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The fiscal competition of the states from an international context

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Summary

Tax competition in governments is a tax mechanism that some countries are advancing to compete to attract foreign domestic investment to strengthen the economy, therefore the research focuses on determining which countries have competitive advantages in the Internal tax system and international double taxation, to attract foreign investment from different countries, from the regulatory point of taxes and international agreements, the applicable methodology in mixed type, where the regulations contained in the different countries of the tax code will be verified. for the determination of taxes and additional analysis of the tax rates of the income statement for legal persons.The results determine the countries with the highest low tax rates that favor the different taxpayers, as well as the tax exemptions to differences in the different jurisdictions in which they maintain differential high tax rates to other countries causing capital flight and tax discrimination.

Keywords: Tax competition, International Taxation, Governments, Taxes, Tax Administration

Introduction

Despite the efforts of the different states to maintain the tax system defined with the different elements of the tax, administrative concepts and resolutions of the control entities, and the training of tax auditors and investment in research technologies. The States in their majority see the need as developed and developing countries, to adjust the fiscal policies and of the different sectors of the economy to be competitive as a source of receipt of a direct source of investment, in light of this the countries undertake the step of belonging to the Organization for Economic Cooperation and Development (OECD) is an international cooperation organization made up of 38 states, whose objective is to coordinate their economic and social policies.

The competitive advantages in the internal regulation of taxes, belonging to the OECD, and negotiating international agreements of double tax impact, help in a way to promote the economies of the countries, and thus minimize tax evasion and capital flight abroad from the internal sources of the states.

Therefore, the research focuses on determining which are the countries with the greatest tax competence when companies and investors take the different options that exist when carrying out international tax planning, taking into account the advantages and disadvantages in each case. one of the states, the sole purpose of investors is to have the highest profitability and for countries to grant a moderate tax burden with exceptions and benefits. Without a doubt, the study will observe the most competitive countries and which are not when determining the best alternative.

Theoretical framework

Fiscal policies in tax matters contribute to the public budget of governments, where taxpayers contribute through taxes, for the administrative and social expenses of the state, hence the need for the responsibility of the Public Treasury to determine a balanced tax system for the national and international taxpayers to be attractive internationally. The regulations of the tax regulations vary according to the country that regulates its own internal tax rules, where tax rates, tax bases, deductions and tax exceptions are defined as benefits granted by law. The scientific literature on the regulation of countries determines the following, Köthenbürger (2002),

The tax systems of the different states are distorted when companies carry out tax planning on the increase in taxes in high countries compared to neighboring countries or the recommendations of the OECD, the poor planning of the estimates of collection and tax policies originate the outflow of capital resources and the receipt of foreign investment from those countries that are tax attractive. Likewise, Bucovetsky and Smart (2006), investigated the tax competition and the normative regulation of the tax bases in the saving of company resources. In comparison with Köthenbürger (2002), the increase in taxes can be reduced when equalizing the taxes for each of the regions. Bucovetsky and Smart (2006), tax rates are efficient in equalizing the regions depending on the balance of supply and demand of national and foreign source capital. Kotsogiannis (2010), considers that when competition is vertical, the tax rate decreases considerably.

Several research studies have studied the tax jurisdiction of jurisdictions, such as Köthenbürger (2002), Bucovetsky and Smart (2006) and Kotsogiannis (2010); Government taxation is capped at source-based capital taxes. Kotsogiannis (2010), determines that governments tax the capital from the studies carried out, where the tax competition presents various distortions when evaluating the tax models. LThe interpretation of the network of the international tax system Barrios et al (2012), and the effects, Blonigen and Davier (2004), Egger et al. (2006), Neumayer (2007), Barthel et al. (2010), Egger and Merlo (2011), Blonigen et al. (2014), Marques and Pinho (2014), Murthy and Bhasin (2015), Braun (2016), Castillo and López (2019), Matsuoka, (2021); they turn out to be attractive in the economy of the countries, Sato & Pájaro (1975), Slemrod, (1995), Huizinga, (1996), Kubicova (2004), Lommerud et al. (2012), Qari (2012), Castellanos et. to the. (2022).

According to Harpaz,(2022). The OECD proposed new rules for the cross-border taxation of multinational companies. The proposed rules set out the most significant reform of

international tax rules in several decades. OECD (2022). It demonstrates significant progress, providing comparable and reliable data on tax collection for a total of more than 120 countries.

Methodology

The investigation focuses on the fiscal competence of the different governments according to the regulations of each jurisdiction. Therefore, the research study is mixed where the tax rates and the regulations amount in the different tax codes are evaluated, in turn the revision, for this the member countries of the Organization for Economic Cooperation and Development (OECD) are selected.), where the imposition of taxes by each of the governments is analyzed.

Results

Corporate tax

In the different countries, the tax rates for companies are determined, of which the tax rate varies by country, which makes it complex when determining a planning by region, in its entirety, the taxable base of the tax on society falls through taxes taking into account the deductions of costs and expenses fiscally allowed, in turn the regulations contemplate the tax surcharge.

Figure No. 1 *International tax*

Fountain:own elaboration

Individual taxes

The previous tax complexity measures for individual taxes have also been superseded by two new complexity measures. The first is the rate of a surcharge on personal income, if any. The second is the amount of income collected for social security or through payroll taxes other than the standard taxes of that form.

International Taxation

The different countries have signed double taxation agreements with several jurisdictions in order not to double tax the income of companies and individuals, in order to

unify the criteria of the national or global source for the collection of taxes and be attractive. For foreign direct investment, the member countries of the (OECD) are the following: Australia, Belgium, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, the United Kingdom and the United States.

As can be noted in the following graph, foreign direct investment is FDI is significantly high in OECD member countries, and the different non-member countries that have signed double taxation agreements with different governments, the negotiation alternatives of The UN and OECD model treaties differ when defining the type of convention that is usually selected for applicability to the OECD model.

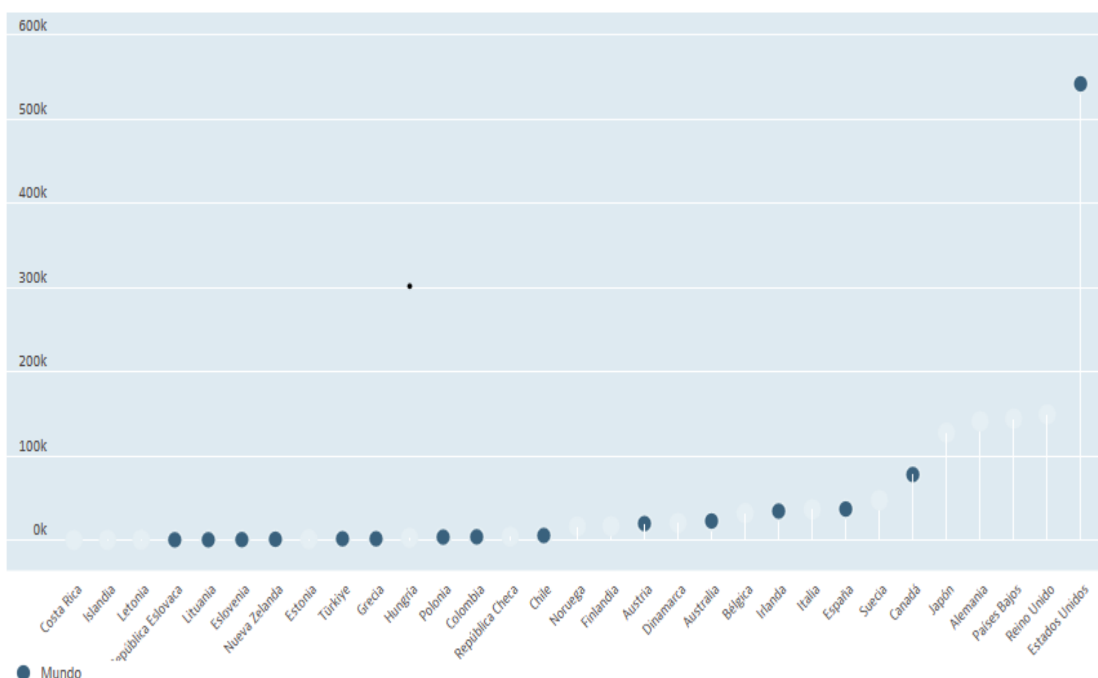

Figure No.2 *foreign direct investment*

Fountain: Foreign investment by OECD country (2022)

Therefore, the results determine that the countries are directly fiscally competitive, when they have a structural and not complex tax system for the determination of taxes, where the rules of the game are clear both for the tax administration of each jurisdiction and for the different Taxpayers, in their own way, the determining factors are the legal stability granted by the countries, in the regulation of the moderate tax rate with the recommendations of the OECD. Internal regulation of taxation plays an important role for each of the business sectors, the granting of exceptions and tax benefits are undoubtedly elements when investors determine international tax planning.

The investigation determines the competitive advantages of the different governments that have double taxation agreements, with the alignment of the internal fiscal policies of each jurisdiction, causing to be more attractive to the different investments from external sources, previous investigations the results are not conclusive due to the vast network that exists of international taxation in the different countries, however they have concluded by countries

analyzed that indirect investment increases as double taxation treaties are agreed, Castillo and López (2019), Braun (2016), Marques and Pinho (2014).

Conclusion

In a certain way, it can be said that having an extensive network of agreements shows an open attitude towards the exterior and receptive to the maintenance of economic relations. On the other hand, the analysis of the experience of the member countries of the OECD also shows that the largest investments have been made, together with their indisputable economic potential, offered the attraction of having a double taxation agreement for the countries and those that are not members, failing that, the feasibility of carrying out negotiations with the states is observed due to their positive balance in the tax rate of taxes and investment.

The measures taken by countries to avoid international double taxation, where efficiency is determined from international tax planning, to minimize taxes and obtain greater profitability in the profits of companies, for this purpose, companies, branches or Transactions in countries that grant legal tax stability, in low tax rates, business benefits and double taxation agreements in force, the other countries where some of these elements are not offered, foreign diet investment is null or low.

The research results help future research to compare the macroeconomic aspects of the different governments with the ongoing implementation of each of the double taxation agreements, and with the suspension by some countries that take the initiative to eliminate the agreements. international.

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