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# Global Tax Alert

## The Latest on BEPS and Beyond

June 2021

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### Highlights

On 4-5 June 2021, the Finance Ministers and Central Bank Governors of the G7 countries met in London under the United Kingdom (UK) Presidency of the G7. The European Commission and the OECD Secretariat also participated in the meetings.

BEPS 2.0 was one of the items on the agenda and a key announcement was made through a communiqué released after the meeting, expressing strong support for global tax changes under BEPS 2.0 and aimed at encouraging the negotiations among the 139 members of the G20/OECD Inclusive Framework on BEPS. The G7 leaders later endorsed this communiqué.

With this communication, the G7 reinforces its commitment to continue the discussion to reach consensus on a global agreement regarding an equitable solution on the allocation of taxing rights, the removal of all Digital Services Taxes (DST) on all companies and an ambitious global minimum tax of at least 15% on a country-by-country basis, while expressing the importance of progressing agreement in parallel on both Pillars.

It is important to note that the political forces motivating the G7 do not necessarily reflect all the political positions that are present in the full G20/OECD Inclusive Framework group. Given the perspectives and priorities of all the participant jurisdictions, it is difficult to predict whether an agreement will be reached in July or later in 2021 or what will be included in any agreement

that is reached. However, even if no agreement is reached it is very likely that at least some countries or regions will move ahead with their own proposals which will likely draw on the BEPS 2.0 work.

On 1 June 2021, the European Union (EU) co-legislators reached a provisional agreement on the public Country-by-Country Reporting (CbCR) proposal during a final round of negotiations. Following this agreement, formal adoption of the proposal is required in the Council and Parliament (expected in the third quarter of 2021 following the summer recess). The adoption of public CbCR would have a significant impact on all businesses with a European footprint and illustrates that tax and financial transparency is at the very top of the EU's agenda.

## OECD

### G7 Finance Ministers express strong support for global tax changes under BEPS 2.0

On 4-5 June 2021, the Finance Ministers and Central Bank Governors of the G7 countries discussed the project addressing the tax challenges of the digitalization of the economy (BEPS 2.0 project). The G7 [communiqué](#) released after the meeting contains key messages which are aimed at giving direction to the agreement negotiations among the 139 members of the G20/OECD Inclusive Framework on BEPS. The key messages include the following:

- ▶ Strong support for reaching a global agreement at the July meeting of the G20 Finance Ministers and Central Bank Governors
- ▶ Commitment to reaching “an equitable” agreement on Pillar One, with “market countries awarded taxing rights on at least 20% of profit exceeding a 10% margin for the largest and most profitable multinational enterprises”
- ▶ Commitment to provide appropriate coordination between the introduction of the new taxing rights under Pillar One “and the removal of all Digital Services Taxes, and other relevant similar measures, on all companies”
- ▶ Commitment to “a global minimum tax of at least 15% on a country by country basis”
- ▶ Agreement on “the importance of progressing agreement in parallel on both Pillars”

See EY Global Tax Alert, [G7 Finance Ministers express strong support for global tax changes under BEPS 2.0](#), dated 6 June 2021.

### OECD publishes fifth batch of Stage 2 peer review reports on BEPS Action 14

On 25 May 2021, the OECD released the [fifth batch of Stage 2 peer review reports](#) relating to the outcome of the peer monitoring of the implementation by Estonia, Greece, Hungary, Iceland, Romania, the Slovak Republic, Slovenia, and Turkey (the assessed jurisdictions) of the BEPS minimum standard on dispute resolution under Action 14 of the BEPS project.

These Stage 2 reports cover the progress made by the assessed jurisdictions in addressing any of the recommendations from the Stage 1 peer review. The outcomes of the Stage 2 peer review process show overall positive changes across the assessed jurisdictions. According to the peer review reports, Hungary, Iceland, the Slovak Republic, Slovenia, and Turkey addressed almost all of the deficiencies identified in the Stage 1 peer review and Estonia, Greece, and Romania addressed some of them.

See EY Global Tax Alert, [OECD releases fifth batch of Stage 2 peer review reports on dispute resolution](#), dated 3 June 2021.

### OECD publishes Opinion of the Conference of the Parties of the MLI

On 20 May 2021, the OECD published an [Opinion](#) of the Conference of the Parties of the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (MLI) for interpretation and implementation of the MLI. The opinion provides that the interpretation and implementation of the MLI may arise in the following cases: (i) provisions of a Covered Tax Agreement (CTA) modified by the MLI; or (ii) provisions of the MLI itself.

For the first case, questions should be settled by mutual agreement in accordance with the provisions of the CTA. For the second case, questions may be addressed by the Conference of the Parties convened in accordance with the procedure set out in the MLI. Further, the MLI should be interpreted in light of the provisions of the Vienna Convention on the Law of Treaties that provides that a treaty (e.g., MLI) shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.

See EY Global Tax Alert, OECD: [Conference of the Parties of the MLI approve opinion for MLI interpretation and implementation](#), dated 26 May 2021.

## Costa Rica becomes a member of the OECD

On 15 May 2021, the OECD announced that Costa Rica had formally completed the accession process to become the 38th member of the OECD. Costa Rica is now the fourth country from Latin America to join the OECD, following Chile, Colombia, and Mexico.

## European Union

### European Commission launches public consultation on ATAD III until 27 August 2021

On 4 June 2021, the European Commission launched an extensive [public consultation](#) on the introduction of a new Directive to fight the use of shell entities and arrangements for tax purposes (ATAD III). This initiative will explore the most suitable options to ensure that legal entities and legal structures in the EU without a substantial business presence will not benefit from tax advantages. The consultation runs until 27 August. It allows the public to provide feedback through a questionnaire and to attach free-form comments.

### EU co-legislators reach agreement on public CbCR - Next step formal adoption

On 1 June 2021, representatives of EU institutions, i.e., Council of the EU, the European Parliament and the European Commission, reached an agreement on the proposed public CbCR directive. The directive, initially proposed by the European Commission in 2016, requires both EU-based multinational enterprises (MNEs) and non-EU based MNEs doing business in the EU through a branch or subsidiary with a total consolidated revenue of more than €750 million in each of the last two consecutive financial years to disclose publicly the income taxes paid in each Member State and other tax-related information such as a breakdown of profits, revenues and employees per country.

The overall compromise package resulted in some changes to the proposal, including the disaggregate reporting obligation, the timing of the review clause and the transposition deadline. The duration of the safeguard clause, which allows companies to delay the publication of commercially sensitive information, remains five years.

The proposal will now move forward to the formal adoption process in the Council and the European Parliament. Once adopted, Member States will have 18 months to transpose

the directive into national law. The first financial year of reporting on income tax information will be the year starting on or after one year following the transposition deadline.

See EY Global Tax Alert, [EU co-legislators reach agreement on public CbCR](#), dated 2 June 2021.

## ATAF

### African Tax Administration Forum publishes revised Pillar One proposals to the Inclusive Framework following the G7 agreement

On 7 June 2021, the African Tax Administration Forum (ATAF) published a [revised Pillar One proposal](#) to the OECD Inclusive Framework following the agreement of the G7 on 5 June. This follows an initial proposal that ATAF [announced](#) on 12 May 2021. The revised version proposes a single global threshold to cover all MNEs that generate global sales revenue above a certain amount. The new rule would apply to all such MNEs irrespective of their business activities. However, it would retain the current exclusions in the Pillar One blueprint and the Pillar One domestic revenue exclusion. ATAF further proposes that the reallocation of profits which is referred as "Amount D," would be calculated as a portion of the MNE's total profits instead of its residual profit. The quantum of Amount D would be a Return on Market Sales based on the Global Operating Margin of the MNE group using a tiered approach whereby the higher the Global Operating Margin of the MNE, the higher the Amount D would be. Amount D would be allocated to a market jurisdiction to the extent it exceeds the arm's-length profits reported in the market jurisdiction for that period.

## IMF

### International Monetary Fund releases report on BEPS and European corporate tax regimes

On 25 May 2021, the International Monetary Fund published the document titled "[Taxing Multinationals in Europe](#)" whereby it analyzes the efficacy of European corporate tax systems and weaknesses that may lead to base erosion and profit shifting. The document reviews the performance of the Corporate Income Tax (CIT) in Europe over the past decades and the role played by MNEs in Europe. Further, the document analyzes corporate tax spillovers in Europe with a focus on the channels and magnitudes of both profit shifting and CIT competition. It also examines the progress

made in European CIT coordination and discusses reforms to strengthen the harmonization of corporate tax policies, to effectively reduce both tax competition and profit shifting. Finally, the document provides conclusions including the striking feature of the decline in statutory CIT rates in Europe and that MNE's profits tend to be taxed less than profits of domestic peers.

## Australia

### ATO publishes draft Practical Compliance Guideline for Intangibles Arrangements with international related parties published

On 19 May 2021, the Australian Taxation Office (ATO) released draft [Practical Compliance Guideline \(PCG\) 2021/D4](#) for Intangibles Arrangements with international related parties. The draft guideline outlines the ATO's compliance approach to international arrangements connected with the development, enhancement, maintenance, protection and exploitation (DEMPE) of intangible assets or involving a migration of intangible assets. For this, the ATO classifies the risks in three different categories (low, medium and high) based on various risk factors and the level of supporting evidence prepared. These factors include: (i) understanding and evidencing the commercial considerations and decision making; (ii) understanding the form of the Intangible Arrangement; (iii) identifying and evidencing the intangible assets and connected DEMPE activities of the Intangible Arrangement; (iv) analyzing the tax and profit outcomes of the Intangible Arrangement; and (v) assessment of the Intangible Arrangement against Appendix 2 of the PCG.

A key requirement of the PCG is the increased analysis and supporting evidence required by the ATO when analyzing Intangibles Arrangements. In this regard, the PCG outlines extensive supplementary documents that may be requested during a review to identify the benefits of any Intangibles Arrangements, the nature of intangible assets utilized, the commercial considerations associated with the arrangement, the DEMPE activities and the profit outcomes between the parties.

See EY Global Tax Alert, [Australian Taxation Office issues compliance guidelines on intangible arrangements](#), dated 20 May 2021.

### Australia and the UK sign Memorandum of Understanding for Arbitration under the MLI

On 21 May 2021, Australia and the UK signed a [Memorandum of Understanding](#) (MOU) for arbitration provided under the MLI for unresolved issues under the Mutual Agreement Procedure (MAP). The MOU reflects the mutual understanding between the competent authorities of Australia and the UK on the procedural and operational details of the arbitration process. In particular, the MOU covers: (i) how to request for submission of a case; (ii) minimum information and documentation required; (iii) appointment of arbitrators; and (iv) the arbitration process. Further, the MOU mentions that Australia included a reservation in its MLI positions to exclude from arbitration any cases involving the application of Australia's general anti-avoidance rules.

The MOU entered into effect on 21 May 2021 and remains in effect until terminated by either competent authority giving at least six months written notice to the other. Arbitrations that have commenced prior to the termination date will be concluded in accordance with this MOU.

## Bolivia

### Bolivia proposes VAT on digital services

During the first week of May, the Bolivian Congress presented a Bill to impose Value Added Tax (VAT) on digital services provided by nonresidents. The bill proposes a 13% VAT including the purchase of goods, downloads, supply of software and data storage, streaming of music, videos, videogames and advertising. The VAT would be triggered once the local user consumes or pays for the digital service to the nonresident. Thus, the nonresident should register with the Bolivian Tax Administration and remit the tax in US dollar currency. If the nonresident does not register with the Bolivian Tax Administration, financial intermediaries would withhold VAT from the payments made by users.

See EY Global Tax Alert, [Bolivia's Congress discusses bill that would impose VAT on digital services provided from abroad](#), dated 6 May 2021.

## Cyprus

### Cyprus extends non-application of penalties for DAC6 submissions until 30 September 2021

On 4 June 2021, the Cypriot Tax Department [announced](#) the extension of the non-application of penalties for submissions on cross reportable cross-border arrangements under the Directive on Administrative Cooperation 6 (DAC6). This extension is applicable until 30 September 2021. Further, the announcement includes information on an update of the Cypriot sample XML file to submit the DAC6 report. In particular, the field of associated enterprises is added and includes instructions on how the XML should be completed.

See EY Global Tax Alert, [Cyprus announces extension of the non-application of administrative fines for DAC6 submissions until 30 September 2021 and an update to the Cypriot XML schema](#), dated 4 June 2021.

## Czech Republic

### Czech Republic introduces Digital Services Tax

On 12 May 2021, the Czech Chamber of Deputies passed its second reading of the [Bill 658](#) to introduce a domestic DST.

In 2019, the Czech Government decided to introduce a domestic DST following the delay in a unified approach at both the global (OECD) and regional level (EU). The introduction of the Czech DST bill has faced several delays, but this brings the DST bill one step closer to implementation (although approval in the final reading, approval by the Senate and signing by the President is still needed). The entry into effect of the new tax bill (if enacted) is still unclear. The Czech DST is expected to apply temporarily, and 2024 should be the last tax period of its application.

See EY Global Tax Alert, [Czech Republic moves forward with Digital Services Tax](#), dated 18 May 2021.

## Denmark

### Denmark transposes CFC rules from ATAD into domestic law

On 3 June 2021, the Danish Parliament passed [Bill No L 89](#) on controlled foreign company (CFC) taxation implementing the EU ATAD into Danish law.

Existing Danish CFC taxation is triggered when more than 50% of the income is of a financial nature and that more than 10% of the assets are of a financial nature. The Danish CFC taxation rule applies irrespective of the level of taxation at the level of the CFC. Under the new Danish CFC rules, the following changes are applicable: (i) the abolishment of the asset test; (ii) lowering from 50% to 33.3% of the income test; (iii) the expansion of the concept of "financial income" to also cover other income generated from intellectual property; and (iv) the option for a Danish parent entity to only include the CFC income of a subsidiary instead of the entire income of the subsidiary.

The new rules are applicable for income years starting 1 July 2021 or later.

See EY Global Tax Alert, [Denmark passes bill on CFC taxation](#), dated 3 June 2021.

## Germany

### German Parliament advances several tax proposals including implementation of ATAD I and II

Recently, the German Parliament has agreed to move forward on certain tax-related proposals. In particular, the Federal Parliament has agreed on implementing anti-hybrid rules into domestic law. These rules are inspired from the Directives 2016/1164 of 12 July 2016, and 2017/952 of 29 May 2017 (ATAD I and ATAD II). Also, the Federal Parliament has adopted the check-the-box system for the classification for tax purposes of commercial partnerships.

The approval of these provisions is expected on 25 June 2021. The anti-hybrid rules will be applicable retroactively as of 2020 to meet EU ATAD requirements. The check-the-box system is planned to be available as of 1 January 2022.

See EY Global Tax Alert, [German Parliament advances several tax proposals](#), dated 25 May 2021.

## Hungary

### Hungary presents draft bill for introduction of tax on cryptocurrency transactions

On 11 May 2021, the Hungarian Government submitted to the Parliament a draft bill ([T/16208](#)) introducing new rules on the taxation of cryptocurrency transactions. The Bill defines crypto assets in line with the draft Crypto Asset Regulation of the EU and states that the definition includes Bitcoin as well as any other tokens and possible future assets. A taxable event occurs when the crypto asset is realized, i.e., exchanged into a standard currency or any goods. Therefore, income from crypto mining or exchanges of crypto assets will not be taxed. Further, any cost in relation to crypto transactions and activities (e.g., fees, commissions) as well as the acquisition cost of the crypto asset can be deducted from the taxable income.

As for the tax treatment, the income from cryptocurrency transactions would be treated similar to the income from controlled capital market transactions, i.e., only a 15% personal income tax applies. Further, it would be possible to carry forward and backward losses in each of the three consecutive years.

The new rules are expected to enter into effect from 1 January 2022 onwards and foresee in a tax amnesty for the income derived from crypto transactions during the last five years.

## Kenya

### Kenyan Government presents Finance Bill 2021 to Parliament

On 4 May 2021, the Kenyan Treasury Cabinet Secretary presented the Finance Bill 2021 amending various tax laws. Among other items, the Finance Bill repeals the permanent establishment definition and introduces a new one. Further, it also expands the scope of the DST to include any income generated by businesses over the internet or electronic networks and excludes from the scope of application to certain transactions, including the payments to nonresidents which are subject to withholding tax. The Finance Bill proposes to limit interest payments to related and third parties to 30% of earnings before interest, taxes, depreciation and amortizations (EBITDA). As regards transfer pricing (TP) documentation, the Finance

Bill introduces the obligation of a CbCR report in line with the requirements of BEPS Action 13. In this case, the ultimate parent entity of an MNE group based in Kenya will be required to file an annual return within 12 months after the last day of the Group's financial reporting year where the entity's gross turnover exceeds a prescribed threshold. However, the Finance Bill does not provide any threshold. In addition, the Finance Bill widens the Limitation of Benefits rule to include "persons", i.e., individuals, companies, partnerships, trusts, governments or other bodies.

All proposals are expected to come into effect upon approval by the President.

See EY Global Tax Alert, [Kenyan Government presents Finance Bill, 2021 to Parliament](#), dated 25 May 2021.

## Malaysia

### Malaysia allows submission of CbCR notification through company tax return from 2021

On 25 May 2021, the Inland Revenue Board of Malaysia issued a notice announcing that constituent entities that file company tax returns ([C form](#)) may file their CbCR notifications using the Form C, from year of assessment 2021. Consequently, the CbCR notification deadline for such constituent entities has been moved from the last day of the reporting fiscal year to the tax return deadline of the constituent entity (usually seven months after year-end).

## Malta

### Malta amends beneficial owner definition and introduces penalties for CbCR reporting obligations

On 18 May 2021, by virtue of LN 213 of 2021, *Cooperation with Other Jurisdictions on Tax Matters (amendments) Regulations, 2021*, published by the Minister for Finance and Employment of Malta, certain changes were introduced to the *Cooperation with Other Jurisdictions on Tax Matters Regulations*, (S.L. 123.127). The changes include an amendment to the definition of "Beneficial Owner," the introduction of a provision which allows the Commissioner to request information from a person as may be necessary to verify that such person is complying with the obligations set out in the Regulation (including penalties of not less than €500 and not exceeding €19,250 where any information requested is not submitted to the Commissioner within

the time period specified in the notice), an update to the procedure to contest penalties set out in the Regulation, and the introduction of penalties of: (i) €200; and (ii) €50 for every day of default, capped at €5,000, for non-compliance with Maltese CbCR obligations where a Maltese Constituent Entity fails to notify the identity and tax residence of the Reporting Entity obliged to file a CbCR.

## Netherlands

### Netherlands and Cyprus sign new double tax treaty

On 1 June 2021, the Netherlands and Cyprus signed a double tax treaty. The tax treaty contains a number of treaty-based recommendations from the BEPS project contained in Action 6 (preventing the granting of treaty benefits in inappropriate circumstances), Action 7 (permanent establishment) and Action 14 (making dispute resolution mechanisms more effective).

The tax treaty also provides that in cases where a person other than an individual is resident in both Cyprus and the Netherlands, both competent authorities shall endeavor to determine by mutual agreement, the Contracting State of which the person shall be deemed to be a resident. Furthermore, the tax treaty contains a principal purpose test. In the permanent establishment (PE) clause, the tax treaty contains a contract splitting rule for construction activities, an anti-fragmentation rule and the new definition of agency PE. Moreover, the tax treaty provides a period of three years for submission of a MAP request beginning on the date of the first notification of the action resulting in taxation not in accordance with the provisions of the treaty. In cases where the competent authorities are unable to reach an agreement after three years of submission, the tax treaty contains an arbitration clause to resolve the case within two years from the presentation of the case to the competent authority of the other contracting state.

The OECD MLI has no effect on this treaty since Cyprus and the Netherlands have not included this tax treaty as a CTA. For the MLI provisions to have effect on the tax treaty, both jurisdictions would need to include the tax treaty in their respective list of CTAs, indicating whether the tax treaty falls within the scope of any of the reservations made by that respective jurisdiction.

The treaty will enter into force on the last day of the month following the month in which the ratification process is complete and the exchange of ratification instruments has taken place.

## Nigeria

### Nigeria suspends CbCR obligations for branches and subsidiaries of MNEs in Nigeria

On 5 May 2021, the Federal Inland Revenue Service (FIRS) issued a [public notice](#) to suspend the local filing of Country-by-Country reports. This suspension is applicable to branches and subsidiaries of MNEs in Nigeria whose reporting entities are situated in countries with no existing Automatic Exchange of Information framework with Nigeria.

However, this suspension is not applicable to an Ultimate Parent Entity or Surrogate Parent Entity resident in Nigeria. Further, the suspension does not exclude all relevant entities from fulfilling other obligations in the CbCR regulations including the obligation to file a CbCR notification.

## Qatar

### Qatar publishes FAQs for TP documentation

Recently, Qatar's General Tax Authority (GTA) issued [frequently asked questions \(FAQs\)](#) providing further clarity on several matters relating to TP compliance and documentation requirements.

The FAQs include guidance on the scope, content and timelines of the Master File and Local File, as well as practical examples. The FAQs provide additional clarifications on the definition of associated entities, and introduces the "Main TP Method"-principle. Moreover, the FAQs provide insights as to how the GTA will use different sources of information to verify compliance with the arm's-length principle, and how it will select cases for TP audit.

As for the TP documentation, it should be prepared on a contemporaneous basis, meaning that the documentation to support the arm's-length nature of the pricing of related party transactions should be prepared at the time of the transaction. Further, a materiality threshold applies in case of an aggregate amount of QAR200,000 or more per category of related party transactions. Entities which do not

carry out any transactions with related entities may submit a “NIL” declaration. The FAQs also reiterate the requirement for submission of the TP Documentation with the GTA by 30 June following the end of the fiscal year.

## Romania

### Romania amends MDR legislation

On 7 May 2021, Romania published [Law no. 123/ 2021](#) amending the provisions of Mandatory Disclosure Rules (MDR). According to the Law, intermediaries now may be exempted from the obligation to report information on cross-border arrangements if they have evidence to show beyond any doubt that the information has already been reported to the Romanian Tax Authorities or the competent authority of another Member State by another intermediary. This exemption is also applicable to the relevant taxpayers. Further, the Law updates Hallmarks B (specific hallmarks related to the main benefit test) and Hallmarks E (transfer pricing).

The Law is effective from 7 May 2021.

See EY Global Tax Alert, [Romania amends MDR legislation](#), dated 7 June 2021.

## Taiwan

### Taiwan’s draft amendments to domestic regulations governing application of tax treaties open for public comments

On 14 April 2021, Taiwan’s Ministry of Finance proposed to amend the domestic regulations governing the application of tax treaties. In these amendments, Taiwan clarifies the application of tax treaties in accordance with the principles established in the OECD Model Tax Convention. In particular, Taiwan would follow the principles included in the Principal Purpose Test, i.e., if it is reasonable to conclude, considering all relevant facts and circumstances, that obtaining a benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, the tax authority is permitted to deny the benefit provided by the tax treaty. Further, the amendments include a tie-breaker rule which take into account factors such as: (i) residency of the decision maker; (ii) local of the financial statement, accounting records and minutes of the Board meetings; and (iii) location where major business activities are carried out. Moreover, the amendments also include guidance on Construction permanent establishment cases.

These amendments are open for public consultation until mid-June 2021. If enacted, the amendment will be effective from the official date of issuance.

See EY Global Tax Alert, [Taiwan proposes amendments to domestic regulations governing application of tax treaties](#), dated 3 June 2021.

## Turkey

### Turkey approves Multilateral Competent Authority Agreement on CbCR

On 31 May 2021, the President of Turkey approved that the Multilateral Competent Authority Agreement on the automatic exchange of CbCR, which entered into force retroactively in respect of Turkey as of 18 December 2020, will be applied to taxation periods starting from 1 January 2019 at the earliest.

## United States

### US Treasury Green Book offers new details on international tax proposals

On 28 May 2021, the United States (US) Treasury released its FY 2022 explanation of the Biden Administration’s revenue proposals ([the Green Book](#)), offering new details on the various proposals included in the President’s “Made in America” tax plan. The significant international tax proposals include: (i) replacement of the base erosion and anti-abuse tax (BEAT) with a newly proposed “SHIELD” (Stopping Harmful Inversions and Ending Low-tax Developments); (ii) a new minimum tax on book income; and (iii) limits on interest deductions for disproportionate borrowing in the US.

The Made in America tax plan would repeal the BEAT and replace it with SHIELD. SHIELD would deny deductions “by reference to all gross payments that are made (or deemed made)” to related entities whose income is subject to a low effective rate of tax (ETR). The threshold rate of tax for disallowance would be the GILTI rate of 21% if enacted before the adoption of a multilateral agreement on global minimum tax rates under the OECD’s BEPS initiative.

According to the Green Book, a 15% minimum tax would apply to the company's book income that is generally reported to investors. This minimum tax would apply to in-scope companies, i.e. those with world-wide pre-tax book income (with certain adjustments) in excess of US\$2 billion. The Green Book introduces a new limitation on interest deductions that would apply to an entity that is a member of a multinational group preparing consolidated financial statements in accordance with US Generally Accepted Accounting Principles or International Financial Reporting Standards. A member's interest deduction would be limited if the member's net interest expense for financial reporting purposes is greater than the member's "proportionate share" (based on the member's relative EBITDA) of the financial reporting group's net interest expense reported on the group's consolidated financial statements.

See EY Global Tax Alert, [US Treasury Green Book offers new details on international tax proposals](#), dated 1 June 2021.

## USTR announces 25% punitive tariffs on six specific countries in response to their Digital Services Taxes

On 2 June 2021, the US Trade Representative (USTR) announced the imposition of 25% punitive tariffs on goods from Austria, India, Italy, Spain, Turkey, and the UK in response to the countries' DST regimes. In the same announcement, the USTR suspended the imposition of tariffs for 180 days, with collection of the duties not beginning until 29 November 2021 in an effort to provide additional time for the ongoing multilateral negotiations among the nations regarding international taxation at the OECD.

See EY Global Tax Alert, [USTR announces 25% punitive tariffs on six specific countries in response to their Digital Services Taxes; Suspends tariffs for 180 days](#), dated 4 June 2021.

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