

# HONG KONG TAX ALERT

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## OECD Model Tax Convention

*OECD announces 2014 update to the OECD Model Tax Convention*

The Organisation for Economic Co-operation and Development (OECD) Council recently approved the [2014 Update to the OECD Model Tax Convention](#). The update was approved by the OECD's Committee on Fiscal Affairs in June and will be incorporated in a revised version of the Model Tax Convention (MTC) to be published before the end of the year.

This update reflects work on the MTC that was carried out between 2010 and the end of 2013 but does not contain any material relating to the OECD's ongoing [Base Erosion and Profit Shifting](#) project (BEPS).

The 2014 update to the OECD MTC includes:

- Changes to [Article 26](#) and its Commentary (Exchange of Information) that allows for group requests, meaning that tax authorities are entitled to ask for information on a group of taxpayers, without naming them individually, as long as the request is not a 'fishing expedition'
- Changes to the Commentary relating to [Article 17](#) (Artistes and Sportsmen) of the MTC relating to cross-border income derived from the activities of entertainers and sportspersons
- Revisions to the meaning of "[beneficial owner](#)" in relation to Articles 10 (Dividends), 11 (Interest) and 12 (Royalties) intended to clarify the interpretation of "beneficial owner" in order to reduce the risk of double taxation and non-taxation
- The application of the provisions of the MTC to the cross-border trading of [emissions permits and credits](#)
- Tax treaty treatment of [termination payments](#) with amendments to Articles 15 (Income from Employment) and 18 (Pensions)
- [Technical changes](#) to the MTC.

The 2014 update does not include any of the changes suggested in the 2012 discussion draft on [Article 5](#) (Permanent Establishment) as it is anticipated that the work on BEPS Action 7 (Prevention of the Artificial Avoidance of PE Status) will ultimately result in changes to Article 5 of the MTC. Consequently, the proposed changes to the commentary included in the above discussion draft have been postponed until BEPS Action 7 has been concluded.

In the coming editions of [Hong Kong Tax Alert](#), we will be examining some of the above items in greater detail.

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