

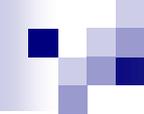
The Sixth IMF-Japan High-Level Tax Conference for Asian Countries

Challenges of International Taxation for Developing Countries

Wang Jianfan

Director General of Tax Policy Department, MOF, P.R.China

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Outline

- I. International Tax Trends
- II. Challenges
- III. Tax Reforms in China



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I. International Tax Trends

1. Increasingly converging of tax policies:

1 Sole tax system with income taxes or dual tax system with income taxes and consumption taxes, have transformed into a new tax system with wide-coverage, multi tax subjects and light burdens.

2 There have also seen the convergence in tax rate, tax base and preferences of Corporate Income Tax (CIT). The convergence also appears in the tax types and adjustment of VAT in terms of indirect taxes.

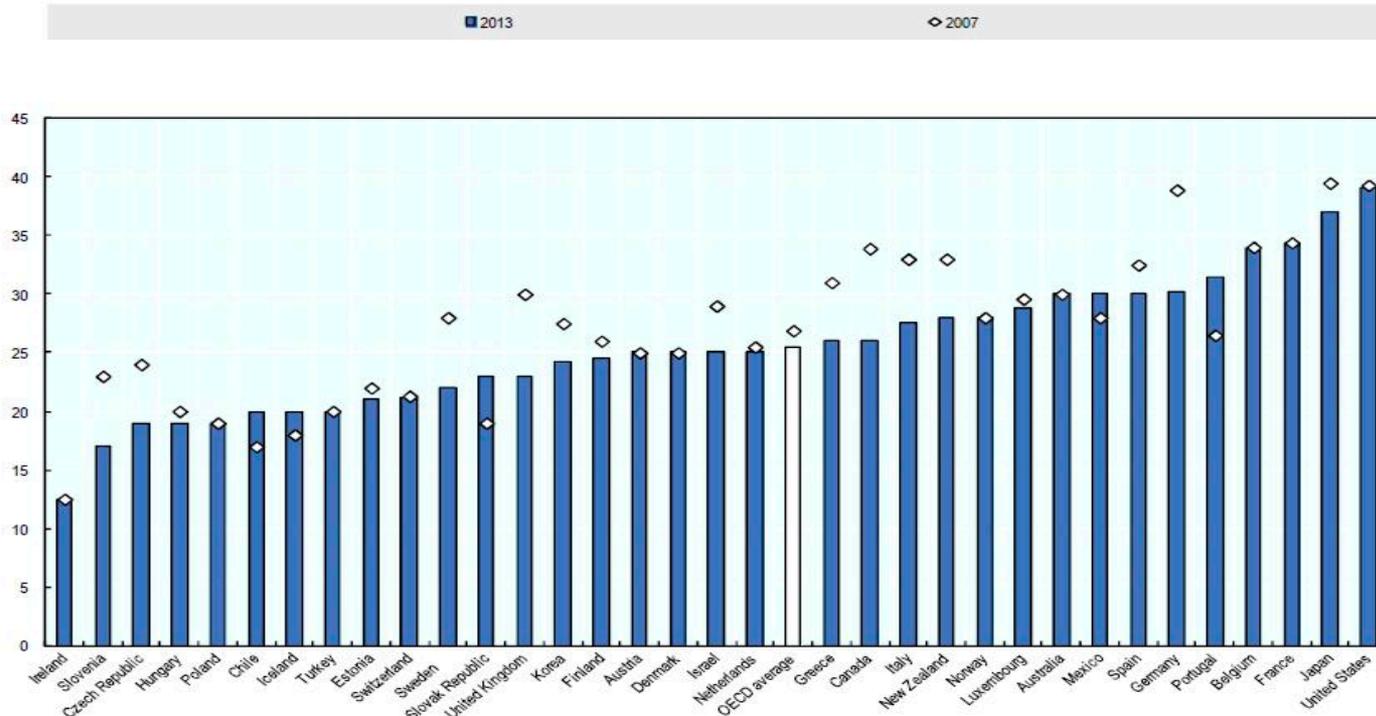


I. International Tax Trends

2. Cutting direct taxes to stimulate the economy

Many countries have now reduced direct taxes, in particular, CIT rates because of tax competition or supporting aggregate demand after 2008 crisis.

OECD countries: Main statutory CIT rate (%), 2007 and 2013



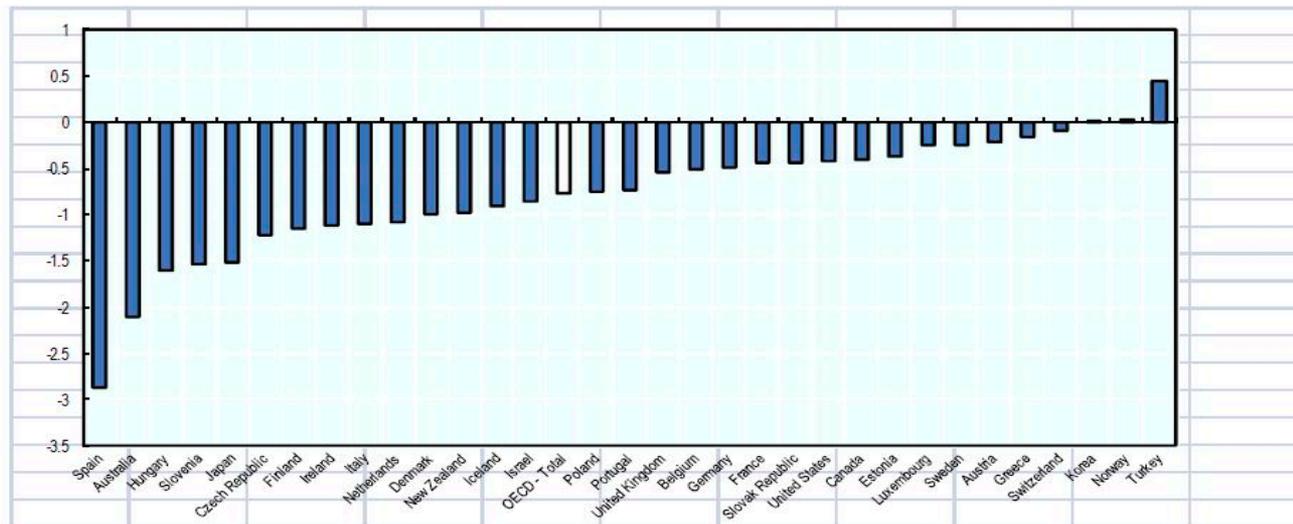
I. International Tax Trends

3. Changes in the structure of tax revenue:

For developed countries, tax revenue is still based on direct taxes. However, the proportion of indirect taxes have an upward tendency.

For developing countries, the situation is opposite to that of developed countries.

OECD countries : Change in CIT revenues as a percentage of GDP between 2007 and 2011¹



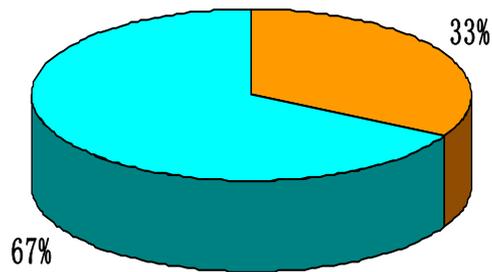
Source: Revenue Statistics 2012.

(1) Figures are not included for Chile and Mexico, since revenues from taxes on income cannot be fully allocated between PIT and CIT. 2010 figures are the most recent for Australia, Greece, the Netherlands, Poland and Portugal.

I. International Tax Trends

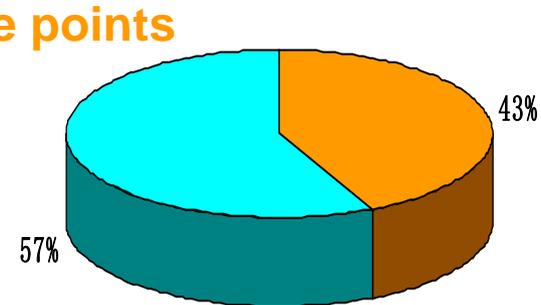
3. Changes in the structure of tax revenue:

China's Direct and Indirect Taxes Ratio, 2004



Direct Taxes Indirect Taxes

China's Direct and Indirect Taxes Ratio, 2014



Direct Taxes Indirect Taxes



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II.Challenges-1. Globalization

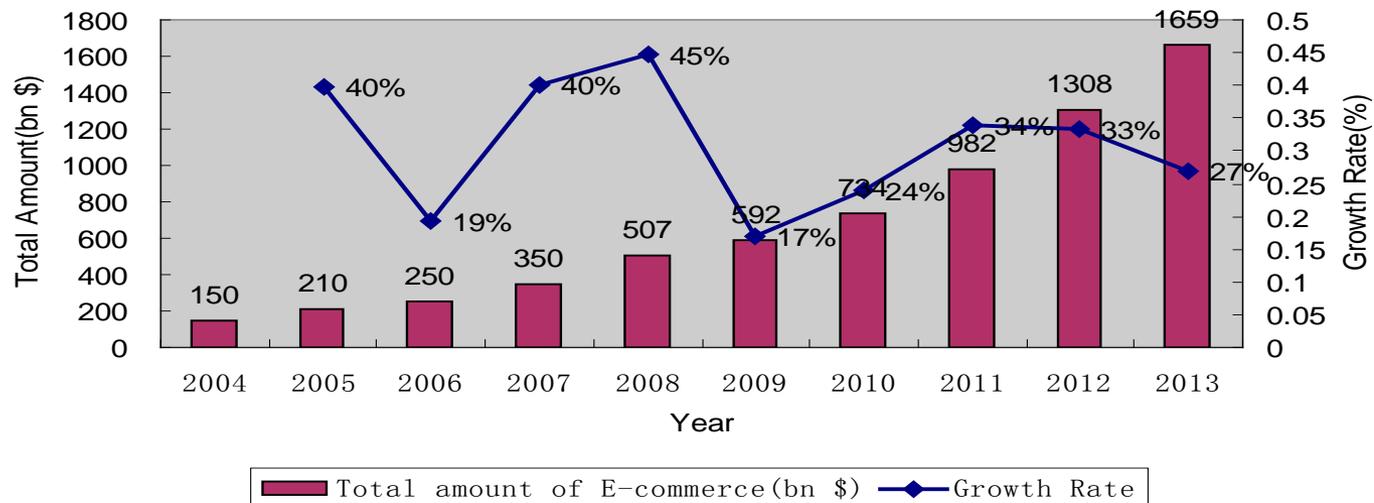
- 1 Globalization has brought increased capital flows, both foreign direct investment (FDI) and portfolio investments.
- 2 A number of countries have reduced the tax burden of foreigners or foreign companies, leading to double non-taxation on international capitals.
- 3 Like developed countries, developing countries with weak revenue administrations face major challenges from Base Erosion and Profit Shift (BEPS).



II.Challenges-2.Digital Economy

- 1 The current international tax rules were developed in a “bricks and mortar” age and generally rely on a company having a physical presence in a country before a tax liability arises.
- 2 One of the most vexing challenges in relation to the digital economy is defining where the value lies in a digital business, and how to address the issues created by the intangible assets that underpin this industry.

2004-2013 Total Amount and Growth Rate of E-commerce in China



II.Challenges-3.Inclusive Growth



1

Inclusive growth is an universal challenge, not just the one faced by emerging countries.

2

Tax competition, which usually leads to the reduction on CIT or PIT, has diminished the progressivity of tax system.



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III. Tax Reforms in China

The keynote of Chinese tax reforms is to build up modern tax system with the characteristics of tax legalism, tax neutrality and modern tax administration.



1. Tax Legalism

- 1 Currently most taxes are stipulated by interim regulations made by the State council. The NPC National Committee gave the State Council the right in 1985 to guide economic reforms.
- 2 By 2020 China will have fully adhered to the principle that taxes are stipulated by legislation.

	Chinese Taxes	
Tax Laws	1. Corporate Income Tax 2. Personal Income Tax 3. Vehicle and Vessel Tax	
Tax Regulations	1. Value Added Tax 2. Business Tax 3. Excise 4. Motor Vehicles Purchase Tax 5. House Property Tax 6. Urban and Town Land Use Tax 7. Land Appreciation Tax 8. Vessel Tonnage Dues 9. Urban Maintenance and Construction Tax 10. Tobacco Leaf Tax 11. Resources Tax 12. Stamp Tax 13. Deed Tax 14. Cultivated Land Use Tax 15. Import and Export Duties	

2. Tax Neutrality

- 1 Increase the proportion of direct tax, lower that of indirect tax, promoting inclusive growth.
- 2 Build a mix of schedular and comprehensive PIT, in replace of the current schedular PIT.
- 3 Property tax legislation is underway.
- 4 China endeavors to develop a comprehensive and neural VAT regime.
- 5 Certain luxury goods may be imposed by Excise.
- 6 Regional tax preferential policies are regulated strictly.



3. Modern Tax Administration

- 1 Amendment of tax administration law is under way, boasting of 2 key features: stipulating the reporting obligations of related parties, adding provisions concerning tax administration on individual taxpayers.
- 2 China is active in carry out duties required by “Multilateral Convention on Mutual Administrative Assistance in Tax Matters”, and join the Automatic Exchange of Information (AEOI) project actively.
- 3 Participate in OECD/G20’s BEPS project zealously.



The Ends

Thank you !

