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Mehmed Alibašić, Ph.D.
Alfa University, FORKUP, Belgrade
Nada Vignjević-Dorđević
State University, Novi Pazar
Nemanja Jevtić
Slavena Jevtić
Alfa University, Belgrade

TAX AUTHORITIES AND PROCEDURES - EFFECTS ON MNK-TRANSPARENCY INTERNATIONAL EXPERIENCE

Abstract

In the last 30 years has drastically increased importance of multinationals in world trade. This is partly caused by the increased integration of national economies and technical progress, especially in the field of communication. Increased number of multinational companies to put the tax administration and the company before any taxation matters more difficult, because the individual national rules for taxation of multinational companies can not be seen in isolation but must be viewed in a broad international context.

The requirement to comply with laws and administrative regulations may differ from country to country creates additional problems for multinational companies. Different requirements may be associated with the additional workload for a multinational company and lead to higher costs related to compliance with these regulations than is the case with a similar company that operates exclusively under one tax sovereignty.

Contentious issues, both for tax administrations and for multinational companies, resulting primarily from the practical difficulties in relation to establishing the expenditure and revenue companies or business units within the multinational companies that are taken into account in a particular country, especially when they concern jobs closely related.

Key words: taxes, national regulations, transfer prices, income, expences.

JEL Classification: H25

ПОРЕСКИ ОРГАНИ И ПРОЦЕДУРЕ - ЕФЕКТИ НА МНК-ТРАНСПАРЕНТНОСТ МЕЂУНАРОДНО ИСКУСТВО

Апстракт

Искусство је показало да је проблем хипотеза у науци најзначајнији у методологији, а посебан значај се придаје појмовном одређењу, настајању, откривању, функцији, класификацији, структури и извођењу хипотеза и индикатора.

У методологији постоји схватање да хипотезе немају значајно место и улогу, већ да је много важније добро разрадити предмет истраживања и дефинисати основне појмове који се, обично дедукују из наслова истражи-

вања. Стална је дилема да ли се истраживања могу спровести без извођења хипотеза и додатног ангажовања истраживача на њиховој формулацији и усаглашавању с операционалним одређењем предмета истраживања.

Друго схватање полази од чињенице да су хипотезе окосница истраживачког поступка и да други елементи научне замисли нису значајни. Ово схватање директно заговара пут корекног изграђивања само система хипотеза и индикатора као довољан пут за реализацију истраживања.

Главни истраживачки циљ у овом раду је утврђивање значаја дефинисања хипотезе са свим њеним научним атрибутима и поређење ова два приступа а уз помоћ компаративне анализе.

Кључне речи: хипотеза, научно-истраживачки рад, истраживање, научно-истраживачки метод, предмет истраживања

Legal sources, international experience

Contentious issues for both tax administration and for multinational companies, resulting primarily from the practical difficulties related to the determination of income and expenditure of companies or business units within the multinational companies that are taken into account in the States, especially when they concern jobs closely related. The requirement to comply with the law and administrative regulations may differ from state to state creates additional problems for multinationals. Different requirements may be associated with the additional overhead of a multinational company and lead to higher costs related to compliance with these regulations than is the case with a similar company that operates exclusively under one tax sovereignty. For the tax office in a political standpoint and from the standpoint of practical implementation of special problems. From a political standpoint States must coordinate the two types of needs: on the one hand, their legitimate right to tax those gains taxpayer derived income and expenses that are reasonably believed to be located at the source of their national territory, on the other hand, taxation the same income by a larger number of states. Such double or multiple taxation can create a barrier to cross-border activities in the area of goods and services and movement of capital. From a practical standpoint, the attribution of revenues and expenditures made by a State may be additional difficult obstacles in obtaining authoritative information from abroad. The rights of taxation which emphasizes a state first depend on whether you poreskisistem state relies on a universal principle, the territorial principuilinaoba principles. The tax system which is based on the universal principle of the state tax base partially or fully include all revenues generated by licekojese considered a resident of that state (including legal entities - corporations), uključujućione income derived from sources outside that State. The tax system kojisetemeljnateritorijalnom principle states the tax base includes those areas prihodekojipotičuiz its tax sovereignty, and that regardless of ukojojdržavije resident taxpayer. In relation to multinational companies this means that these two principles, which are often applied together, generally treat each company within the multinational company as a separate legal entity. OECD member countries have opted for the principle of an independent company, as an instrument that is most suitable for achieving fair results, and that the risk of double

taxation neotklonjenog reduced to a minimum. Thus, each individual entity within the group with their actual income is subject to tax under universal or territorial principle. Relations between the companies within the group may, however, permit the company in terms of its internal relations renegotiate conditions that differ from those which would be made to the companies included in the Group's operating as an independent company. To the principle of independent companies could be applied to the internal affairs group, individual companies within the group should be taxed as if in their mutual affairs act according to the principle of external comparisons. In order to ensure the correct application of the principle of independent companies, OECD member countries are usvojiie principle external comparisons, based on which it is to be eiminišu effects of specific conditions on the amount of profit. OECD member countries have opted for this international principle, because they serve to satisfy two objectives:

- On one hand, their application provides adequate taxation in the State,
- on the other hand to avoid double taxation, thus the conflict between tax administrations is reduced to a minimum, and be able to promote international trade and investment. In a globalized economy, the coordination between the state of the appropriate tax competition.

OECD Guidelines 1995/96/97 "transfer pricing guidelines for multinational enterprises and tax administration" ("the OECD Transfer Pricing Guidelines") - Guidelines for transfer pricing for multinational companies and tax authorities ("), as well as review of Article 9 OECD Model Contract ("Affiliated Companies") containing a consensus of member states on the formation and control of the appropriateness of transfer prices. They are especially important in cases of agreement or arbitration the Procedures, because it is about the principles that are internationally recognized.

Example: The Federal Republic of Germany

Federal taxes for the central government and the Department for field control. Federal taxes for the central government of the Federal Republic of Germany is the highest federal authority that is directly subordinate to the Federal Ministry of Finance. Federal taxes for the central government consists of five departments, one of the functional departments and two classes of taxes and field control. Tax departments perform tasks at national and international level. Tasks at the national level, for example. How rebates and exemptions, supervision over the implementation of old-age allowance, providing official support for national authorities. Tasks at the international level, for example. providing official assistance to foreign authorities, the implementation process of agreement, the delivery of foreign tax solutions, providing information to law projects (International Settlements, the providing of information and opinions about the tax regulations in foreign countries) and other activities of the Federal Ministry of Finance, the refund of value added tax and Anti-Fraud The VAT, indentifikacionog allocation of the VAT for intra-Community trade.

The division in field control for about 150 federal inspectors field audits participating in field control of provincial services for site control in about 15,000 large enterprises and

the concern in the Federal Republic of Germany. The structures of provincial services for site control and the Department for site control are different. Provincial inspectors in the field of control so. comprehensive control exercise control companies from all industries in the province of his. In 2007. year in the states were engaged in 13,646 inspectors field control. The controls have led to additional revenue of € 16.6 billion. On average, the total additional revenue of € 1.2 million per inspector. From 8,352,473 companies registered in tax administration branch is controlled companies 213,375 (2.6%). Additional revenue from 13.2 billion € by large companies and corporations, to € 1.39 billion medium-sized enterprises, and the rest to small and micro enterprises. Papers in the Department for site control are organized by industries, inspectors on the territory of states controlled by different areas, often simultaneously, in various companies. My paper is a report to the trade industry, which means that the large trading companies, for example. department stores, discount stores to sell groceries, store construction equipment, etc.. control inspectors in Germany this report. Participation in international decision to establish contacts with foreign tax authorities.

Sector field control is working closely with the Tax Department of the Federal taxes for the central government, which is responsible for the process of agreement, transfer pricing and APA (advanced price agreement).

A special emphasis in the work of the Department for site control is a control cases with a foreign element, especially transfer pricing.

The reasons for this are, among others:

- international tax competition
- increasing pressure of foreign tax authorities
- scientific publications on the reduction of the tax base in Germany for transfer prices that are not common in the business with external parties

The object of the transfer pricing provision of income tax

- About 60% of the volume of world trade, according to the OECD, the Group's internal affairs
- For Germany this means the volume (transfer price) of about 715.000.000.000 €
- transfer pricing adjustments of 1% and a tax rate of 40% means the potential revenue from a year 2.860.000.000 €

At the international level, around 27% of the control transfer pricing leads to results. Participation in international decision to establish contacts with foreign tax authorities.

Transfer pricing and international experience

Administrative principles for dividing revenues were published 1983rd years, and some parts are still valid. The principles laid down by this document are largely undisputed and relevant principles of the OECD, in its Guidelines on transfer pricing (OECD Transfer Pricing Guidelines). Germany participated in the work on the guidelines and agreed with them.

Transfer pricing

Transfer rate = reported value of products, services and other goods conveyed and transferred between related companies. When independent companies doing business with each other, the conditions related to their commercial and financial relations (eg the price of the goods supplied or services and the terms of delivery of goods and services) usually determine relevant costs. When you do business with each other affiliated companies, it is possible that their commercial and financial relations are not in the same way directly affected by external market forces, although associated companies often try to imitate the dynamic effect of these forces in their mutual business relationships. Tax administrations should not automatically assume that affiliated companies manipulate their winnings. Dealing with transfer pricing should not be confused with the treatment of the problem of fraud or tax evasion, although the transfer pricing can certainly be used in such purposes. In addition to thinking about the tax aspects, other factors may influence the distortion of conditions relating to the commercial and financial relations between associated enterprises. Companies can, for example, be exposed to the pressures of the state, both in their own and in a foreign country, in determining the customs value, the anti-dumping duties, and monetary controls and price controls. The cause of the disturbance transfer rate and pressure can be a shareholder who wants to see a high level of profitability of the parent company.

As a rule, there is no real international transfer price, but the usual range of external transfer prices. In this regard, the OECD says: "Transfer Pricing is no exact science."

Differences in goods or services justify various international transfer pricing.

Since the control of transfer pricing primarily on matters relating to the facts, the clarification of the facts is crucial.

Companies have the freedom to shape their affairs until obey the laws. If a decision is companies are rational economic reasons, the tax authorities shall accept it. Decisions are economically rational, if passed as is common among unaffiliated third parties, ie. business partners are independent of each other, and between them there is a natural opposition of interests. When this starts with the fiction that the two orderly and conscientious businessman negotiate with each other so that each side for yourself achieve optimal results. From independent companies, for example, before buying a product at a certain price can be expected to consider the possibility that they buy a product from another company at a lower price.

Comparability (associated companies)

Under comparable conditions are the following:

- the size of comparable companies
- conditions (type, shape, volume)
- the functions and risks
- the duration of the relationship posiovnih
- business strategies business partners
- microeconomic framework conditions (conditions of contract and delivery)
- general conditions in the market
- the level of market
- comparable quality of information

Another factor to be taken into account when checking the contents of the economic risk sharing is its effect in the case of work between unrelated parties. With operations between unrelated persons generally makes sense to attribute to the parties a greater share of those risks which may be exercised more influence. Suppose, for example, the company concluded a contract for the production and shipment of goods, company B, and the amount of product and shipping company determines B. In this case, it is unlikely that the company will be a ready to bear significant risk in terms of stock, because there is no control over the volume of storage, while the Company B is the case. Of course there are risks, such as general conjunctural risks, that no party can have a pronounced effect and is therefore among the unaffiliated third parties may be attributed to one or another business partner. Can be significant and of the risk of exchange rate exchange office and possibly interest rates, is whether there is a strategy for reducing the risk of such operations by the security guards, forwards, and 'put and call' option. Loss of the taxpayer who bears the risk of planetary gear exchange and interest rates may be the cause of the business strategy of multinational corporations. Such practices can lead to significant gains or losses that can be transferred to a location that is most convenient for multinational corporations. If anyone associated company constantly suffer losses, while a multinational corporation as a whole makes a profit, you should thoroughly check the particular function and transfer rates. Of course you can associate as well as independent companies that suffer real losses, whether they are caused by the high initial costs, unfavorable economic conditions, inefficiency or other legitimate business reasons. An independent company, however, would not be ready to for an indefinite period of time to accept permanent losses. An independent company that always causes losses in the end will not undertake further work under the circumstances.

In contrast, the associated company is incurring losses can continue its business activities, it is useful for the multinational corporation as a whole. Repeated losses in an acceptable period of time may be eligible for certain business strategy in order to win market provides particularly low prices.

So, for example, a manufacturing company in the interest of market entry, market expansion, introducing new products or services, or for the defense of competition can lower prices for their goods even to the point of temporary losses incurred. These special low rates are to be expected, however, only a limited period, while bearing in mind the long-term increase in profit. But if pricing strategies remain in effect after the expiration of the eligible period, it may be justified to correct transfer price. Especially if the comparable independent enterprises have incurred such losses. You have to be addressed and contractual conditions. With operations between unrelated persons contractual terms of a deal explicitly or implicitly determine what will be the division of duties, risks and benefits between the parties concerned. Therefore, the analysis of conditions of one of the analysis functions. In addition to the contract that need to be checked and the accompanying correspondence, in particular, the actual execution of the contract.

The tax system and tax reform - local experience

Recession, economic downturn caused some errors in the process of privatization in the country, significantly affect the existing tax system does not provide enough

revenue. In order to curb the budget deficit is already critical, as agreed with the IMF, the proponents of tax reform in Serbia, his attention on the “classic” easiest, but the most dangerous of the current government, the budget deficit by increasing tax burden on the population? The main changes in the tax system is based on the increase of the VAT from 18% to 22%, and lower “slums” in the VAT rate on food, water, utilities, heating, newspapers, books, housing, and so on. from 8 to 12%, which will automatically lead to a significant increase in prices, inflation and a further reduction in living standards. Second, it provides an increase in the payroll tax of 12% to 20%, with a comforting increasing tax-free earnings, which significantly affects the deterioration of the competitiveness of the Serbian economy, hindering exports and does not contribute to the creation of new work places .. On the other hand, it is proposed to reduce unpopular health insurance contributions of employees, as alleged tax relief economy. In fact it’s about reducing funding for primary care population, which in turn affects the broader segments of the population? All other proposals of the concept of tax reform accelerated fall in with the wrong shade directing attention to the main tax burden on already impoverished population.

The proposals of tax reform in Serbia should be based on the experiences of the European Union, and certainly not unpopular experiences on the other side of the Atlantic, where it caused the biggest global financial crisis of the century. Real additional public revenues can be quickly achieved only by increasing taxes on the enormous profits organizations in the financial sector, in all forms of mediation, rental, telecommunications and similar institutions that generate high profits by investing outside the real economy. In the midst of the Great Depression is not acceptable to the tax and continue to protect the best financial standing legal and physical entities in the country, particularly banks, insurance companies, financial intermediaries and privatization, other financial institutions and the like, but by keeping unsustainable low tax rate of 10% profit , the lowest in Europe.

The new tax system in Serbia, should be working to strengthen the economic power of the creators of public revenues in the country, fostering faster economic development, job creation and improved living standards, which is when downloading valstzi proclaimed the existing government. Tax reform, among other things, should not be the only function of the already privileged financial sector and other organizations in similar business activities, it will cause unnecessary social tensions, as has already happened in some close neighbors, on the one hand, and continue to protect existing rights acquired numerous direct and indirect beneficiaries, on the other hand. Does not exclude the possibility of other more appropriate score, the better proposals and solutions. necessary tax reforms in Serbia.

Conclusion

OECD member countries have committed themselves to international principles, because they serve to satisfy the basic goals related to the fact that their application provides adequate taxation in the State, on the other hand to avoid double taxation, which is thus a conflict between the tax administrations reduced to a minimum, and to enhance the opportunities of international trade and investment.

In a globalized economy, the coordination between the state of the appropriate tax competition. They are especially important in cases of agreement or arbitration the Procedures, because it is about the principles that are internationally recognized. Recession, economic downturn caused some errors in the process of privatization in the country, significantly affect the existing tax system does not provide enough revenue. In order to curb the budget deficit is already critical, as agreed with the IMF, the proponents of tax reform in Serbia, his attention on the "classic" easiest, but the most dangerous of the current government, the budget deficit by increasing tax burden on the population. Our new tax system should be working to strengthen the economic power of the creators of public funds in the country, fostering faster economic development, job creation and improved living standards, which is when downloading valstzi proclaimed the existing government. Tax reform, among other things, should not be the only function of the already privileged financial sector and other organizations in similar business activities, it will cause unnecessary social tensions, as has already happened in some close neighbors, on the one hand, and continue to protect existing rights acquired numerous direct and indirect beneficiaries, on the other hand.

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