

# **International taxation (21 157)**

**Degree / study:** International Business Economics

**Course:** Third/ Fourth

**Term:** Third

**Number of ECTS credits:** 5 credits

**Hours of student's dedication:** 40 hours (between theory and seminars)

**Language or languages of instruction:** English

**Teacher:** Albert Sagués Cuxart

## **1. Presentation of the subject**

Conducting an economic activity is a complex task, involving many variables that must be observed, evaluated and, ideally optimized by the entrepreneur with an aim to maximizing results.

In addition to company size, analysis of potential competitors, etc. aspects such as deciding whether to set up the company with one's own capital or to use the leverage effect are variables that are usually given prime attention. These factors, in addition to numerous possible external factors, are commonly considered when conducting economic activities. Underpinning these factors, there should also exist, a sound fiscal framework to optimize results.

In fact, the knowledge of international taxation aspects that any employer will have to face is a fundamental reality given that we operate within the context of globalized economy. Doing activities at an international level are not only limited to large multinational companies but also affect almost all entrepreneurs.

Taxes affect all activities that the entrepreneur may engage in. In fact, everything has a tax implication, hiring a worker in a company, importing/selling goods, paying rent, signing a lease contract/promissory note receivable, etc. .... and these operations require an in depth working practice knowledge. For this reason, in addition to being aware of the existing principle tax system taxes, the entrepreneur should also be sensitive to their application in the specific area of their business.

Furthermore, the student must also be aware of the potential consequences arising from taxation applied by individual countries at a local level, and recognizing that this taxation also has important knock on effects; international double taxation being one of the most relevant.

Although the latter is important, we must not forget that economic activities will also be conditioned by the direct and indirect tax framework of the hosting country together with that country's economic relations with its neighbors.

This course gives the student an overview of the international tax system, covering all main elements that characterize direct and indirect taxes, and how these may interact. It also analyses

the importance of bilateral relations between countries and problems that may arise, such as the effects of double taxation, customs duties and other tax figures.

The main schema of various tax rules and regulations will also be treated from an international point of view, specifically analyzing differences between fix, proportional and progressive taxes. We will also develop the framework of double taxation, and both internal and external measures that exist to prevent or mitigate it.

At the end of the course we will briefly review the outlined topics whose purposes are to optimize/minimize any tax burdens that may affect the realization of economic activities, paying particular attention to the effects of international taxation.

## **2. Competences to be attained**

### **GENERAL COMPETENCES:**

The ability to identify the principle taxes that can affect business activity or individuals acting privately, and the knowledge of their basic characteristics.

The ability to consider the tax implications of conducting international business activities and to develop the skills to optimize taxation in decision making.

To develop a multidisciplinary approach in the analysis of efficiency and business decisions, considering all aspects of international taxation that may affect economic activity, and any resulting benefits and/or damages that these may generate for businesses.

### **SPECIFIC COMPETENCES:**

Knowledge of how taxation affects a company at each stage of evolution, from its establishment, development, maturity, transformation through to extinction events, and fundamentally, how these affect international taxation.

Get an introduction taxation aspects that most affect business environment related to decisions heading adequate localization of activities, both for companies and individuals, and in international commerce.

Understand how arbitration can help solving double taxation issues, understand how other tax harmonization agreements and double taxation treaties can be for the decision taking of economic agents.

Skills in international taxation applied to businesses developed in a globalized economy, describing these scenarios from a dynamic perspective. To identify the most important legal aspects of taxation related to residence, source and nationality. To evaluate recorded economic facts such as profit, wealth ownership, sale of goods or services and financial transactions that can be made.

To understand how international double taxation occurs, its consequences, and the measures that exist to prevent or mitigate it. To learn how to interpret a double taxation treaty, the rules

that establish location and residence of taxpayers according to established conventions or domestic laws of each country.

To be able to understand the rules for the allocation of income and the basic rules for its taxation according to personal and source obligation.

A knowledge of international tax planning, the existence of tax havens, use of corporate structures to reduce taxation or to diversify business assets.

### 3. Contents

The course is divided into 3 parts which are described below. The second and third parts will be developed in greater depth during the course.

#### 1. Introduction to taxation.

- a. Explanation of the most important taxes that can be found at the international level and their basic rules.
- b. Differentiation between direct and indirect taxes, fixed rate, proportional or progressive taxation according to the source and residence taxation.
- c. The concept of progressive taxation linked to individuals in most neighboring countries, and the effects of economic double taxation on the distribution of benefits by legal persons to individuals.
- d. International business: How can we set up business internationally. An introduction to the concept of permanent establishment and subsidiary.

#### 2. International taxation

- a. Aspects of territoriality, international standards and internal rules, concepts and criteria applicable to resident individuals and companies
- b. Fundamentals of direct taxation and indirect taxation
- c. Main effects of international taxation, the personal obligation and the real obligation. International double taxation.
- d. Classification of different types of double taxation. Economic double taxation and legal double taxation.
- e. Rules limiting operations in international groups. Transfer pricing and thin capitalization.
- f. Purpose of the regulation of transfer pricing and thin capitalization. Economic effects.
- g. The methods for avoiding double taxation. Exemption and deduction of tax at source.

#### 3. International corporate structures. Planning issues:

- a. International tax planning. Basics.
- b. Tax havens. Recommendations issued by the OECD
- c. The double taxation treaties. Model proposed by the OECD. Basic content.
- d. Holding companies as a foreign structure set up and other forms of international structure.
- e. Future alternatives in terms of international tax planning.

## 4. Assessment

A final evaluation, required at the end of the quarter, will be established through a test examination. The score obtained from this will count as 70% of the final course grade

The exam is multiple choices, with theoretical questions and practical questions, 1 point given for correct answers and 0.25 points deducted for incorrect answers. The student will be required to answer a minimum number of questions. The questions are of theoretical and practical subjects that may require numerical calculations. The student will pass when getting at least half of the total points that may be obtained in total.

In practical classes, students will be asked to prepare for the seminar solutions to practical exercises, which will be available at the aula global or will be proposed directly in seminars. The results of the individual practices must be submitted to the teacher as indicated.

In seminars, certain students will be instructed by the teacher to publicly present their practice resolution. Both practices and oral presentations will be evaluated by the teacher. The score obtained from this will count as 30% of the final course grade.

To pass the course, it is essential that practices are presented and correctly solved.

In the case where final exam and practices presented would not give the minimum level to show that the student has acquired a minimal knowledge and enough competences of the subject to get the pass, a recuperation exam will take place where a new test exam (counting 70% of the final note) and a practical problem (counting 30% of the final note) will be presented to the student to get the final chance to pass. Only students that have taken the first exam could be candidates to get the recuperation exam.

Practice presentation is the only required work to be prepared out of class. No other submission of any additional work will be accepted.

## 5. Bibliography and teaching resources

### 5.1. Textbooks

Call K4475. R64 2005 Author Rohatgi, Roy Title **Basic international taxation / Roy Rohatgi** Publication Richmond: Richmond Law & Tax, once. 2005 Edition 2nd ed.

Call K4505. A955 2011 Author Avi-Yonah, Reuven S. (Reuven Shlomo), 1957 - Title **Global perspectives on income taxation law / Reuven Avi-Yonah, Nicola Sartori, and Omri Marian** Oxford Publishing, New York: Oxford University Press, cop. 2011

Call HJ141. E27 2011 Title **The Economics of taxation / [edited by] James Alm** Publication Northampton, MA: Edward Elgar Pub., 2011

Call HJ2305. F74 1991 Author Frenkel, Jacob A. Title **International taxation in an integrated world / Jacob A. Frenkel, Assaf Razin, and Efraim Sadko** Publication Cambridge (Mass.) [etc.]: MIT, 1991

### 5.2. Further reading

Call K4505. A95 2004 Author Ault, Hugh J. Title **Comparative income taxation: a structural analysis / principal authors: Hugh J. Ault, Brian J. Arnold, Contributing Authors: Guy Gest ... [Et al.]** Publication The Hague [etc.]: Kluwer Law International, once. 2004 Edition 2nd ed

Call HJ2305. J36 1998 Author James, Simon R. Title **A Dictionary of taxation / Simon James** Publication Cheltenham: Edward Elgar, cop. 1998

Call HJ2599.55. S87 Title **Structures of the taxation systems in the European Union** Publication Luxembourg: Office for Official Publications of the European Communities, 1998 -

KKT3594. P47 2008  
The family business: tax, organizational and family protocol  
Fadón Perez-Martinez, J. Javier  
Bilbao: CISS-Wolters Kluwer, 2008  
2 nd ed.

### 5.3. Additional bibliography

Slides of each topic prepared by the teacher to develop, to continue the development of theoretical sessions.

Questions raised in a generic way in the course forum.

Practical cases develop in the course of seminars.

## **6. Methodology**

In theory classes, the teacher explains the subject content, using a schema summary. The aim is to give students sufficient theoretical knowledge so that they can apply them during the development of practical classes.

Materials complementing the lectures are a summary of the various schemes to address issues that will be developed in detail in the sessions taught by the teacher. We additionally recommend developing an awareness of regulations concerning the subject under study (double taxation treaties, i.e. or other local laws according to student origin).

In practical classes, students are required to put the theoretical concepts studied into practice through the analysis and solving of various practical cases.

The material following the practical classes (seminars) consist of exercises requiring a solution. Students will be then chosen at random to present their work, the results of which will be evaluated both for content and presentational style.

All material is available to students through the Aula Global.

## **7. Schedule of activities**

In lectures the teacher provides students with the summary-schemas prior to the development of each topic.

In practical classes, the teacher provides students with the various practical cases to be resolved in seminars, with an appropriate completion time allocated to each.