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## **International Business Taxation**



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# International Business Taxation

U.S.A → CAPITALIST COUNTRY.

TAX SYSTEM - Progressive tax system.

The tax payers pay more incremental tax as they earn more income. This system aims to provide inherent tax benefits to lower-income individuals and collect more taxes from higher-income individuals.

The taxes start in the USA? [History]

The first personal income tax was imposed by Congress in 1861 to raise revenue for the civil war. Congress repealed the tax in 1872. but the idea was brought back in the 16<sup>th</sup> Amendment to the Constitution that established Congress right to impose a federal income tax.

Financial year → April - 15<sup>th</sup> - January 31<sup>st</sup>.

The Father of U.S. TAXATION =

PRINCIPLES OF US TAXATION:

① Taxpayer's obligation:

pay taxes on taxable income.

② voluntary compliance:

Taxpayers self-report income and pay taxes.

③ progressive taxation:

Higher income earners pay higher tax rates.

④ Taxability: Income, gifts, and estates are subject to taxation.

⑤ Deductibility

Business expenses and ~~char~~ charitable donations are deduct.

⑥ Federalism: Federal, state, and local governments have taxing authority.

⑦ uniformity:

Consistent tax treatment across similar situations.

### Tax Principles For individuals

① Gross income: All income earned.

② Adjusted Gross income: gross income minus deductions.

③ Taxable income: AGI minus exemptions and deductions.

④ Tax Brackets: progressive tax rates applied.

## TAX AUTHORITIES

- ① (IRS) Internal Revenue Code.
- ② Tax Court.
- ③ Congressional Joint Committee on Taxation.

## US: INDIRECT TAXES

### ① Sales tax

\* Imposed by: states and local governments.

\* Tax Rate - 0% - 8.25%  
[various by state].

\* Tax base: sales of goods and services.

### ② Value-Added tax, [VAT]

\* Not imposed as Federal level.

\* Some states have VAT-like taxes  
[eg - Hawaii's General excise tax].

### ③ Excise tax:

\* Imposed by - Federal and State governments.

\* Tax Rate - various products  
[eg - gasoline, tobacco, liquor].

\* Tax base - specific goods and services.

#### ④ customs duty

- \* Imposed by: local governments.
- \* Tax Rate - various by product [0% - 35%].
- \* Tax base - Imported goods.

#### ⑤ property tax

- \* Imposed by - local governments.
- \* Tax Rate - various by location [0.2% - 0.2% 2.5% of property value].

#### ⑥ Severance Tax

- \* Imposed by - States.
- \* Tax Rate - various by State [0% - 10%].
- \* Tax base - Extraction of natural resources [eg - oil, gas, coal].

### DIRECT TAX RATES

- \* Individual income tax - 10% - 37%.
- \* Corporate Income tax - 21%.
- \* Estate and gift tax - 18% - 40%.
- \* Payroll tax - 15.3%.
- \* Self-employment tax - 15.3%.
- [Social Security 12.4%, 2.9% Medicare].

# Federal income tax Rates

## (I) Single filers

0%

10% - \$0 - \$11,600

12% - \$11,601 - \$47,150

22% - \$47,151 - \$100,525

24% - \$100,526 - \$191,950

32% - \$191,951 - \$243,725

35% - \$243,726 - \$609,350

37% - \$609,351 - more

## (II) Head of household

10% - \$0 - \$16,550

12% - \$16,551 - \$63,100

22% - \$63,101 - \$100,500

24% - \$100,501 - \$191,950

32% - \$191,951 - \$243,700

35% - \$243,701 - \$609,350

37% - \$609,351 - more

## (III) married filing jointly (or) qualified widow

10% - \$0 - \$23,220

12% - \$23,221 - \$94,300

22% - \$94,301 - \$201,050

24% - \$201,051 - \$383,900

32% - \$383,901 - \$487,450

35% - \$487,451 - \$731,200

37% - \$731,201 - more

## married filing separately

- 10% - \$0 - 11,600
- 12% - \$11,601 - \$47,150
- 22% - \$47,151 - \$100,525
- 24% - \$100,526 - \$1,91950
- 32% - \$191,951 - \$243,725
- 35% - \$243,726 - \$365,600
- 37% - \$365,601 - \$ more

Short-term capital gain tax - 10% - 37%

Assets held  $\leq$  1 year

long-term capital gain tax - 0% - 15%  
(or) 20%

## (RUSSIA TAXATION) → SOCIALIST COUNTRY

### TAX SYSTEM [Regressive tax rates]

The tax system of the Russian Federation is a complex of relationships between fiscal authorities and taxpayers in the field of all existing taxes and fees.

Financial year - January 1 - December 31.

father of Russian taxation - Peter the Great.

## TAX principles

- ① legality - Taxes are levied based on law.
- ② Equity - Taxes are fair and equitable.
- ③ Simplicity - Tax laws are clear and understandable.
- ④ Efficiency ∴ Tax collection is minimized.

## Individual Tax Rates

- 13% - Standard tax Rate
- 15% - High Income individuals
- Corporate tax → 20%
- withholding tax - 15% for Resident
- withholding tax - 20% for non-Resident.
- property tax - 0.1 - 0.2%
- Transport tax - Annual tax on vehicles
- land tax - Annual tax on land ownerships.

TAX AUTHORITY → IRS ~~USA~~  
[Revenue Department]

### RUSSIA TAX RATES

0% - 0 - 300,000

5% - 300,001 - 700,000

10% - 700,001 - 10,000,000

15% - 10,000,001 - 12,000,000

20% - 12,000,001 - 15,000,000

30% - 15,000,001 - above

Top marginal tax rate - 37%

### INDIRECT TAXES

VAT - 20%

Zero (0%) → for export goods, international transportation, and certain services.

SALES TAX → 1.5% - 5%

Property tax - 0.1% - 2%

### Other indirect taxes

① Insurance premium tax: 6% - 12%

② Lottery and gaming tax -

10% - 30%

③ Advertising tax - 5% - 10%

## pre - Soviet Era [1724 - 1917]

- ① ~~pay~~ poll tax [1724].  
First introduced in Russia
- ② land tax [1766]. Tax on land ownership.
- ③ sales tax [1782] tax on goods sold
- ④ Income tax [1812] first income tax.

## TAX AUTHORITY

- ① Federal tax services [1991 established] [FTS]
- ② Federal customs services [1991] [FCS]
- ③ ministry of finance [1903].

## Gulf Countries

The Gulf Countries are the countries that border the Persian Gulf.

So, there are 7 countries of Gulf countries.

[Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Iran]

## SAUDI ARABIA

Old name Saudi → Kingdom of Hejaz and Nejd.

The financial year → January - 1<sup>st</sup> - December - 31<sup>st</sup>.

## TAX AUTHORITY

Tax and customs authority is responsible for collecting taxes in Saudi Arabia.

## History of Saudi Arabia

Saudi Arabia started collecting taxes in 1950, when the government began levying a tax on oil production. Profits the governments continued to increased its share of revenue from

oil production into the 1980's.

Saudi Arabia also introduced the VAT - in January - 2018, with the Basic Rate is 5%. and then, Standard Rate is 15% in July 2020.

### THE TAX SYSTEM IN SAUDI ARABIA

The Saudi Arabia Tax System is very unique, compared to many other countries. Because, there is no Personal Income Tax. especially

There is no personal income tax in Saudi Arabia.

Business taxes → Corporate tax - 20%

VAT - 15%

Withholding Taxes - It's payable by non-Resident

Real estate transaction Tax

This is payable on probarty transaction at a rate of 5%.

Social security contributions - 10% employees  
employees - 12%.

Zakat → Charitable tax linked to the  
Islamic faith that contribution - 2.5%

Income tax for self-employed workers  
- 20%.

⊕ Income comes from oil and hydrocarbons  
productions this raises to between 50%  
- 85% of corporate tax.

Import and export tax - 0.5% - 15%.

Then, highest is 25%.

Example: Imported merchandise, ceramics,  
cast iron, electrical appliances are  
taxed up to 20%.

Excise tax → The excise tax law came  
into force in June-2017.

\* Tobacco - (100%)

\* Soft drinks - (50%)

\* Energy drinks - (100%)

\* Sweetened drinks - (50%)

→ electronic devices and tools used  
for smoking, vaping, and similar  
activities. [100%].

→ Capital gain tax - 20%.

→ Sales tax - 15%.

→ personal Income tax - 0%.

→ Social Security tax Rate - 22%.

→ Corporate Tax Rate - 20%.

### TOURISM COUNTRIES TAX SYSTEM

I will select the one country...  
of Thailand Tax System.

⊕ Resident Tax payers Tax on Thailand  
sourced Income, and Foreign earned  
Income.

⊕ Non - Resident → only pay Tax on Thai  
-sourced Revenue.

⊕ The father of Thailand tax system  
- king Chulalongkorn.

financial year - 1<sup>st</sup> Oct - 30<sup>th</sup> Sep.

TAX AUTHORITY - The ~~of~~ Revenue  
Department of  
Thailand.

## Principles of Thailand Tax System

⊛ Ability-to-pay

## History of Thailand Tax System

During the ~~Eight~~ Reign of King Rama III - [1824 - 1851], Revenue Collections was so low that tax Concessionaire System was adopted.

### Old Regime (0% - 35%) :

- 0 - 150,000 -
- 150,001 - 300,000 - 5%
- 300,001 - 500,000 - 10%
- 500,001 - 7,50,000 - 15%
- 7,50,001 - 10,00,000 - 20%
- 10,00,001 - 20,00,000 - 25%
- 20,00,001 - 40,00,000 - 30%
- Over - 40,00,001 - 35%

### New Regime

- 0% - 0 - 150,000
- 5% - 150,000 - 300,000
- 10% - 300,000 - 500,000
- 15% - 500,000 - 7,50,000
- 20% - 7,50,000 - 10,00,000
- 25% - 10,00,000 - 20,00,000

- 30% - 20,00,000 - 40,00,000
- 35% - 40,00,000 - over

## Indirect taxes

- VAT - 10% . [Standard Rate]
- Corporate tax - 20% .
- Branch Tax rate - 20% .
- Capital gain tax rate  
[Standard Corporate Income tax Rate]
- Social Security - 5% .
- Transfer tax - 2% .
- net worth / net worth tax → There is no net worth wealth tax (or) net worth tax.
- Stamp duty - 0.5% .
- gifts - 5% .
- Inheritance / estate tax - 10% .  
[A 0% (or) 5% Rate may apply in certain circumstances]