policy changes? The role of TJNA in challenging DTAs.
  - What role can research and academic studies play in informing policy debates and promoting transparency in international taxation?

Through this panel discussion, we aim to generate a rich exchange of ideas, experiences, and perspectives from diverse stakeholders. By analysing the challenges, exploring solutions, and fostering collaboration, we hope to contribute to the development of practical recommendations and initiatives that mitigate treaty abuse and support fair and efficient international tax systems.

**Reference material:**

1. [Prevention of Tax Treaty Abuse – Fourth Peer Review Report on Treaty Shopping: Inclusive Framework on BEPS: Action 6](#)
2. [Preventing tax treaty abuse](#)
3. [Mechanisms to fight treaty abuse: An overview](#)
4. [TJN Africa takes Kenya government to court over Mauritius treaty](#)