International Tax Treaty and Withholding System (ITTS)

Multinational corporations such as Coca-Cola, GE, FedEx, etc. buy and sell thousands of goods and services in their business operations in various countries. As multinational corporations conduct business in different countries, they face various tax withholding challenges since every country has specific rules and laws on what it withholds. Many countries have treaties with other countries that have changed over the years making tax laws even more challenging for multinational corporations. Many of these changes can affect significantly a company's accounting for income taxes, tax return preparation, and identification and monitoring of tax risk. Inaccurate information about the tax rate might cost companies millions of dollars. For that reason, multinational corporations are investing millions of dollars to get time-sensitive and effective information about the current tax rates. The database that has information about withholding tax rates of different countries can be really helpful to businesses to plan their operations accordingly and consider the tax consequences of the potential transactions. International Tax Treaty and Withholding System (ITTS) can be really useful tool to many small to mid-size companies that have global operations in determining their tax strategies. Students that are interested in international tax might also benefit from the ITTS system for research and other purposes.

International Tax Treaty and Withholding System (ITTS) will give users the ability to get information about a specific country's tax rate after choosing or selecting applicable options given in the system. If a country withholds taxes on different types of services, the system will incorporate all the services to reflect all specific services and the most current date.

International Tax Treaty and Withholding System (ITTS) includes tax treaties among countries Argentina, China, Croatia, Denmark, France, French Guinea, Gabon, Germany, Hong Kong, Hungary, Italy,

Libya, Lithuania, Luxembourg, Namibia, Qatar, Romania, Russia, Senegal, Singapore, Slovakia, South Africa, Spain, United Kingdom, and United States. Although tax treaties between two countries might relate to wide range of transactions, for purposes of this project, ITTS covers only services, royalties and rent. The ITTS system is designed in Excel spreadsheet, and information can be added or modified. Three classifications serve to distinguish different types of services, royalties and rent, the primary classifications being services, royalties and rent.

In the first two columns, the user selects (via sorting) the country from the list of the countries given above. This corresponds to Columns A and B in the Excel spreadsheet. Then the user selects one of the primary classifications: services, royalties or rent. The secondary classification column contains more specific types of classifications for services, royalties and rent. For example: The secondary classification of Services includes types of services such as Admin Fees, Construction, Management, Other Services, Professional/Non-technical, Professional/Technical, and Transportation. Some countries might have the same rates for any type of services. In that case, Any Classification criteria has been used when necessary to cover all the services regardless of type. The primary classification Royalty includes types of royalties such as Copyright, Design/Model, Equipment, International Information, Know How, News, Other, Patent, Technical Assistance, and Trademark. The primary classification Rent includes types of properties that countries withhold such as Equipment, Other Tangible Personal Property, and Real Property.

One factor should be noted that the tax treaties do not cover services, rent or royalties in the same way though they are constructed in a similar way. Therefore, one country may have a treaty with another country only on withholding Rent payments on Equipment. On the other hand, the same country may have a different treaty with another country on withholding Rent payments only on Real properties or might not have a treaty at all.

Let's assume that the user wants to find out the tax withholding rate between Italy and Algeria for Royalties. First, the user selects Italy from Column A, deselecting all other countries. Now, only treaty rates for Italy are active. Then, the user selects the country B, which is Algeria in this case. Now, the database displays only the rates for Algeria that Italy has a treaty with. After selecting Algeria, the database shows the user only six rows, which are one row for Rent, one row for Services and four rows for Royalty. If the user scrolls right to Column M, we can see the rates for all transactions. However, since the user is looking to find out the rates only for royalties, the user will select Royalty from the primary classification in column C. This will display four rows for Royalty. Notice that primary classification is the same in all four rows. But there are different types of royalties in the Secondary Classification column, which are Copyright and Any classification. That means there are some specific types of Copyright which are Artistic Work, Literary Work, and Scientific Work. Any Classification criteria are used to show the rates for all other royalties that are not related to copyright of Artistic Work, Literary Work or Scientific Work. The Column M shows the rates for each of the royalty transactions. The figure below shows the image of the database.

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Notes & Abbreviations Used:

&	Any classification that has not already been mentioned in the same column

	Country A	Country B	Primary Classification	Secondary Classification	Third Classification	Where the royalties are approved under the Economic Expansion Incentives (Relief from Income Tax) Act of Singapore	Are we using royalties for industrial investment?	Recipient is public authority or agency	Are we buying services from individuals who are considered intellectuals, technicals or professionals?	Is there an option to buy the leased equipment?	Are the services ancillary and subsidiary to the enjoyment of renting industrial, scientific or commercial equipment?	Are we registered with the Philippine Board of Investments and are we engaged in preferred areas of activity in Country B?	Treaty Law Tax Rate
4188	Italy	Algeria	Rent	Equipment	Any classification								15
4271	Italy	Algeria	Services	Any classification	Any classification								0
4354	Italy	Algeria	Royalty	Copyright	Artistic Work								5
4355	Italy	Algeria	Royalty	Copyright	Literary Work								5
4356	Italy	Algeria	Royalty	Copyright	Scientific Work								5
4357	Italy	Algeria	Royalty	Any classification	&								15

The list of Columns in the system:

Column A	**Country A**
Column B	**Country B**
Column C	**Primary Classification**
Column D	**Secondary Classification**
Column E	**Third Classification**
Column F-L	**Country Specific questions**
Column M	**Tax Rate**