

Martin Kreienbaum
Chair of OECD Committee on Fiscal Affairs (CFA)
Director-General of International Taxation
Federal Ministry of Finance
Wilhelmstraße, 97
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13 December

Dear Mr. Kreienbaum,

In view of the on-going work of the OECD's Task Force on the Digital Economy, within the Inclusive Framework, I am writing to you regarding the importance of more robust dispute resolution and avoidance mechanisms.

Despite important and positive efforts to improve the global corporate tax system in recent years, such as the EU's recent dispute resolution mechanism, current mechanisms continue to struggle with the volume of cases which leads to many years of uncertainty for taxpayers. As we potentially are moving away from relatively well-established profit allocation principles, there is likely to be a proliferation of bilateral discussions and negotiations that the current dispute mechanisms are ill-equipped to deal with even after recent initiatives and improvements.

It is therefore essential that work is done on developing a faster method of dispute resolution, as well as on an efficient method of dispute avoidance (i.e. advance clearance of differences), which should be included from the outset in an upcoming agreement.

This issue should not be taken lightly. Not only may double taxation lead to reduced foreign investment and tax uncertainty, in the long-run it can also lead to reduced employment and lower economic growth. The importance of adequate dispute resolution and dispute avoidance mechanisms in a modern global tax framework cannot be overstated. Combined with uniform international tax rules, with consistent application and implementation, effective dispute resolution can provide companies with crucial legal certainty which is essential to foster cross border trade and investment and enhance global growth.

We therefore urge the Task Force on the Digital Economy as well as the Inclusive Framework to include both appropriate dispute resolution and dispute avoidance mechanisms from the outset in any agreement. It would in our mind not be enough to rely on other agreements on dispute mechanisms already reached in the BEPS work. We hope the OECD will take our concerns into account and we remain at your disposal for further comments.

Yours sincerely,



James Watson
Director of Economics