



TaxNewsFlash

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EU finance ministers express concerns about U.S. tax reform proposals

Finance ministers from five EU countries wrote to Treasury Secretary Steven Mnuchin (and members of the U.S. Congress) expressing their concerns regarding certain aspects of the U.S. tax reform efforts.

The finance ministers from France, Germany, Italy, Spain, and the UK wrote:

...it is important that the U.S. government's rights over domestic tax policy be exercised in a way that adheres with international obligations to which it has signed-up. The inclusion of certain less conventional international tax provisions could contravene the U.S.'s double taxation treaties and may risk having a major distortive impact on international trade. We would therefore like to draw your attention to some features of the proposals being discussed that cause significant concerns from a European perspective.

In particular, the finance ministers expressed concerns about:

- A proposal in the U.S. House bill that would impose an excise tax of 20% on payments to foreign affiliated companies, unless the related foreign corporation elected to treat the payments as income is effectively connected with the conduct of a U.S. trade or business
- A proposal in the U.S. Senate bill for a base erosion and anti-abuse tax (BEAT) that would affect "genuine commercial arrangements" involving payments to foreign companies that are taxed at an equivalent or higher rate than the United States, such that this may constitute unfair trade practice and may discourage non-U.S. financial institutions from operating in the United States
- A proposal in the Senate bill for a preferential tax regime for "foreign-derived intangible income"

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