



Tax Treatment of Services

Taxation of Services

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Services and BEPS

- The inadequacy of rules on the taxation of income from services exposes countries to the risk of base erosion
 - For developing countries, services provided by non-residents pose the greatest risk of profit shifting
- Transfer pricing of services among associated entities poses serious risks of abuse, given the inherent difficulty that is often encountered in valuing services

Subcommittee on Tax Treatment of Services for Developing Countries

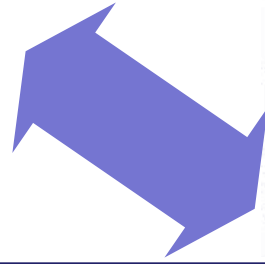
- During its annual session October 2009, the Committee established a Subcommittee on Tax Treatment of Services, with the mandate to:

Broadly address the taxation of services

Address the particular issue of taxation of fees for technical services

Base erosion

Income	1000	1000
Expenses	<u>500</u>	500
Payment for services		<u>200</u>
Net profits	500	300
Tax on profits (30%)	150	100



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**Treaty B/C
PE concept**

