

1 June 2018

Global Tax Alert

Report on recent US international tax developments - 1 June 2018

NEW! EY Tax News Update: Global Edition

EY's new Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

A White House official this week confirmed that the Trump Administration and House and Senate tax writers are working toward developing a "phase 2" tax reform bill. According to the official, the goal is to release a proposed tax reform package by the end of the summer. Although the priority for the "phase 2" reform is to make the individual tax cuts in the *Tax Cuts and Jobs Act* permanent, the official was quoted as saying there is a "larger package" in the works, although he declined to discuss details pointing to ongoing negotiations.

The Croatian President and the US Attorney General recently discussed the possibility of negotiating a first-ever income tax treaty between the two countries. The Croatian President's website reported that the discussions between the officials on 24 May centered on improving bilateral relations, which would be enhanced by the signing of a tax treaty.

The Organisation for Economic Co-operation and Development (OECD) on 23 May released the [first annual peer review report](#) on compliance by members of the Base Erosion and Profit Shifting (BEPS) Inclusive Framework regarding the minimum standard on Action 13 (*Transfer Pricing Documentation and Country-by-Country Reporting*), with a focus on the domestic legal and administrative framework.¹ The report, which covers 95 jurisdictions, states that as of 12 January 2018, 60 jurisdictions had introduced legislation to impose a country-by-country (CbC) reporting (CbCR) filing obligation

for relevant multinational enterprises (MNEs), and 28 jurisdictions received one or more recommendations for improvement of their framework. The peer review reports provide insights to MNEs on the availability and efficacy of the CbCR rules in the countries under review.

The Council of the European Union (EU) on 25 May adopted a Directive on new mandatory transparency rules for intermediaries and taxpayers which will require the reporting of cross-border reportable arrangements.² Arrangements will be reportable where the first step of implementation is after the entry into effect of the Directive, which is 20 days after publication of the Directive into the *Official Journal of the European Union*. Such entry into effect is expected in June or July 2018. The first reports are due by 31 August 2020 and are to be exchanged by 31 October 2020. The

scope of the cross-border arrangements to be reported is relatively broad, and may lead to extensive reporting obligations by both intermediaries and – mainly corporate, but also individual – taxpayers. Reporting obligations for cross-border arrangements are triggered by certain hallmarks (or characteristics) that target a relatively wide range of cross-border arrangements.

The wide territorial reach of the rules will affect taxpayers and intermediaries both in the EU and, indirectly, in third countries. Multinational groups are therefore advised to review current activities against the requirements set out by the Directive. Once the Directive is in effect, it is recommended that taxpayers and intermediaries should begin recording activities that will potentially need disclosure in August 2020.

Endnotes

1. See EY Global Tax Alert, [OECD releases first annual peer review report \(Phase 1\) on Action 13](#), dated 25 May 2018.
2. See EY Global Tax Alert, [EU Council adopts Directive on new mandatory transparency rules for intermediaries and taxpayers](#), dated 29 May 2018.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP, International Tax Services, Washington, DC

- ▶ Arlene Fitzpatrick arlene.fitzpatrick@ey.com
- ▶ Joshua Ruland joshua.ruland@ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 03277-181Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com