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**United States Remains Strongly Committed
To OECD's Global Tax Work, Hicks Asserts**

Treasury International Tax Counsel Hal Hicks June 6 sent a strong message that U.S. tax authorities will continue to support and work in close partnership with the Organization for Economic Cooperation and Development despite OECD's detractors.

Hicks said the Bush administration strongly supports the work of the global organization in standard-setting, including improving the mutual agreement process between countries, providing a framework for transfer pricing and permanent establishment issues, and promoting information sharing and tax transparency.

Despite criticism from some special interest groups, Hicks said, those transparency efforts will remain "a matter of critical importance to the United States."

"Robust exchange of information policies are a bedrock principle of U.S. tax policy," he told a conference on OECD tax initiatives. "The U.S. is and will continue to be supportive of the OECD's work," he said.

Proper Tax Collection a Goal, Hicks Says

Hicks also said he disagreed with claims by some special interests that this work could cause businesses to suffer increased tax rates and administrative burdens.

"Neither the OECD nor the United States are interested in bureaucracy or higher taxes," Hicks said. "We support robust information sharing and tax transparency. The best way to keep the tax rate as low as it can be is to collect the tax that is actually due."

The Treasury official dismissed assertions that the United States pays for 23 percent of OECD operations and thus is able to unfairly influence the organization's policies.

In fact, he said, U.S. funds do make up 23 percent of the contributions required from each member country, but those funds provide less than 40 percent of OECD's operating budget.

According to Hicks, the rest of the organization's funds come from voluntary contributions, and the United States has not played a major role in this, he said. He stressed this country "is just one of 30 sovereign nations" that make up OECD's membership.

Hicks said the work of the OECD in coordinating international tax policy between those 30 countries remains essential.

OECD Model Treaty Seen as Influential

Addressing several policy areas, Hicks said the OECD model tax treaty is and will continue to be "very influential" in bilateral negotiations, including those between the United States and its trading partners. In fact, he said, the new U.S. model treaty, expected to be unveiled sometime this year, will "reflect a number of OECD-driven developments." The international tax counsel said Treasury also plans to release final rules to accompany the model.

Another crucial area is the work OECD has done to improve the resolution of cross-border tax disputes through the mutual agreement process, Hicks said.

Not only does the United States support planned improvements to the MAP process, but it shares OECD's focus on arbitration as a dispute resolution technique with great potential, he told practitioners.

"I believe we'll see arbitration become a basic principle" in working out mutual agreements, Hicks said. He noted the recent treaty signed between the United States and Germany is the first to include mandatory arbitration as a formal part of such an agreement.

The OECD's work on determining permanent establishments for tax purposes and on transfer pricing also are crucial, Hicks said.

Industry May Fund Investment Project

Another project, addressing collective investment vehicles such as mutual funds, also is very important, Hicks said.

He noted it is possible this project could be funded by industry contributions, rather than by OECD member states.

Hicks acknowledged this could be controversial, but said given "the right firewalls" and the right person to head the project, appropriate separations between business and government interests should be in place. As long as these safeguards exist, Hicks said, "there shouldn't be any issue there."

Speaking on his own behalf, the Treasury international tax counsel said OECD needs to speed up its completion of projects. One major example is the group's controversial effort to set standards for attributing profits to permanent establishments, Hicks said.

"A lot of great minds have been working on this for a long time," Hicks said. "In my view there is no silver bullet here. We need to reach a working consensus here, even if not all issues can be agreed."

He urged OECD to make drafts of its latest work public so taxpayers can get a sense of the direction of the project. The lengthy process on this issue may damage public perceptions of the OECD, he said.

"I believe the organization's credibility is somewhat at stake," he said.

Hicks also suggested the OECD may want to consider focusing on its "core competencies" rather than spreading its resources over a broad range of projects.

By Alison Bennett