

## Report on recent US international tax developments - 19 April 2019

---

### **NEW!** EY Tax News Update: Global Edition

EY's new Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

---

United States (US) Government officials this week offered their insights on the ongoing global digital taxation debate. A senior Treasury official was quoted as saying that certain exporting and headquarters jurisdictions may need to accept a modest reallocation of taxing rights to market jurisdictions in order to achieve global consensus. He indicated that a certain loss of revenue by some countries may be the price for reaching a coordinated, coherent solution to the digital taxation conundrum. The official cautioned that absent an agreed-upon global solution, unilateral measures will lead to more complexity and "enormous risks of double taxation." He also said that he expected the arm's-length standard would continue to apply in the great majority of transfer pricing cases, but that some other approaches may be necessary in some instances.

Another US Treasury official this week touched on the Organisation for Economic Co-operation and Development (OECD)'s ongoing pillar 2 consultation work on finding a common global anti-base erosion and profit-shifting approach. The official suggested that while it is too early to say how the global framework may be crafted, a future OECD standard may lean towards a "looser consensus and not being highly prescriptive about how you implement the basic goal of achieving a minimum tax rate." He reiterated earlier cautionary comments by US Government officials that there are significant design complexities and technical challenges associated with a minimum tax regime.

In a 16 April release, the Internal Revenue Service (IRS) Large Business and International division announced three new compliance campaigns targeting captive service providers, offshore private banking (specifically targeting offshore accounts), and "loose filed Forms 5471." The goal of the captive service providers campaign is to ensure that US multinationals pay their captive service providers

an arm's-length price for those services. The IRS plans to use issue-based examinations and soft letters in the campaign. The goal of the Form 5471 campaign is to improve compliance with the requirement to properly attach a Form 5471 to an income tax, partnership or exempt organization return.

For additional information with respect to this Alert, please contact the following:

**Ernst & Young LLP, International Tax Services, Washington, DC**

- ▶ Arlene Fitzpatrick      [arlene.fitzpatrick@ey.com](mailto:arlene.fitzpatrick@ey.com)
- ▶ Joshua Ruland          [joshua.ruland@ey.com](mailto:joshua.ruland@ey.com)

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://ey.com).

© 2019 EYGM Limited.  
All Rights Reserved.

EYG no. 001906-19Gbl

1508-1600216 NY  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](https://ey.com)**