

the grantor awards a pension which is payable by the trustees of a fund held outside the Union. It is thought that the Union system carries the accepted principle to its logical end and to that extent is to be preferred to the Convention proposals.

Article 9. — Annuities.

The proposal to tax annuities in the hands of the annuitants is, like the suggestion to treat in the same manner interest on investments, in conflict with the main principle of the Union Act.

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Section II. 6. should be particularly noted, as it states that the general principles of the Convention recommended by the experts could be adapted to the taxation system of the South African Union in the ways indicated in the commentary.

Sweden.

The Swedish Government observes that a number of the taxes composing the Swedish fiscal system cannot be clearly defined as taxes *in rem* or taxes *in personam*. "In consequence", it remarks, "the proposals by the Committee of Experts could not be applied to these taxes, and the principles embodied therein could only serve as a limited guide."

The Swedish Government adds that this reservation should not be regarded as a criticism of the draft submitted by the Committee of Experts, but it is of the opinion that the work accomplished by the League of Nations in this matter would be still more valuable if the draft submitted by the experts were supplemented by other draft conventions suitable to those countries in which the fiscal system does not include the two clearly distinguishable classes of taxes *in rem* and taxes *in personam*.

The Swedish system, in common with that of several other Governments, is based essentially on the income-tax, which "has nothing in common with schedular taxes, and to which, however, the rules advocated for taxes *in personam* are inapplicable". Conventions adapted to this type of tax might be comparatively simple in form. The Swedish Government considers it all the more necessary to investigate this question inasmuch as a number of Governments which are little familiar with the system of taxes *in rem* and *in personam* will have difficulty in estimating the real scope, in relation to their national fiscal systems, of the schemes submitted by the experts.

The Swedish Government considers, however, that the efforts of the League of Nations have already produced a definite result by establishing, in the form of model conventions, the principles on which future international fiscal law will rest. However, in order to enable the largest possible number of States to adopt the principles recommended by the experts, the latter should be embodied in a more simple type of convention involving no clear-cut distinction between taxes *in personam* and *in rem*. It considers that this might be done by defining more clearly the two classes of taxes and this is all the more desirable since the distinction between *in personam* and *in rem* taxes does not appear to rest on any logical basis.

International Chamber of Commerce.

In the resolutions adopted at its Stockholm Congress, the International Chamber of Commerce recommended :

" 1. That Articles 3 and 10 of Draft Convention I (Double Taxation of Income and Capital), drafted by the experts of the League of Nations, be so modified as to prevent all confusion even in the case of exceptions, and that the fundamental principle be adhered to that impersonal taxes (*impôts réels*) should be levied at the source by the country of origin, and that personal taxes should be levied by the country of domicile of the taxpayer ;

" 2. That, in accordance with the principles already accepted by the International Chamber of Commerce and the Experts' Committee of the League of Nations, the last paragraph of Article 5 of Draft Convention I should apply in all circumstances and should not be made optional as suggested in the commentary on that article. "

III. OBSERVATIONS OF THE GOVERNMENTS ON THE DRAFT CONVENTION FOR THE PREVENTION OF DOUBLE TAXATION IN THE SPECIAL MATTER OF SUCCESSION DUTIES.

Austria.

The Austrian note points out that the experts' draft makes no distinction between movable and immovable inherited property, since Article 2 provides for the taxation by the country