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IRS Releases Proposed BEAT Regulations

On 13 December, the United States Internal Revenue Service (IRS) released [proposed regulations](#) on the section 59A Base Erosion and Anti-abuse Tax. As part of the revision of the US international tax system, major amendments to the US tax law for 2018 and future years were enacted with the Tax Cuts and Jobs Act (TCJA). Among other changes made by the TCJA, new section 59A imposes a tax equal to the base erosion minimum tax, in addition to the regular tax liability, beginning in tax year 2018. This new provision will primarily affect corporate taxpayers with gross receipts of more than \$500 million over a three-year period who make deductible payments to foreign related parties.

The IRS stated that the proposed regulations provide detailed guidance regarding which taxpayers will be subject to section 59A, the determination of what is a base erosion payment, the method for calculating the base erosion minimum tax amount, and the required base erosion and anti-abuse tax resulting from that calculation.



EU - Japan Trade Agreement to Enter Into Force

The European Parliament plenary session of 12 December [saw the approval](#) of the EU's trade agreement with Japan, the largest bilateral trade deal ever negotiated by the EU. The [Economic Partnership Agreement](#) is expected to enter into force in 2019, subject to approval by the EU Member states. Signed on 17 July 2018, the deal creates a trade zone of 600 million people, and covers a third of world's GDP and about 40 per cent of global trade.

Commenting, Jean-Claude Juncker, President of the European Commission said: "Almost five centuries after Europeans established the first trade ties with Japan, the entry into force of the EU-Japan Economic Partnership Agreement will bring our trade, political and strategic relationship to a whole new level. I praise the European Parliament for today's vote that reinforces Europe's unequivocal message: together with close partners and friends like Japan we will continue to defend open, win-win and rules-based trade. And more than words or intentions, this agreement will deliver significant and tangible benefits for companies and citizens in Europe and Japan."

G20 Leaders Adopt Declaration at Summit in Argentina



On 1 December, world leaders [adopted a declaration](#) setting out the priorities of the G20 at a summit that took place in Buenos Aires, Argentina. The OECD report to G20 leaders was also [published](#) at the commencement of the Summit. The Declaration confirms that the G20 will continue to cooperate concerning the challenges in taxation of the digitalisation of the economy, and will attempt to find an international consensus on the best solution to address the challenges. The prior commitments made to produce an update in 2019 and a final report in 2020 were reconfirmed. Leaders also committed to reforming the World Trade Organisation, stating that the system is “currently falling short of its objectives”.

The Director of the OECD Centre for Tax Policy and Administration Pascal Saint-Amans noted that leaders welcomed BEPS implementation and the commencement of Automatic Exchange of Information, and said that French President Emmanuel Macron stated there was a need for a BEPS 2.0 to address the tax challenges of the digital economy.



ATO Issues Corporate Tax Transparency Report

The Australian Taxation Office (ATO) has now [published](#) its annual Corporate Tax Transparency report. The report indicates that the tax effects of the multinational anti-avoidance law (MAAL) which was implemented on 1 January 2016 are become apparent in tax returns (and transparency information) from the 2016–17 income year for companies that have restructured in response to the MAAL. Already in the 2016–17 income year, a transitional year, \$2.5 billion of sales income has been reported, ATO states. In subsequent years, the figures go up to approximately \$7 billion or more of additional sales each year.

Similarly, the ATO anticipates that the diverted profits tax that came into effect on 1 July 2017 will result in restructuring and increased allocation of profits to Australia by affected taxpayers.



OECD: Increased Transparency on Tax Rulings

As part of efforts to improve tax transparency, the OECD BEPS Inclusive Framework has assessed 92 individual jurisdictions' progress in spontaneously exchanging information on tax rulings, in accordance with Action 5 of the OECD BEPS project. The [OECD's 2017 Peer Review Reports on the Exchange of Information on Tax Rulings](#) show that more than 16,000 tax rulings have been identified and almost 21,000 exchanges of information having taken place to date.