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**Committee of Experts on International  
Cooperation in Tax Matters**

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Agenda item 3 (a) (ii)

**Article 5 (Permanent establishment): The meaning of “connected projects”**

**Article 5: the meaning of “the same or a connected project”**



corporation in the source country for a minimum period, such as six months, would be a reasonable limitation which would, as a practical matter, cover most





connected projects. The contracts were concluded with the same person and are related to each other as they both concern the same medical devices. From an objective perspective the conclusion of one single contract would have been standard business practice.

The interpretation that both the perspective of the enterprise and the perspective of the customer have to be taken into account ensures that neither the state of mind of the parties nor the organizational structure of an enterprise are decisive factors for the determination whether activities form part of the same or connected projects.

12.4. The reference to “a connected project” is intended to cover cases where, even though the services are provided in the framework of separate projects, those projects are carried on by a single supplying enterprise and are commercially connected. This aggregation rule addresses in particular abusive situations under which the supplying enterprise would artificially divide its activities into separate projects in order to avoid meeting the 183 day threshold. The determination of whether projects are connected will depend on the facts and circumstances of each case. Factors that may be relevant for that purpose include:

~~f whether the projects are covered by a single master contract; the fact that the activities are covered by several contracts is, however, not conclusive; the interaction between the projects covered by the different contracts should be taken into account in order to determine whether or not the projects are connected (see the following factors);~~

~~f whether the contracts act~~

Example 4: A







only be counted once in applying subparagraph b) to [Company R](#) and [Company X](#). As a result, neither [Company R](#) nor [Company X](#) has a permanent establishment in State [S](#) and State [S](#) has no right to tax their profits.

12.8 Under Article 5(3)(b) a permanent establishment ~~also exists where services are not carried on through a fixed place of business but are performed in a Contracting State over a substantial period of time for a particular project or for connected projects. Where such is the case, the permanent establishment~~ only encompasses the services performed for the particular project or for the ~~contract~~ confidential (j4(1)(m26 0 Td [()-5(e,-)14( )TJ 0)3( bu(nde)4(r)3( )]