**HISTORY & PRINCIPLES**

International taxation can be more fully defined as a set of relations between States, on the one hand, as well as between States and its national entities, on the other hand, but in any case arising from the scope of the tax jurisdiction of each of the States on income and capital in connection with the conduct of trans-territorial economic activities by such persons in order to ensure fiscal the interests of each of the states while respecting the economic interests of national individuals.

International taxation is an element of the state's tax system, which includes a set of specific principles, methods, techniques, mechanisms: taxation related to the relevant sphere, tax policy, tax administration, international cooperation of states and tax administrations, etc.

International taxation is based on the concepts of so-called tax neutrality. The basis of the classical analysis of tax neutrality associated with maximizing global aggregate economic efficiency is a tax—free world in which investments and other solutions are considered as the most economically efficient. Since the abolition of all taxes is not currently permissible, attempts are being made with the help of tax neutrality theories to eliminate distortions of investment decisions caused by taxation, in particular double taxation.

According to the principle of tax neutrality with respect to capital exports, the state, through its tax system, should not put the taxpayer before a choice: to invest in this state or to invest in other countries. The consequence of the implementation of this principle is to protect the exporter of capital from discrimination by increasing the tax burden on him compared to other investors.

As follows from the principle of tax neutrality with respect to capital imports, the state establishes the same level of taxation of income received from capital investments both on its territory and in other countries.

In accordance with the principle of national neutrality (impartiality), each country has the right to levy taxes from persons obliged by its legislation to pay them, regardless of whether they have been involved or can (should) these persons may be involved in the payment of the same or other taxes in any other country [

The concept of impartiality of international taxation is based on the totality of these principles, according to which international taxation should not have a detrimental effect on the world economy and national economies if it is carried out according to the rules, the purposes of which are to minimize tax factors when making decisions in international economic activity, the exclusion of infringement (discrimination) or, conversely, the

promotion of certain types of activities through tax instruments, giving priority to commercial calculations in the planning of international economic activity.

economic characteristics of the concept of "international taxation"

• as an economic problem arising from the interaction (coordinated or conflicting) of two or more national tax systems regarding the payment of taxes having the same (similar) elements that simultaneously relate to the elements of these systems;

• as a conflict between different national tax systems due to the involvement of the same persons and (or) in relation to the same object, objectively predetermined by the difference in national tax systems and naturally arising as a result of the legitimate functioning of the national tax system. This conflict manifests itself in the form of a struggle for the right to tax and competition for attracting foreign investment by establishing an appropriate taxation regime;

• as an obstacle to the development of international economic activity, if each state fully, i.e. by maximizing the composition of the objects of taxation and the circle of taxpayers, will use all the opportunities provided by tax sovereignty solely for the purpose of increasing its income.

The taxation of business profits or income originates essentially from the early part of the 20th century. As state revenue needs became increasingly significant with the growth of military and welfare spending, most industrial capitalist countries moved from reliance on a multiplicity of specific duties, in particular high customs tariffs, to general, direct taxes on income. The acceptance of direct taxes rests on their application, as far as possible equally, to income or revenues from all sources, including business profits. Since many businesses operated on global markets, this raised the question of the jurisdictional scope of taxation.

The move towards direct taxation of income or revenue was a general trend, especially in the years during and following the first world war;; but specific variations developed in different countries, in particular in the application of income or profits taxes to businesses and companies.

A number of states have applied their income taxes to the income derived by their residents from all sources, even abroad, although sometimes this does not apply to income as it arises, but only when remitted to the country of residence. The definition of residence, already difficult for individuals, creates special problems in relation to business carried out by artificial entities such as companies;

The tax jurisdiction of a State is based primarily on the sovereignty of its national territory. Each State within its national borders has the full right to establish and apply any laws and regulations defining the rules of conduct of citizens and enterprises. The structure of the taxation system, the amount of tax payments, the procedure for their collection are determined by each state and are mandatory for implementation throughout its territory.

To protect their tax rights in the international sphere, States establish their own rules on the following important positions:

• the procedure for determining the "nationality" of taxpayers — individuals and legal entities;

• the procedure for determining the "nationality" of commercial activity (usually there are three modes: activity through a business institution (permanent establishment), through an independent agent and under contracts concluded with local firms in the country);

• the procedure for determining the "nationality" of income (or source of income). As a rule, approaches are used: at the location of the buyer of the goods or the consumer of the service, at the place of conclusion of the transaction, at the place of transfer of the goods or the implementation of the service, etc.;

• the procedure for eliminating double taxation of residents. Claiming to tax the "worldwide" income of its (national) taxpayers, any country practicing such an approach has to reckon with the priority right of any other country to tax any activity and any income on its territory, including the activities and income of "foreign" legal entities and individuals. Recognition of this right is possible in the form of deduction of foreign tax from tax payments made to its taxpayers (in the form of so-called tax credits) or by including taxes paid abroad in deductible expenses when calculating the taxpayer's tax base, or by completely excluding foreign income from the object of taxation from the national taxpayer;

• rules for regulating so-called transfer prices for tax purposes. Without such regulation, the entire system of taxation of international activities would turn into a fiction: in order to avoid paying taxes in any country, it would be enough to organize an intermediary company in one of the tax-free countries and "pump" profits there due to the corresponding understatement or overstatement of contract prices. The procedure for regulating the application of transfer prices can be based on the "independent agent rule", comparison with prices for transactions made by unrelated partners, by setting so-called reference prices, etc. [120];

• rules for taxation of income of controlled foreign companies. The following principle is laid down in these rules. Since a tax resident of the State has the opportunity to postpone the payment of tax on dividends in the State of residence for an indefinite period due to the non-distribution of profits of foreign companies controlled by him, such profits are considered distributed for tax purposes after a certain period from the moment when foreign companies received this profit.

In all of these positions, each country strives to reserve the widest possible rights for itself in order to protect its financial interests and provide a solid starting point for resolving disputes with the tax authorities of other countries. These rights are formulated and fixed either in the relevant sections of ordinary tax laws (as in the UK), or in the tax code (as in the Russian Federation and the USA), or in special laws (as in Germany and France). Disputes arising in the case of the application of tax laws of different states have to be resolved by concluding temporary or permanent, bilateral or multilateral tax agreements.

The practical implementation by different States of claims for tax on income from international economic activity leads to international double taxation.

The term "international taxation" was introduced into economics in 1927 by Seligman, who noted that international taxation has acquired significance since the conclusion of the first tax agreements between Belgium and France (1843), the Netherlands (1845), Luxembourg (1845), when states realized the need to jointly resolve the issue of taxation of objects subject to taxation several states [217].

The concept of "international taxation" is not legally fixed in any of the states. In the scientific economic and legal literature, there is mainly a definition of the concept of "international tax relations", which are characterized as relations between countries regarding the mutual settlement of the areas of application of tax legislation (tax jurisdiction) and other tax issues.

International taxation in a narrow sense can be considered as the imposition of direct taxes (on income and capital) in different states of national and foreign persons engaged in foreign economic activity. But this definition does not reflect the systemic nature of this concept, which implies a set of certain elements united by common essential features, goals and objectives. • the procedure for eliminating double taxation of residents. Claiming to tax the "worldwide" income of its (national) taxpayers, any country practicing such an approach has to reckon with the priority right of any other country to tax any activity and any income on its territory, including the activities and income of "foreign" legal entities and individuals. Recognition of this right is possible in the form of deduction of foreign tax from tax payments made to its taxpayers (in the form of so-called tax credits) or by including taxes paid abroad in deductible expenses when calculating the taxpayer's tax base, or by completely excluding foreign income from the object of taxation from the national taxpayer;

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double taxation and double non-taxation

International (legal) double taxation in modern scientific literature is usually defined as the application of two tax systems simultaneously, the imposition of identical taxes in different countries on the same income from the same taxpayer for the same period.

Examples of economic double taxation can be the imposition of income tax on an employee's salary and the imposition of a tax on the payroll of an enterprise, which includes the employee's salary.

in modern international practice, the problem of double taxation arises if a taxpayer who has a legal relationship to one country (the country of permanent residence) extracts income from sources on the territory of another country (the country of the source of income). The country of the source of income usually extends its tax jurisdiction to the taxpayer's income according to the principle of economic relations.

The result of simultaneous application of the principles of legal relations and economic relations by both countries can be double international taxation of income — in the country of the source of income and in the country of permanent residence.

the following cases of international double taxation can be noted

• if, according to the national legislation of several states, the taxpayer is recognized as a resident and, accordingly, bears unlimited tax liability to each of them in respect of taxable objects;

• if a resident of one state has an object of taxation on the territory of another state and both of these states levy tax on this object of taxation;

• if several states subject the same person, who is not a resident of any of them, to taxation on the object that arises from the taxpayer in these states.

In a narrow sense , the following reasons for international double taxation are distinguished:

• recognition of the same person as a resident in two or more countries;

• recognition of the same income as having a source of origin in two or more States;

• differences in income classification between States;

• differences in the mechanism for eliminating double taxation of residents (the procedure, the amount of offset, etc.);

• taxation of the same income in two or more states due to the difference in the criteria of residency and the source of income;

• one State has no rules for setting off certain types of taxes paid in another (other) state (states).

Most countries have come to the conclusion that double taxation is an obstacle to international trade, the free movement of capital and the development of international markets. In this regard, States are trying to solve the problem of double international taxation by changing domestic legislation and concluding international agreements on the avoidance of double taxation.

There are two ways (directions) to eliminate double taxation or reduce its burden. The first is the adoption by the State of domestic legislative measures unilaterally, the second is the regulation of the problem of double taxation through the conclusion of international agreements

no country can completely solve the problem of eliminating double taxation unilaterally, since any state always faces a dual task: on the one hand, to ensure a sufficient level of budget revenues, on the other — to create optimal conditions for stimulating economic development (especially in the field of capital movement)

most countries combine the principles of residency in their tax systems (i.e. they tax persons who have permanent residence in these countries for all income, including income received abroad) and territoriality (i.e. they levy taxes on income received on the territory of these countries, regardless of the permanent residence of persons receiving income).



