

International Tax Planning

Academic Level: BSc

Credit Value: 5 ECTS

Hours in class: 32 hours

The author and lecturer is an ass.prof. O.V.Stulov.

Workload	Hours
Total	180
In class activity	32
Self-study	148
Final control	Written exam

Course description

The course covers main aspects of operation of "shady" world of international tax avoidance business dedicated to indirect growth of entrepreneurial income. Existence of international tax sovereignty on the one hand and international tax competition on the other makes leaves a large room for the possibilities of international maneuvering with pay-offs to tax authorities. Global character of contemporary economy makes it possible to save a lot of corporate as well as personal financial resources just by making oneself tax liable in the most favorable jurisdictions. A variety of modern legal forms of entities' incorporation taken together with the different approach to various forms of business activities brings about the possibility of tax planning within big corporations holding company concentrating financial and sometimes operational control over the whole structure As well as high net worth individuals sometimes calling for creation of corporate structures that are due to minimization of total tax payments.

Tax systems and tax legislation of major nations and emergent market countries as well as privileged tax regimes territories being a business landscape for the process are examined in the number of case studies.

By all means a special reference is made to offshore activities.

Those are being fuelled by increasingly mobile entrepreneurs, expatriate employees, wealthy retirees and still increasing despite the word crisis of international trade and business activity. Added to that the phenomenal improvement in communications in recent years and the fact that the infrastructural and development costs of establishing of tax haven are relatively affordable to underdeveloped countries and one can appreciate how and why this competition is growing. Still the products that are now available offshore have substantially grown because of demand for it on the global financial market.

The course covers such topics as theoretic approaches to tax burden minimization, contemporary economic doctrines, international tax law, tax avoidance schemes in international trade, licensing,, leasing and franchising operations as well as the shopping of international double taxation avoidance treaties as well as international model conventions and anti-shopping provisions. The financial dimension time dimension, risks management and operating expenditures are also included into the course.

Course objectives

One of the consequences of this range of services and the consequent regulatory legislation is that the legislation itself grows and becomes more complex and different practices and concessions emerge- and the larger is the menu, the more difficult is to make the right choice. The course makes it clear to the students what instruments of tax planning they should select to optimize their pay-off to tax authorities on the one hand and avoid pedigree losses both before consumers and national state control bodies and how they should deal with the bodies of exports, financial and currency controls to facilitate sound financial and tax planning within their business entity. They are trained to choose the appropriate jurisdiction for any kind of business operations. Above all the skills in offshore business allows them to save funds of the enterprise by correct selection of offshore agents and intermediaries.

Course outline

TOPIC ONE. Theories, doctrines and principles of international taxation.

1.1 Basic definitions. Theories of M.B de Sully, Adolf Thiers, Adam Smith, K.Marx, Liberal, Keynesian and demand schools.

1.2 Optimization of tax burden, Laffer curve, concepts of Schantz, Grizotti and Giscard D'Estaing

1.2 Major sources of tax law: national legislation, court decisions, international conventions.

1.3 Structure of tax, purpose, system and organizational characteristics of tax

1.4 Functions of tax and the way of tax withdrawal.

1.5 Legal forms of business entities and their liabilities to taxation.

TOPIC TWO: Tax System Outline

2.1 Common law system and Continental low system. Unitary and federal states

2.2 Structure of budget tax revenues

2.3 National Tax System Design

2.4 Principles of national tax liability: residence, taxable situs, territoriality

2.5 Recent trends in taxation in OECD countries

2.6 Taxation of artificial persons

2.7 Direct and indirect tax exemptions and tax relief.

2.8 Taxation of natural persons

TOPIC THREE: Major Tax Planning Instruments

3.1 The Theory of Five Flags

3.2 The concept of Tax Shifting

3.3 Component parts of Tax Planning

3.4 Tax Planning Parameters classification

3.5 Tax Calculation in tax and trade balance (method A & B)

3.6 Networks of corporate ITP and methods of tax optimization

3.7 Tax avoidance, Tax evasion and Tax fraud

3.8 Forms of tax optimization by field of economic activity (international trade, licensing and services provision)

3.9 Base and conduit company.

1.1 Tax optimization in maritime transportation. Flags of convenience.

1.2 Taxation under international credits and loans

1.3 In – house insurance company

1.4 Internet trade and its tax liabilities

TOPIC FOUR: Principles of anti-tax corporate structure building.

4.1 Holding and operational holdings

4.2 Branch office, subsidiary and affiliate

4.3 Base and conduit companies.

4.4 Investment and holding companies as an instrument of tax burden reduction

4.5 Tax matters within MNC

TOPIC FIVE: Major Tax Systems

5.1 The Tax System of UK (Anglo-saxon, unitary, schedular)

5.2 The Tax System of the U.S.A. (Anglo-saxon, federal, global)

5.3 The Tax System of Germany (continental, Federal, socially biased)

5.4 The Tax System of France (continental, unitary, indirect)

TOPIC SIX: International Tax Systems

6.1 Tax system of P.R.China (continental, Unitary, development biased)

6.2 Tax System of India (common, federal, socially biased)

6.3 Tax System of Brazil (continental, federal, archaic)

6.4 Tax System of Russia (continental, heterogeneous, liberal)

TOPIC SEVEN: Tax Systems of Small Countries

7.1 Tax system of the Netherlands (deductions based)

7.2 Tax system of Belgium (allowances for MNC)

7.3 Tax system of Luxemburg (holdings)

7.4 Tax System of Israel (effective state tax management)

7.5 Tax System of Singapore (restitutes of offshore)

TOPIC EIGHT. Basics of offshore business

8.1 The scale of offshore operations

8.2 Legal and financial support of offshore entity.

8.3 Structure of registration markets and contemporary trends on it.

8.4 Types of offshore enterprises.

8.5 In-house entities and trust activities

8.6 Types of offshore jurisdictions.

8.7 Some examples of offshore territories.

TOPIC NINE: International anti-tax avoidance cooperation

9.1 Unilateral counteraction

9.2 Types of international collaboration in the field of taxes.

6.2 UN and OECD model tax conventions compared. Sovereign states policy on the point.

6.3 International anti treaty-shopping provisions

9.5 Correlation of home legislation and international treaties..

9.6 Harmonization of different types of tax collections

9.7. Comparative analysis of major tax jurisdictions.

9.7.1 Tax climate in the U.S.A. and its changes under new administration

9.7.2 Tax harmonization in European Union

9.7.3 Tax – privileged nations (Switzerland, Austria, Cyprus, Israel, Singapore)

9.7.4 Off-shore jurisdictions (Caribbean, European, Pacific rim)

9.8. International Tax Treaties of Russia with European countries

Teaching materials

Basic book for the course - 'Basic of International Taxation' by Roy Rohatgi

- available at www.alibris.com
- some abstracts can be obtained at the website www.gigapedia.org

The contents of the course is based mostly on articles from periodical editions: "Resident Abroad", "CA Magazine", "Far Eastern Economic Review". Still two or three books may be recommended, John Pepper "International Financial and Tax Planning" NY 1999, Katherine Doggart "Tax Havens and Their Uses" EIU 1997, "Debrette Offshore Finance" among others.

GRADING is based on the assessment of student lecture attendance (30 units), project presentation (30 units) and written examination (40 units) – totally 100 units

Scores

100 - 80	excellent
79 - 60	good
59 - 40	sat
Less than 40	fail

The key to success in the course studies is a scrutinizing of manual and handouts taking into consideration interdependence an interconnection of basic notions exposed.