

Study on Taxation during Building the "Belt and Road" Initiative

Ping Liu

Yunnan Open University
Kunming, China

Abstract—Tax policy is an important driving force during building the "Belt and Road" Initiative. If China and the countries along the Belt and Road want to actively integrate the initiative, it is necessary to eliminate double taxation, enhance international taxation coordination, and reduce taxation risks. From the perspective of taxation, on the basis of the primary contents of taxation, in accordance to advanced foreign experience, the suggestions for taxation during building the "Belt and Road" Initiative were proposed.

Keywords—Belt and Road Initiative; taxation policy; international information platform

I. INTRODUCTION

The Belt and Road Initiative is committed to constructing a political, economic and cultural cooperation system in Eurasia. According to statistics, at present, 65 countries along the Belt and Road participate in the building of the "Belt and Road" Initiative with the total population of 4.4 billion and economic aggregate of \$21 trillion, accounting for 63% and 29% of the global respectively. As for China and the involving countries, this provides unlimited opportunities, and is of great importance to construct a new world economic order and maintain China's political safety.

Taxation can bring a powerful driving force for building the "Belt and Road" Initiative. However, if it fails to deal with taxation policy, sign and implement international taxation agreement, cooperate in terms of international tax collection and management, provide taxation services and administration, taxation issue will be a huge barrier for the construction of the "Belt and Road" Initiative.

II. AN OVERVIEW OF THE TAXATION ISSUE DURING THE CONSTRUCTION OF THE "BELT AND ROAD" INITIATIVE

A. Contents of Taxation of Cross-border Investment

1) *Contents of income taxation policy*: In terms of cross-border investment taxation, in line with the principle of income source, China mainly implements the tax policy of residents' overseas income; in terms of the classification of taxpayer identity, China mainly carries out taxation administration comprehensively according to place of residence and income source, and eliminates international double taxation with the Method of Tax Credit; in addition, China actively negotiates with other countries and signs

taxation agreements with them; at present, a certain taxation agreement network has been formed; moreover, according to the principle of priority of international law, China has established transfer pricing and capital weakening mechanism for anti-tax avoidance; besides, it implements indirect tax credit.

2) *Contents of taxation policy of export rebates and free export of value-added tax*: At present, China adopts differential treatment policy in terms of export cargoes, and refunds taxes of the majority of goods to different extends. Tax rate is not necessarily equal to tax refund rate. China implements VAT refund as for manufacturing enterprises and carried out tax reimbursement (exemption) policy as for foreign trade enterprises; the refunded taxes are mainly assumed by the central finance. From the perspective of collection and management of export rebates, China implements the system of "declaration for approval and assessment and examination".

3) *Contents of tariff revenue policy*: In terms of the primary tariff policies, besides statutory tariff concession, China implements tariff exemption of import and export cargoes in special regions or industries or with special purposes.

B. Taxation Agreement Signing and Implementing

Taxation agreement signing mainly aims to solve the problem of double taxation, which enhances international taxation cooperation. In 2015, China signed taxation agreement with 65 countries along the "Belt and Road", and negotiated with some key countries which did not sign an agreement with China, and revised the current agreements with some countries. Besides discussing and signing taxation agreement, the State Administration of Taxation actively dealt with the mutual negotiation cases with the countries along the "Belt and Road", helped Chinese enterprises solve overseas tax-related disputes, and reduced overseas tax burden for them.

1) *Regulations of tax credit in the international taxation agreements signed by China*: The international taxation agreement signed by China with other countries aims at the taxation of the income obtained by Chinese taxpayers from host countries or other regions to prevent international

double taxation. In general, the Method of Tax Credit is adopted.

2) *Regulations of the tax sparing in the international taxation agreements signed by China:* The regulations on tax sparing include two types: one is mutual sparing credit between a contracting parties and regions, including ordinary sparing credit and fixed rate credit of investment income.

C. *Foreign Tax Service and Tax Collection and Administration*

In 2015, the State Administration of Taxation proposed ten measures to serve the "Belt and Road" Initiative, aiming to improve services and provide stable, timely, convenient and professional services for enterprises to "go out". China has been committed to remarkably reducing non-administrative licensing examination and approval matters and strive for streamline administration and institute decentralization.

China, as a partner of OECD, equally participates in BEPS action plan, and has the same rights and obligation with OECD countries. At present, the State Administration of Taxation is comprehensively revising the Implementing Measures for Special Tax Adjustment in accordance to the anti-tax avoidance guidelines made by China.

III. INTERNATIONAL EXPERIENCE ENLIGHTENMENT

With the implementation of the "Belt and Road" Initiative, how does China deal with the accompanying taxation affairs? International experience enlightenment: the core problem for a country to make foreign investment taxation policy lies in the balance between maintaining the taxation interest of its own country and providing fair and preferential taxation conditions for taxpayers. In order to better promote the implementation of the "Belt and Road" Initiative, China must establish a perfect tax credit system, and reduce international double taxation; in terms of preferential tax policy, it is necessary to adjust and reform the policy to promote trade and investment; in addition, it is necessary to deeply study export rebates and tariff policies; from the perspective of international taxation interest and taxpayers, it is necessary to solve the problem of international taxation and provide high-quality tax services.

IV. TAXATION SUGGESTIONS FOR SERVING THE "BELT AND ROAD" INITIATIVE

A. *Deduction from Income Tax in Special Industries*

Most projects of the "Belt and Road" have the attributes of public goods. Although social utility of them is high, but economic benefit is low and the investment period is long. Therefore, the implementation of the "Belt and Road" Initiative must be supported by public finance. As a result, the important infrastructure in the "Belt and Road" Initiative is provided with proper tax preference to give these enterprises an explicit orientation. It is necessary to enhance the support for them and expand the preferential range of tax

concessions in special industries, from tax rate, tax base to tax declaration.

B. *Improving the VAT Export Tax Refund Policy*

1) *Setting up export rebate rate reasonably:* According to the degree of value-added, technological contents and export country of products, the export rebate rate is set. Different tax rebate rates are adopted in different regions.

2) *Being strict to the audit of export tax rebate materials:* It is necessary to deepen the concept of "combining management with service", form a new cooperation mode including the central government, local government and intermediary organizations, and solve the problem that tax authorities cannot substantially examine enterprises, which not only guarantees the authenticity of auditing business, but also saves tax collection cost.

C. *Improving Tariff Revenue Policy*

1) *Improving tariff rate structure:* It is necessary to constantly adjust the customs duty rate structure of China and reasonably and effectively protect its economic development. We should significantly reduce the import customs duty rate of primary goods, and selectively reduce the import customs duty rate of some key semi-finished products and finished-products according to the requirement of domestic production. When adjusting customs duty rate structure, it is necessary to narrow the gap between actual customs duty rate and nominal customs duty rate. In addition, we should expand the commodity range of specific duties and increase comprehensive consideration. Moreover, it is necessary to strictly investigate and treat the behavior of reducing customs duty rate with the loophole of customs duty rate structure.

2) *Adjusting customs tariff policy:* We can provide import tax preferential policy for the products that are resold in China to encourage domestic enterprises to actively participate in international competition. In the face of the tariff barrier of other countries and China's anti-dumping tariff, besides actively striving for equal rights of international trade through industrial organizations and relevant national departments, Chinese enterprises shall speed up industrial structural transformation, change original equipment manufacturer status, cultivate high additional value products, form self-owned brand, enhance competitiveness, and create a wider international market.

3) *Enhancing the role of tax convention*

a) *Intensifying the efforts to tax convention signing:* As for the countries along the "Belt and Road", China shall accelerate the negotiation with other countries in terms of tax convention, and strive to expand the scope of tax convention, including increasing categories of taxes, raising tax base and adjusting tax rate, enhance efforts to improve the tax convention with Southeast Asia, South Asia, West Asia and European countries.

b) Enhancing the judgment of residential identity, standing body and source of income: In order to corrossively judge residential and non-residential identity, it is suggested to make the obliges of withholding tax be responsible for putting the proof of residential identity, and strictly make a convention in terms of beneficiary's application and audit program.

In addition, during implementing tax convention, because the judgment results made by standing bodies are different, the tax collection modes of tax authorities also vary. Therefore, the key link is the judgment of standing body. With the development of network technology, international Internet, URL and the server maintaining the URL can automatically finish relevant operating activities of enterprises; fix the place of business in the current concept of standing body, or various functions finished by business agent for enterprises. This requests us to understand and define the concept of current standing body again, timely interpret the regulations of server URL of international Internet, and assist standing body to make a judgment.

c) The judgment of the source of income is related to the right of jurisdiction of taxation of a country: In order to expand tax base, the country of residence of taxpayers and the country where the income is from usually have divergence, leading to international tax competition. China implements both tax jurisdiction of income source and resident jurisdiction to tax. As for the tax of the income of Chinese residents from all over the world and the income of nonresidents of China from China, it is necessary to coordinate the tax interest relationship with contracting countries through tax convention to prevent double taxation; meanwhile, we should closely grasp the orientation of the international economy, timely adjust foreign tax policies, and reduce the negative effect of international tax competition on China's economy.

D. Suggestions for optimizing foreign tax service, collection and administration

1) Optimizing foreign tax service: First, establish the tax service institutions with one-stop management mode to be specially responsible for cross-border trade and investment of enterprises.

Second, set up compound information service channels. At present, one of the troubles for Chinese enterprises to participate in the building of the "Belt and Road" Initiative is the lack of various aspects of information of foreign investment. It is necessary to enhance tax propaganda, spread tax convention, and the tax system of the countries along the "Belt and Road", and make cross-border enterprises grasp enough information. Besides, we shall set up a foreign tax system material center to translate the tax system of the countries in Southeast Asia and South Asia. On the basis of the comparison of the tax system of different countries, we should conclude the strength and weakness and give investors an explicit orientation; explicitly regulate the tax policies relating to cross-border investment and dispute solution procedure.

Third, enhance the cultivation of the talents of tax service. Cultivating professional personnel to deal with cross-border taxation is an important point of solving the tax problems of the "Belt and Road" Initiative. Under the strategy of the "Belt and Road", it is necessary to pay attention to the training in terms of the tax system in Southeast Asia, South Asia, West Asia and Central and Eastern Europe and English training. In addition, when employing tax personnel, we can evaluate the grasp of the languages of the countries along the "Belt and Road".

2) Strengthening foreign tax collection and administration

a) Enhancing the collection and administration of export rebates: China should improve the national tax system as soon as possible, thoroughly solve the problem that export rebates are divorced from tax collection, realize information resource sharing among duty assessment departments, fully play the connectivity advantage of the electronic port data of customs, taxation, external management, realize management information networking, integrate the information of each department to make concerted efforts, and implement comprehensive monitoring of export rebates.

b) Strictly attacking the cheat taxes on export: State Administration of Taxation, The Ministry of Public Security of the PRC, General Administration of Customs of the PRC, and The People's Bank of China shall intensify efforts to attack export-tax rebate cheat and making out special invoices for value added tax, clarify responsibilities, enhance cooperation, deepen collaborative contents, innovate cooperation mode, strengthen cooperation, and improve the long-term cooperation mechanism with the department in terms of attacking export-tax rebate cheat and making out special invoices for value added tax.

c) Optimizing foreign-related tax declaration: It is necessary to establish the declaration and record system of the enterprise "going out" and clarify relevant operational procedures as soon as possible, and domestic and foreign tax declaration shall be carried out respectively. Simplifying the procedure of taxation. In terms of simplifying the procedure of taxation, it is necessary to combine with the policy of "streamline administration and institute decentralization", which is of great importance to the implementation of the "Belt and Road" Initiative; the government shall enhance international tax cooperation, make full use of negotiation procedure to solve foreign investment tax credit disputes, enhance the communication with the countries along the "Belt and Road", establish the mechanism of solving international tax problems and disputes, and actively promote the formation of a new international tax order.

E. Accelerating the building of international information communication platform

China should establish an international information sharing platform of the "Belt and Road" Initiative where the Chinese government and authoritative institution jointly

participate in and integrate deeply, and integrate and market service elements including finance, agency and logistics necessary for enterprises. International tax-related information sharing platform is helpful to all countries and regions to enhance the collection of tax-related information, enhance the management status of the source of tax, and solve the problem that "how much tax should be collected" and "whether tax collection is in the place".

F. Suggestions for Intensifying the Coordination and Cooperation of International Tax Collection and Administration

The countries along the "Belt and Road" shall provide taxation information mutually, improve tax transparency, and construct a fair tax environment for enterprises with the information exchange mechanism under bilateral tax convention and automatic exchange mechanism of financial account information under multilateral convention on mutual assistance in tax collection and administration. Meanwhile, China should enhance the cooperation with the countries along the "Belt and Road", share the resources they own and promote the establishment of national tax center, leading to resource sharing.

V. CONCLUSION

The contents of building the "Belt and Road" Initiative is a mechanism of developing deeper cooperation between the countries along the "Belt and Road" in a wider scope. Good cross-border investment tax policy creates a good tax environment for the implementation of the "Belt and Road" Initiative; tax convention signing and implementing can solve the problem of international double taxation; optimizing foreign tax service, collection and administration can provide information and protection for the enterprises to invest in the countries along the "Belt and Road"; coordinating international tax collection and administration cooperation can solve the problems during foreign investment for the enterprises .

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