

Analysis of National Tax Administration Cooperation Mechanism in the Context of "One Belt and One Road"

Chengyu Zhang

Anhui University of Finance and Economics Law School, Bengbu, China

Abstract

Since its establishment, the tax administration cooperation mechanism of "One Belt and One Road" has been promoting the tax cooperation among its members with the characteristics of inclusiveness, coordination and practicality. Looking ahead, the "Belt and Road" tax collection and administration cooperation mechanism faces challenges such as greater room for further expansion of tax cooperation network, the need to improve the efficiency of tax dispute resolution and the lack of tax collection and administration capacity of some members. Therefore, we should further improve tax certainty, improve tax policy design and tax legislation, and strengthen tax-enterprise dialogue; further accelerate the improvement of tax dispute resolution mechanism, expand tax information exchange network, clarify tax dispute resolution procedures, and explore other tax dispute resolution measures; further enhance tax collection and administration capacity, actively carry out tax-related cooperation projects and promote the orderly development of tax informationization.

Keywords

"One Belt and One Road" Tax Collection and Management Cooperation Mechanism; International Tax Cooperation; Tax Dispute Resolution; Tax Informatization.

1. Establishment and Development of the "Belt and Road" Tax Administration and Cooperation Mechanism

In order to expand the international tax cooperation of "One Belt and One Road" countries and regions, the first "One Belt and One Road" Tax Cooperation Forum was held in Wuzhen, Zhejiang Province in April 2019, marking the official establishment of the "One Belt and One Road" The "One Belt, One Road" tax collection and administration cooperation mechanism was officially established. The purpose of the cooperation mechanism is to establish an international tax collection and administration collaboration mechanism of "discussing, building and sharing" through international tax cooperation and experience sharing in the spirit of win-win cooperation, tolerance and mutual appreciation. It focuses on cooperation in promoting tax administration according to law, improving tax certainty, promoting tax-related dispute resolution, improving tax services and enhancing tax collection capacity, building a growth-friendly tax environment, removing tax barriers for cross-border trade and investment, and promoting sustainable and inclusive growth, which is in the fundamental interests of countries along the route.

Since the "Belt and Road" tax administration cooperation mechanism has been in operation for two years, it has continued to play a role and expand its influence, with 36 council members and 30 observers as of September 2021. Under the promotion of the cooperation mechanism, countries and regions along the route have continued to optimize the business environment for taxation, and the level of trade and investment liberalization and facilitation has continued to improve.

As an open cooperation platform, the establishment of the "Belt and Road" Tax Administration Cooperation Mechanism is of great significance. First of all, the cooperation mechanism is a "taxation solution" for practicing the community of human destiny under the "Belt and Road" initiative, which can, on the one hand, better promote the high-quality development of the "Belt and Road" together. On the other hand, it will enable China's solution to go to the world stage, so that China will gradually become an important participant and contributor to the formulation of international rules and play a leading role in reshaping the new international taxation order. Secondly, through continuous improvement of the tax administration cooperation mechanism, it is conducive to promoting the "Belt and Road" countries to build a fairer and more transparent tax system, promoting the rule of law in tax administration, improving the efficiency of tax-related dispute resolution, and optimizing the cross-border business environment, thus effectively promoting trade liberalization and investment facilitation, and writing a new chapter of regional economic integration. Finally, by building a platform for information sharing and experience sharing, we promote the inclusive development of the global economy. Especially in the context of the normalized prevention and control of the global new pneumonia epidemic, China's taxation department has strengthened exchanges and cooperation with "One Belt and One Road" countries (regions) to seek taxation policies and service measures to fight the epidemic and promote development, and actively share China's "non-contact" tax payment model and other successful experiences. By strengthening exchanges and cooperation with the "Belt and Road" countries (regions), the departments will seek tax policies and service measures to combat the epidemic and promote development, and actively share the successful experience of China's "non-contact" tax payment model to play an active role in the global fight against the epidemic and help global economic recovery.

2. Theoretical Basis of "One Belt, One Road" Tax Collection and Management Cooperation Mechanism

Understanding the theoretical basis of the tax collection and administration cooperation mechanism of "One Belt, One Road" is an important issue that should be paid attention to in order to make full use of its functions and operation mechanism and better play its role.

2.1. The Concept of the Community of Human Destiny Lays the Foundation for the Construction of the Tax Collection and Administration Cooperation Mechanism of "One Belt and One Road"

The community of human destiny is a new value concept of global significance proposed by China based on the era of unprecedented changes in the century, actively responding to the common challenges faced by mankind and scientifically grasping the general trend of human social development. This concept shows the world that human society is in a community of destiny, and that it should stand at the height of promoting the continuous development and progress of human society, with the common interests and values as the orientation, and with the mission of promoting a more stable, coordinated and healthy development of the global economy, actively seeking to achieve the goal and vision of common development of human society. The construction of politics, economy and international relations in today's world cannot be separated from the ideological and theoretical basis of the community of human destiny, and the tax collection and management cooperation mechanism under the "Belt and Road" initiative is no exception. The core meaning of the "Belt and Road" tax administration cooperation mechanism is to take the "Belt and Road" tax administration cooperation mechanism as a practical platform to further promote and improve international tax governance, build a more fair, reasonable and orderly international tax rules, and create a win-win situation for international taxation to serve world economic development. It is a new era

of international taxation to serve the world economic development and win-win situation. It can be seen that the "Belt and Road" tax collection and administration cooperation mechanism embodies the core purpose of the community of human destiny, and is an important tax action for China to promote and build a new international tax order and promote win-win world economic development.

2.2. Geopolitical Economy and International Interdependence Theory Provide the Impetus for Constructing the Tax Collection and Management Cooperation Mechanism of "One Belt and One Road".

The core idea of geopolitical economy theory is the unification of interests among countries and the realization of win-win cooperation. The construction of the "Belt and Road" tax collection and administration cooperation mechanism is based on the complex geopolitical and economic situation, in order to seek the common guarantee of resources, tax interests and development results among countries. The mechanism is based on the geopolitical characteristics of each country, with the coordinating role of taxation in the economic field, expanding openness through economic integration, thus reducing or even preventing tax competition between countries and creating a favorable geopolitical and economic development environment. At the same time, the "Belt and Road" tax collection and management cooperation mechanism is also built on the basis of interdependence at the economic level, which is in line with the international interdependence theory that there is interdependence in cooperation between countries. In practice, this mechanism helps cross-border taxpayers eliminate tax barriers and double taxation, optimize cross-border allocation of production factors, and promote cross-border trade and legal investment and operation through the construction of common international tax rules and guidelines, thus enabling closer economic and trade collaboration among countries and achieving coordinated economic development to a greater extent. Therefore, geopolitical economy and international interdependence theory provide practical impetus for the construction of the "Belt and Road" tax collection and administration cooperation mechanism, and make it accelerate the process of global international tax governance reform.

2.3. The Mutual Benefits and Win-Win Situation of International Tax Administration Cooperation Promote the Formation of the "One Belt, One Road" Tax Administration Cooperation Mechanism

The game of international tax administration cooperation originates from game theory, which reveals how each country makes decisions to maximize its own interests or the interests of the alliance as a whole under various states (alliance or non-alliance). In the context of economic globalization, the economic dependence among countries in the world is deepening, and the tax system of any country will have spillover effects on other countries, which will affect the social welfare of other countries to different degrees. At the same time, the tax evasion activities of some multinational companies will also erode the tax base of each country and require the support and assistance of other countries in tax collection and management. For this reason, the international community has increasingly recognized that countries should pay more attention to comprehensive cooperation in the field of tax policy and administration, and strive to build a collaborative mechanism between countries to achieve mutual benefits in economic and trade cooperation between countries. In this process, although all sovereign countries are concerned about the achievement of tax cooperation, they will inevitably adopt different game strategies to provide confidence and guarantee to each other based on their own interests, so as to achieve cooperation that is beneficial to the common interests of both sides and thus realize the Pareto optimal solution, which forms the tax cooperation mechanism.

2.4. The Theory of International Cooperation Organization Forms the Content of Constructing the Tax Collection and Management Cooperation Mechanism of "One Belt and One Road".

The theory of international cooperation organization regards the international system and international organization as international public goods, which arise from the purpose of solving the international public problems in the international society, so as to promote the realization of global governance. Therefore, the "Belt and Road" tax collection and administration cooperation mechanism can be regarded as an international organization constructed based on the theory of international cooperation organization, which also belongs to the category of international public goods. The "Belt and Road" tax collection and administration cooperation mechanism is designed to effectively solve the contradictions and problems arising from the different tax systems and administration of related countries due to their different tax sovereignty. By strengthening tax cooperation, the efficiency of international public goods can be improved, thus eliminating barriers to cross-border trade and investment, promoting international economic cooperation, maximizing common interests in economic and trade exchanges, and creating new growth poles in the global economy. In short, by constructing the international public goods of "Belt and Road" tax administration cooperation mechanism, we provide a modern international taxation system based on a global perspective in the field of taxation in the "Belt and Road" countries, and thus play its proper function.

3. Challenges of the "Belt and Road" Tax Administration and Cooperation Mechanism

The "Belt and Road" tax administration cooperation mechanism has been established for a relatively short period of time, during which it was affected by the new coronavirus pneumonia epidemic, and is still in its initial stage, and there are still certain problems in the tax cooperation network, tax dispute resolution and tax administration capacity. In the new stage of promoting the high-quality development of the "Belt and Road", the "Belt and Road" tax collection and management cooperation mechanism is facing new challenges.

3.1. The Tax Cooperation Network has More Room for Further Expansion

By the end of 2020, the tax cooperation network among members of the "Belt and Road" tax collection and administration cooperation mechanism has the established tax cooperation relations is only four. Take bilateral tax treaties as an example, only four members, namely China, Indonesia, Pakistan and the UAE, have signed tax treaties and established tax cooperation relations with more than 10 members of the Cooperation Mechanism; while more than half of the members of the Cooperation Mechanism have signed bilateral agreements with less than three members, among which five countries, namely Angola, the Democratic Republic of Congo, Gabon, Djibouti and Suriname, have not established tax cooperation relations with any of the members of the Cooperation Mechanism. Angola, Democratic Republic of Congo, Gabon, Djibouti and Suriname have not established tax cooperation with any of the members of the Cooperation Mechanism. As for the internal cooperation mechanism, only a series of action plans have been signed, but no relevant tax agreements have been signed, and no legally effective cooperation relationship has been established.

From the perspective of tax information exchange, the most extensive multilateral tax treaties are the Convention on Mutual Assistance in Tax Matters (hereinafter referred to as "the Convention") and the Multilateral Agreement on Automatic Exchange of Tax-related Information on Financial Accounts (hereinafter referred to as "the Agreement") issued by the OECD, which have entered into force in most countries. However, only 17 of the 36 members of the cooperation mechanism and 9 members have signed the Convention and the Agreement

respectively. In terms of bilateral tax agreements, we have signed a tax information exchange agreement with only one cooperation mechanism observer (Liechtenstein), which covers a wide range of taxes, including special information exchange and offshore tax inspections; 14 a double taxation avoidance agreement with 22 members (two of which are not in force) has an information exchange clause, but only covers taxes such as income and property taxes; and an aviation agreement with one member (Afghanistan) has a tax clause that does not involve information exchange. As for the other 12 members, China has not yet established bilateral tax cooperation relations with them, which may lead to problems such as double taxation or double non-taxation.

3.2. Low Level of Rule of Law and Transparency of Taxation in Some Countries Along the Route

In terms of tax rule of law, although China has signed international tax agreements including prevention of double taxation with several countries along the route, some agreements lack specific provisions and feasible operational guidelines, making it difficult to truly implement the vision of tax cooperation. In terms of tax transparency, the openness and transparency of tax information in some developing countries are not high, tax administration and management capabilities are insufficient, and there are large differences in the design and enforcement of tax rules among tax authorities at different levels and regions in some countries, which in turn makes it more difficult for multinational enterprises to accurately obtain information on tax policies and rules of relevant countries and regions.

In addition, although most members have published rules, guidelines and procedures for mutual consultation procedures, the specific details are still not clear. Looking at the bilateral tax treaties signed between China and the members of the cooperation mechanism, the Implementation Measures of Mutual Consultation Procedures for Tax Treaties and the Administrative Measures of Special Tax Investigation Adjustment and Mutual Consultation Procedures issued by the State Administration of Taxation, they often only include procedural provisions such as the time limit for submitting cases to the competent tax authorities of the contracting states, the scope of application, eligibility, acceptance conditions and time limit for implementing the consensus opinion, while the specific consultation. In addition, most of the disputed cases are complicated, and countries often take longer and longer time for consultation for the purpose of safeguarding their tax interests.

3.3. Insufficient Tax Collection and Management Capacity of Some Countries Along the Route

The efficiency of international tax cooperation depends on the implementation of cooperation agreements by countries, but some countries along the "Belt and Road" have insufficient tax supervision and administration capacity (Zhang Yutang and Yang Liu, 2018), which leads to the low efficiency of the implementation of international tax cooperation agreements and the lack of obvious cooperation results. First, there are tax jurisdictional conflicts. Although the signed tax agreement collection and information exchange agreements and other agreements include the prevention and management of tax evasion, the conflict of tax jurisdictions in tax collection and administration of countries along the route, as well as the differences in the criteria of tax laws for determining the resident status of taxpayers, make it difficult to effectively solve the problem of double taxation. Secondly, there is a lack of tax information service support. Some countries along the Belt and Road are not strong enough in implementing international tax cooperation agreements and combating tax evasion, coupled with the low degree of intelligence and informatization of tax service system (Liu Rong et al., 2017), which makes it difficult to meet the needs of tax authorities and multinational enterprises to obtain enterprise tax-related information. The above-mentioned problems make some countries along

the "Belt and Road" unable to effectively obtain tax levied, and also bring higher tax-related costs to enterprises' cross-border operation.

Thirdly, there is a certain difference in the level of informationization of tax collection and administration among members of the cooperation mechanism. Individual countries and regions are facing more serious challenges in informationization of tax collection. After the outbreak of Newcastle pneumonia, OECD surveyed the tax departments of 32 countries (regions), and although most of them were developed countries (regions), one-third of the tax departments still had disruptions in their internal information technology systems. For example, software applications and tools used by staff, Intranet, etc. were unavailable for a period of time. A quarter of the countries (regions) had outages in external IT systems of tax authorities, such as problems with administrative department websites, taxpayer service websites, electronic forms, etc. And most of the members of the cooperation mechanism are developing countries, which will inevitably face more IT failures and IT development obstacles.

4. Prospective Study on Tax Cooperation and Administration Mechanism of "One Belt, One Road"

4.1. Expand the Exchange Network of Tax Information

In terms of multilateral agreements, members of the cooperation mechanism should increase the publicity of existing multilateral agreements, help members who have not joined the multilateral cooperation become familiar with the treaties, and promote all members of the cooperation mechanism to sign the Convention and the Agreement. At the same time, the cooperation mechanism should negotiate and sign multilateral tax information exchange agreements that meet the needs, and continuously enhance the radiating power of multilateral tax treaties within the cooperation mechanism, so as to improve the tax information exchange system of "One Belt, One Road". In terms of bilateral agreements, the signing of bilateral agreements should be expedited, especially for those members that have not yet established tax cooperation relations, and a more complete system of bilateral tax agreements should be established to reduce the generation of tax disputes. Meanwhile, for the bilateral agreements that have been signed and come into force earlier, the relevant provisions should be revised in a timely manner. Specifically, the current demand for tax information exchange among members of the cooperation mechanism should be examined, and the scope of tax information and exchange methods should be specified in the tax information exchange provisions. In terms of the organization of tax information exchange, the establishment of a tax information exchange platform within the cooperation mechanism can be considered. The establishment of the platform requires the tax authorities of each member country (region) to establish relevant working groups, promote the implementation guidelines of tax information exchange, and clarify the procedures, time limits, and expenditure standards of each link of tax administration of members.

4.2. Clarify the Procedure of Tax Dispute Resolution

At present, China's international dispute resolution in countries along the "Belt and Road" is mainly through the mutual consultation clause in bilateral tax treaties, and whether the dispute resolution mechanism is efficient or not will directly affect the foreign investment decision. Therefore, government departments should further allocate resources and cooperate to improve the efficiency of bilateral tax-related dispute resolution under bilateral tax treaties, and call for more countries along the route to sign tax treaties and communicate with each other regularly. For complex tax disputes involving multiple countries, further exploring to find a feasible multilateral dispute resolution mechanism, there are two main measures as follows.

Establish and improve the provisions of mutual consultation procedures. In the tax treaties among members of the cooperation mechanism, improve the provisions on mutual consultation procedures. A clear process can make the members of the cooperation mechanism act in accordance with the statute, and the stipulated time points will make the tax authorities face certain time pressure in resolving tax disputes and avoid lengthening the consultation time for excuses. Therefore, specific time limits for resolving tax disputes should be determined, and specific provisions should be made for the procedures and steps for resolving different types of tax disputes. In addition, drawing on the experience of the International Center for Settlement of Investment Disputes (ICSID), consideration can be given to establishing a permanent tax mediation body among cooperative mechanisms, negotiating and constructing detailed and flexible rules, specifying objective appointment criteria, independence and transparency standards, ensuring adequate representation of all members of cooperative mechanisms, and forming a relatively unified institutional framework.

Initiate tax arbitration procedures. The tax arbitration procedure should be used as a supplementary dispute resolution method to the mutual consultation procedure, and tax arbitration provisions should be established and improved to resolve tax disputes in the Belt and Road. On the one hand, the introduction of tax arbitration clause can help protect the tax rights and interests of multinational taxpayers in China. As a new development of the tax dispute resolution mechanism, the tax arbitration procedure provides the possibility for taxpayers to participate in the dispute resolution procedure, efficiently resolve tax disputes and ensure the fairness of tax dispute results. On the other hand, the introduction of tax arbitration clause is also conducive to the maintenance of China's tax sovereignty. As a developing country, China is not able to effectively resolve tax disputes through mutual consultation procedures alone in some cases. As the economic development level of China and the countries along the "Belt and Road" varies and there are certain differences, it may be difficult for China to negotiate with these countries to settle tax disputes. In order to take the initiative in resolving tax disputes with some countries along the "Belt and Road" and safeguard the tax interests of our country, we should introduce tax arbitration provisions at the right time.

4.3. Strengthen the Capacity Building of Tax Collection and Administration

As to how to strengthen tax collection capacity building, we can consider improving the exchange and cooperation platform among members through the "Belt and Road" Tax Collection Capacity Promotion Alliance, and realize regular management. Seminars and training activities will be held regularly, and knowledge products will be developed continuously to facilitate the sharing of tax administration experience among members. For example, China has rich practical experience in tax service and invoice management, and can focus on these areas to provide reference advice to other members of the cooperation mechanism. For example, the tax authorities of Hong Kong Special Administrative Region of China, as one of the few members that adopt arbitration mechanism, can focus on exchanging tax dispute resolution experience with other members. At the same time, it can provide some theoretical and technical assistance to the less technologically developed members to make up for their lack of tax collection and management capacity.

Strengthen the training of international tax collection and administration through the "Belt and Road" Tax Academy. At present, the "One Belt, One Road" tax administration cooperation mechanism has established "One Belt, One Road" tax academies in Kazakhstan, Macao Special Administrative Region of China, Beijing and Yangzhou, and by the end of 2020, the "One Belt, One Road" tax academies have held a total of 20 training courses. By the end of 2020, the "Belt and Road" Tax Academy has held 20 training sessions on international tax collection and management. In order to enhance the tax administration capacity of the members of the cooperation mechanism, the Belt and Road Tax Academy should be used as a carrier to further

enrich the training forms and contents to attract more tax personnel from member countries (regions).

In addition, the cooperation mechanism should deepen the cooperation with international organizations such as OECD, World Bank and regional organizations such as Asian Tax Administration and Research Organization (ATARO),³⁹ and conduct exchanges on tax training, tax legislation and cooperation on tax administration, so as to provide more practical experiences for the members of the cooperation mechanism to improve their tax administration capacity.

References

- [1] Ma Cai-Chen; Guan Yan-Ru. Study on the tax collection and administration cooperation mechanism of "One Belt and One Road" [J]. *International Taxation*,2022,(01):66-73.
- [2] Chen Yimao; An Ran; Liu Ye. Study on the optimization path of tax business environment in the context of "One Belt and One Road" tax collection and management cooperation mechanism[J]. *International Business Accounting*, 2022,(01):27-30.
- [3] Wang Weiwei. Tax collection and management cooperation mechanism of "One Belt and One Road": characteristics, theoretical basis and world significance[J]. *International Taxation*, 2020,(06):8-12.
- [4] Yu Li. Research on the tax collection and management mechanism of "One Belt, One Road" based on international taxation theory[J]. *International Business Accounting*, 2021,(04):31-33+37.
- [5] Xiao Xewang, Zhao Jun, Yue Xueyuan, et al. Research on tax cooperation mechanism between China and Central Asian countries[J]. *Tax Economic Research*,2020,25(6):49-58.
- [6] Zhang Chunyan. Research on the international tax cooperation mechanism in the construction of "One Belt and One Road"[J]. *Journal of Economic Research*,2018,4(30):67-68.
- [7] Zhao Ling. Review of the development of tax treaty arbitration mechanism in the context of "One Belt and One Road"[J]. *Journal of Yunnan University of Finance and Economics*,2019,35(10):20-28.
- [8] State Administration of Taxation "One Belt, One Road" Tax Cooperation Mechanism Group. Building the tax cooperation mechanism of "one belt and one road" with the concept of "the same road" tax governance [J]. *Financial and Economic Intelligence*, 2019,4(2):121-138+144.
- [9] Xin Dandan;Wang Yongqi. Exploring the multi-dimensional attributes and development direction of the "Belt and Road" tax collection and management cooperation mechanism[J]. *International Taxation*,2021,(04):45-52.
- [10] Wu, Zhifeng; Shi, Eddie; Ji, Jie. Optimizing the tax intelligence exchange mechanism of "One Belt and One Road" to enhance the quality and efficiency of tax administration cooperation[J]. *International Taxation*, 2020,(12):43-47.