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KPMG report: Tax reform proposals—BEAT down, SHIELD up

The Biden Administration in early April 2021 released a description of its "Made in America" tax plan.

One aspect of the plan would replace the base erosion and anti-abuse tax (BEAT) imposed on certain large corporate taxpayers with respect to certain payments made to foreign related parties with a new regime that would deny corporate deductions by reference to payments to foreign related persons that are subject to a low effective tax rate, unless the income is subject to an acceptable minimum tax regime.

This proposal—referred to as SHIELD (stopping harmful inversions and ending low-tax developments)—is intended to more effectively target profit shifting to low-taxed jurisdictions, relative to the existing BEAT, while simultaneously providing a strong incentive for other nations to enact global minimum tax regimes.

The SHIELD appears inspired by the ''undertaxed payments rule'' (UTPR) in the OECD's Pillar Two Blueprint, but there are potentially significant differences. The potential for such differences was underlined by a recent U.S. Treasury presentation to the OECD Steering Group of the Inclusive Framework on BEPS, which noted that SHIELD would be consistent only with the ''general concept of the UTPR.''

The Biden Administration's plan includes few details on how SHIELD would apply. This KPMG report outlines a current understanding of the proposal and flags key open questions. It is anticipated some of these questions would be answered when more details of the administration's proposals are released, likely in late May 2021, in the Treasury Department's annual report on the administration's revenue proposals (commonly referred to as the ''Green Book'').

Read a **May 2021 report*** [PDF 139 KB] prepared by KPMG LLP

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