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Ways and Means Republicans introduce bill to increase BEAT where countries adopt UTPR

In advance of a hearing before the House Ways and Means Subcommittee on Tax on BEPS 2.0 scheduled for later today, Republican members of the Ways and Means Committee introduced a bill entitled the “Unfair Tax Prevention Act.”

Read [text](#) [PDF 38 KB] of the bill

According to the related [press release](#), the bill would increase the U.S. base erosion and anti-abuse tax (BEAT) where foreign countries adopt Pillar Two’s undertaxed profits rule (UTPR). In particular, the bill would:

- Define “foreign-owned extraterritorial tax regime entities” (FETR entities) as foreign-controlled entities connected with entities operating in jurisdictions with extraterritorial taxes aimed at U.S. business operations, including the UTPR
- Strengthen anti-avoidance rules in the BEAT by eliminating the 3% base erosion percentage floor and the \$500 million gross receipts test for FETR entities
- Revoke the ability of FETR entities to disregard certain service payments and payments subject to withholding taxes
- Treat 50% of cost of goods sold as a base erosion tax benefit
- Accelerate the scheduled BEAT rate increase and tax credit changes for FETR entities

The bill would be effective for tax years beginning after date of enactment.

There are no immediate prospects for passage and enactment.

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