Importance of tax administration of multinational companies in developed countries. (Foreign experience)

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ABSTRACT

In this article, suggestions and recommendations are formed through the economic analysis of tax evasion by multinational companies and the role of taxes, the role of taxes in attracting foreign investors to our country.

Keywords: double taxation, non-resident, agreements, foreign investors, convention, contracts, consular legalization, dividends, interest, royalties, budget, tax administration, tax potential, tax rate, tax revenues, tax benefits, foreign investor.

Enter. Tax administration plays a crucial role in shaping the fiscal landscape and economic health of developed countries, especially in dealing with the complexities introduced by multinational companies (MNCs). In this context, the importance of effective tax administration is multifaceted. MNCs often contribute significantly to a country's GDP and economic activity. Ensuring effective tax administration enables developed countries to capture a fair share of the revenues contributed to public finances by these multinational entities. Tax revenues make up a large part of government revenue. Effective governance provides a stable and predictable fiscal environment that enables governments to plan and implement budgets for public services, infrastructure, and social programs. Tax revenues from MNCs support essential public services such as education, health, infrastructure development, and social welfare programs. Effective organization of tax administration is essential to allocate resources to meet the various needs of the population. Tax policies and incentives can influence MNCs' research and innovation investment decisions. A well-managed tax system provides certainty and predictability, encouraging companies to invest in long-term projects that contribute to technological progress.

2. Literature review.

The study of the role of tax evasion and taxation by transnational corporations (TNCs) has attracted the attention of scholars from various disciplines, including economics, law, accounting, and international business. Many researchers have studied various aspects of this complex issue and contributed to the academic literature. Specifically, James R. Hines Jr[1]. Professor Hines is known for his extensive research on international taxation, transfer pricing and the economic aspects of tax evasion by multinational corporations. His work often focuses on the incentives and consequences of tax planning strategies adopted by MNCs.

Michael C. Durst[2]: As a tax economist, Michael Durst has contributed to the literature on international taxation, transfer pricing, and tax policy. His work often examines the problems and policy implications of tax evasion by multinational corporations. Reuven S. Avi-Yona[3]: Professor Avi-Yona is known for his research in international tax law, corporate taxation, and the impact of globalization on tax systems. His work often examines the legal aspects of cross-border tax evasion by multinational corporations. Edward D. Kleinbard[4]: Edward Kleinbard, Professor of Law, has contributed to the literature on corporate taxation, international tax policy, and the effects of profit shifting by multinational companies. His work often addresses the legal and political aspects of tax planning strategy. Kimberly Clausing[5]: Professor Clausing has conducted research on international taxation, tax avoidance and the impact of globalization on corporate tax practices. His work often examines the economic consequences of tax planning by multinational corporations. Dhammika Dharmapala[6]: Professor Dharmapala has contributed to research on international tax law, transfer pricing and tax evasion. His work explores the economic motivations behind the tax planning strategies often adopted by multinational companies. Lorraine Eden[7]: Professor Eden's research focuses on international business taxation, transfer pricing and the impact of tax policy on multinational corporations. His work contributes to understanding the economic and strategic aspects of cross-border tax planning. These scholars have made significant contributions to the understanding of tax evasion by multinational companies and the role of taxation in the global economy. Their work often spans the fields of economics, law, and politics, providing insights that inform academic discourse and public policy debates.

3. Research methodology.

The methods of logical observation, critical study of literature, analysis and synthesis, induction and deduction, comparison, classification based on certain signs, and economic analysis were used in processing the data obtained during the research.

4. Analysis and discussion of results.

Tax administration for multinational companies in the United States is a complex process involving federal and state authorities. The IRS is the federal agency responsible for administering tax laws in the United States. Multinational companies file federal income tax returns with the IRS. The tax code, including provisions related to international taxation, is primarily governed by the Internal Revenue Code (IRC). The IRS has specific transfer pricing rules and guidelines to ensure that transactions between related parties, often within multinational corporations, are mutually beneficial. Subpart F of the IRA deals with the taxation of certain types of foreign income earned by controlled foreign corporations (CFCs), which are often subsidiaries of US multinationals. Multinational companies may be eligible for foreign tax credits, which allow them to offset their US tax liability with taxes paid to foreign governments. The United States has implemented anti-base erosion measures to prevent the erosion of the tax base, including the Global Intangible Low Taxable Income (GILTI) rules. Each state has its own department of revenue or equivalent agency responsible for administering state-level taxes. Multinational companies operating within a state must comply with that state's tax laws. Most US states have a corporate income tax. Multinational companies operating in certain states must file state income tax returns. States often use apportionment formulas to determine the portion of a multinational company's income that is subject to state taxes based on factors such as sales, property and in-state wages. Establishing a nexus or significant connection with a state is a key consideration for state taxation. States can offer tax incentives and incentives to attract and retain multinational companies by encouraging economic development within their jurisdictions. The United States has tax treaties with various countries to prevent double taxation and tax evasion. These treaties can affect how multinational companies are taxed both in the

US and in their home countries. Multinational companies must comply with extensive reporting requirements. This includes providing detailed information on global operations, related party transactions and other factors related to international taxation. Both federal and state tax authorities have inspection and enforcement powers to ensure compliance. This includes reviewing the tax returns of multinational companies and, if necessary, conducting audits to verify the accuracy of the reported information.

Tax laws and regulations, especially those related to international taxation, are subject to constant change. Multinational companies need to be aware of the updates and adjust their tax strategies accordingly. It should be noted that the taxation of multinational companies in the United States is a dynamic and evolving field influenced by changes in domestic and international tax policies. Companies often rely on the expertise of tax professionals, including accountants and tax attorneys, to learn the complexities of the US tax system and ensure compliance with applicable regulations.

Tax administration of multinational companies (MNCs) in China includes compliance with national tax laws and regulations, compliance with transfer pricing regulations, and cooperation with national and local tax authorities. MNCs operating in China must register with the State Tax Administration (SAT) and local tax bureaus. Compliance includes the submission of regular reports, including financial statements, tax returns and other relevant documents. MNCs must clearly define their taxable income under Chinese tax law. Transfer pricing rules are critical and MNCs must document and justify transaction prices with relevant entities to ensure compliance with the principles of mutuality. MNCs are required to comply with China's VAT system, including issuing VAT invoices for sales of goods and services. Understanding the different VAT rates for different categories of goods and services is essential for compliance. MNCs conducting related party transactions must comply with China's transfer pricing regulations. Documentation requirements include transfer pricing methodology and contemporaneous record keeping to support pricing decisions. MNCs that make withholding tax payments such as dividends, interest, royalties or service charges must comply with the relevant tax obligations. It is common practice to use tax treaties to avoid tax rates. MNCs engaged in international trade must comply with customs regulations, including the correct declaration of goods and payment of customs fees. Customs valuation practice is crucial in determining the customs value of imported goods. Compliance with local taxes is very important. Some jurisdictions may impose additional taxes and MNCs should be aware of the local tax rules applicable in their locations of operations. MNCs are required to submit annual tax returns with detailed financial statements and other relevant documents. Tax authorities may conduct audits to verify the accuracy of reported information and to ensure compliance with tax laws. MNCs must maintain detailed transfer pricing documentation, including a master file, a local file, and a country-by-country report. The documents must show the economic rationale behind the intercompany transactions.

MNCs often explore opportunities to take advantage of tax breaks and incentives provided by the Chinese government. Tax planning involves structuring transactions to take advantage of industry-specific benefits.

Given the complexity of the Chinese tax system, MNCs typically partner with local tax professionals, including accounting firms and tax advisors, to manage compliance requirements and optimize their tax positions. Regular monitoring of changes in tax legislation and regulatory legal documents is important. MNCs need to align their tax strategies with evolving regulatory requirements. Certain multinationals may enter into advance pricing arrangements with tax authorities to pre-approve their transfer pricing methodology, ensure certainty and reduce the risk of disputes. The practice of tax administration of multinational companies in China involves a comprehensive understanding of national and local tax regulations, careful accounting and active cooperation with tax authorities. This approach helps multinationals navigate the

complexities of the Chinese tax environment and ensure compliance with evolving tax laws.

Tax administration for multinational companies (MNCs) in Russia includes compliance with national tax laws, reporting requirements, and cooperation with federal and regional tax authorities. Russia's tax system is complex, and MNCs operating domestically must pay various taxes, including corporate income tax, value added tax (VAT), and other levies. The Federal Tax Service (FTS) is the central body responsible for administering tax laws at the federal level. MNCs interact with the FTS on tax issues at the federal level. Taxable persons:

MNCs operating in Russia are subject to CIT. The tax rate is usually 20%. Russia has transfer pricing regulations and MNCs are required to follow the principles of arm's length in their related party transactions. Documentation requirements must be met to comply with the transfer pricing. Russia has a VAT system and MNCs are required to comply with VAT regulations. VAT registration is mandatory for companies that meet certain turnover thresholds. Different VAT rates apply to different categories of goods and services. MNCs should be aware of these rates for proper compliance. Tax may be withheld on various types of income, including dividends, interest and royalties. It is common practice to use tax treaties to avoid tax rates. MNCs are responsible for reporting and remitting taxes withheld to tax authorities. The Russian tax system includes regional aspects and multinational enterprises may need to interact with local tax authorities depending on their location. Local taxes may include property taxes and other regional levies. MNCs are required to submit annual tax returns to the FTS, along with detailed financial statements and other relevant documents. Tax authorities may conduct compliance audits to verify the accuracy of reporting information and ensure compliance with tax laws. Detailed transfer pricing documentation, including a local file and potentially a master file, is essential. Documentation must support transactions between related parties. MNCs engaged in international trade must comply with customs regulations, including the correct declaration of goods and payment of customs fees. Russia offers certain tax breaks and incentives for certain industries or projects. MNCs can explore opportunities to take advantage of these benefits. Given the complexity of the Russian tax system, MNCs often cooperate with local tax specialists, including accounting firms and tax consultants. Local expertise is critical to managing compliance requirements and optimizing tax positions. Regular monitoring of changes in tax legislation and regulatory legal documents is important. MNCs need to align their tax strategies with evolving regulatory requirements. Certain multinationals may enter into advance pricing arrangements with tax authorities to pre-approve their transfer pricing methodology, ensure certainty and reduce the risk of disputes.

Tax administration practices of multinational companies in Russia include careful compliance with federal and regional tax laws, detailed accounting and active cooperation with tax authorities. MNCs need to stay abreast of changes in tax regulations to ensure accurate reporting and reduce the risk of tax issues.

Tax administration for multinational companies (MNCs) in South Korea includes compliance with national tax laws, compliance with transfer pricing regulations, and cooperation with national and local tax authorities. South Korea has a complex tax system, and domestic MNCs must navigate various taxes, including corporate income tax, value added tax (VAT), and other levies. The National Tax Service (NTS) is the central authority responsible for administering tax laws at the national level. MNCs interact with NTS on national level tax matters.

Corporate Income Tax (CIT) MNCs operating in South Korea are subject to CIT. The standard corporate income tax rate is 25%. Reduced rates may apply for certain industries or related projects. South Korea has transfer pricing regulations and MNCs are required to adhere to the principles of arm's length in related party transactions. Documentation requirements must be met to comply with the transfer pricing. South Korea has a VAT system and MNCs are required to comply with VAT regulations. VAT registration is mandatory for businesses that

meet certain turnover thresholds. Different VAT rates apply to different categories of goods and services. MNCs should be aware of these rates for proper compliance. Tax may be withheld on various types of income, including dividends, interest, royalties and royalties.

It is common practice to use tax treaties to reduce tax rates. MNCs are responsible for reporting and remitting taxes withheld to tax authorities. South Korea's tax system includes regional aspects, and MNCs may need to interact with local tax authorities depending on where they operate. Local taxes may include local income tax and property tax. MNCs are required to file annual tax returns with the NTS, provide detailed financial statements and other relevant documents. Tax authorities may conduct compliance audits to verify the accuracy of reporting information and ensure compliance with tax laws. Detailed transfer pricing documentation, including a local file and potentially a master file, is essential. Documentation must support transactions between related parties. MNCs engaged in international trade must comply with customs regulations, including the correct declaration of goods and payment of customs fees. South Korea offers certain tax breaks and incentives for certain industries or projects. MNCs can explore opportunities to take advantage of these benefits. Given the complexity of South Korea's tax system, MNCs often partner with local tax professionals, including accounting firms and tax advisors. Local expertise is critical to managing compliance requirements and optimizing tax positions. Regular monitoring of changes in tax legislation and regulatory legal documents is important. MNCs need to align their tax strategies with evolving regulatory requirements. Certain multinationals may enter into advance pricing arrangements with tax authorities to pre-approve their transfer pricing methodology, ensure certainty and reduce the risk of disputes.

The tax administration practices of multinational companies in South Korea include careful compliance with national and regional tax laws, detailed record keeping, and active cooperation with tax authorities. MNCs need to stay abreast of changes in tax regulations to ensure accurate reporting and reduce the risk of tax issues.

Tax administration of multinational companies (MNCs) in Germany includes compliance with national tax laws, compliance with transfer pricing regulations and cooperation with federal and local tax authorities. Germany has a complex tax system and domestic MNCs must navigate various taxes, including corporate income tax, value added tax (VAT) and other levies. The Federal Central Tax Office (BZSt) and the Federal Ministry of Finance are the central authorities responsible for administering tax laws at the federal level. MNCs cooperate with these federal authorities on tax matters at the national level. MNCs operating in Germany are subject to the CIT. The standard corporate income tax rate is 15% at the federal level, and additional sales tax may apply at the local level. Germany has transfer pricing rules and multinationals are required to follow the principles of arm's length in related party transactions. Transfer pricing documentation requirements must be met. Germany uses a VAT system and MNCs are required to comply with VAT regulations. VAT registration is mandatory for businesses that meet certain turnover thresholds. Different VAT rates apply to different categories of goods and services. MNCs should be aware of these rates for proper compliance. Tax may be withheld on various types of income, including dividends, interest, royalties and royalties. Germany has an extensive network of tax treaties that allow for lower withholding tax rates under certain conditions. MNCs are responsible for reporting and remitting taxes withheld to tax authorities. The German tax system includes regional aspects and MNCs may need to interact with local tax authorities (Finanzamt) depending on their location. Local taxes may include sales tax and property tax. MNCs are required to file annual tax returns with the federal tax authorities and possibly local tax authorities along with detailed financial statements and other relevant documents. Tax authorities may conduct compliance audits to verify the accuracy of reporting information and ensure compliance with tax laws. Detailed transfer pricing documentation, including a local file and

potentially a master file, is essential. Documentation must support transactions between related parties. MNCs engaged in international trade must comply with customs regulations, including the correct declaration of goods and payment of customs fees. Germany offers certain tax breaks and incentives for certain industries or projects. MNCs can explore opportunities to take advantage of these benefits. Given the complexity of the German tax system, MNCs often work with local tax professionals, including accounting firms and tax advisors. Local expertise is critical to managing compliance requirements and optimizing tax positions. Regular monitoring of changes in tax legislation and regulatory legal documents is important. MNCs need to align their tax strategies with evolving regulatory requirements. Certain multinationals may enter into advance pricing arrangements with tax authorities to pre-approve their transfer pricing methodology, ensure certainty and reduce the risk of disputes. Tax administration practices of multinational companies in Germany include careful compliance with federal and local tax laws, detailed accounting and active cooperation with tax authorities. MNCs need to stay abreast of changes in tax regulations to ensure accurate reporting and reduce the risk of tax issues.

In summary, tax administration for multinational companies (MNCs) differs from country to country due to variations in tax laws, regulations and administrative practices. A comparative overview of the differences in tax administration for multinational companies in Germany, the USA, Russia and South Korea:

Germany has a system of centralized tax administration in which the Federal Central Tax Office (BZSt) oversees federal taxes and state tax offices administer taxes at the state level. Germany imposes corporate income tax at the federal level and the standard rate is 15%. Local sales tax is set by municipalities. Germany has a VAT system with several rates. The standard VAT rate is 19% and reduced rates apply to certain goods and services. Germany has transfer pricing rules and multinationals must follow the principle of reciprocity. Related party transactions require extensive documentation. Tax may be applied to dividends, interest and royalties. Tax treaties can reduce tax rates.

The United States has a decentralized tax administration system with the Internal Revenue Service (IRS) overseeing federal taxes and state revenue agencies handling state taxes. The federal corporate income tax rate is graduated, with a maximum rate of 21%. States may impose additional corporate income taxes. There is no national VAT in the US. Instead, it relies on a sales tax system administered by the states. The IRS applies transfer pricing rules. MNCs must comply with transfer pricing regulations and documentation is critical. Withholding tax is applied to different types of income. Tax treaties can reduce withholding tax rates on certain payments.

Russia has a centralized tax administration system, with the Federal Tax Service (FTS) overseeing federal taxes and local tax authorities handling regional taxes. The standard federal corporate income tax rate in Russia is 20%. Local taxes may include property taxes and regional income taxes. In Russia, the VAT system operates with a standard rate of 20% and reduced rates for certain goods and services. There are transfer pricing rules in Russia. MNCs must comply with these regulations and maintain records for related party transactions. The tax applies to dividends, interest and royalties. Tax treaties can reduce tax rates.

South Korea has a centralized tax administration system, with the National Tax Service (NTS) overseeing national taxes and local tax offices administering local taxes. The standard corporate income tax rate in South Korea is 25%. Local taxes may include local income tax. South Korea operates a VAT system with a standard rate of 10% and reduced rates for certain goods and services. South Korea has transfer pricing regulations. MNCs must comply with these regulations and maintain records for related party transactions. Withholding tax is applied to different types of income. Tax treaties can reduce tax rates. Corporate income tax rates vary significantly. Germany and South Korea have lower rates than the US.

Germany and South Korea have a VAT system, while the US relies on state-administered sales

taxes. All four countries have transfer pricing regulations, but specific regulations and documentation requirements may differ. The types of income that are withheld and the rates that apply vary across countries

5. Conclusions and suggestions.

Taxation by multinational companies creates a number of problems and challenges for governments and the global economy. Brief suggestions on the main issues related to taxation by multinational companies:

International cooperation and the OECD's BEPS project to close implementation gaps, strengthen transfer pricing rules and safeguards to prevent the erosion of tax bases. Strengthen coordination between countries to negotiate fair and comprehensive tax treaties, minimize double taxation and provide dispute resolution mechanisms. Favors increased transparency, information exchange agreements and the inclusion of preventive measures in national and international tax regulations. Striking a balance between promoting economic growth and ensuring fair and transparent taxation is critical to the stability and sustainability of the global economy.

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