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GloBE Rule Challenge and "Belt and Road" Tax Collection and Management Cooperation Response Research

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Abstract

The implementation of GloBE rules has become a major trend of international tax reform.Although this rule is in line with the development trend of globalization, it poses challenges to the principles of tax sovereignty, tax neutrality, tax fairness and tax efficiency, which needs to be dealt with through certain supporting systems.Due to the "Belt and Road" tax collection and management cooperation mechanism, it is inclusive in the framework, practical in the system, and has a high authority in the regional practice.It is practically feasible to take this mechanism as a practical approach to meet the tax challenge of GloBE rules.Specifically, it is necessary to improve the form of tax information exchange and build a win-win regional tax system to give full play to the role of the mechanism to deal with the tax challenges brought by GloBE rules.

Keywords

GloBE Rule, Tax Principles, The Belt and Road Initiative, Collection and Management Cooperation.

1. Introduction

Trade in digital services is a form of trade that provides online, remote delivery of services. Compared with physical trade, digital services trade has been less affected by the epidemic, and some emerging digital services trade businesses have even seen explosive growth. According to statistics, the scale of global digital service trade reached us $3,167.59 billion, accounting for the proportion of the total service trade significantly increased to 63.6%, up 11.8 percentage points compared with last year, or more than the past 10 years combined.In order to meet the challenges to the international tax system caused by the development of the digital economy, the G20 / OECD has long paid close attention to the global tax reform.The G20 2016 Summit reached the G20 Digital Economy Development Cooperation Initiative, the 2017 Summit proposed the summit declaration of "international tax cooperation and financial transparency", the 2018 Summit proposed the G20 / OECD tax plan worldwide, the G20 / OECD tax plan in 2019, to establish a modern international tax system.In 2020, the summit proposed to promote the construction of a G20 / OECD tax framework.In October 2021, the G20 / OECD "two-pillar" program reached a comprehensive global consensus.Under the framework of the G20 and OECD, western countries have actively led the negotiations on the program. In December 2021, the OECD released the global anti-tax base erosion legislation template for pillar 2, which marks the completion of the basic design of pillar 2. The implementation framework for the GloBE rules will also be developed by the end of 2022.Earlier, in the absence of a unified international digital tax rules, more than 40 countries, represented by EU member states, have taken measures to tax digital services or take other unilateral measures to protect their public finances, combat international tax evasion and reduce tax base erosion.However, the latest "two-pillar" proposal calls for the abolition of unilateral digital services taxes and other similar unilateral measures, and calls for a commitment not to take similar measures in the future.Since

2021, the promotion of the two-pillar scheme has produced a certain "cooling" effect on the unilateral collection of digital tax.Meanwhile, 136 countries, including the top tax havens, have expressed their support for the two-pillar plan.Internet giants such as Google and Amazon have also supported the plan.Within the multilateral framework, the divergence of opinion on the digital tax has faded.The implementation of GloBE rules has become a major trend of international tax reform.

2. Organization of the Text

2.1. Challenges of GloBE Rules to Countries along the "Belt and Road"

2.1.1. The GloBE Rules Challenge the Principle of Tax Sovereignty

Although the GloBE rules have a substantial effect on eliminating the international tax avoidance of large enterprises and maintaining the national fiscal and tax capacity, the rules do not consider the actual situation of the economic development of various countries, ignore the differences in tax interests between countries, are suspected of interfering in the tax sovereignty of various countries, and have a strong color of a great power. The rules give legitimacy to developed countries to forcibly tax countries that do not tax at the agreed minimum rate.To some extent, rules serve the interests of the United States and European countries, which developing countries adopt against their own interests.Although the rules will strengthen the link between global tax collection and administration, in line with the development trend of globalization.But on the other hand, the rules make the national tax policy formulation power. First, the tax administrative law enforcement authority of the regional tax departments shrinks, which challenges the national tax sovereignty. Although some scholars point out that the implementation of GloBE rules will restore the state's tax sovereignty over large companies, the acquisition of this sovereignty and the restrictions on tax preferential policies can reach an acceptable balance, and the state will not threaten the tax sovereignty. However, the restoration of the national tax power of large companies is more about the protection of the tax interests of developed countries.For the single developing countries with low tax, the balance of tax sovereignty is difficult to achieve, and the principle of tax sovereignty still faces great challenges.

2.1.2. The GloBE Rules Challenge the Tax Neutral Principle

The principle of tax neutrality requires that the tax system should not substantially hinder taxpayers' investment at home and abroad. The original intention and goal of GloBE rules are difficult to coordinate with the current strategy of China's new development pattern in China, which will hinder the investment of multinational companies in China and Chinese enterprises in countries along the "Belt and Road".At the same time, the rules also deviate from the direction of the tax reform of Hainan Free Trade Port, hindering the integration process of Guangdong, Hong Kong and Macao.Therefore, the rules have a substantial adverse impact on investment and trade, and the pillar-II GloBE rules will challenge the principle of tax neutrality.]Furthermore, on the one hand, the rule weakens the scope of preferential tax policies in developing countries and has a substantial impact on attracting foreign investment in developing countries; on the other hand, the rule will adjust the tax distribution relationship between countries and multinational enterprises with a substantial impact on the outbound investment of multinational enterprises. Therefore, the GloBE rule has practical challenges to the principle of tax neutrality.

2.1.3. The GloBE Rules Challenge the Principle of Tax Fairness

In the short term, the GloBE rules weaken the tax competitiveness of developing countries with tax incentives as the core. The distribution of tax rights is more conducive to developed countries, and makes the tax distribution between developed countries and developing

countries more unfair. But in the long run, the rules will help to narrow the international tax gap, and to some extent, it will also help to narrow the gap between the rich and the poor, and alleviate the social contradictions caused by the widening gap between the rich and the poor. As far as China is concerned, rules can promote the realization of tax equity, narrow the gap between rich and poor, and accelerate the economic development goal of common prosperity, which is a good system to promote tax equity.However, after the implementation of GloBE rules, the tax risks brought to developing countries should still be paid seriously in the short term, and developing countries need to adjust their tax systems or adopt bilateral or multilateral cooperation within the region, in order to achieve a smooth transition of global tax reform.

2.1.4. The GloBE Rules Challenge the Tax Efficiency Principle

First of all, from the perspective of the system cost, the tax laws and regulations and collection and management practices in different countries vary greatly.There is a conflict between the domestic tax collection and management system and that required by the legislative template of GloBE rules.Due to the implementation of GloBE rules of pillar 2, the domestic tax law of global countries is needed as a supporting measure of the system, which is difficult to implement and the system cost is high.Therefore, the system cost brought by its implementation will reduce the tax efficiency to a certain extent.The agreement of the retention clause in the pillar 2 plan is unclear, which further aggravates the possibility of incompatibility with the domestic tax laws of various countries and increases the difficulty of implementation. Second, the actual tax rate as a tax base measurement is difficult to implement in developing countries, GloBE rules for a country whether to exercise the tax power, the determination of a series of tax elements put forward higher requirements, beyond the scope of most developing countries tax enforcement ability and technology, greatly increased the law enforcement cost of tax authorities. Therefore, under the existing conditions, based on the consideration of system cost and technology and measurement cost, the implementation of GloBE rules will reduce the efficiency of international tax collection and management.

2.2. Feasibility Analysis of The "Belt and Road" Tax Collection and Administration Cooperation to Meet the Challenge of GloBE Rules

The GloBE rule threatens tax sovereignty, affects state investment, causes unfair tax distribution and reduces tax efficiency in developing countries in the short term.These problems violate the basic principles of international taxation and are the international tax laws that China must face when participating in international investment and trade.Due to the inclusive "Belt and Road" tax collection and administration cooperation framework, the system is practical and has high authority in regional practice.Therefore, it is feasible to rely on the "Belt and Road" tax collection and management cooperation to cope with the tax challenges brought about by the GloBE rules.

2.2.1. The "Belt and Road" Tax Collection and Administration Cooperation Framework is Inclusive

The cooperation mechanism is not to establish a single regional tax rules, but is committed to maintaining the existing international tax rules, while taking into account the improvement of the rule system and the requirements of regional multilateralism for improving the tax system. On the basis of following the existing general international tax rules, further promote tax cooperation among different tax entities in the region, such as the Wuzhen Action Plan (2019-2021) "Supporting the implementation of the 14th Action Plan for Tax base erosion and profit transfer". On the basis of common international tax standards, more countries and regions to carry out deeper tax cooperation. In tax cooperation, all parties adhere to the principle of extensive consultation, joint contribution and shared benefits, take the laws and regulations of all parties as an important basis, give full consideration to the interests and needs of all parties, and respect their independent choice in tax policies and management. For example, make an

annual financial donation plan, support tax coordination among members, and balance the relationship between investor interests and national tax interests. The existing collection and administration system can be connected with international tax rules, can take into account the overall interests of the region, or take into account the fair distribution of tax rights and interests of various countries in the region, and is inclusive in the overall system design. With the general consensus of the GloBE rules reached globally, the implementation of the pillar II scheme has become a major trend. The "Belt and Road" tax collection and administration cooperation framework is inclusive, and can fully coordinate the interests of all parties in the region and meet the challenges brought by the GloBE rules of the pillar II plan.

2.2.2. The "Belt and Road" Tax Collection and Administration Cooperation System is Practical

"Belt and Road" tax collection and administration cooperation mechanism for tax authorities, international organizations, academic institutions, enterprises and other related subjects to share tax related knowledge products, training courses, technical assistance and practical experience provides an effective dialogue platform, to improve the tax authorities, especially the emerging economies and developing countries of the tax authorities management level is of great significance. By May 2022, the cooperation mechanism has actively set up an online communication platform, and has held three high-level meetings, 10 working seminars and more than 20 special meetings. More than 2,000 tax officials from more than 60 countries (regions) and more than 10 international organizations attended the meeting and shared their experiences, practices and suggestions, including tax measures to tackle the epidemic and tax measures to promote high-quality economic development. The mechanism has effectively helped participants to find tax measures suitable for their national conditions, and effectively promoted the mutual benefit and win-win results of the cooperation mechanism.The mechanism promotes the improvement of the actual capacity of tax collection and administration of countries (regions) along the Belt and Road, and can make sufficient preparations for countries in the region to deal with the tax technical risks brought by the pillar 2 GloBE rules.

2.2.3. The "Belt and Road" Tax Collection and Administration Cooperation has a Strong Authority among the Member States

The International Tax Review (International Tax Review) is the most influential journal in the international tax field.In April 2022, the magazine published its "Top 50 Global Tax on the Year 2021-2022" list.The "Belt and Road" tax collection and management cooperation mechanism is included in the list, and it is the tax platform selected in 2021.The International Tax Review says the "Belt and Road" initiative will change the global trade processes in recent decades, and taxes will play a key role.The cooperation mechanism initiated by the State Administration of Taxation aims to strengthen tax coordination between countries (regions) and jointly build "Belt and Road".The cooperation mechanism will play a key role in strengthening national (regional) tax cooperation and jointly building the "Belt and Road".In addition, the mechanism, including the heads of tax authorities in Kazakhstan, Egypt and other countries, has highly evaluated the mechanism in public. The "Belt and Road" tax collection and management cooperation mechanism has strong authority both in the international tax influence and in the recognition in the tax cooperation region.Relying on this mechanism to meet the tax challenges posed by the GloBE rules, it is easier to reach consensus with countries in the region under the existing institutional framework.

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2.3. The Practice of "Belt and Road" Tax Collection and Management Cooperation to Meet the Challenge of GloBE Rules

2.3.1. Improve the Form of Tax Information Exchange

Under the guidance of the concept of multilateral cooperation mechanism, in order to further combat international tax evasion and promote the continuous prosperity of "Belt and Road" countries (regions), the form of multilateral tax information exchange should be further improved and improved.As an important part of the international tax collection and administration cooperation, tax information exchange is the most effective and widely used means in the current "Belt and Road" tax collection and administration cooperation.Timely and effective exchange of tax information between countries can not only balance the tax interests of various countries, but also fully protect the tax sovereignty between countries, and also enhance the spirit of cooperation of "Belt and Road".At present, on the one hand, the form of tax information exchange needs further improvement due to the principles of tax sovereignty and tax efficiency.On the other hand, based on the current "Belt and Road" national tax cooperation has limited practical experience and small tax information exchange, which causes new problems such as high marginal cost and insignificant information exchange income in the short term, it is necessary to build a more efficient tax information exchange platform in the subsequent cooperation.This efficient platform can not only guide countries along the routes to exchange tax information, but also fill in the problem of reducing tax collection and management efficiency caused by GloBE rules.In the construction of specific system, first of all, the exchange of tax information should be carried out among countries with close economic exchanges, numerous tax evasion phenomena and urgent needs for tax information exchange. On the basis of the unity of core interests, a platform for tax information disclosure and exchange should be built. Secondly, for the countries and regions that basically have the conditions for tax information exchange, the cooperation mechanism should further enrich the exchange scale and type of tax information exchange on this basis. In addition to improving the automatic exchange of tax information, the cooperation mechanism can also further explore more functions such as spontaneous information exchange, stage tax review and transnational joint tax review on this basis, so as to realize the impact on tax evasion and play a demonstration role for other countries and regions.Finally, when countries have formed good tax information exchange habits, countries (regions) can further form a higher level of tax information sharing mechanism, develop more operational regional tax transparency standards, determine the multilateral tax information review, testing, evaluation standards, to supervise countries and regional information exchange, to create a more cooperative spirit, more fair and transparent regional tax environment.

2.3.2. Building a Win-win Regional Tax System

GloBE rules bring challenges to the principle of tax fairness, and they require the formation of an effective tax collection and management system in the region to deal with the tax risks brought to developing countries in the short term.Most of the countries along the "Belt and Road" are mainly developing countries, and the economic development of these countries is quite different, the national tax legal standard system is incomplete, the tax system has obvious differences, and the tax collection and management capacity is weak, which makes it not easy to form an effective tax collection and management system in the region.In order to promote regional cooperation can effectively, safeguard the tax interests along the "Belt and Road", realize the real tax fair, cooperation mechanism should give full play to the platform advantage, from the perspective of tax collection and administration ability aid and tax standard governance, leading the "Belt and Road" surrounding countries to build both efficient and fair modern regional tax system.First, cooperation mechanism as a regional intergovernmental tax cooperation and coordination organization, should actively play its support advantage, by

mature tax collection and management system countries to other countries tax training, and focus on cross-border digital tax collection and administration, cross-border tax dispute settlement and tax information exchange business training, help these countries (regions) grasp the emerging business model and transnational business logic behind the tax principle, so as to maintain its tax sovereignty, improve the international tax dispute settlement ability.Finally, taking the opportunity of international tax rules and global tax governance, the cooperation mechanism should formulate new regional tax norms according to the specific needs of "Belt and Road" construction, so as to safeguard the tax rights and interests of developing countries.For example, in terms of regional digital tax cooperation, according to the main industrial structure of "Belt and Road" countries and the specific national conditions of different countries, under the guidance of the principle of substantial value creation, the regional connection system can be reconstructed and new profit distribution rules can be created.At the same time, the "Belt and Road" tax collection and administration cooperation forum should be actively carried out, and relevant expert committees should be established to make suggestions and suggestions for the improvement of the regional cooperation mechanism, so as to protect the interests of developing countries to the greatest extent.

3. Conclusion

As the "the Belt and Road" tax collection and management cooperation mechanism is inclusive in framework, practical in system and highly authoritative in regional practice. Taking this mechanism as a practical approach to deal with the tax challenge of globe rules has practical feasibility. Specifically, we need to give full play to the role of mechanism by improving the form of tax information exchange and building a win-win regional tax system to meet the tax challenges brought by globe rules.

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