Institutional Design for Preventing and Resolving Tax-Related Disputes

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Part 01

Advance Tax Rulings

Concept

1.Taxpayer submits a written application to the tax authority.

2.Tax authority provides a written response.

3.Ex-ante, specific, applicable, and service-oriented in nature

Procedures and Elements

01

Application

Applicants may apply for an advance ruling on particular taxes or specific matters.

02

Acceptance and Processing

Regarding executing agencies, based on the internal hierarchical levels of acceptance and execution within tax authorities, there are two forms: centralized and decentralized.

03

Feedback

For ruled matters, a written opinion is issued.

Typical Cases

South Africa

- Introduced the advance tax ruling system in 2007.
- Collective advance rulings are quite unique.

Pakistan

- Introduced the advance tax ruling system in 2007.
- Non-resident enterprises
- Income tax matters
- Free of charge

Part 02

Tax Administrative Reconsideration and Tax Administrative Litigation

Concept

Tax Administrative Reconsideration

- The tax authority reviews and makes decisions on tax administrative acts in accordance with the law.
- An internal supervision mechanism.

Tax Administrative Litigation

- A taxpayer applies to a court for judicial relief.
- The court reviews whether the tax authority has performed its duties in accordance with the law.
- An external supervision mechanism

Comparison

01

Characteristics

Administrative reconsideration: professionalism, convenience, efficiency, and low cost.

Administrative litigation: longer trial periods; rulings are final.

02

Procedures and Stages

Administrative reconsideration: submit an application, conduct a review, make a decision.

Administrative litigation: court structure, institutional arrangements.

03

Typical Cases

Using China, France, and Saudi Arabia as examples, we present the relevant regulations on mediation and settlement, as well as the application of big data technology.

Part 03

Mutual Agreement Procedure

Type

ONE

MAP for issues concerning the interpretation and application of tax treaties

TWO

MAP for transfer pricing disputes

THREE

Bilateral (multilateral) Advance Pricing Arrangement

Concept

The Tax Treaty MAP

The competent authorities of the contracting parties to a tax treaty jointly handle issues related to the interpretation and application of the tax treaty through consultation, in accordance with the relevant provisions of the treaty.

The MAP for transfer pricing disputes

The competent tax authorities of the contracting parties jointly handle cross-border tax disputes arising from transfer pricing investigations conducted by one contracting party into intercompany related-party transactions through the mutual agreement procedure.

The bilateral(multilateral) Advance Pricing Arrangement

The competent tax authorities of the two contracting parties, in accordance with the relevant provisions of the tax treaty and applicable domestic laws and regulations, coordinate on the pricing principles and calculation methods for intercompany transactions of multinational enterprises based on the arm's length principle.

Typical Cases

1.China

2.Singapore

3.Greece

Thanks