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# Americas tax policy update

Q3 2019

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## Argentina

- ▶ Argentina will hold the first-round vote of its general election on 27 October 2019. President Mauricio Macri only received 32% of the vote in the primary held on 11 August, while the Peronist party's candidate, Alberto Fernández, received 47.6% of the vote, making him the favorite in the October election. Although there are more than two months between the primary and general elections, the result of the primary seems unlikely to be reversed. The Constitution requires a second-round vote unless one candidate receives more than 45% of the vote or more than 40% if there is a difference of more than 10% between the candidates in first and second place. Alberto Fernandez's vice presidential candidate is former president Cristina Fernandez de Kirchner (who was president from 2007 to 2015). Fernandez's policies still have to be defined, but many economic and financial policy changes are expected, including changes to the tax and foreign exchange provisions.
- ▶ Since the primary election, Argentina has seen a devaluation in its local currency (the exchange rate went from approximately ARS 45 to ARS 58 per US \$1), which has resulted in an increase in inflation.
- ▶ The Argentine Central Bank (BCRA) issued Communique A 6,770, which establishes various rules for exports of goods and services, imports of goods and services, foreign assets, nonresident operations, financial debt, debts between residents, profits and dividends, and information systems. The Communique was issued in response to the publication of Argentina's Decree 609/2019 (the Decree) in the Official Gazette. The Decree implements foreign exchange regulations, which will be in effect until 31 December 2019. The Decree establishes the obligation to convert the value of exported goods and services into Argentine pesos in the local financial system, in accordance with the conditions and terms to be established by the BCRA. For many transactions, prior authorization from the BCRA is required. Additionally, the new Administration is expected to issue its own exchange control measures after it takes office on 10 December 2019. For more information, see Tax Alert [2019-1567](#).
- ▶ Because of the public debt and foreign exchange crisis, the Government postponed the payment of certain governmental bonds. This measure affected corporate investors, not individuals.
- ▶ Argentina's Federal Administration of Public Revenues extended (General Resolution (GR) 4538) the due date for filing transfer pricing information returns. For tax years that closed between 31 December 2018 and 30 April 2019, taxpayers were required to file transfer pricing information returns from the third to seventh day of the eighth month after the year end. GR 4538 modifies the due date by requiring taxpayers to file those returns from 16 December to 20 December 2019. For more information, see Tax Alert [2019-1405](#).

- ▶ In April, May and June 2019, interannual inflation exceeded 55% in Argentina, which means companies that closed their last tax year in one of those months must apply the integral adjustment for inflation for income tax purposes to those tax years. When applying the integral inflation adjustment mechanism, companies must allocate one-third of any resulting negative or positive inflation adjustment to the tax year to which it corresponds, and the remaining two-thirds, in equal parts, to the following two tax years. Companies with tax years ending in July through November 2019 should monitor the inflation rate. If the interannual inflation as of the month in which they close their tax year exceeds 55%, they will have to apply the integral inflation adjustment mechanism. For tax years ending in December 2019 through November 2020, the threshold for applying the integral inflation adjustment will be 30%. For more information, see Tax Alert [2019-1337](#).
- ▶ Argentina recently signed two new tax treaties – one with Luxembourg and one with Japan. These treaties are still subject to ratification by both countries and will enter into force once the countries exchange diplomatic notes confirming internal approvals. These treaties enlarge the Argentine tax treaty network; both include provisions based on recent recommendations by the Organisation for Economic Co-operation and Development (OECD). For more information, see Tax Alerts [2019-1251](#) and [2019-1516](#).
- ▶ The tax authorities issued GR 4,581/2019, which establishes the procedure for taxpayers to request a refund of their accumulated input value-added tax (VAT) credits derived from fixed-asset acquisitions. The VAT credit reimbursement only applies to credits remaining after six months. For more information, see Tax Alert [2019-1687](#).
- ▶ As part of Brazil's progress toward becoming a full member of the OECD, President Bolsonaro signed Decree 9.920/19 on 19 July 2019, creating the council to lead the admission process. Brazil has already met approximately 30% of the OECD requirement to become a full member of the organization and, with the official backing of the United States, has become a strong candidate.
- ▶ The Brazilian Ministry of Mines and Energy published Ordinance 252/2019, under which foreign investors may claim an exemption from financial and withholding taxes for income derived from investments in oil, natural gas, and biofuel infrastructure areas through debentures issued by Brazilian entities. For more information, see Tax Alert [2019-1357](#).
- ▶ During the third quarter, the following treaty developments occurred:
  - ▶ A third round of negotiations for a free trade agreement between Korea and MERCOSUR (Argentina, Brazil, Paraguay and Uruguay) was held in Montevideo from 8 to 12 July 2019.
  - ▶ Negotiations for a tax treaty between Brazil and Norway are ongoing. Once a new treaty is signed and enters into force, the new treaty will replace the Brazil – Norway Double Tax Treaty currently in force.
- ▶ On 20 September 2019, Brazil enacted Law 13,874 (the Law), amending the Brazilian Civil Code to allow new and existing limited liability companies (Limitadas) to operate with a single member or shareholder. The Law does not prohibit foreign legal entities from being a sole shareholder, subject to limitations provided under other laws. The enactment of this new Law grants additional flexibility to the entity classification that could be given to Brazilian limited liability companies from an international tax standpoint (e.g., treating limited liability companies as disregarded entities, partnerships, or corporations under US tax law). For more information, see Tax Alert [2019-1700](#).

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## Brazil

- ▶ The National Congress is discussing two tax reform proposals – Bill 110/2019, proposed by the Senate, and Bill 45/2019, proposed by the Chamber of Deputies. Although a third proposal is still being prepared by the federal government, the President of the Senate, the Ministry of Economy and the President of the Chamber of Deputies announced on 5 August 2019 that they had agreed to consolidate the two current proposals into one. As a result, the National Congress would analyze only one tax reform proposal. Taxpayers should monitor further developments.
- ▶ The reform discussions in Brazil have included the possibility of creating a new tax that would be levied on any payments and financial transactions involving banks and other financial institutions. The tax rate could range from 0.2% to 1%. Brazilian reais could be taxed at every stage, including bank deposits, thereby imposing a heavier burden on the less wealthy. The tax may also drive transactions to a cash basis to avoid the tax, as opposed to completing transactions through the financial system. Thus, the tax could affect compliance in several areas. For more information, see Tax Alert [2019-1603](#).
- ▶ On 4 September 2019, Brazil's Senate Constitutional Affairs committee approved the Bill for Amendment of the Constitution 6/2019, a social security reform bill, which introduces a minimum retirement age aimed at saving the government 1.3 trillion Brazilian reais (US \$243 billion) over a decade. The bill is with the full Senate for a vote, and the President is expected to sign it by mid-October.

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## Canada

- ▶ The Department of Finance released several draft legislative proposals to implement measures remaining from the 2019–20 federal budget, as well as revisions to the recently enacted measures concerning accelerated capital cost allowance (CCA) and resource expenses. The proposals would expand the foreign affiliate dumping rules, amend provisions related to cross-border securities lending arrangements, clarify the transfer pricing rules, and make various technical amendments to the accelerated investment incentive for depreciable property and resource expenditures. For more on the draft legislative proposals, see Tax Alert [2019-1415](#).

- ▶ Canada's Government published an *Order Amending the Schedule to the Customs Tariff (CPTPP)* on 7 August, to correct errors in the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Because of an error with the transposition of Canada's tariff commitments under the CPTPP, 15 tariff items in the Schedule were assigned the incorrect staging category for the CPTPP preferential tariffs in domestic legislation. As a result, upon entry into force of the CPTPP, 14 of those tariff items were incorrectly granted duty-free status and one tariff item was made subject to a gradual phase-out of customs duties when it should have been duty-free upon entry into force of the CPTPP. The government also published OR/2019-290 on 21 August, an *Order Amending the Schedule to the Customs Tariff (Costa Rica)* in Part II of the Canada Gazette. Effective 8 August, Canada is extending entitlement of the *Canada-Costa Rica Free Trade Agreement (CCRFTA)* preferential tariff treatment to certain goods that originate under the CCRFTA but were excluded from CCRFTA preferential tariff treatment before 8 August. For more information on these orders, see Tax Alerts [2019-1536](#) and [2019-1552](#).
- ▶ Canada's Government implemented new reporting requirements for imports of carbon steel, speciality steel products and aluminum products in a bid to improve Canada's steel and aluminum import regime and meet its commitments under the Joint Statement by Canada and the United States on Section 232 Duties on Steel and Aluminum (Joint Statement). For more information, see Tax Alert [2019-1638](#).
- ▶ The Colombian tax authorities issued Resolution 49 of 2019, which regulates an alternative collection system /VAT withholding system for the VAT on digital services provided by foreign service providers (FSPs) to Colombian residents. Under Resolution 49 of 2019, foreign service providers of digital services may elect to be subject to the new VAT withholding system, under which they will no longer be responsible for collecting the VAT on the provision of digital services to Colombian residents. Rather, the collection and payment of the VAT will shift to credit card and debit card issuers, prepaid card sellers, and those who collect cash on behalf of third parties. For more information on Resolution 49, see Tax Alert [2019-1517](#).
- ▶ Following Resolution 53 of 2019, taxpayers may now apply the Mutual Agreement Procedures (MAP) as contained in the Double Tax Treaties (DTTs) to which Colombia is a party. Residents in Colombia or abroad may request that the competent tax authority (in either country) review DTT application, resident status, or other disputes under the DTT. This request must comply with several requirements. The two competent authorities must resolve any disputes without the taxpayer's intervention.
- ▶ Decree 1468 of 2019 clarifies the SIMPLE regime for small entities, which was enacted as part of the last tax reform (Law 1943). The SIMPLE regime applies to small entities with yearly gross income under 80,000 tax units (approximately US \$830,000). Decree 1468 clarifies that payments made by these entities are not subject to withholding tax.
- ▶ Decree 1422 of 2019 established an automatic refund method for low-risk taxpayers. Under the decree, taxpayers that do not represent a high risk for the tax authorities will be granted an automatic refund (within 10 business days) after submitting a refund claim for a favorable balance generated on an income tax or VAT return. Taxpayers that do not represent a high risk are those that (1) have 85% or more of their costs and expenses associated with suppliers that have implemented and currently issue electronic invoices and (2) comply with other requirements set forth in the decree.

## Chile

- ▶ The Chilean House of Representatives approved a tax reform bill after one year of debate and political negotiation. Discussion in the Senate is expected to take place during the last quarter of 2019 and could involve further amendments to the bill. The current version would establish a single withholding tax rate for dividend distributions from Chilean companies to foreign shareholders abroad, a 19% VAT on digital services, an interim cash repatriation mechanism for earnings obtained before calendar year 2017, and a new regional contribution of 1% on investments by local companies that exceed US \$10 million. For more information, see Tax Alerts [2019-1618](#) and [2018-1710](#).

## Colombia

- ▶ The Colombian government issued new regulations (Decree 1146) for the thin capitalization rule to implement the changes made as part of the tax reform enacted last year (Law 1943 of 2018). In addition to defining several terms, including "warranty," "back-to-back loan" and "operation in which a related company substantially acts as a creditor," Decree 1146 includes the methodology for calculating whether there is an interest that is not deductible and/or capitalizable. If interest is not capitalizable because of the application of the limitation in the thin capitalization rule, the interest also is not deductible. In addition, the interest cannot be treated as a cost in any later tax year. The decree also sets forth the requirements and content of the certification that should be issued by the creditor to establish that the loan is not a related-party debt. The certification must be issued before the due date for filing the income tax return in which the taxpayer is requesting the interest deduction. For more information on the decree, see Tax Alert [2019-1387](#).

## Costa Rica

- ▶ Costa Rican tax authorities have issued several regulations and resolutions implementing the tax reform enacted in December 2018. The VAT law and modifications to the income tax law, enacted as part of the tax reform, went into effect 1 July 2019.
- ▶ Costa Rica's Attorney General's Office determined (Legal Opinion No. C-185-2019) that the exemptions applicable to the sales tax apply to the new VAT because the tax reform enacted in 2018 did not include a provision repealing those exemptions. The Attorney General's conclusion that the tax exemptions applicable to the sales tax apply to the VAT creates uncertainty regarding the application of the VAT. The tax authorities must follow the Attorney General's Legal Opinion or file a bill before the Congress to amend the VAT law. For more information, see Tax Alert [2019-1262](#).



- Costa Rica's General Customs Directorate and the National Customs Valuation and Verification Body published a Resolution that regulates how to include royalties and license fees in the price actually paid on or payable for imports. The Resolution applies both to cases in which the importer knows the amount of such fees and royalties and cases in which the importer does not know those amounts. Specifically, the Resolution establishes that if the importer knows the total amount of the royalties and license fees, the importer must declare this amount in the Single Customs Declaration by including it in the total value of the goods, as established in Articles 1 and 8.1.c of the Customs Valuation Agreement of the World Trade Organization. The Resolution requires importers that do not know the royalty or license fee amount at the time of import to estimate the amount. For more information, see Tax Alert [2019-1566](#).
- Costa Rica signed a new free trade agreement with Korea and an Association Agreement with the United Kingdom. The free trade agreement with Korea will allow 80% of Costa Rica's products to enter the Korean market tariff free. The Association Agreement guarantees that the tariff conditions will remain the same as they were before the United Kingdom exited the European Union. For more information, see Tax Alert [2019-1628](#).
- In accordance with the Law Against Tax Fraud and its regulations, and the joint resolution between the Costa Rican Ministry of Treasury and the Costa Rican Institute of Drugs, all legal entities in Costa Rica must report shareholders and ultimate beneficial owners to the Registry of Transparency and Final Beneficiaries. Entities must submit information during the month corresponding to the last digit of their taxpayer identification number as follows:

Last digit of the legal entity ID number	Month of the Statement
0 and 1	September 2019
2 and 3	October 2019
4 and 5	November 2019
6 and 7	December 2019
8 and 9	January 2020

- On 25 September 2019, the tax authorities published, in the Official Gazette, the list of non-cooperative jurisdictions with respect to the provisions of Section 9.k of the Income Tax Law.

## Dominican Republic

- On 1 August 2019, the President of the Dominican Republic issued Decree No. 265-19, which establishes a new simplified tax regime (STR) for the assessment of income tax and VAT applicable to individuals and entities in the service or agricultural sector and producers of goods with annual net income of less than RD \$8.7 million (approx. US \$170,600), and merchants of goods with annual purchases and imports not exceeding RD \$40 million (approx. US \$785,000). Under the STR, taxpayers do not have to (1) file periodic information reports with the Dominican Tax Authority (DTA); (2) pay income tax pre-payments; (3) pay the asset tax, as long as the assets are related to the taxpayer's businesses.

- On 17 July 2019, the DTA issued General Norm No. 07-19, establishing that financial institutions and securities companies must withhold 1% of the interest paid to local entities. In addition to the withholding obligation, these designated agents must submit to the DTA certain information on interest payments made to residents and nonresidents.

## Ecuador

- The Vice President announced tax amendments that the National Assembly will consider. The amendments would: (1) eliminate advanced income tax payments; (2) create a single income tax rate for agriculture, aquaculture, and fisheries; and (3) increase the top individual income tax rate from 35% to 38.5%. The amendments also would increase the VAT from 12% to 15% but would retain a 0% VAT rate for unprocessed food, education expenses, and health expenses. Additionally, a 0% VAT rate would apply to flowers, and a 12% VAT rate would apply to paper and digital services. The outflow tax would be gradually reduced from the current 5% rate, and stock market transactions would be exempt from the outflow tax. The amendments would establish a 15% digital services tax rate for services provided by companies that do not register with the Ecuadorian tax authorities and a 12% digital services tax rate for services provided by companies that do register.
- The Ecuadorian Customs Authority issued an updated procedure for taxpayers to qualify as authorized economic operators (AEOs). The Customs Authority will grant AEO status for three years (subject to renewal). During the three-year period, AEOs would have the following benefits with respect to their customs transactions: (1) local and international recognition as an economic operator that has security measures to minimize risks; (2) non-intrusive coordinated control; (3) reduced inspections and reviews of import documentation; (4) priority attention from customs personnel; (5) training from customs personnel; and (6) the ability to use a distinctive mark showing they are recognized as an "AEO" for marketing purposes. The AEO application process consists of two phases. In the first phase, the applicant must prove that it has a satisfactory record (i.e., it is in compliance with its customs and tax obligations). The second phase requires the applicant to show that it is financially solvent through an external audit report and up-to-date financial statements. The Ecuadorian Customs Authority will enter into mutual recognition agreements with other countries to allow AEOs to have the same benefits in other jurisdictions. For more information, see Tax Alert [2019-1659](#).

## El Salvador

- The Salvadoran Congress issued Legislative Decree No. 396 (15 August 2019), which includes reforms to the International Services Law. The decree incentivizes individuals or companies to supply prepared or unprepared food to certain entities benefiting from the law or its employees. The incentives include an income tax exemption, free entry of machinery, equipment and tools, and a municipal tax exemption. In addition, it includes the procedure for destroying goods not suitable for consumption or use.
- Congress also issued Legislative Decree No. 397, which includes reforms to the Free Trade Zone Law. The reforms are related to the procedure for destroying goods not suitable for consumption or use.
- Both decrees are pending publication in the Official Gazette.

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## Guatemala

- ▶ The Tax Authorities and the Guatemalan Institute of Social Security (IGSS) signed an information exchange agreement to audit employers required to report and remit social security taxes. The purpose of the audits is to determine whether the wages, benefits or other remuneration paid and the taxes reported are consistent with each other. Currently, the tax authorities do not appear inclined to carry out mass audits or focus on a particular group of employers; however, there have been a few isolated cases in which the IGSS has requested certain information from employers (i.e., internal payrolls, IGSS payrolls, book of salaries, income tax returns, labor contracts, etc.).
- ▶ On 5 August 2019, the Constitutional Court upheld Section 30 “C” of Decree 6-91 as constitutional, allowing the tax authorities to request taxpayers’ financial information from banking and financial institutions. Because Section 30 “C” was suspended by the Constitutional Court until this decision, the tax authorities may not obtain taxpayers’ financial information for transactions that took place from 17 August 2018 to the date on which Section 30 “C” is reinstated.
- ▶ Through the audit process, the tax authorities have detected several inconsistencies in VAT returns submitted by taxpayers. The tax authorities publicly stated that they will approach the implicated taxpayers to determine the cause of the inconsistencies and require tax adjustments when applicable.

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## Honduras

- ▶ The Board of Directors of the International Monetary Fund (IMF) approved a “Stand By” agreement with the Honduran Government to increase tax collections. However, the Minister Director of Honduran Tax Authorities, Miriam Guzmán, indicated that there will be no new taxes or increase in the Honduran effective tax rates.
- ▶ The Honduran Private Enterprise Council presented income tax, sales tax and monotax draft bills to the Honduran President to submit to the Honduran National Congress for discussion and approval. The income tax draft bill would establish a territorial tax system and change the withholding tax rates applicable to nonresidents in Honduras. The sales tax draft bill would not change the tax rates, but it would simplify the procedures for filing sales tax returns and making payments. The monotax draft bill would establish a special regime based on a progressive tax, which would replace the income tax and all taxes applicable to taxable income. The single-tax regime would apply to individuals or legal entities with income of less than 600 minimum wages as set out in Subsections 3(a), (b) and (c) of the Single-Tax Act.

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## Mexico

- ▶ Mexico’s President submitted his first fiscal package for 2020 to Congress. The package includes the 2020 budget, as well as changes to certain tax provisions. For more information on the economic package, see Tax Alert [2019-1623](#).
- ▶ Mexico’s President proposed an amendment to the Mexican Federal Constitution that would prohibit tax amnesties.
- ▶ Several proposals have been filed within the Mexican Congress that would establish more severe penalties (such as criminal responsibility) for taxpayers that engage in transactions with no economic substance.

- ▶ The Mexican Taxpayers Ombudsman and the Mexican Congress entered into an agreement to, among other things, carry out actions that will address the challenges arising from the digitalization of the economy.

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## Nicaragua

- ▶ Ministerial Agreement No. 017-2019 entered into force, which amended the following ministerial agreements:
  - ▶ Ministerial Agreement No. 073-2008 – *Reduction of Import Duties (DAI) to Zero Percent (0%) to Consumer Goods*
  - ▶ Ministerial Agreement No. 016-2009 – *Reform and Additions to the MIFIC Ministerial Agreement No. 073-2008 and the MIFIC Ministerial Agreement No. 009-200*
  - ▶ Ministerial Agreement No. 027-2009 – *Reduce DAI to Zero Percent (0%) of the Replacement Materials that are Detailed Below, Regardless of Their Origin, Which Will Be Used in Influenza A H1N1 Work*
- ▶ Ministerial Agreement No. 017-2019 also extended Ministerial Agreement No. 009-2009, *The List of Products Covered by the Provision Contained in the First Agreement of the MIFIC Ministerial Agreement No. 073-2008*. It also amended Ministerial Agreement No. 017-2019, which taxes imports that have preferential rates under the ministerial agreements mentioned above.

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## Panama

- ▶ Panama’s Government issued Executive Decree No. 46, which establishes the regulatory framework for the country-by-country (CbC) report. Under the decree’s provisions, CbC reports must include information on the multinational entity group’s revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, and number of employees. Additionally, Panama’s tax authorities signed the *Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports*, which covers the international standards for the automatic exchange of CbC reports.
- ▶ Panama published Executive Decree 53 of 2019, which establishes a list of reportable jurisdictions for Common Reporting Standard purposes. “Reportable jurisdictions” are jurisdictions with which an agreement is in place and is identified in a published list by the Competent Authority. The decree lists 74 jurisdictions that will engage in the exchange of information during 2019 for tax year 2018 data. For more information, see Tax Alert [2019-1286](#).
- ▶ Panama’s tax authorities issued Resolution No. 201-3931, approving the procedure manual for the exchange of information on request. The manual follows the guidelines promoted by the OECD’s Global Forum on Transparency and Information Exchange for Tax Purposes.

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## Paraguay

- ▶ No tax policy developments are available for this quarter.

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## Peru

- ▶ On 25 September 2019, the Peruvian Tax Authority issued Resolution 185-2019/SUNAT, establishing the form, terms and conditions for filing the Ultimate Beneficial Owner Affidavit. Corporations, trusts, investment funds and mutual funds have to file the affidavit. Beginning 30 November 2019, large taxpayers are subject to the new affidavit filing requirement, which is due in December. The due date for the affidavit will depend on the due date established for filing the monthly tax returns for November 2019, which is determined by the taxpayer identification number. For more information, see Tax Alert [2019-1719](#).

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## Puerto Rico

- ▶ The Puerto Rico Treasury Department (PRTD) issued Informative Bulletin 19-09, announcing modifications to the informative returns and withholding regimes in Puerto Rico as a result of amendments made by Act 257 of 10 December 2018 to the Puerto Rico Internal Revenue Code of 2011. The modified regime will require service providers and sellers of telecommunications services, internet, cable and satellite services, and insurance to report payments for those services. The modified regime also includes new forms for entities engaged in the business of processing payments by electronic media that have to report payments processed for and credited to their merchant clients, as well as payments to non-Puerto Rico residents and payments for services rendered outside Puerto Rico. Additionally, in the case of sales and use tax, non-withholding agents engaged in the mail-order sales business in Puerto Rico will have to report annually the tangible personal property sold to Puerto Rico customers. Non-compliance with the new reporting and withholding rules could result in the disallowance or limitation of the related expense deduction.
- ▶ The United States Treasury has reportedly asked Puerto Rico's government to begin preparing for the end of the foreign tax credit (FTC) for Puerto Rico's 4% excise tax (the PR excise tax). The PR excise tax is generally levied on: (1) persons (including US multinationals) that purchase manufactured goods or (2) services provided by a Puerto Rico affiliate that is exempt from the generally applicable Puerto Rico corporate income tax. In IRS Notice 2011-29, the United States Treasury and the IRS announced that they were evaluating the creditability of the PR excise tax and, "[p]ending resolution of these issues," would not challenge a taxpayer's position that the PR excise tax is creditable for US tax purposes. The Notice further indicated that any change in such treatment would be prospective from the date of that subsequent determination. Recent reports indicate that the United States Treasury and the IRS are close to withdrawing Notice 2011-29, thus raising doubts regarding the continued creditability of the excise tax. PR government officials have to respond to the United States Treasury's request to present a plan in response to the reported end of the FTC for the 4% excise tax.
- ▶ The PRTD issued the *Tax Expenditure Report for Tax Year 2017*, which includes a list of tax expenditures with their cost estimates. Tax expenditures are usually used to achieve policy objectives. The report shows what tax policies Puerto Rico's government employed in 2017 to help individuals and businesses.

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## United States

- ▶ Implementation of the 2017 tax reform law continues to be a focus of US tax policy. Several regulatory packages are expected before year-end, including guidance related to foreign tax credits, the law's base erosion and anti-abuse tax (BEAT) and its foreign-derived intangible income (FDII) provisions.
- ▶ The US tax legislative outlook is uncertain, with the US House of Representatives' impeachment inquiry potentially slowing activity. Republican leaders in Congress have discussed the possibility of a technical corrections bill to address some provisions of the tax reform law, as well as legislation to extend temporary tax provisions that either expired in 2017 or 2018 or are scheduled to expire at the end of 2019.
- ▶ Tax treaties are gaining traction. Following approval of tax protocols with Spain, Luxembourg, Japan and Switzerland in July, attention has turned to possible ratification of US tax treaties with Chile, Hungary and Poland, although the path forward is not clear.
- ▶ Climate issues are also becoming an area of focus. In July, three carbon tax proposals were released in Congress, and several Democratic presidential candidates have mentioned climate change as a priority, a signal that debate over carbon tax proposals may intensify during the upcoming campaign.
- ▶ Trade uncertainty remains a key policy concern. The United States announced \$7.5 billion of tariffs on European goods following a World Trade Organization ruling, and trade negotiations continue with China despite the ratcheting up of tariffs on each other's products in recent months. However, the United States is also pursuing an affirmative trade agenda through free trade agreements. On 25 September, the United States and Japan announced a limited trade deal to reduce agricultural and industrial tariffs and provide rules for digital trade. Agreements are also being pursued with Canada and Mexico, Korea (renegotiation), and the United Kingdom.

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## Uruguay

- ▶ No tax policy developments are available for this quarter.

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## Venezuela

- ▶ Venezuela enacted the Constitutional Law Creating the Equity Tax (the Law), which will impose a tax on the net equity of certain taxpayers with equity over 150 million Tax Units (or US \$360,000). The tax will be determined on 30 September of each year. The tax rate is set at 0.25%. However, the Law permits the Executive Power to modify the tax rate between 0.25% and 1.50%. The Executive Power also may establish progressive tax rates based on the equity value. Taxpayers may not deduct the equity tax from the income tax and may not use exemptions or benefits under other tax provisions to offset their equity tax liability. The first period to which the equity tax applies will end on 30 September 2019, and the first tax return must be filed from 1 October 2019 to 30 November 2019. The Law went into effect 3 July 2019. For more information on the Law, see Tax Alerts [2019-1438](#) and [2019-1604](#).

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