The Practice and Inspiration of the Tax Cooperation Offices in Portuguese-Speaking Countries and Regions in Promoting Regional Tax Integration

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Abstract: In the context of the deep integration of the global economy and the ongoing advancement of the Belt and Road Initiative, regional tax cooperation has become essential for supporting international economic and trade development. This paper examines the Tax Cooperation Offices of Portuguese-speaking countries and regions as its research subject, employing case analysis and comparative research to explore their practical approaches, achievements, challenges, and experiences in promoting regional tax integration. This study found that the office has effectively promoted the convergence of tax policies and coordinated economic development among Portuguese-speaking countries through a series of initiatives, including tax policy coordination, collaboration on tax collection and management, and service optimization. However, it also faces challenges such as coordinating national sovereignty and tax interests, institutional differences, and concerns regarding information security. Its experience serves as an important inspiration for other regions to engage in tax cooperation and facilitates global and regional tax integration.

1. Introduction

In the context of global economic integration and the advancement of the Belt and Road Initiative, regional tax cooperation has become a crucial factor in enhancing international economic and trade development. As a key platform for regional tax cooperation, the Tax Cooperation Office of Portuguese-speaking Countries and Regions plays a vital role in promoting tax integration. The global economic structure is currently undergoing profound adjustments. Economic ties between countries are becoming increasingly close, and cross-border investment and trade activities are becoming more frequent. However, tax barriers and double taxation resulting from differences in tax policies between countries have significantly hindered the development of regional economies. In this context, enhancing regional tax cooperation and achieving tax integration has become a shared goal among many countries and regions [1].

Since its establishment, the Office for Tax Cooperation among Portuguese-speaking Countries and Regions has implemented various initiatives to promote tax cooperation among Portuguese-speaking countries and foster regional tax integration. Drawing on its practical experience, challenges, and lessons learned in promoting regional tax integration, this study will help deepen the understanding of the tax cooperation mechanism among Portuguese-speaking countries and provide a reference for other regions to undertake tax cooperation. This study utilizes case analysis, comparative research, and other methodologies to identify practical measures within the office. It assesses the effectiveness and challenges of these measures and explores the unique value and universal insights they offer. The aim is to provide valuable theoretical supplements and practical guidance for tax cooperation at both global and regional levels.

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2. Establishment and Development of Tax Cooperation Offices in Portuguese-speaking Countries and Regions

2.1 Background and Core Objectives

Due to economic globalization, the economic interdependence of countries is increasing, and regional economic cooperation has become a crucial means of enhancing competitiveness. Additionally, the Belt and Road Initiative has presented new development opportunities to countries and regions along the way. It has also prompted countries to pay more attention to regional economic cooperation and policy coordination. Portuguese-speaking countries are distributed in Europe, Africa, South America, Asia, and other continents. There are great differences in resource endowments and industrial structures, but they all face the need to strengthen economic cooperation and enhance international competitiveness. However, the diversity and complexity of tax policies in various countries have led to increased tax costs and frequent tax disputes in cross-border investment and trade activities, which has become an important factor hindering the coordinated development of regional economies [2].

In this context, the Tax Cooperation Office of Portuguese-speaking Countries and Regions was established. Its main goal is to enhance tax cooperation among Portuguese-speaking countries and regions, eliminate tax barriers, lower cross-border tax costs, and encourage the liberalization and facilitation of investment and trade in the region through coordinated policies and information sharing. Ultimately, it will promote regional economic and trade development, enhancing the overall competitiveness of Portuguese-speaking countries in the global economy.

2.2 Organizational Structure and Functional System

The Office for Tax Cooperation with Portuguese-speaking Countries and Regions adopts a multi-level, multi-departmental organizational structure. In terms of personnel composition, it brings together tax experts, economists, and professionals in the field of international cooperation from different Portuguese-speaking countries to ensure that they can demonstrate diverse perspectives and professional capabilities in policy research and project promotion. The departmental settings comprise several core departments, including the Policy Research Department, the International Cooperation Department, and the Information Management Department. The Policy Research Department is responsible for analyzing the tax policies of various countries and studying key issues in tax cooperation; the International Cooperation Department is responsible for communication and coordination with governments and international organizations and promoting bilateral and multilateral tax cooperation projects; the Information Management Department focuses on building and maintaining tax information sharing platform to ensure the efficient circulation and safe management of information [3].

Its functions are mainly reflected in three aspects: the first is policy coordination, which promotes the communication and exchange of tax policies among countries and fosters the establishment of unified tax rules and standards. The second is the information sharing function, which enables the sharing of tax data, tax collection, and management experience from various countries through the establishment of an information platform, providing support for tax collection and management cooperation. The third is the function of serving enterprises, which provides tax consulting and guidance to enterprises in the region, helping them deal with cross-border tax issues and reduce risks.

3. Practice of Promoting Regional Tax Integration

3.1 Tax Policy Coordination and Rule Unification

Tax policy coordination serves as the foundation for promoting regional tax integration. The Office for Tax Cooperation with Portuguese-speaking Countries and Regions has established a systematic and multi-level framework for policy coordination and rule unification. First, the Office has established a normalized and institutionalized tax policy communication mechanism, forming a communication model that combines quarterly policy seminars with annual high-level forums. At the quarterly seminars, tax authorities from various countries focused on policy differences in specific taxes, such as corporate income tax rate structures and value-added tax deduction rules. They clarified the core policy differences between countries through data comparison and case analysis. Taking corporate income tax as an example, in the early stage of cooperation, Brazil's corporate income tax rate was 27.5%.

In comparison, Portugal's preferential tax rate for small and medium-sized enterprises was only 17%. The difference in tax rates and the inconsistency in the scope of application of preferential policies have led multinational companies to face significant uncertainties when making investment decisions. Through continuous communication and discussion, the Office has promoted countries to gradually establish a tax rate adjustment notification mechanism and to standardize the industry orientation and enterprise-scale standards of preferential policies, effectively reducing investment barriers caused by policy differences [4].

The Office has adopted a special strategy in the signing of bilateral and multilateral tax treaties. Building on the tax agreement signed between China and Portugal as a breakthrough, the agreement not only stipulates taxation rules for dividends, interest, royalties, and other income but also innovatively introduces an "arbitration clause." When the two countries have disputes over the interpretation and application of the tax agreement, they can be resolved through arbitration procedures. This mechanism has significantly enhanced the efficiency of implementing the tax agreement. In the three years since the agreement took effect, the scale of bilateral investment between China and Portugal has increased from US$1.2 billion to US$2.8 billion, representing a growth rate of 133%. The Office actively promotes the signing of multilateral tax agreements among Portuguese-speaking countries, clarifies the core principles and key clauses of tax agreements, and gradually establishes a rule system for regional tax policy coordination, thereby promoting the convergence of tax policies within the region.

3.2 Tax Collection and Management Collaboration and Information Sharing

Tax collection and management collaboration is an important guarantee for achieving regional tax integration. The Office has established a three-dimensional tax collection and management collaboration network, with information sharing at its core. In the development of the information-sharing platform, the Office has invested considerable resources in creating the "Tax Information Sharing Platform for Portuguese-speaking Countries," which incorporates intelligent analysis functions. The platform integrates multidimensional information, including tax law databases from various countries, corporate tax return data, and tax audit results. It utilizes big data analysis technology to conduct real-time monitoring and issue risk warnings for cross-border transaction data. After the platform is launched, tax departments of various countries can realize the automatic exchange and sharing of tax information through a unified data interface, shortening the information transmission time that originally required manual processing from an average of seven working days to instant acquisition, and significantly improving the efficiency of information transmission [5].

In terms of joint tax audits and anti-tax avoidance cooperation, the Office has established a comprehensive collaboration mechanism, encompassing "intelligence sharing - joint investigation - collaborative processing." For example, in a joint tax audit of a multinational electronic company, the Office coordinated with the tax authorities of Brazil, Portugal, and Angola to establish a joint working group. Through the information-sharing platform, the company's production, sales, and financial data in various countries were retrieved. It was found that the company established shell companies in low-tax jurisdictions to transfer profits unreasonably, resulting in tax losses in many countries. The joint working group jointly formulated an audit plan based on the tax laws and regulations of various countries and international tax standards. Following a three-month investigation, it was confirmed that the company's tax avoidance totaled US$120 million. As part of the collaborative processing procedure, the company was required to pay the appropriate taxes in several countries. This collaboration not only effectively tackles international tax evasion but has also resulted in the creation of guidelines for anti-tax avoidance measures that apply to Portuguese-speaking countries. They have strengthened mutual trust and improved collaboration among these countries in the areas of tax collection and management.

3.3 Tax Service Optimization and Facilitation Measures

Optimizing tax services is a crucial means of promoting regional tax integration. The office focuses on the actual needs of enterprises for cross-border investment and trade and makes efforts in two aspects: consulting guidance and process simplification. In terms of tax consulting and guidance services, the office has established a professional service team comprising tax experts, legal advisors, and industry analysts to provide customized solutions for enterprises at various stages of development. Taking Sino-Portuguese Blue Partner Digital Technology Co., Ltd. as an example, when the company was preparing to enter the Portuguese market, the service team conducted a detailed analysis of the impact of local value-added tax and corporate income tax policies on digital business; during the company's on-site operation stage, the team regularly conducts tax health checks to help companies identify potential tax risks and develop compliance response plans. Since implementing the service, the company's tax dispute rate has decreased by 60%, effectively ensuring stable development in overseas markets [6].

In terms of simplifying cross-border taxation processes and procedures, the office promotes countries to carry out "smart taxation" reforms and achieve process reengineering through technology empowerment. In the construction of the electronic tax bureau, the format and data standards of cross-border tax declaration forms are unified. Enterprises only need to fill in the data once to automatically generate declaration forms that meet the requirements of different countries, thereby reducing the workload of repeated data entry. In addition, by promoting the "one-stop service" for cross-border taxation, enterprises can complete the entire process of tax registration, tax declaration, and tax refund application online. Taking export tax rebates as an example, under the office's promotion, the average tax refund cycle has been shortened from the original 30 days to 7 days. A company engaged in the clothing trade reported that the shortening of the tax refund cycle has increased its capital turnover rate by 40%, thereby greatly alleviating capital pressure and enhancing its ability to participate in international competition. Through these facilitation measures, the office has successfully reduced cross-border tax costs for enterprises, improved the regional tax business environment, and promoted regional tax integration.

4. Practical Results and Analysis of Typical Cases

4.1 Improving Regional Tax Integration

The comparative analysis of the tax policies of Portuguese-speaking countries reveals that, under the Office's promotion, the tax policies of various countries have exhibited a clear trend of convergence. Before the cooperation, the tax rates of various countries were quite different. After years of policy coordination, the corporate income tax rate ranges of various countries have gradually narrowed, and the applicable conditions and scope of tax incentives have become more uniform [7].

In terms of evaluating the effectiveness of tax collection and management cooperation, data show that since the launch of joint tax audits and anti-tax avoidance cooperation, the tax revenue of Portuguese-speaking countries has increased by 8% annually, and the efficiency of tax collection and management has improved by more than 30%. The operation of the information-sharing platform has also significantly enhanced the monitoring capabilities of tax departments of countries on cross-border tax sources, effectively curbing the phenomenon of tax loss [8].

4.2 Cases of Promoting Regional Economic Development

With the support of the Tax Cooperation Office, the company fully leveraged the preferential policies outlined in the tax treaty. It established a research and development center and production base in Portugal. The reduction in tax costs has enabled the company to allocate more funds to technology research and development, as well as market expansion. In just a few years, the company's sales in the European market increased by 200%, driving local employment and industrial development.

In terms of industrial cooperation, Brazil and Angola jointly promoted energy industry projects through tax cooperation. The implementation of tax incentives has attracted a substantial amount of capital investment, promoted technological upgrading and capacity improvement in the energy industries of the two countries, and facilitated the optimization of regional economic structures.

5. Analysis of Challenges and Problems

5.1 Difficulties in Coordinating National Sovereignty and Tax Interests

The difficulty of coordinating national sovereignty and tax interests is the core obstacle to tax cooperation among Portuguese-speaking countries. As a crucial manifestation of national sovereignty in the economic sphere, tax jurisdiction is highly sensitive to all countries. In the negotiation of multilateral tax agreements, taking the distribution of tax revenue as an example, resource-based countries such as Angola, which rely on corporate income tax revenue from oil exports, are worried that they will be at a disadvantage in the adjustment of tax distribution rules due to the lack of industrial diversity; In contrast, countries with a good industrial base, such as Portugal, are more concerned about the tax rights of profit repatriation of cross-border investment companies. This difference in interest demands based on different economic structures makes it difficult for countries to reach a consensus when formulating unified tax rules. In addition, the adjustment of tax policies also involves domestic political games. Interest groups in some countries exert pressure on the government through political channels, demanding that the tax interests of specific industries or groups within their country be prioritized. It further complicates the coordination of tax interests.

5.2 Differences in Tax Systems and the Difficulty of Coordination

The differences in the tax systems of Portuguese-speaking countries stem from the multiple influences of history, legal systems, and economic development levels, which pose systematic challenges to tax cooperation. In terms of tax setting, Brazil adopts a composite tax system, with corporate income tax and value-added tax as the main components, supplemented by a financial transaction tax and social security tax. In contrast, East Timor mainly relies on import tariffs and a small amount of corporate income tax, resulting in a significantly different tax structure. This difference necessitates that countries undertake in-depth adjustments to their tax systems when unifying tax rules, involving multiple interconnected components such as legislation, tax collection, and tax management. In terms of tax collection and management methods, Portugal has established a highly information-based electronic tax system to achieve full-process online declaration and intelligent audit. In contrast, Guinea-Bissau still mainly relies on manual bookkeeping and manual verification, resulting in a significant gap in tax collection and management efficiency and accuracy. The technological gap hinders the connection of information-sharing platforms, and fundamental issues, such as data formats and transmission standards, require substantial resource investment for unification.

5.3 Information Security and Data Protection Risks

With the in-depth application of the tax information-sharing platform, information security and data protection risks have become key factors restricting the deepening of cooperation. There are significant differences in data protection laws and regulations in different countries. Portugal, a member state of the European Union, adheres to the General Data Protection Regulation (GDPR) and has stringent requirements for the protection of personal data and sensitive corporate information. At the same time, African Portuguese-speaking countries are relatively underdeveloped in terms of data protection legislation, and some countries have not yet established a comprehensive mechanism for supervising cross-border data flows. The incompatibility of legal systems has led to conflicts in legal compliance among countries involved in sharing tax information. According to statistics, the global tax system incurs economic losses of more than US$50 billion annually due to cybersecurity incidents. The tax information sharing platform of Portuguese-speaking countries also faces risks, including hacker attacks and malware intrusions. Additionally, the risk of data abuse cannot be overlooked. Tax officials in some countries may illegally use shared data for personal profit, potentially damaging corporate trade secrets and compromising personal privacy. The accountability and handling mechanism for cross-border data security incidents has not yet been perfected. Once a data leak occurs, it is challenging for countries to reach a consensus on identifying responsibility and establishing compensation mechanisms, which further complicates information security and data protection.

6. Conclusion

In the process of promoting regional tax integration, the Office for Tax Cooperation among Portuguese-speaking Countries and Regions has achieved remarkable results through tax policy coordination, collaboration on tax collection and management, and service optimization. It has promoted the convergence of tax policies within the region, improved the efficiency of tax collection and management, reduced the cross-border tax costs of enterprises, and effectively promoted regional economic development. However, it also faces a series of challenges in the development process, including the difficulty of coordinating national sovereignty and tax interests, the challenges of coordination caused by differences in tax systems, and the risks to information security and data protection.

This paper summarizes the experiences and lessons of the Office for Tax Cooperation among Portuguese-speaking Countries and Regions, providing important inspiration for other regions to undertake tax cooperation and promote regional tax integration. In future regional tax cooperation, we should establish a comprehensive cooperation mechanism that balances the interests of all countries involved. It is recommended to strengthen the communication and coordination among tax systems and gradually narrow the differences between them. Additionally, it is essential to place great importance on information security and data protection and to enhance relevant laws, regulations, and technical protection measures. Through continuous exploration and practice, the Office for Tax Cooperation among Portuguese-speaking Countries and Regions will play a greater role in deepening tax cooperation and promoting the coordinated development of regional economies while also contributing valuable experience to the process of regional tax integration.

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