



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
INDIRECT TAXATION AND TAX ADMINISTRATION
VAT and other turnover taxes

TAXUD/D1/....
5 January 2007

Consultation paper

Introduction of a mechanism for eliminating double imposition of VAT in individual cases

Note

This document is being circulated for consultation to all parties concerned by the plan to introduce a mechanism for eliminating double imposition of VAT in individual cases.

The sole purpose of this consultation is to contribute to the debate, collect relevant information and help the Commission develop its thinking in this area.

This document does not necessarily reflect the views of the Commission of the European Communities, and should not be interpreted as a commitment by the Commission to any official initiative in this area.

The parties concerned are invited to submit their comments no later than 31 May 2007.

Comments may be sent by letter, fax or electronic mail to Mr Jean-Claude Pilat or Ms Maryse Volvert.

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INTRODUCTION

In October 2003 the Commission presented a communication which reviewed its VAT strategy launched in June 2000 and set out the new initiatives which it intended to take over the next few years as part of that strategy¹. That communication listed introduction of a mechanism for eliminating double taxation in individual cases as one of the topics for future work.

The Commission regularly receives complaints about individual cases of persons suffering the double imposition of VAT. Most cases of which the Commission is aware concern private individuals who suffer double taxation in practice because they do not have the right to deduct. Such cases of double taxation frequently concern the supply of motor cars. There are many reasons for double taxation.

1. THE DIFFERENT SITUATIONS LEADING TO DOUBLE TAXATION.

1.1 In a certain number of cases, double taxation arises from differing interpretations of a provision of the VAT legislation contained, following the recasting of the 6th VAT Directive, in Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (hereinafter: “the VAT Directive”).

This arises in particular where there is a difference in classifying a supply of goods or services under Articles 31 et seq. and 43 et seq. of the VAT Directive in order to determine whether they are liable to VAT; there may also be differing points of view on the definition of ‘supply’.

Example 1. Analysis of a supply of services to bring into contact persons who wish to exchange their time-sharing rights: is this a supply of services falling under Article 43 or Article 45 (supply of services connected with immovable property)? This dispute arises from a question of interpretation of the VAT Directive.

1.2. In other cases, double taxation arises from differing interpretations of the particular situation by the tax administrations of the Member States concerned.

Example 2 In connection with the intra-Community supply/acquisition of goods, double taxation arises from the fact that the tax administration of the Member State of departure of the goods considers that proof of their transport to another Member State has not been provided and refuses to exempt the delivery while the administration of the Member State of arrival considers that it has been provided and so taxes the intra-Community acquisition by the purchaser.

¹ COM(2003) 614 final, see http://eur-lex.europa.eu/LexUriServ/site/en/com/2003/com2003_0614en01.pdf

Example 3. In connection with the intra-Community supply/acquisition of vehicles, if for example there are differing views of the number of kilometres covered or the age of the vehicle even where there are no differences as regards the concept of supply.

Example 4. Still in the field of motor cars, where there is a dispute about the place where a vehicle was bought by a person just before going to live in another Member State.

Example 5. In the field of the supply of services, disputes concern the connection between the supply of services at the head office or fixed establishment in another Member State.

1.3. In yet other cases, double taxation arises from a difference of assessment in the legal description to be given, in a particular case, to an operation having regard to differing national laws.

Example 6. Two Member States both consider that leasing is a supply of services under Article 43 of the VAT Directive but one of them considers that the contract between Mr X and company Y is a leasing contract while the other Member State regards it as a sale of the vehicle (by instalments) falling under the provisions on the supply of goods. The dispute hinges not on the interpretation of a provision of the VAT Directive but simply on the correct description of the contract between Mr X and company Y.

2. THE WAYS OF ELIMINATING DOUBLE TAXATION ARE OFTEN LIMITED.

For those facing double taxation, the situation is particularly difficult and bothersome. In an internal market, it is the Commission's duty to seek ways of resolving such situations.

When the double taxation arises from differing interpretations of a provision of the 6th VAT Directive, there are certain steps which can be taken.

Either the Commission or the Member States can table a question before the VAT Committee established by Article 398 of the VAT Directive to establish a joint guideline which could, if appropriate, result in an implementing measure pursuant to Article 397. The Commission may, if appropriate, bring proceedings for failure to act against a Member State which appears not to be applying correctly the relevant provision of the VAT Directive, and finally the question may be settled by the Court of Justice of the European Communities.

The situation is different when the dispute does not arise from divergent interpretations of a provision of the VAT Directive, specifically where the double taxation arises from a differing interpretation of the facts or a differing assessment of the legal description to be given to a specific operation.

Very often, these differing assessments arise from a lack of communication between the tax administrations of the various Member States concerned.

Such situations offer very little scope for intervention. Only the tax administrations of the Member States concerned know the facts underlying the double taxation situation.

This means that the VAT Committee is not the appropriate forum for resolving individual cases of double taxation which do not originate in differing interpretations of the VAT legislation.

Similarly, an appeal to the Court of Justice is possible only when the problems of double taxation arise from differing interpretations of a provision of the VAT Directive. The Court is competent to interpret Community law (Article 234 of the Treaty), particularly by giving preliminary rulings to national courts. But it leaves to those national courts the task of applying its rulings to specific cases by making the national judge responsible for applying the principles which it sets out (see, for example, Case C-77/01). Even though it is theoretically possible to pursue an action before the courts of two separate Member States, such proceedings are costly and, what is more, the litigant risks getting two totally different decisions.

Furthermore, unlike direct taxation, there are no provisions either in the VAT Directive or in bilateral conventions on taxation which allow elimination of the double imposition of VAT. Traditionally, conventions on taxation to eliminate double taxation apply only to direct taxation. It is true that Article 25 of the OECD Model Tax Convention allows for discussions to eliminate double taxation in cases not covered by the Convention, but this is only a possibility, not an obligation on the States which have signed the Conventions. At best, there are sometimes informal procedures between the VAT administrations of the Member States which allow them to agree on ways of eliminating double taxation outside any formal legal framework. But these informal procedures confer no rights and their introduction depends on the good will of those VAT administrations.

It is also possible to consider problems of the double imposition of VAT in the "SOLVIT"² informal network to resolve problems in the internal market. By establishing a dialogue between the tax administrations concerned, this mechanism has enabled a certain number of cases of double taxation to be resolved. However, this is a provision arising merely from a non-binding Commission recommendation dealing with all the problems affecting the operation of the internal market and so "SOLVIT" does not appear adequate to resolve the problems of double taxation encountered. Accordingly, when no solution to the dispute has been found, the Commission often has only limited scope for intervention, particularly where the double taxation arises from differing assessments of the facts.

This means that taxable persons, like all those who are victims of a double taxation which it has not been possible to eliminate through informal procedures or SOLVIT, have no choice but to accept the double taxation or apply to the national courts. But, to be sure to avoid double taxation, it is very frequently necessary to apply to the courts of both the Member States concerned. Legal proceedings are long and, very often, their cost is much higher than the amount of VAT involved (about €3 000 for

² Commission Recommendation 2001/893/EC of 7 December 2001 on principles for using "SOLVIT" — the Internal Market Problem Solving Network, OJ L 331, 15.12.2001, pp. 79 to 82.

the purchase of a medium-sized new car). Nor can the plaintiff be sure of obtaining the same decision from the courts of both countries; if the national judgments are contradictory, the position remains unchanged. The consequence is that the person concerned finally agrees to bear the double taxation.

It is true that the existence of a procedure to eliminate individual cases of double charging of VAT could, at first sight, appear less necessary than in the case of direct taxation, since VAT is a harmonised tax.

However, experience shows that cases of double taxation still occur and so the Commission wishes to receive details not just of the cases of which it is already aware but also of cases of double taxation with which those contributing to this consultation have had to deal and of the magnitude of the amounts of tax involved, the procedures used to try to eliminate the double taxation and the length and result of the dispute (was the double taxation eliminated or not?).

3. IS A MECHANISM TO ELIMINATE THE EFFECTS OF DOUBLE TAXATION SITUATIONS REQUIRED?

It is the Community's task to combat fraud and tax evasion resulting in a total failure to charge VAT on operations which are taxable under the 6th VAT Directive. That is the purpose of enhanced administrative cooperation between the Member States. It inevitably follows that it is also the Community's duty to ensure that VAT on a single taxable operation is paid only once and, in particular, that it is not charged twice in two Member States.

To take only one example, it is not acceptable for a European citizen to receive two demands for VAT on a motor vehicle which he has bought and in respect of which it is not possible to eliminate one of the two taxations.

Normally, since the VAT Directive contains harmonised rules on the place of taxation of supplies of goods and provisions of services, it could be considered that it is not essential to create a mechanism to eliminate the consequences of cases of double taxation between the Member States of the Community. However, the complaints received show that problems of double taxation within the Community are far from unknown.

Action could cover either or both of the following points:

- Remove the obligation to pay the amount of VAT demanded a second time until the dispute giving rise to the double taxation has been resolved. This could result in the suspension of recovery of the VAT demanded where that had been paid once on the same good or service in another Member State. This suspension would continue until the double taxation had been eliminated.

- Eliminate the double taxation itself through mutual agreement between the tax administrations of the various Member States concerned; if this procedure failed, the matter could be resolved by arbitration.

4. MECHANISM FOR SUSPENDING RECOVERY.

While it is true that any operation may be subject to VAT only once, it is vital that a taxable person should not have to make an advance on VAT a second time, when the VAT relating to this operation has already been paid in another Member State. Until this double taxation is eliminated by one or other of the tax administrations concerned or by a court ruling, its recovery may be suspended.

Such a mechanism for suspending recovery where payment would create a double taxation situation is not unknown in the field of direct taxation, particularly in disputes over transfer pricing. Recently, the Council adopted the Code of conduct for the effective implementation of the Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises³, point 5 of which recommends the Member States to take all necessary measures to ensure that the suspension of tax collection during crossborder dispute resolution procedures under the Arbitration Convention on transfer pricing can be obtained by enterprises engaged in such procedures, under the same conditions as those engaged in a domestic appeals/litigation procedure, although these measures may imply legislative changes in some Member States. The Code of conduct states that it would be appropriate for Member States to extend these measures to the cross-border dispute resolution procedures under double taxation treaties between Member States.

As far as the Commission is aware, so far 16 Member States have introduced such a procedure to suspend tax collection.

There is no obvious reason why such a mechanism to suspend tax collection could not also apply to VAT. The consequences of double taxation are absolutely identical in financial terms for those subject to direct taxation and those liable for VAT.

There are several possible ways of implementing such a provision.

The first would be a provision under which recovery of the second taxation would be purely and simply suspended until the dispute giving rise to the double taxation was resolved. This is the simplest solution.

There could also be a somewhat more sophisticated system where the second taxation could be recovered when, because of differences in VAT rates between the Member States, the VAT claimed in the second Member State is greater than that already paid in the first. In this case, recovery of the second taxation would be limited to the difference in rates. For example, if an operation had already been

³ OJ C 176, 28.7.2006, pp. 6 to 12.

taxed in one Member State at 15% and the rate applicable to that operation in the second Member State was 20%, the latter could receive immediately 5%. The result of this method would be that the maximum amount of VAT which could finally be due, once the dispute giving rise to double taxation had been resolved, would be paid, with recovery of the rest, which might finally never be due, suspended. Hence, taking the previous example, pending resolution of the dispute, the amount of VAT advanced could be 20% (15% + 5%), but not 35% (15% + 20%). Of course, if resolution of the dispute meant that VAT was actually due in the Member State where the rate of 15% applied, the extra 5% recovered would have to be repaid. If not, the first Member State would have to pay the VAT already collected to the second.

5. THE MECHANISM FOR ELIMINATING DOUBLE TAXATION.

Even if a provision for suspending recovery of the double taxation is introduced, it seems difficult to stop there. The suspension of recovery is only a temporary measure and in no way helps to resolve the dispute over the place of charging VAT on the supply of goods or services. That is why it seems ill-advised to introduce the temporary measure of suspending recovery without at the same time establishing a mechanism to deal with the substance of disputes on individual cases of double taxation.

However, it is not certain that all cases of double taxation would have to be concerned by this mechanism.

5.1. Which situations should be concerned by the mechanism to eliminate cases of double taxation?

5.1.1. It appears that all cases of double taxation which do not arise from differing interpretations of a provision of the VAT Directive should be subject to the mechanism to eliminate individual cases of double taxation.

In most cases, these should be disputes which arise from a difference in the assessment of the actual situation by the tax administrations concerned (see point 1.2. above, examples 2 to 5).

But, more marginally, the situation should also concern certain disputes on questions of law which do not entail interpretation of the VAT Directive. That is the case when double taxation arises from differing viewpoints as to the legal description of a particular operation, (see point 1.3. above, example 6).

5.1.2. *By contrast, it does not seem desirable to bring within the scope of the new mechanism to eliminate double taxation situations where the double taxation arises from differing interpretations of a provision of the VAT Directive (see point 1.1. above, example 1).*

In a desire to treat fairly the person suffering double taxation, the mechanism should normally apply in such a situation too.

But the risk of duplication and contradictory decisions should be borne in mind. In particular, there could be a risk of encroaching on the responsibilities of other bodies or institutions, for example:

- the VAT Committee, which is responsible for considering questions on the application of Community provisions on VAT (Article 398),
- the Council which, is responsible for adopting by unanimous vote the measures required to apply the Sixth VAT Directive (Article 397), so making binding the guidelines agreed within the VAT Committee,
- the Court of Justice, which is responsible for assessing the conformity of national legislation with the 6th Directive and for interpreting the provisions of this Directive where failure to act is alleged or a preliminary ruling requested under Articles 226 or 234 of the EC Treaty,
- more importantly, an individual decision would not resolve a question relating to the uniform application of VAT, which is a tax harmonised at Community level, the uniform base of which is used to calculate the own resources of the Union.

However it does appear desirable for the scope of the procedure to eliminate double taxation to extend to situations where the person legally liable for the tax is not the same person being taxed twice. For example: the garage which sold a car in the Member State of origin and the purchaser of that vehicle in the Member State of destination. In such a situation the final consumer does in fact suffer double taxation because the VAT is both included in the garage invoice and payable to the tax administration. In the case of direct taxation, the procedure for eliminating double taxation is applied when, for example, the double taxation resulting from a dispute over transfer pricing concerns two different companies located in different Member States.

5.2. What mechanism should be introduced to prevent double taxation?

5.2.1. *The experience of direct taxation: mutual agreement or arbitration.*

Countries have concluded bilateral tax conventions designed to eliminate double taxation in the field of direct taxation.

These tax conventions are usually based on the OECD's Model Convention⁴, Article 25 of which offers, independently of the remedies provided by the domestic law of those States, a mutual agreement procedure, drawn up by the competent authorities of those States and intended to eliminate cases of double taxation which arise from the incorrect application of a provision of the tax convention concerned. It should be noted that this mutual agreement procedure does not oblige the States to reach an agreement which would eliminate the double taxation but simply requires the opening of negotiations to eliminate it. In other words, there is not an obligation of "result" but only of "means".

That is why some recent bilateral conventions provide that the contracting parties may agree, if mutual agreement cannot be reached, to submit their differences to arbitration. The task of arbitrator is to resolve the disagreement by finding a solution which will eliminate the double taxation.

In the case of direct taxation, at Community level, recourse to arbitration is provided for by Convention 90/436/EEC of 23 July 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises⁵, better known as the "Arbitration Convention". It concerns disputes over transfer pricing practiced between associated companies in different Member States.

5.2.2. *The Commission's preferences as regards VAT.*

The introduction of a mutual agreement procedure based on that in Article 25 of the OECD's Model Convention would in itself represent a significant improvement in the present situation. However, it has two major drawbacks.

Firstly, it imposes no obligation of "result" on the Member States as to the actual elimination of the double taxation.

Secondly, and this stems from the first drawback, the mutual agreement procedure between the tax administrations concerned is subject to no deadline. It is not therefore a completely satisfactory solution since the lack of agreement between the authorities of the Member States does not put an end to the double taxation while, as the Court of Justice has ruled, "To tax a supply of services in another Member State when it has already lawfully been subject to VAT in the State of the supplier of the services gives rise to double taxation contrary to the principle of fiscal neutrality inherent in the common system of VAT"⁶. The same comment also applies to supplies of goods.

⁴ The text of which is annexed.

⁵ OJ L 225, 20.8.1990, pp. 6 et seq.

⁶ Case C-155/01 *Cookies World*, ground 60.

The introduction of an arbitration procedure would overcome the two drawbacks of introducing a single mutual agreement procedure and ensure in all cases that the double taxation was eliminated. The provision needed would be similar to that contained in the Arbitration Convention with two separate phases: a mutual agreement procedure, followed if necessary by an arbitration procedure if attempts at a mutually agreed solution failed. This is the path the Commission prefers, since it cannot consider as completely satisfactory a procedure which does not set out to eliminate the double taxation when, at the end of the mutual agreement phase, the tax authorities of the Member States concerned have not succeeded in agreeing on how to eliminate the double taxation.

The prospect of having to resort to arbitration would, in many cases, lead to a mutually agreed solution which would allow elimination of the double taxation. This has proved to be the case in the past as regards application of the Arbitration Convention on transfer pricing since the number of cases which have finally had to go to arbitration is very small and the number where the mutual agreement procedure has enabled the double taxation to be eliminated is very large. The study on company taxation which the Commission carried out in 2001⁷ showed that, in the very delicate area of transfer pricing, the mutual agreement procedure provided for in the OECD's Model Convention and the Arbitration Convention 90/436/EEC of allowed double taxation to be eliminated in 85% to 90% of cases, within an average period of 20 months⁸. Looking at the actual application of the Arbitration Convention, the report found that in only three cases had the original mutual agreement procedure not resulted in elimination of the double taxation and required recourse to the arbitration procedure.

The existence of an arbitration procedure where the mutual agreement procedure fails has undoubtedly helped contribute to this result.

The Commission would therefore prefer the procedure designed to eliminate individual cases of double taxation to include an arbitration procedure to deal with failure of the mutual agreement procedure.

Nevertheless it should be noted that it seems difficult to introduce an arbitration procedure if the mechanism to eliminate double taxations is also to apply in situations where the double taxation arises from differing interpretations of a provision of the VAT Directive. In that event arbitration could result in a transfer of the power to interpret the VAT Directive from the Council and the Court of Justice to arbitrators chosen to resolve specific cases

⁷ Company taxation in the internal market. Commission report COM (2001) 582 final and SEC (2001) 1681 final of 23 October 2001.

⁸ Report SEC (2001) 1681, Part III, point 5.4.2.

of double taxation, which could lead to a lack of uniformity in interpreting Community VAT legislation.

5.3. An outline of the procedure which could be introduced

On these assumptions, the Commission considers that the procedure to be introduced might resemble that in Article 25 of the OECD's Model Convention on the mutual agreement procedure, or that in Convention 90/436/EEC (the "Arbitration Convention"). However, the arbitration procedure in that Convention would have to be adapted, mainly to take into account that the disputes to be resolved should be considerably less complex than those concerning transfer pricing.

5.3.1. The Commission's role in the procedure

In as much as the procedure would be limited to cases where the double taxation arises not from differences in the interpretation of the VAT Directive but from questions of fact or the legal description of facts (see point 1.3. above, example 6), the Commission believes that the tax administrations of the Member States concerned are best placed to take part in the procedure. In practice, only those tax administrations know the details of each case resulting in double taxation.

Even so, if the tax administrations of the Member States so desire, the Commission could provide logistical support, or even play a mediating role if this were felt useful.

However, if the procedure were also to apply to disputes where the double taxation arose from differing interpretations of the VAT Directive, the Commission would have to have a higher profile in order to ensure a uniform interpretation of Community VAT legislation.

5.3.2. Opening the procedure

The person suffering from the double taxation would take the initiative to open the procedure. That person would not need to be the sole person liable to pay both VAT charges. For example, the procedure could be opened by the person from whom VAT was being claimed on the purchase of a new car while the VAT had been included in the invoice issued by the garage, which was the taxable person for VAT purposes in its Member State.

The taxpayer or taxable person suffering double taxation would open the procedure by making a reference to the tax administration of the place where he is established and would have two years in which to do so. At first sight, it does not seem necessary to allow the three years granted by Article 25 of the OECD Model Convention or the Arbitration Convention since, unlike in the case of direct taxation, individuals are not required to keep accounts and retain them for a sufficiently long time.

5.3.3. *The mutual agreement procedure.*

The Member State to which the reference is made informs the other Member State concerned of the opening of the procedure.

During the mutual agreement procedure the tax authorities concerned seek to eliminate the double taxation.

The Commission believes that a time limit should be set for the mutual agreement procedure. In the case of transfer pricing, the Arbitration Convention sets a period of two years. If appropriate, this could be reduced since disputes over VAT should be less complex than those over transfer pricing and should concern situations which have already occurred in the past. At first sight, problems relating to establishing the age of a car (or the number of kilometres it has covered) or whether goods have or have not been transported to another Member State appear simpler to resolve than those concerning the arm's length price to be applied between associated companies.

5.3.4. *The arbitration procedure.*

As in the case of transfer pricing, the actual use of the arbitration procedure should remain the exception, since the mutual agreement should allow resolution of virtually all the cases of double taxation which arise principally because of the lack of communication between the local offices of the tax administrations of different Member States.

The procedure set out in the "Arbitration Convention" should serve as a basis. However, the Commission believes that it could be simplified, again to take account of the fact that cases of double charging of VAT should be considerably simpler to resolve than those relating to transfer pricing.

Specifically, it does not seem essential to establish a specialist Committee of representatives of the competent authorities of the Member States and independent experts. Disputes over the age of a car (or the number of kilometres it has covered) or whether goods have or have not been transported to another Member State do not appear to justify involving independent experts, which would increase the cost of the procedure without contributing anything indispensable.

The Commission believes that it would be simpler for the arbitrators, other than those appointed by the Member States concerned, to be chosen by agreement between those Member States or, if agreement cannot be reached, from among the members of tax authorities in Member States other than those engaged in the dispute.

However, the Commission is willing to consider any other proposals in this regard, provided they are simpler than the arrangements in the Arbitration Convention.

As in that Convention, the maximum length of the arbitration phase could be set at six months.

Furthermore, and again for reasons of simplicity, it does not seem essential to lay down that, once arbitration has been given, the authorities of the Member States should have the possibility, for a certain length of time, of eliminating the double taxation on bases different from those used by the arbitrators.

However, if the procedure were to apply also to disputes where the double taxation arose from differing interpretations of the VAT Directive, the question of the choice of arbitrators would have to be reconsidered.

6. QUESTIONS SUBMITTED TO THE PARTIES CONCERNED

As part of this consultation, the Commission would be particularly interested in receiving contributions from the public in response to the following points.

- Give specific examples of experiences which have resulted in double charging to VAT and state the magnitude of the sums involved. State the steps taken to eliminate these cases of double taxation and their result in terms of both outcome and the time taken.
- State whether the problems encountered are sufficiently important for the Commission to propose introducing a new legal instrument in order to eliminate individual cases of double taxation.
- If you consider that such an instrument is necessary or useful, state which of the following proposals seems most appropriate to resolve cases of double taxation: introduction of a temporary measure suspending recovery, introduction of a substantive mechanism to eliminate cases of double taxation or both together. How should the temporary measure suspending recovery of the charge resulting in double taxation be organised in practice?
- Which mechanism do you think is best suited to resolving individual cases of double taxation:
 - mutual agreement procedure alone,
 - mutual agreement procedure followed by arbitration if this fails?
- Note any comments or suggestions concerning the progress of the procedure to eliminate individual cases of double taxation.

- Any other comments.

ANNEX:
Text of Article 25 of the OECD model convention.

Article 25
Mutual agreement procedure

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.
2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.
3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.
4. The competent authorities of the Contracting States may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.