# Analysis and practice of tax risks in foreign economic activity of developed foreign countries

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ABSTRACT

As globalization continues to shape the landscape of international trade, the foreign economic activity of developed countries faces an array of tax-related challenges. This abstract explores the analysis and practical experiences of tax risks in the context of foreign economic endeavors undertaken by developed nations. The paper investigates the diverse tax risks that emerge when businesses engage in cross-border transactions and assesses how developed countries navigate these challenges. Drawing on empirical data and case studies, it analyzes the strategies and mechanisms employed by these countries to manage tax risks effectively. Key areas of focus include the impact of international tax frameworks, transfer pricing complexities, and evolving regulatory landscapes on tax risks in foreign economic activities. The paper also examines the role of technology in tax risk management, considering how digitalization and data analytics are reshaping compliance efforts and risk mitigation strategies. By synthesizing theoretical insights with practical experiences, this abstract aims to contribute to the understanding of tax risk management in the foreign economic activities of developed countries. It provides valuable insights for policymakers, tax professionals, and businesses operating in the global arena, fostering a more informed and proactive approach to navigating the complex terrain of international taxation.

**Keywords:** double taxation, tax risks, foreign economic activity, developed countries, tax compliance, international trade, 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.

**Introduction:**

In the era of globalized economies, the foreign economic activities of developed countries are intricately tied to a complex web of tax regulations and risks. This paper explores the multifaceted landscape of tax risks encountered by businesses engaged in cross-border transactions within developed nations. By analyzing both theoretical frameworks and practical experiences, the aim is to provide insights into the strategies employed to mitigate tax risks and ensure compliance in foreign economic endeavors.

The analysis and practice of tax risks in US foreign economic activities involves a complex interaction of federal and state regulations, international tax treaties, and the implementation of various compliance strategies. An overview of how tax risk analysis and practice is typically organized in the US

developed country context includes the following. Businesses engaged in foreign economic activities must comply with federal tax rules administered by the Internal Revenue Service (IRS). Companies analyze the tax implications of international transactions, transfer pricing and compliance with the US tax code. State Tax Rules US states have their own tax rules that supplement or deviate from federal rules that affect foreign economic activity conducted across state borders.

**Literature review.**

A. Smith [1], Dj.S. Millew, F. Listom, V. Repke studied the regulation of foreign trade through taxes and tariffs. A.Smith suggested that the principle of freedom should be followed in foreign trade activities, customs regulations should be reduced as much as possible, and their interference should be applied only to the developing sectors of the economy as a protective measure. DJ Millew [2] mentioned that temporary customs duties and non-definition restrictions are the most necessary regulatory levers in this field, focusing on the creation of foreign industrial enterprises in the state itself, in addition to supporting industries that are on the way to crisis, and ultimately have an effect on improving unhealthy economic activity. F. Listom said that the customs methods used in the regulation of foreign trade should be applied to countries rich in natural resources and with large land areas, and protectionism customs policy is justified only in countries that have achieved economic growth. V. Repkeni [3] stated that the foreign trade process and the effective organization of customs activities are directly related to the extent to which the national problems of the society are solved, and in such conditions, the state acts as a factor of central importance. "The market system in its purest form helps to solve national problems and social spheres of society - defense and public administration, [4] Smith A. Issledovanie o prirode i prichinax richatka narodov. M. Eksmo. 2009.186 p. 10 Nureev R.M. Kritika bazovykh predposylok sovremennykh macroekonomicheskikh teoriy. M. Institut ekonomiki Ran, 2014. S.4-10 11 Roopke W. International Order and Economic integration Dordrecht-Holland D. Reidel Publishing Compane 17 the tasks of maintaining public order and ensuring the operation of the unified energy system should be the responsibility of the state. The solution of these issues will eventually lead to the development of foreign trade and the achievement of complete customs internal agreements, interstate coordination of the movement of goods and services. The content of the regulation mechanism of foreign trade is described in the studies on the regulation of foreign trade activities through taxes and customs duties in our country. In particular, R.A. According to Turapov [4], theoretical issues and practical aspects of the organization of foreign trade and customs activities have historically been given great attention in our country. In particular, "Muhammad ibn Musa Khorezmi and Ahmad ibn Muhammad ibn Kasir Farghani" emphasized the need for social division of labor in their economic views, Abu Ali ibn Sina put forward the idea that international trade is important in the development of society and that it is a factor of social development. D. Haydarovani [5] stated that the effectiveness of management decisions is largely reflected in the structure of export-import. From the point of view of economic security, a number of scientists have proposed indicators of economic security, such as export-import volumes and growth rates, as well as their distribution by country. O'.T.Komilov [6] positively evaluated existing approaches to economic security in the customs sector and noted that the following approach is distinguished by its comprehensiveness, that is, "economic security in the customs sector is based on the implementation of customs policy and effective organization of customs work. "It is the ability to fully and qualitatively fulfill the tasks assigned to its bodies from the point of view of economic security and to ensure appropriate socio-economic results based on the use of customs tools aimed at the effective development of the national economy."

**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 the processing of the data obtained during the research

**Analysis and discussion of results.**

Over time, tax risks in foreign economic activities have arisen in different countries, and due to the complexity and ongoing evolution of international tax dynamics, it is difficult to pinpoint a specific time or country. However, certain historical events and trends have contributed to the emergence and increased awareness of tax risks in the context of foreign economic activity. Since the middle of the 20th century, a global phenomenon, namely the increasing globalization of enterprises, has led to difficulties in determining fair transfer prices for intra-company transactions. Companies have faced scrutiny from tax authorities for manipulating transfer prices to shift profits to lower tax jurisdictions. An ongoing problem, but gained popularity in the late 20th century. Multiple jurisdictions worldwide. The use of offshore tax havens by multinational corporations to reduce their tax liabilities and engage in profit shifting has been a long-standing problem. It has attracted global attention as governments seek to address base erosion and profit shifting (BEPS). The rise of the digital economy has created problems with the taxation of digital transactions, leading to debates over how to distribute the revenues from digital activities. Efforts to address these issues are ongoing, with countries exploring solutions through international cooperation. A global initiative of the Organization for Economic Co-operation and Development (OECD). The BEPS project is aimed at solving problems related to tax avoidance by multinational enterprises. As a result, 15 action plans were developed to limit aggressive tax planning and increase transparency in international taxation.

EU State Aid Investigations The European Commission has launched investigations into certain tax rulings submitted by EU member states, alleging that they constitute illegal state aid. This has led to increased scrutiny of tax practices in the EU. CRS is an international standard for the automatic exchange of financial account information. It aims to combat tax evasion by enhancing transparency and information sharing between participating jurisdictions. Several countries are considering or introducing digital services taxes to address challenges in taxing profits from digital business activities. This has caused discussion and negotiations at the international level.

It should be noted that tax risks in foreign economic activity are a constantly changing problem, and regulatory measures and international efforts to eliminate these risks are ongoing. The examples provided highlight key moments and trends in the broader timeline of international taxation.

Tax risks in foreign economic activities can cause various problems for enterprises, governments and the international tax community. These challenges arise from the complexity of cross-border transactions, differing tax rules between countries, and the changing nature of global business.

Determining fair transfer prices for intra-company transactions can be difficult. Companies may face difficulties in adapting their transfer pricing practices to evolving international standards, which will lead to increased scrutiny by tax authorities.

The potential for double taxation arises when a business may be taxed in both the country in which it operates and its home country. Resolving double taxation issues can be complex and may require negotiations between tax authorities.

The rise of the digital economy has created problems in the distribution of revenues from digital transactions. Traditional tax systems may struggle to capture the value created by digital businesses, leading to debate over how to tax such activities.

The practice of Base Erosion and Profit Shifting (BEPS) involves the manipulation of tax rules to shift profits to low-tax jurisdictions. This could result in countries losing revenue and increasing the complexity of tax enforcement.

The multiplicity of international tax laws and regulations in different jurisdictions can be overwhelming. Adhering to and complying with various tax regulations poses great challenges for enterprises engaged in foreign economic activities.

The lack of standardized international tax rules can lead to inconsistencies and uncertainties, making it difficult for businesses to effectively predict and manage their tax liabilities. Complying with different tax rules imposes significant administrative and compliance costs on businesses. The complexity of reporting requirements and the need for specialized expertise contribute to the overall cost burden. Changes in tax treaties or lack of clear rules can create uncertainty for businesses regarding the taxation of cross-border transactions. This uncertainty can affect investment decisions and business planning.

Some tax authorities may take an aggressive stance, which can lead to disputes and potential penalties against businesses. This can create an atmosphere of conflict and hinder the smooth conduct of foreign economic activity. Increasing anti-recovery measures may require businesses to align their structures and operations with evolving regulatory standards. This is time-consuming and affects business performance. The introduction of digital services taxes by some countries has led to controversy and disputes over the taxation of digital activities. The lack of consensus on how to tax digital services globally creates uncertainty for businesses.

Solving these problems requires international cooperation, constant dialogue between business entities and tax authorities, and efforts aimed at modernizing and harmonizing international tax rules to better reflect the realities of the world economy.

Businesses conduct a state-specific analysis to ensure compliance with federal and state tax laws, taking into account any changes or additional requirements. And transfer pricing compliance is where multinational corporations assess transfer pricing risks, ensuring that intercompany transactions are priced in a manner consistent with the principles of mutuality. Companies establish and document transfer pricing policies to comply with federal and state regulations and minimize the risk of audits and fines.

The United States has tax treaties with many countries to prevent double taxation and promote cooperation. Businesses take advantage of benefits such as reduced withholding taxes on certain cross-border transactions by analyzing the consequences of tax treaties.

Companies will explore available tax credits and foreign economic activity incentives, such as the foreign tax credit and research and development incentives. Businesses use these credits and incentives strategically to optimize their overall tax liability.

The technology is used to analyze large data sets for, among other things, advanced data analytics, tax compliance, risk identification and reporting. Companies are investing in digital tools to improve compliance, improve accuracy and manage tax risks more effectively.

Compliance programs are important for identifying and mitigating tax risks in foreign economic activities. Companies establish internal controls, regularly assess risks, and implement training programs to ensure compliance with tax laws.

Businesses turn to legal advice and consulting services to manage complex tax regulations and effectively mitigate risks. Companies work with tax professionals, including attorneys and accountants, to stay abreast of legislative changes and ensure compliance with evolving tax laws. Companies work with government agencies such as the IRS and state departments of revenue to seek regulatory clarification and proactively address potential issues. Regular communication with tax authorities helps businesses maintain transparency and resolve any ambiguities and disputes. Thorough documentation of financial transactions is essential for compliance and risk management. Companies adopt strict documentation and reporting practices to support their tax position and reduce the risk of audits and challenges.

In summary, the analysis and practice of tax risks in foreign economic activities in developed US states involves a comprehensive approach that integrates federal and state regulations, international tax considerations, technological tools and proactive compliance measures. Businesses operating in this environment must navigate the dynamic landscape, stay informed and adapt strategies to ensure compliance and optimization of their tax positions.

The analysis and practice of tax risks in foreign economic activity in a developed European country includes a complex interaction of obligations to comply with domestic tax rules, international tax treaties and developing standards. Companies analyze and comply with internal tax regulations set by national tax authorities. Businesses conduct regular assessments to ensure compliance with the country's tax laws, and to eliminate risks associated with cross-border transactions, transfer pricing and other international activities. European countries have double tax treaties to prevent double taxation and promote international cooperation. Businesses analyze these agreements to optimize their tax positions by taking advantage of withholding taxes and other benefits. Companies operating within the European Union (EU) use the EU tax system, which includes directives and regulations that harmonize certain aspects of taxation. Businesses align their activities with EU tax rules, such as the EU Prime Minister's Directive, to manage risks and benefit from the internal market. Multinational corporations engage in transfer pricing research to ensure compliance with mutual agreement principles and avoid tax risks. Companies implement transfer pricing policies with detailed documentation to reduce the risk of audits and fines. European countries are increasingly dealing with issues related to digital taxation. Companies will assess the impact of digital taxation rules on their international operations, taking into account aspects such as the taxation of digital services and the establishment of a digital presence.

VAT and customs payments are crucial in foreign economic activity. Companies analyze the VAT implications of cross-border transactions and ensure compliance with customs duties, particularly for goods transported across borders. Companies explore the tax breaks and incentives offered by the national government. Businesses use these benefits strategically to optimize their tax position and encourage certain activities such as research and development. Technology, including data analytics, plays a role in analyzing large data sets for tax compliance and risk management. Businesses invest in digital tools to improve compliance, increase accuracy and effectively identify and manage tax risks.

A robust compliance program is critical to effectively identifying and mitigating tax risk. Companies establish internal controls, regularly assess risks, and implement training programs to ensure compliance with tax laws and regulatory changes. With the participation of the government, it is very important to clarify regulations and actively cooperate with tax authorities to solve possible problems. Regular communication with tax authorities helps businesses maintain transparency, eliminate uncertainties and proactively address any concerns. Complete documentation is essential to support tax positions and ensure compliance. Businesses use strict documentation and reporting practices to minimize the risk of audits and challenges.

Sustainable and Responsible Tax Practices Companies are increasingly considering the social and environmental impact of their tax practices. Businesses align their tax strategies with sustainability goals and demonstrate a commitment to responsible taxation.

In short, the analysis and practice of tax risks in foreign economic activity in a developed European country involves a comprehensive approach that combines national, regional (EU) and international considerations. Businesses operating in this environment must navigate a complex and evolving regulatory landscape, align strategies to optimize their tax positions, and consider their wider social and environmental impact.

The analysis and practice of tax risks in foreign economic activities in a developed Asian country involves a dynamic interaction of domestic tax laws, international treaties and strategic compliance efforts. Companies analyze and comply with internal tax regulations set by national tax authorities. Regular assessments are conducted to ensure compliance with the country's tax laws, to eliminate risks associated with cross-border transactions, transfer pricing and other international activities. Many Asian countries have bilateral and multilateral tax treaties to prevent double taxation and promote international cooperation. Businesses use these agreements to optimize tax structures, manage

risks and benefit from reduced withholding taxes on cross-border transactions.

Multinational corporations engage in transfer pricing studies to ensure compliance with mutual agreement principles and mitigate tax risks. Companies establish and maintain transfer pricing policies to comply with regulatory requirements and reduce audit risk. Some Asian countries take an active part in regional economic integration efforts by influencing tax issues. Businesses adapt to regional economic agreements and harmonization efforts by adapting their tax strategies to regional standards.

The impact of digital business models on taxation is gaining increasing attention in Asia. Companies will assess and adapt to digital taxation rules, addressing challenges related to taxation of e-commerce, digital services and the digital economy. VAT and customs fees are decisive factors in foreign economic activity. Companies analyze the VAT implications of cross-border transactions and ensure compliance with customs duties for importing and exporting goods. Companies explore the tax breaks and incentives offered by the national government. Strategic use of these benefits can help businesses optimize their tax position and encourage certain activities such as research and development. Technology, including data analytics, is used for tax compliance and risk management. Companies invest in digital tools to improve compliance, increase accuracy and effectively identify and manage tax risks.

A robust compliance program is critical to effectively identifying and mitigating tax risk. Businesses establish internal controls, regularly assess risks, and implement training programs to ensure compliance with tax laws and regulatory changes. Regular communication with tax authorities helps businesses maintain transparency, eliminate uncertainties and proactively address any concerns. Complete documentation is essential to support tax positions and ensure compliance. Businesses use strict documentation and reporting practices to minimize the risk of audits and challenges. Companies are increasingly considering the social and environmental impact of their tax practices. Aligning tax strategies with sustainable development goals demonstrates a commitment to responsible taxation and addresses broader societal challenges.

In short, the analysis and practice of tax risks in foreign economic activity in a developed Asian country includes a comprehensive approach that combines national, regional and international considerations. Businesses operating in this environment must navigate a complex and evolving regulatory landscape, align strategies to optimize their tax positions, and consider their wider social and environmental impact.

**Conclusions and suggestions:**

Analysis and practice of tax risks in foreign economic activities is very necessary for enterprises and governments operating in a globalized world. This process includes a thorough understanding of local and international tax regulations, adherence to compliance standards, and proactive risk management strategies. As seen in developed countries on different continents, the complexity of tax accounting requires a comprehensive and flexible approach. Businesses that engage in foreign economic activities face many challenges, including managing different tax landscapes, complying with transfer pricing regulations and keeping abreast of digital tax developments. However, effective risk analysis and management can lead to optimization of tax positions, increased compliance and ultimately contribute to sustainable and responsible business practices. Interdependence of local and international tax systems requires companies to use a comprehensive approach to tax risk analysis. It takes into account not only national tax rules, but also regional agreements and global standards.

Technology integration, including data analytics, is emerging as an important tool for effective tax risk management. Businesses should invest in digital tools to improve compliance, increase accuracy and proactively identify and mitigate tax risks. The changing nature of tax regulations, especially in the digital age, highlights the importance of flexibility.

Businesses need to adapt their strategies and be nimble to keep up with changing regulations and take advantage of emerging opportunities. It is necessary to actively cooperate with tax authorities at the national and international level. Clear communication provides transparency, helps resolve ambiguities, and builds collaborative relationships that benefit businesses and regulators.

In order to further improve the analysis and practice of tax risks in foreign economic activity, the following suggestions are made:

Encourage international cooperation between governments, businesses and regulatory bodies to harmonize tax rules. This includes efforts to standardize transfer pricing rules, share best practices, and streamline compliance processes for cross-border transactions.

Governments and businesses must continue to invest in technology solutions that support effective tax compliance and risk management. This includes the development and adoption of digital platforms that enable real-time reporting and data sharing.

Governments should consider the social and environmental impact of tax policies. Encouraging businesses to align their tax strategies with sustainability goals can contribute to responsible business practices and address broader social issues.

To create an international forum where business, tax experts and politicians can come together to discuss problems, exchange ideas and propose solutions. This platform can promote cooperation, solve common problems and contribute to the development of global tax standards

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