

Report on recent US international tax developments - 17 April 2020

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The United States (US) Internal Revenue Service (IRS) in [Revenue Procedure 2020-22](#) granted relief for real estate and farming businesses that want to withdraw or make late Internal Revenue Code Section 163(j)(7) elections based on provisions of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. The Revenue Procedure also provides guidance regarding recent changes made to Section 163(j)(10) under the CARES Act, which provides special rules for applying Section 163(j) to taxable years beginning in 2019 and 2020 tax years.

The IRS Large Business and International Division (LB&I) this week issued a memorandum (LB&I-04-0420-0009) that outlines compliance activities that are either postponed or allowed through 15 July 2020. The memorandum states that the IRS will continue FATCA (*Foreign Account Tax Compliance Act*) and Qualified Intermediary programs and current open examinations as usual, but without in-person contact. Work will also continue on the Section 965 campaign and any future campaigns related to the *Tax Cuts and Jobs Act*, but without in person contact. The IRS will assess existing and any new campaigns to determine whether they should be postponed or allowed.

There has been some speculation as to the future of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) 2.0 project against the backdrop of the ongoing COVID-19 pandemic. The steering group for the Inclusive Framework recently held a week-long virtual meeting during which there was consensus to continue the project

on the current timelines. The prevailing view was not to delay, with some countries concerned about the increasing pressure of unilateral action on a Digital Services Tax. The OECD and participating countries are continuing to work toward the next milestone, the 1-2 July Inclusive Framework meeting, at which the intention will be to reach agreement on some core building blocks in order to continue to make progress toward the target of a consensus agreement by the end of 2020.

Some countries noted that the reforms being developed with the BEPS 2.0 project are now more important than ever, as governments will need to begin to focus on revenue needs. At the same time, a variety of countries continue to express concern about the practical ability to address the major political issues and compromises necessary to move the project forward, particularly given that senior leaders in countries are focused on the demands of the current coronavirus crisis.

Endnote

1. All “Section” references are to the Internal Revenue Code of 1986, and the regulations promulgated thereunder.

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