

# International Taxation: Opportunities and Risks



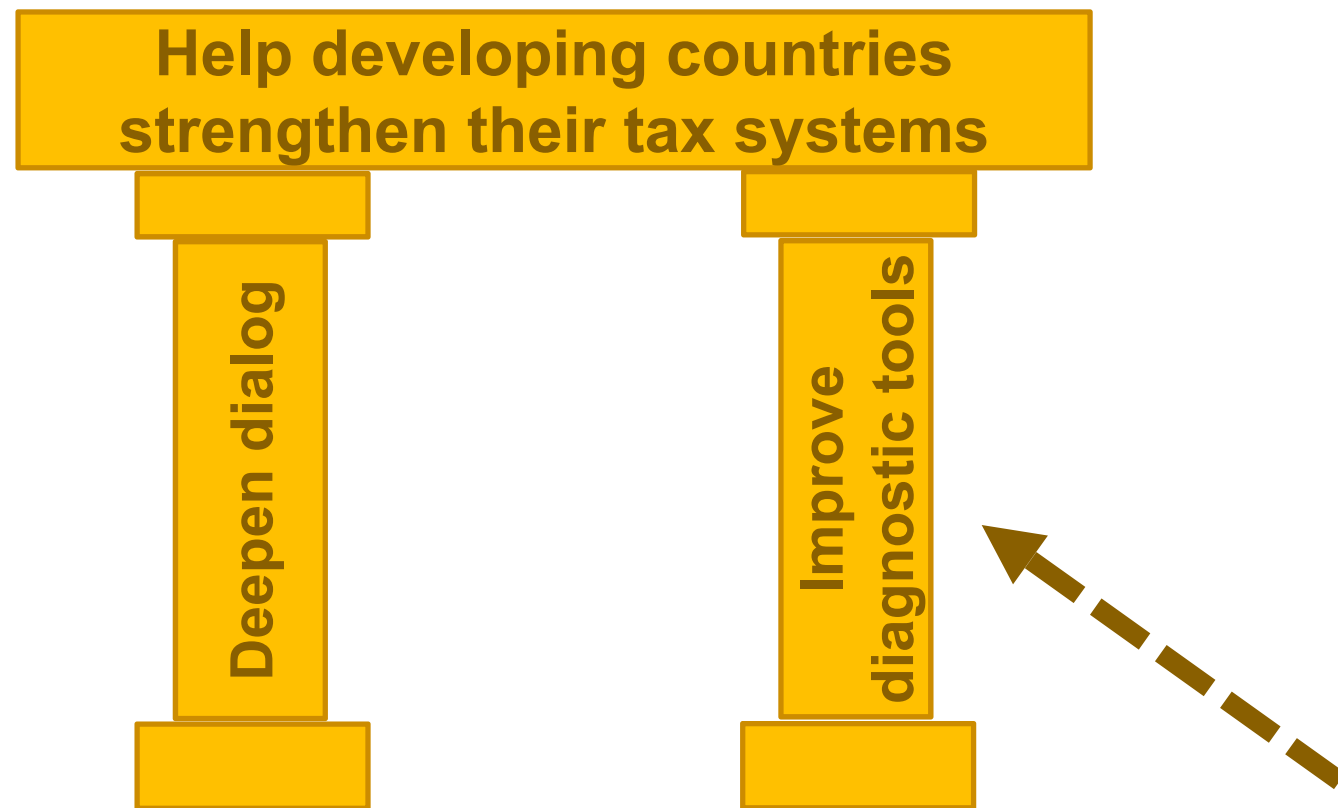
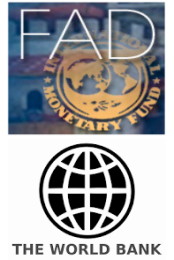
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## **Tax Policy Assessment Framework (TPAF)**

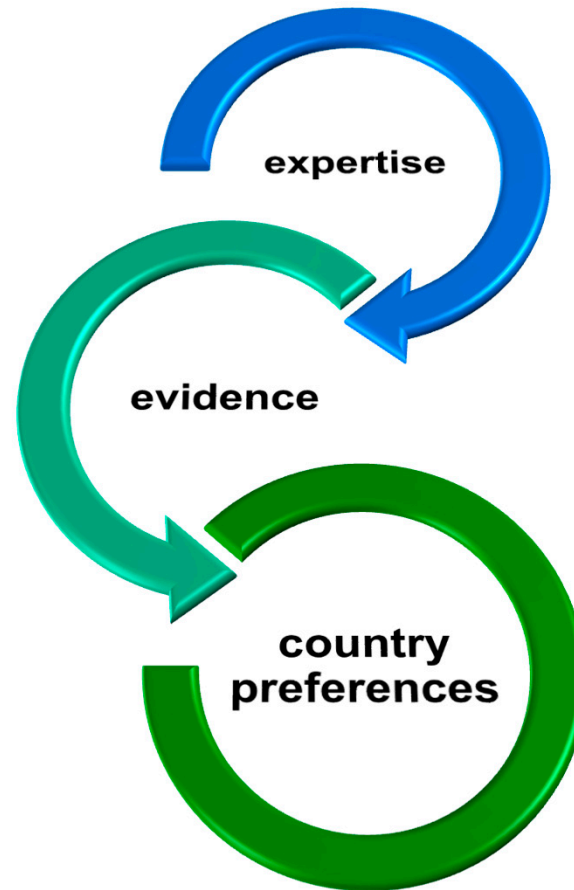
Victoria Perry, Assistant Director, Fiscal Affairs Department

Washington, DC  
April 17, 2016

# Joint IMF/WB Initiative



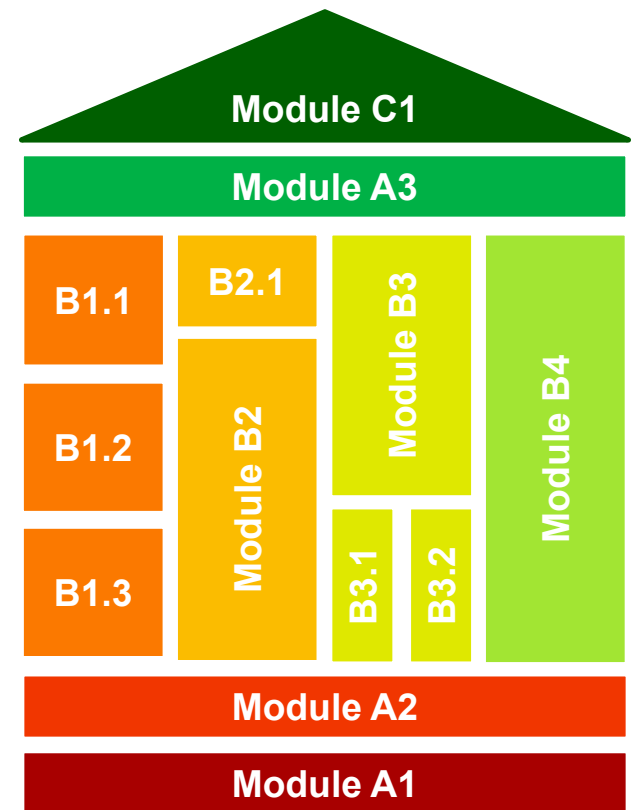
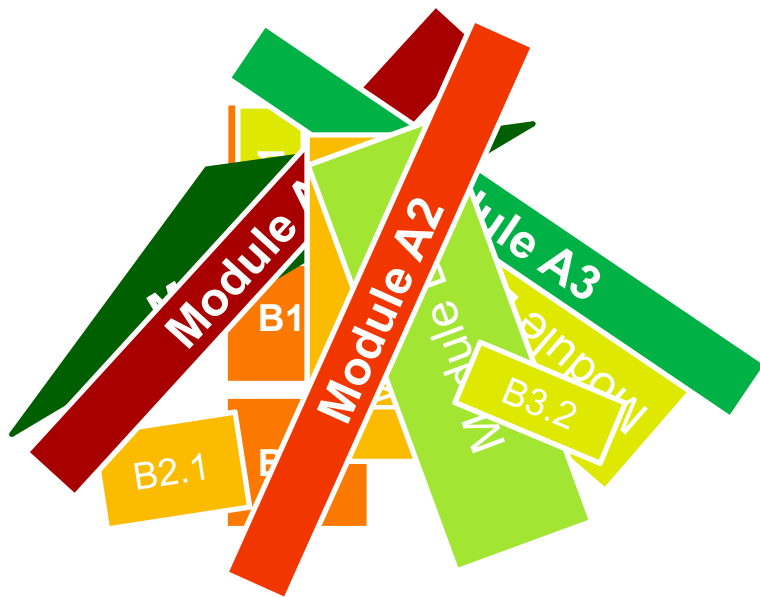
# TPAF - Basic Principles



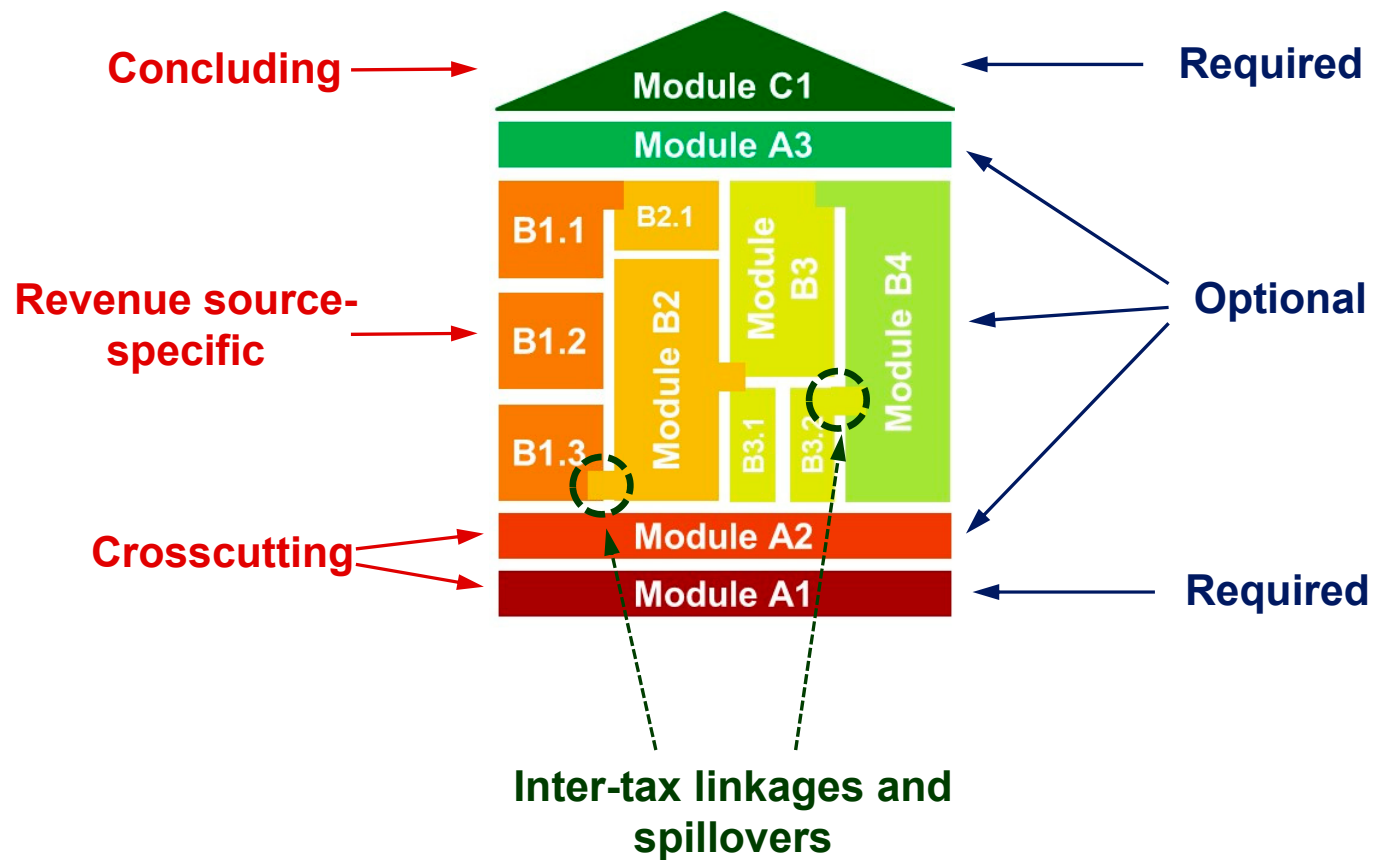
# The "house"



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# TPAF modules



# Sample modules



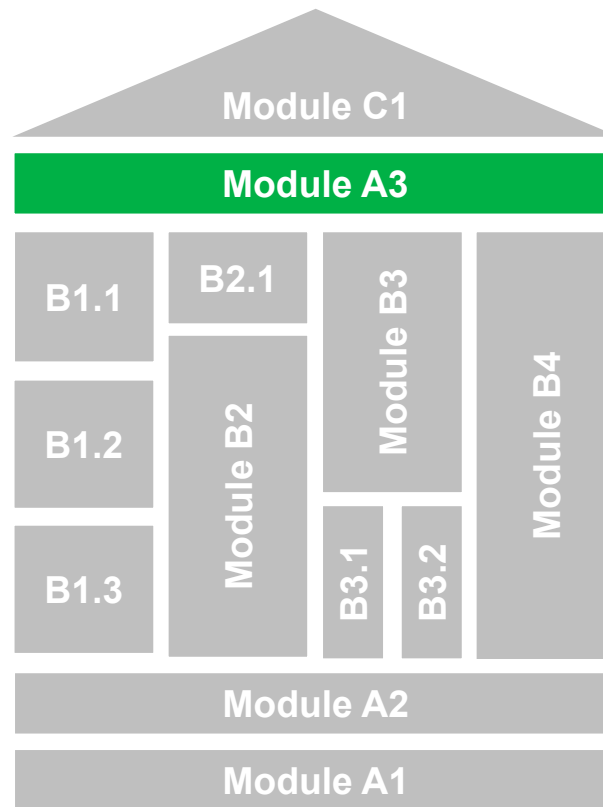
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No.	Name of the Module		Type	Required or Optional
A1	Structural		Crosscutting	Required
A2	Governance		Crosscutting	Optional
B1	Income Taxes	B1.1 Personal Income Tax (PIT)	Revenue source-specific	Optional
		B1.2 Payroll and Social Security Taxes		Optional
		B1.3 Profit tax		Optional
B2	Consumption Taxes	B2.1 Value-Added Tax (VAT); Turnover tax; Sales tax	Revenue source-specific	Optional
		B2.2 Excise tax; Fees and Stamp Duties		Optional
		B2.3 Environmental taxes		Optional
B3	Real property & Wealth taxes		Revenue source-specific	Optional
B4	Natural Resource Taxes; Royalties, and other sector-specific taxes		Revenue source-specific	Optional
B5	Other Taxes		Revenue source-specific	Optional
A3	International Taxation		Crosscutting	Optional
C1	Policy recommendations / Action plan		Concluding	Required

# International Tax Module, cross-cutting, optional



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# Module A3: International Taxation



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## ■ Section 1 – Structure

Domestic tax system	1.1	Scope of taxation
	1.2	Treatment of inbound investment
	1.3	Treatment of outbound investment
	1.4	Protecting the integrity of the tax system
Tax treaties	1.5	General facts and provisions
	1.6	Scope and application
	1.7	Addressing the conflict of taxing jurisdictions
	1.8	Anti-avoidance



# Section 1. Structure

## 1.2: Treatment of IN-bound investment



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- How are nonresident taxpayers taxed on income sourced in MyCountry?

Types of taxable income ( <u>domestic-sourced</u> )	Rates?	By withholding	By filing
Business activities through a PE	25	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Rendering managerial and financial services	25	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Income from immovable property situated in MyCountry	15	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Capital gains on securities issued by resident taxpayer	15	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dividends received from resident legal person	5	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Interest received from resident/nonresident PE	10	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Royalties received from resident/nonresident through PE	15	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Income from leasing of assets situated in MyCountry	15	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Insurance premiums if risk arises in MyCountry	-	<input type="checkbox"/>	<input type="checkbox"/>
Income from activities in MyCountry based on employment contract with resident employer	10-45	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Etc.		<input type="checkbox"/>	<input type="checkbox"/>

# Section 2. Performance

## 2.2 Source rules: efficiency assessment



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Types of taxable income ( <u>domestic-sourced</u> )	Efficiency of source rule				
	Adm.	Neutrality	Nexus	Intention	Svr. Contr.
Business activities through a PE	✓	✓	✓	✓	✓
Rendering managerial and financial services	○	✓	✓	✓	○
Income from immovable property situated in MyCountry	✓	✓	✓	✓	✓
Capital gains on securities issued by resident taxpayer	○	✓	✓	✓	✓
Dividends received from resident legal person	✓	✓	✓	✓	✓
Interest received from resident/nonresident PE	✓	✓	✓	✓	✓
Royalties received from resident/nonresident through PE	✓	✓	✓	✓	✓
Income from leasing of assets situated in MyCountry	✓	✓	✓	✓	✓
Insurance premiums if risk arises in MyCountry	-	○	✓	○	○
Income from activities in MyCountry based on employment contract with resident employer	✓	✓	✓	✓	✓
Etc.					

# Section 3. Synthesis/Recommendations

## 3.2. Source rules



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### ■ Rendering managerial and financial services

**Administration** filing obligation for non-residents difficult to enforce

**Sovereign control** easy-to-move economic activity

**Recommendation** introduce withholding tax

### ■ Capital gains on securities by residents

**Administration** tax on capital gains cannot be collected by withholding as buyer does not know acquisition price of seller

**Recommendation** introduce filing requirement

### ■ Insurance premiums if risk arises in MyCountry

**Neutrality** insurance premiums are typically business income of insurance company and can only be taxed in source country if permanent establishment

**Intention** no tax is levied on these payments in MyCountry

**Sovereign control** difficult to establish unambiguous geographical territory where risk can be allocated

**Recommendation** remove from domestic source rule