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Global Tax Alert

Report on recent US international tax developments – 8 September 2017

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With Congress back in session this week after the month-long August recess, the Trump Administration and the Republicans in Congress aspire to make the necessary decisions to get a tax reform plan moving through the legislative process.

Both the Senate and House approved a bill that would extend both government funding and the federal debt limit through 8 December, and provide US$15.25 billion in hurricane relief funding. US Treasury Secretary Steven Mnuchin has said that passing the hurricane relief funding and raising the debt limit allows Congress and the Administration to focus on tax reform for the next 90 days.

In a 6 September speech, President Trump called for Democrats to join him for this "once-in-a-generation opportunity" or face the wrath of voters. He again recited four principles for an "American model" of tax reform: a fairer, simpler tax code for individuals; tax cuts for middle-income taxpayers; a more competitive tax code that attracts business investments; and the repatriation of foreign-source corporate income. Trump also said "[W]e are going to get into great detail over the next two weeks" on tax reform plans.

Trump described the current system as an "offshoring model" that encourages companies to move their operations and jobs overseas, and said that he wants a new "American model" that reduces the burdens on businesses as long as they

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do business in the United States. The President also spoke more specifically than in his speech last week about switching from a worldwide tax system that encourages companies to keep funds offshore to a territorial system that encourages them to bring money back to the United States. The President continues to push for a corporate income tax rate of 15%, while congressional leaders like House Speaker Paul Ryan signaled that a rate at or below 22.5% was more feasible.

The Senate Finance Committee plans to hold a hearing next week on 14 September to discuss the individual side of the tax code.

On 6 September, the Organisation for Economic Co-operation and Development's (OECD's) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) released two sets of guidance to give greater certainty to tax administrations and multinational enterprise (MNE) groups on the implementation and operation of Country-by-Country (CbC) Reporting (BEPS Action 13).

The existing Guidance on the implementation of CbC Reporting has been updated to addresses three new issues: (i) the definition of revenues (adding to the definition already provided in the April 2017 updated version of the Guidance); (ii) the treatment of MNE groups with a short accounting period; and (iii) the treatment of the amount of income tax accrued and income tax paid. Both documents are available in English and French.

An EY Global Tax Alert provides more information on this latest update from the OECD on CbC Reporting.

Finally, it has been reported that Lafayette G. "Chip" Harter III has been appointed deputy assistant secretary for international tax affairs for the US Treasury. Harter joined the US Treasury on 5 September and was most recently a principal with PwC.

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