International Tax Update

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Agenda

1. One Big Beautiful Bill
2. Tariff policy
3. Pillar II
4. Other US Issues
5. European Union reporting – DAC 8 and ATAD 3

One Big Beautiful Bill

One Big Beautiful Bill

1. Status – Working its way through Congress.
   a. House vote 215-214 (two absent)
   b. Challenges
2. Interaction with tariff rules
3. Effective Tax Rates on international income
   a. Global Intangible Low Taxed Income (GILTI) and Foreign Derived Intangible Income (FDII) important concessions in TCJA expiring 2026
   b. Base Erosion and Anti-Abuse Tax (BEAT) was an anti-profit shifting rule introduced by TCJA increasing 2026
4. Cost to leave at 2018 levels (per JCT)
   a. GILTI & FDII $142.6B
   b. BEAT $31.2B

International Tax Regime	TCJA 2018	TCJA 2026	OBBB (House Bill)
GILTI Deduction	50%	37.5%	49.2%
FDII Deduction	37.5%	21.875%	36.5%
BEAT Rate	10%	12.5%	10.1%

One Big Beautiful Bill

Research & Development Expenses

Current regime capitalizes and amortizes R&E expenditure

Location of R&E	Current Period of Amortization	OBBB Period of Amortization
United States	5 years	Immediate deduction
Foreign	15 years	15 years

Overall Conclusion

a. United States has a competitive federal tax rate of 21%
b. United States has incentives to develop intellectual property in the United States
c. United States provides very attractive effective tax rates on foreign income earned by US businesses

The United States is an attractive hub for international business.

One Big Beautiful Bill

Proposed Section 899

1. Goal is to provide a tool to address "unfair foreign taxes" (UFT) by "discriminatory foreign countries" (DFC) that "usurp the United States of its tax sovereignty". UFTs include:
   a) Pillar 2 style taxes (UTPR)
   b) Digital service taxes
   c) Diverted profits taxes
   d) Discriminatory or extraterritorial taxes.
2. Applies to an "applicable person" (AP).

- Any government of the DFC
- Any resident individual (not US persons)
- Resident foreign corporations (unless owned by US persons)
- Non-public foreign corporation 50% owned by APs
- Trusts with majority beneficial interests held by Aps
- Private foundation organized in DFC

Impact of Proposed §899
BEAT: Increase rate to 12.5% and apply to smaller corporations
FDAP withholding increase
ECI and BPT increases
Foreign governments – loss of tax exemption
FIRPTA increased withholding tax
Foreign foundations increased tax

At least 65 countries have introduced or passed legislation adopting Pillar II in some form including…

Tariff Policy

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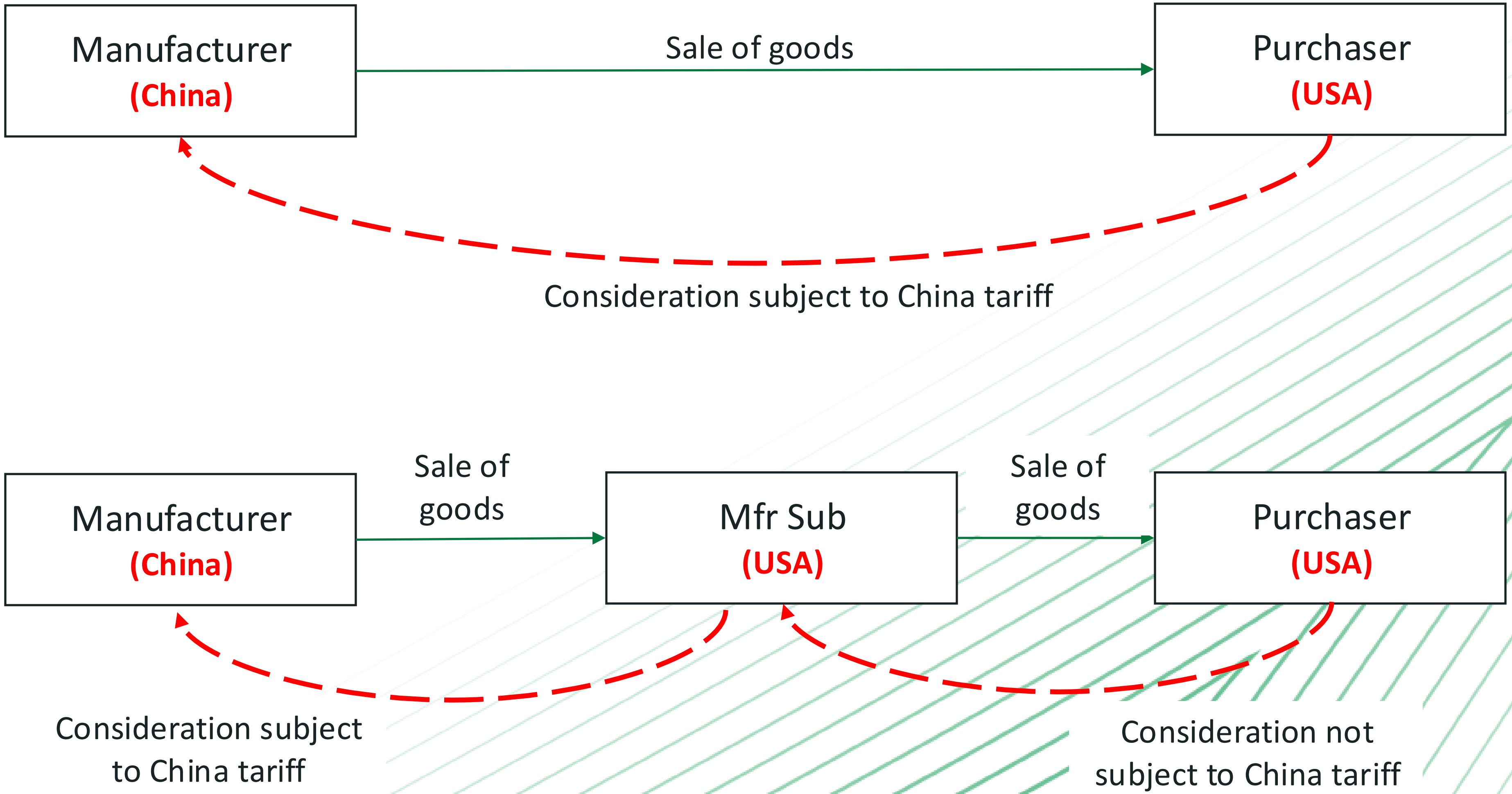
Tariff Policy

- Policy – what policy?
- Possible outcomes
  - Concessions from other countries
  - 10% tariff
- Responses by clients and taxpayers
  - Increase prices to US customers or reduced profits
  - Moving operations to the United States
  - Moving IP to the United States
  - Transfer pricing strategies

Tariff Policy



Pillar II

Pillar II

1. OECD initiative to better share income from the digital economy (Pillar I) and reduce tax competition between countries (Pillar II)

2. Pillar II only applies to very large corporations (sales > €750m)

3. Income Inclusion Rule (IIR)
   - Parent should tax a subsidiary until it incurs a tax of 15%

4. Under Taxed Profits Rule (UTRP)
   - If the local country does not impose the minimum tax and the parent's country does not impose the minimum tax, the countries of other group companies may impose tax.
   - Analysis is on a country-by-country basis

5. United States position
   - US CFC rules are effective
   - GILTI works as well, often better than UTPR (combined basis)
   - Is happy to negotiate but is willing to act unilaterally (including retaliation)

Other US Issues

Other US Issues

1. GILTI continues to have no carry over tax attributes
   - Separate basket for Foreign Tax Credits
   - No carry over losses (and no restriction for negative E&P)
2. Foreign tax credits – Pre-2022 regulations still available
3. Dual Consolidated Loss and Disregarded Payment Loss guidance.
4. Transfer Pricing developments
5. Trust reporting – IRS will no longer impose automatic penalties for late Forms 3520 and 3520A

European Union reporting – DAC 8 and ATAD 3

EU Reporting

European Union Tax Directives

1. ATAD 3: Targets shell entities and introduces substance requirements to combat tax avoidance.
2. DAC 8: Expands reporting obligations to cover crypto-assets and e-money.
3. Relevance: U.S. companies with European operations must comply with new substance and reporting requirements.
4. Data Sharing: Increased information sharing between EU member states and potentially with the United States.

Ryan Dudley, a managing director in the CBIZ International Tax group, specializes in developing cross-border commercial structures and financing strategies to optimize international operations and transactions.

With over 25 years of public accounting and advisory experience, Ryan's clients have ranged from Fortune 50 multinational corporations to private equity and hedge funds, small businesses, and start-ups. He has advised clients in industries as diverse as banking and finance, technology, real estate, infrastructure, manufacturing, and pharmaceuticals.

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