SES'S L.S.RAHEJA COLLEGE OF ARTS AND COMMERCE		
Course: International Finance	Unit: IV sem VI	Prepared by: Asst. Prof. Mehul Barai

International Tax Environment:

International taxation is the study of tax on a person or business subject to the tax laws of different countries or the international aspects of an individual country's tax laws.

Taxation system:

In the territorial system, only local income from a source inside the country – is taxed.

In the residential system, residents of the country are taxed on their worldwide (local and foreign) income, while non- residents are taxed only on their local income.

Objectives of taxation :

Two basic objectives of taxation are:

1. Tax neutrality
   a. Capital – export Neutrality:
      Tax should not have any negative effect on economy.
      It is based on worldwide economic efficiency.
   b. National neutrality taxable income is taxed in the same manner by the taxpayer's national tax authority regardless of where in the world it is earned.
   c. Capital- import Neutrality:
      If the U.S. tax rate were greater than the tax rate of a foreign country in which a U.S. MNC earned foreign income, additional tax on that income above the amount paid to the foreign tax authority would not be due in the united states.
2. Tax Equity
   Regardless of the country in which an affiliate of an MNC earns taxable income, the same tax rate and tax due date apply.

   Types of taxation:
   1. An income tax is a tax on personal and corporate income.
   2. A withholding tax is a tax levied on passive income.
   3. VAT is an indirect tax levied on the value added in the production of a goods as it moves through the various stages of production.

Benefits towards parties doing business internationally:

1. Earning valuable foreign currency
2. Division of labour
3. Optimum utilization of available resources
4. Increase in the standard of living of people
5. Benefits to consumers
6. Encouragement to industrialization

7. International peace and harmony
8. Cultural development

Tax haven is a country that offers foreign individuals and businesses a minimal tax liability in a politically and economically stable environment, with little or no financial information shared with foreign tax authorities.

Benefits of Offshore Tax Havens:

1. Minimal or no taxes
2. Maximum privacy
3. Security
4. Convenience

Tax liability is the amount of taxation that a business or an individual incurs based on current tax laws.

Strategies used by the companies to reduce Global tax liability:

1. General strategies:
   Carrying out highly profitable operations in low- tax jurisdictions.
2. Foreign affiliates
   Open complete separate corporation will be tax as local company.
3. Transfer pricing
   Let a foreign operation in a low-tax jurisdiction manufacture products it sells back to the mother company for selling in the home market
4. Repatriating profits.