

Report on recent US international tax developments - 23 December 2020

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After months of negotiation, the United States (US) House and Senate on 21 December 2020 approved the *Consolidated Appropriations Act, 2021* (Act), a 5,593 page, US\$2.3 trillion¹ spending and coronavirus stimulus package that now goes to President Trump to be signed into law. The President has indicated, however, that he supports a change to the coronavirus relief legislation and wants Congress to pass a new bill that would increase the stimulus payments from \$600 in the current bill to \$2000. It is not clear if the President is suggesting he may veto the original bill. At the time of publication of this Alert, there are several possible legislative scenarios, depending on what action the President takes, or does not take.

As passed by Congress, the Act would provide roughly \$900 billion in coronavirus relief, including many tax and health components, as well as a \$1.4 trillion omnibus appropriations package to fund the Federal Government through September 2021. Among the highlights are \$284 billion for another round of payments through the Paycheck Protection Program (PPP), a \$300 per week federal unemployment benefit through 14 March 2021, and the previously mentioned \$600 stimulus checks, as well as numerous other provisions.

The year-end bill also includes a significant “extenders” package addressing expiring tax provisions, making several provisions permanent and aligning others with the scheduled expiration of tax cuts under the *Tax Cuts and Jobs Act* (TCJA). Among the measures that would be extended through 2025 is the Controlled Foreign Corporation look-through rule.

The Organisation for Economic Co-operation and Development (OECD) on 18 December issued [guidance](#) on the transfer pricing implications of the COVID-19 pandemic. The guidance

discusses the practical application of the arm's-length principle as described in the [OECD Transfer Pricing Guidelines](#) to the issues and challenges related to the COVID-19 pandemic. According to the OECD, the guidance was developed and approved by the 137 member OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting. Four areas are covered in the latest guidance: comparability analysis; losses and the allocation of COVID-19 specific costs; government assistance programs; and advance pricing agreements.

Endnote

1. Currency references in this Alert are to the US\$.

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

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