



## USCIB CROSSCUTTING POLICY BRIEF

# Addressing the Challenges of International Taxation for U.S. Business in the Global Marketplace



### EXECUTIVE SUMMARY: THE OECD DIGITAL TAX PROJECT IS DRIVING DIGITAL TAX REFORM AROUND THE WORLD IN 2021

The immediate international tax policy priorities facing the Administration center around the current critical review phase for the OECD digital tax project which has been ongoing for several years. The absence of a global solution to revising an international tax system that has proven to be in some ways no longer fit for purpose in the digitalized economy has led to a proliferation of unilateral tax measures that disproportionately burden U.S. business. Many foreign jurisdictions and the European Union are committed to maintaining and increasing unilateral taxation solutions in the absence of global tax reform agreement.

USCIB has identified three key international tax topics for engagement with the new Administration that are in the interests of U.S. business. These topics include the U.S. position on the OECD digital tax project, the European Commission's tax agenda and its early outreach to the Administration, and the design of international tax reform in the next Congressional term.

### THE OECD PROJECT - TAX CHALLENGES ARISING FROM DIGITALIZATION

#### Context & Background:

The G20 group of governments mandated the OECD's tax work on a Base Erosion and Profit Shifting Project (BEPS) almost a decade ago. BEPS was in large part a response to the 2008 global financial crisis and is the OECD's comprehensive tax policy project to generate new, principle-based international tax rules to reduce and in some cases eliminate opportunities for certain aggressive tax planning by multinational corporations. For the last several years, the OECD's BEPS focus has been on developing proposals to address the "Tax Challenges Arising from Digitalization," also referred to as "the digital tax project." In October, the OECD presented to the G20 very detailed, so-called "Blueprints" for two separate "pillars" of international tax reform. The formal deadline for political agreement on the Blueprints is mid-year 2021. That does not leave a lot of time for U.S. Treasury leadership in the new Administration to formulate the U.S. position and engage the OECD.

### USCIB Action:

USCIB will support the Administration in formulating a U.S. position that balances the need for a multilateral tax solution and the legitimate concern that U.S. business not be disproportionately burdened by any global tax reform. In December, USCIB published its consultation letter to the OECD. The USCIB letter is the basis for its advocacy position as USCIB engages policy influencers and decision-makers in the U.S. and internationally this spring.

## ENHANCING WORKING RELATIONSHIPS WITH KEY CONTACTS AT THE EUROPEAN COMMISSION

### Context & Background:

The Administration change has motivated both sides of the Atlantic to re-define the relationship between leadership in the U.S. government and the European Commission under its President Ursula von der Leyen. Already in November of last year, the Commission called for an EU-U.S. summit to take place before July 2021. The summit agenda will likely include digital taxation, including the OECD tax project and related Commission developments.

### USCIB Action:

USCIB will support the Administration in preparing for the Commission's tax issues in a summit agenda. The work will be a good opportunity to establish the strategic value of USCIB to the Administration in representing a very broad base of U.S. industry. If no agreement is reached on global tax reform this summer, the von der Leyen Commission has long indicated it will proceed with its own proposals to tax the digital economy in the European Union and this will directly impact U.S. business. **USCIB will inform the Administration as we represent the interests of our members with respect to these specific Commission tax initiatives.**

## U.S. TAX REFORM – EARLY PROPOSALS & POTENTIAL FRICTION WITH THE OECD DIGITAL TAX PROJECT

### Context & Background:

The Administration announced general tax reform proposals already during its campaign. A split U.S. Senate makes U.S. tax reform more likely in the current Congressional term. The Administration's wish list includes some proposed actions related to international tax reform that will impact USCIB members.

### USCIB Action:

USCIB represents all sectors of the U.S. business community and strives to develop consensus positions within its membership on tax reform. As these consensus positions emerge, USCIB will advise the Administration on the business validity of proposed international tax reform measures at the earliest stages of the legislative process. As proposals evolve into statutory drafting, USCIB will provide the Administration guidance on the design of the rules based on established tax policy principles. The scope of this guidance will include specific reform related to any agreement the U.S. reaches on the OECD digital tax project.