

Report on recent US international tax developments - 22 January 2021

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Joe Biden was inaugurated as the 46th President of the United States (US) on 20 January, and with Vice-President Kamala Harris holding the tiebreaking vote, the Senate is now split 50-50 Democrats to Republicans. Against the backdrop of this new political landscape, Treasury Secretary-designate Janet Yellen on 19 January testified at her Senate Finance Committee confirmation hearing, confirming that the incoming Administration plans to delay tax increases for now due to the coronavirus pandemic.

Yellen noted that Biden had said that eventually, as part of a larger package with spending and investment proposals, the President would want to repeal parts of the 2017 tax cuts that benefited the wealthy and large companies, and reverse incentives for companies to offshore operations and profits. However, Biden has been clear that he does not want to completely repeal the *Tax Cuts and Jobs Act*. She said a provision in that law had the byproduct of rewarding corporations for moving operations offshore.

Yellen also said the US will work with other countries in negotiations to stop a "race to the bottom" on corporate taxation and, within that process, ensure competitiveness of American corporations. She affirmed that it is important for US companies to be globally competitive and said the Organisation for Economic Co-operation and Development (OECD) negotiations are important for that reason.

In response to a written question regarding the current OECD BEPS¹ 2.0 negotiations that was posed to the Treasury Secretary-designate by a member of the Senate Finance Committee following her testimony, Yellen wrote: “the Administration will vigorously reengage with multilateral efforts to update global tax rules in ways that establish minimum taxation, prevent profit-shifting, and support a level playing field.” She added that if confirmed, she would ensure that Treasury “immediately and vigorously engages with the international tax negotiations at the OECD.”

Endnote

1. BEPS: Base Erosion and Profit Shifting.

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