Chapter 4

Summary of conclusions

332 This section is an abstract of the most important conclusions found so far, briefly summarising the storyline of this study.

333 The OECD MTC is a collective law in the sense of a multi-jurisdictional compromise. It aggregates the heterogeneous peculiarities of individual (domestic) or cultural (regional) tax laws and tax systems into a generic and autonomous taxonomy. In this respect, the OECD MTC shares the same nature with other collective tax laws. This justifies them to be consulted as inspirational legal sources for the systematic interpretation of the OECD MTC, particularly as regards aspects and concepts under the substance over form principle. The approach can help interpreting and applying the OECD MTC more consistently by consulting other legal sources, which have similar problems to solve or are even closer to a solution of these problems.

334 This study takes the transaction-based approach as a basis of its analyses. It derives the income classification directly from the effective operation rather than indirectly from its source or origin, like the asset-based approach taken by the OECD MTC does. In that the transaction-based approach decomposes the object of law into the asset-related and the transaction-related bit of information, the asset-based approach implies and requires the transaction-based approach. Consequently, the transaction-based approach is no substitute for the asset-based approach but rather an enlargement and breakdown of it. The benefit of this approach is that it provides a better understanding of multiple aspects in the interpretation and application of the OECD MTC. These include, for instance, fundamental concepts such as beneficial ownership, the realisation principle or the role of the payment profile. But they also help to solve practical problems such as the delimitation of income and capital gains, the qualification of accrued interest and the classification of ambiguous financial instruments.

1768 See par. 18.
1769 See par. 45.
1770 See par. 52.
1771 See par. 58.
1772 See par. 54.
Risk is a mathematical and economic parameter, and therefore a more quantitative one. It is principally limited in allowing conclusions on the qualitative aspects and concepts of law. In that, risk is however not only an important interpretative and/or applicative assessment factor for methodologically evaluating the relative importance of potential differentiators or criteria for the classification of income from financial instruments. The most relevant risk types for this study are symmetric versus asymmetric risk, formal versus material risk, legal versus non-legal risk, and underwriting versus timing risk. Although risk is principally masked, it can often be spotted by behavioural adaptations of the contracting counterparties of financial instrument to their risk exposures. The systematic approach of this study, the mere existence of certain types of risk therefore makes it possible in many aspects to reveal qualitative indications and conclusions towards the nature of the underlying transaction or operation. In that, it particularly helps to limit, structure and allocate the relevant and significant attributes for the interpretation and application of the OECD MTC.

This study focuses on genuine legal concepts of income classification, whereas derivative legal concepts are out of scope. While these typically trigger the same legal consequences, the difference between them is that the latter implies and requires the former as a necessary precondition. Whether a legal provision or term in the OECD MTC belongs to the one or the other concept can often be concluded neither from their wording nor from their purpose, intention or function. Therefore, this study primarily concentrates on the systematic element of interpretation. From this systematic element of interpretation the most important conclusions can be drawn:

- The mere existence of financial instruments as the asset and consequently also the income or transaction require a cautious invocation of the substance over form principle.
- Risk must be separated into legal and non-legal risks.
- “Non-legal rights and obligations” are not relevant for the classification of income types from financial instruments into the distributive articles of the OECD MTC.
- Time represents a physical parameter and therefore is principally incompatible with and inaccessible to legal interpretation. However, time aspects interact and therefore bear a nexus with a broad number of...

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1773 See par. 65.
1774 See par. 60.
1775 See par. 218.
1776 See par. 64.
1777 See par. 65.
1778 See par. 66.
1779 See par. 67 et seqq.
1780 See par. 75.
1781 See par. 73.
1782 See par. 74.
1783 See par. 77.
1784 See par. 79.
1785 See par. 78.
1786 See par. 80.
1787 See par. 81.
legal and economic aspects by interacting with them. That is why they are attached to them and basically share their same legal fate.\footnote{1788}

On the one hand, the separation of genuine and derivative concept helps to focus on the actual root causes of challenges to the OECD MTC. On the other hand, the key insight of focussing on the systematic interpretation is: which attributes of financial instruments and the OECD MTC are generally accessible to an autonomous or an domestic interpretation respectively. With regard to the autonomous interpretation, they also set the scope of aspects for which the interpretation and/or application of the OECD MTC might be inspired by other comparable legal sources. In combination, the approach fosters the primary law and thus strengthens the legal certainty and the role of the OECD MTC as the world’s leading and most influential standard template for the negotiation of DTC.

Aggregation and disaggregation are applicative techniques for preparing the legal case as a pre-step for the subsequent abstract interpretation of the law.\footnote{1789} While the application actually refers to the object of the legal issue, the interpretation refers to the target of the legal issue. The approach transferred from finance theory and domestic tax policy making of “atomising” and replicating the economic risk-return profile of financial instruments by options as their ultimate building blocks\footnote{1790} principally allows us to draw conclusions towards legal differentiators. In imperfect tax systems such as the OECD MTC it leaves a theoretical residuum of building blocks with specific risk characteristics\footnote{1791}. Combined with the systematic considerations by the IAS/IFRS and the techniques of finance theory, this approach led to the following conclusions:

- Aggregation cannot be justified by the \textit{substance over form} principle\footnote{1792}. It would create highly erratic or arbitrary and eventually coincidental results, which would not be in line with the purpose, intention and function of the OECD MTC’s distributive articles.

- The necessity of disaggregating financial instruments for the application of the OECD MTC cannot be generally rejected.\footnote{1793}

- Legal risks in general\footnote{1794} and membership rights in particular\footnote{1795} must be excluded from disaggregation.

- Financial instruments not formally referring to a \textit{share} as their underlying are not \textit{shares} pursuant to Art. 10(3) OECD MTC and are not profit-participating \textit{debt-claims} pursuant to Art. 11(3) OECD MTC\footnote{1796}.

- Subordination has a major influence on the investor’s exposure to business risk, in that it represents the primary absorber for business losses\footnote{1797}.

- The maturity of financial instruments considerably affects their risk-return profiles, in that the default risks increase the longer the durations are\footnote{1798}.

\footnotesize{\begin{itemize}
\item See par. 195.
\item See par. 85 et seq.
\item See par. 89.
\item See par. 92.
\item See par. 95.
\item See par. 96.
\item See par. 101(2).
\item See par. 106(6).
\item See par. 103(3).
\item See par. 107.
\item See par. 107(2).
\end{itemize}}
Chapter 4

- Financial instruments with a mere notional or floating principal cannot be shares pursuant to Art. 10(3) OECD MTC or debt-claims pursuant to Art. 11(3) OECD MTC. However, they are an indicator for other income pursuant to Art. 21(1) OECD MTC1799.
- The temporal payment profile1800 and the origin of the capital or principal1801 basically have little interpretation significance. This is why the time-based and risk-based components are not to be separated by way of disaggregation.
- Option rights and optional components are not to be separated from their underlyings but instead represent an integral part of them1802.

The key insight of these conclusions is to set the scope and an important limitation for the substance over form principle. By providing a clear rule against a consolidated view of separate legal instruments, it accentuates the legal form of financial instruments as the general baseline. It actually determines the upper limitation and the largest logical unit for the interpretation and application of the OECD MTC. On the other hand, the approach gives important guidelines for certain fields of potential differentiators, in that it further limits their number and indicates their significance.

338 Beneficial ownership is an indirect relation between a subject (i.e. a person) and an object (i.e. the asset or transaction) by way of composite legal transactions1803. The concept must be separated into beneficial ownership in the income or transaction and beneficial ownership in the asset1804. While the former serves the (re-)attributonal purpose, the latter serves the anti-abuse purpose1805. The (re)attributonal aspect subsists explicitly in Art. 10(2) and 11(2) OECD MTC but implicitly in Art. 13(5) and 21(1) OECD MTC. In contrast, the anti-abuse aspect subsists in Art. 10(2) and 11(2) OECD MTC only1806. The concept does not affect the genuine legal concepts and the interpretation of the terms dividends and interest1807. It replaces one subject by another instead of (re-)classifying one object into another1808. Consequently, it leaves the general principles and requirements to the inflow untouched (i.e. the income) but applies them to the outflow (i.e. the re-attribution) in a comparably less stringent manner1809. The concept of beneficial ownership might principally be operationalised by a narrow risk test similar to the IAS/IFRS concept of economic relationship.1810

In systematic correspondence to the converse approach for the disaggregation scheme, this risk test is founded on a causal relation between the in- and outflows of individual transactions1811. This causal relation must be quantitatively observable by an expected negative correlation depending on the same risk, and the in- and outflows must proportionate in approximately equal amounts or benefits. Where there is a dominating credit risk because of a time gap between the in- and outflow of an individual transaction, there cannot possibly

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1799 See par. 107(3).
1800 See par. 107(4).
1801 See par. 107(5).
1802 See par. 107(7).
1803 See par. 119 et seqq.
1804 See par. 127.
1805 See par. 128.
1806 See par. 142.
1807 See par. 124 and 129.
1808 See par. 132.
1809 See par. 140.
1810 See par. 135.
1811 See par. 137.
be an economic relationship between them. As a consequence, a non-dominating credit risk is not capable positively verifying beneficial ownership, whereas a dominating credit risk is capable negatively falsifying it. The key outcome of this section for the application of the OECD MTC to financial instruments is to introduce the concept of beneficial ownership as an important link between the various differentiators. It helps to better understand the treatment of basic terms such as income, accrued interest or capital gains. In that, it also contributes to avoid narrowing the view and thus constricting some crucial attributes towards meaninglessness.

339 The concept of beneficial ownership leads to the systematic conclusion that the term income has to be separated into an autonomous and qualitative aspect of its causal or contextual nature on the one hand and the domestic and quantitative determination of the tax base on the other. This makes negative income accessible to the general principles of the OECD MTC. The actual separation of the income’s causal or contextual nature from its mathematical sign also means its independence from the income’s amount. As a consequence, the absence of any income from a financial instrument at all does not remove the necessity and feasibility of classifying it into the distributive articles of the OECD MTC.

340 The terms paid in Art. 10(1) and 11(1) OECD MTC and from in Art. 10(3) and 11(3) OECD MTC form one logical unit or concept to be interpreted autonomously. They further limit the domestic interpretation of income.

341 Capital pursuant to chap. IV of the OECD MTC cannot be distinguished from income pursuant to chap. III of the OECD MTC economically but only legally. Consequently, any income including capital gains must be realised at least by way of a legal event that creates a new right arising from a domestic field of law that is precursory to its tax law. Thus, the OECD MTC represents a realisation-based tax system rather than an accretion-based tax system, being subject of a limited autonomous interpretation. Such a realisation principle sets the scope for the classification of income types from financial instruments in so far as deemed or notional income is basically not accessible to the OECD MTC. The differentiator of capital gains pursuant to Art. 13(5) OECD MTC as opposed to the other income types of financial instruments is that the legal event must refer to the asset, in that it impairs the mathematical number of the critical ownership rights in the asset.

342 The key benefit of these sections for the interpretation and application of the OECD MTC is to demonstrate and disentangle the ambiguous meaning of the term income as an important link between the treaty law and the domestic tax law. As such, it particularly contributes to the understanding and role of the realisation

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1812 See par. 138.
1813 See par. 139.
1814 See par. 201.
1815 See par. 151.
1816 See par. 152.
1817 See par. 158.
1818 See par. 163(1).
1819 See par. 173.
1820 See par. 160 et seqq.
principle in the distinction between *income* pursuant to chap. III of the OECD MTC, capital *gains* pursuant to Art. 13(5) OECD MTC and *capital* pursuant to chap. IV of the OECD MTC.

343 Financial instruments are particularly sensitive to contextual or situative determinants.\textsuperscript{1821} This is why legal entitlements have a dual purpose of potentially representing both the economic return for legal obligations and parts of the economic operation itself.\textsuperscript{1822} Therefore, the legal entitlements must be subject of a precedent analysis in order to determine whether they represent the former (then to be interpreted domestically) or the latter (then in so far to be interpreted autonomously). Apart from this, the various legal criteria are principally equivalent.\textsuperscript{1823} The main outcome of this section is to call attention to some peculiarities of financial instruments and to recommend a respective orientation for the perspective in which the OECD MTC should be applied in this respect.

344 Within the scope of this study\textsuperscript{1824}, matters of attribution and ownership are not accessible to the treaty principle of *substance over form* other than the concept of *beneficial ownership*.\textsuperscript{1825} In particular, there is no inherent systematic principle like an "economic ownership" in the Art. 10(3), 11(3), 13(5) and 21(1) OECD MTC. In order to constitute a *debt-claim* pursuant to Art. 11(3) OECD MTC\textsuperscript{1826} or capital *gains* pursuant to Art. 13(5) OECD MTC\textsuperscript{1827}, the transfer of the capital as principal may consequently not be a mere economic one but must necessarily be a legal one. The result of this section for the interpretation and application of the OECD MTC is to strengthen the role and purity of the *beneficial ownership* concept. In that, it provides clarity in regards to alternative concepts of attribution and ownership and thus helps to further focus on the relevant aspects when dealing with financial instruments.

345 The voluntariness test describes potential payment conditions due to the source’s subjective decision on whether or not there shall be a payment or distribution.\textsuperscript{1828} Voluntariness represents a sufficient maximum condition for constituting other *equity rights* and consequently also for *dividends* pursuant to Art. 10(3) OECD MTC.\textsuperscript{1829} In the sense of a non-exclusive verifier, it can also be interpreted from the term’s etymological origin. Multilateralism in the sense of an involvement of more than two contracting parties can be an indicator for voluntariness, but neither be its verifier nor a falsifier for its complement of involuntariness.\textsuperscript{1830}

346 Involuntariness is represented by the redemption obligation in the sense of an absolute and unconditional legal right to be repaid\textsuperscript{1831} and can likewise be interpreted from the term’s etymological origin\textsuperscript{1832}. However, it has merely the status of a necessary minimum condition (i.e. not of a verifier) for constituting time value of

\textsuperscript{1821} See par. 180.
\textsuperscript{1822} See par. 181.
\textsuperscript{1823} See par. 182.
\textsuperscript{1824} See sec. 1.2.
\textsuperscript{1825} See par. 187.
\textsuperscript{1826} See par. 297.
\textsuperscript{1827} See par. 359 and seq.
\textsuperscript{1828} See par. 188.
\textsuperscript{1829} See par. 285.
\textsuperscript{1830} See par. 191.
\textsuperscript{1831} See par. 289.
\textsuperscript{1832} See par. 285.
money\textsuperscript{1833} and consequently also for genuine \textit{debt-claims} and interest pursuant to Art. 11(3) OECD MTC\textsuperscript{1834}. The material test for the formal criterion of involuntariness is self-execution.\textsuperscript{1835} It describes the absence of any payment condition at all.\textsuperscript{1836} The redemption obligation and therefore Art. 11(3) OECD MTC do not apply to repurchase obligations.\textsuperscript{1837}

347 The concept of duration or maturity, which is reflected by the redemption obligation\textsuperscript{1838}, can be more precisely described in the stochastical sense as a more or less certain or uncertain condition\textsuperscript{1839}. It is most meaningful when being replaced with the stochastical concept of remuneration.\textsuperscript{1840} In that, it becomes a hybrid concept, which is, at the same time, both time-based and risk-based. The subjacent conflict or dualism between aspects of time and those of risk must be solved in favour of the former where the two overlay.\textsuperscript{1841} This leads to the conclusion that the absence of a duration or maturity cannot be a differentiator for the income types of financial instruments. Where a duration of legal time periods actually exists, it can only be reduced by way of economic interpretation, and not extended.\textsuperscript{1842}

348 Participation in profits and losses is a relative concept and subordinate to a non-participation in profits and losses\textsuperscript{1843}. The two form a multi-static array of unlimited forms or states in the sense of a flexible or fluid “more or less” spectrum. As a consequence, it is systematically divided into the two different aspects of profits and losses on the one hand and participation or non-participation on the other.\textsuperscript{1844} While actual profits and losses as \textit{income} are to be determined by reference to domestic tax law, the question whether there is participation in that \textit{income} also allows an autonomous interpretation. However, the purposive weakness of this approach in not allowing objective or universal statements, potentially deserves a cautious invocation and therefore relatively little interpretation significance of the participation in profits and losses criterion.\textsuperscript{1845} The criterion is legally reflected by the attribute \textit{participating in profits} in both Art. 10(3) and 11(3) OECD MTC. It represents a constituent element of the term \textit{other rights} but an extending modification of the term \textit{debt-claims}.

\textsuperscript{1833} See par. 242(3).
\textsuperscript{1834} See par. 291.
\textsuperscript{1835} See par. 289.
\textsuperscript{1836} See par. 189.
\textsuperscript{1837} See par. 292.
\textsuperscript{1838} See par. 296.
\textsuperscript{1839} See par. 196.
\textsuperscript{1840} See par. 198.
\textsuperscript{1841} See par. 199.
\textsuperscript{1842} See par. 197.
\textsuperscript{1843} See par. 204.
\textsuperscript{1844} See par. 205.
\textsuperscript{1845} See par. 206.
\textsuperscript{1846} See par. 273.
\textsuperscript{1847} See par. 280 and 295.
Modifications of the payment profile represent a time-based remuneration:

- independent of its periodicity, if the remuneration is either time-based or risk-based but time-equivalent\(^{1848}\);
- if an uncertainty refers only to the timing risk of when the remuneration is paid, but not to the underwriting risk of whether or not it is paid at all\(^{1849}\);
- where modified amounts from remuneration payments, analysed by grouping them together as a coherent whole, are exactly and certainly compensated by other remuneration payments from the same financial instrument\(^{1850}\);
- if deferred payments bear compound interest\(^{1851}\); and
- independent of currency risk\(^{1852}\).

The income or transaction is basically to be classified according to the dynamic forward-looking view\(^{1853}\). This is at the date of income payment, but in consideration of the remaining expectable lifetime of the financial instrument.

Unless they are time-equivalent\(^{1854}\), positive modifications of the payment profile still represent a participation in profits and – in contrast to the time value of money\(^{1855}\) – negative ones as well. The word profits in Art. 10(3) OECD MTC also includes losses. As a consequence, business risk is necessarily contained in and inextricably coalesced with both the participation in profits and losses (remuneration risk) and the capital or principal itself (termination risk)\(^{1856}\). Nevertheless, the two aspects must be kept separated because the term debt-claims in Art. 11(3) OECD MTC, which bears itself no termination risk, is extended only by the remuneration risk\(^{1857}\). This conceptual deficiency within the OECD MTC is due to the necessity that the underwriting risk in general and thus also the business risk in particular must be subsidiary to the redemption obligation requirement in order to constitute debt-claims as a legal construct (form over substance)\(^{1858}\). Thus, the negating insertion not being debt-claims in conjunction with the attribute participating in profits turns out as to be the interpretational key element for the debt-equity distinction\(^{1859}\). It leaves the crucial aspect of business risk only in the form of termination risk as a residuum within the term other rights and therefore Art. 10(3) OECD MTC.

Termination risk is the non-legal underwriting risk towards a non-perfect recovery of the capital or principal at maturity\(^{1860}\). It is capable of falsifying time equivalence and consequently the time value of money\(^{1861}\). Termination risk arises where the pay leg of a financial instrument, separated by way of disaggregation,
transfers a cash amount that is not solely dependent on the time value of money or an equivalent number of financial instruments.\textsuperscript{1862} In that, termination risk can principally be determined without applying different classification schemes for various classes of financial instruments (ring-fencing). The material termination risk test includes the formal criterion of a nominal value.\textsuperscript{1863} The nominal value represents the redemption value and therefore a logical link between and fixation of what the creditor transfers to the debtor for lending (receive leg) and what the debtor owes in return to the creditor as the repayment (pay leg).\textsuperscript{1864} This fixation is the legal justification for the transferrable finding from the IAS/IFRS that the pay leg and the receive leg correspond to each other under the fixed-for-fixed condition in a direct way and under the fixed-for-variable condition in an indirect way, whereas under the variable-for-fixed they correspond in neither way. Consequently, where there is no such link there cannot be any provision of capital. As a result, a mere notional or floating principal is a falsifier for dividends pursuant to Art. 10(3) OECD MTC\textsuperscript{1865} and for debt-claims pursuant to Art. 11(3) OECD MTC\textsuperscript{1866} and therefore a verifier for other income pursuant to Art. 21(1) OECD MTC\textsuperscript{1867}.

352 Subordination cannot be operationalised in a purposeful way as an autonomous differentiator, as it is determinable only on an individual or situative basis not allowing objective or universal statements.\textsuperscript{1868} Instead, subordination must be interpreted formally and therefore pursuant to the domestic law, giving rise to potential qualification conflicts.

353 Coverage and collateral are economically substitutable. This allows the use of coverage as a differentiator for identifying counterparty risk in a potentially more reliable manner than collateral, in that it is capable of negatively falsifying credit risk.\textsuperscript{1869} Fully covered obligatory financial instruments are not considered debt-claims pursuant to Art. 11(3) OECD MTC, but must rather be classified according to their underlying’s nature.\textsuperscript{1870}

354 Sources of funds for repaying capital or principal provisions or contributions are not capable of serving as an autonomous differentiator for distinguishing equity and debt\textsuperscript{1871}. The reasons are:

- Proceeds from the liquidation of assets are individual or situative, not allowing objective or universal and significant new statements.\textsuperscript{1872}
- Business profits are to be determined by reference to domestic tax law.\textsuperscript{1873}
- (Re-)financing sources bear a nexus with business profits, making any attempt to disentangle the two in order to reach an autonomous interpretation impossible.\textsuperscript{1874}

\textsuperscript{1862} See par. 348.
\textsuperscript{1863} See par. 299.
\textsuperscript{1864} See par. 298.
\textsuperscript{1865} See par. 282.
\textsuperscript{1866} See par. 299.
\textsuperscript{1867} See par. 337.
\textsuperscript{1868} See par. 220 et seq.
\textsuperscript{1869} See par. 229.
\textsuperscript{1870} See par. 303.
\textsuperscript{1871} See par. 251.
\textsuperscript{1872} See par. 244 et seq.
\textsuperscript{1873} See par. 246.
\textsuperscript{1874} See par. 250.
Instead, the determination of these sources bears a comprehensive and inextricable nexus with that of the income. They actually represent an inseparable mix or “infection” of the former by the latter. In that, they are entirely subject of the domestic interpretation\textsuperscript{1875} and therefore give rise to potential qualification conflicts\textsuperscript{1876}. Due to the phrase \textit{whether or not carrying a right to participate in the debtor's profits}, this also applies to debt-claims pursuant to Art. 11(3) OECD MTC.\textsuperscript{1877}

355 Limb 2 of Art. 10(3) OECD MTC acts as a general clause for limb 1 in the sense of an intersection\textsuperscript{1878}, whereas limb 3 acts as a special clause for limb 2 in the sense of a carve-out\textsuperscript{1879}. As a consequence, limb 2 can share its attributes with limb 1 (upwards) but not take any attribute from limb 3 (downwards). In particular, the attribute \textit{other corporate rights} as such is not relevant for the interpretation of the term \textit{other rights}.\textsuperscript{1880} Instead, it is to be interpreted autonomously and actually means equity \textit{rights} as opposed to debt-claims. Consequently, the word \textit{other} in limb 2 is to be understood in a different sense than the word \textit{other} in limb 3.\textsuperscript{1881}

356 The meaning of the word \textit{debt-claim} is not limited to cash but also includes non-cash obligations.\textsuperscript{1882} The purpose of the \textit{debt-claim} and whether or not it is securitised or subordinated\textsuperscript{1883} is not relevant for its classification pursuant to Art. 11(3) OECD MTC, nor is the deduction from the debtor’s tax base\textsuperscript{1884}.

357 The difference between accrued interest and other forms of imputed interest is that the latter is no remuneration for the main or principal service of financing.\textsuperscript{1885} However, to the author’s understanding, the consensus view that accrued interest shall be considered \textit{paid} is not a justifiable legal principle but rather appears to be a common or best practice\textsuperscript{1886}.

358 The following illustration visualises and summarises the understanding of debt-equity delimitation as represented in this study:

\textsuperscript{1875} See par. 251.
\textsuperscript{1876} See par. 252.
\textsuperscript{1877} See par. 302.
\textsuperscript{1878} See par. 260 and 272.
\textsuperscript{1879} See par. 267 and 272.
\textsuperscript{1880} See par. 272.
\textsuperscript{1881} See par. 270 and 272.
\textsuperscript{1882} See par. 300 et seq.
\textsuperscript{1883} See par. 304.
\textsuperscript{1884} See par. 305.
\textsuperscript{1885} See par. 306.
\textsuperscript{1886} See par. 307 et seqq.
The main outcome of these sections is not only to introduce, analyse and distinguish some inherent concepts in what is discussed in the jurisprudential research and discourse as potential differentiators between debt and equity. In particular, these concepts are embedded and discussed in a thorough legal interpretation of Art. 10(3) and 11(3) OECD MTC. Beyond that, those concepts are also operationalised into concrete tie-breaking tests. In addition, the sections further analyse the relations between these classifiers and their relative significance. In that, they are re-evaluated against each other and reduced to a compact set of clear and meaningful differentiators for the interpretation and application of the OECD MTC to financial instruments. As the key objective, the study thus recommends a system of classifiers, which are coherent, consistent, universal, complete, mutually exclusive, justifiable, autonomous, objective, resilient and operationalizable\textsuperscript{1887}.

As regards capital gains pursuant to Art. 13(5) OECD MTC, the term alienation must be subject of a differentiated interpretation. The reason is that it actually coalesces the following different aspects:\textsuperscript{1888}

\textsuperscript{1887} See sec. 1.1.2.
\textsuperscript{1888} See par. 314.
• A change in the asset attribution, which must be interpreted formally or legally and therefore under the terms of domestic tax law pursuant to Art. 3(2) OECD MTC.1889
• A transfer transaction as a result from that change, which must likewise be interpreted formally or legally and therefore under the terms of domestic tax law.1890
• The realisation of this transaction, which includes partial disposals and is subject of a limited autonomous interpretation applying form over substance.1891 It requires at least a legal event arising from a domestic field of law that is precursory to its tax law and refers to the asset, in that it impairs the mathematical number of the critical ownership rights in the asset pursuant to domestic law.
• The attribution of the capital gain from this realised transaction, which is subject of the substance over form principle in the form of the beneficial ownership concept.1892

361 Hence, the substance over form principle theoretically takes effect only upon the subjective attribution of the capital gains, i.e. the pass-through of the realised income rather than the ownership rights in the asset itself.1893 This view is however not of major relevance for the theory of interpreting Art. 13(5) OECD MTC (but may be relevant for the practice of its application). The reason is that the genuine attributee of capital gains is always identical with the attributee of the asset itself.1894 Only with this reservation and to this extent does the author agree with the majority view that the term alienation could in result be said to require a “change in economic ownership”.1895

362 Cases of unilateral termination without a transfer to another person or subject are not included in the term alienation pursuant to Art. 13(5) OECD MTC.1896 Among the bilateral transfers to another person or subject, the return for the disposal is not relevant either. As a consequence, the term alienation also includes non-cash exchange transactions and transactions without any return at all. That is why the information to what extent the ratio between the number of the critical ownership rights in the asset and their proportional value changes as a result of the transaction1897 cannot be used as a differentiator for capital gains.1898

363 The key benefit of these sections is to complement the recommended debt-equity delimitation by a corresponding analysis and presentation of capital gains. In that, the study not only contributes to the better understanding and application of numerous DTC to financial instruments; altogether, it also reveals and demonstrates the limitations, deficiencies and areas for potential improvements of the OECD MTC when tackling the specific challenges of modern financial instruments.

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1889 See par. 315.
1890 See par. 317 et seqq.
1891 See par. 320.
1892 See par. 321.
1893 See par. 322.
1894 See par. 323.
1895 See par. 324.
1896 See par. 325.
1897 See par. 326.
1898 See par. 326.
While Art. 21(1) OECD MT is a residuary clause for all other distributive articles of the OECD MTC\textsuperscript{1899}, the definition and delimitation of gambles is in result not relevant for this study\textsuperscript{1900}.

\textsuperscript{1899} See par. 328.

\textsuperscript{1900} See par. 330 et seq.