Comparison of Taxation Systems of BRICS Countries andProspectsfor the Cooperation

Duoqi Xu

Professorof SJTU

上海交通大學
SHANGHAI JIAO TONG UNIVERSITY

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BRICS

BRICs

- 2001 Jim O'Neill
- *Building Better Global Economic BRICs*

BRICS

- South Africa joinedthe "BRIC" group in 2010

Global Economic Outlook

Country	Forecast Of 2018 Economic growth rate(IMF)	Forecast Of 2018 Economic growth rate(World Bank)	Specific Forecasts for the GDPs(IMF)
China	6.6%	6.5%	USD 14.09trillion
Russia	1.7%	1.5%	USD 1.72 trillion
South Africa	1.5%	1.4%	USD 0.37 trillion
India	7.3%	7.3%	USD 2.85 trillion
Brazil	1.5%	2.4%	USD 2.14 trillion

Tax Cooperation between BRICS

2013	2015	2017
• The FirstMeeting of BRICS Heads of Tax Authorities opened a new journey of tax cooperation between BRICS	• The ThirdMeeting of BRICS Heads of Tax Authorities, increase the cooperation in the areas of transfer pricing and automatic information exchange, etc.	• BRICS entered into the *BRICS Memorandum of Cooperation in Respect of Tax Matters*, (The first institutional document of the BRICS cooperation in respect of tax matters)

Tax Cooperation between BRICS

- Improvingthe rightof developing countries and emerging market countries
- Resolvingtax-related disputes
- Signing tax treaties for “going global” and “bringingin” enterprises
- Responding to BEPS issues
- Providingreliable taxation expectations for cross-border taxpayers
- Reducing cross-border taxpayers' tax burdens

Ultimate Goal

Promotingthe improvement of the global tax governance system

Enhancingthe representation and voiceof emerging market and developing countries.

China's taxation system

Achievements	Urgent Problems	Cooperation	Future
Improvedthe taxation automatic adjustment mechanism further clarified and refined the taxation statutoryprincipleand achieved great taxation results.	Regulate the taxation of emerging industries, the collection and management of individual income tax and the unreasonable tax system faced by individual income tax.	The 2017 BRICS tax cooperation promoted the improvement and development of China's domestic tax system. The experience of the respective tax system reform ofthe BRICS countriescan also be used by China for the mutual benefit and win-win result.	China's taxation system will be further improved , the transparency will be greatly enhanced And will create a favorabletax environment for the sustainedgrowth of the Chinese economy.

Reaction to US tax reduction policy

China:

April 2017, China decided to introduce further tax reduction measures:cancelingthe 13% VAT rate level □increasing the upper limit of the annual taxable income of smalland micro enterprises from RMB 300,000 to RMB 500,000.

The otherfour :

The otherfour countries in the BRICS are also planning to introducea packageof tax reduction measures so as to “keep one step ahead” in a new round of global competition.

Differences in taxation system among the five countries in the economic and cultural context

(1) Differences in economic foundation

(2) Differences in macro tax burden

(3) Differences in the division of tax rights

(4) Differences in tax structure

Differences in economic foundation

Economic Strength

- Jim O'Neill *China's economy is developingsteadily and BRICSwill surpass G7 in 2035:* India's current scale of economy < one-fifth of China's, but In decades, India's economic growth rate may higher than China's.

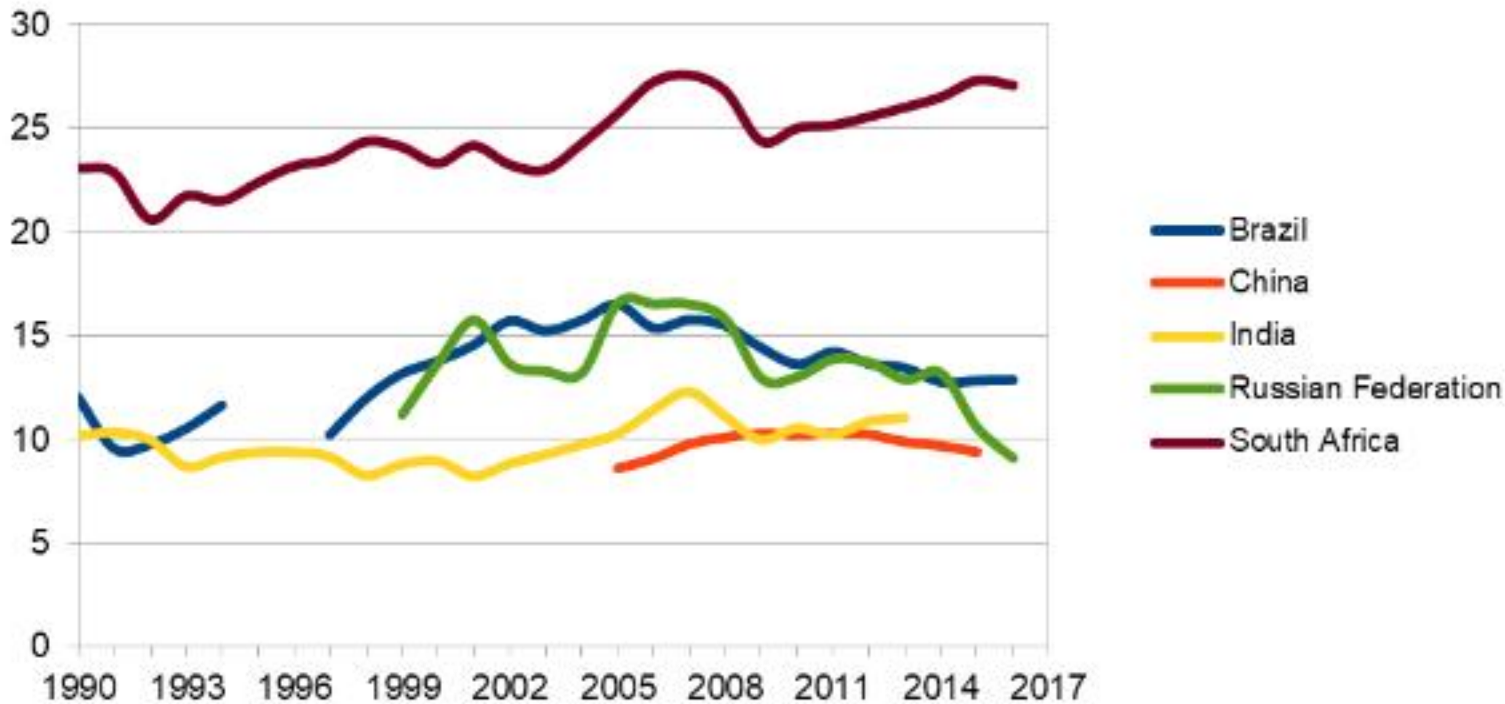
Economic Growth

- Currently, indirecttax revenue of Brazil, Russiaand China hasa relatively large share, while South Africa and India still rely on direct tax revenue (influenced by UK).
- Brazil(Latin-American family,tax law has developed independently, being influenced by the US, Germany and Italy)
- Russia and China(Transition and post-conflict family, which consists of those undergoing transitions to market-oriented economies.)
- Therefore, the taxrevenue of the fivecountrieswill be affected by the speed of their economic growth in a different manner.

Differences in macro tax burden

BRICS	Level of Tax Legislation	Tax Legislation and Management Right	Type of Tax sharingSystem	Situationby Tax Category
Brazil	High	Central, local	Appropriate tax sharing system	Exclusiveand shared
Russia	High	Central, local	Appropriate tax sharing system	Exclusiveand shared
India	High	Central, local	Appropriate tax sharing system	Exclusiveand shared
China	Low	Central	Appropriate tax sharing system	Exclusiveand shared
South Africa	High	Central, local	Appropriate tax sharing system	Exclusiveand shared

Differences in macro tax burden



Differences in the division of tax rights

<table>
<tr><th>BRICS</th><th>Federal (Central)</th><th>Prefecture (Province)</th><th>County (City)</th></tr>
<tr><td rowspan="3">Brazil</td><td rowspan="2">Custom duty [exclusive]
Real estate tax [federal and county (city) shared]</td><td>Inheritance and gift taxes [exclusive]</td><td>Urban property tax,real estate transfer taxand social service tax [exclusive]</td></tr>
<tr><td colspan="2">Commoditycirculation tax, motor vehicle tax [shared by state andcounty (city)]</td></tr>
<tr><td colspan="3">Industrial product tax, corporate income tax, individual income tax, financial transaction tax [shared by federal and county (city)]</td></tr>
<tr><td rowspan="2">Russia</td><td>Value-added tax, consumption tax, natural person income tax, uniformsocial tax, organization profit tax, mining tax, succession tax or inheritance tax, water tax, animal and aquaticcreature resource use righttax, state customs duty</td><td>Enterprise and organization property tax, gambling business tax, transportation tax</td><td>Land tax,natural person property tax</td></tr>
<tr><td colspan="3">The shared tax types of Russia mainly consist of federal tax, but also include the regional tax andthe localtax. The proportion of sharing in the major tax types are mainlydetermined by the federal budget law every year, and only the proportion of sharing between budgetat different levelsof organization profit tax and uniform social tax are set out in theTax Code (Section II). Since 2005, thisproportion of sharing has tended to be stable, and is supplemented into the Budget Code and the Tax Code respectively in form oflegislation at the highest level. At present, what was mainly set out in the federal budget law ofthat yearwas the proportion of sharing of the consumption tax (products of different types).</td></tr>
</table>

Differences in the division of tax rights

BRICS	Federal (Central)	Prefecture (Province)	County (City)
India	Individual income tax, corporate incometax, fortune tax, inheritance tax andgift tax,foreign exchange saving tax, registration tax, land and building value tax, expenditure tax, stamp duty andcustoms duty, etc.	Tax of transportation means, land value tax, agricultural income tax, professional tax	Land donation, landand building tax (levied on rent), land value-added tax, advertising tax, property transfer tax (supplementary tax of stamp duty)
	Income tax and goods tax (shared)		
China	Customs duties, consumption tax and value-added tax levied bycustoms on an agency basis, consumptiontax, the urbanmaintenance and construction tax paid on a centralized basis by railway departments, head offices of banks andinsurancecompanies, the income tax of central enterprises that has not beenincluded in the scope of sharing	The urbanland use tax paid by the local enterprises, the urban maintenance and construction tax (excluding the part paid on a centralized basis by railway departments, head offices of banks and insurancecompanies), house property tax, vehicleand vessel tax, stamp duty (excluding stamp duty of securities transaction), farming land occupation tax, deed tax, tobacco leaf tax, land value-added tax, etc.	
	The value-added is shared by the central government at the proportionof 50% and shared by the local government at the proportion of 50%; the enterprise income tax and individualincome tax that have not beenincluded in the scope of sharing as well as the resource taxare divided according to the different types of resources; the ocean oil resource tax is the central income, and the remaining resource tax isthe localincome; the stamp duty of securities transaction is shared by the central government at the proportion of 97%, and the sharing proportion in Shanghai and Shenzhen is 3%.		
South Africa	Corporateincome tax, corporate income tax at secondary level, individual income tax,capital gains tax, retirement fund tax,value-added tax, fuel tax, goods tax, real estate and donation tax, customs duty, etc.	Gambling tax	Housing property tax

Differences in tax structure

<table>
<tr><th>Country</th><th>Tax structure</th><th>Main tax revenue</th><th>Main tax types of indirect taxes</th><th>Main tax types of direct taxes</th></tr>
<tr><td>Brazil</td><td rowspan="5">Featured by the parallel of directtax and indirect tax</td><td>Indirect taxes</td><td>Value-added tax
Municipalservice tax
Fuel tax
Financial
Securities tax
Business tax
Customs duty</td><td>Individual Income tax
Corporateincome tax
Non-resident income tax</td></tr>
<tr><td>Russia</td><td>Indirect taxes</td><td>VAT
Consumption tax
Customs duties</td><td>Income tax</td></tr>
<tr><td>India</td><td>Direct taxes</td><td>Corporateincome tax
Individual income tax</td><td>Value added tax
Sales tax
Consumption tax</td></tr>
<tr><td>China</td><td>Indirect taxes</td><td>Value added tax
Consumption tax
Business tax</td><td>Corporateincome tax
Individual income tax</td></tr>
<tr><td>South Africa</td><td>Direct taxes</td><td>Income tax
Capital gains tax</td><td>VAT
Consumption tax
Import tax</td></tr>
</table>

Common interests and needs prompt the BRICS countries to strengthentax cooperation

(1) Domestic economic transformation has promptedthe reform of taxation systemof the BRICScountries

(2) Changes in international economic status prompts the BRICS to change the positioning of international taxation cooperation

(3) Overcoming differences, learning experience and establishing platform are effectivemethods to strengthen tax cooperation among BRICScountries

Domestic economic transformation has prompted thereform oftaxation system ofthe BRICScountries

Common character of the tax system reform

- **Common driving force**
- **Common features**

Common problem of the tax system

- **formulatepreferential tax policies**

The positive effectof cooperation

- Avoiding vicious **competition** among BRICS.
- Enhancingthe **attractiveness** of foreign investment.

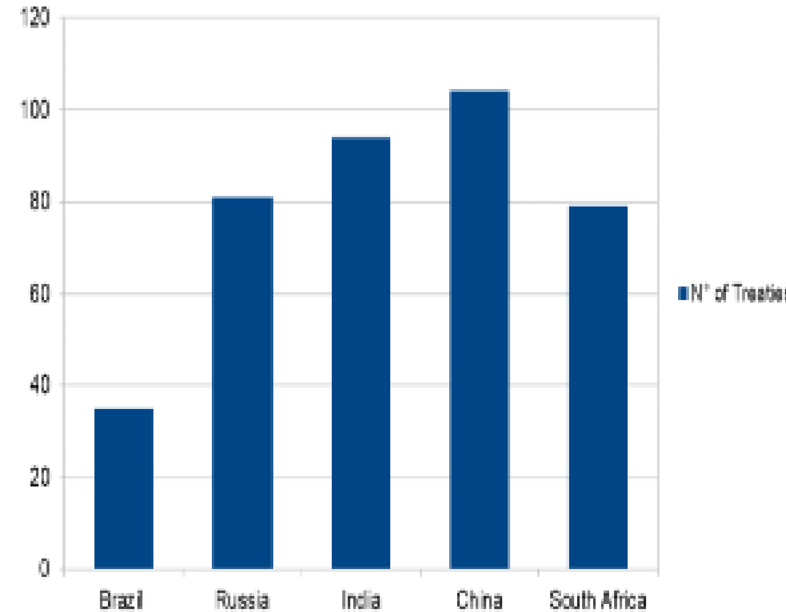
Common character of tax system

- **personal principle** adopted in respect of the income tax

BRICS should rethink their income tax systems and avoid double taxation methods.

DAT amongfive countries

	CHINA	INDIA	RUSSIA	SOUTH AFRICA	BRAZIL
INDIA	1994.7.18	/	/	/	/
RUSSIA	1994.5.27 2014.10.13	1997.3.25 2013.10.15	/	/	/
SOUTH AFRICA	2000.4.25	1996.12.4 2013.7.26	1996.11.27	/	/
BRAZIL	1991.8.5	1998.4.23 2013.10.15	/	2003.11.5	/



China has signed bilateral tax treaties (or arrangements) with 101 countries and regions,

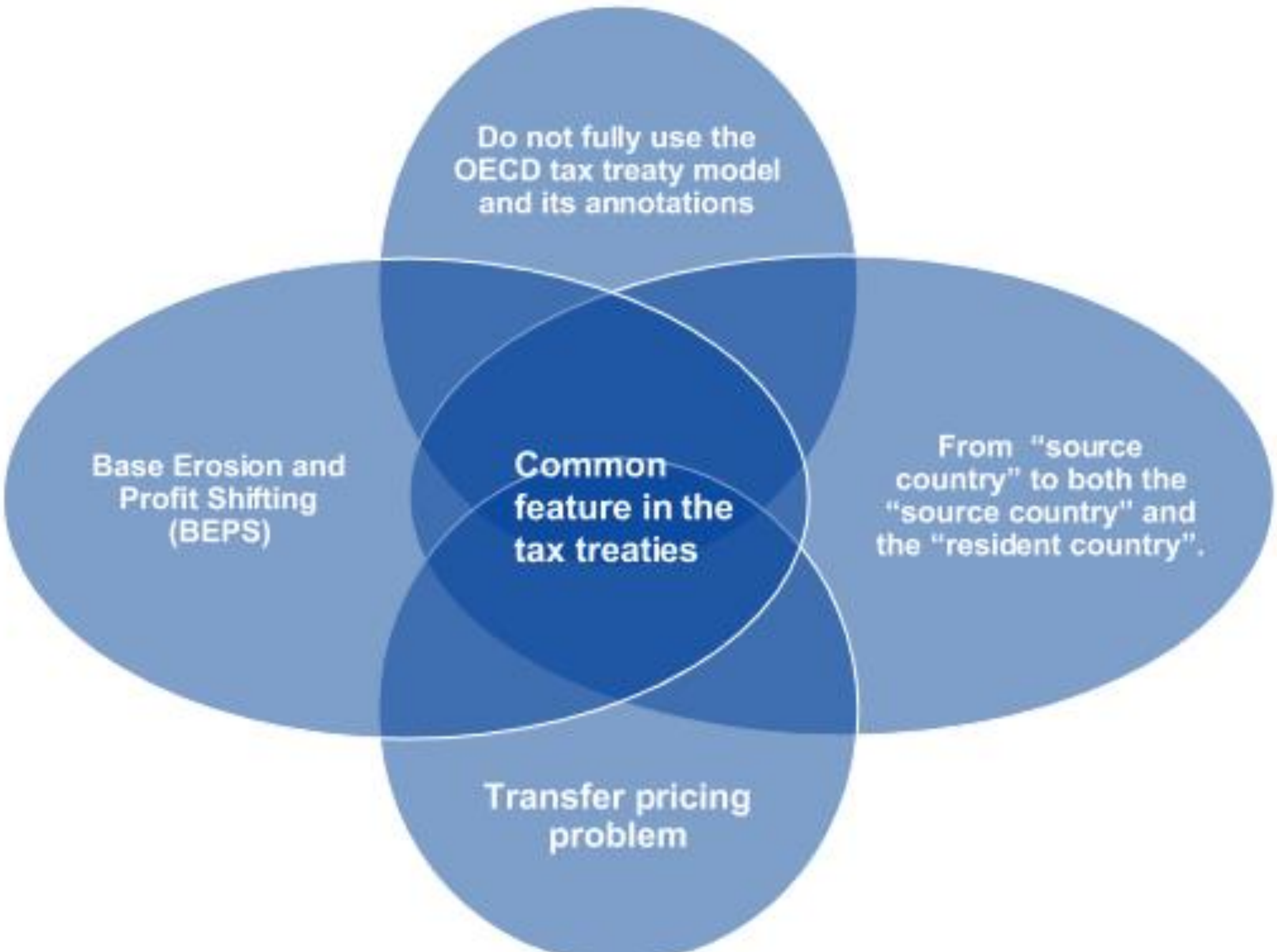
India has signed bilateral tax treaties with 95 countries and regions

South Africa has signed bilateral tax treaties with 74 countries and regions

Russia has 80 effective bilateral tax treaties

Brazil also has 30 effective bilateral tax treaties currently.

Changes in international economic status prompts the BRICS to change the positioning of international taxation cooperation



Overcoming differences, learning experience and establishing platformto strengthen tax cooperation among BRICS

January 2013

the promise at the meeting held in Delhi, India initiated the first step in taxcooperation among the BRICS.

Platform□

The BRICSLeaders' Summit

The meetings of theBRICS's Finance Ministers

International conferences of the UnitedNations, the World Bank and the IMF

Basis□

treaty basis and a certain mechanism basis

THANKS□