5 June 2020

Global Tax Alert

Report on recent US international tax developments – 5 June 2020

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 Office of the United States (US) Trade Representative (USTR) this week announced it is investigating adopted or proposed digital services taxes (DSTs) in 10 jurisdictions, including Austria, Brazil, the Czech Republic, the European Union, India, Indonesia, Italy, Spain, Turkey and the United Kingdom. The investigation is being conducted under Section 301 of the *1974 Trade Act*. In a 2 June statement, Senate Finance Committee Chair Chuck Grassley and ranking member Ron Wyden said "these digital services taxes unfairly target and discriminate against U.S. companies." The Senators also said they "support USTR's use of the Section 301 investigation process to examine these discriminatory unilateral measures."

The USTR conducted a similar investigation into France's 3% DST last year, culminating in a finding in December 2019 that the French DST created an unreasonable or discriminatory burden to US commerce. At the time, the USTR proposed that the US impose tariffs of up to 100% on approximately US$2.4 billion of French-origin goods. The US and France earlier this year reached agreement to defuse their ongoing DST dispute, with the parties agreeing to take no further action through the end of 2020 in the hopes there will be a multilateral digital tax agreement by that time under the auspices of the of the Organisation for Economic Co-operation and Development (OECD) BEPS 2.0 project.

Building a better working world

The Internal Revenue Service recently issued Rev. Proc. 2020-15, providing a list of jurisdictions with which the US has information exchange agreements with respect to certain deposit interest paid to residents of those jurisdictions. The revenue procedure also includes a list of jurisdictions with which it has been determined it is appropriate for the US to have automatic exchange of information with respect to such information. Singapore was added to the list of jurisdictions with which the US has a relevant information exchange agreement in effect.

The OECD on 4 June announced the release of the Toolkit on the Taxation of Offshore Indirect Transfers, issued as part of the Platform for Collaboration on Tax (PCT). The toolkit is meant to help developing countries implement policies for taxing offshore indirect transfers of assets. The taxation of indirect transfer of assets – for example mineral rights and licensing rights for telecommunications – is of particular interest to developing states. The PCT is a joint initiative of the International Monetary Fund, OECD, United Nations and World Bank that has been undertaken at the request of the G20.

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
- Joshua Ruland joshua.ruland@ey.com

EY | Assurance | Tax | Transactions | Advisory

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.

EYG no. 003822-20Gbl

1508-1600216 NY
ED None

ey.com