

China: Global Economic and Tax Governance

Irma Johanna Mosquera Valderrama

Associate Professor of Tax Law– Principal investigator *EU-ERC GLOBTAXGOV (758671)*



Universiteit
Leiden
The Netherlands



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Topics

**Global Tax
Governance**

**China: Global
Economic Governance**

**China: Global Tax
Governance**



China rise in global economic governance

Investment

- Land (Latin America, Africa)

See Irma Mosquera Regulatory framework for land acquisition in sub-Saharan Africa. A comparative study. Background paper. European Report on Development. https://ec.europa.eu/europeaid/sites/devco/files/erd-consca-dev-researchpapers-mosquera-20110101_en.pdf

Belt Road Initiative

- Infrastructure projects (Sri-Lanka, Kenya)

Maria Adele Carrai. Will the Belt and Road Initiative change China's stance on sovereignty and non-interference?

<https://globtaxgov.weblog.leidenuniv.nl/2019/02/08/will-the-belt-and-road-initiative-change-chinas-stance-on-sovereignty-and-non-interference/>

- Conference Belt and Road Initiative (February 2019)

<https://globtaxgov.weblog.leidenuniv.nl/2019/03/11/conference-report-globtaxgov-trici-law-the-belt-and-road-initiative/>

EU – China

EU – China: European Commission Vice-President Jyrki Katainen speech at Belt and Road Forum Leaders' Round Table

Beijing, 16/05/2017

A level-playing field for trade and investment is a critical condition if we want to maintain the political momentum and support for better connectivity between Europe and Asia.

China is at one end of the 'Belt and Road' – Europe is at the other. Done the right way, more investment in cross-border links could unleash huge growth potential with benefits for us all.

EU - China

- It should be an **open initiative** based on market rules and international standards.
- **Transparency** on our plans and activities must be the basis for our cooperation, and all partners should have a fair say about where the priorities lie. Multilateral frameworks like ASEM, should be used wherever possible.
- **Sustainability** is essential: projects must be economically viable, fiscally and socially responsible, as well as climate and environment-friendly.
- We must use **the wisdom of the multilateral banks**, whose decades of experience makes them an invaluable partner for new institutions such as the Asian Infrastructure Investment Bank.
- We should ensure that **there are real benefits** for all stakeholders. Not only for countries, but also for economic operators, who should have a fair chance to compete for business through open, transparent and non-discriminatory procurement procedures.

https://eeas.europa.eu/delegations/china/26154/european-commission-vice-president-jyrki-katainen-speech-belt-and-road-forum-leaders-round_en

China rise in global tax governance

Transparency and Exchange of Information

- Tax Information Exchange Agreements (TIEAs)
- Multilateral Convention on mutual Administrative Assistance in Tax Matters
- MCAA for automatic exchange of financial accounting information (CRS)

In practice: Domestic reforms to implement automatic exchange of information are still pending. E.g. empowerment to tax administration to obtain financial accounting information (*Na Li, 2017*).

Training tax officials? Safeguards? Exchange of information with third parties including oversight entities?

EU- China 2020 Strategic Agenda for Cooperation

*Commit to reach an agreement on the adoption of the Global Standard on **Automatic Exchange of Information** being developed by the OECD together with G20 countries in the area of taxation.*

China rise in global tax governance

Taxation and BEPS

- Non-OECD member
- G20 Member
- BRICS Country
- Double Tax Conventions
- Base Erosion and Profit Shifting BEPS
 - As BEPS 44 country, committed to Inclusive Framework
 - Signatory -Multilateral instrument to modify bilateral tax treaties (102 CTAs of 106 DTCs).

China rise in global tax governance

As a developed country:

- China active in the G20 and OECD and also in BEPS
- G20 meeting 2016 Hangzhou Summit -International Tax Training Seminar hosted by the China-OECD Tax Centre in Yangzhou.
- Important role in international tax law making supporting international tax cooperation and the BEPS Inclusive Framework
- Cooperating with developing countries in technical assistance projects
- Chinese state owned enterprises investing abroad.

China rise in global tax governance

As a developing (source) country:

BEPS

- Minimum Standards: Actions 6, 13, 14. Action 5?
- SAARs and GAAR as last resource: business purpose, substance over form.
- DTT bilateral negotiation with Chile: PPT and LOB : 4% withholding tax interest.
- ASEAN countries no bilateral negotiation of PTT or LOB, but yes in MLI

Role of the SAT (Tax Administration) as Legislative/ Executive body

Following UN developments

- Actions 8 to 10 Transfer Pricing and introduction UN LSA (Location of Specific Advantages) to allocate reasonable profits obtained by MNEs to China.
- Rules to deal with indirect transfer of shares (UN)

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