Science of Law Journal (2025)
Clausius Scientific Press, Canada

DOI: 10.23977/law.2025.040102
ISSN 2616-2296 Vol. 4 Num. 1

# *Improvement of Regional Tax Agreements in the Context of the "Belt and Road" Strategy*

**Li Dongdong[1,a,*], Wu Minqi[1,b], Chen Yuwei[2,c]**

*[1]School of Humanities and Law, Shenyang University of Technology, Shenyang, China*
*[2]Department of Law, Main University, Shenyang, China*
*[a]404639816@qq.com, [b]3286478399@qq.com, [c]947312164@qq.com*
*[*]Corresponding author*

***Keywords:*** Belt and Road; tax treaties; tax credits; double taxation

***Abstract:*** International tax treaties are important agreements for eliminating tax barriers and play a key role in promoting the development of the "Belt and Road" strategy. However, there are still some shortcomings in the signing of tax agreements in China, such as the failure to sign agreements in time, the incompatibility of signed agreements with the needs of China's economic development, and the failure of Chinese enterprises to fully utilize the tax agreements in overseas countries. Improving the tax agreements and applying them skillfully, as well as continuously improving the construction of tax information transmission system, will help our country and various places to cooperate economically in the future, and promote the vigorous development of the "One Belt, One Road" strategy.

## 1. Introduction

Under the guidance of the "Belt and Road" strategy, domestic enterprises have been marching to overseas markets and opening up a wide world in the international market. In the process of domestic enterprises' marching to overseas markets, the problem of double taxation caused by factors such as tax jurisdiction, tax competition, tax rate differences and taxing objects of each country along the Belt and Road has been troubling domestic enterprises[1]. International tax agreements are the core of international tax law and the key pivot for solving this problem.

## 2. Current status of the conclusion of tax agreements in China

In order to realize the goal of effectively implementing the "Belt and Road" strategy and deal with tax conflicts effectively, China should make every effort to promote the signing of tax agreements with countries along the "Belt and Road" route. From the implementation of the strategy to October 2017, the number of tax treaties signed by China is among the highest in the world, and will soon surpass that of the United Kingdom[2]. Of the 103 double agreements that China has signed with other countries, 99 have entered into force, covering 80% of the countries along the Belt and Road, laying a solid foundation for deepening economic cooperation between China and the countries along the route, and marking a major milestone in the process of building regional economic integration.

## 3. Currently, China still has some challenges in establishing a tax treaty network

### 3.1. Not all countries along the Belt and Road routes are covered

China has now signed 101 agreements on the avoidance of double taxation with neighboring countries, but of the 66 countries along the Belt and Road, 13 have yet to sign such agreements with China. In particular, key neighbors such as Myanmar and Cambodia have yet to sign bilateral agreements with China[3]. Considering that each country may have its own unique tax and regulatory system that suits its own situation, this makes it difficult for the two countries to agree on the content of the agreement; a small number of countries are not attractive for investment because they are lagging behind in development, and the size of their domestic domestic market and economic level have not yet met the criteria for signing a bilateral agreement.

Bilateral tax agreements have a guiding role for multinational enterprises, if the enterprises lack the guidance of the agreement, then the enterprises will bear greater risks and uncertainties when doing multinational business; bilateral tax agreements will give the signing country corresponding tax relief concessions, if the enterprises do not sign the agreement, then they will not be able to enjoy the preferential treatment, and the cost of doing business in the host country will skyrocket[4]; the countries along the "One Belt One Road If a country along the "Belt and Road" does not sign a bilateral tax agreement with China, multinational enterprises in that country will be plagued by the problem of double taxation, resulting in a potential loss of tax revenue for that country.

### 3.2. Some of the tax agreements with China may no longer be fully adapted to China's current development needs.

"Fifty-three countries along the Belt and Road have concluded bilateral tax agreements with China, most of which were signed at the end of the twentieth century. In view of the rapid development of China's economy and the changes in the world economic situation, the contents of some of the agreements signed in the early years need to be appropriately changed and adjusted, or else they will not be conducive to the future international cooperation. Reviewing and examining the bilateral tax agreements of the early years, making new improvements and revisions in accordance with the current actual situation and economic development, and renegotiating them until a consensus is reached, if necessary, are the most urgent points of work at present.

### 3.3. Chinese enterprises' enjoyment of tax treaty treatment overseas is not satisfactory

Although China has concluded bilateral tax agreements with many countries, our enterprises do not enjoy ideal tax treatment in overseas markets. Some enterprises have not enjoyed the corresponding tax benefits due to their size constraints. This may be due to the enterprises' own problems, not realizing the benefits of tax agreements for enterprises and neglecting to understand them; or because even though they understand tax agreements, the enterprises themselves lack sufficient tax knowledge and neglect the necessity of the agreements to reduce the tax burden of the enterprises; or because the enterprises don't understand the tax regulations of the host countries, which affects the enterprises' enjoyment of the local tax preferences; or because the enterprises aren't or because they are not familiar with the tax declaration procedures of the host country, which are too complicated and affect the enjoyment of tax benefits.

### 3.4. Deficiencies in our current tax credit approach

According to the provisions of Cai Shui [2009] No. 125, the level of tax credits implemented in China is currently limited to three levels, but the structure of cross-border investment of some enterprises in China is too complex, and limiting it to three levels will make it difficult to offset the tax paid by enterprises operating abroad. The calculation procedure of tax credits is too complicated, which requires enterprises to have a high level of tax professionals, especially the calculation process of indirect credits is the most cumbersome. China has signed hundreds of bilateral tax agreements, but there are still some host countries in which enterprises have invested that have not yet entered into agreements with China, hindering the operation of tax credits. Even the tax administration level of some countries is limited, resulting in the investment activities of Chinese enterprises in overseas markets not being able to enjoy the preferential treatment agreed upon in the agreements, and even the situation of not being able to offset taxes.

## 4. Recommendations to address current issues

### 4.1. Timely negotiation and revision of old and new tax treaties

On the one hand, when revising or even re-establishing bilateral agreements, they should be based on the new situation of China's current economic development. In today's era, China has become one of the world's economic powerhouses, and the focus of signing agreements should be adjusted. In the signing of new agreements today, priority should be given to the balance between the principles of tax source and tax resident.

On the other hand, the content of bilateral tax agreements should focus on new types of economic activities and new forms of cross-border investment. Bilateral tax agreements in earlier years were too traditional to anticipate new problems brought about by new industries such as cross-border e-commerce[5]. The emergence of new types of double taxation can be effectively avoided if consensus is reached in advance and written into bilateral agreements.

### 4.2. Promoting adequate knowledge of relevant tax laws and tax treaties among overseas enterprises

Chinese enterprises should master the latest tax law knowledge and pay attention to the official websites of tax organizations to understand the latest policy information and tax regulations, so as to ensure the efficiency and legitimacy of enterprises' foreign-related investments; take the tax guides of countries related to the Belt and Road launched by tax authorities as important references to deepen their understanding of the host country's tax environment; under the premise of not violating the tax laws of both countries, enterprises can entrust local intermediaries to be responsible for docking work with the host country; in case of tax disputes, enterprises should defend their rights and interests through administrative review, administrative mediation and administrative litigation[6]. Under the premise of not violating the tax laws of the two countries, enterprises can entrust local intermediaries to be responsible for docking with the tax authorities of the host country; in case of tax disputes, enterprises should safeguard their rights and interests through administrative reconsideration, administrative mediation, administrative litigation, etc., or take the resolution means agreed in bilateral tax agreements to contact the Chinese tax authorities for support and assistance; the tax authorities should set up a hotline to provide timely services and popularize the knowledge of taxation. The tax authorities should set up a tax consultation hotline to provide timely services and popularize tax knowledge to help implement the Belt and Road Initiative. A variety of options are available to help enterprises enjoy tax treatment, avoid tax risks and quickly adapt to the overseas investment environment.

### 4.3. Promoting the establishment of systems for the exchange of tax information between signatory countries

The exchange of tax information is currently a common international mechanism for administrative cooperation in tax matters, and such an exchange mechanism is commonly adopted in bilateral or multilateral tax agreements; because of its complementary and mutual assistance nature, the system has also been adopted in the bilateral agreements signed by our country. The tax authorities of each country can inquire into the domestic tax data of taxpayers and foreign tax data by way of forming a tax intelligence sharing mechanism, which promotes the visualization and transparency of tax information. By integrating the tax measures, tax laws and regulations and international trade data of each participating country, a tax information network is constructed, which facilitates the query and exchange of tax information and promotes the smooth sharing of tax information. At the same time, it also facilitates tax authorities to accurately grasp the business status and tax declaration information of foreign-related enterprises within their jurisdiction. Through the mutual cooperation of tax organizations, the exchange of international tax information can be carried out smoothly.

### 4.4. Further improvement of China's tax credit policy

Under the model of tax credit calculation for different countries and regions, China has now introduced a comprehensive tax credit method, which breaks through the restriction of specific countries and regions. At the same time, it expands the scope hierarchy of enjoying tax credits and overcomes the cumbersome nature of the scale of enterprises' overseas investment organization; it provides tax credit calculation services for enterprises and reduces the burden of enterprises' tax accounting; it concludes more tax agreements with other countries or regions to expand the scope of coverage and improve the influence of tax agreements; and the tax authorities should actively help enterprises to overcome the problems of tax credits that they encounter in their operation, and provide them with better services and assistance. We will continue to enrich our tax credits and promote the construction of "One Belt, One Road" and help local enterprises to go global by adopting various measures.

## 5. Conclusion

Creating and improving the network of tax treaties under the Belt and Road Initiative is of great significance in promoting overseas investment by local Chinese enterprises, and also lays a solid economic foundation for the construction of the Belt and Road Free Trade Zone. Tax treaties play a key role in regulating international tax relations and promoting international tax cooperation, and help domestic enterprises overcome tax problems encountered in the process of globalization. Through active negotiation, conclusion and timely revision of bilateral tax agreements, Chinese enterprises can pave the way for expanding overseas markets.

## References


*[1] Huang Y. The Evolution and Impact of Information Exchange Standards in International Tax Law Based on an Information Theory Perspective[J].Applied Mathematics and Nonlinear Sciences,2024,9(1)*

*[2] Babel H .The Core of International Taxation: Double Taxation[J].Journal of Global Economy, Business and Finance,2022,4(7)*

*[3] Ksenia P .The Strategies of the International Chamber of Commerce to Eliminate Double Taxation [J].Journal of International Economic Law, 2022, 25(1):74-90.*

*[4] Olender Y I. Methods of Avoiding International Double Taxation: Statement of the Problem [J].Canadian Journal of Law and Society / Revue Canadienne Droit et Société, 2019, 3(1):177-181.*

*[5] Izawa R. International Double Taxation and British Investment in the United States from the First World War to the 1945 UK-US Tax Treaty [J]. Japanese Research in Business History, 2018, 35(0):125-141.*

*[6] Selicato, Pietro. The notion of tax and the elimination of international double taxation or double non taxation.[J]. International Tax Law Review., 2017, numero unico(1):33-63.*