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Global Tax Alert

Report on recent US international tax developments – 21 May 2020

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The coronavirus pandemic has brought government attention to various proposals to try and persuade United States (US) manufacturers to reestablish their operations in the US. The Trump Administration's National Economic Council Director Larry Kudlow has continued to express interest in "onshoring" proposals after having previously floated the idea of a 10.5% rate for companies that bring operations back from overseas, saying "we're going to look at the numbers and assess what we think is necessary and not necessary."

In the House, Ways and Means Committee Chairman Richard Neal was quoted as saying he wants to examine targeted incentives that reward corporations that move factories and jobs to the US, as part of negotiations over possible further legislation. Ranking Member Kevin Brady also said he planned to push for a targeted incentive aimed at companies that move overseas production to the US, including possibly lowering the 21% corporate income tax rate or a tax credit. "The top-line rate may stay the same, but they may get a credit underneath it. We haven't decided on whether it will be a credit or a rate reduction," Brady said.

On the Senate side, Senator Debbie Stabenow is reviving her *Bring Jobs Home Act* from previous Congresses. Her bill would grant business taxpayers a tax credit for up to 20% of insourcing expenses incurred for eliminating a business located outside the US and relocating it within the US, and deny a tax deduction for outsourcing expenses incurred in relocating a US business outside the United States.

On 19 May 2020, in Announcement 2020-6, Treasury and the Internal Revenue Service (IRS) announced that, once the *United States of America, the United Mexican States, and Canada* (USMCA) enters into force, they will interpret references in US income tax treaties to the North American Free Trade Agreement (NAFTA) as references to the USMCA.

The Organisation for Economic Co-operation and Development (OECD) recently held a virtual consultation on the public consultation document: *Review of Country-by-Country Reporting (BEPS Action 13)*. The OECD Secretariat stressed that no decision has been made on any changes to the CbC reporting standard as a result of the review. The Consultation Document does not represent the consensus views of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and there is no agreement among country delegates on many of the topics referenced in it.

Business representatives generally urged caution against making hasty changes to the rules that are currently in place, underscoring that CbC reporting was the product of a fragile consensus when it was introduced and has been a significant compliance burden for businesses.

One of the changes under discussion was a proposal to lower the reporting threshold for CbC reporting. It is worth noting that this threshold is being discussed in the BEPS 2.0 digitalization of the economy project as a possible threshold for application of new rules under both Pillar 1 and Pillar 2. Therefore, any change to the reporting threshold that results from the 2020 CbC reporting review could have significant implications for businesses that extend well beyond CbC reporting. See EY Global Tax Alert, *OECD holds public consultation on the 2020 review of country-by-country reporting*, dated 15 May 2020 for details.

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