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Global Tax Alert

Report on recent US international tax developments - 15 January 2021

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United States (US) President-elect Joe Biden on 14 January announced a US$1.9 trillion[1] coronavirus relief package titled the "American Rescue Plan," six days before he is inaugurated as the 46th US President. The President-elect described the package as the first step in a two-step plan of rescue and recovery "to build a bridge to the other side of the crisis we face to a better, stronger, more secure America." The plan includes more than $400 billion to combat the pandemic through a national vaccination program, increased testing and tracing, and additional funding for schools to help them reopen safely, along with $350 billion in funding to state and local governments experiencing budget shortfalls. It also includes $1,400 in direct payments to individuals, enhanced unemployment benefits, federally mandated paid leave, and various other supports for individuals, small businesses, and communities.

The second step in the recovery plan will be released in February during a joint session of Congress and will cover investments in infrastructure, research and development and clean energy.

Incoming Senate Finance Committee Chairman Ron Wyden this week also detailed his economic and tax priorities for the Committee. The new committee chairman said he wants to "roll back the corporate tax giveaways in the 2017 bill," end incentives to ship jobs overseas, reward companies that invest in the US, and address what he said are the "many problems" with the structure for

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taxing multinational corporations created in the 2017 *Tax Cuts & Jobs Act* (TCJA). Senator Wyden further said he is working on a framework for corporate taxes that he will be sharing "fairly shortly." He said there are many issues to deal with on the corporate side, including the tax rate and the treatment of multinational corporations.

An Internal Revenue Service (IRS) official this week said that guidance on the elective Internal Revenue Code (IRC) Section 864(f) worldwide interest expense allocation is a top international priority for the agency in 2021. Among the issues likely to be addressed are how the IRC Section 864(f) election would operate and the worldwide group definition. The official noted there has not been much commentary on the provision and solicited taxpayer comments. The official also was quoted as saying the IRS has put out a set of foreign tax credit regulations every year since 2017 and there are plans to issue a set of proposed regulations this year.

The US Trade Representative (USTR) on 14 January announced its findings in Section 301 investigations[2] of Digital Services Taxes (DSTs) adopted by Austria, Spain, and the United Kingdom, concluding that each of the DSTs "discriminates against US companies, is inconsistent with prevailing principles of international taxation, and burdens or restricts U.S. commerce." The USTR indicated it will not take any specific action regarding those jurisdictions' DSTs at this time. The latest findings follow similar conclusions announced on 6 January 2021 in regard to investigations of DSTs adopted by India, Italy and Turkey.

The Organisation for Economic Co-operation and Development (OECD) is holding a virtual public consultation meeting on the Base Erosion and Profit Shifting (BEPS) Pillar One and Pillar Two Blueprints on 14-15 January 2021. Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration, told the first day's participants that the Inclusive Framework (IF) is continuing to fine-tune the pillar proposals while it waits for a new US Treasury tax policy team to be put in place. Saint-Amans said, "We are in a sense in waiting mode to get signals from the US." The next G20 Finance Ministers' meeting is scheduled for the end of February 2021, and the IF is now aiming to reach agreement on the proposals before the G20 Finance Ministers meeting on 9-10 July 2021. Details regarding this week's OECD meetings will be available shortly.

Endnotes

1. Currency references in this Alert are to the US$.
2. Under Section 301 of the *Trade Act of 1974*.

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