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Global Tax Alert

Report on recent US international tax developments - 5 February 2021

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There is broad support among congressional Democrats to fix some of the problems they see in the 2017 *Tax Cuts and Jobs Act*, according to senior congressional tax writing committee aides. And International tax is one area that is "ripe for activity" in Congress during 2021, a Senate Finance Committee senior tax counsel said this week, pointing to the heavy reliance on revenue from corporate and international tax proposals in President Biden's tax plan. The committee counsel was quoted as saying that if Congress is looking for revenue, "international tax is one [area] that is certainly viable without getting into any of the specifics of the Biden plan." The advisor in particular noted as problematic the 10% exemption for qualified business asset investments under the GILTI[1] rules that creates an incentive to invest overseas, as well as a similar incentive in the FDII[2] rules.

According to the tax counsel, Senate Finance Committee Chairman Ron Wyden is expected soon to release a policy document that will map out a framework for international tax reform. The coming policy document will shadow the policy goals of the Biden Administration's proposals, which include rewarding companies that invest in the United States (US) and ending incentives to move investments and jobs overseas.

Building a better working world

In regard to the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) 2.0 Pillar One negotiations, Democrats on the congressional tax writing committee may not be that far apart from their Republican counterparts. Democrats on the Finance Committee and the House Ways and Means Committee reportedly share opposition to unilateral Digital Services Taxes and share the Trump Administration's position on Pillar One, according to the Ways and Means tax counsel. Any support among Democrats for a proposed multilateral solution on Pillar One will be based on the revenue effects and positions taken by stakeholders, he said.

The US and Argentina on 27 January signed a competent authority agreement to exchange Country-by-Country reports, according to the IRS Jurisdiction Status Table. The arrangement is based on the 2016 US-Argentina Tax Information Exchange Agreement.

The OECD on 1 February held a public consultation with respect to the review of the minimum standard on dispute resolution under the BEPS Action 14 project. The proposals on which the OECD was seeking comments were outlined in an earlier Consultation Document. While the majority of the comments made by panelists and other participants in the public consultation were broadly in line with the recommendations made by the OECD, there was some divergence in opinion on key proposals relating in particular to their implementation in developing countries. See EY Global Tax Alert, *OECD holds public consultation on review of minimum standard on dispute resolution under BEPS Action 14*, dated 3 February 2021 for details.

The final draft of the Platform for Collaboration on Tax – a joint initiative of the OECD, International Monetary Fund, United Nations and World Bank – will be released in the first quarter 2021, according to a World Bank official last week. The draft toolkit was released in June 2020 with the goal of helping developing countries adopt better tax treaty policy and more equitable results.

Endnotes

1. Global Intangible Low-Taxed Income.
2. Foreign-derived intangible income.

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