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Global Tax Alert

Report on recent US international tax developments - 5 April 2019

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Republican House Ways and Means Committee members on 3 April wrote to United States (US) President Trump to voice their concerns about France's proposed digital services tax (DST) which is intended to apply from 1 January 2019. The 16 committee members characterized the French proposal as "designed and explicitly intended to target US companies." The letter, which also refers to the United Kingdom's (UK) proposed DST, argues that such taxes act as "a 'de facto' tariff on US exports" and threaten the US tax base. The group urged the Administration to "engage forcefully on these issues, including addressing them as a trade barrier."

US government officials this week said future final Internal Revenue Code¹ Section 250 regulations will include certain clarifications addressing both Foreign Derived Intangible Income (FDII) documentation and FDII intangible property manufacturing end-users. (Proposed Section 250 regulations were released in early March 2019.) In terms of documentation, a Treasury official was quoted as saying the rules would be expanded in the final regulations and that generally, the Government wants to require documentation through "normal business records." The official added that the Government is interested in hearing from taxpayers, noting he expects the final rules will include multiple documentation options.

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