The 2025 update of the UN Model Tax Convention

Charting the way towards fair and equitable tax treaties

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Contents

Introduction

In March 2025, the UN Tax Committee gave final approval for the 2025 update of its flagship publication, the UN Model Tax Convention.

This report provides an overview and background of the most important changes made to the UN Model (2025). The changes reflect the work of the UN Tax Committee during the past four years on various cross-border tax issues.

The UN Model Tax Convention serves as an important point of reference for countries, particularly developing countries, in their tax treaty negotiations with other countries. The changes are also a useful indicator of where international tax policy debates are heading in the future.

The UN Tax Committee

The UN Tax Committee was first established in 1967 as the *Ad Hoc Group of Experts on Tax Treaties between Developed and Developing Countries.* It is a body of experts tasked with developing practical guidance for governments and tax administrators, with particular attention to the needs and priorities of developing countries. In addition to its work on the UN Model Convention and the UN Manual for the Negotiation of Bilateral Tax Treaties, which are compulsory topics, the Committee determines its own programme of work. The Committee has 25 members who each serve a four-year term. The next term runs from July 2025 to June 2029. While there are no fixed quotas, membership is usually balanced across geographical regions and tax systems, with a traditional majority from developing countries. The members of the committee serve in their personal capacity, although many have a formal affiliation with their home country government. The Committee is a subsidiary body of UN Economic and Social Council and meets twice yearly, in New York and Geneva. Its substantive work is carried out through subcommittees that bring together committee members and other experts from governments, the private sector, academia and civil society. Decisions are usually made by consensus. In the case of work on the UN Model Convention, minority opinions with opposing views are recorded in the publication. These minority opinions often reflect positions that are more receptive to business or developed country perspectives.

External observers can participate in most UN Tax Committee sessions. Observers include country representatives as well as representatives from business, academia and civil society.

The UN Tax Committee's role in the negotiations of the UN Framework Convention on International Tax Cooperation

There is no formal relationship between the work of the UN Tax Committee and the ongoing negotiations of a UN Framework Convention on International Tax Cooperation. The Committee is a non-intergovernmental body tasked with the development of non-binding tax policy instruments that are geared towards the interests of Global South countries. The Convention is largely driven by the same goals but will be the result of an intergovernmental process of technical and political negotiations. If signed and ratified by countries, the Convention will create a binding international framework for tax governance at the United Nations.[1]

However, many of the experts involved in the Committee also have a role in country delegations participating in the Convention negotiations. The Convention process and the UN Tax Committee also share the same secretariat staff at the UN Department of Economic and Social Affairs. As such, it is no surprise that many of the issues raised in the Convention negotiation workflows are reminiscent of work carried out by the UN Tax Committee in the recent past, especially in relation to the UN Model Tax Convention.

At this point in time, it is uncertain whether and how the successful adoption of the Convention will impact the future of the UN Tax Committee. Even if the Committee were to be reshaped into a technical body within the new global tax governance structure that the Convention may create, its ways of operation (such as agenda setting, appointment of members, and decision-making processes) would have to change to align with the intergovernmental nature of the governance regime under the Convention.

The UN Model Tax Convention

The UN Model Tax Convention is a model agreement between two countries with rules for the avoidance of double taxation of income and capital and for cross-border administrative tax cooperation. The UN Model

[1] For more on the negotiations of the United Nations Framework Convention on International Tax Cooperation, *see* Tax Justice Network (2025), *Negotiating Tax at the United Nations – An introductory factsheet from an EU perspective*, 17 February 2025, available at: https://taxjustice.net/wp-content/uploads/2025/02/20250217-NegotiatingTaxUnitedNations-EU-Factsheet-Final.pdf.

Convention has been developed by the UN Tax Committee as a counterpoint to the OECD Model Convention, developed by the OECD.[2]

Both models continue to serve as templates for the current bilateral tax treaty network, which comprises more than 3,500 individual bilateral tax treaties. These tax treaties share the same structure as the models: rules on scope (ie which taxpayers and which types of tax are covered) and definitions (articles 1 to 5), rules on the allocation of taxing rights (ie which country is allowed to tax which part of cross-border income) (articles 6 to 22), rules on relief for double taxation (which country provides relief in the form of a foreign tax credit or exemption in the case of overlapping tax claims) (article 23), as well as non-discrimination rules and rules on administrative cooperation (articles 24 to 29).

The UN Model Convention and its OECD counterpart mostly differ in the taxing right allocation rules. Both models are built on the assumption that the country where the taxpayer is resident should have the residual right to tax cross-border income. The difference between the models lies in the extent to which the allocation rules require the source state, that is, the country where the income is derived – to yield its sovereign right to tax income with nexus to its country.

Under the OECD Model, the rules are skewed in favour of the residence state because they limit source state rights as much as possible. For countries negotiating a bilateral tax treaty, one could argue that the rules in the OECD Model are a reasonable solution if income streams between them are more or less balanced: one country's sacrifice of revenue derived as a source state is compensated by a similar sacrifice in the inverse case. This assumes, however, that countries use the allocated taxing rights to the fullest extent possible, which often is not the case, especially on the side of the residence state. Tax treaties thus may often result in significantly lower tax rates to be paid by multinational companies compared to others.[3] In case income flows are significantly unbalanced, the OECD Model rules become problematic. While these rules may create formal reciprocity – both countries agree, for example, to refrain from levying of tax at source on outbound royalties as is

[2] For the UN Model (2021), the version of the UN Model Tax Convention adopted before the 2025 update, *see*: https://financing.desa.un.org/document/un-model-double-taxation-convention-between-developed-and-developing-countries-2021. For the OECD Model (2017), the latest version of the OECD Model Tax Convention, *see*: https://doi.org/10.1787/mtc_cond-2017-en.

[3] For a more detailed analysis of the tax rate and revenue dampening dynamics of tax treaties, see: Millán-Narotzky, L., Garcia-Bernardo, J., Diakité, M., & Meinzer, M. (2021). Tax Treaty Aggressiveness: Who is undermining taxing rights in Africa? [ICTD Working Paper 125]. Tax Justice Network / ICTD. https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/16940/ICTD_WP125.pdf?sequence=1&isAllowed=y

recommended in the OECD Model – the revenue effect of the allocation rule becomes one-sided. It will be the net royalty-paying country (the 'source country') that yields tax revenue, whereas the net royalty-recipient country (the 'residence country') does not lose any revenue.

However, flows of income are rarely balanced, even between OECD countries. For this reason, it is not surprising that in the vast majority of tax treaties between OECD countries, they follow the UN Model recommendation of imposing a source withholding tax on royalties, rather than following the extreme position of exclusive residence state taxation proposed in the OECD Model.[4]

Given that, on balance, developing countries are often net importers of capital, technology and services, the UN Tax Committee has since 1980 developed an alternative model with more source-country-oriented allocation rules, originally entitled the *United Nations Model Double Taxation Convention between Developed and Developing Countries.* In subsequent updates of the model in 2001, 2011, 2017 and 2021, additional rules in favour of source countries have been introduced in response to changes in the global economy, such as digitalisation and the rise of cross-border services.

In reality, there is no single profile of a developing country. BRICS countries such as India or Brazil may have the profile of a source country in relation to OECD countries. In contrast, in relation to the least developed countries, they may very well have the qualities of a residence country. OECD countries, too, may find themselves in situations of unbalanced income flows, which makes UN Model Convention provisions more equitable than those of the OECD Model. UN Model Convention provisions therefore often make it into tax treaties between two OECD countries.[5]

For this reason, the UN Tax Committee decided in 2025 to change the title of the UN Model Convention and remove theterms "between Developed and Developing Countries". The United Nations Model Tax Convention is relevant for all UN Member States to consider, as any bilateral relationship between countries – OECD or non-OECD - is

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[4] In a study by J. De Goede and W. Wijnen from 2013, it is shown that 72% of the 224 studied tax treaties between OECD countries includes source state taxing rights on royalties, as recommended in the UN Model and at odds with the OECD Model. *See* W. Wijnen and J. De Goede, "The UN Model in Practice 1997-2013", *Bulletin for International Taxation*, March 2014, available at: https://www.un.org/esa/ffd/wp-content/uploads/2014/11/9STM_FinalPublishedVersionIBFD.pdf.

[5] For an overview of analysis from 2013 of this phenomenon, *see* W. Wijnen and J. De Goede, "The UN Model in Practice 1997-2013", *Bulletin for International Taxation*, March 2014, available at: https://www.un.org/esa/ffd/wp-content/uploads/2014/11/9STM_FinalPublishedVersionIBFD.pdf.

characterized by asymmetrical income flows, which are more equitably dealt with by adopting UN Model style tax treaty provisions. The change of title does not alter the UN Tax Committee's mandate to develop guidance that furthers the interests of Global South countries. This is clearly reflected in the substantive changes made to the UN Model in the 2025 update.[6]

It is important to note that no country fully follows either the UN Model or the OECD Model in its tax treaties. The models are the baseline for negotiations and, depending on the context, some model provisions are worth more concessions than others. In this sense, the UN Model has an important signaling function to raise awareness in Global South countries of the inherent tax revenue risks that underlie the OECD Model rules. But it is for countries to determine which of these rules are worth pursuing in their tax treaties.

Countries can also decide against signing bilateral tax treaties with countries in the Global North. This is a valid option, which comes with upsides and downsides. On the upside, without the restricting force of a tax treaty, source countries can levy income taxes on non-resident taxpayers as they deem appropriate and will not have to sacrifice tax revenue. On the downside, without a treaty, the residence state is not compelled to provide relief for double taxation. Especially in the case of the taxation on gross basis of fees for cross-border services (including digital services), which is a form of active income, it is not guaranteed that source countries can rely on unilateral relief for double taxation from residence countries. Without a treaty, a country also may not have access to transfer pricing dispute resolution or certain forms of administrative assistance.

Below is an overview and background of the most important changes made to the UN Model Convention in the 2025 update.

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[6] For the discussion paper on the title change, as agreed in the 30th Session of the UN Tax Committee in March 2025, *see*: https://financing.desa.un.org/sites/default/files/2025-03/CRP.3%20Title%20of%20the%20UN%20Model%20Final.pdf.

Overview of changes in the UN Model (2025)

Extractive industries

Summary of the rule change (new article 5A of the UN Model)

The UN Model (2025) contains a new provision on income from the exploration for, or exploitation of, natural resources. If such activities are carried out in the source country for at least 30 days, they give rise to a deemed permanent establishment (PE), and the profits attributable to that PE can be taxed in the source country.[7]

Background

Safeguarding taxing rights on profits derived by foreign multinational enterprises from exploiting local natural resources is of major importance to developing countries. The question arises as to what degree activities surrounding the extractives industries fall within this natural source country nexus. There is universal consensus in tax treaty practice that the primary right to tax income from mining or extraction itself belongs to the country where the natural resources are situated. If a company operates a gold mine, the profits from selling the mined gold should be taxed by the country where the gold mine is located. Both in the UN and OECD Models cover this allocation rule under Article 6 on income from immovable property. Far less clear is the situation regarding the right to tax income from activities consisting of, or connected with, the exploration or exploitation of natural resources in a country. Examples include the activities of contractors and subcontractors providing geological mining surveying services or specialised maintenance services for offshore oil rigs.

Under the previous UN Model, income from such services could be taxed in the source country based on the general services PE rule in article 5(3). This rule provided that if the services took place in the source country for a period of more than 183 days, the activities triggered a taxable presence in the form of a PE, and attributable profits were taxable on a net basis in the source country. The services could also be subject to a limited withholding tax on gross payments if they qualified as technical

[7] The text of new Article 5A as it will figure in the UN Model (2025) was approved during the 29th Session of the UN Tax Committee in October 2024. *See*: https://financing.desa.un.org/sites/default/files/2024-03/CRP.%2014%20UN%20Model%20natural%20resources%20final.pdf.

services under former article 12A and the payer was located in the natural resources country. The new Article 5A drastically lowers the threshold for taxation on a net basis of income from the exploration for, or exploitation of, natural resources. Under the new article, a PE is deemed to exist if the relevant activities are carried out for more than 30 days in a twelve-month period. The new provision expressly includes renewable energy sources, as well as fish, in the definition of natural resources.

Interestingly, the addition of the new article coincides with efforts by the OECD to add a similar provision to the OECD Model Convention. The draft provision proposed by the OECD employs the same time threshold of 30 days to trigger a deemed PE, but its scope of activities covered is narrower: it does not cover activities related to renewable energy sources or fishing. Furthermore, the OECD provision will appear as an alternative option to the Commentary to the Model, whereas the new UN provision is included in the UN Model text itself.[8] At the UN Tax Committee, experts noted that countries may become aware of the existence of valuable natural resources in their territory only after treaties have been negotiated. For that reason, it was considered better that tax treaties should, as a matter of standard course, include a dedicated article dealing with services related to natural resources. This is especially relevant in the current energy transition, in which many developing countries are only now beginning to map their renewable energy potentials.

International shipping

Summary of the rule change (revised article 8 of the UN Model)

The UN Model (2025) includes new rules on the taxation of income from cross-border maritime and air transport. The old Alternative A of Article 8, of the UN Model which replicated the OECD Model's rule of exclusive residence taxation, has been downgraded to Alternative B'in the UN Model (2025). The new Alternative A now incorporates the old Alternative B with the source taxation alternative, and source country taxing rights have been significantly expanded: profits from maritime shipping may be taxed in the source state on a gross basis at an agreed percentage or on a net basis at the domestic tax rate reduced by 50 per cent. The source country tax rules apply to any shipping income arising in the source state, not only to income from activity that is 'more than casual' as under the old

[8] *See* OECD (2024), Provision on Activities in Connection with the Exploration and Exploitation of Extractible Natural Resources, Public Consultation Draft, 13 November 2023 – 4 January 2024, available at: https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-treaties/public-consultation-document-provision-on-exploration-and-exploitation-activities-of-extractible-natural-resources.pdf.

UN Model. Alternative A has also been made applicable to income from air transport, a type of income which, until now, has benefitted from exclusive residence state taxation across all models and nearly all tax treaties.[9]

Background

Often described as the most stable rule in tax treaty practice, article 8 of the OECD Model provides that income from international maritime and air transport is taxable only in the residence state of the transport company. This rule is also reflected in Alternative A of Article 8 of the UN Model (2021) and in the large majority of the more than 3,000 bilateral tax treaties currently in force. Alternative B provides for source taxation at reduced rates if the maritime shipping activities in the source countries are 'more than casual'.

Alternative B is part of the UN Model since its inception in 1980, but its phrasing and activity threshold had not gained traction in treaty practice. This does not mean that source taxation of shipping income is non-existent in the current bilateral tax treaty network. As shown in research to which the Tax Justice Network contributed, for decades a handful of countries in South-East Asia have successfully employed a policy of source taxation of maritime shipping income under their tax treaties and domestic laws.[10] These treaties do not include an activity threshold and usually restrict source taxation to a reduced percentage of the lading bill or a 50 per cent reduction of tax due under domestic law. In line with the recommendations of the research,[11] the UN Tax Committee has now

[9] The text of revised Article 8 as it will figure in the UN Model (2025) was approved during the 29th Session of the UN Tax Committee in October 2024. *See*: https://financing.desa.un.org/sites/default/files/2024-10/CRP%2029%20UN%20Model%20Article%208.pdf. For the approved text of the new Commentary on new Article 8, see https://financing.desa.un.org/sites/default/files/2025-03/CRP.18%20Article%208%2010march%20Final%209%20AM.pdf (text subject to later editorial changes).

[10] *See* available at: B. Michel, M. Ashfaq, T. Falcao and A. M. Chowdary, "Source taxation of international shipping income: charting a new course for the LAC region countries" , in: *Desafíos de la Tributación Global: Hacia una tributación global incluyente, sostenible y equitativa para América Latina y el Caribe*, November 2023, Fedessarrollo, Colombia, pp. 51-77, available at: https://www.repository.fedesarrollo.org.co/bitstream/handle/11445/4493/LIB_2023_Desaf%C3%ADos_de_la_tributaci%C3%B3n_global.pdf?sequence=1&isAllowed=y#page=51; and https://events.ataftax.org/media/events/6/documents/ATAF_Model_DTA_Revised_30_Nov.pdf

[11] *See*: B. Michel and T. Falcao, *Time to reinforce the UN Model for taxing international shipping profits*, ICTD Blog, 19 October 2021, available at: https://www.ictd.ac/blog/time-reinforce-un-model-taxing-international-shipping-profits/;

streamlined the source taxation alternative in the model based on these countries' practices, most notably by eliminating the threshold of activities being 'more than casual' before source taxation would be acceptable. Under the new Article 8, the order of the alternatives has also been switched, with the source taxation option now listed as Alternative A.

It remains to be seen whether this UN Model change will help other regions in the Global South, such as countries in Latin America and the Caribbean or the coastal states of Africa, to adopt a tax treaty policy similar to the countries in South-East Asia.[12] Much depends, of course, on the willingness of countries where shipowners reside to accept source country taxing rights on shipping income in the relevant bilateral tax treaties.[13] Most of the major shipowner countries have at some point accepted that maritime shipping profits can be taxed at source in one or more of their bilateral tax treaties. It should also be noted that these shipowner countries often do not use their exclusive taxing rights to tax profits from international shipping. More often that not, those countries grant lavish tonnage tax systems and other tax incentives, which lead to under-taxation and even subsidising of an industry with significant environmental impacts [14]

For African countries, the interest in source taxation of non-resident maritime shipping companies is well documented. The African Tax Administration Forum (ATAF) Model Tax Convention does not include a rule on source taxation of maritime shipping like the UN Model, yet the demand for such a rule is one of the most frequently expressed reservations to the ATAF Model by ATAF countries.[15]

A distinct development is the UN Tax Committee's decision to expand the source taxation alternative to include income from international air transport. Since the inception of the industry a century ago, the air transport business has benefited from exclusive residence state taxation under both models and tax treaties. Major airline ownership is concentrated in a handful of residence countries, and these countries and

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[12] Countries like Bangladesh (34 tax treaties, 90% inclusion rate), Myanmar (8 tax treaties, 100% inclusion rate); Philippines (43 tax treaties, 100% inclusion rate), Sri Lanka (46 treaties, 95% inclusion rate) and Thailand (58 tax treaties, 86% inclusion rate). *See* ICTD (2021), at p. 44.

[13] In 2021, the ten biggest shipowner nations in the world were Greece, Japan, China, Singapore, Norway, United States, Germany, South Korea, United Kingdom and Denmark. *See* ICTD (2021), at p. 45.

[14] *See*: Mager, F., Meinzer, M., & Millán, L. (2024). *How corporate tax incentives undermine climate justice*. Tax Justice Network, available at: https://taxjustice.net/wp-content/uploads/2024/06/How-corporate-tax-incentives-undermine-climate-justice-2024.pdf.

[15] *See* ATAF Model (2019), at Reservations, available at: https://events.ataftax.org/media/events/6/documents/ATAF_Model_DTA_Revised_30_Nov.pdf.

industry representatives strongly opposed the changes to Article 8. In their view, frictionless business development and local economic growth in airline destination countries can only be achieved through exclusive residence state taxation. Furthermore, they argue that unlike the maritime sector with its generous tonnage tax systems, the profits of the air industry are taxed under ordinary corporate tax rules in ownership countries, making the imposition of source taxation an unjustified increase in the tax burden. In a submission supporting the Committee's plan to change the rules in article 8, the Tax Justice Network rebutted these arguments and strongly endorsed the Committee's aim to end the air industry's indefensible immunity to source taxation.[16] First, the manner in which residence states use allocated taxing rights should not influence whether source countries are entitled to fair and equitable division of taxing rights. Furthermore, the industry's claim that economic development will only occur if source country taxing rights are surrendered is incompatible with the Sustainable Development Goal of domestic resource mobilisation. Third, moving from exclusive residence country taxation to shared taxation by residence and source countries cannot be equated with an increased tax burden, given that under the logic of models and treaties, the residence country assumes the obligation to remedy such double taxation through exemption or foreign tax relief.

The air transport ownership countries and the industry raised the valid point that the new rules in the UN Model (2025) are geared towards source taxation on gross basis and do not provide clear options and rules for the allocation of net profits to source countries, creating a risk of over-taxation in case of losses. In reality, as admitted by several airlines during the discussions, gross taxation of non-resident airline profits in airline destination countries in the Global South is not uncommon. Many of these countries do not have an applicable tax treaty in place that is forcing the source country to accept exclusive residence state taxation. In these instances, there is an unmitigated risk of double taxation. The industry is aware of this and has previously articulated "generally accepted net income apportionment formulas" for what it calls the second-best scenario of harmonised source taxation on net basis.[17] These rules have also been incorporated into domestic tax laws of several developed

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[16] *See*: B. Michel, *Tax Justice Network input on the revision of Article 8 (Alternative B) of the UN Model*, April 2024, available at: https://taxjustice.sharepoint.com/:b:/g/ERcCE8DKOitLkPz2TO-VanUByvQCoY9rxLJfJ53wbwaijQ?e=Sb1hrg

[17] *See*, for example: International Air Transport Association (IATA), Guidelines for Taxation of International Air Transport Profits, May 2015, at Appendix 7 and 8 on 'generally accepted net income apportionment formulas', available at: https://www.iata.org/contentassets/a72d8d3cfaf84529bcdef6b2dc59f224/taxation_intl_air_transport20profits_final.pdf#page=16.

countries for the purpose of taxing non-treaty airlines at source.[18] Given the preference of airline countries and the industry for their first-best solution of exclusive residence state taxation at the UN Tax Committee, none of these alternatives has been discussed at the Committee. In this sense, the change to article 8 of the UN Model (2025) is also a missed opportunity.

Other forums may go beyond the UN Tax Committee's initial step of establishing source countries' rights to tax income from this and other types of cross-border services and complement e it with clear net profit allocation rules. The protocol on services currently being negotiated alongside the UN Framework Convention on International Tax Cooperation is the most appropriate instrument to address this.

Payments for the use of software

Summary of the rule change (revised article 12 of the UN Model)

In the UN Model (2025), the definition of royalties in Article 12 has been expanded to include payments for software, including payments for software that do not relate to the use of copyright in the software.[19]

Background

Arguably, the most flagrant difference between the UN Model and the OECD Model is the latter's rule in Article 12, which grants exclusive taxation of royalty income to the residence state of the recipient, whereas the UN Model allocates limited source state taxing rights (i.e. a gross-based withholding tax up to an agreed level) to the country of the payer of the royalty income. Under the UN Model (2025), the definition of royalties in Article 12 has been expanded to include payments for

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[18] *See*, for example: Australia (2008), ATO Practice Statement Law Administration (General Administration), Subject: Non-treaty airlines, 17 April 2008, available at: https://www.ato.gov.au/law/view/document?docid=PSR/GA20082/NAT/ATO/00001&PiT=20250227000001.

[19] The text of new definition of royalties as it will figure in Article 12(3) of the UN Model (2025 and the accompanying Commentary were approved at the 27th Session of the UN Tax Committee in October 2023. *See*: UN Tax Committee (2023), E/C.18/2023/CRP.43, 27 September 2023, available at: https://financing.desa.un.org/sites/default/files/2023-10/CRP.43%20Software%20final3.pdf.

software, including payments for software that do not relate to the use of copyright in the software.

Originally, the royalty article only covered payments for the use of intellectual and industrial property rights, such as copyrights, trademarks and patents. The UN Model has gradually expanded the definition of 'royalties' covered, thus strengthening the taxing rights of technology-importing countries. Since its inception in 1980, the UN Model has also included payments for the use of industrial, commercial or scientific equipment. In 2017, a separate Article 12A was added to the UN Model, granting source state taxing rights on fees for technical services, a type of income that many developing countries had been adding to the royalty article in their tax treaties. The 2025 update marks the addition of payments for the use of software.

Besides establishing a fair and equitable division of taxing rights on royalties and rent from movable property, the UN Tax Committee's emphasis on expanding the scope of Article 12 also relates to the fact that the base erosion potential of royalties and fees for services has never been addressed by the OECD/G20 BEPS project. As highlighted in the Corporate Tax Haven Index, one solution to the base erosion problem related to deductible royalty and rent payments is to impose royalty and services deduction limitations.[20] Alternatively, or in addition to deduction limitations, countries can also impose withholding taxes on outbound payments for services and royalties. As noted in the UN Practical Portfolio on Protecting the Tax Base of Developing Countries against Base Eroding Payments, for maximum anti-base erosion effect, the withholding tax should be applied broadly to a wide range of payments related to royalties, rents or fees.[21] Since the 2025 UN Model update, this now also includes payments for the use of software.

Fees for services

Summary of the rule change (new article 12AA of the UN Model)

In the UN Model (2025) a new Article 12AA on services has been added, which replaces Article 12A (technical services) and Article 14

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[20] For background on the CTHI and its indicator on services and royalties, *see*: B. Michel, *Indicator deep dive: 'Royalties' and 'Services'*, Tax Justice Network Blog, 6 November 2024, available at: https://taxjustice.net/2024/11/06/corporate-tax-haven-index-indicator-deep-dive-royalties-and-services/.

[21] United Nations (2017), *Protecting the Tax Base of Developing Countries against Base-eroding Payments: Rent and Royalties*, United Nations Practical Portfolio, at p. 79, available at: https://www.un.org/esa/ffd/wp-content/uploads/2017/05/PP_Rents-Royalties.pdf.

(independent personal services), which have been removed from the UN Model Tax Convention.[22] *The new provision applies to payments for any service and allows the source country to subject the payment to a gross withholding tax if the payments arise in the country. The percentage of the withholding tax is to be agreed during bilateral treaty negotiations. Payments for services arise in the source country if the payer is a resident. If the payments for services fall within the scope of UN Model Convention rules on international transport (article 8), automated digital services (article 12B), insurance income (article 12C) or the rules on dependent personal services, these provisions prevail over Article 12AA.*[23]

Background

In 2017, the UN Tax Committee added article 12A on technical services to the UN Model (2017). Article 12A allocates the right to levy a withholding tax on fees for technical services when the payer is located in the country. Before the UN Model (2017), income from technical services was only taxable in the source if a 183-day threshold of physical presence was met. In such cases, the activities give rise to a deemed permanent establishment, and net profits attributable to this 'service PE' are taxable in the source state. Article 12A complemented this rule by granting limited taxing rights to the source country regardless of whether the services were physically provided in the source country.

Although Article 12A as inserted in 2017 did reflect existing tax treaty practice in certain developing countries, it came with important drawbacks. First, the article only covered a specific subset of services, namely 'technical services', and the scope of this term was never entirely clear. Fees for technical services under 12A were defined as "any payment in consideration for any service of a managerial, technical or consultancy nature"[24] ,which some have argued captures all types of services, or captures only specific services which require human intervention (as

[22] The text of the new article on services as it will figure in Article 12(3) of the UN Model (2025) was approved at the 29th Session of the UN Tax Committee in October 2024. In the 30th Session, it was agreed to name the new provision Article AA. For the text (in Annex A) and Commentary, see: https://financing.desa.un.org/sites/default/files/2025-03/CRP.1%20Digitalized%20Economy%2010%20March%20Rev%20230325%20final.pdf.

[23] The text of new provision was agreed in October 2024 during the 29th Session of the UN Tax Committee. During the 30th Session, the provision was named 'Article 12AA'. For the text of the new provision (in Annex A) and the new commentary (subject to editorial revisions), *see*: https://financing.desa.un.org/sites/default/files/2025-03/CRP.1%20Digitalized%20Economy%2010%20March%20Rev%20230325%20final.pdf#page=7.

[24] *See* Article 12(3) of the UN Model (2017).

opposed to automated digital services, which fall under the scope of article 12B). However, the wording of the definition clearly applies to only certain types of services, regardless of human intervention. A second issue relates to the difficult interplay between Article 12A and the rules on independent personal services, which are services provided by individuals. A specific rule contained in article 14 gives rise to source state taxation on a net basis if the individual has a fixed base (similar to a physical place of business PE) or a deemed fixed base (similar to a services PE). However, article 14 mainly targets "professional services" by independent professionals like lawyers or medical professionals, and it is uncertain how this scope of this provision aligns s with the services targeted by Article 12A.

For these reasons, and after lengthy debate that was only settled during the final session of this Committee's four-year membership, it was decided that both article 12A and article 14 of the UN Model (2021) would be replaced by a new article 12AA. The services PE rule in article 5, which allows net taxation if a threshold of physical presence is met, is retained. The new Article 12AA follows the logic of the old Article 12A but significantly broadens the scope of covered income, as it applies to all types of services. The old rule of article 14 on independent personal services is abolished, and services by individuals now follow the same allocation rules as those provided by enterprises. This means a limited withholding tax on gross payments for any service provided, regardless of physical presence in the country, and net taxation possibilities if a PE (physical and deemed PE through 183-day presence) is established. As noted by the Subcommittee preparing the changes, the adoption of the new Article 12AA is consistent with the UN Tax Committee's shift away from threshold and physical presence requirements for source country taxation of income from cross-border services.

The source rule used in Article 12AA is the location of the payer of the fees for the services (and not the country where the services are used, performed, or where value is created). As such, as in the case of Article 12B on automated digital services and the old Article 12A on technical services, services in scope of article 12AA are deemed to arise in the country where the payer of the fees is located. It is the country of the payer of the services that is granted source state taxing rights. The source rule for services in the UN Model differs from the OECD approach in Amount A of Pillar One or in certain countries' taxable presence rules based on 'significant economic presence' (SEP). Under both Amount A and SEP taxation systems, a nexus for taxation in source countries is established based on sustained and significant involvement in the economy of the market jurisdiction. Involvement in the market jurisdiction can include, but is not limited to, revenue or payments received from that jurisdiction.

Unlike Article 12A, the new Article 12AA is not backed up by existing tax treaty practice. Not much should be read into this, however. As evidenced by the current protocol negotiations on the UN Framework Convention on International Tax Cooperation, fair and equitable rules on the taxation of cross-border services rank high on countries' agendas, both in the Global South and beyond. In tax treaty terms, the rising importance of cross-border services in a digitalised economy is a recent phenomenon, and tax treaties respond very slowly to change. Recent attempts at the OECD to settle this issue in a multilateral way have also failed; however, the long process has simultaneously paused bilateral negotiations on the matter.

Arguably, in light of the ongoing negotiations of a services protocol under the UN Framework Convention on International Tax Cooperation,[25] the most important aspect of this new article on services is the UN Tax Committee's signalling that, when it comes to equitable sharing of taxing rights, source countries have a valid claim to tax cross-border services income from any type of service (human or digital and automated, technical or non-technical, high value or low value), regardless of the size of the service provider (high or low consolidated global turnover) or their presence in the source country (high or low local turnover).

Insurance premiums

Summary of the rule change (new article 12C of the UN Model)

Under new Article 12C of the UN Model (2025), insurance premiums arising in a source country and paid to a resident of another country may be subject to a withholding tax on the gross amount of the premiums at a rate to be determined through bilateral negotiations. Insurance premiums arise in the source country if the payer is a resident of the country.[26]

Background

As noted by the Committee, for developing countries, increased access to insurance contributes to SDG 1 ('eradicating poverty'), as the uninsured

[25] UN (2025), Terms of reference for a United Nations Framework Convention on International Tax Cooperation, available at: https://financing.desa.un.org/sites/default/files/2025-01/n2501014_E.pdf.
[26] The text of new Article 12C as it will appear in the UN Model (2025) was agreed in October 2024 during the 29th Session of the UN Tax Committee. *See* https://financing.desa.un.org/sites/default/files/2025-03/CRP.19%20insurance%2010march%20Final%209%20AM.pdf#page=11.

loss of a primary breadwinner, a home, or a crop can plunge an entire family (back) into poverty. Life insurance, property and casualty insurance, and agricultural and climate risk insurance therefore perform an important societal function in developing countries.

The insurance business is, however, a highly mobile industry. Selling insurance products does not require the insurer's physical presence in the market country. Many countries require insurance companies to sell insurance locally through a local subsidiary or branch, but companies often rely on reinsurance to shift the risk (and the reward in the form of taxable income) to foreign related companies.

From its inception, the UN Model Tax Convention included a 'deemed insurance PE' provision in article 5(6) which triggers taxable presence of a foreign insurance company "if it collects premiums in the territory of that other State or insures risks situated therein through a person."[27] The Committee found that this provision can be abused because this 'insurance PE' rule does not apply to reinsurance. Most countries require insurance companies selling to retail customers to do so through local subsidiaries or branches that are subject to local regulation, but insurance companies can simply shift the risk abroad through reinsurance, thereby eroding the local tax base. If, however, the 'insurance PE' rule were made applicable to reinsurance, issues regarding the determination of profits attributable to the deemed PE of the reinsurer would arise.

A different approach was therefore taken under the new article 12C of the UN Model (2025). The new article provides that a country may levy a withholding tax on insurance premiums paid by locals to insurance companies in the other country. As with most source taxation rules, the UN Model leaves it to the countries to determine the maximum percentage of the withholding tax. Unlike under the previous clause, the new rule also applies to premiums paid under a reinsurance contract. The withholding tax rule does not apply if the insurance company has a permanent establishment in the country of the insured and the paid premiums are effectively connected to the permanent establishment. The old provision of article 5(6) on the 'deemed insurance PE' is relegated to the UN Model Commentary as an alternative provision for countries that are not in favour of the new Article 12C rule.

Subject to tax rule

Summary of the rule change (revised article 1 of the UN Model)

[27] *See* Article 5(6) of the UN Model (2021).

Under the new subject to tax rule (STTR), a source state is not held to limit the tax it levies on income arising in its jurisdiction under the tax treaty if the residence state subjects that same income to a low level of taxation. A low level of taxation occurs if the income is subject to a statutory tax rate of less than a percentage agreed through bilateral negotiations, or if it is subject to a higher statutory tax rate but benefits from a special exemption, exclusion or reduction so that the income is effectively taxed at less than the agreed threshold rate.[28]

Background

Another significant addition to the UN Model (2025) is the inclusion of a subject to tax rule'(STTR) in Article 1 on 'persons covered'.[29] While not exactly a taxing right allocation rule, the STTR is an important condition to the source state's acceptance in a tax treaty to limit its sovereign right to tax income with a nexus to the country. In line with the mechanics of tax treaties, a residence state retains the residual right to tax nearly all types of income, and treaties vary in the extent to which the source state accepts restricting the application of its domestic tax laws on non-residents' income. Under the STTR, a source country's unlimited right to tax income in line with its domestic law is restored if the income is not taxed in the residence state at an agreed minimum rate. The rate is to be determined through bilateral negotiations.

With its wide scope - the UN STTR applies to any type of income under the UN Model's allocation rules and is not limited to payments of income between related entities – and a purpose that goes beyond addressing BEPS concerns, the UN STTR stands in stark contrast with the subject to tax rule developed by the OECD under Pillar Two.[30] In its STTR FAQ sheet, the OECD criticised the fact that the UN STTR leaves much of the content of the provision to be negotiated bilaterally and does not include the necessary prescriptive rules, unlike its own STTR, which comes with a fixed minimum rate of 9 per cent, a comprehensive commentary, and the commitment of future implementation by all 140+ countries of the

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[28] The inclusion of the subject-to-tax rule in Article 1(3) of the UN Model (2025) was approved in March 2023 during the 26the Session of the UN Tax Committee. For the final text of the provision, *see* https://financing.desa.un.org/sites/default/files/2023-04/CRP.12%20UN%20Model%20STTR%20final.pdf#page=3.

[29] For the final version of approved text of the new subject-to-tax rule in Article 1 of the UN Model(2025), *see*:

[30] For details on the OECD's STTR, see the STTR Multilateral Instrument, available at: https://www.oecd.org/en/topics/sub-issues/subject-to-tax-rule/multilateral-convention-to-facilitate-the-implementation-of-the-pillar-two-subject-to-tax-rule.html.

Inclusive Framework on BEPS through the STTR multilateral instrument (STTR MLI).[31]

The OECD, in turn, has been facing mounting criticism regarding its own STTR, with commentators (including the Tax Justice Network) claiming it to be a deliberate creation of a sophisticated illusion of increased taxing rights for developing countries, while yielding very little additional tax revenue at high administration costs.[32] As such, it comes as little surprise that only nine countries signed the STTR MLI when it was first opened for signature in September 2024,[33] leading the OECD to concede during its Tax and Development Days in March 2025 that the STTR is also available for bilateral implementation. Unlike the UN Model, the OECD Model has not been updated to facilitate this.

For the UN STTR, it remains to be seen how and when implementation will run its course. Countries can introduce the new rules in their bilateral tax treaties in line with the UN Model (2025). In the future, interested countries may also rely on the Fast-track instrument (FTI), the UN Tax Committee's multilateral instrument for streamlined bulk amendment of bilateral tax treaties. The STTR has been identified as one of the provisions that could be included in a protocol for like-minded states to adopt via the FTI. The text of the FTI itself was finalised by the Committee in 2024 and will now be submitted to the UN Economic and Social Council (ECOSOC) for potential conversion into a multilateral agreement that can be signed and ratified by UN member countries.[34] Finally, countries can also build on the UN Tax Committee's technical work and consider the inclusion of a STTR in the services protocol that is currently being

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[31] *See* OECD (2023), *Frequently asked questions on the Pillar Two STTR*, at question 5, available at: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/sttr/sttr-mli-faqs.pdf#page=2.

[32] *See* S. Picciotto, J. Kadet and B. Michel, *A Tale of Two Subject-to-Tax Rules* Tax Notes International, March 2024, available at: http://dx.doi.org/10.2139/ssrn.4762982; and B. Arnold, *Earth to OECD: You Must Be Joking – The Subject to Tax Rule of Pillar Two*, Bulletin for International Taxation, February 2024, available at: https://www.ibfd.org/sites/default/files/2024-06/oecd_international-earth-to-oecd-you-must-be-joking-the-subject-to-tax-rule-of-pillar-two-ibfd-1.pdf.

[33] For a list of OECD STTR MLI signatories and parties, *see*: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/sttr/sttr-mli-signatories-and-parties.pdf.

[34] For the UN Tax Committee's final text for a 'Proposed fast-track instrument to provide for the streamlined amendment of bilateral double taxation treaties' that will be submitted to UN ECOSOC, *see*: https://digitallibrary.un.org/record/4074391?ln=en&v=pdf.

negotiated alongside the UN Framework Convention on International Tax Cooperation.[35]

Dispute resolution: 'GATS provision' and 'extended provision'

Summary of the rule change (revised Article 25 of the UN Model)

The 2025 update adds two provisions to the dispute resolution article of the UN Model Tax Convention. The GATS provision provides that the dispute resolution mechanism in the multilateral General Agreement on Trade in Services (GATS) can only be used to settle a tax dispute between the two tax treaty countries if both countries agree. The extended provision provides that taxation measures that are in line with the tax treaty are considered not to breach any other treaty (such as bilateral investment agreements), and that disputes regarding taxation measures shall not be settled using the dispute resolution mechanisms in such treaties, unless both tax treaty countries agree otherwise.[36]

Background

The UN Model (2025) also includes two new provisions in Article 25 on dispute resolution. The tax treaty dispute resolution mechanism is known as the mutual agreement procedure (MAP). The MAP is a diplomatic procedure by which two countries "shall endeavour to resolve a case by mutual agreement".[37] This means that countries negotiate to find a suitable solution, but a single country cannot be bound by a decision to which it does not agree. The MAP is used to resolve either a general dispute regarding the interpretation or application of a tax treaty provision or a specific dispute based on a claim by an individual taxpayer. Under pressure from the OECD in light of BEPS Action 14 on 'making dispute resolution mechanisms more effective', more and more countries have been equipping their tax treaty MAP provisions with mandatory binding arbitration. Mandatory binding arbitration means that a third

[35] UN (2025), Terms of reference for a United Nations Framework Convention on International Tax Cooperation, available at: https://financing.desa.un.org/sites/default/files/2025-01/n2501014_E.pdf.
[36] The final text of the 'GATS provision' and the 'extended provision' as will be included in article 25 of the UN Model (2025) was approved in March 2025 during the 30th Session of the UN Tax Committee. *See*: https://financing.desa.un.org/sites/default/files/2025-03/CRP.2%20Tax%20Trade%20and%20Investment%20Final.pdf#page=6.
[37] *See* Article 25(2) of the UN Model (2021).

party can make a decision that is binding on the countries if they cannot resolve the dispute through negotiation. Developing countries have generally been reluctant to include this clause in their tax treaties, and few of their tax treaties include one.

The two new provisions deal with the interaction of the MAP with dispute resolution mechanisms in trade and investment treaties, which are also used to resolve tax disputes (or tax aspects of investment disputes) through their own dispute resolution mechanisms. These mechanisms usually take the form of binding arbitration.

The first new addition concerns the so-called GATS provision. This provision essentially confirms what has already been agreed in the multilateral General Agreement on Trade in Services (GATS) with regard to tax treaties pre-dating GATS: the consent of both countries is needed to bring a tax dispute that is within the scope of a tax treaty before the dispute resolution mechanism of the GATS. This model provision is not new and until now has featured in both the OECD and UN Model Commentary as an alternative provision.[38] In the UN Model (2025), the provision has been elevated to the model itself, appearing in Article 25(6).

The second added provision, known as the extended provision, extends the logic of the GATS clause to any agreement between countries that may contain dispute resolution mechanisms used to settled tax disputes. Key suspects are international investment agreements (IIAs) and their notorious investor-state dispute settlement (ISDS) mechanisms. IIAs are agreements signed between two countries under which investors (multinational enterprises) established in one country are provided with guarantees for a stable investment climate when investing and conducting business in the other country. IIAs are purported to protect against expropriation and to ensure what the treaty defines as fair and equal treatment of foreign enterprises active in the host country. A democratically enacted change of tax laws that results in higher taxation for a company could be challenged as a breach of the agreement. These treaties often have no public policy exceptions, thereby making it harder for countries to reform tax policies, as changes in tax policies can often be framed as impairments of the stability granted to multinationals under IIAs. Disputes between multinationals and countries under the IIAs are settled through ISDS using mandatory binding arbitration, a type of ad hoc adjudication by external arbiters with little transparency and known for its bias towards multinational enterprises, or taxpayers in the case of tax disputes. ISDS mechanisms usually do not require the exhaustion of domestic remedies, meaning that multinational enterprises can simply bypass domestic courts.

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[38] *See* Commentary on Article 25 of the UN Model (2021), at para. 53, referring to paras. 88-94 of the Commentary on Article 25 of the OECD Model (2017).

The new extended provision in article 25(7) of the UN Model provides that a taxation measure that is in accordance with a tax treaty shall be deemed not to breach any other treaty. Disputes over whether a taxation measure is in accordance with the tax treaty cannot be settled under disputed resolution mechanisms in other treaties. It also provides that any other taxation measure disputes shall, unless countries agree otherwise, not be settled under dispute resolution mechanisms in listed agreements. In other words, a measure that is in line with a tax treaty cannot be deemed a violation of an IIA as long as that IAA is a listed agreement. Tax treaty disputes are to be resolved in the ways indicated by the tax treaty, even if a IIA provides for settlement through ISDS. For tax disputes not related to the tax treaty, countries can agree to list IIAs and their applicable dispute resolution mechanisms as not applicable to the dispute.

In the new Commentary on the extended provision, a minority view is recorded from committee members who believe the addition of the new provision is not justified because, among other things, the extended provision does not merely coordinate what is agreed elsewhere - like the 'GATS provision' does – but rather overrides what is agreed in pre-existing IIAs. However, as noted by members of the majority in the 30th Session in March 2025, the extended provision cannot override or violate what is agreed elsewhere as it will be the same governments and parliaments who will sign and ratify this clause as those who agreed to the pre-existing rules in IIAs in the first place. If one of the treaty countries does not agree to include the provision, nothing changes. As highlighted by some majority members, the main goal of the inclusion of the extended provision is therefore to raise awareness of the importance of a whole-of-government approach to devising appropriate forum rules for dispute resolution in tax matters.

The UN Tax Committee's push for the inclusion of the extended provision in the UN Model (2025) is in line with changing attitudes towards IIAs and ISDS, both in relation to tax and other policy matters. In a scathing report from 2023, David R. Boyd, UN Special Rapporteur on the issue of human rights, explained how IIAs and their ISDS form a major obstacle to the urgent actions needed to address the planetary environmental and human rights crises.[39] The regulatory chill caused by these treaties also affects countries' use of tax policy. In a report from 2021, the United Nations Conference on Trade and Development (UNCTAD) points out that most of the 2,500 first-generation IIAs currently in force do not exclude taxation from their scope. This means that these treaties can be used by multinationals to protect themselves against the effects of new tax

[39] UN (2023), Report of the Special Rapporteur on the issue of human rights obligations relating to the enjoyment of a safe, clean, healthy and sustainable environment, *Paying polluters: the catastrophic consequences of investor-State dispute settlement for climate and environment action and human rights*, 13 July 2023, A/78/168, available at: https://docs.un.org/en/A/78/168.

policies for domestic resource mobilisation or policies intended to limit tax abuse or evasion, or to deal with the environmental crisis. This is especially the case when countries have signed individual investor-state contracts with stabilisation clauses for changes in legislation, sometimes specifically related to taxation matters. Any increase in tax burdens or abolition of tax incentives – whether as part of the introduction of the global minimum tax or measures to address the climate crisis – can be framed by multinationals as a breach of contract or a violation of an IIA that can be adjudicated through ISDS.UNCTAD recommends that countries modernise and rebalance the clauses in first-generation IIAs, including options such as terminating or renegotiating investment treaties so that they do not apply to tax matters, or carving out tax matters from their ISDS mechanism.[40]

And the tide is effectively turning on investment treaties in some countries, both developing and developed. India, for example, has since 2015 renegotiated or terminated its first generation IIAs with the goal of excluding "sensitive policy matters such as taxation that are integral functions of the sovereign."[41] In November 2022, the Government of Australia announced its new policy not to include ISDS mechanisms in any new trade agreements and to take opportunities to reform existing IIAs and ISDS mechanisms to "enhance transparency and consistency and to strengthen the Government's ability to regulate in the public interest."[42] Consistent with this policy, Australia's most recent signed IAA with the UAE in November 2024does not contain ISDS and does not apply to any measure regarding taxation.[43]

The UN Tax Committee's effort to separate tax dispute resolution from GATS, IIAs and ISDS through the UN Model Tax Convention is perfectly in line with the trend described above. However, it remains to be seen whether the new model provisions will go beyond putting this topic on the agenda of tax policymakers and be included in tax treaties. Countries may

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[40] *See*: UNCTAD (2021), *International Investment Agreements and their implications for tax measures: what tax policymakers need to know*, UNCTAD/DIAE/PCB/INF/2021/3, at p. 41, available at: https://unctad.org/system/files/official-document/diaepcbinf2021d3_en.pdf#page=43.

[41] *See*: India (2021), Ministry of External Affairs, India and Bilateral Investment Treaties, Tenth Report, September 2021, at p. 18, available at: https://eparlib.nic.in/bitstream/123456789/811585/1/17_External_Affairs_10.pdf#page=24.

[42] *See*: Australia (2024), Department of Foreign Affairs and Trade, *Australia's bilateral investment treaties*, available at: https://www.dfat.gov.au/trade/investment/australias-bilateral-investment-treaties.

[43] *See*: Agreement between Australia and the United Arab Emirates on the Promotion and Protection of Investments, signed on 6 November 2024, available at: https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/8500/download.

very well find that a revision of their bilateral investment treaties will suffice to settle the issue. In any case, for this topic too, the negotiation of a protocol on the "prevention and resolution of tax disputes" under a UN Framework Convention on International Tax Cooperation provides a unique opportunity to address this issue in a coordinated and multilateral manner.[44] A first step in this direction was taken with the inclusion of this issue in the June 2025 Draft Outline of Issues for Workstream III of the Convention's Intergovernmental Negotiation Committee.[45]

[44] UN (2025), Terms of reference for a United Nations Framework Convention on International Tax Cooperation, available at: https://financing.desa.un.org/sites/default/files/2025-01/n2501014_E.pdf.
[45] For the Draft Outline of Issues by the Co-Leads of Workstream III of the Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation, *see*: https://financing.desa.un.org/sites/default/files/2025-06/INC%20Tax_WS%20III%20issues%20overview_27%20June.pdf.

Concluding remarks

This report provides an overview of the most important changes made to the UN Model Tax Convention by the UN Tax Committee during its 2021-2025 term. The changes are both plentiful and highly relevant, especially in relation to the upcoming negotiations of a UN Framework Convention on International Tax Cooperation and its early protocols on cross-border services and dispute resolution. Most of the changes strengthen and expand source countries' taxing rights on income from various types of services. As such, the UN Model can be an important instrument to foster domestic resource mobilisation.

The 2025 update removes the UN Model's tagline of being a model for tax treaties "between developed and developing countries". The UN Model (2025) is now described as an inclusive model, potentially relevant for all UN Member Countries. This is evident in some of the changes. The deemed permanent establishment for services related to extractives and renewables has the potential to appeal to both low- and high-income countries, just as the UN Tax Committee's work on setting clearer boundaries between dispute resolution in tax matters and investment protection matters does. The UN STTR shows how the UN and the OECD often pursue similar policy goals at different paces.

Other changes to the UN Model (2025) are clearly driven by the UN Tax Committee's continued mandate to cater to the interests of developing countries. The Committee has continued its work to craft more source state taxing rights on certain types of cross-border income payments, such as payments for the use of software, fees for all kinds of services, insurance premiums, and payments for maritime and air transport. Especially in the case of air transport, the Committee has gone boldly where no model tax convention and very few tax treaties have gone before.

The continued championing of gross taxation in source countries, and the difficulties faced in articulating net taxation alternatives, however, show the need for inclusive intergovernmental negotiations at the UN level on this matter. Such negotiations will take place in the coming years under the UN Framework Convention on International Tax Cooperation. These negotiations will be able to draw heavily on the groundwork laid by the UN Tax Committee in recent years.

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