

Report on recent US international tax developments - 25 October 2019

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The United States (US) Treasury and Internal Revenue Service (IRS) "pre-rule" on the treatment of certain interests in corporations as stock or indebtedness that has been under review by the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA) since 8 October, returned to Treasury on 21 October for final review. Although there is speculation, there is no firm confirmation as to what aspect of the Internal Revenue Code (IRC)¹ Section 385 debt/equity regulations the pre-rule addresses.

A senior IRS official this week was quoted as saying that pending foreign tax credit regulations will include guidance on the apportionment of research and development expenses. The regulations will also cover damage awards, settlement payments and the assignment of foreign taxes to income groups. Final and temporary foreign tax credit regulations have been listed as pending review at OIRA since 3 October.

Besides the foreign tax credit regulations, the only international guidance currently listed as pending OIRA review on its website are the final and proposed Section 59A Base Erosion and Anti-abuse Tax (BEAT) regulations. Both BEAT regulatory packages have been with OIRA since 16 September 2019.

An IRS official this week warned taxpayers to expect more compliance letters on virtual currency transactions. The official was quoted as saying the 10,000 compliance letters sent to taxpayers that were announced in July 2019 were

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