

## Report on recent US international tax developments - 13 December 2019

---

### **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.

---

The Organisation for Economic Co-operation and Development (OECD) on 9 December held a public consultation meeting on the Global Anti-Base Erosion (GloBE) Proposal under Pillar Two of the ongoing project titled "Addressing the Tax Challenges of the Digitalisation of the Economy." The consultation began with the OECD Secretariat and the German Chair of the Inclusive Framework providing assurances that the Base Erosion and Profit Shifting (BEPS) 2.0 project will continue to move forward. In regard to Pillar Two, the OECD Secretariat laid out a timeline for future work on the GloBE proposal in the near term, including plans to issue an additional and more detailed consultation document on Pillar Two early in 2020. The comments made by stakeholders during the consultation session reflected clear differences in views about the GloBE proposal between the business community and non-governmental organizations.

The public consultation took place against the backdrop of last week's unexpected exchange of letters between United States (US) Treasury Secretary Steven Mnuchin and the OECD Secretary General, in which the Treasury Secretary said the US had "serious concerns" about the proposals under Pillar 1, which provide a new nexus concept and new and revised profit allocation rules. The Treasury Secretary suggested that the goals of Pillar 1 could be "substantially achieved" by making it a safe harbor regime. The tax press this week quoted Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration, as saying the letters created the need for "unplanned and urgent meetings."

Referencing the correspondence, Saint-Amans said, “We heard from the G-20 a pretty strong level of support and consensus to move this work forward.”

Saint-Amans also confirmed that the Inclusive Framework steering group would be meeting soon to develop a progress report for the broader Inclusive Framework group that will serve as the basis for reaching agreement at a planned meeting for the end of January 2020. The report is expected to include an update on Pillar 2, including recommendations on key design elements.

Another OECD official this week disclosed that the organization is engaged in ongoing economic modeling of the Pillar 1 and Pillar 2 proposals that will be released beginning in early 2020. The official was quoted as saying that while the OECD continues to refine its analysis, it appears that there would be modest global net tax revenue gains under Pillar 1, with low and middle income economies benefiting more than more advanced economies. The global net tax revenue gains under Pillar 2 would be greater than under Pillar 1, but those results are less certain due to the lack of details, including the minimum tax rate and whether some form of blending of income subject to varying tax rates would be adopted.

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

**Ernst & Young LLP, International Tax and Transaction Services, Washington, DC**

- ▶ Arlene Fitzpatrick      [arlene.fitzpatrick@ey.com](mailto:arlene.fitzpatrick@ey.com)
- ▶ Joshua Ruland      [joshua.ruland@ey.com](mailto: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](https://ey.com).

© 2019 EYGM Limited.  
All Rights Reserved.

EYG no. 005733-19Gbl

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](https://ey.com)**