



THE EXPERTS VIRTUAL ROUNDTABLE

“一带一路”税收征管和纳税服务产品体系 专家圆桌研讨活动

26 JUNE 2025 | 15:00-17:00 BEIJING TIME, UTC+8
2025年6月26日 15:00-17:00 (北京时间)



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Tax Certainty: What Works in Practice? What does not?

Evidence from a Taxpayer Survey



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

UNCERTAINTY

INVESTMENT

Extensive empirical evidence on how uncertainty has the potential to reduce investment and hence, growth

LARGE PROJECTS

Key for larger, long-term projects but also for smaller projects with high tax complexity and materiality

EFFECTIVENESS OF TAX POLICY

Recent empirical evidence: tax policy and government stimulus is less effective if high uncertainty (Guceri, Albinowski, 2021 (JFE)).
For the same tax incentive:

- Firms in low volatility periods see an average 8.3% increase in investment. In high volatility periods, investment rise averages at 6.4%.

Clearances/Advanced Tax Rulings (ATRs)

In theory, **clearances/ATRs** considered helpful in reducing uncertainty and hence, increasing investment and more general economic activity in a jurisdiction

What goes wrong in practice?

Tax Administration's **intertemporal inconsistency**:

- After initial ATR, **agreement was challenged** (under “material changes”) by tax authorities after some years with very aggressive audits.
- Major issue for the long- to medium-term credibility of ATRs: A small number of high-profile cases has affected perception of a large community of investors
- Currently difficult to convince investors/taxpayers that a new programme of ATRs will ensure certainty



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Intertemporal Inconsistency

Risk of intertemporal inconsistency increases if:

1. Tax authority teams have **revenue targets** (even if not directly linked to salary/bonus)
 - *[Taxpayer's centricity?]*
2. Focus of tax authorities less on the law, more on interpretation & **starting point is often avoidance/arbitrage**
 - *[Taxpayer's centricity? Harmonious tax environment?]*
3. The combination of 1. & 2. is fatal!
4. No clear **legal basis** for the ATR (legally binding? If so, on which items?). Tax authorities bound (unless material changes).
 - *[Basic Services: Institutional Guarantees for Taxpayers' Rights?]*
 - *Service Philosophy: Legal Safeguard?]*



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What works well?

What works well in practice when giving certainty to the taxpayer?

1. Non-statutory clearances that are broad and can cover an entire project, beyond narrow aspect of corporate income tax. Clearances could include:
 - *Taxation of financing arrangements, treatment of intangibles*
 - *R&D tax Credits*
 - *VAT, Environmental taxes*
 - *Pillar Two*
 - *[Personalised Taxpayer Services]*
2. Quick to reach an agreement + automatic renewal (unless material changes)
3. Clear definition of “material changes”
4. Binding nature for tax authorities
5. Flexibility – some businesses go through breakneck changes which have nothing to do with tax, especially if new and innovative.
 - How do you make an old APA still work in this context?
 - *[Service Philosophy; Personalised Taxpayer Services]*



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SOME EFFECTIVE EXAMPLES AROUND THE WORLD

1

Trust between tax authorities and taxpayer (ongoing for many years)

Focus on growth and investment for both MoF and tax authorities, not systematically on avoidance and planning

2

3

Enquiries are principled, proportionate. Focus on law.



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THANKS